

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012
TOGETHER WITH AUDITOR'S REVIEW REPORT**

(ORIGINALLY ISSUED IN TURKISH)

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2012

CONTENTS		PAGE
CONSOLIDATED BALANCE SHEETS		1-2
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME		3
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY		4
CONSOLIDATED STATEMENTS OF CASH FLOWS		5
NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS		6-53
NOTE 1	ORGANISATION AND NATURE OF OPERATIONS	6-7
NOTE 2	BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS	7-20
NOTE 3	BUSINESS COMBINATIONS	21-22
NOTE 4	CASH AND CASH EQUIVALENTS	22
NOTE 5	FINANCIAL ASSETS	23
NOTE 6	INVESTMENTS IN ASSOCIATE	23-25
NOTE 7	BORROWINGS	25-26
NOTE 8	TRADE RECEIVABLES AND PAYABLES	27-29
NOTE 9	OTHER RECEIVABLES AND PAYABLES	30
NOTE 10	INVENTORIES	31
NOTE 11	PROPERTY AND EQUIPMENT	31-32
NOTE 12	INTANGIBLE ASSETS	33
NOTE 13	COMMITMENTS AND CONTINGENT LIABILITIES	34
NOTE 14	PROVISION FOR EMPLOYMENT TERMINATION BENEFITS	35
NOTE 15	OTHER ASSETS AND LIABILITIES	36
NOTE 16	EQUITY	37-38
NOTE 17	EXPENSES BY NATURE	39
NOTE 18	SALES AND COST OF SALES	39
NOTE 19	RESEARCH AND DEVELOPMENT, MARKETING, SELLING AND DISTRIBUTION AND GENERAL ADMINISTRATIVE EXPENSES	40-41
NOTE 20	OTHER OPERATING EXPENSES	42
NOTE 21	FINANCIAL INCOME	42
NOTE 22	FINANCIAL EXPENSES	42
NOTE 23	CURRENT AND DEFERRED INCOME TAXES	43-45
NOTE 24	EARNINGS/LOSS PER SHARE	45
NOTE 25	RELATED PARTY DISCLOSURES	46-47
NOTE 26	FINANCIAL RISK MANAGEMENT	48-52
NOTE 27	FINANCIAL INSTRUMENTS	52-53
NOTE 28	EVENT AFTER BALANCE SHEET DATE	53

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONSOLIDATED BALANCE SHEETS AT AT 30 JUNE 2012 AND 31 DECEMBER 2011

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

	Notes	30 June 2012	31 December 2012
ASSETS			
Current assets		20.986.491	18.408.891
Cash and cash equivalents	4	5.893.329	5.119.820
Financial assets	5	1.115.163	249.244
Trade receivables			
- Due from related parties	25	73.474	55.240
- Other trade receivables	8	13.019.764	12.682.110
Other receivables	9	13.484	8.328
Inventories	10	140.877	138.396
Other current assets	15	730.400	155.753
Non-current assets		32.109.121	31.329.233
Other receivables			
- Due from related parties	25	2.000.000	2.000.000
Financial assets	5	83.153	83.153
Investments in associate	6	-	2.065.365
Property and equipment	11	13.424.324	13.187.228
Intangible assets	12	16.356.525	13.705.903
Deferred income tax assets	23	245.119	287.584
Total assets		53.095.612	49.738.124

These consolidated interim financial statements have been approved by Board of Directors on 2 August 2012 and signed on its behalf by Buğra Koyuncu, Chief Executive Officer and Gülnur Anlaş, Chief Financial Officer.

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

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.**CONSOLIDATED BALANCE SHEETS
AT 30 JUNE 2012 AND 31 DECEMBER 2011**

(Amounts expressed in Turkish Lira, unless otherwise indicated)

	Notes	30 June 2012	31 December 2011
LIABILITIES			
Current liabilities		9.841.807	8.745.210
Short-term bank borrowings	7	787.923	432.283
Trade payables			
- Due to related parties	25	194.926	247.958
- Other trade payables	8	790.912	1.219.742
Other payables	9	2.857.051	2.837.248
Income taxes payable	23	-	15.613
Other current liabilities	15	5.210.995	3.992.366
Non-current liabilities		5.019.694	6.768.962
Long-term bank borrowings	7	3.653.464	4.112.113
Provision for employment termination benefits	14	1.241.295	1.151.597
Other payables	9	124.935	1.505.252
EQUITY			
Equity attributable to owners of the parent	16	36.769.613	34.223.952
Share capital	16	25.000.000	25.000.000
Adjustment to share capital	16	2.991.336	2.991.336
Restricted reserves	16	3.087.683	4.037.273
Accumulated losses		(188.403)	(929.655)
Profit for the period		5.878.997	3.124.998
Non-controlling interest		1.464.498	-
Total equity		38.234.111	34.223.952
Total equity and liabilities		53.095.612	49.738.124

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

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX AND THREE-MONTH PERIODS ENDED 30 JUNE 2012 AND 2011**

(Amounts expressed in Turkish Lira, unless otherwise indicated)

	Notes	1 January - 30 June 2012	1 April - 30 June 2012	1 January - 30 June 2011	1 April - 30 June 2011
Continuing operations:					
Sales	18	21.624.365	10.973.717	12.295.196	6.341.145
Cost of sales (-)	18	(548.788)	(308.546)	(347.772)	(193.800)
Gross profit		21.075.577	10.665.171	11.947.424	6.147.345
Marketing, selling and distribution expenses (-)	19	(4.062.288)	(2.212.983)	(2.508.441)	(1.271.674)
General administrative expenses (-)	19	(3.599.340)	(1.804.167)	(3.137.134)	(1.844.606)
Research and development expenses (-)	19	(6.899.852)	(3.255.591)	(5.136.393)	(2.655.967)
Other operating income		280.131	270.753	28.865	(2.720)
Other operating expenses (-)	20	(81.414)	(75.946)	(3.662.368)	(3.632.153)
Operating profit/(loss)		6.712.814	3.587.237	(2.468.047)	(3.259.775)
Share of loss of associate	6	-	-	(79.139)	(62.690)
Financial income	21	417.674	334.612	176.420	98.925
Financial expenses (-)	22	(1.106.813)	(641.488)	(226.578)	(108.270)
Profit/(loss) before income tax		6.023.675	3.280.361	(2.597.344)	(3.331.810)
Taxation on income:					
Current income tax charge	23	-	27.764	-	-
Deferred income tax credit/(charge)	23	(42.465)	81.426	(44.150)	16.473
Profit/(loss) for the period		5.981.210	3.389.551	(2.641.494)	(3.315.337)
Other comprehensive income/(loss), net of tax		-	-	-	-
Total comprehensive income/(loss) for the period		5.981.210	3.389.551	(2.641.494)	(3.315.337)
Profit/(loss) attributable to:					
Non-controlling interest		102.213	130.994	-	-
Owners of the parent		5.878.997	3.258.557	(2.641.494)	(3.315.337)
Total		5.981.210	3.389.551	(2.641.494)	(3.315.337)
Total comprehensive income/(loss) attributable to:					
Non-controlling interest		102.213	130.994	-	-
Owners of the parent		5.878.997	3.258.557	(2.641.494)	(3.315.337)
Total		5.981.210	3.389.551	(2.641.494)	(3.315.337)
Earnings/(loss) per share per thousands of shares with nominal value 1 Kr each		2,39	1,36	(1,08)	(1,33)

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

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX AND THREE-MONTH PERIODS ENDED 30 JUNE 2012 AND 2011**

(Amounts expressed in Turkish Lira, unless otherwise indicated)

	Attributable to owners of the parent						Total	Non- controlling interest	Total equity
	Share capital	Adjustment to share capital	Restricted Reserves		Other reserves	Retained earnings/ (accumulated losses) and profit/(loss)			
			Legal reserves	Extraordinary reserves					
Balance at 1 January 2011	25.000.000	2.991.336	1.688.225	11.922.098	923.318	(11.149.221)	31.375.756	-	31.375.756
Total comprehensive loss for the period	-	-	-	-	-	(2.641.494)	(2.641.494)	-	(2.641.494)
Balance at 30 June 2011	25.000.000	2.991.336	1.688.225	11.922.098	923.318	(13.790.715)	28.734.262	-	28.734.262
Balance at 1 January 2012	25.000.000	2.991.336	1.814.593	1.299.362	923.318	2.195.343	34.223.952	-	34.223.952
Dividend paid	-	-	187.983	(1.137.573)	-	(2.383.746)	(3.333.336)	-	(3.333.336)
Acquisition of subsidiary (Note 3)	-	-	-	-	-	-	-	1.362.285	1.362.285
Total comprehensive income for the period	-	-	-	-	-	5.878.997	5.878.997	102.213	5.981.210
Balance at 30 June 2012	25.000.000	2.991.336	2.002.576	161.789	923.318	5.690.594	36.769.613	1.464.498	38.234.111

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

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.**CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE SIX AND THREE-MONTH PERIODS ENDED 30 JUNE 2012 AND 2011**

(Amounts expressed in Turkish Lira, unless otherwise indicated)

	Notes	1 January - 30 June 2012	1 January - 30 June 2011
Profit/(loss) before income tax		6.023.675	(2.597.344)
Provision for doubtful receivables		218.193	3.456.493
Depreciation and amortisation	11, 12	3.011.440	2.607.886
Provision for employment termination benefits	14	434.889	226.492
Interest income	21	(342.797)	(113.332)
Interest expense	22	136.850	-
Deferred revenue	15	764.089	(56.272)
Other		35.579	79.138
Increase in trade and other receivables	8, 9	(561.003)	(2.513.219)
Increase in due from related parties	25	(18.234)	(2.719)
(Increase)/decrease in inventories	10	(2.481)	9.974
Increase in other current assets	15	(333.113)	(562.253)
(Decrease)/increase in trade payables	8	(428.830)	430.021
(Decrease)/increase in due to related parties	25	(53.032)	48.305
Decrease in other payables and other current liabilities	9, 15	(905.874)	(433.226)
Taxes paid		(15.613)	-
Employment termination benefits paid	14	(345.191)	(185.871)
Net cash generated from operating activities		7.618.547	394.073
Investing activities:			
Purchase of property and equipment and intangible assets	11, 12	(578.616)	(231.655)
Cash used in development activities	12	(1.934.179)	(1.222.402)
Interest received		106.971	113.332
(Increase)/decrease in financial assets	5	(865.919)	258.457
Net cash used in investing activities		(3.271.743)	(1.082.268)
Financing activities:			
(Decrease)/increase in bank borrowings	7	(6.266)	19.201
Interest paid		(233.693)	-
Dividend paid		(3.333.336)	-
Net cash (used in)/generated from financing activities		(3.573.295)	19.201
Net increase/(decrease) in cash and cash equivalents		773.509	(668.994)
Cash and cash equivalents at beginning of the period	4	5.119.820	4.907.957
Cash and cash equivalents at end of the period	4	5.893.329	4.238.963

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

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2012

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Logo Yazılım Sanayi ve Ticaret Anonim Şirketi (“Logo Yazılım” or the “Company”) was established in 1986 and became a corporation on 30 September 1999. The Company is domiciled in Turkey and operates under the Turkish Commercial Code.

