(Convenience translation of a report and financial statements originally issued in Turkish)

Logo Yazılım Sanayi ve Ticaret A.Ş.

Condensed consolidated financial statements for the interim period between 1 January – 30 September 2014

(Convenience translation of a report and financial statements originally issued in Turkish)

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Logo Yazılım Sanayi ve Ticaret A.Ş.

Interim consolidated balance sheet
as at 30 September 2014
(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

		Current period	Prior Period
			(Audited)
	Notes	**30 September 2014**	31 December 2013
Assets			
Current assets		**74.101.412**	73.533.502
Cash and cash equivalents	4	**34.729.469**	19.268.115
Financial assets	5	**110.827**	193.063
Trade receivables		**36.433.622**	52.831.826
- Due from related parties	*24*	***31.063***	*30.130*
- Other trade receivables	*7*	***36.402.559***	*52.801.696*
Other receivables		**10.333**	9.516
- Other receivables	8	***10.333***	*9.516*
Inventories	9	**683.614**	421.521
Prepaid expenses	14	**1.891.126**	663.706
Other current assets	14	**242.421**	145.755
Non-current assets		**57.503.082**	51.208.773
Financial assets	5	**133.153**	108.153
Trade receivables		**-**	148.883
- Other trade receivables		**-**	148.883
Other receivables	7	**1.364**	5.724
- Other receivables		**1.364**	5.724
Property and equipment	10	**14.566.831**	13.629.536
Intangible assets		**42.388.878**	36.455.227
- *Goodwill*		***5.892.252***	*5.892.252*
- Other intangible assets	*11*	***36.496.626***	*30.562.975*
Prepaid expenses	*14*	**105.430**	34.133
Deferred tax assets	22	**307.426**	827.117
		131.604.494	124.742.275

These interim condensed consolidated financial statements have been approved by Board of Directors on 7 November 2014 and signed on its behalf by Buğra Koyuncu, Chairman of the Executive Board and Gülnur Anlaş, Vice Chairman of the Executive Board.

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

Logo Yazılım Sanayi ve Ticaret A.Ş.

Interim consolidated balance sheet
as at 30 September 2014
(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

		Current period	Prior period
			Audited
	Notes	**30 September 2014**	31 December 2013
Liabilities			
Current liabilities		**29.603.722**	39.164.073
Short-term borrowings	6	**2.039.307**	773.156
Short-term portion of long-term borrowings	6	**4.754.696**	890.714
Trade payables		**3.658.666**	10.488.466
- Due to related parties		***183***	*7.276.883*
- Other trade payables	*7*	***3.658.483***	*3.211.583*
Employee benefit obligations	14	**3.017.373**	1.996.665
Other payables		**986.383**	2.412.924
- Other payables	8	**986.383**	2.412.924
Provision for employee benefits	13	**-**	4.459.947
Deferred revenue	14	**14.905.876**	17.763.108
Current income tax liabilities		**-**	70.251
Other current liabilities		**241.421**	308.842
Non-current liabilities		**21.670.733**	26.452.674
Long-term borrowings	6	**17.900.706**	22.456.183
Provision for employee benefits	13	**3.701.479**	3.729.789
Deferred revenue	14	**68.548**	266.702
Equity		**80.330.039**	59.125.528
Share capital	15	**25.000.000**	25.000.000
Adjustment to share capital	15	**2.991.336**	2.991.336
Restricted reserves	15	**3.960.394**	3.666.269
Treasury shares	15	**(2.649.415)**	(2.649.415)
Accumulated other comprehensive income/ (expense) not to be reclassified to profit or loss			
- Actuarial loss arising from employee benefits		**(1.004.360)**	(438.536)
Retained earnings		**30.408.088**	11.275.706
Net income for the period		**21.623.996**	19.280.168
Total liabilities and equity		**131.604.494**	124.742.275

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

Logo Yazılım Sanayi ve Ticaret A.Ş.

Interim consolidated statement of profit or loss
for the period ended 30 September 2014
(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

		Current period		Prior period	
	Notes	**1 January – 30 September 2014**	**1 July – 30 September 2014**	1 January – 30 September 2013	1 July – 30 September 2013
Continuing operations					
Sales	17	**68.851.381**	**20.874.491**	38.196.436	14.211.762
Cost of sales (-)	17	**(2.535.749)**	**(690.289)**	(2.790.067)	(1.821.387)
Gross profit		**66.315.632**	**20.184.202**	35.406.369	12.390.375
Marketing, selling and distribution expenses (-)	18	**(15.483.030)**	**(5.269.183)**	(6.695.253)	(2.419.823)
General administration expenses (-)	18	**(7.226.327)**	**(1.682.615)**	(5.366.823)	(1.771.817)
Research and development expenses (-)	18	**(20.061.115)**	**(7.469.516)**	(11.900.670)	(4.253.756)
Other operating income	21	**2.350.132**	**916.238**	1.332.119	376.075
Other operating expenses (-)	21	**(1.584.847)**	**(540.812)**	(1.082.943)	(769.807)
Operating profit		**24.310.445**	**6.138.314**	11.692.799	3.551.247
Income from investment activities	21	**329.443**	**21.380**	-	-
Operating profit before financial income/expenses		**24.639.888**	**6.159.694**	11.692.799	3.551.247
Financial income	19	**889.207**	**394.782**	722.707	497.835
Financial expenses (-)	20	**(3.618.149)**	**(1.078.720)**	(1.341.110)	(278.038)
Income before taxes		**21.910.946**	**5.622.095**	11.074.396	3.771.044
Taxation on income					
Current income tax charge	22	**-**	**-**	-	-
Deferred tax charge	22	**(286.950)**	**(176.663)**	(137.690)	(43.657)
Net income for the period		**21.623.996**	**5.299.093**	10.936.706	3.727.387
Net income attributable to					
Non-controlling interests		**-**	**-**	81.108	28.645
Equity holders of the parent		**21.623.996**	**5.299.093**	10.855.598	3.698.742
		21.623.996	**5.299.93**	10.936.706	3.727.387
Earnings per share per thousands of shares with nominal value 1 Kr each	23	**8,65**	**2,12**	4,37	1,49

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

Logo Yazılım Sanayi ve Ticaret A.Ş.

Interim consolidated statement of other comprehensive income
for the period ended 30 September 2014
(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

		Current period		Prior period	
	Notes	**1 January – 30 September 2014**	**1 July – 30 September 2014**	1 January – 30 September 2013	1 July – 30 September 2013
Net income for the period		**21.623.996**	**5.299.093**	10.936.706	3.727.387
Accumulated other comprehensive income/ (expense) not to be reclassified to profit or loss					
Actuarial loss arising from employee benefits		**(622.299)**	**(287.090)**	(105.242)	95.705
Tax effect		**56.475**	**26.008**	8.075	(7.382)
Other comprehensive loss		**(565.824)**	**(261.082)**	(97.167)	88.323
Total comprehensive income		**21.058.172**	**5.038.011**	10.839.539	3.815.710

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

Logo Yazılım Sanayi ve Ticaret A.Ş.

Interim consolidated statement of changes in equity for the period ended 30 September 2014

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

					Other comprehensive income or loss items not to be reclassified to profit or loss in subsequent periods					
	Share capital	Adjustment to share capital	Treasury shares	Restricted reserves	Actuarial gain/ (loss) arising from employee benefits	Retained earnings/accumulated losses	Net income for the period	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
1 January 2013	25.000.000	2.991.336	(450.493)	3.087.683	-	(188.403)	10.415.005	40.855.128	1.610.615	42.465.743
Change in accounting policy	-	-	-	-	(149.394)	(189.427)	338.821	-	-	-
1 January 2013– as restated	25.000.000	2.991.336	(450.493)	3.087.683	(149.394)	(377.830)	10.753.826	40.855.128	1.610.615	42.465.743
Transfer to retained earnings	-	-	-	578.586	-	10.175.240	(10.753.826)	-	-	-
Acquisition of treasury shares	-	-	(6.867.833)	-	-	-	-	(6.867.833)	-	(6.867.833)
Net income for the period	-	-	-	-	-		10.855.598	10.855.598	81.108	10.936.706
Other comprehensive loss	-	-	-	-	(97.167)	-	-	(97.167)	-	(97.167)
Total comprehensive income	-	-	-	-	(97.167)	-	10.855.598	10.758.431	81.108	10.839.539
30 September 2013	25.000.000	2.991.336	(7.318.326)	3.666.269	(246.561)	9.797.410	10.855.598	44.745.726	1.691.723	46.437.449
1 January 2014	**25.000.000**	**2.991.336**	**(2.649.415)**	**3.666.269**	**(438.536)**	**11.275.706**	**19.280.168**	**59.125.528**	**-**	**59.125.528**
Transfer to retained earnings	**-**	**-**	**-**	**294.125**	**-**	**18.986.043**	**(19.280.168)**	**-**	**-**	**-**
Share purchase from minority	**-**	**-**	**-**	**-**	**-**	**146.339**	**-**	**146.339**	**-**	**146.339**
Net income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**21.623.996**	**21.623.996**	**-**	**21.623.996**
Other comprehensive loss	**-**	**-**	**-**	**-**	**(565.824)**	**-**	**-**	**(565.824)**	**-**	**(565.824)**
Total comprehensive income	**-**	**-**	**-**	**-**	**(565.824)**	**-**	**21.623.996**	**21.204.511**	**-**	**21.204.511**
30 September 2014	**25.000.000**	**2.991.336**	**(2.649.415)**	**3.960.394**	**(1.004.360)**	**30.408.088**	**21.623.996**	**80.330.039**	**-**	**80.330.039**

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

Logo Yazılım Sanayi ve Ticaret A.Ş.

