

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF  
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 MARCH 2017**

**(ORIGINALLY ISSUED IN TURKISH)**

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

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

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 MARCH 2017**

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

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

**CONDENSED CONSOLIDATED BALANCE SHEETS AT 31 MARCH 2017**

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

	Notes	31 March 2017	Audited 31 December 2016
<b>ASSETS</b>			
<b>Current asset</b>		<b>139.077.165</b>	<b>139.523.661</b>
Cash and cash equivalents	5	51.913.091	43.507.923
Financial investments	6	-	279.986
Trade receivables		80.053.035	92.906.476
- <i>Due from third parties</i>	9	80.053.035	92.906.476
Other receivables		380.579	147.362
- <i>Other receivables from third parties</i>	10	380.579	147.362
Inventories	11	633.214	322.138
Prepaid expenses	17	4.219.606	1.946.104
Other current assets		1.877.640	413.672
<b>Non-current assets</b>		<b>194.196.564</b>	<b>188.013.329</b>
Other receivables		2.709.726	3.081.146
- <i>Other receivables from related parties</i>	28	2.549.114	2.920.534
- <i>Other receivables from third parties</i>	10	160.612	160.612
Financial investments	6	130.653	130.653
Investments accounted for using the equity method	7	875.858	737.533
Property, plant and equipment	12	19.573.759	18.977.934
Intangible assets		167.602.013	161.722.764
- <i>Goodwill</i>	14	78.877.795	75.386.762
- <i>Other intangible assets</i>	13	88.724.218	86.336.002
Prepaid expenses	17	1.116.608	1.786.750
Deferred tax assets	26	1.774.687	1.208.136
Other non-current assets		413.260	368.413
<b>Total assets</b>		<b>333.273.729</b>	<b>327.536.990</b>

These consolidated financial statements have been approved by Board of Directors on **8 May 2017** and signed on its behalf by Buğra Koyuncu, Chief Executive Officer and Gülnur Anlaş, Chief Financial Officer.

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

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

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

**CONDENSED CONSOLIDATED BALANCE SHEETS AT 31 MARCH 2017**

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

	Notes	31 March 2017	Audited 31 December 2016
<b>LIABILITIES</b>			
<b>Short-term liabilities</b>		<b>103.476.298</b>	<b>148.823.733</b>
Short-term borrowings	8	18.692.829	56.798.022
Short-term portion of long-term borrowings	8	11.017.488	6.298.768
Trade payables		11.474.152	16.493.822
- Trade payables to third parties	9	11.474.152	16.493.822
Employee benefit payables	16	9.102.816	6.457.090
Other payables		3.163.477	7.198.360
- Other payables to third parties	10	3.163.477	7.198.360
Deferred revenue	17	43.115.779	40.749.291
Short-term provisions		4.694.492	11.609.615
- Short-term provisions for employee benefits	16	4.694.492	11.609.615
Current income tax liabilities	26	731.052	1.818.901
Other current liabilities		1.484.213	1.399.864
<b>Long-term liabilities</b>		<b>63.330.103</b>	<b>14.555.392</b>
Long-term borrowings	8	49.748.150	3.605.982
Other payables		2.243.660	2.741.721
- Other payables to third parties	10	2.243.660	2.741.721
Long-term provisions		8.456.730	6.315.332
- Provisions for employment termination benefits	16	8.456.730	6.315.332
Deferred tax liabilities	26	2.881.563	1.892.357
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>		<b>165.651.182</b>	<b>160.802.613</b>
Paid-in share capital	18	25.000.000	25.000.000
Adjustment to share capital	18	2.991.336	2.991.336
Restricted reserves	18	7.196.458	6.993.951
Treasury shares (-)	18	(4.632.563)	(4.632.563)
Other comprehensive income and expense that will not be reclassified to profit or loss		(2.116.048)	(1.663.527)
- Actuarial loss on employment termination benefits		(2.116.048)	(1.663.527)
Other comprehensive income and expense that will be reclassified to profit or loss		9.730.143	6.899.780
- Currency translation difference		9.730.143	6.899.780
Retained earnings		117.055.835	79.874.166
Net income for the period		10.426.021	45.339.470
<b>Non-controlling interests</b>		<b>816.146</b>	<b>3.355.252</b>
<b>Total equity</b>		<b>166.467.328</b>	<b>164.157.865</b>
<b>Total liabilities</b>		<b>333.273.729</b>	<b>327.536.990</b>

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

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

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

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE INTERIM PERIODS ENDED 31 MARCH 2017 AND 2016**

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

<b>PROFIT OR LOSS</b>	<b>Notes</b>	<b>1 January- 31 March 2017</b>	<b>1 January- 31 March 2016</b>
Revenue	20	53.616.690	36.248.872
Cost of sales (-)	20	(2.806.911)	(642.491)
<b>Gross profit</b>		<b>50.809.779</b>	<b>35.606.381</b>
General administrative expenses (-)	21	(5.990.340)	(3.178.017)
Marketing expenses (-)	21	(8.540.733)	(6.240.842)
Research and development expenses (-)	21	(24.116.892)	(9.730.529)
Other operating income	22	2.023.770	1.558.583
Other operating expenses (-)	22	(1.066.980)	(694.640)
<b>Operating profit</b>		<b>13.118.604</b>	<b>17.320.936</b>
Income from investing activities	23	45.460	79.086
Share of losses of investments accounted for using the equity method	7	(361.675)	-
<b>Operating profit before finance income/(expenses)</b>		<b>12.802.389</b>	<b>17.400.022</b>
Finance income	24	1.187.539	753.948
Finance costs (-)	25	(2.756.573)	(805.615)
<b>Profit before tax</b>		<b>11.233.355</b>	<b>17.348.355</b>
<b>Tax income/(expenses)</b>			
Taxes on income	26	(540.816)	(208.697)
Deferred tax expense	26	(371.982)	(1.495.427)
<b>Net profit for the year</b>		<b>10.320.557</b>	<b>15.644.231</b>
<b>Net profit attributable to:</b>			
Non-controlling interests		(105.464)	262.488
Equity holders of the parent		10.426.021	15.381.743
		<b>10.320.557</b>	<b>15.644.231</b>
<b>Earnings per share</b>	<b>27</b>	<b>4,17</b>	<b>6,15</b>

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

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

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

**CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE INTERIM PERIODS ENDED 31 MARCH 2017 AND 2016**

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

<b>OTHER COMPREHENSIVE INCOME</b>	<b>Notes</b>	<b>1 January- 31 March 2017</b>	<b>1 January- 31 March 2016</b>
<b>Profit for the year</b>		<b>10.320.557</b>	<b>15.644.231</b>
<b>Other comprehensive income and expense that will be reclassified to profit or loss</b>		<b>2.834.013</b>	<b>-</b>
Currency translation differences		2.834.013	-
<b>Other comprehensive income and expense that will not be reclassified to profit or loss</b>			
Actuarial gain/(loss) on employment termination benefits	16	(500.714)	268.819
Taxation	26	48.193	(28.243)
<b>Other comprehensive income</b>		<b>2.381.492</b>	<b>240.576</b>
Non-controlling interest		3.650	-
Equity holders of the parent		2.377.842	240.576
<b>Total comprehensive income</b>		<b>12.702.049</b>	<b>15.884.807</b>
<b>Total comprehensive income attributable to:</b>			
Non-controlling interest		(101.814)	262.488
Equity holders of the parent		12.803.863	15.622.319
		<b>12.702.049</b>	<b>15.884.807</b>

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

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE INTERIM PERIODS ENDED 31 MARCH 2017 AND 2016**

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

	Paid-in share capital	Adjustments to share capital	Treasury shares	Restricted reserves	Other comprehensive income not to be reclassified under profit and loss Actuarial gain/(loss) on termination benefits	Other comprehensive income to be reclassified under profit and loss Currency translation difference	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 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>-</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>
Transfer	-	-	-	-	-	-	39.894.790	(39.894.790)	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-
Net income for the period	-	-	-	-	-	-	-	15.381.743	15.381.743	262.488	15.644.231
Other comprehensive loss	-	-	-	-	240.576	-	-	-	240.576	-	240.576
<b>Balances at 31 March 2016</b>	<b>25.000.000</b>	<b>2.991.336</b>	<b>(4.632.563)</b>	<b>6.993.951</b>	<b>(1.441.020)</b>	<b>-</b>	<b>79.874.166</b>	<b>15.381.743</b>	<b>124.167.613</b>	<b>2.017.058</b>	<b>126.184.671</b>
<b>Balances at 01 January 2017</b>	<b>25.000.000</b>	<b>2.991.336</b>	<b>(4.632.563)</b>	<b>6.993.951</b>	<b>(1.663.527)</b>	<b>6.899.780</b>	<b>79.874.166</b>	<b>45.339.470</b>	<b>160.802.613</b>	<b>3.355.252</b>	<b>164.157.865</b>
Transfer	-	-	-	202.507	-	-	45.136.963	(45.339.470)	-	-	-
Transaction with non-controlling interets (*)	-	-	-	-	-	-	(7.955.294)	-	(7.955.294)	(2.437.292)	(10.392.586)
Net income for the period	-	-	-	-	-	-	-	10.426.021	10.426.021	(105.464)	10.320.557
Other comprehensive income	-	-	-	-	(452.521)	2.830.363	-	-	2.377.842	3.650	2.381.492
<b>Balances at 31 March 2017</b>	<b>25.000.000</b>	<b>2.991.336</b>	<b>(4.632.563)</b>	<b>7.196.458</b>	<b>(2.116.048)</b>	<b>9.730.143</b>	<b>117.055.835</b>	<b>10.426.021</b>	<b>165.651.182</b>	<b>816.146</b>	<b>166.467.328</b>

(\*) Note 18.