The Company is engaged in the development and sale of operating systems, application software, databases, multi-media and other software products.

As of 30 June 2012, the Group has 238 employees (31 December 2011: 221)

The address of the registered office is as follows:

Şahabettin Bilgisu Caddesi, No: 609
Gebze Organize Sanayi Bölgesi
Gebze, Kocaeli

The subsidiaries of Logo Yazılım and their nature of business are as follows.

Subsidiary	Country of incorporation	Nature of business
Coretech Bilgi Teknolojisi Hizmetleri A.Ş.	Turkey	Development and marketing of computer software
Logobi Yazılım Sanayi ve Ticaret A.Ş.	Turkey	Development and marketing of computer software
Logo Business Software GmbH	Germany	Development and marketing of computer software
Logo Business Solutions FZ-LLC	United Arab Emirates	Marketing of computer software

As per the share purchase agreement signed on 31 October 2011, the Company acquired all the shares in Coretech Bilgi Teknolojisi Hizmetleri A.Ş. (“Coretech”) (Note 3). The share purchase agreement entered into force as of 28 November 2011. Coretech is a software as a service (“SaaS”) company. With the SaaS marketed under the brand Diva, Coretech offers solutions in retail sales, store management and after-sale services management.

At the Company’s Board of Directors meeting on 8 May 2009, it was decided to participate in Worldbi Yazılım Sanayii ve Ticaret A.Ş. (“Worldbi”) (former name “Logo Biz Yazılım Sanayi ve Ticaret A.Ş.”) with 27,8% and to acquire the related shares from the parent company, Logo Yatırım Holding A.Ş.. Worldbi was established in 1997 as a software company that develops and markets business intelligence products. Worldbi's business intelligence products support other products developed and marketed by the Company within its main field of activity. The Company acquired 32,2% of Worldbi's shares without charge through the share purchase agreement signed on 12 December 2011 and increased its effective ownership interest to 60%. The share purchase agreement entered into force as of 1 January 2012. The trading name of Worldbi Yazılım Sanayii ve Ticaret A.Ş. was changed to Logobi Yazılım Sanayi ve Ticaret A.Ş. (“LogoBI”) as of 2 April 2012.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2012

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

In the Board of Directors' meeting dated 29 January 2007, it was decided to establish a limited liability company in Dubai Technology and Media Free Zone, United Arab Emirates. The entity was established on 27 August 2007 under the legal entity name of Logo Business Solutions FZ-LLC with the paid-in capital of 1.000.000 United Arab Emirates Drachma (TL 362.036). The entity is wholly owned by Logo Yazılım. Logo Business Solutions FZ-LLC performs the Company's international marketing and selling operations.

The Board of Directors of the Company decided on the meeting as of 22 April 2009 to execute international sale and marketing activities from the head office in Turkey and for that reason to close Logo Business Solutions FZ-LLC and to do required actions because the effects of the contraction in the domestic and international market due to the global crisis will continue in 2009 and it is predicted that the company's domestic and international sales and marketing activities will be negatively affected. As of 30 June 2012, the liquidation process has been substantially completed.

Before the establishment of Logo Business Solutions FZ-LLC, the Company's international sale and marketing activities were performed by the head office in Turkey and it is planned to perform these activities from the head office in Turkey after Logo Business Solutions FZ-LLC is closed. Therefore, the decision to close Logo Business Solutions FZ-LLC is not classified as discontinued operations in accordance with the CMB Financial Reporting Standards.

Logo Yazılım and its subsidiaries (collectively referred to as the "Group") operate in software industry. Therefore industrial segment reporting is not applicable.

As stated above it has been decided on April 2009 to cease the operations of Logo Business Solutions FZ-LLC. Since the information about the geographical segments in accordance with the Group's operations consolidated financial statements and monetary materiality is not reportable for the geographical segments except Turkey as of 30 June 2012, it is not disclosed in the consolidated financial statements.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 *Basis of presentation*

2.1.1 **Financial reporting standards**

These consolidated financial statements of the Logo Yazılım have been prepared in accordance with the financial reporting standards endorsed by the Capital Markets Board of Turkey ("CMB"), ("CMB Financial Reporting Standards").

The Capital Markets Board of Turkey regulated the principles and procedures of preparation, presentation and announcement of financial statements prepared by the entities with the Communiqué No: XI-29, "Principles of Financial Reporting in Capital Markets" ("the Communiqué"). This Communiqué is effective for the annual periods starting from 1 January 2008 and supersedes the Communiqué No: XI-25 "The Financial Reporting Standards in the Capital Markets". According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards ("IAS/IFRS") endorsed by the European Union.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AT 30 JUNE 2012**

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board (“IASB”) are announced by Turkish Accounting Standards Board (“TASB”), IAS/IFRS issued by the IASB shall be applied. Accordingly, Turkish Accounting Standards/ Turkish Financial Reporting Standards (“TAS/TFRS”) issued by the TASB which are in line with the aforementioned standards shall be considered.

With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with CMB Financial Reporting Standards. The Company applied the provisions of IAS 29 “Financial Reporting in Hyperinflationary Economies” (“IAS 29”) until 30 June 2005, which was the end of the Company’s fiscal year. The Company ceased the application of IAS 29 on 1 July 2005 in accordance with CMB regulations.

Within the scope of CMB’s Communiqué Serial XI, No:29 and its announcements clarifying this communiqué the consolidated financial statements have been prepared in accordance with the CMB’s Financial Reporting Standards which are based on IAS/IFRS, as the differences of IAS/IFRS, adopted by the European, from those published by IASB have not yet been announced by TASB as of the date of these financial statements. Financial statements and accompanying notes have been presented in accordance with the format, recommended to be implemented by CMB through its announcement dated 14 April 2008 and 9 January 2009, and by including the mandatory information.

As per CMB’s Communiqué Serial XI, No:29 and its announcements clarifying this communiqué enterprises are obliged to present the hedging rate of their total foreign exchange liability and total export and import amounts in the notes to the financial statements.

The Company maintains its books of account and prepares its statutory financial statements (“Statutory Financial Statements”) in accordance with the requirements of the Capital Market Board of Turkey, the Turkish Commercial Code (the “TCC”), tax legislation, and the Uniform Chart of Accounts issued by the Ministry of Finance.

These consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the CMB Financial Reporting Standards.

2.1.2 Financial statements of subsidiaries operating in foreign countries

Financial statements of subsidiaries that are operating in foreign countries are prepared in accordance with the laws and regulations in force in the countries in which they are registered in and required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the Group’s accounting policies.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AT 30 JUNE 2012**

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity (translation reserve) and the total is included in the comprehensive income/(loss).

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

2.1.3 Basis of consolidation

- a) The consolidated financial statements include the accounts of the parent company, Logo Yazılım, its subsidiaries and associates on the basis set out in sections (b), (c) and (d) below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements, and are prepared in accordance with CMB Financial Reporting Standards. The result of operations of the subsidiaries are included or excluded in these consolidated financial statements subsequent to the date of acquisition or date of sale respectively.
- b) Subsidiaries are companies in which the Company has the power to control the financial and operating policies for the benefit of the Company, either (a) through the power to exercise more than 50% voting rights relating to shares in the companies as a result of shares owned directly and indirectly by itself and companies whereby the Company exercises control over the voting rights of (but does not have economic benefit of) the shares held by them, or (b) although not having the power to exercise more than 50% of the voting rights, through the exercise of actual dominant influence over the financial and operating policies.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Intercompany transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition- by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2012

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- c) Investments in associates are accounted for by the equity method of accounting. These are entities over which the Company generally has between 20% and 50% of voting rights, or over which the Company has significant influence, but which it does not control. Unrealized gains that result from transactions between the Company and its associates are eliminated on consolidation, whereas unrealized losses are eliminated unless they do not address any impairment. Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero (unless the Company has incurred obligations or guaranteed obligations in respect of the associates) or when the Company loses its significant influence. The carrying amount of the investment at the date it ceases to be an associate is regarded as its cost on initial measurement as a financial asset.

The table below sets out the subsidiaries and associate of Logo Yazılım and ownership interests held by the Company at 30 June 2012:

	Direct and indirect ownership interests by the Company (%)	Proportion of effective interest (%)
Subsidiaries:		
Coretech Bilgi Teknolojisi Hizmetleri A.Ş.	100,00	100,00
Logobi Yazılım Sanayi ve Ticaret A.Ş.	60,00	60,00
Logo Business Software GmbH	100,00	100,00
Associate:		
Logomotif Multimedya ve Elektronik Yayıncılık Sanayi ve Ticaret A.Ş.	44,75	44,75

At the Board of Directors' meeting of Logomotif Multimedya ve Elektronik Yayıncılık Sanayi ve Ticaret A.Ş. on 12 October 2008 it has been decided on liquidation of the company and for this purpose to apply to the relevant authorities by accomplishing the required transactions.

It has been decided at the Company's Board of Directors' meeting on 8 May 2009 to acquire 27,8% of the shares of Worldbi Yazılım Sanayii ve Ticaret A.Ş. ("Worldbi") (formerly Logo Biz Yazılım Sanayi ve Ticaret A.Ş.) and to purchase the shares from the parent company Logo Yatırım Holding A.Ş. for TL 2.180.000. Worldbi established in 1997 and is a software company that develops and markets business intelligence products. The business intelligence products of Worldbi are supporting to the products developed and marketed in accordance with the core business of the Company. Following the acquisition of Worldbi on July 2009 it has been accounted by using equity method (Note 6). The Company acquired 32,2% of the Worldbi shares free of charge with a signed share purchase agreement on 12 December 2011. Thus, the company increased its partnership interest to 60%. The share purchase agreement entered into force on 1 January 2012. After this date, Worldbi changed its accounting method to full consolidation. In addition, the commercial title of Worldbi Yazılım Sanayii ve Ticaret A.Ş changed to Logobi Yazılım Sanayi ve Ticaret A.Ş (LogoBI) as of 2 April 2012.