Interim consolidated statement of cash flow
for the period ended 30 September 2014
(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

	Notes	Current period 30 September 2014	Prior period 30 September 2013
Income before tax		**21.910.946**	11.074.396
Depreciation and amortization	10, 11	**7.334.070**	4.047.115
Deferred revenues	14	**(3.179.314)**	2.002.955
Increase in provision for employee termination benefits	13	**332.892**	243.241
(Decrease)/ increase in unused vacation liability		**(261.796)**	26.014
Interest expenses	20	**2.697.962**	443.900
Interest income	19	**(484.831)**	(607.585)
Gain from bargain purchase	21	**(243.883)**	-
Provision for doubtful trade receivables		**160.089**	185.434
Gain on sales of property, plant and equipment-net	21	**(27.082)**	-
Operating income before changes in working capital		**28.239.053**	17.415.470
Decrease/(increase) in trade and other receivables	7, 8	**23.769.373**	(4.886.785)
Increase in inventories	9	**(262.093)**	(265.753)
Decrease/(increase) in other current assets	14	**(1.226.853)**	13.496
Increase/(decrease) in trade payables	7	**(6.975.374)**	6.675.910
Decrease in other payables and liabilities and employee benefits obligations	8, 14	**(1.449.285)**	(1.943.304)
Personnel premiums paid	13	**(4.459.947)**	(2.220.420)
Taxes paid		**(70.251)**	-
Employee termination benefits paid	13	**(850.240)**	(68.417)
Net cash generated from operating activities		**36.714.383**	14.720.197
Investing activities:			
Purchase of property and equipment and intangible assets	10, 11	**(1.715.661)**	(367.618)
Cash used in development activities	11	**(9.472.351)**	(3.524.210)
Repurchase of shares		**-**	(6.867.833)
Decrease in financial investments	5	**57.236**	439.086
Acquisition of subsidiary, excluding cash acquired	3	**(8.516.777)**	(21.312.134)
Cash generated from sales of property and equipment		**32.999**	-
Interest received		**484.831**	298.825
Net cash used in investing activities		**(19.129.723)**	(31.333.884)
Financial activities:			
Increase in financial debts	6	**702.238**	19.754.503
Interest paid		**(2.825.544)**	(331.399)
Decrease in due from related parties	24	**-**	2.000.000
Net cash generated/(used in) financing activities		**(2.123.306)**	21.423.104
Net increase in cash and cash equivalents		**15.461.354**	4.809.417
Cash and cash equivalents at beginning of the period	4	**19.268.115**	9.833.681
Cash and cash equivalents at end of the period	4	**34.729.469**	14.643.098

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

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

1. Organization 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 September 2014 the Group has 480 employees (31 December 2013: 404).

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
Netsis Yazılım Sanayi ve Ticaret A.Ş. ("Netsis")	Turkey	Development and marketing of computer software
Coretech Bilgi Teknolojisi Hizmetleri A.Ş. ("Coretech")	Turkey	Development and marketing of computer software
Logobi Yazılım Sanayi ve Ticaret A.Ş. ("LogoBI")	Turkey	Development and marketing of computer software
Logo Elektronik Ticaret Hizmetleri A.Ş. ("e-Logo")	Turkey	Development and marketing of computer software
Logo Business Software GmbH ("Logo GMBH")	Germany	Development and marketing of computer software
Logo Business Solutions FZ-LLC ("Logo FFC-LLC")	United Arab Emirates	Marketing of computer software

On February 20, 2014, the Company acquired the shares representing 80% of the capital of Logo Elektronik Ticaret Hizmetleri A.Ş. for TL 8.000.000 and the remaining 20% of shares for TL 1.914.632 as of July 14, 2014 and shares of the Company increased to 100%.

Upon the signing of the share purchase agreement on July 25, 2013, the Company acquired all the shares in Netsis in return of TL 24.699.850. All of purchase price was paid in advance. The share purchase agreement entered into force as of 19 September 2013.

As per the share purchase agreement signed on December 26, 2013, the company acquired the remaining 40% of the shares in its subsidiary LogoBI for a purchase price of 810.000 TL, increasing shares owned to 100%.

1. Organization and nature of operations (continued)

In the Board of Directors' meeting dated April 22, 2009, the Company decided on executing its international sales and marketing activities from the head office in Turkey. As a result of this decision, required steps and actions were taken to close Logo Business Solutions FZ-LLC. This decision was made due to effects of the contraction in the domestic and international market due to the global crisis which was thought to continue in 2009 and it was predicted that the Company's domestic and international sales and marketing activities would be negatively affected. As of September 30, 2013, the liquidation process has been substantially completed.

Before the establishment of Logo Business Solutions FZ-LLC, the Company's foreign sales and marketing activities were performed at its headquarters in Turkey. Aforementioned activities are considered to be once again performed at the Company's headquarters in Turkey after the shutdown of Logo Business Solutions FC-LLC has been completed.

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

Since the information related to the operational segments as of September 30, 2014 taking the operations' of the Group's condensed interim consolidated financial statements in general and monetary significance into account is not reportable in terms of geographical segments outside of Turkey, the disclosed condensed interim consolidated financial statements.

2. Basis of presentation of consolidated financial statements

2.1 Basis of presentation

2.1.1 Financial reporting standards

The accompanying interim financial statements of the Group have been prepared in accordance with the Turkish Accounting Standards ("TAS") promulgated by the Public Oversight Accounting and Auditing Standards Authority ("POA") in compliance with the communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets" (the Communiqué) announced by the CMB on June 13,2013 which is published on Official Gazette numbered 28676. TAS consists of the Turkish Accounting Standards, Turkish Financial Reporting Standards and related supplements and interpretations. TAS/TFRS are updated in harmony with the changes and updates in International Financial and Accounting Standards ("IFRS") by the communiqués announced by the POA.

Interim condensed consolidated financial statements for the period ended September 30, 2014, have been prepared in accordance with TAS 34. The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as of December 31, 2013.

With the decision taken on March 17, 2005, the CMB announced that, effective from January 1, 2005, the application of inflation accounting is no longer required for listed companies in Turkey. The Group's financial statements have been prepared in accordance with this decision.

2.1.2 Financial statements of subsidiaries operating in foreign countries

Financial statements of subsidiaries, operating in countries other than Turkey, are adjusted to TAS/TFRS for the purpose of fair presentation. Subsidiaries' assets and liabilities are translated into Turkish Lira from the foreign exchange rate at the balance sheet date and income and expenses are translated into Turkish Lira at the average foreign exchange rate. Exchange differences arising from the translation of the opening net assets and differences between the average and balance sheet dates are included in the "currency translation difference" under the shareholders' equity.

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

2. Basis of presentation of consolidated financial statements (continued)

2.1.3 Basis of consolidation

The condensed interim consolidated financial statements prepared in accordance with the principles of consolidated financial statements for the year ended December 31, 2013 include the accounts for Logo Yazılım and its subsidiaries.

The table below sets out the subsidiaries of Logo Yazılım and ownership interests held by the Company at 30 September 2014:

	Direct and indirect ownership İnterests by the Company (%)
Subsidiaries:	
Netsis Yazılım Sanayi ve Ticaret A.Ş.	100,00%
Coretech Bilgi Teknolojisi Hizmetleri A.Ş.	100,00%
Logobi Yazılım Sanayi ve Ticaret A.Ş.	100,00%
Logo Elektronik Ticaret Hizmetleri A.Ş.	100,00%
Logo Business Software GmbH	100,00%

2.1.4 Use of estimates

The condensed consolidated financial statements belonging to the six month interim period ended September 30, 2014 were prepared using significant accounting estimates and assumptions consistent with accounting estimates described in detail on the Group's financial statements as of December 31, 2013.

