

**LOGO YAZILIM SANAYİ VE TİCARET A.Ş.**

**CONVENIENCE TRANSLATION INTO ENGLISH OF  
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2016  
TOGETHER WITH INDEPENDENT AUDITOR'S REVIEW REPORT  
(ORIGINALLY ISSUED IN TURKISH)**



**CONVENIENCE TRANSLATION INTO ENGLISH OF  
REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION  
ORIGINALLY ISSUED IN TURKISH**

To the Board of Directors of Logo Yazılım Sanayi ve Ticaret A.Ş.

*Introduction*

1. We have reviewed the accompanying condensed consolidated balance sheet of Logo Yazılım Sanayi ve Ticaret A.Ş. and its subsidiaries (collectively referred to as the "Group"), as at 30 June 2016 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended. The management of the Group is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with Turkish Accounting Standard 34 ("TAS 34") "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

*Scope of review*

2. We conducted our review in accordance with the Standard on Review Engagements ("SRE") 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and the objective of which is to express an opinion on the financial statements. Consequently, a review on the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

*Conclusion*

3. Based on our review, nothing has come to our attention that causes us to conclude that the accompanying condensed consolidated interim financial information of Logo Yazılım Sanayi ve Ticaret A.Ş. and its subsidiaries is not prepared, in all material respects, in accordance with TAS 34.



*Other matter*

4. The financial statements of the Group for the year ended 31 December 2015 were audited by another firm of auditors whose report, dated 11 February 2016, expressed an unmodified opinion on those financial statements.

**Başaran Nas Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.**  
a member of  
**PricewaterhouseCoopers**

A handwritten signature in blue ink, appearing to read 'Mert Tüten', is written over a faint, light blue grid background.

**Mert Tüten, SMMM  
Partner**

**Istanbul, 10 August 2016**

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM  
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY  
ISSUED IN TURKISH**

**LOGO YAZILIM SANAYİ VE TİCARET A.Ş.  
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2016**

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**CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM  
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY  
ISSUED IN TURKISH**

**LOGO YAZILIM SANAYİ VE TİCARET A.Ş.**

**CONSOLIDATED BALANCE SHEETS  
AT 30 JUNE 2016 AND 31 DECEMBER 2015**

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

	Notes	Reviewed 30 June 2016	Audited 31 December 2015
<b>ASSETS</b>			
<b>Current assets</b>		<b>125,617,173</b>	<b>124,544,398</b>
Cash and cash equivalents	4	82,011,289	51,529,036
Financial assets	5	549,972	-
Trade receivables		40,974,857	71,945,027
- <i>Due from related parties</i>	27	-	8,032
- <i>Other trade receivables</i>	7	40,974,857	71,936,995
Other receivables		81,581	10,164
- <i>Other receivables</i>	8	81,581	10,164
Inventories	9	269,278	310,553
Prepaid expenses	16	1,464,067	449,905
Other current assets	15	266,129	299,713
<b>Non-current assets</b>		<b>81,210,244</b>	<b>77,801,400</b>
Other receivables		1,110,612	1,114,561
- <i>Other receivables from related parties</i>	27	950,000	950,000
- <i>Other receivables</i>	8	160,612	164,561
Financial assets	5	130,653	130,653
Property, plant and equipment	10	16,019,537	15,488,784
Intangible assets		62,587,759	58,759,039
- <i>Goodwill</i>	12	7,478,652	7,478,652
- <i>Other intangible assets</i>	11	55,109,107	51,280,387
Prepaid expenses	16	1,118,612	35,727
Deferred tax assets	25	239,122	2,272,636
Other non-current assets		3,949	-
<b>Total assets</b>		<b>206,827,417</b>	<b>202,345,798</b>

These condensed interim consolidated financial statements have been approved by Board of Directors on 10 August 2016 and signed on its behalf by Buğra Koyuncu, Chief Executive Officer and Gülnur Anlaş, Executive Vice President.

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM  
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY  
ISSUED IN TURKISH**

**LOGO YAZILIM SANAYİ VE TİCARET A.Ş.**

**CONSOLIDATED BALANCE SHEETS  
AT 30 JUNE 2016 AND 31 DECEMBER 2015**

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

	Notes	Reviewed 30 June 2016	Audited 31 December 2015
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>57,285,812</b>	<b>83,490,361</b>
Short-term borrowings	6	1,024,878	993,182
Short-term portion of long-term borrowings	6	763,239	1,092,524
Trade payables		5,674,039	10,027,920
- <i>Other trade payables</i>	7	5,674,039	10,027,920
Employee benefit obligations	14	4,012,942	1,252,651
Other payables		2,422,333	6,468,494
- <i>Other payables</i>	8	2,422,333	6,468,494
Deferred revenue	16	40,677,937	53,876,841
Current income tax liabilities	25	509,985	398,889
Short-term provisions		1,824,592	9,056,999
- <i>Short-term provisions for employee benefits</i>	14	1,824,592	9,056,999
Other current liabilities		375,867	322,861
<b>Non-current liabilities</b>		<b>8,148,493</b>	<b>8,555,573</b>
Long-term financial liabilities	6	81,070	313,019
Other payables		3,020,610	3,736,690
- <i>Other payables</i>	8	3,020,610	3,736,690
Long-term provisions		5,046,813	4,107,271
- <i>Long-term provisions for employee benefits</i>	14	5,046,813	4,107,271
Deferred tax liabilities	25	-	398,593
<b>Equity</b>		<b>141,393,112</b>	<b>110,299,864</b>
<b>Equity attributable to equity holders of the parent</b>		<b>138,962,422</b>	<b>108,545,294</b>
Paid-in share capital	17	25,000,000	25,000,000
Adjustment to share capital	17	2,991,336	2,991,336
Treasury shares (-)	17	(4,632,563)	(4,632,563)
Other comprehensive income and expense that will not be reclassified to profit or loss		(1,918,626)	(1,681,596)
- <i>Actuarial gain/(loss) on employment termination benefits</i>		(1,918,626)	(1,681,596)
Restricted reserves	17	6,993,951	6,993,951
Retained earnings		79,874,166	39,979,376
Net income for the period		30,654,158	39,894,790
<b>Non-controlling interests</b>		<b>2,430,690</b>	<b>1,754,570</b>
<b>Total liabilities and equity</b>		<b>206,827,417</b>	<b>202,345,798</b>

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM  
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY  
ISSUED IN TURKISH**

**LOGO YAZILIM SANAYİ VE TİCARET A.Ş.**

**CONSOLIDATED STATEMENTS OF PROFIT AND LOSS  
FOR THE INTERIM PERIODS ENDED 30 JUNE 2016 AND 2015**

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

		Reviewed	Not reviewed	Reviewed	Not reviewed
		1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
	Notes				
Sales	19	72,908,286	36,659,414	54,319,381	27,879,219
Cost of sales (-)	19	(1,405,208)	(762,717)	(1,535,685)	(996,398)
<b>Gross profit</b>		<b>71,503,078</b>	<b>35,896,697</b>	<b>52,783,696</b>	<b>26,882,821</b>
General administrative expenses (-)	20	(6,509,906)	(3,331,889)	(4,074,602)	(2,506,245)
Marketing and selling expenses (-)	20	(13,474,347)	(7,233,505)	(12,795,648)	(6,302,785)
Research and development expenses (-)	20	(20,740,155)	(11,009,626)	(15,349,993)	(8,476,865)
Other operating income	21	2,883,975	1,325,392	2,171,560	1,517,198
Other operating expenses (-)	21	(901,603)	(206,963)	(430,039)	(210,891)
<b>Operating profit</b>		<b>32,761,042</b>	<b>15,440,106</b>	<b>22,304,974</b>	<b>10,903,233</b>
Income from investing activities	22	167,964	88,878	203,200	168,201
<b>Operating profit before financial income/(expenses)</b>		<b>32,929,006</b>	<b>15,528,984</b>	<b>22,508,174</b>	<b>11,071,434</b>
Financial income	23	2,037,658	1,283,710	1,077,142	261,721
Financial expenses (-)	24	(1,068,066)	(262,451)	(1,576,660)	(354,586)
<b>Income before taxes</b>		<b>33,898,598</b>	<b>16,550,243</b>	<b>22,008,656</b>	<b>10,978,569</b>
<b>Taxation on income:</b>					
Current income tax expense	25	(961,642)	(752,945)	(85,679)	(7,818)
Deferred tax expense	25	(1,606,678)	(111,251)	(762,723)	(140,766)
<b>Net income for the period</b>		<b>31,330,278</b>	<b>15,686,047</b>	<b>21,160,254</b>	<b>10,829,985</b>
<b>Net income attributable to:</b>					
Non-controlling interests		676,120	413,632	(77,724)	(25,498)
Equity holders of the parent		30,654,158	15,272,415	21,237,978	10,855,483
Earnings per thousands of shares with nominal value 1 Kr each	26	12.26	6.11	8.50	4.34

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM  
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY  
ISSUED IN TURKISH**

**LOGO YAZILIM SANAYİ VE TİCARET A.Ş.**

**CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR  
THE INTERIM PERIODS ENDED 30 JUNE 2016 AND 2015**

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

		Reviewed	Not reviewed	Reviewed	Not reviewed
		1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
	Notes				
<b>Net income for the period</b>		<b>31,330,278</b>	<b>15,686,047</b>	<b>21,160,254</b>	<b>10,829,985</b>
<b>Other comprehensive income and expense that will not be reclassified to profit or loss</b>		<b>(237,030)</b>	<b>(477,606)</b>	<b>(1,170,592)</b>	<b>(734,077)</b>
Actuarial gain/(loss) on employment termination benefits	14	(208,787)	(477,606)	(1,283,449)	(808,521)
Deferred tax effect	25	(28,243)	-	112,857	74,444
<b>Total comprehensive income</b>		<b>31,093,248</b>	<b>15,208,441</b>	<b>19,989,662</b>	<b>10,095,908</b>
<b>Other comprehensive income attributable to:</b>					
Non-controlling interest		676,120	413,632	(77,724)	(25,498)
Equity holders of the parent		30,417,128	14,794,809	20,067,386	10,121,406

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM  
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