- d) Other investments in which the Company and its subsidiaries have interest below 20%, or over which the Company does not exercise a significant influence, or which are immaterial are classified as available-for-sale. Available-for-sale investments that do not have a quoted market price in active markets and whose fair value cannot be measured reliably are carried at cost less any provision for diminution in value (Note 5).

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AT 30 JUNE 2012**

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

2.1.4 Offsetting

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

2.1.5 Use of estimates

The preparation of these consolidated financial statements based on CMB Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and operating expenses during the reporting period.

Although these estimates are based on management's best knowledge of current event and actions, actual results may differ from these estimates.

2.2 Summary of significant accounting policies

The significant accounting policies followed in the preparation of these consolidated financial statements are summarized below:

Cash and cash equivalents

The cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents consist of cash on hand, deposits at banks and highly liquid investments with maturity periods of less than three-months (Note 4).

Trading securities

Trading securities are recognized initially at cost including transaction costs incurred and subsequently measured at their fair values. Fair value gains and losses are recognized in profit or loss (Note 5).

Related parties

For the purpose of these consolidated financial statements, shareholders, associated entities, key management personnel and Board of Directors members, in each case together with their families and companies controlled or affiliated with them are considered and referred to as related parties. As a result of ordinary business operations, Company may have business relations with the related parties (Note 25).

Trade receivables and valuation allowance

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

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2012

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

Available-for-sale financial assets

Investments intended to be held for an indefinite period of time, and which may be sold in response to needs for liquidity or changes in interest rates are classified as available-for-sale. These are included in non-current assets unless management has the expressed intention of holding the investments for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. The appropriate classification of investments is determined at the time of the purchase and re-evaluated by management on a regular basis.

All investment securities are initially recognized at cost. Transaction costs are included in the initial measurement of debt securities. Available-for-sale debt and equity investment securities are subsequently re-measured at fair value if their fair values can be reliably measured.

Other investments in which the Company has interest below 20% that do not have a quoted market price in active markets and whose fair value cannot be measured reliably are carried at cost less any provision for diminution in value.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation is provided using the straight-line method based on the estimated useful lives of the assets. The depreciation periods for property and equipment, which approximate the economic useful lives of assets concerned, are as follows:

	<u>Years</u>
Building and related leasehold improvements	5 - 49
Machinery and equipment	5
Motor vehicles	5
Furniture and fixtures	5

The useful lives of significant part of building and related leasehold improvements are 49 years.

Gains or losses on disposals of property and equipment are determined by comparing proceeds with carrying amounts and are included in operating profit.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AT 30 JUNE 2012**

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

Intangible assets

Intangible assets include acquired rights, development costs, software and technology, customer relationships and other identifiable rights acquired in business combinations. Intangible assets are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over a period not exceeding ten years. Intangible assets acquired in business combinations are accounted for over their fair values at the acquisition date. Where an indication of impairment exists, the carrying amount of any intangible assets is assessed and written down immediately to its recoverable amount.

Goodwill

Any excess of the cost of acquisition over the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill. The goodwill for associates is recorded in balance sheet under associates accounted for using the equity method.

In the event the amount paid in an acquisition is lower than the fair value of the acquired net assets and liabilities the difference is recognised as income (Note 3).

Goodwill is tested for impairment and recorded in balance sheet after deducting the provision for impairment from the cost. The impairment of goodwill is allocated to cash-generating units. The allocation is made to the units to cash-generating units or groups of cash-generating units that are expected to profit from business combination. The impairment of goodwill cannot be cancelled. The Group tests the impairments of goodwill as of 31 December.

The profit/(loss) generated from the sale of a business includes the goodwill on the sold business.

Research and development costs

Research is defined as the original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. The expenditure on research is recognized as an expense when it is incurred.

Development is defined as the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use and an intangible asset arising from development is recognized when the following are demonstrated by the Company:

- a) The technical feasibility of completing the intangible asset so that it will be available for use or sale,
- b) Its intention to complete the intangible asset and use or sell it,
- c) Its ability to use or sell the intangible asset,
- d) How the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset,
- e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset,
- f) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2012

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Development costs comprise salaries, wages and related costs of the staff working directly in development activities and other directly attributable costs. The government grants related development costs are deducted from the carrying value of associated development costs.

Government grants

Logo Yazılım benefits from research and development (“R&D”) grants within the scope of the Communiqué No: 98/10 of The Scientific and Technological Research Council of Turkey (“TÜBİTAK”) and Money Credit and Coordination Board related to R&D grants for its research and development projects given that such projects satisfy specific criteria with respect to the evaluation of TÜBİTAK Technology Monitoring and Evaluation Board.

The government grants are recognized when there is reasonable assurance that Logo Yazılım will comply with the conditions attaching to them and the grants will be received.

The government grants are recognized as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Accordingly, government grants are recognized as income when the related costs which they are intended to compensate were incurred. Similarly, grants related to depreciable assets are recognized as income over the periods and in the proportions in which depreciation on those assets is charged.

Financial liabilities

Financial liabilities are recognized initially at the proceeds received, net of transaction costs incurred. Financial liabilities are subsequently stated at amortised cost using the effective yield method. If the financial costs arising from financial liabilities are associated to the acquisition or construction of qualifying assets, they are included in the cost of qualifying assets. Qualifying assets are assets that take a substantial period of time to get ready for use or sale. Other borrowing costs are recorded in the income statement in the period realized.

Deferred income taxes

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

Deferred income tax assets and liabilities related to income taxes levied by the same taxation authority and deferred tax assets and deferred tax liabilities are offset accordingly (Note 23). The deferred income taxes are classified as non-current in the accompanying financial statements.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AT 30 JUNE 2012**

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

Revenue recognition

The Company mainly generates revenue from sale of off-the-shelf software, development of customized software, sale of Logo Enterprise Membership, sale of SaaS membership and after-sales services revenue.

Off-the-shelf software sales - licence model

Revenues on off-the-shelf software sales are recognized on an accrual basis at the time deliveries or acceptances are made, the amount of the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company, at the fair value of consideration received or receivable. Net sales represent the invoiced value less sales returns and discounts. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized as interest income on a time proportion basis that takes into account the effective yield on the asset.

On the off-the-shelf software sales, Logo Yazılım charge its customers a one-time fee and the customers are entitled to use the current release and version indefinitely. Accordingly, the Company does not have obligation following the point of sale.

Off-the-shelf software sales - pay as you go model

In the sales model where the licence rights are not transferred to customers, but usage right of the package programme is made available for a limited period of time, the revenues are accounted for on accrual basis.

Logo Enterprise Membership (“LEM”) sales

Logo Enterprise Membership is an insurance package that provides free ownership for all the charged version updates which protect enterprises against all the legal amendments and which includes new features that will contribute new values to the products throughout the year. Enterprises which buy LEM obtain the basic maintenance and support services necessary for high performance functioning of Enterprise Resource Planning, besides receiving all the legal changes and charged version changes free of charge. LEM sales are recognized on an accrual basis over the contract period. The Company started LEM sales in August 2007. The Company applied to give the LEM as a free product with the main software products between last quarter of 2010 and last quarter of 2011. The Company’s management mentioned that collection of the sales transaction was reflected to the main software product and LEM products was sold free.

SaaS subscription income

SaaS subscription income is allocated to customers on a monthly basis. Income is invoiced and recognised as part of a periodic invoicing process and the source of income is accounted for as soon as the service is rendered.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2012

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Post delivery customer support

The revenues from post delivery customer support are recognized the accrual basis based on the terms of the agreements. The post delivery customer support services are mainly provided by the business partners.

Customized software development

The revenues from customized software development are recognized by reference to the stage of completion of the contract activity at the balance sheet date.

Other revenues

Other revenues earned by the Company are recognized on the following basis:

Royalty and rental income - on an accrual basis,

Interest income - on an effective yield basis,

Dividend income - when the Company's right to receive payment is established.

Provisions

Provisions are recognized when the Company has a present legal constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are not included in financial statements and treated as contingent assets or liabilities (Note 13).

Provision for employment termination benefits

Provision for employment termination benefits represent the present value of the estimated total reserve of the future probable obligation of the Company arising from the retirement of the employees calculated in accordance with the Turkish Labor Law (Note 14).

Equity

In the restatement of shareholders' equity items, the addition of funds formed due to hyperinflation such as revaluation value increase fund to share capital is not considered as a contribution from shareholders. Additions of legal reserves and retained earnings to share capital are considered as contributions by shareholders.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AT 30 JUNE 2012**

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

In the restatement of shareholders' equity items added to share capital the capital increase registry dates or the payment dates is considered. In the restatement of share premium payment dates are considered.

Ordinary shares are classified as equity. Dividends on ordinary shares are recognized by deducting from retained earnings in the period in which they are declared (Note 16).

Foreign currency transactions and balances

Transactions in foreign currencies during the period have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into Turkish Lira at the exchange rates prevailing at the balance sheet dates. Foreign exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities are recognized in the income statement.

Earnings/loss per share

Earnings/loss per share disclosed in these statements of income/loss is determined by dividing net income/loss by the weighted average number of shares that have been outstanding during the year concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, such Bonus Share issuances are regarded as issued shares. Accordingly the weighted average number of shares used in earnings per share computations is derived by giving retroactive effect to the issuances of the shares without consideration.