2.1.5 Convenience translation into English of financial statements originally issued in Turkish:

As at 30 September 2014, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying consolidated financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

2.2 Summary of significant accounting policies

The condensed interim consolidated financial statements of the Group for the six months period ended September 30, 2014 have been prepared in accordance with TAS 34 "Interim Financial Reporting". Additionally, the accounting policies used in the preparation of the condensed interim consolidated financial statements for the period ended September 30, 2014 are consistent with those used in the preparation of annual consolidated financial statements for the year ended December 31, 2013. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2013.

2.3 Change in accounting policies

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the condensed interim consolidated financial statements as at 30 September 2014 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2014. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

2. Basis of presentation of consolidated financial statements (continued)

i) The new standards, amendments and interpretations which are effective as at 1 January 2014 are as follows:

- TAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)
- TRFS Interpretation 21 Levies
- TAS 36 Impairment of Assets (Amended) - Recoverable Amount Disclosures for Non-Financial assets
- TAS 39 Financial Instruments: Recognition and Measurement (Amended) - Novation of Derivatives and Continuation of Hedge Accounting
- TFRS 10 Consolidated Financial Statements (Amendment)

This amendment does not have any impact on the financial position or performance of the Group.

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

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

-TFRS 9 Financial Instruments – Classification and measurement

The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is adopted by POA.

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Group will make the necessary changes to its interim condensed consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

- IFRS 9 Financial Instruments - Final standard (2014)
- *Annual Improvements to IFRSs – 2010–2012 Cycle*
- *Annual Improvements – 2011–2013 Cycle*
- IAS 19 Defined Benefit Plans: Employee Contributions (Amendment)
- IFRS 11 - Acquisition of an Interest in a Joint Operation (Amendment)
- IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
- IFRS 15 – Revenue from Contracts with Customers
- IAS 16 Property, Plant and Equipment and IAS 41 Agriculture (Amendment)– Bearer Plants

The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

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

3. Business combinations

LogoBI acquisition

The Company acquired 32,2% of Worldbi's shares free of charge with the share purchase agreement signed on 12 December 2011 and increased its effective ownership interest to 60%. The share purchase agreement became effective as of 1 January 2012. The title of Worldbi Yazılım Sanayii ve Ticaret A.Ş. was changed as Logobi Yazılım Sanayi ve Ticaret A.Ş. ("LogoBI") on 2 April 2012.

On 30 June 2012, the company management completed its studies for determining the fair values of LogoBI's identifiable assets and acquired liabilities, which were recorded based mentioned on the below 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 associates	2.065.365
Less: non-controlling interest	1.362.285
Goodwill	**21.942**

The goodwill arising from the acquisition was associated with the income statement, since it is not material for consolidated financial statements.

The Group has measured the non-controlling interest in LogoBi at the proportionate share of the acquirer‘s identifiable net assets.

Identifiable asset advanced technology determined in consequence of LogoBI's purchase price allocation study are amortized on 10 years.

Netsis acquisition

Upon the signing of the share purchase agreement on 25 July 2013, the Group acquired all the shares in Netsis in return for TL 24.699.850. The total acquisition amount was paid in cash. The share purchase agreement entered into force as of 19 September 2013. Acquisition-related costs of TL 192.388 have been included in the general administrative expenses.

Referring to this acquisition, Group has applied TFRS 3 “Business Combinations” standard in accounting for business combinations of Netsis as subsidiary. As of 31 December 2013, fair values of identifiable assets and assumed identifiable liabilities acquired with the scope of business combinations are identified with draft fair value measurement report. These items are reported over the temporary amounts (on provisional basis) on the consolidated financial statements. The additions and corrections of fair values of the acquired identifiable assets, liabilities and contingent liabilities are limited to 12 months from the date of acquisition.

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

3. Business combinations (continued)

As of 30 September 2014 the identifiable assets acquired and liabilities assumed were booked over their following values:

Cash and cash equivalents	3.387.716
Other trade receivables	9.936.670
Inventories	1.955
Prepaid expenses	114.086
Assets related to current period taxes	36.353
Other current assets	6.100
Financial investments	12.500
Other receivables	5.723
Property and equipment	452.962
Intangible assets - identifiable assets	11.851.209
Prepaid expenses	1.598
Deferred income tax assets	59.883
Other trade payables	(443.125)
Other payables	(439.318)
Current deferred revenues	(4.123.468)
Employee benefit obligations	(696.481)
Other current provisions	(220.710)
Non-current deferred revenues	(365.926)
Long-term provisions for employee termination benefits	(770.129)
Fair value of net assets	18.807.598
Less: purchase consideration	24.699.850
Goodwill	**5.892.252**

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

e-Logo acquisition

On February 20, 2014, the Company acquired the shares representing 80% of the capital of Logo Elektronik Ticaret Hizmetleri A.Ş. for TL 8.000.000 and signed a put option agreement for the acquisition of the remaining 20% for TL 2.000.000 calculated in USD which was agreed upon by the parties. According to the related agreement, the remaining 20% of shares were acquired on July 14, 2014 for TL 1.914.632. The whole amount of the purchase price was paid in advance. The share transfer agreement took effective as of February 20, 2014. The gain directly associated with the purchase amounting to 243.883 TL arising from bargain purchase has been included in income gained from investment activities.

Cost amounting to TL 72.553 which is directly related with the purchase transaction has been recognized under General administration expenses account.

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

3. Business combinations (continued)

The management of the Company completed the works related to determining the fair values of the acquired assets and liabilities; which were recorded at the following values:

Total assets	8.892.931
Intangible assets – Identifiable assets	2.792.000
Total liabilities	(1.380.077)
Fair value of net assets	10.304.854
Less: purchase consideration	8.000.000
Less: minority interests	2.060.971
Gain arising from bargain purchase	**243.883**

The Group has measured the non-controlling interests at e-Logo over the recognized proportionate share of net definable assets of the company.

Of the identifiable assets determined as a result of e-Logo's purchase price allocation study, the technology developed is amortised over seven years, customer relations are amortised over twelve years.

In the consolidated profit and loss statement for the period ended 30 September 2014; e-Logo's share in revenues after purchase date is realized as 6.098.168 TL. In the same period, e-Logo's contribution to net income for the period is 3.512.432 TL.

If e-Logo had been included in the consolidation as of 1 January 2014, the Group's net revenue in the consolidated profit and loss statement as of 30 September 2014 would amount to 70.252.404 TL.

Detail of cash outflows due to purchase as of 30 September 2014 is as follows:

Purchase price – cash paid in 2014	8.000.000
Cash and cash equivalents – acquired	1.397.855
Cash outflow due to purchase, net	**6.602.145**

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

4. Cash and cash equivalents

As of 30 September 2014 and 31 December 2013, the details of cash and cash equivalents are as disclosed below:

	30 September 2014	31 December 2013
Cash	13.228	11.101
Banks		
- Demand deposits - TL	3.337.908	1.488.448
- Demand deposits - foreign currency	1.471.555	981.378
- Time deposits - TL	12.142.400	4.442.000
- Time deposits - foreign currency	1.037.534	960.435
Credit card receivables	16.726.844	11.384.753
Total	**34.729.469**	**19.268.115**

As of 30 September 2014, the weighted average effective annual interest rates for TL time deposits are between %9,20 and %9,80 (31 December 2013: %5,25 - %9,07). As of 30 September 2014 and 31 December 2013, the maturity of time deposits is less than three months.

As of 30 September 2014 and 31 December 2013, the maturity of credit card receivables is less than three months.

As of 30 September 2014 and 31 December 2013, the cash and cash equivalents included in the consolidated statement of cash flows are as follows:

	30 September 2014	31 December 2013
Cash and cash equivalents	34.729.469	19.268.115

5. Financial assets

Trading securities:

The analysis of financial assets at fair value through profit and loss at 30 September 2014 and 31 December 2013 is as follows:

	30 September 2014	31 December 2013
Mutual funds		
- Liquid fund	66.285	151.985
- Gold fund	44.542	41.078
	110.827	**193.063**

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

5. Financial assets (Continued)

The analysis of non-current financial assets at 30 September 2014 and 31 December 2013 is as follows:

	30 September 2014		31 December 2013	
	Share %	Carrying amount	Share %	Carrying amount
Available-for-sale equity securities:				
İnterpro Yayıncılık Araştırma ve Organizasyon Hizmetleri A.Ş.	2	80.653	2	80.653
Dokuz Eylül Teknoloji Geliştirme Bölgesi A.Ş.	0,67	50.000	0,67	25.000
Boğaziçi Üniversitesi Teknopark	5	2.500	5	2.500
		133.153		**108.153**

As of 30 September 2014 and 31 December 2013, because of the Group's available for sale equity securities which are not traded in organised market, their fair values could not be reliably measured and their total assets have no material impact on consolidated financial statements; are reflected to condensed interim consolidated financial statements of the Group with cost value.