**LOGO YAZILIM SANAYİ VE TİCARET A.Ş.**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE INTERIM PERIODS ENDED 30 JUNE 2016 AND 2015**

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

	Paid-in share capital	Adjustments to share capital	Treasury shares	Restricted reserves	Actuarial gain/(loss) on employment termination benefits	Retained earnings	Net profit for the year	Equity attributable to equity holders of the parent	Non- controlling interest	Total equity
<b>Balances at 1 January 2015</b>	<b>25,000,000</b>	<b>2,991,336</b>	<b>(2,649,415)</b>	<b>3,960,394</b>	<b>(821,754)</b>	<b>30,109,530</b>	<b>27,552,406</b>	<b>86,142,497</b>	<b>1,431,958</b>	<b>87,574,455</b>
Transfers	-	-	-	3,033,557	-	24,518,849	(27,552,406)	-	-	-
Dividends paid (Note 17)	-	-	-	-	-	(14,649,003)	-	(14,649,003)	-	(14,649,003)
Acquisition of subsidiary (Note 3)	-	-	-	-	-	-	-	-	205,404	205,404
Non-controlling shares purchase option liability	-	-	-	-	-	(3,294,596)	-	(3,294,596)	(205,404)	(3,500,000)
Total comprehensive income	-	-	-	-	(1,170,592)	-	21,237,978	20,067,386	(77,724)	19,989,662
<b>Balances at 30 June 2015</b>	<b>25,000,000</b>	<b>2,991,336</b>	<b>(2,649,415)</b>	<b>6,993,951</b>	<b>(1,992,346)</b>	<b>36,684,780</b>	<b>21,237,978</b>	<b>88,266,284</b>	<b>1,354,234</b>	<b>89,620,518</b>
<b>Balances at 1 January 2016</b>	<b>25,000,000</b>	<b>2,991,336</b>	<b>(4,632,563)</b>	<b>6,993,951</b>	<b>(1,681,596)</b>	<b>39,979,376</b>	<b>39,894,790</b>	<b>108,545,294</b>	<b>1,754,570</b>	<b>110,299,864</b>
Transfers	-	-	-	-	-	39,894,790	(39,894,790)	-	-	-
Total comprehensive income	-	-	-	-	(237,030)	-	30,654,158	30,417,128	676,120	31,093,248
<b>Balances at 30 June 2016</b>	<b>25,000,000</b>	<b>2,991,336</b>	<b>(4,632,563)</b>	<b>6,993,951</b>	<b>(1,918,626)</b>	<b>79,874,166</b>	<b>30,654,158</b>	<b>138,962,422</b>	<b>2,430,690</b>	<b>141,393,112</b>

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM  
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY  
ISSUED IN TURKISH**

**LOGO YAZILIM SANAYİ VE TİCARET A.Ş.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE INTERIM PERIODS ENDED 30 JUNE 2016 AND 2015**

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

	Notes	Reviewed 1 January - 30 June 2016	Reviewed 1 January - 30 June 2015
Net profit for the period		31,330,278	21,160,254
<b>Adjustments to reconcile profit for the period</b>		<b>(9,395,088)</b>	<b>4,649,766</b>
Depreciation and amortization	10, 11	7,897,889	5,981,995
Provision for employment benefits	14	(6,293,810)	1,410,386
Interest expenses	24	80,443	1,163,964
Interest income	23	(1,669,087)	(569,933)
Adjustments related to doubtful receivables	21	380,035	-
Gain on sale of property, plant and equipment	22	(711)	(121,763)
Other adjustments		(12,358,167)	(4,063,285)
Adjustments for tax expense		2,568,320	848,402
<b>Changes in net working capital</b>		<b>21,352,968</b>	<b>6,768,703</b>
Changes in trade receivables		30,518,718	15,065,443
Changes in inventories		41,275	(86,221)
Changes in other current assets		(2,067,411)	(722,984)
Changes in trade payables		(4,353,881)	(1,377,699)
Changes in other receivables receivables		3,949	-
Changes in other liabilities		(2,789,682)	(6,109,836)
<b>Cash flows from operating activities</b>		<b>43,288,158</b>	<b>32,578,723</b>
Taxes paid		(850,546)	(202,201)
Employee termination benefits paid	14	(207,842)	(1,342,905)
<b>A. Net cash generated from operating activities:</b>		<b>42,229,770</b>	<b>31,033,617</b>
Purchase of property and equipment and intangible assets	10, 11	(12,259,693)	(9,554,139)
Cash used in purchase/generated in sale of financial investments		(549,972)	(121,838)
Acquisition of subsidiary, excluding cash acquired	3	-	(4,738,459)
Proceeds from sales of property and equipment		3,042	121,763
Interest received		1,669,087	569,933
<b>B. Cash flows from investing activities</b>		<b>(11,137,536)</b>	<b>(13,722,740)</b>
Decrease in bank borrowings		(529,538)	(19,154,928)
Interest paid		(80,443)	(1,125,170)
Dividend paid		-	(14,649,003)
<b>C. Cash flows from financing activities</b>		<b>(609,981)</b>	<b>(34,929,101)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>30,482,253</b>	<b>(17,618,224)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>4</b>	<b>51,529,036</b>	<b>48,639,563</b>
<b>Cash and cash equivalents at end of the period</b>	<b>4</b>	<b>82,011,289</b>	<b>31,021,339</b>

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM  
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY  
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**LOGO YAZILIM SANAYİ VE TİCARET A.Ş.**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2016**

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

**NOTE 1 - GROUP’S 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 registered 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

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:

<b>Subsidiary</b>	<b>Country of incorporation</b>	<b>Nature of business</b>
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

Processes relating to the Group’s facilitated merger of its wholly owned subsidiaries Logobi Yazılım Sanayi ve Ticaret A.Ş., Coretech Bilgi Teknolojisi Hizmetleri A.Ş. and Netsis Yazılım Sanayi ve Ticaret A.Ş., acquiring their assets and liabilities in entirety, has been concluded and the merge has been officially registered to the Registry of Commerce as of 28 July 2015. Pursuant to the Capital Markets Board of Turkey (“CMB”) decision taken at their 17/853 numbered meeting on 3 July 2015, the Turkish Code of Commerce, Capital Markets Law, Corporate Tax Law and relevant provisions of the CMB “Mergers and Divisions Communication” numbered II-23.2 the announcement made regarding the facilitated merger process has been approved by the CMB.

Upon the signing of the share purchase agreement on 8 September 2015, the Company acquired 100% shares of Vardar Eğitim Hizm. Yazılım Danışmanlık ve San. Tic. A.Ş. (Note 3).

The company took over 50,1% of İntermat Bilişim A.Ş. (“İntermat”) shares on 5 January and the remaining 49,90% on 28 July 2015 in the framework of Share Transfer and Option Contract (Note 3).

The Company has purchased 100% of Sempa Bilgi İşlem Sanayi ve Ticaret A.Ş. (“Sempa”) shares through a share transfer agreement signed on 18 September 2015 (Note 3).

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM  
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**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2016**

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

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**NOTE 1 - GROUP’S ORGANISATION AND NATURE OF OPERATIONS (Continued)**

Processes relating to the Group’s facilitated merger of its wholly owned subsidiaries Vardar, Sempa and Intermat acquiring their assets and liabilities in entirety, has been concluded and the merge has been officially registered to the Registry of Commerce as of 31 December 2015. Pursuant to the CMB decision taken at their 36/1656 numbered meeting on 28 December 2015, the Turkish Code of Commerce, Capital Markets Law, Corporate Tax Law and relevant provisions of the CMB “Mergers and Divisions Communication” numbered II-23.2 the announcement made regarding the facilitated merger process has been approved by the CMB.

The Company’s Board of Directors resolved on 22 April 2009 to close Logo Business Solutions FZ-LLC due to the foreseen negative effects of the global crisis in 2009 on the Company's domestic and international sales and marketing activities and to execute international sales and marketing activities from the head office. As of 30 June 2016, the liquidation process has been substantially completed.

The Company’s foreign sales and marketing activities are managed from its headquarter in Turkey.

Logo Yazılım and its subsidiaries (all together 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 30 June 2016 taking into consideration the operations’ of the Group’s condensed consolidated interim financial statements in general and monetary significance into account is not reportable in terms of geographical segments outside of Turkey, is not disclosed in the condensed consolidated interim financial statements.

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**

**2.1 Basis of presentation**

**2.1.1 Financial reporting standards**

The accompanying condensed interim consolidated 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/IFRS are updated in harmony with the changes and updates in International Financial and Accounting Standards (“IFRS”) by the communiqués announced by the POA.

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM  
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**LOGO YAZILIM SANAYİ VE TİCARET A.Ş.**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2016**

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

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

Group and its subsidiaries operating in Turkey, maintains its accounting records and prepares its statutory financial statements in accordance with the Turkish Commercial Code (the “TCC”), tax legislation and the uniform chart of accounts issued by the Ministry of Finance. The interim condensed consolidated financial statements, except for the financial asset and liabilities presented with their fair values, are maintained under historical cost conversion in TRY. These interim condensed 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 TAS/IFRS.

**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/IFRS for the purpose of fair presentation. Subsidiaries’ assets and liabilities are translated into TRY from the foreign exchange rate at the balance sheet date and income and expenses are translated into TRY 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.

**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 31 December 2015 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 June 2016 and 31 December 2015:

<b>Subsidiary</b>	<b>Direct and indirect ownership interests by the Company (%)</b>
Logo GmbH	100.00
e-Logo	90.50

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group and deconsolidated from the date that control ceases. Inter-group transactions, balances and unrealized gains on transactions between Group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group’s accounting policies. Minority shares of subsidiaries were recognized under non-controlling interest (“Minority interest” or “Non-controlling Interests”). Financial statements of the Company and its subsidiaries subject to consolidation were prepared as of the same date (Note 3).

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

**2.1.4 Changes in accounting policies**

The accounting policies used in the preparation of these condensed interim consolidated financial statements as of and for the period ended 30 June 2016 are consistent with those used in the preparation of annual consolidated financial statements as of and for the year ended 31 December 2015. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements as of and for the year ended 31 December 2015.