2.3 Recent accounting pronouncements

- a) **New standards, amendments and interpretations effective for annual and interim periods beginning on or after 1 January 2012 that are relevant for the Group's operations:**
- IAS 24 (revised) (amendment), "Related party disclosures", is effective for annual periods beginning on or after 1 January 2011. The revised standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It also clarifies and simplifies the definition of a related party. Earlier adoption is permitted either for the entire standard or for the reduced disclosures for government-related entities.
 - Annual Improvements to IFRSs 2010 (effective 1 January 2011). Amendments affect six standards and one IFRIC: IFRS 1, IFRS 3, IFRS 7, IAS 27, IAS 34, IAS 1 and IFRIC 13.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AT 30 JUNE 2012**

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

b) New standards, amendments and interpretations effective for annual and interim periods beginning on or after 1 January 2012 that are not relevant for the Group's operations:

- IFRIC 14 (amendment), "IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction", is effective for annual periods beginning on or after 1 January 2011. The amendment removes unintended consequences arising from the treatment of pre-payments where there is a minimum funding requirement. The amendment also results in pre-payments of contributions in certain circumstances being recognised as an asset rather than an expense. It will apply from the beginning of the earliest comparative period presented. Earlier adoption is permitted.
- IFRS 7 (amendment), "Financial instruments: Disclosures on transfers of assets", is effective for annual periods beginning on or after 1 July 2011. This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. Comparative information is not needed in the first year of adoption. Earlier adoption is permitted.
- IFRS 1 (amendment), "First-time adoption of IFRS", is effective for annual periods beginning on or after 1 July 2011. These amendments include two changes to IFRS 1. The first replaces references to a fixed date of 1 January 2004 with 'the date of transition to IFRSs', thus eliminating the need for entities adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. Earlier adoption is permitted.
- IAS 12 (amendment), "Income taxes" on deferred tax, is effective for annual periods beginning on or after 1 January 2012. This amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, "Income taxes - recovery of revalued non-depreciable assets", will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. Early adoption is permitted.

c) New standards, amendments and interpretations that are not yet effective and not early adopted by the Group:

- IAS 1 (amendment), "Presentation of financial statements", regarding other comprehensive income is effective for annual periods beginning on or after 1 July 2012. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. Early adoption is permitted.
- IAS 19 (amendment), "Employee benefits", is effective for annual periods beginning on or after 1 January 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. Early adoption is permitted.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AT 30 JUNE 2012**

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

- IFRS 9, “Financial instruments: Classification and Measurement”, is effective for annual periods beginning on or after 1 January 2015. The standard addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.
- IFRS 10, “Consolidated financial statements”, is effective for annual periods beginning on or after 1 January 2013. The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.
- IFRS 11, “Joint arrangements”, is effective for annual periods beginning on or after 1 January 2013. IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.
- IFRS 12, “Disclosures of interests in other entities”, is effective for annual periods beginning on or after 1 January 2013. The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.
- IFRS 13, “Fair value measurement”, is effective for annual periods beginning on or after 1 January 2013. The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.
- IAS 27 (revised), “Separate financial statements”, is effective for annual periods beginning on or after 1 January 2013. The standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.
- IAS 28 (revised), “Associates and joint ventures”, is effective for annual periods beginning on or after 1 January 2013. The standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AT 30 JUNE 2012**

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

- IFRIC 20, “Stripping costs in the production phase of a surface mine” is effective for annual periods beginning on or of 1 January 2013. This interpretation sets out the accounting for overburden waste removal (stripping) costs in the production phase of a mine.
- IFRS 7 (amendment), “Financial instruments: Disclosures”, on offsetting financial assets and financial liabilities”, is effective for annual periods beginning on or after 1 January 2013. This amendment reflects the joint IASB and FASB requirements to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements and those that prepare US GAAP financial statements.
- IAS 32 (amendment), “Financial instruments: Presentation”, on offsetting financial assets and financial liabilities”, is effective for annual periods beginning on or after 1 January 2014. This amendment updates the application guidance in IAS 32, ‘Financial instruments: Presentation’, to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.
- IFRS 1 (amendment), “First time adoption’, on government loans”, is effective for annual periods beginning on or after 1 January 2013. This amendment addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRS. It also adds an exception to the retrospective application of IFRS, which provides the same relief to first-time adopters granted to existing preparers of IFRS financial statements when the requirement was incorporated into IAS 20 in 2008.
- Annual Improvements to IFRSs 2011 is effective for annual periods beginning on or after 1 January 2013. Amendments affect five standards: IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2012

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

NOTE 3 - BUSINESS COMBINATIONS

Coretech acquisition

Upon the signing of the share purchase agreement on 31 October 2011, the Company acquired all the shares in Coretech in return for TL 5.616.249, of which the portion TL 1.399.998 comprises contingent consideration. The portion TL 2.550.000 of the acquisition amount was paid in cash and the remaining TL 1.456.251 was paid on 31 March 2012, while the rest TL 1.609.998 will be paid on 31 March 2013. The amortised cost of the acquisition amount equals TL 5.307.021 as of 31 December 2011. The share purchase agreement entered into force as of 28 November 2011. Acquisition-related costs of TL 135.089 have been included in the general administrative expenses.

As of 31 December 2011 the Company management finalised studies conducted to determine the fair value of Coretech's identifiable assets acquired and liabilities assumed. The identifiable assets acquired and liabilities assumed were booked over their following values:

Cash and cash equivalents	91.678
Financial assets	320.378
Trade receivables	900.189
Other current assets	106.728
Property and equipment	152.738
Intangible assets - identifiable assets	5.680.885
Deferred income tax assets	55.949
Trade payables	(124.388)
Other payables	(293.200)
Other current liabilities	(666.249)
Bank borrowings	(410.393)
Provision for employment termination benefits	(202.073)
Fair value of net assets	5.612.242
Less: purchase consideration	4.146.083
Less: contingent liability	1.160.938
Negative goodwill	305.221

Of the identifiable assets determined as a result of Coretech's purchase price allocation study, the technology developed is amortised over seven years, customer relations are amortised over ten years and the agreement for restriction of competition is amortised over three years.

In accordance with the share purchase agreement, in the event the total sales of Coretech derived from licence sales and other service income reaches TL 7.000.000 in the accounting year 2012, the Company will pay TL 1.399.998 to the former shareholders of Coretech on 31 March 2013. The amortised cost of the said contingent consideration equals TL 1.260.557 as of 30 June 2012. (31 December 2011: TL 1.160.938).

LogoBI acquisition

The Company acquired 32,2% of Worldbi's shares without charge through the share purchase agreement signed on 12 December 2011 and increased its effective ownership interest to 60%. The share purchase agreement entered into force on 1 January 2012. The trading name of Worldbi Yazılım Sanayii ve Ticaret A.Ş. was changed to LogoBI Yazılım Sanayi ve Ticaret A.Ş. ("LogoBI") on 2 April 2012.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2012

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

NOTE 3 - BUSINESS COMBINATIONS (Continued)

As of 30 June 2012, the Company management finalised studies conducted to determine the fair value of LogoBI's identifiable assets and transferred liabilities. The identifiable assets and transferred liabilities were booked according to the following values:

Total assets	93.247
Intangible assets - identifiable assets	3.400.000
Total liabilities	(87.539)
Fair value of net assets	3.405.708
Less: carrying value of investments in associate	2.065.365
Less: non-controlling interest	1.362.285
Goodwill	21.942

Since the goodwill resulting from the purchase transaction is not significant in terms of financial statements, it was associated with the income statement.

Of the identifiable assets determined as a result of LogoBI's purchase price allocation study, the technology developed is amortised over 10 years.

NOTE 4 - CASH AND CASH EQUIVALENTS

The analysis of cash and cash equivalents at 30 June 2012 and 31 December 2011 is as follows:

	30 June 2012	31 December 2011
Cash on hand	3.181	6.078
Banks		
- Demand deposits in Turkish Lira	628.008	344.162
- Demand deposits in foreign currency	382.221	711.689
- Time deposits in Turkish Lira	2.808.954	2.575.658
- Time deposits in foreign currency	114.067	-
Credit card receivables	1.956.898	1.482.233
Total	5.893.329	5.119.820

At 30 June 2012, the interest rate for Turkish Lira denominated time deposits is between 7,00% and 11,50% p.a. (31 December 2011: 8,00% - 11,65% p.a.). At 30 June 2012, the interest rate for foreign currency denominated time deposits of TL 114.067 (EUR 50.157) is 1,50% p.a..

As of 30 June 2012 and 2011, cash and cash equivalents included in the consolidated statements of cash flows are as follows:

	30 June 2012	31 December 2011	30 June 2011	31 December 2010
Cash and cash equivalents	5.893.329	5.119.820	4.238.963	4.907.957

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2012

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

NOTE 5 - FINANCIAL ASSETS

The analysis of financial assets at fair value through profit and loss at 30 June 2012 and 31 December 2011 is as follows:

	30 June 2012	31 December 2011
Mutual funds		
- Liquid funds	1.115.163	249.244

The analysis of non-current financial assets at 30 June 2012 and 31 December 2011 is as follows.

	30 June 2012		31 December 2011	
	Share %	Carrying amount	Share %	Carrying amount
Associate:				
Logomotif Multimedya ve Elektronik Yayınçılık Sanayi ve Ticaret A.Ş.	44,75	-	44,75	-
Available-for-sale financial assets:				
İnterpro Yayınçılık Araştırma ve Organizasyon Hizmetleri A.Ş.	2	80.653	2	80.653
Boğaziçi Üniversitesi Teknopark	5	2.500	2	2.500
Total		83.153		83.153

At 30 June 2012 and 31 December 2011, Logo Yazılım's share of losses of its associates exceeds its interest in these associates. The Company does not have any legal or constructive obligations on behalf of its associates, therefore the Company's interest is reduced to zero and recognition of further losses is discontinued.

At the Board of Directors' meeting of Logomotif Multimedya ve Elektronik Yayınçılık Sanayi ve Ticaret A.Ş. on 12 October 2008 it has been decided on liquidation of the company and for this purpose to apply to the relevant authorities by accomplishing the required transactions. As of the preparation of these consolidated financial statements the liquidation of the company was completed.

The equity investment in İnterpro Yayınçılık Araştırma ve Organizasyon Hizmetleri A.Ş. does not have any quoted market price in active market and its fair value cannot be measured reliably, therefore it is carried at cost.

NOTE 6 - INVESTMENTS IN ASSOCIATE

It has been decided at the company's Board of Directors' meeting on 8 May 2009 to acquire 27.8% of the shares of Worldbi and to purchase the shares from the parent company Logo Yatırım Holding A.Ş. for TL 2.180.000. The cost amounting to TL 40.565 related to purchase transaction has been included in purchase cost.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2012

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

NOTE 6 - INVESTMENTS IN ASSOCIATE (Continued)

The Company finalized the fair value exercise of acquired assets and liabilities at 31 December 2009. The identifiable assets and acquired liabilities are recorded at the values stated below:

Cash and cash equivalents	193.696
Trade receivables	100.276
Other current assets	71.209
Property and equipment	94.825
Intangible assets – advanced technology	966.072
Trade payables	(6.637)
Other current liabilities	(46.888)
<hr/>	
Fair value of net assets	1.372.553
Fair value of net assets acquired 27,8%	381.570
Less: purchase consideration	2.220.566
<hr/>	
Goodwill	1.838.996

The purchase transaction was finalised in July 2009 and Worldbi has been recognised via the equity method from this date until 31 December 2011. The Company acquired 32,2% of Worldbi's shares without charge through the share purchase agreement signed on 12 December 2011 and increased its effective ownership interest to 60%. The share purchase agreement entered into force on 1 January 2012. Since this date Worldbi has been accounted for via the full consolidation method. The trading name of Worldbi Yazılım Sanayii ve Ticaret A.Ş. was changed to LogoBI Yazılım Sanayi ve Ticaret A.Ş. ("LogoBI") on 2 April 2012.