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

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

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIODS ENDED 31 MARCH 2017 AND 2016**

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

	Notes	1 January- 31 March 2017	1 January- 31 March 2016
<b>A. Cash flows from operating activities</b>		<b>15.333.638</b>	<b>21.544.574</b>
Profit for the year		10.320.557	15.644.231
<b>Adjustments to reconcile profit for the year</b>		<b>4.179.753</b>	<b>(691.603)</b>
Adjustments for depreciation and amortization expenses	12, 13	6.072.045	3.827.062
Adjustments for provision for employment termination benefits	16	(5.110.914)	1.048.015
Adjustments for interest expense	25	892.421	41.748
Adjustments for interest income	24	(18.545)	(646.700)
Adjustments for undistributed profits of joint ventures	7	361.675	-
Adjustments for provision for doubtful receivables	9	(473.212)	317.589
Adjustments for other adjustments to reconcile profit or loss		1.543.485	(6.983.441)
Tax expense/(income)		912.798	1.704.124
<b>Changes in net working capital</b>		<b>2.625.518</b>	<b>7.078.458</b>
Adjustments for (increase)/decrease in inventories		(311.076)	(52.012)
Adjustments for decrease in trade receivables		12.630.468	24.800.182
Adjustments for increase in trade payables		(5.019.670)	(6.105.662)
Adjustments for decrease in other current and non-current liabilities		(1.980.217)	(9.757.617)
Adjustments for decrease in other current and non-current assets		(2.693.987)	(1.806.433)
<b>Cash flows from operating activities</b>		<b>17.125.828</b>	<b>22.031.086</b>
Taxes paid		(1.628.665)	(423.040)
Employment termination benefits paid	16	(163.525)	(63.472)
<b>B. Cash flows from investing activities</b>		<b>(18.467.145)</b>	<b>(6.145.349)</b>
Purchases of property, plant and equipment and intangible assets	12, 13	(7.967.145)	(6.145.349)
Acquisition of subsidiary		(10.000.000)	-
Capital injections to joint ventures	7	(500.000)	-
<b>C. Cash flows from financing activities</b>		<b>10.759.092</b>	<b>771.528</b>
Repayments of borrowings		(51.968.055)	(1.019.129)
Proceeds from borrowings		63.601.023	1.185.705
Interest paid		(892.421)	(41.748)
Interest received		18.545	646.700
<b>Net increase in cash and cash equivalent before currency translation differences (A+B+C)</b>		<b>7.625.585</b>	<b>16.170.753</b>
<b>D. Effects of currency translation differences on cash and cash equivalents.</b>		<b>779.583</b>	<b>-</b>
<b>Net increase in cash and cash equivalents (A+B+C+D)</b>		<b>8.405.168</b>	<b>16.170.753</b>
<b>E. Cash and cash equivalents at beginning of the period</b>	<b>5</b>	<b>43.507.923</b>	<b>51.529.036</b>
<b>Cash and cash equivalents at end of the period (A+B+C+D+E)</b>	<b>5</b>	<b>51.913.091</b>	<b>67.699.789</b>

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

# CONVENIENCE TRANSLATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

## LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2017

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

#### NOTE 1 - ORGANIZATION AND NATURE OPERATIONS

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

The main activity of the Company is production, development, processing, multiplication and distribution to all physical and electronic environment of operating system, application software, databases, software increasing productivity, multimedia software products and all types of similar software processed inside all types of computer hardware and to carry out all the services such as technical support, training and technical service activities.

As of 31 March 2017, the average number of personnel of the Group is 1.022 (31 December 2016: 697).

The address of the registered office is as follows:

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

As of 31 March 2017, main shareholders of Logo Yazılım are Logo Teknoloji ve Yatırım A.Ş. and Mediterra Capital Partners LLP. They jointly control to the Company. The shareholding structure of the Company is disclosed in Note 18.

The nature of businesses of subsidiaries and joint ventures of Logo Yazılım (together referred to as the “Group”) are as follows:

<b>Subsidiaries</b>	<b>Country of incorporation</b>	<b>Nature of business</b>
Total Soft S.A. (“Totalsoft”)	Romania	Development and marketing of computer software
Logo Software Investment S.A. (“Logo Investment”)	Romania	Investment
Logo Elektronik Ticaret Hizmetleri A.Ş. (“e-Logo”)	Turkey	Development and marketing of computer software
Logo Infosoft Business Technology Private Limited (“Logo Infosoft”)(* )	India	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	Software marketing
<b>Joint venture</b>	<b>Country of incorporation</b>	<b>Nature of business</b>
FIGO Ticari Bilgi ve Uygulama Platformu A.Ş. (“FIGO”)	Turkey	Development and marketing of computer software

# CONVENIENCE TRANSLATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

## LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2017

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

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#### NOTE 1 - ORGANIZATION AND NATURE OPERATIONS (Continued)

The Company has founded Logo Investment in Romania at 19 August 2016. The Company owns 100% shares of Logo Investment.

Upon share purchase agreement signed at 2 September 2016, Logo Investment has purchased 100% shares of Totalsoft (Note 4).

The Company was signed an agreement with F.I.T Information Systems Services Industry and Trade Inc. at 29 July 2016 to incorporate FIGO Ticari Bilgi ve Uygulama Platformu A.Ş. (“FIGO”). The Company participates 50% shares of FIGO. FIGO, provides access to value-added services like risk assessments, insurance, finance and collection that is predicted to facilitate their business operations through Commercial Knowledge Platform.

The Company has purchased 100% shares of Vardar Eğitim Hizm. Yazılım Danışmanlık ve San. Tic. A.Ş. (“Vardar”) through a share purchase agreement signed on 8 September 2015 (Note 4).

The Company has purchased 100% of Sempa shares through a share purchase agreement signed on 18 June 2015 (Notes 4).

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 regarding the share purchase and option agreement (Note 4).

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, to acquire 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.

Processes relating to the Group’s facilitated merger of its wholly owned subsidiaries Vardar, Sempa and İntermat 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 liquidate 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 31 December 2016, the liquidation process has been substantially completed. The Company’s foreign sales and marketing activities are managed from its headquarter in Turkey.

# CONVENIENCE TRANSLATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

## LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2017

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

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

##### 2.1 Basis of presentation

###### 2.1.1 Financial reporting standards

The accompanying condensed 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 (“POAASA”) 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”). TAS/IFRS are updated in harmony with the changes and updates in International Financial Reporting Standards (“IFRS”) by the communiqués announced by the POAASA.

With the decision taken on 17 March 2005, 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 consolidated financial statements have been prepared in accordance with this decision.

Consolidated financial statements have been prepared under the historical cost convention except for the financial assets presented at fair values and revaluations related to the differences between carrying value and fair value of tangible and intangible assets arising from business combinations.

###### 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 Turkish Lira from the foreign exchange rate at the balance sheet date and income and expenses are translated into Turkish Lira at the average foreign exchange rate. Exchange differences arising from the translation of the opening net assets and differences between the average and balance sheet dates are included in the “currency translation difference” under the shareholders’ equity.

###### 2.1.3 Basis of consolidation

The condensed consolidated financial statements prepared in accordance with the principles of consolidated financial statements for the year ended 31 December 2016 include the the financial statements of Logo Yazılım and its subsidiaries. The table below sets out the subsidiaries of Logo Yazılım and ownership interests directly and indirectly held by the Company at 31 March 2017 and 31 December 2016:

<b>Subsidiaries</b>	<b>31 March 2017 (%)</b>	<b>31 December 2016 (%)</b>
Totalsoft	100,00	100,00
Logo Investment	100,00	100,00
e-Logo	100,00	90,58
Logo Infosoft	66,66	66,66
Logo GmbH	100,00	100,00

# CONVENIENCE TRANSLATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

## LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2017

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

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

##### 2.1 Basis of presentation (Continued)

Joint Venture	31 March 2017 (%)	31 March 2016 (%)
FIGO	50,00	50,00

##### 2.1.4 Presentation and functional currency

For the purpose of the condensed consolidated financial statements, the results and financial position and cash flows of the Group are presented in Turkish Lira (“TRY”), which is the reporting currency of Logo Yazılım.