6. Borrowings

The analysis of borrowings at 30 September 2014 and 31 December 2013 is as follows:

Short-term borrowings:	**30 September 2014**	**31 December 2013**
Current portion of long-term borrowings	4.754.696	890.714
Short-term bank borrowings	1.975.043	567.806
Credit card payables	64.264	205.350
	6.794.003	**1.663.870**

Long-term borrowings:	**30 September 2014**	**31 December 2013**
Long-term borrowings	17.900.706	22.456.183

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

6. Bank borrowings (continued)

	30 September 2014		
	Weighted average Effective interest Rate p.a. (%)	**Original Balance**	**TL equivalent**
Short-term borrowings	-	1.975.043	1.975.043
Credit card payables	-	64.264	64.264
Total short-term borrowings			**2.039.307**
Current portion of long-term borrowings:			
TL denominated borrowings	%10,32-%13,68	4.735.564	4.735.564
USD denominated borrowings	-	8.395	19.132
Total current portion of long-term borrowings			**4.754.696**
Long- term borrowings:			
TL denominated borrowings	%10,32-%13,68	17.900.706	17.900.706
Total long-term borrowings			**17.900.706**

A credit agreement amounting TL 20.000.000 and having 5 year term is signed between the Company and International Finance Corporation ("IFC"), an institution of World Bank on 25 October 2013.

	31 December 2013		
	Weighted average Effective interest Rate p.a. (%)	**Original balance**	**TL equivalent**
Short-term borrowings	-	567.806	567.806
Credit card payables	-	205.350	205.350
Total short-term borrowings			**773.156**
Current portion of long-term borrowings			
TL denominated borrowings	%11,60-%15,84	782.031	782.031
USD denominated borrowings	-	48.830	108.683
Total current portion of long-term borrowings			**890.714**
Long- term borrowings:			
TL denominated borrowings	%11,60-%15,84	22.437.238	22.437.238
USD denominated borrowings	-	8.877	18.945
Total long-term borrowings			**22.456.183**

The redemption schedule of long-term bank borrowings at 30 September 2014 is as follows:

	2014
1-2 years	5.056.556
2-3 years	6.093.241
3-4 years	5.417.575
4-5 years	1.333.334
	17.900.706

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

7. Trade receivables and payables

The analysis of trade receivables and payables at 30 September 2014 and 31 December 2013 is as follows:

Short-term other trade receivables:	**30 September 2014**	**31 December 2013**
Trade receivables	27.005.043	32.813.099
Credit card receivables	13.314.532	21.143.160
Cheques and notes receivables	3.741.816	6.857.153
Other trade receivables	63.806	77.032
Less: provision for doubtful receivables	(6.571.910)	(6.411.821)
Less: unearned credit finance income	(1.150.728)	(1.676.927)
	36.402.259	**52.801.696**

As of 30 September 2014, trade receivables of TL 2.641.898 (31 December 2013: TL 2.413.693) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	30 September 2014	**31 December 2013**
Up to 1 month	1.622.285	231.361
1 to 3 months	1.983.068	511.231
Over 3 months	1.445.174	1.671.101
	5.050.527	**2.413.693**
Amount of risk covered by guarantees	-	-

Long-term other trade receivables:	**30 September 2014**	**31 December 2013**
Credit card receivables	-	148.883

Short-term trade payables:	**30 September 2014**	**31 December 2013**
Trade payables	3.658.483	3.211.583

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

7. Trade receivables and payables (continued)

The maximum exposure of the Group to credit risk as of 30 September 2014 and 31 December 2013 as follows:

	Trade receivables		Other receivables		
30 September 2014	**Related party**	**Other**	**Related party**	**Other**	**Bank deposits/ Credit card receivables**
The maximum of credit risk exposed at the reporting date	**31.063**	**36.402.259**	**-**	**11.697**	**34.716.241**
- Amount risk covered by guarantees	***-***	***99.400***	***-***	***-***	***-***
Net carrying value of not past due and not impaired financial assets	31.063	31.352.032	-	11.697	34.716.241
Net carrying value of past due but not impaired financial assets	-	5.050.527	-	-	-
- Amount of risk covered by guarantees					
Net carrying value of impaired assets	-	-	-	-	-
- Past due (gross carrying value)	-	*6.571.910*	-	-	-
- Provision for impairment (-)	-	*(6.571.910)*	-	-	-
- Amount of risk covered by guarantees					

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

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

7. Trade receivables and payables (continued)

31 December 2013	**Trade receivables**		**Other receivables**		
	Related party	**Other**	**Related party**	**Other**	**Bank deposits/ credit card receivables**
The maximum of credit risk exposed at the reporting date	**30.130**	**52.950.579**	**-**	**15.240**	**19.257.014**
- Amount risk covered by guarantees	**-**	***99.400***	**-**	**-**	**-**
Net carrying value of not past due and not impaired financial assets	30.130	50.536.886	-	15.240	19.257.014
Net carrying value of past due but not impaired financial assets	-	2.413.693	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-
Net carrying value of impaired assets	-	-	-	-	-
- Past due (gross carrying value)	-	6.411.821	-	-	-
- Provision for impairment (-)	-	(6.411.821)	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

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

Notes to the condensed interim consolidated financial statements for the period ended 30 September 2014 (continued) (Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

8. Other receivables and payables

The analysis of other receivables and payables at 30 September 2014 and 31 December 2013 is as follows:

Other current receivables:	**30 September 2014**	**31 December 2013**
Deposits and guarantees given	10.333	9.516

Other current payables:	**30 September 2014**	**31 December 2013**
VAT payable	892.138	2.356.637
Reverse charge VAT	56.751	23.539
Stamp tax	11.550	8.224
Other	25.944	24.524
	986.383	**2.412.924**

9. Inventories

The analysis of inventories at 30 September 2014 and 31 December 2013 is as follows:

	30 September 2014	**31 December 2013**
Raw materials	555.873	283.913
Trade goods	127.741	137.608
	683.614	**421.521**

10. Property and equipment

The movements in property and equipment and accumulated depreciation during the periods ended 30 September 2014 and 2013 were as follows:

	1 January 2014	**Additions**	**Acquisition of Subsidiary**	**Disposals**	**30 September 2014**
Cost:					
Machinery and equipment	5.243.543	363.408	199.621	-	5.806.572
Motor vehicles	233.398	-	55.383	(44.183)	244.598
Furniture and fixtures	3.265.571	225.956	84.580	-	3.576.107
Leasehold improvements	17.208.797	34.709	75.883	-	17.319.389
Construction in progress	711.679	812.786	-	-	1.524.465
	26.662.988	**1.436.859**	**415.467**	**(44.183)**	**28.471.131**
Accumulated depreciation:					
Machinery and equipment	4.708.060	195.494	65.537	-	4.969.091
Motor vehicles	206.747	13.974	55.383	(38.266)	237.838
Furniture and fixtures	2.734.309	183.478	27.405	-	2.945.192
Leasehold improvements	5.384.336	319.312	48.531	-	5.752.179
	13.033.452	**712.258**	**196.856**	**(38.266)**	**13.904.300**
Net book value	**13.629.536**				**14.566.831**

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

10. Property and equipment (continued)

	1 January 2013	Additions	Acquisition of subsidiary	30 September 2013
Cost:				
Machinery and equipment	5.015.860	199.056	-	5.214.916
Motor vehicles	-	-	369.680	369.680
Furniture and fixtures	1.974.348	57.714	1.190.090	3.222.152
Leasehold improvements	16.158.248	11.621	1.064.278	17.234.147
Construction in progress	664.303	47.780	-	712.083
	23.812.759	**316.171**	**2.624.048**	**26.752.978**
Accumulated depreciation:				
Machinery and equipment	4.537.232	125.978	-	4.663.210
Motor vehicles	-	650	287.314	287.964
Furniture and fixtures	1.691.650	89.028	905.235	2.685.913
Leasehold improvements	4.043.660	284.335	978.537	5.306.532
	10.272.542	**499.991**	**2.171.086**	**12.943.619**
Net book value	**13.540.217**			**13.809.359**

The Company leased the land; its head-office is standing on 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 7.000.000 was placed on the Company's building as collateral for the loan.