**2.2 Summary of significant accounting policies**

The condensed consolidated interim financial statements as of and for the period ended 30 June 2016 have been prepared in accordance of TAS 34. The accounting policies used in the preparation of these condensed interim consolidated financial statements as of and for the period ended 30 June 2016 are consistent with those used in the preparation of annual consolidated financial statements as of and for the year ended 31 December 2015. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements as of and for the year ended 31 December 2015.

**2.3 Comparatives and adjustment of prior periods’ financial statements**

The condensed interim consolidated financial statements of the Group include comparative financial information to enable the determination of the financial position and performance. The condensed interim consolidated balance sheet of the Group at 30 June 2016 has been provided with the comparative financial information of 31 December 2015 and the condensed interim consolidated statements of profit or loss, the condensed interim consolidated statements other comprehensive income, changes in equity and cash flows for the six-month period ended 30 June 2016 have been provided with the comparative financial information, for the six-month period ended 30 June 2015.

In order to comply with the presentation of condensed interim consolidated financial statements the current period when deemed necessary, comparative information is reclassified, and material differences are presented. Accordingly, the following reclassification was made;

- A classification is made amounting to TRY 950,000, between “Other receivables from third parties” and “Other receivables from related parties” on the consolidated balance sheet of the Group prepared as of 31 December 2015.

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

**2.4 Amendments in Turkish Financial Reporting Standards**

**a. New standards, amendments and interpretations effective as of 30 June 2016:**

- Amendment to TFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation, effective from annual periods beginning on or after 1 January 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.
- Amendments to TAS 16 'Property, plant and equipment', and TAS 41, 'Agriculture', regarding bearer plants, effective from annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. It has been decided that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of TAS 16, instead of TAS 41. The produce growing on bearer plants will remain within the scope of TAS 41.
- Amendment to TAS 16, 'Property, plant and equipment' and TAS 38, 'Intangible assets', on depreciation and amortisation, effective from annual periods beginning on or after 1 January 2016. In this amendment it has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
- TFRS 14 'Regulatory deferral accounts', effective from annual periods beginning on or after 1 January 2016. TFRS 14, 'Regulatory deferral accounts' permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt TFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.
- Amendments to TAS 27, 'Separate financial statements' on the equity method, effective from annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- Amendment to TFRS 10 'Consolidated financial statements' and TAS 28, 'Investments in associates and joint ventures', effective from annual periods beginning on or after 1 January 2016. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

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

**2.4 Amendments in Turkish Financial Reporting Standards (continued)**

- Annual improvements 2014, effective from annual periods beginning on or after 1 January 2016. These set of amendments impacts 4 standards:
  - TFRS 5, ‘Non-current assets held for sale and discontinued operations’ regarding methods of disposal.
  - TFRS 7, ‘Financial instruments: Disclosures’, (with consequential amendments to TFRS 1) regarding servicing contracts.
  - TAS 19, ‘Employee benefits’ regarding discount rates.
  - TAS 34, ‘Interim financial reporting’ regarding disclosure of information.
- Amendment to TAS 1, ‘Presentation of financial statements’ on the disclosure initiative, effective from annual periods beginning on or after 1 January 2016, these amendments are as part of the TASB initiative to improve presentation and disclosure in financial reports.

**b. Standards and amendments issued but not yet effective as of 30 June 2016:**

- Amendments to TAS 7 ‘Statement of cash flows’ on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the TASB’s Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.
- Amendments TAS 12 ‘Income Taxes’, effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset’s tax base. It also clarify certain other aspects of accounting for deferred tax assets.
- Amendments to TFRS 2, ‘Share based payments’ on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in TFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee’s tax obligation associated with a share-based payment and pay that amount to the tax authority.

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

**2.4 Amendments in Turkish Financial Reporting Standards (continued)**

- Amendment to TFRS 15, ‘Revenue from contracts with customers’, effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licenses of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The TASB has also included additional practical expedients related to transition to the new revenue standard.
- TFRS 9 ‘Financial instruments’, effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.
- TFRS 16 ‘Leases’, effective from annual periods beginning on or after 1 January 2019, This standard replaces the current guidance in TAS 17 and is a far reaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right-of-use asset’ for virtually all lease contracts. The TASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the TASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company will evaluate the effect of the aforementioned changes within its operations and apply changes starting from effective date.

**NOTE 3 - BUSINESS COMBINATIONS**

**Intermat acquisition**

The Company has purchased 50,1% of İntermat shares for 2,000,000 TRY through Share Transfer and Option agreement signed on 5 January 2015. It is adjudicated with the Share Transfer and Option Contract concluded on the same date that the Company has the right to take over the remaining 49,9% shares in 12 months following the date of transfer at a price of not less than 1,500,000 TRY and more than 3,500,000 TRY and İntermat has the right to sell to the Company with same terms. 49,9% of İntermat shares were transferred to the Company on 28 July 2015 and a cost at an amount of 268,000 TRY was paid during this transfer and shall net off from the additional payment amount which will determined as 50% of turnover amount which will be realized until the end of 2017.

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**NOTE 3 - BUSINESS COMBINATIONS (Continued)**

Purchase price - cash	2,000,000
Purchase price - cash	268,000
Purchase price - future payments (*)	2,307,398
<b>Total purchase price</b>	<b>4,575,398</b>

(\*) Future payment amounts estimated over possible turnover amounts of Intermat until 2017 have been discounted to date and the amount of future payments is determined. In accordance with Share Transfer and Option Contract, the Group made additional payments amounting to TRY 536,080 as of 30 June 2016.

The Group, with respect to aforementioned acquisition process, applied provisional acquisition accounting and accounted Intermat as a subsidiary in accordance with TFRS 3 “Business Combination”. Fair value of identifiable liabilities and identifiable assets owned as a result of aforementioned business combination as of acquisition date is determined with the draft valuation report.

The identifiable assets acquired and liabilities assumed were booked over their following values:

Total assets	539,268
Intangible assets - advanced technology	3,502,958
Intangible assets - non-compete agreement	499,151
Total liabilities	(303,041)
Fair value of net assets	4,238,336
Less: purchase consideration	4,575,398
<b>Goodwill</b>	<b>337,062</b>

Identifiable assets such as advanced technology and non-compete agreement which were determined as a result of purchase price allocation study of Intermat are amortized over 7 years and 3 years respectively.

Detail of cash outflows due to purchase is as follows:

Purchase price - cash paid in 2015	2,268,000
Cash and cash equivalents - acquired	11,296
<b>Cash outflow due to purchase, net</b>	<b>2,256,704</b>

**Sempa acquisition**

The Company has purchased 100% of Sempa shares for 3,000,000 TRY through a share transfer agreement signed on 18 June 2015 and has become Sempa’s sole shareholder. Full purchase price was paid in advance. The share transfer agreement entered into force as of 18 June 2015. 856,631 TRY that was paid in scope of the acquisition in the measurement period was added to purchase price.

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**NOTE 3 - BUSINESS COMBINATIONS (Continued)**

Within the framework of the Share Transfer agreement signed on 18 June 2015; 50% of the positive difference between Sempa’s sales revenue to be realized in 2015 sales revenue amounting to 2,017,938 TRY (“Base Performance Fee”) will be paid to Sempa’s previous shareholders as a “Performance Fee” which will not exceed 500,000 TRY.

Purchase price - cash	3,856,631
Purchase price - future payments (*)	241,000

**Total purchase price** **4,097,631**

(\*) As of 30 June 2016, the Group has fully paid the future payments..

The Group, with respect to aforementioned acquisition process, applied provisional acquisition accounting and accounted Sempa as a subsidiary in accordance with TFRS 3 “Business Combination”. Fair value of identifiable liabilities and identifiable assets owned as a result of aforementioned business combination as of acquisition date is determined with the draft valuation report.

The identifiable assets acquired and liabilities assumed were booked over their following values:

Total assets	1,601,189
Intangible assets - advanced technology	1,378,000
Intangible assets - customer relations	303,000
Intangible assets - non-compete agreement	267,000
Total liabilities	(354,558)

Fair value of net assets	3,194,631
Less: purchase consideration	4,097,631

**Goodwill** **903,000**

Identifiable assets such as advanced technology, customer relations and non-compete agreement, which are determined as a result of purchase price allocation study of Sempa, are amortized over 7 years, 8 years and 3 years respectively.

Detail of cash outflows due to purchase is as follows:

Purchase price - cash paid in 2015	3,856,631
Cash and cash equivalents – acquired	1,240,069

**Cash outflow due to purchase, net** **2,616,562**

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**NOTE 3 - BUSINESS COMBINATIONS (Continued)**

**Vardar acquisition**

The Company has purchased 100% of Vardar shares for 604,794 TRY through a share transfer agreement signed on 8 September 2015. A performance payment at a total amount of 2,000,000 TRY shall be made in scope of this agreement consisting of 1,000,000 TRY, occurring following the determination of completion of the Vardar’s products improvement effectively and become in a position to be sold in sales network of LOGO and 1,000,000 TRY which occurs after the sales amount of Vardar’s products exceeds 1,000,000 TRY plus VAT in sales network of Logo.

Purchase price - cash	604,794
Purchase price - future payments (*)	1,429,292
<b>Total purchase price</b>	<b>2,034,086</b>

(\*) Performance payments which shall be made for Vardar have been discounted to date considering that the estimated dates in which the related conditions will be ensured, and the amount of future payments is determined. In accordance with Share Transfer and Option Contract, the Group made additional payments amounting to TRY 180,000 as of 30 June 2016.

The Group, with respect to aforementioned acquisition process, applied provisional acquisition accounting and accounted Vardar as a subsidiary in accordance with TFRS 3 “Business Combination”. Fair value of identifiable liabilities and identifiable assets owned as a result of aforementioned business combination as of acquisition date is determined with the draft valuation report.

The identifiable assets acquired and liabilities assumed were booked over their following values:

Total Assets	1,084,068
Intangible assets - advanced technology	1,130,198
Intangible assets - non-compete agreement	41,570
Total liabilities	(568,088)
Fair value of net assets	1,687,748
Less: purchase consideration	2,034,086
<b>Goodwill</b>	<b>346,338</b>

Identifiable assets such as advanced technology and non-compete agreement which are determined as a result of purchase price distribution study of Sempa, are amortized over 7 years and 3 years respectively.