The movements in the carrying value of the associate during the six-month periods ended 30 June 2012 and 2011 were as follows:

	2012	2011
1 January	2.065.365	2.174.015
Business combination (Note- 3)	(2.065.365)	-
Share of loss of associate	-	(79.139)
<hr/>		
30 June	-	2.094.876

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2012

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

NOTE 6 - INVESTMENTS IN ASSOCIATE (Continued)

The summary of the associates' financial statements is as follows:

	31 December 2011	
	Total assets	Total liabilities
Worldbi	93.247	87.539
Sales		30 June 2011
Worldbi		53.628
Net loss for the period		30 June 2011
Worldbi		(284.674)

Worldbi's the net loss for the six-month period ended 30 June 2011 also included to current period amortization of advanced technology amounting to TL 48.304 that was accounted for under purchase accounting.

NOTE 7 - BORROWINGS

The analysis of borrowings at 30 June 2012 and 31 December 2011 is as follows:

Short-term bank borrowings:	30 June 2012	31 December 2011
Credit card payables	89.814	75.622
Current portion of long-term bank borrowings	698.109	356.761
Total	787.923	432.383
Long-term bank borrowings:	30 June 2012	31 December 2011
Long-term bank borrowings	3.653.464	4.112.113

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AT 30 JUNE 2012**

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

NOTE 7 - BORROWINGS (Continued)

30 June 2012			
	Weighted average effective interest rate p.a. (%)	Original balance	TL equivalent
Credit card payables	-	89.814	89.814
Current portion of long-term bank borrowings:			
TL denominated borrowings	12,24 - 16,20	553.769	553.769
USD denominated borrowings	-	79.900	144.340
Total short-term bank borrowings			787.923
Long-term bank borrowings:			
TL denominated borrowings	12,24 - 16,20	3.473.268	3.473.268
USD denominated borrowings	-	99.749	180.196
Total long-term bank borrowings			3.653.464

31 December 2011			
	Weighted average effective interest rate p.a. (%)	Original balance	TL equivalent
Credit card payables	-	75.622	75.622
Current portion of long-term bank borrowings:			
TL denominated borrowings	12,24 - 16,20	205.838	205.838
USD denominated borrowings	-	79.900	150.923
Total short term bank borrowings			432.383
Long term bank borrowings:			
TL denominated borrowings	12,24 - 16,20	3.848.236	3.848.236
USD denominated borrowings	-	139.699	263.877
Total long-term bank borrowings			4.112.113

The redemption schedule of long-term bank borrowings at 30 June 2012 is as follows:

	30 June 2012
1 to 2 years	975.240
2 to 3 years	1.001.606
3 to 4 years	1.119.071
4 to 5 years	557.547
Total	3.653.464

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2012

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

The analysis of trade receivables and payables at 30 June 2012 and 31 December 2011 is as follows:

Short-term trade receivables:	30 June 2012	31 December 2011
Trade receivables	15.489.580	14.652.063
Credit card receivables	1.584.376	1.887.820
Cheques and notes receivable	757.166	624.979
Other trade receivables	88.141	88.142
Less: provision for doubtful receivables	(4.660.885)	(4.442.692)
Less: unearned credit finance income	(238.614)	(128.202)
Total	13.019.764	12.682.110

As of 30 June 2012, trade receivables of TL 2.478.645 (31 December 2011: TL 1.678.032) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	30 June 2012	31 December 2011
Up to 1 month	906.809	583.309
1 to 3 months	1.281.914	618.413
Over 3 months	289.922	476.310
Total	2.478.645	1.678.032

Amount of risk covered by guarantees	-	-
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Short-term trade payables:	30 June 2012	31 December 2011
Trade payables	790.912	1.219.742

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AT 30 JUNE 2012**

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

The maximum exposure of the Company to credit risk as of 30 June 2012 and 31 December 2011 is as follows:

30 June 2012	Trade receivables		Other receivables		Bank deposits
	Related party	Other	Related party	Other	
The maximum of credit risk exposed at the reporting date	73.474	17.919.263	2.000.000	13.484	5.890.148
<i>- Amount risk covered by guarantees</i>	-	<i>159.400</i>	-	-	-
Net carrying value of not past due and not impaired financial assets	73.474	15.440.618	2.000.000	13.484	5.890.148
Net carrying value of past due but not impaired financial assets	-	2.478.645	-	-	-
<i>- Amount of risk covered by guarantees</i>	-	-	-	-	-
Net carrying value of impaired assets	-	-	-	-	-
<i>- Past due (gross carrying value)</i>	-	<i>4.660.885</i>	-	-	-
<i>- Provision for impairment (-)</i>	-	<i>(4.660.885)</i>	-	-	-
<i>- Amount of risk covered by guarantees</i>	-	-	-	-	-

The guarantees which cover the credit risk include guarantee cheques, mortgages and letter of guarantees.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AT 30 JUNE 2012**

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

31 December 2011	Trade receivables		Other receivables		Bank deposits
	Related party	Other	Related party	Other	
The maximum of credit risk exposed at the reporting date	55.240	17.253.0004	2.000.000	8.328	5.113.742
<i>- Amount risk covered by guarantees</i>	-	<i>159.400</i>	-	-	-
Net carrying value of not past due and not impaired financial assets	55.240	15.574.972	2.000.000	8.328	5.113.742
Net carrying value of past due but not impaired financial assets	-	1.678.032	-	-	-
<i>- Amount of risk covered by guarantees</i>	-	-	-	-	-
Net carrying value of impaired assets					
<i>- Past due (gross carrying value)</i>	-	<i>4.442.692</i>	-	-	-
<i>- Provision for impairment (-)</i>	-	<i>(4.442.692)</i>	-	-	-
<i>- Amount of risk covered by guarantees</i>	-	-	-	-	-

The guarantees which cover the credit risk include guarantee cheques, mortgages and letter of guarantees.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2012

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

NOTE 9 - OTHER RECEIVABLES AND PAYABLES

The analysis of other receivables and payables at 30 June 2012 and 31 December 2011 is as follows:

Other current receivables:	30 June 2012	31 December 2011
Deposits and guarantees given	13.484	8.328
Other current liabilities:	30 June 2012	31 December 2011
Taxes, withholdings and duties payable	1.407.410	1.426.470
Payable arising from		
Coretech acquisition - contingent consideration	1.260.557	-
Payable arising from Coretech acquisition	189.084	1.410.778
Total	2.857.051	2.837.248
Other non-current liabilities:	30 June 2012	31 December 2011
Restructured taxes payable	124.935	159.009
Payable arising from		
Coretech acquisition - contingent consideration	-	1.160.938
Payable arising from Coretech acquisition	-	185.305
Total	124.935	1.505.252

Upon the signing of the share purchase agreement on 31 October 2011, the Company acquired all the shares in Coretech in return for TL 5.616.249, of which the portion TL 1.399.998 comprises contingent consideration. The portion TL 2.550.000 of the acquisition amount was paid in cash and the remaining TL 1.456.251 was paid on 31 March 2012, while the rest TL 210.000 will be paid on 31 March 2013. As of 30 June 2012, the amortised cost of the instalment to be paid on 31 March 2013 is TL 189.084 and is classified under other current liabilities.

In accordance with the share purchase agreement, in the event the total sales of Coretech derived from licence sales and other service income reaches TL 7.000.000 in the accounting year 2012, the Company will pay TL 1.399.998 to the former shareholders of Coretech on 31 March 2013. As of 30 June 2012, the amortised cost of the said contingent consideration equals TL 1.260.557 is classified under other current liabilities.

"Law on Restructuring of Certain Receivables and on Amending Social Security and General Health Insurance Law and Certain Other Laws and Statutory Decrees" No. 6111 was accepted and enacted by the Grand National Assembly of Turkey on 13 February 2011 and entered into force after being issued in the Official Gazette on 25 February 2011. Companies can benefit from the tax base increase provision of the related law for the years 2006, 2007, 2008 and 2009. Related financial years of the companies which file tax base increase statements are excluded from tax inspection. Company has decided to benefit from the corporate tax aspect of tax base increase provision of Law No. 6111. In this framework, related tax base increase statements were prepared and submitted to the tax office of the Company. An additional tax of TL 168.497 was accrued to the Company as a result of benefiting from the corporate tax aspect of the Law. Moreover, TL 334.929 of the financial loss to be deducted was waived.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2012

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

NOTE 10 - INVENTORIES

The analysis of inventories at 30 June 2012 and 31 December 2011 is as follows:

	30 June 2012	31 December 2011
Trade goods	125.544	123.613
Raw materials	15.333	14.783
Total	140.877	138.396

NOTE 11 - PROPERTY AND EQUIPMENT

The movements in property and equipment and related accumulated depreciation during the six-month periods ended 30 June 2012 and 2011 were as follows:

	1 January 2012	Additions	Disposals	Transfers	30 June 2012
Cost:					
Machinery and equipment	4.784.830	195.577	-	-	4.980.407
Motor vehicles	20.746	-	(20.746)	-	-
Furniture and fixtures	1.784.243	146.753	-	-	1.930.996
Leasehold improvements	15.259.801	15.996	-	481.840	15.757.637
Construction in progress	1.010.269	200.220	-	(481.840)	728.649
Total	22.859.889	558.546	(20.746)	-	23.397.689
Accumulated depreciation:					
Machinery and equipment	4.409.446	66.935	-	-	4.476.381
Motor vehicles	6.639	470	(7.109)	-	-
Furniture and fixtures	1.587.279	52.781	-	-	1.640.060
Leasehold improvements	3.669.297	187.627	-	-	3.856.924
Total	9.672.661	307.813	(7.109)	-	9.973.365
Net book value	13.187.228				13.424.324

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2012

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

NOTE 11 - PROPERTY AND EQUIPMENT (Continued)

	1 January 2011	Additions	Disposals	30 June 2011
Cost:				
Machinery and equipment	4.575.027	84.526	(3.783)	4.655.770
Motor vehicles	74.949	-	-	74.949
Furniture and fixtures	788.632	36.326	-	824.958
Leasehold improvements	14.533.599	86.574	-	14.620.173
Construction in progress	1.184.341	12.471	-	1.196.812
Total	21.156.548	219.897	(3.783)	21.372.662
Accumulated depreciation:				
Machinery and equipment	4.290.525	67.721	(3.783)	4.354.463
Motor vehicles	74.949	-	-	74.949
Furniture and fixtures	760.793	10.569	-	771.362
Leasehold improvements	3.327.378	167.582	-	3.494.960
Total	8.453.645	245.872	(3.783)	8.695.734
Net book value	12.702.903			12.676.928

The Company leased the land; its head-office is standing on in Gebze Organize Sanayi Bölgesi, for a 49 year term. The costs related to the construction of the head-office building are included in leasehold improvements.