11. Intangible assets

The movements in intangible assets and related accumulated amortization during the years ended 30 September 2014 and 2013 were as follows:

	1 January 2014	Additions	Acquisition of Subsidiary	30 September 2014
Cost:				
Development costs	49.599.391	9.472.351	-	59.071.742
Technology developed (*)	5.436.027	-	1.013.000	6.449.027
Customer relations (*)	9.770.175	-	1.779.000	11.549.175
Agreement for restriction of competition (*)	1.940.057	-	-	1.940.057
Other intangible assets	4.499.364	278.801	36.368	4.814.533
	71.245.014	**9.751.152**	**2.828.368**	**83.824.534**
Accumulated amortization:				
Development costs	33.724.170	4.416.073	-	38.140.243
Technology developed	754.156	670.321	-	1.424.477
Customer relations	1.384.230	702.656	-	2.086.886
Agreement for restriction of competition	522.504	670.249	-	1.192.753
Other intangible assets	4.296.979	162.513	24.057	4.483.549
	40.682.039	**6.621.812**	**24.057**	**47.327.908**
Net book value	**30.562.975**			**36.496.626**

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

11. Intangible assets (continued)

	1 January 2013	Additions	Acquisition of subsidiary	30 September 2013
Cost:				
Development costs	36.072.486	3.524.210	4.904.105	44.500.801
Identifiable assets	9.080.885	-	8.065.374	17.146.259
Other intangible assets	833.752	51.444	3.680.787	4.565.983
	45.987.123	**3.575.654**	**16.650.266**	**66.213.043**
Accumulated amortization:				
Development costs	28.256.390	2.645.033	1.136.181	32.037.604
Identifiable assets	1.164.434	872.170	-	2.036.604
Other intangible assets	733.341	29.921	3.662.876	4.426.138
	30.154.165	**3.547.124**	**4.799.057**	**38.500.346**
Net book value	**15.832.958**			**27.712.697**

All additions to development costs during the interim periods ended 30 September 2014 and 2013 consisted of staff costs.

TL 7.107.144 of the current period depreciation and amortization expense has been allocated to research and development expenses, TL 71.818 has been allocated to marketing, selling and distribution expenses, TL 155.108 has been allocated to general administrative expenses (30 September 2013: TL 3.781.301 to research and development expenses, TL 77.591 to marketing, selling and distribution expenses, TL 188.223 to general administrative expenses).

12. Commitments and contingent liabilities

Guarantees given and guarantees received at 30 September 2014 and 31 December 2013 were as follows:

Guarantees received:

		30 September 2014		31 December 2013	
	Original currency	**Original amount**	**TL equivalent**	**Original amount**	**TL equivalent**
Mortgages received	TL	60.000	60.000	60.000	60.000
Guarantee notes received	TL	39.400	39.400	39.400	39.400
			99.400		99.400

As of 30 September 2014 and 31 December 2013, guarantee/pledge/mortgage given by the Company on behalf of its legal entity were as follows:

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

12. Commitments and contingent liabilities (continued)

Guarantee/pledge/mortgage given by the Company:

		30 September 2014		31 December 2013	
	Original currency	**Original amount**	**TL equivalent**	**Original amount**	**TL equivalent**
Total amount of guarantee/ pledge/ mortgage the Company gave on behalf of its legal entity	TL	7.458.000	7.458.000	7.510.124	7.510.124
	USD	82.578	188.187	160.539	342.638
			7.646.187		**7.852.762**

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:

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

A credit agreement amounting TL 20.000.000 and having 5 year term is signed between the Company and International Finance Corporation ("IFC"), an institution of World Bank on 25 October 2013. Pledge of commercial enterprise, pledge of Netsis Yazılım Sanayi ve Ticaret A.Ş.'s share and guarantee of bail of Coretech Bilgi Teknolojisi Hizmetleri A.Ş. is given as a credit warrant. There are financial ratios the Company committed in credit agreement. The Company quarterly calculates related ratios according to the data of consolidated financial statements and notifies IFC. The Company committed to Financial Debt to Tangible Net Worth Ratio of not more than 1,50; Net Debt to EBITDA Ratio of not more than 2,5; and receivables (excluding credit card receivables up to 12 months) to sales ratio of not more than 0,6 at all times on a consolidated basis.

13. Provision for employee benefits

a) Short term provisions for employee benefits

The detail of short term provisions at 30 September 2014 and 31 December 2013 is as follows:

	30 September 2014	31 December 2013
Personnel bonus accrual	**-**	4.459.947
	-	4.459.947

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

13. Provision for employee benefits (continued)

b) Long term provisions for employee benefits

The analysis of provision for employment termination benefits at 30 September 2014 and 31 December 2013 is as follows:

	30 September 2014	31 December 2013
Provision for employee termination benefits	**2.366.487**	2.233.283
Provision for unused vacation	**1.334.992**	1.496.506
	3.701.479	3.729.789

The movement of unused vacation liability at 30 September 2014 and 2013 is as follow:

	2014	2013
1 January	**1.496.506**	939.185
Acquisition of subsidiary	**100.282**	-
Increase/(decrease) in the period	**(261.796)**	304.451
30 September 2014	**1.334.992**	1.243.636

Provision for employment termination benefits is calculated as 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 3.438 (2013: TL 3.254) for each year of service at 30 September 2014. 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. Turkish 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 September 2014	**31 December 2013**
Net discount rate	4,66%	4,48%
Turnover rate to estimate the probability of retirement	93%	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 The maximum amount of TL 3.438 which is effective from 1 January 2014 has been taken into consideration in calculating the reserve for employment termination benefit of the Company.

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

13. Provision for employee benefits (continued)

The movements in the provision for employment termination benefits during the interim periods ended 30 September 2014 and 2013 were as follows:

	2014	**2013**
1 January	**2.233.283**	**1.381.737**
Service cost	182.131	188.252
Interest cost	150.761	54.989
Actuarial loss	622.299	97.167
Paid/accrued during the period	(850.240)	(68.417)
Acquisition of subsidiary	28.253	491.692
30 September	**2.366.487**	**2.145.420**

14. Prepaid expenses, other current assets, deferred revenues and employee benefit obligations

a) Prepaid expenses:

The analysis of prepaid expenses at 30 September 2014 and 31 December 2013 is as follows:

	30 September 2014	31 December 2013
Prepaid expenses	**1.891.126**	136.762
Advances given	**-**	526.944
Prepaid expenses – Short term	**1.891.126**	663.706

	30 September 2014	31 December 2013
Prepaid expenses	**105.430**	34.133
Prepaid expenses – Long term	**105.430**	34.133

b) Other current assets:

The analysis of other current assets at 30 September 2014 and 31 December 2013 is as follows:

	30 September 2014	31 December 2013
Personnel advances	**151.785**	26.475
Job advances	**58.541**	71.548
Value Added Tax ("VAT") receivables	**-**	3.670
Other	**32.095**	44.062
	242.421	145.755

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

14. Prepaid expenses, other current assets, deferred revenues and employee benefit obligations (continued)

c) Deferred revenues

The analysis of deferred revenues at 30 September 2014 and 31 December 2013 is as follows:

	30 September 2014	31 December 2013
Deferred revenues	**13.438.936**	16.420.096
Advances received (*)	**1.466.940**	1.343.012
Deferred income – Short term	**14.905.876**	17.763.108
Deferred revenues	**68.548**	266.702
Deferred income – Long term	**68.548**	266.702

Details of deferred income as of 30 September 2014 and 31 December 2013 enclosed below:

Deferred revenues	**30 September 2014**	31 December 2013
Logo Enterprise Membership sales	**6.142.518**	7.780.432
Pay as you go sales	**3.255.441**	3.708.698
Version upgrade package sales	**2.812.536**	3.179.770
Deferred revenue from continuing projects	**1.140.277**	1.945.578
After-sales services revenue	**156.712**	72.320
	13.507.484	16.686.798

d) Employee benefit obligations

The analysis of employee benefit obligations at 30 September 2014 and 31 December 2013 is as follows:

	30 September 2014	31 December 2013
Payable to personnel	**2.116.107**	1.134.745
Taxes, withholdings and social security payables	**901.266**	861.920
	3.017.373	1.996.665

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

15. Equity

The Company's authorized and paid-in share capital consists of 2.500.000.000 (2013: 2.500.000.000) shares with Kr 1 nominal each. The shareholding structure of the Company as of 30 September 2014 and 31 December 2013 are as follows:

	30 September 2014	Share (%)	31 December 2013	Share (%)
Logo Yatırım Holding A.Ş.	8.714.904	34,8596	8.648.762	34,595
Mediterra Capital Partners I, LP (*)	8.714.904	34,8596	8.648.762	34,595
Publicly owned-free floating	7.570.192	30,2808	7.702.476	30,810
	25.000.000	**100**	**25.000.000**	**100**
Adjustment to share capital	2.991.336		2.991.336	
Total paid-in share capital	**27.991.336**		**27.991.336**	

(*) Consist of EAS S.A.R.L %33,51 and other

A Share Transfer Agreement has been signed between Logo Yatırım Holding A.Ş., the majority shareholder of the Company and EAS Solutions SARL which is owned 100% by Mediterra Capital Partners I LP regarding the sale of 864.876.171 shares (863.226.171 shares from B Group, 1.650.000 shares from A Group) having a nominal value of 1 Krş each and a total nominal value of TL 8.648.762. The shares sold corresponds to 50% of the shares held by Logo Yatırım Holding A.Ş. and represents

34.595% of the share capital of the Company. The total share transfer price was TL 48.216.846,53 (TL 5,575 for every 100 shares) and the share transfer has been concluded. The management control of the Company is divided equally between Logo Yatırım Holding A.Ş., which currently had full control of the management and EAS Solutions SARL, which has taken over the shares. The Company is currently under the joint control of these two shareholders.