Detail of cash outflows due to purchase is as follows:

Purchase price - cash paid in 2015	604,794
Cash and cash equivalents - acquired	2,401
<b>Cash outflow due to purchase, net</b>	<b>602,393</b>

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**NOTE 4 - CASH AND CASH EQUIVALENTS**

Details of cash and cash equivalents as of 30 June 2016 and 31 December 2015 is as follows:

	<b>30 June 2016</b>	<b>31 December 2015</b>
Cash	26,775	15,700
Banks		
- Demand deposits - TRY	3,158,593	797,117
- Demand deposits - foreign currency	646,150	810,892
- Time deposits - TRY	43,780,000	18,113,439
- Time deposits - foreign currency	4,738,540	5,011,271
Credit card receivables	29,661,231	26,780,617
	<b>82,011,289</b>	<b>51,529,036</b>

As of 30 June 2016, the weighted average effective annual interest rates for TRY time deposits are between 7.00% and 11.50% (31 December 2015: 11.00% and 13.75%).

Cash and cash equivalents included in the consolidated statements of cash flows for the interim periods ended 30 June 2016 and 2015 are as follows:

	<b>30 June 2016</b>	<b>31 December 2015</b>	<b>30 June 2015</b>	<b>31 December 2014</b>
Cash and cash equivalents	82,011,289	51,529,036	31,021,339	48,639,563

**NOTE 5 – FINANCIAL ASSETS**

**a) Trading securities**

The analysis of financial assets at fair value through profit and loss at 30 June 2016 and 31 December 2015 is as follows:

	<b>30 June 2016</b>	<b>31 December 2015</b>
Mutual funds		
- Liquid fund	549,972	-

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**NOTE 5 – FINANCIAL ASSETS (Continued)**

**b) Available-for-sale financial assets**

The analysis of non-current financial assets at 30 June 2016 and 31 December 2015 is as follows:

	<u>30 June 2016</u>		<u>31 December 2015</u>	
	<u>Share</u> <u>(%)</u>	<u>TRY</u>	<u>Share</u> <u>(%)</u>	<u>TRY</u>
İnterpro Yayıncılık Araştırma ve Organizasyon Hizmetleri A.Ş.	2.00	80,653	2.00	80,653
Dokuz Eylül Teknoloji Geliştirme Bölgesi A.Ş.	0.67	50,000	0.67	50,000
		<b>130,653</b>		<b>130,653</b>

As of 30 June 2016 and 31 December 2015, İnterpro Yayıncılık Araştırma ve Organizasyon Hizmetleri A.Ş. is assessed as an available-for-sale financial asset. Since İnterpro Yayıncılık Araştırma ve Organizasyon Hizmetleri A.Ş. does not have any quoted market price in active market, its fair value 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.

**NOTE 6 - BORROWINGS**

Details of borrowings as of 30 June 2016 and 31 December 2015 is as follows:

	<u>30 June 2016</u>		
	<u>Weighted</u> <u>average</u> <u>effective</u> <u>interest rate</u>	<u>Original balance</u>	<u>TRY</u> <u>equivalent</u>
<b>Short-term bank borrowings:</b>			
Credit card payables	-	80,481	80,481
TRY borrowings	-	944,397	944,397
			<b>1,024,878</b>
<b>Short-term portion of long-term bank borrowings:</b>			
TRY borrowings	10.32% - 13.68%	763,239	763,239
<b>Total short term borrowings</b>			<b>1,788,117</b>
<b>Long-term borrowings:</b>			
TRY borrowings	10.32% - 13.68%	81,070	81,070
<b>Total borrowings</b>			<b>1,869,187</b>

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**NOTE 6 - BORROWINGS**

	<b>31 December 2015</b>		
	<b>Weighted average effective interest rate</b>	<b>Original balance</b>	<b>TRY equivalent</b>
<b>Short-term bank borrowings:</b>			
Credit card payables	-	210,289	210,289
TRY borrowings	-	782,893	782,893
			<b>993,182</b>
<b>Short-term portion of long-term bank borrowings:</b>			
TRY borrowings	10.32% - 13.68%	1,092,524	1,092,524
<b>Total short term borrowings</b>			<b>2,085,706</b>
<b>Long-term borrowings:</b>			
TRY borrowings	10.32% - 13.68%	313,019	313,019
<b>Total borrowings</b>			<b>2,398,725</b>

The redemption schedules of long-term borrowings at 30 June 2016 and 31 December 2015 are as follows:

	<b>30 June 2016</b>	<b>31 December 2015</b>
To be paid within 1-2 years	81,070	313,019

**NOTE 7 – TRADE RECEIVABLES AND PAYABLES**

	<b>30 June 2016</b>	<b>31 December 2015</b>
<b>Short-term trade receivables:</b>		
Trade receivables	29,274,164	40,329,386
Credit card receivables	17,321,357	36,054,297
Cheques and notes receivables	2,130,671	4,101,042
Other trade receivables	-	646,936
Less: provision for doubtful receivables	(6,791,017)	(6,451,544)
Less: unearned finance income arising from credit sales	(960,318)	(2,743,122)
	<b>40,974,857</b>	<b>71,936,995</b>

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**NOTE 7 – TRADE RECEIVABLES AND PAYABLES (Continued)**

As of 30 June 2016 the average receivables turnover rate is 122 days (31 December 2015: 146 days), excluding the average credit cards receivables turnover rate is 69 days (31 December 2015: 89 days), the rediscount rate applied on the receivables are 9.43% (31 December 2015: 11.75%).

As of 30 June 2016, trade receivables of TRY 3,963,742 (31 December 2015: TRY 3,454,145) were past due but not impaired. The aging analysis of these trade receivables is as follows:

	<b>30 June 2016</b>	<b>31 December 2015</b>
Up to 1 month	597,378	1,985,998
1-3 months	1,420,287	530,271
More than 3 months	1,946,077	937,876
	<b>3,963,742</b>	<b>3,454,145</b>
Amount of risk covered by guarantees	575,531	604,263

The movement of provision for doubtful receivables for the years ended 30 June 2016 and 2015 are as follows:

	<b>2016</b>	<b>2015</b>
<b>As of 1 January</b>	<b>(6,451,544)</b>	<b>(6,352,051)</b>
Current year additions	(410,692)	-
Provisions no longer required	71,219	-
<b>As of 30 June</b>	<b>(6,791,017)</b>	<b>(6,352,051)</b>

<b>Short-term trade payables:</b>	<b>30 June 2016</b>	<b>31 December 2015</b>
Trade payables	5,674,039	10,027,920

As of 30 June 2016, the average debt payment period is 58 days (31 December 2015: 64 days).

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NOTE 7 – TRADE RECEIVABLES AND PAYABLES (Continued)

The maximum exposure of the Group to credit risk as of 30 June 2016 and 31 December 2015 as follows:

30 June 2016	Trade receivables		Other receivables		Cash at banks
	Related party	Other	Related party	Other	
<b>The maximum of credit risk exposed at the reporting date</b>	-	<b>40,974,857</b>	<b>950,000</b>	<b>242,193</b>	<b>81,984,514</b>
<i>- Amount of risk covered by guarantees</i>	-	<b>575,531</b>	-	-	-
Net carrying value of not past due and not impaired financial assets	-	37,011,115	950,000	242,193	81,984,514
Net carrying value of past due but not impaired financial assets	-	3,963,742	-	-	-
<i>- Amount of risk covered by guarantees</i>	-	575,531	-	-	-
Net carrying value of impaired assets	-	-	-	-	-
<i>- Past due (gross carrying value)</i>	-	6,791,017	-	-	-
<i>- Provision for impairment (-)</i>	-	(6,791,017)	-	-	-
<i>- Amount of risk covered by guarantees</i>	-	-	-	-	-

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

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NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

31 December 2015	Trade receivables		Other receivables		Cash at banks
	Related party	Other	Related party	Other	
<b>The maximum of credit risk exposed at the reporting date</b>	<b>8,032</b>	<b>71,936,995</b>	<b>950,000</b>	<b>174,725</b>	<b>51,513,336</b>
<i>- Amount of risk covered by guarantees</i>	-	<b>604,263</b>	-	-	-
Net carrying value of not past due and not impaired financial assets	8,032	68,482,850	950,000	174,725	51,513,336
Net carrying value of past due but not impaired financial assets	-	3,454,145	-	-	-
<i>- Amount of risk covered by guarantees</i>	-	<b>604,263</b>	-	-	-
Net carrying value of impaired assets	-	-	-	-	-
<i>- Past due (gross carrying value)</i>	-	<b>6,451,544</b>	-	-	-
<i>- Provision for impairment (-)</i>	-	<b>(6,451,544)</b>	-	-	-
<i>- Amount of risk covered by guarantees</i>	-	-	-	-	-

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

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**NOTE 8 - OTHER RECEIVABLES AND PAYABLES**

**Short-term other receivables from  
third parties:**

	<b>30 June 2016</b>	<b>31 December 2015</b>
Deposits and guarantees given	13,639	10,164
Other	67,942	-
	<b>81,581</b>	<b>10,164</b>

**Long-term other receivables from  
third parties:**

	<b>30 June 2016</b>	<b>31 December 2015</b>
Other	160,612	164,561

**Short-term other payables to  
third parties:**

	<b>30 June 2016</b>	<b>31 December 2015</b>
Taxes payable	2,422,333	5,496,868
Short term payables regarding Sempa acquisition (Note 3)	-	241,000
Other	-	730,626
	<b>2,422,333</b>	<b>6,468,494</b>

**Long-term other payables to  
third parties:**

	<b>30 June 2016</b>	<b>31 December 2015</b>
Long term payables regarding Intermat acquisition (Note 3)	1,771,318	2,307,398
Long term payables regarding Vardar acquisition (Note 3)	1,249,292	1,429,292
	<b>3,020,610</b>	<b>3,736,690</b>

**NOTE 9 - INVENTORIES**

	<b>30 June 2016</b>	<b>31 December 2015</b>
Trade goods	111,867	127,072
Raw materials	121,856	160,730
Other	35,555	22,751
	<b>269,278</b>	<b>310,553</b>

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**NOTE 10 – PROPERTY, PLANT AND EQUIPMENT**