Functional currencies of Totalsoft and Logo Investment is Romanian Leu (“RON”). Functional currencies of Logo Infosoft is Indian rupee (“INR”). Financial information of each entity included in consolidation are measured using the currency of the primary economic environment in which these entities operate, normally under their local currencies. Assets and liabilities for each statement of financial position presented (including comparatives) are translated to TRY at exchange rates at the statement of financial position date. Income and expenses are translated to TRY at monthly average exchange rates. Foreign currency differences arising on translation are recognized in other comprehensive income as a separate component of equity.

##### 2.2 Going concern

The consolidated financial statements including the accounts of the parent company and its subsidiary have been prepared assuming that the Group will continue as a going concern on the basis that the entity will be able to realize its assets and discharge its liabilities in the normal course of business.

##### 2.3 Amendments to International Financial Reporting Standards

###### a. Standards, amendments and interpretations applicable as at 31 March 2017

- 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 TFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.
- 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.

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

##### 2.3 Amendments to International Financial Reporting Standards

- 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.
- 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.
- 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 the 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.
- 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.
- 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.
- 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, amendments and interpretations effective after 31 March 2017**

- 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.

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

##### 2.3 Amendments to International Financial Reporting Standards (Continued)

- 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.
- 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.
- TFRS 9, “Financial instruments”, effective from annual periods beginning on or after 1 January 2017. 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 15, “Revenue from contracts with customers”, effective from annual periods beginning on or after 1 January 2018. TFRS 15, ‘Revenue from contracts with customers’ is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. The Group is assessing the impact of the accounting changes that will arise under TFRS 15; however, the changes are expected to have a material impact on the consolidated income statement and consolidated statement of financial position.
- TFRS 15, “Revenue from contracts with customers”, effective from annual periods beginning on or after 1 January 2017. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences 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 IASB has also included additional practical expedients related to transition to the new revenue standard.
- TAS 40, Investment property’ relating to transfers of investment property, effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.
- 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.

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

##### 2.3 Amendments to International Financial Reporting Standards (Continued)

- TFRS 4, "Insurance contracts" regarding the implementation of TFRS 9, "Financial instruments", effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:
  - give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when TFRS 9 is applied before the new insurance contracts standard is issued; and
  - give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 until 2021. The entities that defer the application of TFRS 9 will continue to apply the existing financial instruments standard TAS 39.
- Annual improvements 2014-2016, effective from annual periods beginning on or after 1 January 2017. These amendments impact 3 standards:
  - TFRS 1, "First-time adoption of TFRS", regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19, and TFRS 10 effective 1 January 2018.
  - TFRS 12, "Disclosure of interests in other entities" regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.
  - TAS 28, "Investments in associates and joint ventures" regarding measuring an associate or joint venture at fair value effective 1 January 2018.
- TFRIC 22, "Foreign currency transactions and advance consideration", effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.
- TFRS 16, "Leases", effective from annual periods beginning on or after 1 January 2017, 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 IASB 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 IASB 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 TFRS 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 Group is assessing the impact of the accounting changes that will arise under TFRS 16; however, the changes are expected to have a material impact on the consolidated income statement and consolidated statement of financial position. The Group is assessing the impact of the accounting changes that will arise under TFRS 16; however, the changes are expected to have a material impact on the consolidated income statement and consolidated statement of financial position.

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

##### 2.3 Amendments to International Financial Reporting Standards (Continued)

The Group will evaluate the effect of the aforementioned changes within its operations and apply changes starting from effective date. It is expected that the application of the standards and the interpretations except for the ones the impacts of which were disclosed above will not have a significant effect on the condensed consolidated financial statements of the Group as of 31 March 2017.

##### 2.4 Summary of significant accounting policies

The condensed consolidated interim financial statements as of and for the interim period ended 31 March 2017 have been prepared in accordance of TAS 34. The accounting policies used in the preparation of these condensed consolidated financial statements as of and for the interim period ended 31 March 2017 are consistent with those used in the preparation of annual consolidated financial statements as of and for the year ended 31 December 2016. Accordingly, these condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements as of and for the year ended 31 December 2016

##### 2.5 Seasonality of the operations

Seasonality does not have significant effect over the Group's operations.

##### 2.6 Significant accounting estimates and assumptions

Preparation of consolidated financial statements requires the usage of estimations and assumptions which may affect the reported amounts of assets and liabilities as of the balance sheet date, disclosure of contingent assets and liabilities and reported amounts of income and expenses during the financial period. The accounting assessments, forecasts and assumptions are reviewed continuously considering the past experiences, other factors and the reasonable expectations about the future events under current conditions. Although the estimations and assumptions are based on the best estimates of the management's existing incidents and operations, they may differ from the actual results. The estimates and assumptions that can lead to significant adjustments on the carrying value of the assets and liabilities are as follows:

###### *Provision for doubtful receivables*

Provision for doubtful receivables is an estimated amount that management believes to reflect for possible future losses on existing receivables that have collection risk due to current economic conditions. During the impairment test for the receivables, the debtors, other than related parties and key customers are assessed with their prior year performances, their credit risk in the current market, and their individual performances after the balance sheet date up to the issuing date of the financial statements and furthermore, the renegotiation conditions with these debtors are considered.

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

##### 2.6 Significant accounting estimates and assumptions (Continued)

###### *Useful lives of intangible assets*

In accordance with the accounting policy described in Note 2.4, intangible assets are stated at historical cost less depreciation, net of any impairment charges. Depreciation on tangible assets is calculated using the straight-line method over their estimated useful lives. Useful lives depend on the best estimates of management and are reviewed in each financial period and corrected accordingly.

In the light of new technological developments, the Group reassessed the useful lives of developed softwares observing global and sectoral trends. As a result of the reassessment, softwares useful lives are determined related to their categories as 5, 7 and 15 years that will be valid as of 1 January 2016. Change in useful lives results a decrease in the amortization expenses by TRY 1.576.381 for the year ended 31 December 2016.

###### *Revenue recognition*

The Group uses percentage of completion method in accounting of its software licence revenues and customized software revenues. Use of the percentage of completion method requires the Group to estimate the services performed to date as a proportion of total services to be performed.

Logo Enterprise Membership is an insurance package that provides free ownership for all the charged version updates which protect enterprises against all the legal amendments and which includes new features that will contribute new values to the products throughout the year. Since the free of charge LEM products given the first year are given along with the currently up-to-date software, they do not bring significant updates for the user and their commercial value is lower compared to the LEM products provided in the subsequent years. Thus, related sales amounts are recognized as revenue within the transaction year.

###### *Research and development costs*

Development is defined as the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use and an intangible asset arising from development is recognized by the Group. Management determines the cost of employees to be capitalized taking into account time spent by each employee on research and development activities. The costs of employees relating to research are expensed as incurred.

###### *Goodwill impairment test*

Goodwill is subject to impairment test at least annually. The recoverable amounts of cash generating units are determined on value in use basis. The details of estimates and assumptions used are explained in Note 14.

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2017**

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**NOTE 3 - SEGMENT REPORTING**

<b>31 March 2017</b>	<b>Turkey</b>	<b>Romania</b>	<b>Segmental eliminations</b>	<b>Consolidated</b>
Reportable segment assets	182.472.508	150.801.221	-	333.273.729
Reportable segment liabilities	83.060.433	83.745.968	-	166.806.401
Goodwill	78.877.795	-	-	78.877.795
Property and equipment and intangible asset	78.571.271	29.726.706	-	108.297.977

<b>31 March 2017</b>	<b>Turkey</b>	<b>Romania</b>	<b>Segmental eliminations</b>	<b>Consolidated</b>
Revenue	33.422.458	20.194.232	-	53.616.690
Cost of sales (-)	(725.773)	(2.081.138)	-	(2.806.911)
Operating expenses	(20.856.962)	(17.791.003)	-	(38.647.965)
Finance income	349.088	838.451	-	1.187.539
Finance costs	(1.127.390)	(1.629.183)	-	(2.756.573)
Depreciation and amortization	(4.394.272)	(1.677.773)	-	(6.072.045)
Share of profit or loss of investments accounted for using the equity method	(361.675)	-	-	(361.675)
Tax expense	(809.133)	(103.665)	-	(912.798)
Net profit for the year	10.677.817	(357.260)	-	10.320.557
Adjusted EBITDA	16.233.995	1.999.864	-	18.233.859
Purchase of property and equipment and intangible assets	7.116.215	850.930	-	7.967.145

Reconciliation between adjusted EBITDA and profit before tax is as follows:

<b>31 March 2017</b>	<b>Consolidated</b>
Adjusted EBITDA	18.233.859
Depreciation and amortization	(6.072.045)
Income from investing activities	45.460
Share of profit or loss of investments accounted for using the equity method	(361.675)
Other operating income	2.023.770
Other operating expenses	(1.066.980)
Finance income	1.187.539
Finance costs	(2.756.573)
<b>Profit before tax</b>	<b>11.233.355</b>

Since the Group started its operations in Romania since 2 September 2016, thus segment reporting is not presented with comparative information.

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### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2017

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#### NOTE 4 - BUSINESS COMBINATION

##### Acquisition of Totalsoft

The Group acquired 100% of Totalsoft shares for EUR 30.246.000 through Share Purchase Agreement signed on 2 September 2016. The acquisition process is completed after the purchase consideration has been paid in cash to the Totalsoft's previous shareholders.