Logo Yatırım Holding A.Ş. and EAS Solutions S.a.r.l.'s application in relation to voluntary share purchase of Logo Yazılım Sanayi Ticaret A.Ş.'s B group shares in circulation amounting to 5.696.372,12 TL has been approved following the Capital Markets Board article dated 11.03.2014 and numbered 29833736-110.05.01-502.The share acquisition price of 0.01 TL nominal value has been determined as 0.06 TL for each Group B share (Standard processing unit traded on Istanbul Stock exchange with a nominal value of 1 TL is equivalent to 6.00 TL for every 100 shares).

As a result of the voluntary share purchase bids held between the dates 14/03/2014-27/03/2014, 132.285 shares have been purchased by Logo Yatırım Holding A.Ş. and EAS Solutions S.a.r.l. for an amount of 793.710 TL.

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.

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

15. Equity (continued)

The analysis of restricted reserves at 30 September 2014 and 31 December 2013 is as follows:

	30 September 2014	31 December 2013
Legal Reserves	**2. 875.287**	2.581.162
Gain on sale of land and investments	**923.318**	923.318
Extraordinary reserves	**161.789**	161.789
	3.960.394	3.666.269

Treasury Shares

Based on the Board of Directors decision dated 26 June 2013, regarding taking back maximum 62.500.000 share certificates (each having TL 0.01 nominal value, constituting 2,5% of 2.500.000.000 paid in share capital) within lower price limit of TL 0 and upper price limit of TL 3,5 in order to decrease price fluctuations in the Company's share certificates traded in Istanbul Stock Exchange ("ISE") (now called as Borsa Istanbul ("BIST") and evaluate current market conditions, the Company took back 171.000 share certificates traded in ISE between 4 July 2012 and 5 November 2012. The mentioned share certificates were accounted as treasury shares under equities.

Based on the Board of Directors decision dated 19 April 2013, regarding taking back maximum 100.000.000 share certificates (each having TL 0.01 nominal value, constituting 4 % of 2.500.000.000 paid in share capital) within lower price limit of TL 0 and upper price limit of TL 5,5 in order to decrease price fluctuations in the Company's share certificates traded in BIST and evaluate current market conditions, the Company took back 967.778 share certificates traded in BIST between 25 April 2013 and 21 June 2013.

Based on the Board of Directors decision dated 26 June 2013, regarding taking back maximum 100.000.000 share certificates (each having TL 0.01 nominal value, constituting 4 % of 2.500.000.000 paid in share capital) within lower price limit of TL 0 and upper price limit of TL 5,5 in order to decrease price fluctuations in the Company's share certificates traded in BIST and evaluate current market conditions, the Company took back 471.528 share certificates traded in BIST between 10 July 2013 and 26 September 2013

Based on the Board of Directors decision dated 3 October 2013, regarding taking back maximum 100.000.000 share certificates within lower price limit of TL 0 and upper price limit of TL 5,5 in order to decrease price fluctuations in the Company's share certificates traded in BIST and evaluate current market conditions, the Company took back 272.189 share certificates traded in BIST between 30 October 2013 and 30 June 2013.

In accordance with Capital Markets Board's ("CMB") decision dated 10 August 2011 and numbered 26/767, the Company has repurchased 1,610,306 numbers of shares in accordance with three different "Share Repurchase Programs" which were in agenda of the Board of Directors' meetings dated 26 June 2012, 19 April 2013, and 26 June 2013. The repurchased shares constitute 6,44% of the Company's share capital as of 26 September, 2013 which was the end date of the 3rd program. The Company has sold a portion of these repurchased shares having TL 1.237.500 nominal value and constituting 4,.95% of the Company's share capital to Murat Ihlamur in exchange for TL 5 for each TL 1 nominal value share amounting to a total of TL 6.187.000. The sales transaction is realized in the Wholesale Market of Borsa İstanbul A.Ş. (BİAŞ) on 10 October 2013. Gain from this transaction amounted to TL 485.890 recognized under shareholders' equity.

15. Equity (continued)

The Company's repurchased shares in accordance with Share Repurchase Programs having TL 60.000 nominal value and constituting 0,.24% of the Company's share capital have been sold to Teknoloji Yatırım A.Ş. on 26 December 2013 in exchange for each TL 5 for each TL 1 nominal value share amounting to a total of TL 300.000. Gain from this transaction amounted to TL 37.023 is recognized under shareholders equity.

Dividend Distribution

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from 1 February, 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable instalments and advance dividend can be paid in accordance with profit on interim financial statements of the Company.

Companies should include at least the following in their profit distribution policies

a) Whether dividends will be distributed, and if distributed, the dividend distribution rate for shareholders and for others participating in the distribution.
b) Payment type of dividend distribution.
c) Time of dividend distribution; on condition that the distribution procedures to be started at the latest of the end of the annual period in which general assembly meeting was held in which the distribution was agreed upon..
d) Whether dividend advances will be distributed, and if distributed, the related principles.

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

In dividend distribution, the Company follows a balanced and consistent policy between the benefits of the shareholders and the benefits of the Company in accordance with the Corporate Management Principles. The Board of Directors of the Company has decided; that at least 20% of the distributable net profit for the period calculated in accordance with the TCC, CMB regulations and the main agreement should be distributed to the shareholders as dividends, taking into consideration the economic conditions, long-term investment financing and business plans as well as profitability; that the dividend to be distributed may be realized in cash or by capital increase through bonus shares or partly in cash and partly through bonus shares; that the calculable dividend amount may remain undistributed in the event that it is less than 5% of the paid-in capital; and that this dividend distribution policy should be revised annually by the Board of Directors.

The part of the accumulated losses of the companies exceeding the total of retained earnings, general legal reserves including premiums related to shares and the amounts arising from the adjustment of equity items except for capital in accordance with inflation accounting is accounted for as discount items in the calculation of net distributable profit for the period.

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

16. Expenses by Nature

As of 30 September 2014 and 31 December 2013, expenses are disclosed by function and the analysis of the expenses is summarized in Note 18 and Note 19.

17. Sales and cost of sales

	1 January - 30 September 2014	**1 July - 30 September 2014**	**1 January - 30 September 2013**	**1 July - 30 September 2013**
Sales income	68.059.210	20.276.775	37.569.620	14.101.930
Service income	3.925.060	1.487.985	2.890.260	963.583
Sales returns	(1.648.716)	(499.924)	(1.416.084)	(522.469)
Sales discounts	(1.484.173)	(390.345)	(847.360)	(331.282)
Net sales	68.851.381	20.874.491	38.196.436	14.211.762
Cost of sales	(2.535.749)	(690.289)	(2.790.067)	(1.821.387)
Gross profit	**66.315.632**	**20.184.202**	**35.406.369**	**12.390.375**

For the interim period ended at 30 September 2014, service income consists of SaaS service income amounting to TL 3.287.037 (30 September 2013 - TL 2.371.810).