	<b>1 January 2016</b>	<b>Additions</b>	<b>Disposals</b>	<b>30 June 2016</b>	
<b>Cost:</b>					
Machinery and equipment	6,606,148	716,966	(3,655)	7,319,459	
Motor vehicles	55,382	-	-	55,382	
Furniture and fixtures	3,901,241	130,474	-	4,031,715	
Leasehold improvements	19,985,276	385,492	-	20,370,768	
	<b>30,548,047</b>	<b>1,232,932</b>	<b>(3,655)</b>	<b>31,777,324</b>	
<b>Accumulated depreciation:</b>					
Machinery and equipment	5,360,844	251,037	(1,324)	5,610,557	
Motor vehicles	52,026	-	-	52,026	
Furniture and fixtures	3,218,764	128,686	-	3,347,450	
Leasehold improvements	6,427,629	320,125	-	6,747,754	
	<b>15,059,263</b>	<b>699,848</b>	<b>(1,324)</b>	<b>15,757,787</b>	
<b>Net book value</b>	<b>15,488,784</b>			<b>16,019,537</b>	
	<b>1 January 2015</b>	<b>Additions</b>	<b>Acquisition of subsidiary</b>	<b>Disposals</b>	<b>30 June 2015</b>
<b>Cost:</b>					
Machinery and equipment	5,866,902	453,492	-	(13,675)	6,306,719
Motor vehicles	244,598	-	93,564	(189,215)	148,947
Furniture and fixtures	3,619,890	125,341	118,120	(33,743)	3,829,608
Leasehold improvements	19,458,301	121,728	-	-	19,580,029
	<b>29,189,691</b>	<b>700,561</b>	<b>211,684</b>	<b>(236,633)</b>	<b>29,865,303</b>
<b>Accumulated depreciation:</b>					
Machinery and equipment	4,995,418	172,435	-	(13,675)	5,154,178
Motor vehicles	241,241	3,360	22,145	(189,215)	77,531
Furniture and fixtures	3,012,406	123,260	55,455	(33,743)	3,157,378
Leasehold improvements	5,867,088	269,888	-	-	6,136,976
	<b>14,116,153</b>	<b>568,943</b>	<b>77,600</b>	<b>(236,633)</b>	<b>14,526,063</b>
<b>Net book value</b>	<b>15,073,538</b>				<b>15,339,240</b>

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.

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**NOTE 11 – INTANGIBLE ASSETS**

	<b>1 January 2016</b>	<b>Additions</b>	<b>30 June 2016</b>
<b>Cost:</b>			
Development costs	79,862,344	10,518,565	90,380,909
Technology developed	12,460,183	-	12,460,183
Customer relations	11,852,175	-	11,852,175
Agreement for restriction of competition	2,747,778	-	2,747,778
Other intangible assets	6,186,579	508,196	6,694,775
	<b>113,109,059</b>	<b>11,026,761</b>	<b>124,135,820</b>
<b>Accumulated amortization:</b>			
Development costs	48,627,617	5,615,127	54,242,744
Technology developed	3,066,467	639,812	3,706,279
Customer relations	3,312,463	669,665	3,982,128
Agreement for restriction of competition	2,154,407	134,620	2,289,027
Other intangible assets	4,667,718	138,817	4,806,535
	<b>61,828,672</b>	<b>7,198,041</b>	<b>69,026,713</b>
<b>Net book value</b>	<b>51,280,387</b>		<b>55,109,107</b>

Additions amounting to TRY 9,590,488 to development costs for the period between 1 January - 30 June 2016 (1 January - 30 June 2015: TRY 8,471,598) consist of staff costs.

TRY 7,683,260 (1 January - 30 June 2015: TRY 5,824,215) of the current period depreciation and amortization expenses has been allocated to research and development expenses, TRY 109,374 (1 January - 30 June 2015: TRY 44,140) has been allocated to marketing, selling and distribution expenses, TRY 105,255 (1 January - 30 June 2015: TRY 113,640) has been allocated to general administrative expenses.

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**NOTE 11 – INTANGIBLE ASSETS (Continued)**

	<b>1 January 2015</b>	<b>Additions</b>	<b>Acquisition of subsidiary</b>	<b>30 June 2015</b>
<b>Cost:</b>				
Development costs	62,864,589	8,471,598	6,000	71,342,187
Technology developed	6,449,027	-	4,487,151	10,936,178
Customer relations	11,549,175	-	-	11,549,175
Agreement for restriction of competition	1,940,057	-	-	1,940,057
Other intangible assets	4,707,710	381,980	-	5,089,690
	<b>87,510,558</b>	<b>8,853,578</b>	<b>4,493,151</b>	<b>100,857,287</b>
<b>Accumulated amortization:</b>				
Development costs	39,969,734	4,019,266	-	43,989,000
Technology developed	1,656,068	458,681	-	2,114,749
Customer relations	2,328,723	481,745	-	2,810,468
Agreement for restriction of competition	1,405,835	370,478	-	1,776,313
Other intangible assets	4,421,342	82,882	-	4,504,224
	<b>49,781,702</b>	<b>5,413,052</b>	<b>-</b>	<b>55,194,754</b>
<b>Net book value</b>	<b>37,728,856</b>			<b>45,662,533</b>

**NOT 12 - GOODWILL**

	<b>30 June 2016</b>	<b>31 December 2015</b>
Netsis	5,892,252	5,892,252
Sempa	903,000	903,000
Vardar	346,338	346,338
Intermat	337,062	337,062
	<b>7,478,652</b>	<b>7,478,652</b>

Goodwill is subject to impairment test every year. The recoverable amounts of cash generating units are determined on value in use basis.

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**NOTE 13 - COMMITMENTS AND CONTINGENT LIABILITIES**

**Guarantees received:**

	Original currency	30 June 2016		31 December 2015	
		Original balance	TRY equivalent	Original balance	TRY equivalent
Guarantee notes	TRY	75,000	414,400	604,263	604,263
	USD	34,950	101,131	-	-
Mortgages	TRY	60,000	60,000	-	-
			<b>575,531</b>		<b>604,263</b>

As of 30 June 2016 and 31 December 2015, guarantee/pledge/mortgage (“GPM”) given by the Company on behalf of its legal entity are as follows:

	30 June 2016			31 December 2015		
	TRY equivalent	USD	TRY	TRY equivalent	USD	TRY
A. Total amount of Guarantees provided by the Company on behalf of itself	640,348	82,578	401,400	7,703,904	82,578	7,463,800
B. Total amount of Guarantees provided on behalf of the associates accounted under full consolidation method	-	-	-	-	-	-
C. Provided on behalf of third parties in order to maintain operating activities (to secure third party payables)	-	-	-	-	-	-
D. Other Guarantees given	-	-	-	-	-	-
Total amount of Guarantees given on behalf of the parent Company	-	-	-	-	-	-
Total amount of Guarantees provided on behalf of the associates which are not in the scope of B and C	-	-	-	-	-	-
Total amount of Guarantees provided on behalf of third parties which are not in the scope of C	-	-	-	-	-	-
	<b>640,348</b>	<b>82,578</b>	<b>401,400</b>	<b>7,703,904</b>	<b>82,578</b>	<b>7,463,800</b>

The lawsuits filed against to the Company amounting to TRY 4,465,893. The Group management does not expect any cash outflow regarding these lawsuits and accordingly, it has not booked any provision in the condensed interim consolidated financial statements.

Reports and notices, issued regarding the subjects of criticism by the tax inspectors as a result of tax inspection related to year 2012 carried out in 2015 in the Company, were declared to the Company on 13 January 2016. A total amount of TRY 1,086,101 is claimed for original tax and its penalty accordingly. The Company has re-issued its corporate tax declaration with reservations for 31 December 2015 and made a payment amounting to TRY 1,081,742. The Company plans to pursue all legal procedures available including a settlement against the tax authorities. Legal procedures still continue as of issuance date of these condensed interim consolidated financial statements. The Group Management’s assessment considering the possibility of any cash outflow that might arise from abovementioned legal procedures is remote.

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**NOTE 13 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)**

**Contingent liabilities**

*Volume rebates*

The Group makes annual rebate payments to its dealers based on predetermined conditions. Since most of these conditions are linked to their annual performance, the Group management cannot make a reliable estimate regarding the volume rebates to be paid to dealers at the end of the year. Accordingly, no provision has been recorded in these condensed interim consolidated financial statements as of 30 June 2016.

**NOTE 14 - EMPLOYEE BENEFITS**

**Short - term payables for employee benefits: 30 June 2016 31 December 2015**

Payables to personnel	2,664,049	129,299
Taxes, funds and social security payables	1,348,893	1,123,352
	<b>4,012,942</b>	<b>1,252,651</b>

**Short - term provisions for employee benefits: 30 June 2016 31 December 2015**

Personnel bonus accrual	1,824,592	9,056,999
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**Long - term provisions for employee benefits: 30 June 2016 31 December 2015**

Provision for employee termination benefits	2,980,792	2,651,362
Provision for unused vacation	2,066,021	1,455,909
	<b>5,046,813</b>	<b>4,107,271</b>

The movement of unused vacation liability at 30 June 2016 and 2015 is as follow:

	2016	2015
<b>As of 1 January</b>	<b>1,455,909</b>	<b>1,320,896</b>
Increase in the period	610,112	70,486
Acquisition of subsidiary	-	9,050
<b>As of 30 June</b>	<b>2,066,021</b>	<b>1,400,432</b>

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**NOTE 14 - EMPLOYEE BENEFITS (Continued)**

Under the Turkish Labor 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, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). The amount payable consists of one month’s salary limited to a maximum of TRY 4,297.21 for each year of service at 30 June 2016 (31 December 2015: TRY 3,828.37).

Employment termination benefit liability is not funded and there is no legal funding requirement.

TAS 19 “Employee Benefits” requires actuarial valuation methods to be developed to estimate the Group’s obligation under the defined benefit plans. The following actuarial assumptions are used in the calculation of the total liability. Actuarial gain/(loss) is accounted under the “Funds for actuarial gain/(loss) on employee termination benefits”:

	<b>30 June 2016</b>	<b>31 December 2015</b>
Discount rate (%)	3.76	4.601
Turnover rate to estimate the probability of retirement (%)	92.85	92.00

The principal assumption is that the maximum liability 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. Since the Group calculates the reserve for employment termination benefits every six months the maximum amount of TRY 4,297.21 which is effective from 1 July 2016 (1 January 2016: TRY : 4,092.53) has been taken into consideration in the calculations.