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 valuation report.

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

Total assets	52.153.136
Intangible assets - Development costs	15.174.676
Intangible assets - Customer relations	5.938.034
Intangible asset - Advanced technology	2.613.900
Intangible asset - Other	196.210
Total liabilities	(36.471.916)
<hr/>	
Fair value of net assets	39.604.040
Less: purchase consideration	101.432.073
<hr/>	
<b>Goodwill (*)</b>	<b>61.828.033</b>

Identifiable assets determined based on the purchase price allocation of Totalsoft are development costs, customer relationships, advanced technology and other intangible assets amortized over the useful lives of 12, 10, 7 to 10, 2 to 4 years, respectively.

The goodwill calculated is recognized in financial statements of Logo Yazılım which is the ultimate controlling party of the Group. In accordance with TMS 21, "The effects of changes in foreign Exchange rates", goodwill arising from acquisition of foreign entities shall be accounted as a part of assets of foreign investments, thus the goodwill is accounted for using RON which is the functional currency of Totalsoft. As of acquisition date, goodwill was calculated as RON 83.517.538.

Detail of cash outflows due to purchase is as follows:

Purchase price - cash paid in 2016	101.432.073
Cash and cash equivalents - acquired	14.393.237
<hr/>	
<b>Cash outflow due to purchase, net</b>	<b>87.038.836</b>

(\*) It is calculated by using RON/TL exchange at the date of merger. It was TRY 71.399.143 as of 31 March 2017.

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**NOTE 4 - BUSINESS COMBINATION (Continued)**

**Intermat acquisition**

The Company has acquired 50,1% of Intermat shares for TRY 2.000.000 through Share Purchase 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 TRY 1.500.000 and more than 3.500.000 TRY and Intermat has the right to sell to the Company with same terms. 49,9% of Intermat 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.

Purchase price - cash	2.000.000
Purchase price - cash	268.000
Purchase price - cash	1.313.030
Purchase price - future payments (*)	994.368

**Total purchase price** **4.575.398**

(\*) Future payment amounts estimated over possible turnover amounts of Intermat until the end 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 an additional payment amounting to TRY 1.313.030 as of 31 March 2017.

The Group, with respect to aforementioned acquisition process, applied provisional acquisition accounting and accounted Intermat as a subsidiary in accordance with TFRS 3, "Business Combinations". 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

**Goodwill** **337.062**

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.

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**NOTE 4 - BUSINESS COMBINATION (Continued)**

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

**Cash outflow due to purchase, net** **2.256.704**

**Sempa acquisition**

The Company has acquired 100% of Sempa shares for TRY 3.000.000 through a Share Purchase Agreement signed on 18 June 2015 and has become Sempa's sole shareholder. Full purchase price was paid in advance. The Agreement entered into force as of 18 June 2015. TRY 856.631 that was paid in scope of the acquisition in the measurement period was added to purchase price

Within the framework of the 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 TRY 2.017.938 ("Base Performance Fee") will be paid to Sempa's previous shareholders as a "Performance Fee" which will not exceed TRY 500.000.

Purchase price - cash	3.856.631
Purchase price - future payments (*)	241.000

**Total purchase price** **4.097.631**

(\*) As of 31 March 2017, the Group has paid whole amount of 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 Combinations". 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**

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#### NOTE 4 - BUSINESS COMBINATION (Continued)

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**

#### Vardar acquisition

The Group has acquired 100% of Vardar shares for 604.794 TRY through a Share Purchase Agreement signed on 8 September 2015. A performance payment at a total amount of TRY 2.000.000 shall be made in scope of this Agreement consisting of TRY 1.000.000, 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 TRY 1.000.000 which occurs after the sales amount of Vardar's products exceeds TRY 1.000.000 plus VAT in sales network of Logo.

Purchase price - cash	604.794
Purchase price - cash	180.000
Purchase price - future payments (*)	1.249.292

**Total purchase price** **2.034.086**

(\*) 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 31 March 2017.

The Group, with respect to aforementioned acquisition process, applied provisional acquisition accounting and accounted Vardar as a subsidiary in accordance with TFRS 3, "Business Combinations". 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:

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

**Goodwill** **346.338**

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**NOTE 4 - BUSINESS COMBINATION (Continued)**

Identifiable assets such as advanced technology and non-compete agreement which are determined as a result of purchase price distribution study of Vardar, 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>

**NOTE 5 - CASH AND CASH EQUIVALENTS**

Details of cash and cash equivalents as of 31 March 2017 and 31 December 2016 is as follows:

	<b>31 March 2017</b>	<b>31 December 2016</b>
Cash	46.866	21.013
Banks		
- Demand deposits - TRY	3.800.934	1.097.542
- Demand deposits - foreign currency	21.624.209	15.011.551
- Time deposits - TRY	-	260.000
- Time deposits - foreign currency	1.591.745	2.639.400
Credit card receivables	24.849.337	24.478.417
	<b>51.913.091</b>	<b>43.507.923</b>

As of 31 March 2017, the weighted average effective annual interest rates for TRY time deposits are between 7,00% and 9,00% (31 December 2016: 6,00% and 12,50%).

Cash and cash equivalents included in the condensed consolidated statements of cash flows for the years ended 31 March 2017 and 31 December 2016 are as follows:

	<b>31 March 2017</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Cash and cash equivalents	51.913.091	43.507.923	51.529.036
	<b>51.913.091</b>	<b>43.507.923</b>	<b>51.529.036</b>

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**NOTE 6 - FINANCIAL INVESTMENTS**

*Trading securities:*

The analysis of financial assets at fair value through profit and loss at 31 March 2017 and 31 December 2016 is as follows:

	<b>31 March 2017</b>	<b>31 December 2016</b>
Mutual funds		
- Liquid funds	-	279.986

*Available-for-sale financial assets:*

The analysis of non-current financial assets at 31 March 2017 and 31 December 2016 is as follows:

	<u><b>31 March 2017</b></u>		<u><b>31 December 2016</b></u>	
	<u>Share (%)</u>	<u>TRY</u>	<u>Share (%)</u>	<u>TRY</u>
İnterpro Yayıncılık Araştırma ve Organizasyon Hizmetleri A.Ş. (“İnterpro”)	2,00	80.653	2,00	80.653
Dokuz Eylül Teknoloji Geliştirme Bölgesi A.Ş. (“Dokuz Eylül”)	0,67	50.000	0,67	50.000
		<b>130.653</b>		<b>130.653</b>

İnterpro and Dokuz Eylül are assessed as available-for-sale financial asset as of 31 March 2017 and 31 December 2016. Since they do not have any quoted market price in active market, their fair value can not be measured reliably. They are not material to the consolidated financial statements, thus they are carried at cost in the consolidated financial statements.

**NOTE 7 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

Movements of investments accounted for using the equity method for the year is as follows:

	<b>2017</b>	<b>2016</b>
<b>As of 1 January</b>	<b>737.533</b>	-
Capital increases in joint venture	500.000	-
Share of profit/(loss)	(361.675)	-
<b>As of 31 March</b>	<b>875.858</b>	-

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**NOTE 7 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)**

*Summary of balance sheet*

Since FIGO has started to its operations in 10 October 2016, the summary of financial information is not presented with comparatives.

The financial information summary of investment accounted for using the equity method is as follows:

<b>31 March 2017</b>	<b>FIGO</b>
Cash and cash equivalents	580.353
Other current assets	253.342
Other non-current assets	159.959

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<b>Total assets</b>	<b>993.654</b>
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Other short-term liabilities	87.799
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<b>Total liabilities</b>	<b>87.799</b>
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*Summary of income statements*

<b>31 March 2017</b>	<b>FIGO</b>
Income	8.039
Expenses (-)	(731.389)

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<b>Net loss for the year</b>	<b>(723.350)</b>
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The Group’s interest	%50
The Group’s share	(361.675)

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<b>Share of losses from investments accounted for using the equity method</b>	<b>(361.675)</b>
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**NOTE 8 - BORROWINGS**

Details of borrowings as of 31 March 2017 and 31 December 2016 is as follows:

<b>Short-term borrowings:</b>		<b>31 March 2017</b>	<b>31 December 2016</b>
Short-term bank borrowings		18.067.445	56.639.008
Finance leases		458.945	-
Credit card payables		166.439	159.014
		<b>18.692.829</b>	<b>56.798.022</b>
<b>Current portion of long-term borrowings:</b>			
Finance leases		-	473.426
Current portion of long-term bank borrowings		11.017.488	5.825.342
		<b>11.017.488</b>	<b>6.298.768</b>
<b>Total short-term bank borrowings</b>		<b>29.710.317</b>	<b>63.096.790</b>
<b>Long-term bank borrowings:</b>			
Long-term bank borrowings		49.117.732	2.948.375
Finance leases		630.418	657.607
<b>Total long-term borrowings</b>		<b>49.748.150</b>	<b>3.605.982</b>
<b>31 March 2017</b>			
	<b>Weighted average annual interest rate (%)</b>	<b>Original amount</b>	<b>TRY equivalent</b>
<b>Short-term borrowings:</b>			
Bank borrowings - EUR - unsecured	-	558.447	2.165.424
Bank borrowings - TRY - unsecured	11,95	15.902.021	15.902.021
Credit cards payables- TRY		166.439	166.439
Finance leases-EUR		118.422	458.945
			<b>18.692.829</b>
<b>Current portion of long-term borrowings:</b>			
Bank borrowings- EUR - secured	Euribor+2,25-2.50	2.785.623	10.818.374
Bank borrowings - TRY	13,68	199.114	199.114
			<b>11.017.488</b>
<b>Long-term borrowings:</b>			
Bank borrowings - EUR -secured	Euribor+2,25-2.50	12.628.222	49.117.732
Finance leases- EUR	-	162.668	630.418
			<b>49.748.150</b>
<b>Total borrowings</b>			<b>79.458.467</b>



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**NOTE 9 - TRADE RECEIVABLES AND PAYABLES**

The details of trade receivables and payables as of 31 March 2017 and 31 December 2016 are as follows:

<b>Short-term trade receivables:</b>	<b>31 March 2017</b>	<b>31 December 2016</b>
Trade receivables	74.951.654	87.589.858
Credit card receivables	26.667.641	25.623.742
Cheques and notes receivables	1.720.117	2.850.196
Income accruals	-	69.451
Less: provision for doubtful receivables	(21.318.805)	(21.095.832)
Less: unearned finance income arising from credit sales	(1.967.572)	(2.130.939)
	<b>80.053.035</b>	<b>92.906.476</b>

As of 31 March 2017 the average turnover of the trade receivables is 110 days (31 December 2016: 117 days), excluding the average credit cards receivables turnover day is 72 days (31 December 2016: 72 days), the discount rate applied to the unmatured receivables is 12.10% (31 December 2016: 8.82%).

As of 31 March 2017, trade receivables of TRY 16.518.911 (31 December 2016: TRY 16.575.792) were past due but not impaired. The aging analysis of these trade receivables is as follows:

	<b>31 March 2017</b>	<b>31 December 2016</b>
Up to 1 month	1.557.443	1.169.448
1-3 months	491.393	596.012
More than 3 months (*)	14.470.075	14.810.332
	<b>16.518.911</b>	<b>16.575.792</b>

(\*) TRY 13.106.627 of trade receivables matured more than 3 months is comprised of trade receivables of Totalsoft. (31 December 2016: 13.004.274). The Group is managing its receivables in accordance with credit risk management policies that is explained in Note 30.

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**NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)**

The movement of provision for doubtful receivables for the years ended 31 March 2017 and 31 December 2016 are as follows:

<b>Trade payables to third parties:</b>	<b>31 March 2017</b>	<b>31 December 2016</b>
<b>As of 1 January</b>	<b>21.095.832</b>	<b>6.451.544</b>
Provision for the year	177.188	2.126.774
Releases	(650.400)	(144.155)
Acquisition of subsidiary	-	11.528.450
Foreign currency translation difference	696.185	1.133.219
<b>As of 31 March</b>	<b>21.318.805</b>	<b>21.095.832</b>

<b>Trade payables to third parties:</b>	<b>31 March 2017</b>	<b>31 December 2016</b>
<b>Trade payables</b>	<b>11.474.152</b>	<b>16.493.822</b>

As of 31 March 2017, the average debt payment period is 66 days (31 December 2016: 75 days).

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**NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)**

The table below shows the maximum exposure of the Group to credit risk as of 31 March 2017 and 31 December 2016:

31 March 2017	Trade receivables		Other receivables		Cash at bank
	Related party	Other	Related party	Other	
<b>The maximum of credit risk exposure at the reporting date</b>	-	<b>80.053.035</b>	<b>2.549.114</b>	<b>541.191</b>	<b>51.866.225</b>
- Amount of risk covered by guarantees	-	663.300	-	-	-
Net carrying value of not past due and not impaired financial assets	-	63.534.124	2.549.114	541.191	51.866.225
Net carrying value of past due but not impaired financial assets	-	16.518.911	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-
Net carrying value of impaired assets	-	-	-	-	-
- Past due (gross carrying value)	-	21.318.805	-	-	-
- Provision for impairment (-)	-	(21.318.805)	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

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

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**NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)**

31 December 2016	Trade receivables		Other receivables		Cash at bank
	Related party	Other	Related party	Other	
<b>The maximum of credit risk exposure at the reporting date</b>	-	<b>92.906.476</b>	<b>2.920.534</b>	<b>307.974</b>	<b>43.486.910</b>
- <i>Amount of risk covered by guarantees</i>	-	659.127	-	-	-
Net carrying value of not past due and not impaired financial assets	-	76.330.684	2.920.534	307.974	43.486.910
Net carrying value of past due but not impaired financial assets	-	16.575.792	-	-	-
- <i>Amount of risk covered by guarantees</i>	-	-	-	-	-
Net carrying value of impaired assets	-	-	-	-	-
- <i>Past due (gross carrying value)</i>	-	21.095.832	-	-	-
- <i>Provision for impairment (-)</i>	-	(21.095.832)	-	-	-
- <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 10 - OTHER RECEIVABLES AND PAYABLES**

**Other short-term receivables from third parties:**

	<b>31 March 2017</b>	<b>31 December 2016</b>
Income accruals	319.736	-
Deposits and guarantees given	60.843	147.362
	<b>380.579</b>	<b>147.362</b>

**Other long-term receivables from third parties:**

	<b>31 March 2017</b>	<b>31 December 2016</b>
Other long-term receivables	160.612	160.612

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

	<b>31 March 2017</b>	<b>31 December 2016</b>
Taxes payable	3.163.477	6.865.594
Other	-	332.766
	<b>3.163.477</b>	<b>7.198.360</b>

**Other long-term payables to third parties:**

	<b>31 March 2017</b>	<b>31 December 2016</b>
Long term payables regarding Vardar acquisition (Note 4)	1.249.292	1.249.292
Long term payables regarding Intermat acquisition (Note 4)	994.368	1.492.429
	<b>2.243.660</b>	<b>2.741.721</b>

**NOTE 11 - INVENTORIES**

	<b>31 March 2017</b>	<b>31 December 2016</b>
Trade goods	329.917	237.051
Raw materials and equipments	297.948	79.004
Other	5.349	6.083
	<b>633.214</b>	<b>322.138</b>

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**NOTE 12 - PROPERTY, PLANT AND EQUIPMENT**

	<b>1 January 2017</b>	<b>Additions</b>	<b>Acquisition of subsidiary</b>	<b>Disposals</b>	<b>Currency translation differences</b>	<b>31 March 2017</b>
<b>Costs:</b>						
Machinery and equipment	8.040.756	92.121	-	-	94.199	8.227.076
Motor vehicles	2.462.846	40.353	-	(92.576)	182.638	2.593.261
Furniture and fixtures	4.781.587	73.071	-	-	74.337	4.928.995
Leasehold improvements	20.618.937	711.677	-	-	82.762	21.413.376
	<b>35.904.126</b>	<b>917.222</b>	<b>-</b>	<b>(92.576)</b>	<b>433.936</b>	<b>37.162.708</b>
<b>Accumulated depreciation:</b>						
Machinery and equipment	6.033.557	152.719	-	-	72.872	6.259.148
Motor vehicles	244.408	107.344	-	(92.576)	54.049	313.225
Furniture and fixtures	3.549.714	63.705	-	-	39.708	3.653.127
Leasehold improvements	7.098.513	184.389	-	-	80.547	7.363.449
	<b>16.926.192</b>	<b>508.157</b>	<b>-</b>	<b>(92.576)</b>	<b>247.176</b>	<b>17.588.949</b>
<b>Net book value</b>	<b>18.977.934</b>					<b>19.573.759</b>
	<b>1 January 2016</b>	<b>Addition</b>	<b>Acquisition of subsidiary</b>	<b>Disposal</b>		<b>31 March 2016</b>
<b>Cost:</b>						
Machinery and equipment	6.606.148	314.840	-	(3.655)		6.917.333
Motor vehicles	55.382	-	-	-		55.382
Furniture and fixtures	3.901.241	111.810	-	-		4.013.051
Leasehold improvements	19.985.276	232.742	-	-		20.218.018
	<b>30.548.047</b>	<b>659.392</b>	<b>-</b>	<b>(3.655)</b>		<b>31.203.784</b>
<b>Accumulated depreciation:</b>						
Machinery and equipment	5.360.844	117.919	-	(1.324)		5.477.439
Motor vehicles	52.026	-	-	-		52.026
Furniture and fixtures	3.218.764	64.614	-	-		3.283.378
Leasehold improvements	6.427.629	156.073	-	-		6.583.702
	<b>15.059.263</b>	<b>338.606</b>	<b>-</b>	<b>(1.324)</b>		<b>15.396.545</b>
<b>Net book value</b>	<b>15.488.784</b>					<b>15.807.239</b>