Cost of sales

	1 January - 30 September 2014	**1 July - 30 September 2014**	**1 January - 30 September 2013**	**1 July - 30 September 2013**
Expenses for transfer of financial rights	2.418.298	631.063	2.720.056	1.800.503
Total production cost	**2.418.298**	**631.063**	**2.720.056**	**1.800.503**
Cost of trade goods sold	117.451	59.226	70.011	20.884
Cost of sales	**2.535.749**	**690.289**	**2.790.067**	**1.821.387**

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

18. Marketing, selling and distribution expenses, research and development expenses, general administrative expenses

Marketing, selling and distribution expenses:	**1 January-30 September 2014**	**1 April-30 September 2014**	1 January-30 September 2013	1 January-30 September 2013
Personnel expenses	**7.402.823**	**2.784.317**	3.735.974	1.450.201
Advertising and selling expenses	**5.903.466**	**1.691.459**	1.904.160	596.146
Motor vehicle expenses	**672.986**	**212.480**	366.231	138.352
Consulting expenses	**627.844**	**238.609**	290.288	92.953
Travel expenses	**247.843**	**65.118**	150.521	39.623
Outsourced benefits and services	**243.774**	**116.478**	69.586	26.714
Depreciation and amortisation expenses	**71.818**	**24.544**	77.591	25.699
Rent expenses	**23. 753**	**359**	21.371	13.590
Other	**288.723**	**135.819**	79.531	36.545
	15.483.030	**5.269.183**	6.695.253	2.419.823

Research and development expenses:	**1 January-30 September 2014**	**1 April-30 September 2014**	1 January-30 September 2013	1 January-30 September 2013
Personnel expenses	**9.485.076**	**3.651.695**	6.173.081	2.243.767
Depreciation and amortisation expenses	**7.107.144**	**2.599.562**	3.781.301	1.312.573
Consulting expenses	**1.008.781**	**379.991**	798.128	255.519
Motor vehicle expenses	**985.016**	**310.561**	392.518	152.711
Outsourced benefits and services	**552.257**	**194.456**	320.332	131.596
Rent expenses	**292.124**	**110.616**	75.966	29.368
Travel expenses	**194.876**	**83.484**	102.226	32.664
Other	**435.841**	**139.151**	257.118	95.558
	20.061.115	**7.469.516**	11.900.670	4.253.756

General administrative expenses:	**1 January-30 September 2014**	**1 April-30 September 2014**	1 January-30 September 2013	1 January-30 September 2013
Personnel expenses	**4.351.844**	**683.618**	3.543.391	874.306
Consulting expenses	**1.400.844**	**435.451**	691.080	438.282
Motor vehicle expenses	**457.214**	**159.403**	357.661	104.366
Outsourced benefits and services	**249.998**	**80.997**	147.890	54.326
Depreciation and amortisation expenses	**155.108**	**55.820**	188.223	63.371
Rent expenses	**90.295**	**33.432**	26.142	16.412
Travel expenses	**87.705**	**35.222**	18.212	4.410
Other	**433.319**	**198.672**	394.224	216.344
	7.226.327	**1.682.615**	5.366.823	1.771.817

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

19. Financial income

Financial income:	1 January-30 September 2014	1 April-30 September 2014	1 January-30 September 2013	1 January-30 September 2013
Interest income	**484.831**	**184.687**	607.585	472.110
Foreign exchange gains	**404.376**	**210.095**	77.478	15.837
Other financial income	**-**	**-**	37.644	9.888
	889.207	**394.782**	722.707	497.835

20. Financial expense

Financial expense:	1 January-30 September 2014	1 April-30 September 2014	1 January-30 September 2013	1 January-30 September 2013
Interest expenses	**2.697.962**	**767.970**	682.895	231.008
Credit card commissions	**371.050**	**150.993**	609.605	47.030
Foreign exchange losses	**340.968**	**110.962**	-	-
Rediscount expense of Coretech acquisition	**-**	**-**	48.610	-
Other financial expenses	**208.169**	**48.795**	-	-
	3.618.149	**1.078.720**	1.341.110	278.038

21. Other operating income and expenses and income from investment activities

Other operating income:	1 January-30 September 2014	1 April-30 September 2014	1 January-30 September 2013	1 January-30 September 2013
Rediscount income	**766.014**	**169.156**	594.998	594.998
Foreign exchange gain	**612.914**	**236.395**	50.359	(74.748)
Overdue interest income	**429.804**	**235.584**	639.307	(19.211)
Other income	**541.400**	**275.103**	47.455	(124.964)
	2.350.132	**916.238**	1.332.119	376.075

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

21. Other operating income and expenses and income from investment activities (continued)

Other operating expenses:	**1 January-30 September 2014**	**1 April-30 September 2014**	1 January-30 September 2013	1 January-30 September 2013
Rediscount expenses, net	**613.237**	**13.806**	933.135	399.452
Foreign exchange loss	**512.821**	**164.654**	-	3.921
Provision expenses	**310.945**	**310.945**	36.370	-
Other expenses	**147.844**	**51.407**	113.438	366.434
	1.584.847	**540.812**	1.082.943	769.807

Income from investment activities:	**1 January-30 September 2014**	**1 April-30 September 2014**	1 January-30 September 2013	1 January-30 September 2013
Gain on bargain purchase	**243.883**	**-**	-	-
Gain on sale of financial instruments	**58.478**	**21.380**	-	-
Gain from sale of property and equipment	**27.082**	-	-	-
	329.443	**21.380**	-	-

22. 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 Turkish Financial Reporting Standards and their statutory tax financial statements. Deferred tax income assets and liabilities are measured at the enacted tax rate of 20% (2013: 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 September 2014 and 31 December 2013 using the enacted tax rates, is as follows

	Cumulative temporary differences		**Deferred tax assets/(liabilities**	
	30 September 2014	31 December 2013	**30 September 2014**	31 December 2013
Deferred income tax assets:				
Rediscount of trade receivables and payables	**1.592.191**	1.241.292	**318.438**	248.258
Provision for doubtful receivables	**1.434.108**	1.636.945	**286.822**	327.389
Deferred income	**1.255.679**	1.311.954	**251.136**	262.391
Provision for employee termination benefits	**1.073.819**	1.117.208	**214.764**	223.442
Provision for expense accrual	**632.028**	2.426.599	**126.406**	485.320
			1.197.566	1.546.800

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

22. Current and deferred income taxes (continued)

	Cumulative temporary differences		**Deferred tax assets/(liabilities**	
	30 September 2014	31 December 2013	**30 September 2014**	31 December 2013
Deferred income tax liabilities:				
Difference between the tax base and carrying value of property and equipment and intangible assets	**(4.285.710)**	(3.291.865)	**(857.142)**	(673.161)
Other	**(164.991)**	(232.607)	**(32.998)**	(46.522)
			(890.140)	(719.683)
Deferred income tax assets / (liabilities), net			**307.426**	827.117

The reconciliation of current period tax expense is as follows:

	30 September 2014	30 September 2013
Income before tax	**21.910.946**	11.074.396
Tax calculated at the current enacted tax rate	**(4.382.189)**	(2.214.879)
Income exempt from tax and non-deductible expenses	**4.095.239**	2.077.189
Tax income	**(286.950)**	(137.690)

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 2014 is 20% (2013: 20%).

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.

22. Current and deferred income taxes (continued)

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 2023.

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) In accordance with the investment certificates prepared for applications made before 24 April 2003, 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).

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

22. Current and deferred income taxes (continued)

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 amounting to TL 1.405.908 that can be offsetted in the future.

As of 30 September 2014, deferred tax of gains and losses for defined benefit plans under equity are amounted to TL 63.291 (31 December 2013 TL 6.816).

The analysis of taxation on income for the periods ended 30 September 2014 and 2013 is as follows:

	30 September 2014	30 September 2013
	-	-
Current income tax charge	**286.950**	137.690
Deferred tax income	**(56.475)**	8.075
Total tax income	**230.475**	145.765

23. Earnings/loss per share

The earnings per 1.000 shares with nominal value of Kr 1 amounted to TL 8,65 for the period ended 30 September 2014 (30 September 2013: TL 4,37). Number of shares is 25.000.000 both as of beginning and end of the period.