The movements in the provision for employment termination benefits during the periods ended 30 June 2016 and 2015 were as follows:

	<b>2016</b>	<b>2015</b>
<b>As of 1 January</b>	<b>2,651,362</b>	<b>2,547,062</b>
Service cost	162,083	166,120
Interest cost	166,402	108,250
Actuarial loss	208,787	1,283,449
Payments	(207,842)	(1,342,905)
<b>As of 30 June</b>	<b>2,980,792</b>	<b>2,761,976</b>

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**NOTE 15 - OTHER ASSETS**

<b>Other current assets:</b>	<b>30 June 2016</b>	<b>31 December 2015</b>
Advances given to personnel	159,721	14,094
Job advances	85,227	71,202
Receivables from personnel	16,100	22,500
Prepaid taxes and funds	-	168,674
Deductable value added tax	-	17,668
Other	5,081	5,575
	<b>266,129</b>	<b>299,713</b>

**NOTE 16 - PREPAID EXPENSES AND DEFERRED REVENUE**

<b>Short - term prepaid expenses:</b>	<b>30 June 2016</b>	<b>31 December 2015</b>
Prepaid expenses	1,041,562	184,496
Advances given	422,505	265,409
	<b>1,464,067</b>	<b>449,905</b>

<b>Long - term prepaid expenses:</b>	<b>30 June 2016</b>	<b>31 December 2015</b>
Tax receivables	1,081,742	-
Advances given	36,870	35,727
	<b>1,118,612</b>	<b>35,727</b>

<b>Short - term deferred revenues:</b>	<b>30 June 2016</b>	<b>31 December 2015</b>
Deferred revenues	39,698,314	52,056,481
Advances received	979,623	1,820,360
	<b>40,677,937</b>	<b>53,876,841</b>

The details of deferred revenues at 30 June 2016 and 2015 is as follows:

	<b>30 June 2016</b>	<b>31 December 2015</b>
Pay as you go sales	17,669,102	25,047,506
Logo enterprise membership sales	17,906,880	14,785,459
Version upgrade package sales	2,837,457	7,089,863
Deferred revenue from continuing projects	320,352	1,701,452
After-sales services revenue	964,523	285,180
Other sales revenue	-	3,147,021
	<b>39,698,314</b>	<b>52,056,481</b>

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**NOTE 17 - EQUITY**

The Company's authorized and paid-in share capital consists of 2,500,000,000 (31 December 2015: 2,500,000,000) shares with Kr 1 nominal each. The shareholding structure of the Company as of 30 June 2016 and 31 December 2015 are as follows:

	<b>30 June 2016</b>	<b>Share (%)</b>	<b>31 December 2015</b>	<b>Share (%)</b>
Logo Teknoloji ve Yatırım A.Ş. (*)	9,267,404	37.07	9,267,404	37.07
Mediterra Capital Partners I, LP (**)	9,267,404	37.07	9,267,404	37.07
Publicly owned	6,465,192	25.86	6,465,192	25.86
	<b>25,000,000</b>	<b>100.00</b>	<b>25,000,000</b>	<b>100.00</b>
Adjustment to share capital	2,991,336		2,991,336	
<b>Total paid-in share capital</b>	<b>27,991,336</b>		<b>27,991,336</b>	

(\*) Legal name of Logo Yatırım Holding A.Ş. has been changed into Logo Teknoloji ve Yatırım A.Ş. in 2016.

(\*\*) Consist of EAS S.A.R.L 36.02% and other.

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

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.

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**NOTE 17 - EQUITY (Continued)**

In accordance with the Communiqué No:XI-29 and related announcements of CMB, effective from January 1, 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 TAS/TFRS.

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

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

**Treasury Shares**

Based on the Board of Directors decision dated 26 June 2012, regarding taking back maximum 62,500,000 share certificates (each having TRY 0.01 nominal value, constituting 2,5% of 2,500,000,000 paid in share capital) within lower price limit of TRY 0 and upper price limit of TRY 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 TRY 0.01 nominal value, constituting 4% of 2,500,000,000 paid in share capital) within lower price limit of TRY 0 and upper price limit of TRY 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.

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**NOTE 17 - EQUITY (Continued)**

Based on the Board of Directors decision dated 26 June 2013, regarding taking back maximum 100,000,000 share certificates (each having TRY 0.01 nominal value, constituting 4% of 2,500,000,000 paid in share capital) within lower price limit of TRY 0 and upper price limit of TRY 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 TRY 0 and upper price limit of TRY 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 TRY 1,237,500 nominal value and constituting 4.95% of the Company’s share capital to Murat Ihlamur in exchange for TRY 5 for each TRY 1 nominal value share amounting to a total of TRY 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 TRY 485,890 recognized under shareholders’ equity.

The Company’s repurchased shares in accordance with Share Repurchase Programs having TRY 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 TRY 5 for each TRY 1 nominal value share amounting to a total of TRY 300,000. Gain from this transaction amounted to TRY 37,023 is recognized under shareholders equity.

Logo Teknoloji ve Yatırım A.Ş and EAS Solutions S.a.r.l’s joint application for a voluntary takeover bid of a portion of Logo Yazılım Sanayi ve Ticaret A.Ş.’s Group B shares in circulation amounting to TRY 5,696,372 has been approved through Capital Markets Board article numbered 29833736-110.05.01-502 issued on 11 March 2014. Voluntary bid price has been determined as 0,06 TRY for each Group B share with TRY 0.01 nominal value (Nominal value of TRY 1 traded on the Istanbul Stock Exchange corresponding to TRY 6.00 for every 100 share units.)

Through the voluntary bid process occurring between the dates of 14 March 2014 – 27 March 2014, Logo Teknoloji ve Yatırım A.Ş. and EAS Solutions S.a.r.l have purchased 132,285 units of shares for TRY 793,710.

Based on the Board of Directors decision dated 18 September 2015, regarding taking back within lower price limit of TRY 0 and upper price limit of TRY 30 in order to decrease price fluctuations in the Company's share certificates traded in BIST and evaluate current market conditions, the Company took back 17,932 share, amounted TRY 294,476 certificates traded in BIST on 28 September 2015.

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**NOTE 17 - EQUITY (Continued)**

**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.

Entities distribute dividends in accordance with their dividend payment policies settled in General Assembly 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 installments 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.

As a dividend distribution policy, the Company, in line with the ongoing regulations and its financial resources, along with its long-term corporate strategy, investment plans and financing policies, and considering its profitability and cash position and provided it can be met from the profit in the statutory records intends to distribute up to 55% of the distributable profit calculated in accordance with Capital Market Regulations to its shareholders; dividend distribution may be realized in cash or by capital increase through bonus shares or partly in cash and partly through bonus shares. In the event that the dividend amount is less than 5% of the paid-in capital then such amount will not be distributed and will be retained within the company.

Dividend advance payments can be made in accordance with Turkish Commercial Code and CMB regulations provided that General Assembly authorizes the board of directors to pay dividend advance, limited to the related year, to shareholders in accordance to Articles of Incorporation.

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**NOTE 17 - EQUITY (Continued)**

The Group aims to complete the dividend payment before the last working day of the respective year in which dividend distribution decision is held in the General Assembly and starts to payment at least as of the end of the accounting period when the General Assembly meeting is held.

The Company aims to complete the dividend payment until the last working day of the respective year that the General Assembly meeting held and starts to make dividend distribution until the end of respective period. Dividend payment can be made by installments in accordance with the decision held by General Assembly or Board of Directors (when authorized) in line with CMB regulations.

**NOTE 18 - EXPENSES BY NATURE**

As of 30 June 2016 and 2015, expenses are disclosed by function and the details of the expenses are summarized in Note 19 and Note 20.

**NOTE 19 - SALES AND COST OF SALES**

	<b>1 January - 30 June 2016</b>	<b>1 April - 30 June 2016</b>	<b>1 January - 30 June 2015</b>	<b>1 April - 30 June 2015</b>
Sales revenue	68,977,015	34,011,141	53,762,508	27,309,777
Saas service revenue	4,240,040	2,718,135	2,744,181	1,642,216
Service revenue	2,636,397	1,432,549	447,720	129,916
Sales returns	(2,100,312)	(1,015,451)	(1,403,469)	(618,428)
Sales discounts	(844,854)	(486,960)	(1,231,559)	(584,262)
<b>Net sales</b>	<b>72,908,286</b>	<b>36,659,414</b>	<b>54,319,381</b>	<b>27,879,219</b>
Cost of sales	(1,405,208)	(762,717)	(1,535,685)	(996,398)
<b>Gross profit</b>	<b>71,503,078</b>	<b>35,896,697</b>	<b>52,783,696</b>	<b>26,882,821</b>
<b>Cost of sales</b>				
	<b>1 January - 30 June 2016</b>	<b>1 April - 30 June 2016</b>	<b>1 January - 30 June 2015</b>	<b>1 April - 30 June 2015</b>
Cost of transfer of financial rights	1,274,315	660,791	1,194,577	682,033
Cost of trade goods sold	130,893	101,926	341,108	314,365
<b>Cost of sales</b>	<b>1,405,208</b>	<b>762,717</b>	<b>1,535,685</b>	<b>996,398</b>

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**NOTE 20 - MARKETING, SELLING AND DISTRIBUTION EXPENSES, RESEARCH  
AND DEVELOPMENT EXPENSES, GENERAL ADMINISTRATIVE  
EXPENSES**

<b>Research and development expenses</b>	<b>1 January - 30 June 2016</b>	<b>1 April - 30 June 2016</b>	<b>1 January - 30 June 2015</b>	<b>1 April - 30 June 2015</b>
Personnel expenses	9,803,338	5,313,903	7,067,376	4,191,802
Depreciation and amortization expenses	7,683,260	3,960,313	5,824,215	3,011,736
Motor vehicle expenses	790,690	402,308	652,386	352,968
Outsourced benefits and services	532,614	299,252	446,572	214,783
Consultancy expenses	482,297	279,340	440,331	209,480
Travel expenses	338,161	183,801	234,007	122,798
Rent expenses	259,843	94,716	188,891	91,594
Other	849,952	475,993	496,215	281,704
	<b>20,740,155</b>	<b>11,009,626</b>	<b>15,349,993</b>	<b>8,476,865</b>