The Group constructed its headquarter building on the land which has been leased from Gebze Organize Sanayi Bolgesi for a lease period of 49 years. The cost of this building is accounted under leasehold improvements. Monthly rent amount of the land is equal to USD 7.843 and the Group's non cancellable lease payments are, TRY 342.450 - within 1 year, TRY 1.369.802 - 1 to 5 years and TRY 6.682.708 - more than 5 years

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**NOTE 13 - INTANGIBLE ASSETS**

	<b>1 January 2017</b>	<b>Additions</b>	<b>Acquisition of subsidiary</b>	<b>Disposals</b>	<b>Currency translation differences</b>	<b>31 March 2017</b>
<b>Costs:</b>						
Development costs	119.975.822	6.795.637	-	-	1.846.828	128.618.287
Advanced technology	15.258.917	-	-	-	245.667	15.504.584
Customer relations	18.274.146	-	-	-	312.828	18.586.974
Non-compete agreement	2.747.778	-	-	-	-	2.747.778
Other intangible assets	7.117.018	254.286	-	-	44.797	7.416.101
	<b>163.373.681</b>	<b>7.049.923</b>	<b>-</b>	<b>-</b>	<b>2.450.120</b>	<b>172.873.724</b>
<b>Accumulated Depreciation:</b>						
Development costs	60.217.975	4.400.013	-	-	1.134.756	65.752.744
Advanced technology	4.555.533	460.495	-	-	155.029	5.171.057
Customer relations	4.862.180	521.816	-	-	217.152	5.601.148
Non-compete agreement	2.423.648	67.310	-	-	-	2.490.958
Other intangible assets	4.978.343	114.254	-	-	41.002	5.133.599
	<b>77.037.679</b>	<b>5.563.888</b>	<b>-</b>	<b>-</b>	<b>1.547.939</b>	<b>84.149.506</b>
<b>Net book value</b>	<b>86.336.002</b>					<b>88.724.218</b>

Additions amounting to TRY 6.703.762 to development costs for the period ended 31 March 2017 (31 March 2016: TRY 5.157.100) consists of staff costs.

TRY 5.521.649 (31 March 2016: 3.772.947) TRY 89.558 (31 March 2016: TRY 51.857) and TRY 460.838 (31 March 2016: TRY 52.258) of the depreciation and amortization expenses for the year have been accounted for research and development expenses, marketing expenses and general administrative expenses, respectively.

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**NOTE 13 - INTANGIBLE ASSETS (Continued)**

	<b>1 January 2016</b>	<b>Additions</b>	<b>Acquisition of subsidiary</b>	<b>31 March 2016</b>
<b>Costs:</b>				
Development costs	79.862.344	5.157.100	-	85.019.444
Advanced technology	12.460.183	-	-	12.460.183
Customer relations	11.852.175	-	-	11.852.175
Non-compete agreement	2.747.778	-	-	2.747.778
Other intangible assets	6.186.579	328.857	-	6.515.436
	<b>113.109.059</b>	<b>5.485.957</b>	<b>-</b>	<b>118.595.016</b>
<b>Accumulated Depreciation:</b>				
Development costs	48.627.617	2.701.122	-	51.328.739
Advanced technology	3.066.467	319.906	-	3.386.373
Customer relations	3.312.463	334.833	-	3.647.296
Non-compete agreement	2.154.407	67.310	-	2.221.717
Other intangible assets	4.667.718	65.285	-	4.733.003
	<b>61.828.672</b>	<b>3.488.456</b>	<b>-</b>	<b>65.317.128</b>
<b>Net book value</b>	<b>51.280.387</b>			<b>53.277.888</b>

**NOTE 14 - GOODWILL**

	<b>31 March 2017</b>	<b>31 December 2016</b>
Totalsoft	71.399.143	67.908.110
Netsis	5.892.252	5.892.252
Sempa	903.000	903.000
Vardar	346.338	346.338
Intermat	337.062	337.062
	<b>78.877.795</b>	<b>75.386.762</b>

The movement of goodwill for the interim periods ended 31 March 2017 and 2016 is as follows;

	<b>2017</b>	<b>2016</b>
<b>As of 1 January</b>	<b>75.386.762</b>	<b>7.478.652</b>
Currency translation difference	3.491.033	-
<b>As of 31 March</b>	<b>78.877.795</b>	<b>7.478.652</b>

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**NOTE 14 - GOODWILL (Continued)**

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

Value in use is determined by discounting the expected future cash flows to be generated by the cash-generating unit.

Impairment test is not applied to the goodwill arise from Totalsoft acquisition as of 31 March 2017 due to acquisition process was completed at 2 September 2016 and no triggering event occurred that might cause impairment and valuation report for acquisition was obtained from an independent valuation firm.

The goodwill impairment test of goodwill arise from Netsis acquisition had been performed as of 31 December 2016 and no impairment on the book value of the goodwill has been noted. Since there is no triggering event which may cause an impairment losses on goodwill, thus impairment test has not been performed as of 31 March 2017.

**NOTE 15 - COMMITMENTS AND CONTINGENT LIABILITIES**

**Guarantees received:**

	Original currency	31 March 2017		31 December 2016	
		Original amount	TRY equivalent	Original amount	TRY equivalent
Guarantee notes	TRY	515.531	515.531	515.531	515.531
	USD	34.950	127.169	34.950	122.996
Mortgages	TRY	60.000	60.000	60.000	60.000
			<b>702.700</b>		<b>698.527</b>

As of 31 March 2017 and 31 December 2016, guarantee/pledge/mortgage (“GPM”) given by the Company on behalf of its legal entity are as follows:

**GPM given by the Company:**

	31 March 2017			31 December 2016		
	EUR	USD	TRY	EUR	USD	TRY
A. Total amount of Guarantees provided by the Company on behalf of itself	-	300.468	424.120	-	556.660	1.015.620
B. Total amount of Guarantees provided on behalf of the associates accounted under full consolidation method	51.198.730	-	-	67.299.900	-	-
C. Provided on behalf of third parties in order to maintain operating activities (to secure third party payables)	-	-	-	-	-	-
D. Other guarantees given	-	-	-	-	-	-
(i) Total amount of Guarantees given on behalf of the parent Company	-	-	-	-	-	-
(ii) Total amount of Guarantees provided on behalf of the associates which are not in the scope of B and C	-	-	-	-	-	-
(iii) Total amount of Guarantees provided on behalf of third parties which are not in the scope of C	-	-	-	-	-	-
	<b>51.198.730</b>	<b>300.468</b>	<b>424.120</b>	<b>67.299.900</b>	<b>556.660</b>	<b>1.015.620</b>

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**NOTE 15 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)**

The lawsuits filed against the Group total TRY 4.328.940 The Group's management does not expect any cash outflow regarding these lawsuits and accordingly, it has not booked any provision in these consolidated financial statements.

The Company has re-issued its corporate tax declaration with reservations for 2015 and made a payment amounting to TRY 1.081.742. The Company had pursued all legal procedures available including a settlement against the tax authorities and filed a lawsuit for cancellation of related payment. The management does not expect any liability as a result of this process.

**NOTE 16 - EMPLOYEE BENEFITS**

<b>Short - term payables for employee benefits:</b>	<b>31 March 2017</b>	<b>31 December 2016</b>
Due to personel	6.148.068	2.652.681
Taxes, funds and social security payables	2.954.748	3.804.409
	<b>9.102.816</b>	<b>6.457.090</b>
<b>Short - term provisions for employment benefits:</b>	<b>31 March 2017</b>	<b>31 December 2016</b>
Provision for performance premium of personnel	4.694.492	11.609.615
<b>Long - term provisions for employment benefits:</b>	<b>31 March 2017</b>	<b>31 December 2016</b>
Provision for employment termination benefits	4.637.412	3.281.749
Provision for unused vacation liability	3.819.318	3.033.583
	<b>8.456.730</b>	<b>6.315.332</b>

The movement of provision for unused vacation liability for the periods ended 31 March 2017 and 2016 is as follow:

	<b>2017</b>	<b>2016</b>
<b>As of 1 January</b>	<b>3.033.583</b>	<b>1.455.909</b>
Increase for the period	785.735	418.472
<b>As of 31 March</b>	<b>3.819.318</b>	<b>1.874.381</b>

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 4.426,16 for each year of service at 31 March 2017 (31 March 2016: TRY 4.092,53).

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**NOTE 16 - EMPLOYEE BENEFITS (Continued)**

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>31 March 2017</b>	<b>31 December 2016</b>
Discount rate (%)	4,00	4,00
Turnover rate to estimate the probability of retirement (%)	94,00	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 nine months the maximum amount of TRY 4.426,16 which is effective from 1 January 2017 (1 January 2016: TRY :4.092,53) has been taken into consideration in the calculations.