24. Related party disclosures

i) Due from and due to related parties at 30 September 2014 and 31 December 2013:

a) Due from related parties:	**30 September 2014**	31 December 2013
Current		
Logo Siber Güvenlik ve Ağ Tek. A.Ş. (**)	**21.328**	27.931
Tekbulut Teknoloji A.Ş. (**)	**9.735**	2.199
Total	**31.063**	30.130

b) Due to related parties:	**30 September 2014**	31 December 2013
Current		
Logo Yatırım Holding A.Ş. (*)	**183**	56.912
Logo Elektronik Ticaret Hizmetleri A.Ş.(**)(***)	**-**	7.219.971
Total	**183**	7.276.883

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

24. Related party disclosures (continued)

ii) Sales to related parties, services given to related parties and financial income from related parties during the interim periods ended 30 September 2014 and 2013:

a) Services given to related parties:	30 September 2014	30 September 2013
Logo Siber Güvenlik ve Ağ Tek. A.Ş.	**125.914**	-
Logo Elektronik Ticaret Hizmetleri A.Ş.(***)	**45.749**	161.777
Logo Yatırım Holding A.Ş.	**2.655**	456.236
Total	**174.318**	618.013

iii) Services purchased from related parties and other transactions with related parties during the interim periods ended 30 September 2014 and 2013:

a) Services obtained from related parties:	30 September 2014	30 September 2013
Logo Elektronik Ticaret Hizmetleri A.Ş.(***)	**596.760**	3.302.517
Logo Yatırım Holding A.Ş.	**2.674**	25.687
	599.434	3.328.204

(*) The main shareholder of the Company
(**) Other related party
(***) Received and rendered services amount before consolidation of Logo Elektronik Ticaret Hizmetleri A.Ş as of 20 February.

b) Remuneration of the board of directors and executive management:

	30 September 2014	30 September 2013
Remuneration of the board of directors and executive management	**1.010.282**	1.137.988

The remuneration of board of directors and executive management (executive management includes general manager (CEO) and assistant general managers) for the interim periods ended 30 September 2014 and 2013 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 interim periods ended 30 September 2014 and 2013.

25. Nature and extent of risks arising from financial instruments

25.1 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 aggregate risk from any individual counterparty 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 cash for recent future in order to manage its liquidity risk. In this context the Company has credit limit from bank amounting to TL 100.000.000 that the company can utilize whenever needed.

The following table presents the maturity of Company's non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

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

25. Nature and extent of risks arising from financial instruments (continued)

30 September 2014	**Carrying Value**	**Cash Outflow**	**Total Contractual Up to 3 months**	**Between 3-12 months**	**Between 1-5 years**	**Over 5 years**
Non-derivative financial instruments						
Bank borrowings	24.694.709	30.861.758	7.406.541	5.056.556	18.398.661	-
Trade payables						
- Other	3.658.483	3.658.483	3.658.483	-	-	-
- Related party	183	183	183	-	-	-
Other payables						
- Employee benefit obligations	2.116.107	2.116.107	2.116.107			
- Other	986.383	986.383	986.383	-	-	-

31December 2013	**Carrying Value**	**Total Contractual Cash Outflow**	**Up to 3 months**	**Between 3-12 months**	**Between 1-5 years**	**Over 5 years**
Non-derivative financial instruments						
Bank borrowings	24.120.053	32.330.112	926.218	1.102.081	30.301.813	-
Trade payables						
- Related Party	7.276.883	7.597.392	1.942.031	5.655.361	-	-
- Other	3.211.583	3.218.845	3.218.845	-	-	-
Other payables						
- Related Party	*1.134.745*	*1.134.745*	*1.134.745*	-	-	-
- Other	2.412.924	2.412.924	2.412.924	-	-	-

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

25. Nature and extent of risks arising from financial instruments (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 September 2014	31 December 2013
Financial instruments with fixed interest rate		
Financial assets		
- Designated at fair value through profit or loss	***13.290.761***	*5.598.498*
Financial liabilities	**4.932.763**	4.030.919
Financial instruments with floating interest rate		
Financial assets	**-**	-
- Designated at fair value through profit or loss	**19.761.946**	20.089.134

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

At 30 September 2014, if interest rates of bank loans with variable interest rates has strengthened/ weakened by 500 base point (5%) with all other variables held constant, income before tax would have been TL 98.070 (30 December 2013: 17.721) lower/ higher.

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 periods ended 30 September 2014 and 2013 is as follows:

	30 September 2014	30 September 2013
Total exports	**3.242.702**	3.279.355
Total imports	**-**	135.499

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

25. Nature and extent of risks arising from financial instruments (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 September 2014 and 31 December 2013 is summarized below.

Foreign currency position:	**30 September 2014**	31 December 2013
Assets	**4.571.165**	3.795.720
Liabilities	**(1.464.898)**	(1.397.087)
Net foreign currency position	**3.106.267**	2.398.633

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

		30 September 2014		31 December 2013	
	Original currency	**Original amount**	**TL equivalent**	Original amount	TL equivalent
Cash and cash equivalents	**USD**	**614.693**	**1.400.822**	538.525	1.149.373
	EURO	**431.355**	**1.247.219**	271.566	797.453
	OTHER	**-**	**45**	-	-
Trade receivables and due from related parties	**USD**	**691.061**	**1.574.859**	573.983	1.225.052
	EURO	**118.828**	**343.579**	211.606	621.381
	OTHER				
Other receivables	**EURO**	**1.605**	**4.641**	838	2.461
Foreign currency denominated assets			**4.571.165**		3.795.720
Trade payables and due to related parties	**EUR**	**373.578**	**1.080.162**	409.483	1.202.447
	USD	**148.976**	**339.501**	31.398	67.012
Financial debts	**USD**	**19.850**	**45.235**	59.799	127.628
Foreign currency denominated liabilities			**1.464.898**		1.397.087

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

25. Nature and extent of risks arising from financial instruments (continued)

			30 September 2014
		Profit/Loss	**Equity**
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**
Appreciation/(depreciation) of USD against TL at 10%:			
Profit/(loss) from USD net asset	**259.095**	**(259.095)**	**-**
Secured portion from USD risk (-)	**-**	**-**	**-**
USD Net Effect	**259.095**	**(259.095)**	**-**
Appreciation/(depreciation) of EUR against TL at 10%:			
Profit/(loss) from EUR net liability	**51.528**	**(51.528)**	**-**
Secured portion from EUR risk (-)	**-**	**-**	**-**
EUR Net Effect	**51.528**	**(51.528)**	**-**
Appreciation/(depreciation) of Other against TL at 10%:			
			-
Profit/(loss) from Other net liability	**45**	**(45)**	**-**
Secured portion from Other risk (-)	**-**	**-**	**-**
Other Net Effect	**45**	**(45)**	**-**
Total Net Effect	**310.668**	**(310.668)**	**-**

				31 December 2013
		Profit/Loss		**Equity**
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of Foreign currency**	**Depreciation of foreign currency**
Appreciation/(depreciation) of USD against TL at 10%:				
Profit/(loss) from USD net asset	217.979	(217.979)	-	-
Secured portion from USD risk (-)	-	-	-	-
USD Net Effect	217.979	(217.979)	-	-
Appreciation/(depreciation) of EUR against TL at 10%:				
Profit/(loss) from EUR net liability	21.884	(21.884)	-	-
Secured portion from EUR risk (-)	-	-	-	-
EUR Net Effect	21.884	(21.884)	-	-
Appreciation/(depreciation) of Other against TL at 10%:	-	-		
	-	-		
Profit/(loss) from Other net liability	-	-	-	-
Secured portion from Other risk (-)	-	-	-	-
Other Net Effect	-	-	-	-
Total Net Effect	239.863	(239.863)	-	-

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

25. Nature and extent of risks arising from financial instruments (continued)

25.2 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 September 2014	31 December 2013
Total bank borrowings and trade payables	**28.353.375**	34.608.519
Less: Cash and cash equivalents (Note 4)	**(34.729.469)**	(19.268.115)
Net Debt	**(6.376.094)**	15.340.404
Total equity	**80.330.039**	59.125.528
Total capital	**73.953.945**	74.465.932
Debt/equity ratio	**0%**	21%

26. Financial instruments

Fair value is the amount at which financial instruments 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, judgement 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.

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.

Financial 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.

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

26. Financial instruments (continued)

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.

Financial 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.

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

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

Level 2: Other valuation techniques includes direct or indirect observable inputs

Level 3: Valuation techniques does not contains observable market inputs

Fair value hierarchy table as at 30 September 2014 is as follows:

Financial assets at fair value through profit or loss:	**Level 1**	**Level 2**	**Level 3**
Financial assets	**-**	**110.827**	**-**

Fair value hierarchy table as at 31 December 2013 is as follows:

Financial assets at fair value through profit or loss:	**Level 1**	**Level 2**	**Level 3**
Financial assets	-	193.063	-

27. Subsequent events

A non-binding agreement of intent was signed between the Company and the shareholders of Intermat Bilişim regarding the purchase of 50.1% of the shares of Intermat and the signing of a share purchase option agreement for 49.1% of its shares. The parties aim to complete the legal and financial analyses on Intermat Bilişim at the shortest time possible and to sign the Share Purchase and Share Purchase/Sale Option Agreement within the frame of the sale terms to be agreed upon.

Intermat has a significant share in the industry with its software products which can be adapted to any sector, CRM (customer relationship management) being in the first place, which offers competitive advantage to its users and runs in integration with LOGO software.