<b>Marketing, selling and distribution expenses</b>	<b>1 January - 30 June 2016</b>	<b>1 April - 30 June 2016</b>	<b>1 January - 30 June 2015</b>	<b>1 April - 30 June 2015</b>
Personnel expenses	6,761,601	4,311,701	5,466,099	3,251,019
Advertising and selling expenses	4,695,051	1,855,222	5,670,133	2,065,556
Motor vehicle expenses	514,002	264,899	444,667	241,216
Consultancy expenses	502,697	289,498	461,745	323,368
Outsourced benefits and services	340,410	186,934	213,632	106,472
Rent expenses	202,696	85,624	169,272	97,844
Travel expenses	152,417	69,738	124,572	52,978
Depreciation and amortization expenses	109,374	57,517	44,140	22,563
Other	196,099	112,372	201,388	141,769
	<b>13,474,347</b>	<b>7,233,505</b>	<b>12,795,648</b>	<b>6,302,785</b>

<b>General administrative expenses</b>	<b>1 January - 30 June 2016</b>	<b>1 April - 30 June 2016</b>	<b>1 January - 30 June 2015</b>	<b>1 April - 30 June 2015</b>
Personnel expenses	4,151,568	1,863,813	2,036,273	1,383,430
Consultancy expenses	1,328,050	997,476	956,141	508,155
Motor vehicle expenses	219,088	101,890	247,177	125,615
Outsourced benefits and services	113,876	41,516	193,706	93,045
Depreciation and amortization expenses	105,255	52,997	113,640	59,707
Travel expenses	173,324	53,163	42,617	29,265
Rent expenses	23,826	7,548	25,830	7,743
Other	394,919	213,486	459,218	299,285
	<b>6,509,906</b>	<b>3,331,889</b>	<b>4,074,602</b>	<b>2,506,245</b>

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**NOTE 21 – OTHER OPERATING INCOME/EXPENSES**

<b>Other operating income</b>	<b>1 January - 30 June 2016</b>	<b>1 April - 30 June 2016</b>	<b>1 January - 30 June 2015</b>	<b>1 April - 30 June 2015</b>
Rediscount income	2,151,345	753,457	719,049	576,387
Foreign exchange gains (*)	328,503	267,654	658,158	266,385
Overdue interest income	246,398	146,552	463,867	463,867
Other	157,729	157,729	330,486	210,559
	<b>2,883,975</b>	<b>1,325,392</b>	<b>2,171,560</b>	<b>1,517,198</b>

(\*) Arising from the difference between foreign exchange differences of trade receivables and payables.

<b>Other operating expenses</b>	<b>1 January - 30 June 2016</b>	<b>1 April - 30 June 2016</b>	<b>1 January - 30 June 2015</b>	<b>1 April - 30 June 2015</b>
Provision expense	410,692	37,285	-	-
Rediscount expenses	278,358	137,311	-	-
Foreign exchange losses (*)	91,832	3,272	243,248	94,318
Other	120,721	29,095	186,791	116,573
	<b>901,603</b>	<b>206,963</b>	<b>430,039</b>	<b>210,891</b>

(\*) Arising from the difference between foreign exchange differences of trade receivables and payables.

**NOTE 22 - INCOME FROM INVESTING ACTIVITIES**

	<b>1 January - 30 June 2016</b>	<b>1 April - 30 June 2016</b>	<b>1 January - 30 June 2015</b>	<b>1 April - 30 June 2015</b>
Gain on sale of financial instruments	167,253	88,167	81,437	50,425
Gain on sale of property, plant, and equipment	711	711	121,763	117,776
	<b>167,964</b>	<b>88,878</b>	<b>203,200</b>	<b>168,201</b>

**NOTE 23 - FINANCIAL INCOME**

	<b>1 January - 30 June 2016</b>	<b>1 April - 30 June 2016</b>	<b>1 January - 30 June 2015</b>	<b>1 April - 30 June 2015</b>
Interest income	1,669,087	1,022,387	569,933	111,560
Foreign exchange gains	368,571	261,323	507,209	150,161
	<b>2,037,658</b>	<b>1,283,710</b>	<b>1,077,142</b>	<b>261,721</b>

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**NOTE 24 – FINANCIAL EXPENSES**

	<b>1 January - 30 June 2016</b>	<b>1 April - 30 June 2016</b>	<b>1 January - 30 June 2015</b>	<b>1 April - 30 June 2015</b>
Credit card commissions	384,219	178,982	232,643	110,549
Foreign exchange losses	263,734	37,546	-	-
Interest expense	80,443	38,695	1,163,964	154,004
Other financial expenses	339,670	7,228	180,053	90,033
	<b>1,068,066</b>	<b>262,451</b>	<b>1,576,660</b>	<b>354,586</b>

**NOTE 25 - TAX ASSETS AND LIABILITIES**

**Deferred taxes**

The Company recognizes deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under TAS/TFRS and their statutory tax financial statements. Deferred tax income assets and liabilities are measured at the enacted tax rate of 20% as of 30 June 2016 (31 December 2015: 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 2016 and 31 December 2015 using the enacted tax rates, is as follows:

	<b>Total temporary differences</b>		<b>Deferred tax assets/(liabilities)</b>	
	<b>30 June 2016</b>	<b>31 December 2015</b>	<b>30 June 2016</b>	<b>31 December 2015</b>
<b>Deferred income tax assets:</b>				
Provision for doubtful receivables	2,097,813	1,907,335	419,563	381,467
Provision for employee termination benefits	1,380,017	1,339,430	276,003	232,971
Deferred income	1,179,718	2,395,500	235,944	479,100
Provision for expense accruals	2,947,049	6,996,235	589,410	1,399,247
Rediscount of trade receivables and payables	1,383,658	3,285,230	276,732	657,046
			<b>1,797,652</b>	<b>3,149,831</b>
<b>Deferred income tax liabilities:</b>				
Difference between the tax base and carrying value of property, equipment and intangible assets	(7,792,643)	(4,800,650)	(1,558,529)	(960,130)
Other	-	(1,578,290)	-	(315,658)
			<b>(1,558,529)</b>	<b>(1,275,788)</b>
<b>Deferred income tax assets, net</b>			<b>239,123</b>	<b>1,874,043</b>

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**NOTE 25 - TAX ASSETS AND LIABILITIES (Continued)**

The reconciliation of current period tax expense for the periods ending 30 June 2016 and 2015 is as follows:

	<b>30 June 2016</b>	<b>30 June 2015</b>
Profit before tax	33,898,598	22,008,656
Tax calculated at the current enacted tax rate	(6,779,720)	(4,401,731)
Disallowable expenses	(220,599)	-
Income exempt from tax	4,431,999	3,553,329
<b>Tax expense</b>	<b>(2,568,320)</b>	<b>(848,402)</b>

Movement of deferred taxes for the periods ending 30 June 2016 and 2015 is as follows:

	<b>2016</b>	<b>2015</b>
<b>As of 1 January</b>	<b>1,874,043</b>	<b>1,323,510</b>
Charged to profit or loss	(1,606,678)	(762,723)
Acquisition of subsidiary	-	(323,595)
Charged to other comprehensive income	(28,243)	112,857
<b>As of 30 June</b>	<b>239,122</b>	<b>350,049</b>

***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 corporate tax rate for 2016 is 20% (2015: 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.

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**NOTE 25 - TAX ASSETS AND LIABILITIES (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 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).

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**NOTE 25 - TAX ASSETS AND LIABILITIES (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 TRY 1,405,908 that can be offsetted in the future.

**NOTE 26 – EARNINGS/LOSS PER SHARE**

The earnings per 1,000 shares with nominal value of Kr 1 amounted to TRY 12.26 for the period ended 30 June 2016 (30 June 2015: TRY 8.50).

	<b>30 June 2016</b>	<b>30 June 2015</b>
Net income attributable to equity holders of the parent	30,654,158	21,237,978
Shares	25,000,000	25,000,000
<b>Earnings per share</b>	<b>12.26</b>	<b>8.50</b>

**NOTE 27 – RELATED PARTY DISCLOSURES**

**a) Due from and due to related parties at 30 June 2016 and 31 December 2015:**

<b>Short-term trade receivables from related parties:</b>	<b>30 June 2016</b>	<b>31 December 2015</b>
Logo Siber Güvenlik ve Ağ Tek. A.Ş (“Logo Siber”)	-	8,032
<b>Long-term other receivables from related parties:</b>	<b>30 June 2016</b>	<b>31 December 2015</b>
Receivables from shareholders (*)	950,000	950,000

(\*) Related balance consists of advances given for the purchases of shares of e-Logo.

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**NOTE 27 – RELATED PARTY DISCLOSURES**

**b) Sales to related parties, services given to related parties and financial income from related parties during the periods ended 30 June 2016 and 2015:**

<b>Services given to related parties</b>	<b>1 January - 30 June 2016</b>	<b>1 April - 30 June 2016</b>	<b>1 January - 30 June 2015</b>	<b>1 April - 30 June 2015</b>
Logo Siber	108,452	58,626	77,921	57,424
Logo Teknoloji ve Yatırım A.Ş.	16,432	1,596	1,770	885
	<b>124,884</b>	<b>60,222</b>	<b>79,691</b>	<b>58,309</b>

**c) Services purchased from related parties and other transactions with related parties during the periods ended 30 June 2016 and 2015:**

<b>Services purchased from related parties</b>	<b>1 January - 30 June 2016</b>	<b>1 April - 30 June 2016</b>	<b>1 January - 30 June 2015</b>	<b>1 April - 30 June 2015</b>
Logo Teknoloji ve Yatırım A.Ş.	330,114	24,751	776	40

**d) Remuneration of the board of directors and executive management:**

	<b>1 January - 30 June 2016</b>	<b>1 April - 30 June 2016</b>	<b>1 January - 30 June 2015</b>	<b>1 April - 30 June 2015</b>
Remuneration of the board of directors and executive management	1,122,611	584,225	1,057,630	693,026

The remuneration of board of directors and executive management (executive management includes general manager (CEO) and assistant general managers) for the years ended 30 June 2016 and 2015 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 years ended 30 June 2016 and 2015.