The movement in the provision for employment termination benefits during the periods ended 31 March 2017 and 31 March 2016 were as follows:

	<b>2017</b>	<b>2016</b>
<b>As of 1 January</b>	<b>3.281.749</b>	<b>2.651.362</b>
Service cost	531.953	319.938
Actuarial income/(loss)	500.714	(268.819)
Interest cost	486.521	309.605
Payments during the period	(163.525)	(63.472)
<b>As of 31 March</b>	<b>4.637.412</b>	<b>2.948.614</b>

**NOTE 17 - PREPAID EXPENSES AND DEFERRED REVENUE**

<b>Short - term prepaid expenses:</b>	<b>31 March 2017</b>	<b>31 December 2016</b>
Prepaid expenses	3.301.770	1.946.104
Advances given	917.836	-
	<b>4.219.606</b>	<b>1.946.104</b>

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**NOTE 17 - PREPAID EXPENSES AND DEFERRED REVENUE (Continued)**

<b>Long - term prepaid expenses:</b>	<b>31 March 2017</b>	<b>31 December 2016</b>
Advances given	1.116.608	1.786.750
	<b>1.116.608</b>	<b>1.786.750</b>
<b>Short - term deferred revenues:</b>	<b>31 March 2017</b>	<b>31 December 2016</b>
Deferred revenue	41.473.652	39.322.403
Advances received	1.642.127	1.426.888
	<b>43.115.779</b>	<b>40.749.291</b>

Deferred revenue mainly relates to LEM sales revenue, pay as you go sales, after-sales services, Netsis licence revenues and version upgrade package sales, customized software sales and Tübitak incentives billed but not earned.

The details of deferred revenues at 31 March 2017 and 31 December 2016 as follows:

	<b>31 March 2017</b>	<b>31 December 2016</b>
LEM sales	21.053.301	21.763.927
Pay as you go sales	12.624.750	13.226.576
Deferred revenue from continuing projects	6.919.713	3.893.029
After-sales services revenue	875.888	438.871
	<b>41.473.652</b>	<b>39.322.403</b>

**NOTE 18 - EQUITY**

The Company's authorized and paid-in share capital consists of 2.500.000.000 (31 December 2016: 2.500.000.000) shares with a nominal value of Kr 1 each. The shareholding structure of the Company as of 31 March 2017 and 31 December 2016 are as follows:

	<b>31 March 2017</b>	<b>Share (%)</b>	<b>31 December 2016</b>	<b>Share (%)</b>
Logo Teknoloji ve Yatırım A.Ş. (*) (***)	8.391.013	33,56	8.391.013	33,56
Mediterra Capital Partners I. LP (**) (***)	1.279.781	5,12	1.279.781	5,12
Halka açık kısım (***)	15.329.206	61,32	15.329.206	61,32
	<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>	

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#### NOTE 18 - EQUITY (Continued)

- (\*) Legal name of Logo Yatırım Holding A.Ş. was changed to Logo Teknoloji ve Yatırım A.Ş. in 2016.
- (\*\*) Consist of EAS S.A.R.L 4,96% and others.
- (\*\*\*) The ownership rates following sale of shares to the qualified corporate investors on 31 October 2016 became Logo Teknoloji 33,56%, Mediterra Capital 5,12% and publicly traded 61.32%. Logo Yazılım's 2,77% treasury stock is included in publicly traded shares.

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.

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

In accordance with the Communiqué No:XI-29 and related announcements of CMB, effective from 1 January 2008, "Share capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amounts. The valuation differences arised due to implementing the communique (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",

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##### NOTE 18 - EQUITY (Continued)

Other equity items shall be carried at the amounts calculated based on TAS/IFRS.

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

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.

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#### NOTE 18 - EQUITY (Continued)

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 Yatırım Holding 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 TRY 0,06 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 Yatırım Holding 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 108,136 share, amounted TRY 1,983,148 certificates traded in BIST on 28 September 2015.

#### 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.
- ç) Whether dividend advances will be distributed, and if distributed, the related principles.

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#### NOTE 18 - EQUITY (Continued)

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. 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.

#### Transactions with non-controlling interests

The Company has purchased 57 shares of non-controlling interests of e-Logo which is equal to 9,42% of total shares with a nominal value of TRY 5.700. This transaction has been completed with the results of the valuation report prepared in accordance with international valuation standards and drafted by an independent valuation firm. Value of the shares has been calculated by using a minority share discount and results of the negotiations with ex-shareholders.

#### NOTE 19 - EXPENSES BY NATURE

As of 31 March 2017 and 2016, expenses are disclosed by function and the details of the expenses are summarized in Note 21 and Note 22.

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**NOTE 20 - SALES AND COST OF SALES**

	<b>31 March 2017</b>	<b>31 March 2016</b>
Revenue	36.047.526	34.965.874
Service revenue	17.035.452	1.203.848
Saas revenue	1.954.626	1.521.905
Sales returns	(831.630)	(1.084.861)
Sales discounts	(589.284)	(357.894)
<b>Net sales</b>	<b>53.616.690</b>	<b>36.248.872</b>

Cost of sales	(2.806.911)	(642.491)
<b>Gross profit</b>	<b>50.809.779</b>	<b>35.606.381</b>

<b>Cost of sales</b>	<b>31 March 2017</b>	<b>31 March 2016</b>
Cost of transfer of financial rights	2.726.998	613.524
Cost of trade goods sold	79.913	28.967
<b>Cost of sales</b>	<b>2.806.911</b>	<b>642.491</b>

**NOTE 21 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING EXPENSES, AND GENERAL ADMINISTRATIVE EXPENSES**

**Research and development expenses:**

	<b>31 March 2017</b>	<b>31 March 2016</b>
Personnel	14.417.714	4.489.435
Depreciation and amortization	5.521.649	3.722.947
Consultancy	1.020.272	202.957
Motor vehicle	578.807	388.382
Rent	476.633	165.127
Travel	448.933	154.360
Outsourced benefits and services	368.743	233.362
Other	1.284.141	373.959
	<b>24.116.892</b>	<b>9.730.529</b>

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**NOTE 21 - NOTE 21 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING EXPENSES, AND GENERAL ADMINISTRATIVE EXPENSES (Continued)**

**Marketing expenses:**

	<b>31 March 2017</b>	<b>31 March 2016</b>
Personnel	3.570.176	2.449.900
Advertising and selling	3.157.247	2.839.829
Consultancy	451.682	213.199
Motor vehicle	367.953	249.103
Travel	253.551	82.679
Outsourced benefits and services	217.266	153.476
Rent	146.905	117.072
Depreciation and amortization	89.558	51.857
Other	286.395	83.727
	<b>8.540.733</b>	<b>6.240.842</b>

**General administrative expenses:**

	<b>31 March 2017</b>	<b>31 March 2016</b>
Personnel	3.475.874	2.287.755
Consultancy	712.250	330.574
Depreciation and amortization	460.838	52.258
Motor vehicleVar bVar bebe	184.819	117.198
Travel	89.946	120.161
Rent	85.695	16.278
Outsourced benefits and services	57.428	72.360
Other	923.490	181.433
	<b>5.990.340</b>	<b>3.178.017</b>

**NOTE 22 - OTHER OPERATING INCOME/EXPENSES**

**Other operating income**

	<b>31 March 2017</b>	<b>31 March 2016</b>
Foreign exchange gains (*)	670.002	60.849
Overdue interest income	419.020	-
Rediscount income	368.930	1.397.888
Other	565.818	99.846
	<b>2.023.770</b>	<b>1.558.583</b>

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

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**NOTE 22 - OTHER OPERATING INCOME/EXPENSES (Continued)**

**Other operating expenses**

	<b>31 March 2017</b>	<b>31 March 2016</b>
Foreign exchange losses (*)	623.706	88.560
Rediscount expenses	241.211	141.047
Provision expense	10.030	373.407
Other	192.033	91.626
	<b>1.066.980</b>	<b>694.640</b>

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

**NOTE 23 - INCOME FROM INVESTING ACTIVITIES**

	<b>31 March 2017</b>	<b>31 March 2016</b>
Gain on sale of securities	45.460	79.086
	<b>45.460</b>	<b>79.086</b>

**NOTE 24 - FINANCIAL INCOME**

	<b>31 March 2017</b>	<b>31 March 2016</b>
Foreign exchange gains	1.168.994	107.248
Interest income	18.545	646.700
	<b>1.187.539</b>	<b>753.948</b>

**NOTE 25 - FINANCE COSTS**

	<b>31 March 2017</b>	<b>31 March 2016</b>
Foreign exchange losses	1.086.613	226.188
Interest expense	892.421	41.748
Interest expense on provision for employment termination benefits	486.521	309.605
Credit card commissions	186.511	205.237
Other	104.507	22.837
	<b>2.756.573</b>	<b>805.615</b>

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**NOTE 26 - TAX ASSETS AND LIABILITIES**

*Deferred taxes*

The Group recognizes deferred tax assets and liabilities based upon the temporary differences between financial statements as reported in accordance with TFRS and its tax base of statutory financial statements. These differences usually result in the recognition of revenue and expense items in different periods for TFRS and statutory tax purposes.

Turkish tax legislation does not permit a parent company to file a consolidated tax return. Therefore, tax assets and liabilities, as reflected in the consolidated financial statements, have been calculated on a separate-entity basis.