In accordance with the loan agreement signed between the Company and a financial institution ("Lender") in 2011, a pledge of TL 8.000.000 was placed on the Company's building as collateral for the loan.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2012

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

NOTE 12 - INTANGIBLE ASSETS

The movements in intangible assets and related accumulated amortization during the six-month periods ended 30 June 2012 and 2011 were as follows:

	1 January 2012	Additions	Disposals	Acquisition of subsidiary (*)	30 June 2012
Cost:					
Development costs	32.247.951	1.934.179	-	-	34.182.130
Identifiable assets	5.680.885	-	-	3.400.000	9.080.885
Other intangible assets	778.368	20.070	-	-	798.438
Total	38.707.204	1.954.249	-	3.400.000	44.061.453
Accumulated amortization:					
Development costs	24.237.257	2.137.286	-	-	26.374.543
Identifiable assets	63.418	550.508	-	-	613.926
Other intangible assets	700.626	15.833	-	-	716.459
Total	25.001.301	2.703.627	-	-	27.704.928
Net book value	13.705.903				16.356.525

(*) See Note 3.

	1 January 2011	Additions	Disposals	30 June 2011
Cost:				
Development costs	29.591.891	1.222.402	-	30.814.293
Other intangible assets	749.667	11.758	-	761.425
Total	30.341.558	1.234.160	-	31.575.718
Accumulated amortization:				
Development costs	19.635.727	2.341.070	-	21.976.797
Other intangible assets	662.528	20.944	-	683.472
Total	20.298.255	2.362.014	-	22.660.269
Net book value	10.043.303			8.915.449

All additions to development costs during the six-month periods ended 30 June 2012 and 2011 included staff costs.

TL 2.772.210 of the current period depreciation and amortization expense has been allocated to research and development expenses, TL 55.238 has been allocated to marketing and selling expenses, TL 175.333 has been allocated to general administrative expenses, and TL 8.659 has been allocated to cost of sales (30 June 2011: TL 2.401.075 to research and development expenses, TL 57.716 to marketing and selling expenses, TL 142.424 to general administrative expenses and TL 6.671 to cost of sales).

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2012

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

NOTE 13 – COMMITMENTS AND CONTINGENT LIABILITIES

Guarantees given and guarantees received, for which the management does not estimate any significant losses or liabilities at 30 June 2012 and 31 December 2011 were as follows.

Guarantees received:

	Original currency	30 June 2012		31 December 2011	
		Original amount	TL equivalent	Original amount	TL equivalent
Guarantee notes received	TL	39.400	39.400	39.400	39.400
Mortgages received	TL	120.000	120.000	120.000	120.000
Total			159.400		159.400

As of 30 June 2012 and 31 December 2011, guarantee/pledge/mortgage given by the Company gave on behalf of its legal entity were as follows:

Guarantee/pledge/mortgage given by the Company:

	Original currency	30 June 2012		31 December 2011	
		Original amount	TL equivalent	Original amount	TL equivalent
Total amount of guarantee/pledge/mortgage the Company gave on behalf of its legal entity	TL	8.379.507	8.379.507	8.388.834	8.388.834
	USD	261.155	471.777	329.959	623.260
	EUR	-	-	18.400	44.966
Total			8.851.284		9.057.060

Guarantee/pledge/mortgage given by the Company includes letters of guarantee issued in the name of its legal entity. There is no guarantee/pledge/mortgage given by the Company falling within the following categories:

- Those given on behalf of subsidiaries,
- Those given in order to assure the liabilities of third parties in the ordinary course of business,
- Those given on behalf of parent company,
- Those given on behalf of other group companies not falling under the scope of articles (a) and (b), and
- Those given on behalf of third parties not falling under the scope of article (b).

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2012

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

NOTE 14 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

The analysis of provision for employment termination benefits at 30 June 2012 and 31 December 2011 is as follows:

	30 June 2012	31 December 2011
Provision for employment termination benefits	1.241.295	1.151.597

Provision for employment termination benefits is explained below.

Under Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002 there are certain transitional provisions relating to length of service prior to retirement.

The amount payable consists of one month's salary limited to a maximum of TL 2.917 (31 December 2011: TL 2.732) for each year of service at 30 June 2012. The liability is not funded, as there is no funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. CMB Financial Reporting Standards require that actuarial valuation methods to be developed to estimate the employee termination benefit provision. The following actuarial assumptions have been used in the calculation of the total provision:

	30 June 2012	31 December 2011
Discount rate	4,66%	4,66%
Turnover rate to estimate the probability of retirement	94%	93%

The principal assumption is that maximum liability of employee termination benefit for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL 3.034 which is effective from 1 July 2012, has been taken into consideration in calculating the provision for employment termination benefits of the Company.

The movements in the provision for employment termination benefits during the six-month periods ended 30 June 2012 and 2011 were as follows:

	30 June 2012	30 June 2011
1 January	1.151.597	977.369
Charge for the period	434.889	226.492
Paid/accrued during the period	(345.191)	(185.871)
30 June	1.241.295	1.017.990

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2012

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

NOTE 15 - OTHER ASSETS AND LIABILITIES

The analysis of other assets and other liabilities at 30 June 2012 and 31 December 2011 is as follows:

Other current assets:	30 June 2012	31 December 2011
Prepaid expenses	323.019	108.386
Accrued income	235.826	-
Personnel advances	71.947	15.849
Job advances	71.522	12.178
Value Added Tax (“VAT”) receivables	-	3.607
Other	28.086	15.733
Total	730.400	155.753

Other current liabilities:	30 June 2012	31 December 2011
Deferred revenue	1.924.421	1.160.332
Unused vacation liability	1.037.965	712.500
Payable to personnel	977.160	3.410
Advances received	443.763	441.025
Accrued expenses	443.379	827.548
Personnel bonus accrual	321.914	707.093
Other	62.393	140.358
Total	5.210.995	3.992.266

Advances received consists the advances received from European Union for the project of that Logo Yazılım is the lead partner of the consortium. The agreement of the project has been signed in November 2009. The efforts for the project targeting the efficient information sharing of the software programs with other softwares have started as of 30 June 2010.

Deferred revenue mainly relates to LEM, after-sales services and rent income billed but not earned. The analysis of deferred income at 30 June 2012 and 31 December 2011 is as follows:

Deferred revenue:	30 June 2012	31 December 2011
Logo Enterprise Membership sales	1.557.387	815.171
After-sales services revenue	240.457	205.492
Pay as you go sales	126.577	6.925
Rent income	-	132.744
Total	1.924.421	1.160.332

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2012

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

NOTE 16 - EQUITY

The Company's authorized and paid-in share capital consists of 2.500.000.000 (31 December 2011: 2.500.000.000) shares with Kr 1 nominal each. The shareholding structure of the Company as of 30 June 2012 and 31 December 2011 are as follows.

	30 June 2011	Share (%)	31 December 2011	Share (%)
Logo Yatırım Holding A.Ş	17.597.524	70,39	17.597.524	70,39
Publicly owned – free floating	7.402.476	29,61	7.402.476	29,61
Total	25.000.000	100,00	25.000.000	100,00
Adjustment to share capital	2.991.336		2.991.336	
Total paid-in share capital	27.991.336		27.991.336	

The shares representing capital are categorized as group A and B. There are privileges given to group A shares such as election of minimum of more than half of the members of the Board of Directors of the parent, chairman of the Board of Directors and auditors. Adjustment to share capital represents the restatement effect of cash contributions to share capital.

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

The aforementioned amounts shall be classified in "Restricted Reserves" in accordance with CMB Financial Reporting Standards. The analysis of restricted reserves at 30 June 2012 and 31 December 2011 is as follows:

	30 June 2012	31 December 2011
Gain on sale of land and investments	923.318	923.318
Legal reserves	2.002.576	1.814.593
Extraordinary reserves	161.789	1.299.362
Total	3.087.683	4.037.273

In accordance with the CMB regulations effective until 1 January 2008, the inflation adjustment differences arising at the initial application of inflation accounting which are recorded under "accumulated losses" could be netted off from the profit to be distributed based on CMB profit distribution regulations. In addition, the aforementioned amount recorded under "accumulated losses" could be netted off with net income for the period, if any, undistributed prior period profits, and inflation adjustment differences of extraordinary reserves, legal reserves and capital, respectively.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2012

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

NOTE 16 - EQUITY (Continued)

In addition, in accordance with the CMB regulations effective until 1 January 2008, “Capital, Share Premiums, Legal Reserves, Special Reserves and Extraordinary Reserves” were recorded at their statutory carrying amounts and the inflation adjustment differences related to such accounts were recorded under “inflation adjustment differences” at the initial application of inflation accounting. “Equity inflation adjustment differences” could have been utilised only in issuing bonus shares and offsetting accumulated losses, carrying amount of extraordinary reserves could have been utilised in issuing bonus shares, cash dividend distribution and offsetting accumulated losses.

In accordance with the Communiqué No:XI-29 and related announcements of CMB, effective from 1 January 2008, “Share capital”, “Restricted Reserves” and “Share Premiums” shall be carried at their statutory amounts. The valuation differences arising due to implementing the communiqué (such as inflation adjustment differences) shall be disclosed as follows:

- if the difference is arising due to the inflation adjustment of “Paid-in Capital” and not yet been transferred to capital should be classified under the “Inflation Adjustment To Share Capital”;
- if the difference is due to the inflation adjustment of “Restricted Reserves” and “Share Premium” and the amount has not been utilised in dividend distribution or capital increase yet, it shall be classified under “Retained Earnings”,

Other equity items shall be carried at the amounts calculated based on CMB Financial Reporting Standards.

Capital adjustment differences have no other use other than being transferred to share capital.