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**NOTE 28 - NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL  
INSTRUMENTS**

***28.1 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 TRY 100,000,000 that the company can utilize whenever needed.

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**NOTE 28 - NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)**

<b>30 June 2016</b>	<b>Carrying value</b>	<b>Total contractual cash outflow</b>	<b>Up to 3 months</b>	<b>Between 3-12 months</b>	<b>Between 1-5 years</b>	<b>More than 5 years</b>
<b>Non-derivative financial instruments</b>						
Borrowings	1,869,187	1,926,492	1,343,020	500,944	82,528	-
Trade payables - <i>Other</i>	5,674,039	5,674,039	5,674,039	-	-	-
Due to personnel	4,012,942	4,012,942	4,012,942	-	-	-
Other payables - <i>Other</i>	5,442,943	5,442,943	5,442,943	-	-	-
<b>31 December 2015</b>	<b>Carrying value</b>	<b>Total contractual cash outflow</b>	<b>Up to 3 months</b>	<b>Between 3-12 months</b>	<b>Between 1-5 years</b>	<b>More than 5 years</b>
<b>Non-derivative financial instruments</b>						
Borrowings	2,398,725	2,595,871	1,311,327	954,431	330,113	-
Trade payables - <i>Other</i>	10,027,920	10,027,920	10,027,920	-	-	-
Due to personnel	1,252,651	1,252,651	1,252,651	-	-	-
Other payables - <i>Other</i>	10,205,184	10,205,184	10,205,184	-	-	-

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**NOTE 28 - 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:

	<b>30 June 2016</b>	<b>31 December 2015</b>
Financial instruments with fixed interest rate		
Financial assets		
- <i>Designated at fair value through profit or loss</i>	49,068,512	23,124,710
Financial liabilities	1,869,187	2,398,725

Financial assets designated as fair value through profit or loss consists of fixed interest rate TRY 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**

TRY equivalent of import and exports for the periods ended 30 June 2016 and 2015 is as follows:

	<b>30 June 2016</b>	<b>30 June 2015</b>
Total exports	1,043,981	2,513,537

**Foreign currency risk**

The Group is exposed to foreign exchange risk arising from the ownership of foreign currency denominated assets and liabilities with sales or purchase commitments. The policy of the Group is to compare every foreign currency type for the probable sales or purchases in the future.

**Foreign Currency Position**

The Group's assets and liabilities denominated in foreign currencies at 30 June 2016 and 31 December 2015 are as follows:

	<b>30 June 2016</b>	<b>31 December 2015</b>
Assets	7,436,039	8,324,410
Liabilities	(90,571)	(437,945)
<b>Net foreign currency position</b>	<b>7,345,468</b>	<b>7,886,465</b>

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**NOTE 28 - NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL  
INSTRUMENTS (Continued)**

30 June 2016	Table of foreign currency position TRY equivalent			
	(functional currency)	USD	EUR	Other
1. Trade receivables	2,353,936	748,674	58,536	
2a. Monetary financial assets (including cash, bank accounts)	5,119,903	1,291,032	431,838	250
2b. Non-monetary financial assets	-	-	-	-
3. Other	-	-	-	-
<b>4. Current assets (1+2+3)</b>	<b>7,473,839</b>	<b>2,039,706</b>	<b>490,374</b>	<b>250</b>
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
<b>8. Non-current assets (5+6+7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9. Total assets (4+8)</b>	<b>7,473,839</b>	<b>2,039,706</b>	<b>490,374</b>	<b>250</b>
10. Trade payables	(90,571)	(26,968)	-	(3,240)
11. Financial liabilities	-	-	-	-
12a. Monetary other liabilities	-	-	-	-
12b. Non-monetary other liabilities	-	-	-	-
<b>13. Current liabilities (10+11+12)</b>	<b>(90,571)</b>	<b>(26,968)</b>	<b>-</b>	<b>(3,240)</b>
14. Trade payables	-	-	-	-
15. Financial liabilities	-	-	-	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
<b>17. Non-current liabilities (14+15+16)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>18. Total liabilities (13+17)</b>	<b>(90,571)</b>	<b>(26,968)</b>	<b>-</b>	<b>(3,240)</b>
19. Net asset/(liability) position of off-balance sheet derivative instruments (19a-19b)	-	-	-	-
19a. Total hedged asset amount	-	-	-	-
19b. Total hedged liability amount	-	-	-	-
<b>20. Net foreign currency asset/(liability) position (9+18+19)</b>	<b>7,383,268</b>	<b>2,012,738</b>	<b>490,374</b>	<b>(2,990)</b>
<b>21. Net foreign currency asset/(liability) position of monetary items (=1+2a+3+5+6a+10+11+12a+14+15+16a)</b>	<b>7,383,268</b>	<b>2,012,738</b>	<b>490,374</b>	<b>(2,990)</b>
22. Total fair value of financial instruments used for foreign currency hedging	-	-	-	-
23. Export	(1,043,981)	-	-	-
24. Import	-	-	-	-

The foreign currency rates used in the translation of foreign currency denominated assets and liabilities into TRY as of 30 June 2016 and 31 December 2015 are as follows:

	30 June 2016	31 December 2015
USD	2.8936	2.9076
EUR	3.2044	3.1776

The Group is mainly exposed to foreign exchange risks through operations done in USD.

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**NOTE 28 - NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL  
INSTRUMENTS (Continued)**

<b>30 June 2016</b>		<b>Table of foreign currency position TRY equivalent</b>			
		<b>(functional currency)</b>	<b>USD</b>	<b>EUR</b>	<b>Other</b>
1.	Trade receivables	2,494,560	745,646	102,757	-
2.	Monetary financial assets (including cash, bank accounts)	5,827,645	1,609,955	360,638	272
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	2,205	-	694	-
<b>4.</b>	<b>Current assets (1+2+3)</b>	<b>8,324,410</b>	<b>2,355,601</b>	<b>464,089</b>	<b>272</b>
5.	Trade receivables	-	-	-	-
6a.	Monetary financial assets	-	-	-	-
6b.	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
<b>8.</b>	<b>Non-current assets (5+6+7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9.</b>	<b>Total assets (4+8)</b>	<b>8,324,410</b>	<b>2,355,601</b>	<b>464,089</b>	<b>272</b>
10.	Trade payables	(437,945)	(94,232)	(51,598)	-
11.	Financial liabilities	-	-	-	-
12a.	Monetary other liabilities	-	-	-	-
12b.	Non-monetary other liabilities	-	-	-	-
<b>13.</b>	<b>Current liabilities (10+11+12)</b>	<b>(437,945)</b>	<b>(94,232)</b>	<b>(51,598)</b>	<b>-</b>
14.	Trade payables	-	-	-	-
15.	Financial liabilities	-	-	-	-
16a.	Monetary other liabilities	-	-	-	-
16b.	Non-monetary other liabilities	-	-	-	-
<b>17.</b>	<b>Non-current liabilities (14+15+16)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>18.</b>	<b>Total liabilities (13+17)</b>	<b>(437,945)</b>	<b>(94,232)</b>	<b>(51,598)</b>	<b>-</b>
19.	Net asset / (liability) position of off-balance sheet derivative instruments (19a-19b)	-	-	-	-
19a.	Total hedged asset amount	-	-	-	-
19b.	Total hedged liability amount	-	-	-	-
<b>20.</b>	<b>Net foreign currency asset/(liability) position (9+18+19)</b>	<b>7,886,465</b>	<b>2,261,369</b>	<b>412,491</b>	<b>272</b>
<b>21.</b>	<b>Net foreign currency asset/(liability) position of monetary items (=1+2a+3+5+6a+10+11+12a+14+15+16a)</b>	<b>7,886,465</b>	<b>2,261,369</b>	<b>412,491</b>	<b>272</b>
22.	Total fair value of financial instruments used for foreign currency hedging	-	-	-	-
23.	Export	(4,737,111)	-	-	-
24.	Import	-	-	-	-

As of 30 June 2016, all other variables held constant, if the USD had been appreciated/depreciated by 10% against the TRY, foreign exchange gains/losses resulting from cash and cash equivalents, trade receivables and payables, due from and due to related parties would increase/decrease profit before tax by TRY 582,406 (31 December 2015: TRY 657,516).

As of 30 June 2016, all other variables held constant, if the EUR had been appreciated/depreciated by 10% against the TRY, foreign exchange gains/losses resulting from trade receivables and payables, cash and cash equivalents would increase/decrease profit before tax by TRY 157,135 (31 December 2015: TRY 130,852).

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**NOTE 28 - NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL  
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**28.2 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 condensed interim consolidated balance sheet, plus net debt.

	<b>30 June 2016</b>	<b>31 December 2015</b>
Total bank borrowings and trade payables	7,543,226	12,426,645
Less: Cash and cash equivalents (Note 4)	(82,011,289)	(51,529,036)
Net debt	(74,468,063)	(39,102,391)
Total equity	138,962,422	108,545,294
Total capital	64,494,359	69,442,903
<b>Debt/equity ratio</b>	<b>(115%)</b>	<b>(56%)</b>

**NOTE 29 - 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.

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**NOTE 29 - 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.

**Financial investments**

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.

**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 June 2016 is as follows:

<b>Financial assets held at fair value through profit or loss:</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Financial investments	549,972	-	-

Fair value hierarchy table as at 30 June 2015 is as follows:

<b>Financial assets held at fair value through profit or loss:</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Financial investments	-	-	-

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**NOTE 30 - EVENTS AFTER BALANCE SHEET DATE**

On 27 June 2016, an agreement had been signed between the Company's subsidiary e-Logoand F.I.T. Bilgi İşlem Sistemleri Servisleri Sanayi ve Ticaret Anonim Şirketi (FIT Solutions) to establish a joint venture. The partnership will be in half, 50% of shares per each joint venture partner, and the joint venture will be named as FIGO Ticari Bilgi ve Uygulama Platformu A.Ş. (“FIGO”). FIGO will enable Turkish corporations to access value added services to facilitate trade activity. Services such as risk rating, counterparty insurance, financing and collection will be provided under Trade Information Platform.

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