Dividend distribution

In accordance with the CMB Decision No. 02/51 and dated 27 January 2010, concerning allocation basis of profit from operations of 2009, it has been decided that minimum profit distribution will not be applied for the year 2009 and in this context to distribute their profits in accordance with the CMB Communiqué No. IV-27, their articles in the establishment agreement of association and previously publicly declared profit distribution policies of the companies.

In regards to the profit distribution, in accordance with the decision of the General Assembly, the distribution can be made as cash or as bonus shares or as a combination of a certain percentage of cash and bonus shares. It is also permitted to retain this amount in the Company reserves if the first dividend amount is below 5% of the paid in/issued capital; however if the Company has increased its paid-in capital without dividend distribution in the previous year when the outstanding shares have been identified as “old” and “new”, it is mandatory for companies that will make profit distribution from the net distributable profit of the previous year to make this first dividend distribution in cash.

The Company held its ordinary general assembly meeting for the 2011 accounting period on 12 April 2012, and it was decided to distribute dividends amounting to TL 3,333,336 with regard to the 1 January - 31 December 2011 accounting period. The dividend distribution was performed in cash between 22 May 2012 and 24 May 2012.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2012

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

NOTE 17 - EXPENSES BY NATURE

As of 30 June 2012 and 2011, expenses are disclosed by function and the analysis of the expenses is summarized in Note 18 and Note 19.

NOTE 18 - SALES AND COST OF SALES

Sales

The analysis of sales and cost of sales for the six and three-month periods ended 30 June 2012 and 2011 is as follows:

	1 January - 30 June 2012	1 April - 30 June 2012	1 January - 30 June 2011	1 April - 30 June 2011
Sales revenue	20.960.598	10.529.846	13.999.243	7.024.574
Service revenue	1.700.909	824.162	115.138	54.088
Sales returns	(550.196)	(251.400)	(1.299.987)	(348.446)
Sales discounts	(486.946)	(128.891)	(519.198)	(389.071)
Net sales	21.624.365	10.973.717	12.295.196	6.341.145
Cost of sales	(548.788)	(308.546)	(347.772)	(193.800)
Gross profit	21.075.577	10.665.171	11.947.424	6.147.345

For the six-month period ended at 30 June 2012, TL 1.355.798 of service revenue is generated from SaaS services.

Cost of sales

The analysis of cost of sales for the six and three-month periods ended 30 June 2012 and 2011 is as follows:

	1 January - 30 June 2012	1 April - 30 June 2012	1 January - 30 June 2011	1 April - 30 June 2011
Expenses for transfer of financial rights	459.555	260.918	244.212	141.836
Direct labor costs	34.570	16.080	64.565	31.255
Depreciation and amortization expenses	8.659	4.410	6.671	3.562
Other production expenses	21.502	9.714	21.350	12.296
Total production cost	524.286	291.122	336.798	188.949
Cost of trade goods sold	24.502	17.424	6.298	4.851
Change in finished goods	-	-	4.676	-
Cost of sales	548.788	308.546	347.772	193.800

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2012

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

NOTE 19 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

The analysis of research and development expenses, marketing, selling and distribution expenses and general administrative expenses for the six and three-month periods ended 30 June 2012 and 2011 is as follows:

	1 January - 30 June 2012	1 April - 30 June 2012
Marketing, selling and distribution expenses:		
Personnel expenses	1.733.117	898.349
Advertising and selling expenses	1.582.586	980.513
Motor vehicle expenses	192.122	104.688
Consulting expenses	154.370	50.420
Depreciation and amortization expenses	55.238	27.472
Outsourced benefits and services	54.323	26.659
Travel expenses	50.895	30.864
Rent expenses	17.104	4.848
Other	222.533	89.170
Total	4.062.288	2.212.983
Research and development expenses:		
Personnel expenses	3.365.508	1.406.459
Depreciation and amortization expenses	2.772.210	1.447.824
Motor vehicle expenses	159.984	83.281
Outsourced benefits and services	142.869	69.548
Consulting expenses	103.233	85.518
Rent expenses	35.915	19.628
Travel expenses	31.086	14.833
Other	289.047	128.500
Total	6.899.852	3.255.591
General administrative expenses:		
Personnel expenses	2.532.265	1.292.621
Motor vehicle expenses	236.497	116.733
Consulting expenses	202.956	96.484
Depreciation and amortization expenses	175.333	67.588
Outsourced benefits and services	82.021	42.458
Travel expenses	12.688	5.939
Rent expenses	11.901	11.901
Other	345.679	170.443
Total	3.599.340	1.804.167

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AT 30 JUNE 2012**

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

**NOTE 19 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND
DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES
(Continued)**

	1 January - 30 June 2011	1 April - 30 June 2011
Marketing, selling and distribution expenses:		
Personnel expenses	1.208.901	584.972
Advertising and selling expenses	618.813	317.415
Motor vehicle expenses	137.877	73.045
Consulting expenses	170.087	136.547
Depreciation and amortization expenses	57.716	28.648
Outsourced benefits and services	55.969	26.453
Travel expenses	86.099	44.220
Rent expenses	14.381	7.194
Other	158.598	53.180
Total	2.508.441	1.271.674
Research and development expenses:		
Personnel expenses	2.124.850	1.138.759
Depreciation and amortization expenses	2.401.075	1.194.729
Motor vehicle expenses	82.714	42.964
Outsourced benefits and services	99.714	49.976
Rent expenses	73.209	37.101
Travel expenses	38.360	18.844
Other	316.471	173.594
Total	5.136.393	2.655.967
General administrative expenses:		
Personnel expenses	2.207.618	1.295.095
Motor vehicle expenses	185.956	95.994
Consulting expenses	180.154	140.990
Depreciation and amortization expenses	142.424	70.067
Outsourced benefits and services	68.197	36.837
Travel expenses	68.781	31.580
Rent expenses	21.429	10.624
Other	262.575	163.419
Total	3.137.134	1.844.606

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2012

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

NOTE 20 - OTHER OPERATING EXPENSES

Other operating expenses for the six month period ended 30 June 2011 mainly comprise trade receivables impairment expenses amounting to TL 3.456.493.

NOTE 21 - FINANCIAL INCOME

The analysis of financial income for the six and three-month periods ended 30 June 2012 and 2011 is as follows:

Financial income:	1 January - 30 June 2012	1 April - 30 June 2012
Interest income	342.797	289.645
Gain on sale of financial assets	74.877	44.967
Total	417.674	334.612

Financial income:	1 January - 30 June 2011	1 April - 30 June 2011
Interest income	113.332	38.680
Rediscount income, net	72.313	72.313
Gain on sale of financial assets	7.550	4.707
Foreign exchange gains/(losses), net	(16.775)	(16.775)
Total	176.420	98.925

NOTE 22 - FINANCIAL EXPENSES

The analysis of financial expenses for the six and three-month periods ended 30 June 2012 and 2011 is as follows:

Financial expenses:	1 January - 30 June 2012	1 April - 30 June 2012
Credit card commissions	(757.079)	(447.678)
Rediscount expenses, net	(149.356)	(204.046)
Interest expense	(136.850)	(113.148)
Foreign exchange gains/(losses), net	(26.956)	148.663
Other financial expenses	(36.572)	(25.279)
Total	(1.106.813)	(641.488)

Financial expenses:	1 January - 30 June 2011	1 April - 30 June 2011
Other financial expenses	(226.578)	(108.270)

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2012

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

NOTE 23 - CURRENT AND DEFERRED INCOME TAXES

Deferred income taxes

The Company recognizes deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under CMB Financial Reporting Standards and their statutory tax financial statements. Deferred tax income assets and liabilities are measured at the enacted tax rate of 20% (31 December 2011: 20%) using the liability method on the temporary differences.

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred tax has been provided at 30 June 2012 and 31 December 2011 using the enacted tax rates, is as follows.

	<u>Cumulative temporary difference</u>		<u>Deferred income tax assets/(liabilities)</u>	
	<u>30 June 2012</u>	<u>31 December 2011</u>	<u>30 June 2012</u>	<u>31 December 2011</u>
Deferred income tax assets:				
Provision for doubtful receivables	1.106.850	881.432	221.370	176.286
Provision for employment termination benefits	588.849	527.899	117.770	105.579
Deferred revenue	240.457	149.586	48.091	29.918
Accrued expenses	-	517.093	-	103.419
Other	388.763	261.262	77.753	52.252
Total			464.984	467.454
Deferred income tax liabilities:				
Difference between the tax base and carrying value of property and equipment and intangible assets	(1.099.323)	(899,347)	(219.865)	(179.870)
Total			(219.865)	(179.870)
Deferred income tax assets/(liabilities), net			245.119	287.584

Corporate tax

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis.

Turkish Corporate Tax Law has been amended by Law No. 5520 dated 13 June 2006. Most of the articles of this new Law No. 5520 have come into force effective from 1 January 2006. The Corporation tax rate for the 30 June 2012 and 2011 is 20%.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2012

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

NOTE 23 - CURRENT AND DEFERRED INCOME TAXES (Continued)

Corporation tax rate is applicable on the total income of the companies after adjusting for certain disallowable expenses, income tax exemptions (participation exemption etc.) and income tax deductions (for example research and development expenses deduction). No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government. In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate.

In accordance with Tax Law No: 5024 “Law Related to Changes in Tax Procedure Law, Income Tax Law and Corporate Tax Law” that was published on the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004, the income and corporate taxpayers will prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the New Turkish Lira. In accordance with the aforementioned law provisions, in order to apply inflation adjustment, cumulative inflation rate (TURKSTAT WPI) over last 36 months and 12 months must exceed 100% and 10%, respectively. Inflation adjustment has not been applied as these conditions were not fulfilled until 2004.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate.

Tax returns are open for 5 years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

There are many exemptions in Corporate Tax Law regarding corporations. Those related to the Company are explained below:

In accordance with Tax Law No: 5035 item 44, that amends “Technology Development Regions Law” No: 4691, corporate and income taxpayers operating in technology development regions are exempt from corporate and income tax until 31 December 2013.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2012

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

NOTE 23 - CURRENT AND DEFERRED INCOME TAXES (Continued)

The investment allowance, which has been applied for many years and calculated as 40% of property plant and equipment acquisitions exceeding a certain amount, was annulled with the Law No, 5479 dated 30 March 2006, However, in accordance with the temporary Law No, 69 added to the Income Tax Law, corporate and income taxpayers can offset the investment allowance amounts present as of 31 December 2005, which could not be offset against taxable income in 2005 and:

- a) investments to be made after 1 January 2006 in the scope of the certificate regarding the investments that began in the scope of additional articles 1, 2, 3, 4, 5 and 6 of Income Tax Law No: 193 before it was repealed with the Law No, 4842 dated 9 April 2003, and
- b) investment allowance amounts to be calculated in accordance with legislation effective at 31 December 2005 related to investments which exhibit a technical and economic and integrity and which were started prior to 1 January 2006 in the scope of Income Tax Law 193 repealed 19th article, only against the income related to the years 2006, 2007 and 2008, in accordance with the legislation at 31 December 2005 (including provisions related to tax rates).

The Constitutional Court abolished the provisions of Temporary Article 69 of the Income Tax Law regarding the time limitation to the investment allowance in its meeting held on 15 October 2009, and published the minutes of the relevant meeting on its website in October 2009. The decision of the Constitutional Court on the cancellation of the time limitation for investment allowance for the years 2006, 2007 and 2008 came into force with its promulgation in the Official Gazette, dated 8 January 2010, and thereby the time limitation regarding investment allowance was removed. The company has deferred investment allowance as of TL 1.405.908 that can be offsetted in the future.

The analysis of taxation on income for the six and three-month periods ended 30 June 2012 and 2011 is as follows:

	1 January - 30 June 2012	1 April - 30 June 2012	1 January - 30 June 2011	1 April - 30 June 2011
Current income tax credit	-	27.764	-	-
Deferred income tax (expense)/credit	(42.465)	81.426	(44.150)	16.473
Income tax (expense)/income	(42.465)	109.190	(44.150)	16.473

NOTE 24 - EARNINGS/LOSS PER SHARE

The earnings per 1.000 shares with nominal value of Kr 1 amounted to TL 2,39 for the six-month period ended 30 June 2012 (30 June 2011: TL 1,08 loss per share).

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2012

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

NOTE 25 - RELATED PARTY DISCLOSURES

i) Due from and due to related parties at 30 June 2012 and 31 December 2011:

a) Due from related parties:	30 June 2012	31 December 2011
Logo Yatırım Holding A.Ş.	2.060.678	2.048.950
Other	12.796	6.290
Total	2.073.474	2.055.240

b) Due to related parties:	30 June 2012	31 December 2011
Logo Elektronik Ticaret Hizmetleri A.Ş.	194.926	208.779
Worldbi	-	37.965
Due to shareholders	-	1.214
Total	194.926	247.958

ii) Sales to related parties, services given to related parties during the six months and three months period 30 June 2012 and 2011:

a) Services given to related parties:	1 January - 30 June 2012	1 April - 30 June 2012
Logo Elektronik Ticaret Hizmetleri A.Ş.	97.128	51.461
Logo Yatırım Holding A.Ş.	1.770	885
Total	98.898	52.346

	1 January - 30 June 2011	1 April - 30 June 2011
Logo Elektronik Ticaret Hizmetleri A.Ş.	26.563	15.573
Logo Yatırım Holding A.Ş.	1.770	885
Logomotif Multimedya ve Elektronik Yayıncılık Sanayi ve Ticaret A.Ş.	708	354
Total	29.041	16.812

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2012

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

NOTE 25 - RELATED PARTY DISCLOSURES (Continued)

iii) Service purchases during the six and three-month periods ended 30 June 2012 and 2011:

a) Services obtained from related parties:	1 January - 30 June 2012	1 April - 30 June 2012
Logo Elektronik Ticaret Hizmetleri A.Ş.	363.906	167.221
Logo Yatırım Holding A.Ş.	22.621	20.952
Total	386.527	188.173

	1 January - 30 June 2011	1 April - 30 June 2011
Logo Elektronik Ticaret Hizmetleri A.Ş.	83.248	45.912
Logo Yatırım Holding A.Ş.	3.163	1.502
Logomotif Multimedya ve Elektronik Yayıncılık Sanayi ve Ticaret A.Ş.	40	-
Total	86.451	47.414

b) Remuneration of board of directors and executive management:

	1 January - 30 June 2012	1 April - 30 June 2012
Remuneration of board of directors and executive management	1.103.613	370.152

	1 January - 30 June 2011	1 April - 30 June 2011
Remuneration of board of directors and executive management	1.251.293	823.359

The remuneration of board of directors and executive management (executive management includes general manager (CEO) and assistant general managers) for the six-month periods ended 30 June 2012 and 2011 comprise short-term employment benefits including salary, bonus and other short-term benefits. There have been no post-employment benefits, other long-term employment benefits, other termination benefits and share-based payments in the six-month periods ended 30 June 2012 and 2011

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2012

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

NOTE 26 - FINANCIAL RISK MANAGEMENT

26.1 Financial risk management

Credit risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. These risks are managed by limiting the aggregate risk from any individual counter party and obtaining sufficient collateral where necessary.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business the Company aims at maintaining flexibility in funding by keeping committed credit lines available. The Company management holds adequate cash and credit commitment that will meet the need for cash for recent future in order to manage its liquidity risk. In this context, the Company has credit commitments from banks amounting to TL 10.750.000 that the Company can utilize whenever needed.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AT 30 JUNE 2012**

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

NOTE 26 - FINANCIAL RISK MANAGEMENT (Continued)

The table below shows the liquidity risk arising from financial liabilities of the Company:

30 June 2012	Carrying value	Total contractual cash outflow	Up to 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years
Non-derivative financial instruments						
Financial liabilities	4.441.387	4.441.387	101.351	686.572	3.653.464	-
Trade payables						
- <i>Related party</i>	194.926	194.926	194.926	-	-	-
- <i>Other</i>	790.912	790.912	790.912	-	-	-
Other payables						
- <i>Related party</i>	-	-	-	-	-	-
- <i>Other</i>	2.981.986	3.142.343	1.407.410	1.609.998	124.935	-
31 December 2011	Carrying value	Total contractual cash outflow	Up to 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years
Non-derivative financial instruments						
Financial liabilities	4.544.496	4.544.496	96.347	336.036	4.112.113	-
Trade payables						
- <i>Related party</i>	247.958	247.958	247.958	-	-	-
- <i>Other</i>	1.219.742	1.219.742	1.219.742	-	-	-
Other payables						
- <i>Related party</i>	-	-	-	-	-	-
- <i>Other</i>	4.342.500	4.651.728	3.092.721	-	1.559.007	-

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2012

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

NOTE 26 - FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk

The Company is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities.

The Company's interest rate sensitive financial instruments are as follows:

	30 June 2012	31 December 2011
<u>Financial instruments with fixed interest rate</u>		
Financial assets		
- Designated as fair value through profit or loss	2.923.021	2.575.658
Financial liabilities	4.027.037	4.054.074
<u>Financial instruments with floating interest rate</u>		
Financial assets		
- Designated as fair value through profit or loss	1.115.163	249.244
Financial liabilities	-	-

Financial assets designated as fair value through profit or loss consists of fixed interest rate Turkish Lira and foreign currency denominated time deposits with maturity less than three months and liquid funds.

Funding risk

The ability to fund the existing and prospective debt requirements is managed as necessary by obtaining adequate committed funding lines from high quality lenders.

Ratio of hedging of import/export and net foreign currency liability

TL equivalent of import and exports for the six-month periods ended 30 June 2012 and 2011 is as follows:

	30 June 2012	30 June 2011
Total exports	1.707.039	576.582
Total imports	347.623	166.919
Ratio of hedging of net foreign currency liability	-	-

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2012

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

NOTE 26 - FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency risk

The Company's foreign currency denominated assets exceeds its foreign currency denominated liabilities. In this context, the Company is not exposed to significant foreign currency risk. The foreign currency risk of the Company at 30 June 2012 and 31 December 2011 is summarized below.

Foreign currency position:	30 June 2012	31 December 2011
Assets	1.752.941	1.508.240
Liabilities	(1.195.902)	(1.377.691)
Foreign currency position, net	557.039	130.549

Turkish Lira equivalent of assets and liabilities denominated in foreign currency held by Logo Yazılım were as follows:

	Original currency	30 June 2012		31 December 2011	
		Original amount	TL equivalent	Original amount	TL equivalent
Cash and cash equivalents and marketable securities	USD	178.593	322.628	304.688	575.524
	Euro	78.599	178.751	26.657	65.144
	Other	-	-	24.989	72.892
Trade receivables and due from related parties	USD	299.135	540.387	354.711	670.014
	Euro	246.667	560.970	50.469	123.337
	Other	49.320	139.161	-	-
Other receivables	USD	5.730	10.351	309	584
	Euro	305	693	305	745
Foreign currency denominated assets		1.752.941		1.508.240	
Trade payables and due to related parties	Euro	291.063	661.935	296.052	723.491
	USD	115.932	209.431	126.741	239.400
Bank borrowings	USD	179.649	324.536	219.599	414.800
Foreign currency denominated liabilities		1.195.902		1.377.691	

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2012

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

NOTE 26 - FINANCIAL RISK MANAGEMENT (Continued)

26.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may pay out dividends, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings, accounts payable and due to related parties, as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

	30 June 2012	31 December 2011
Total borrowings	5.427.225	6.012.196
Less: cash and cash equivalents (Note 4)	(5.893.329)	(5.119.820)
Net debt	(466.104)	892.376
Total equity	38.234.111	34.223.952
Total capital	37.768.007	35.116.328
Gearing ratio	(1)%	3%

NOTE 27 - FINANCIAL INSTRUMENTS

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Company, using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2012

(Amounts expressed in New Turkish Lira, unless otherwise indicated)

NOTE 27 - FINANCIAL INSTRUMENTS (Continued)

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value.

Monetary assets

The fair value of the foreign currency denominated amounts, which are translated by using the exchange rates prevailing at period-end, is considered to approximate their fair value.

The fair values of certain financial assets carried at cost including cash and due from banks, deposits with banks and other financial assets are considered to approximate their respective carrying values due to their short-term nature.

The trade receivables are carried at amortized cost using the effective yield method less provision for doubtful receivables, and hence are considered to approximate their fair values.

Monetary liabilities

The fair value of short-term funds borrowed and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

NOTE 28 – EVENT AFTER BALANCE SHEET DATE

The Company's Board of Directors decided to repurchase a maximum of 62,500,000 shares within the lower and upper limits of TL 0 and TL 3.5 on 26 June 2012 with the aim of decreasing fluctuations in the price for shares listed on the Istanbul Stock Exchange and for evaluating current market conditions. Within this context, the Company repurchased 131,000 shares listed on the Istanbul Stock Exchange between 4 July 2012 and 31 July 2012.

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