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 31 March 2017 and 31 December 2016 using the enacted tax rates, is as follows:

	<b>Total temporary differences</b>		<b>Deferred tax assets/(liabilities)</b>	
	<b>31 March 2017</b>	<b>31 December 2016</b>	<b>31 March 2017</b>	<b>31 December 2016</b>
<b>Deferred income tax assets:</b>				
Expense accruals	7.703.240	6.614.136	1.540.648	1.322.827
Provision for employee termination benefits	2.231.722	1.564.278	446.344	312.856
Provision for doubtful receivables	2.208.971	2.233.823	441.794	446.765
Unincurred finance income on trade receivables and payables	1.997.404	2.109.079	399.481	421.816
Deferred income	265.651	686.372	53.130	137.274
			<b>2.881.397</b>	<b>2.641.538</b>
<b>Deferred income tax liabilities:</b>				
Difference between the tax base and carrying value of property, equipment and intangible assets	(19.941.364)	(16.335.323)	(3.988.273)	(2.998.513)
Other		(1.578.290)		(327.246)
			<b>(3.988.273)</b>	<b>(3.325.759)</b>
<b>Deferred income tax (liabilities)/assets, net</b>			<b>(1.106.876)</b>	<b>(684.221)</b>

The analysis for deferred tax assets and liabilities are as follow;

<b>Deferred tax assets</b>	<b>31 March 2017</b>	<b>31 December 2016</b>
To be recovered less than 12 months	2.435.053	2.328.682
To be recovered more than 12 months	446.344	312.856
	<b>2.881.397</b>	<b>2.641.538</b>

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**NOTE 26 - TAX ASSETS AND LIABILITIES (Continued)**

**Deferred tax liabilities**

To be recovered less than 12 months	(3.988.273)	(3.325.759)
	<b>(3.988.273)</b>	<b>(3.325.759)</b>
<b>Deferred income tax (liabilities)/assets, net</b>	<b>(1.106.876)</b>	<b>(684.221)</b>

Movement of deferred tax assets/(liabilities) for the interim periods ending 31 March 2017 and 2016 is as follows:

	<b>2017</b>	<b>2016</b>
<b>As of 1 January</b>	<b>(684.221)</b>	<b>1.874.043</b>
Accounted under profit or loss	(371.982)	(1.495.427)
Currency translation difference	(98.866)	-
Accounted under other comprehensive income	48.193	(28.243)
<b>As of 31 March</b>	<b>(1.106.876)</b>	<b>350.373</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 2017 is 20% (2016: 20%). The corporate tax rate is 16% in Romania (2016: 16%). The corporate tax rate is 34,61% in India (2016: 34,61%).

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 26 - 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 26 - 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 used TRY 481.000 of total deferred investment allowance amounting to TRY 1.405.908 that can be offsetted in the future.

**NOTE 27 - EARNINGS/LOSS PER SHARE**

The earnings per 1,000 shares with nominal value of Kr 1 amounted to TRY 4,17 for the interim period ended 31 March 2017 (31 March 2016: TRY 6,15).

	<b>31 March 2017</b>	<b>31 March 2016</b>
Net income attributable to equity holders of the parent	10.426.021	15.381.743
Average number of shares for the period	2.500.000.000	2.500.000.000
<b>Earnings per share</b>	<b>4,17</b>	<b>6,15</b>

**NOTE 28 - RELATED PARTY DISCLOSURES**

a) Due from related parties at 31 March 2017 and 31 December 2016:

<b>Long-term other receivables from related parties:</b>	<b>31 March 2017</b>	<b>31 December 2016</b>
Receivables from other shareholders	2.549.114	1.970.534
Receivables from shareholders (*)	-	950.000
	<b>2.549.114</b>	<b>2.920.534</b>

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

b) **Sales to related parties, services given to related parties and financial income from related parties during the periods ended 31 March 2017 and 31 December 2016:**

**Services given to related parties**

	<b>31 March 2017</b>	<b>31 March 2016</b>
Logo Teknoloji ve Yatırım A.Ş.	356.098	14.836
Logo Siber	78.903	49.826
	<b>435.001</b>	<b>64.662</b>

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**NOTE 28 - RELATED PARTY DISCLOSURES (Continued)**

- c) **Services purchased from related parties and other transactions with related parties during the periods ended 31 March 2017 and 31 December 2016:**

**Services purchased from related parties**

	<b>31 March 2017</b>	<b>31 March 2016</b>
Logo Teknoloji ve Yatırım A.Ş.	39.660	305.363
	<b>39.660</b>	<b>305.363</b>

- d) **Remuneration of the executive management:**

	<b>31 March 2017</b>	<b>31 March 2016</b>
Paid wages and premiums (*)	723.609	538.386

The remuneration of executive management (executive management includes general manager and assistant general managers) for the interim periods ended 31 March 2017 and 31 March 2016 comprise short-term employment benefits including salary, bonuses resulted from continuous high performance of the Company and other short-term benefits. There have been no post-employment benefits, other long-term employment benefits, other termination benefits and share-based payments in the interim periods ended 31 March 2017 and 2016.

**NOTE 29 - NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

**29.1 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 banks amounting to over TRY 100.000.000 that can be utilized whenever needed.

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**NOTE 29 - NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)**

<b>31 March 2017</b>						
<b>Non-derivative financial instruments</b>	<b>Carrying value</b>	<b>Contractual cash outflow (I+II+III+IV)</b>	<b>Up to 3 month (I)</b>	<b>Between 3-12 month (II)</b>	<b>Between 1-5 year5 (III)</b>	<b>More than year Non- (IV)</b>
Borrowings	79.458.467	86.841.026	9.565.346	22.849.630	39.730.843	14.695.207
Trade payables						
- <i>Trade payables to third parties</i>	11.474.152	11.474.152	11.474.152	-	-	-
Due to personnel	9.102.816	9.102.816	9.102.816	-	-	-
Other payables						
- <i>Other payables to third parties</i>	2.243.660	2.243.660	2.243.660	-	-	-
<b>Total liabilities</b>	<b>102.279.095</b>	<b>109.661.654</b>	<b>32.385.974</b>	<b>22.849.630</b>	<b>39.730.843</b>	<b>14.695.207</b>
<b>31 December 2016</b>						
<b>Non-derivative financial instruments</b>	<b>Carrying value</b>	<b>Contractual cash outflow (I+II+III+IV)</b>	<b>Up to 3 month (I)</b>	<b>Between 3-12 month (II)</b>	<b>Between 1-5 year5 (III)</b>	<b>More than year Non- (IV)</b>
Borrowings	66.702.772	66.971.526	54.692.259	8.673.285	3.605.982	-
Trade payables						
- <i>Trade payables to third parties</i>	16.493.822	16.493.822	16.493.822	-	-	-
Due to personnel	6.457.090	6.457.090	6.457.090	-	-	-
Other payables						
- <i>Other payables to third parties</i>	2.741.721	2.741.721	2.741.721	-	-	-
<b>Total liabilities</b>	<b>92.395.405</b>	<b>92.664.159</b>	<b>80.384.892</b>	<b>8.673.285</b>	<b>3.605.982</b>	<b>-</b>

**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.

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**NOTE 29 - NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)**

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

	<b>31 March 2017</b>	<b>31 December 2016</b>
<u>Financial instruments with fixed interest rate</u>		
Financial assets		
- Financial assets at fair value through profit or loss	1.591.745	2.899.400
Financial liabilities	79.458.467	66.702.771
<u>Financial instruments with float interest rate</u>		
Financial liabilities	8.913.637	8.460.698

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.

**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.

The Group's assets and liabilities denominated in foreign currencies at 31 March 2017 and 31 December 2016 are as follows:

	<b>31 March 2017</b>	<b>31 December 2016</b>
USD	3,6386	3,5192
EUR	3,9083	3,7099

The Group is mainly exposed to foreign currency risk in USD and EUR.

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**NOTE 29 - NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)**

		Foreign currency position as of 31 March 2017			
		TRY equivalent	USD	EUR	Other
1.	Trade receivables	7.358.478	752.219	1.187.129	-
2a.	Monetary financial assets, (cash, and banks accounts included))	20.663.672	486.873	4.768.536	551
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
<b>4.</b>	<b>Current assets (1+2+3)</b>	<b>28.022.150</b>	<b>1.239.092</b>	<b>5.955.665</b>	<b>551</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>28.022.150</b>	<b>1.239.092</b>	<b>5.955.665</b>	<b>551</b>
10.	Trade payables	(762.104)	(33.941)	(161.084)	(10.965)
11.	Financial liabilities	(13.442.743)	-	(3.462.492)	-
12a.	Other monetary liabilities	-	-	-	-
12b.	Other non-monetary liabilities	-	-	-	-
<b>13.</b>	<b>Non-current liabilities (10+11+12)</b>	<b>(14.204.847)</b>	<b>(33.941)</b>	<b>(3.623.576)</b>	<b>(10.965)</b>
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(49.748.150)	-	(12.790.890)	-
16a.	Other monetary liabilities	-	-	-	-
16b.	Other non-monetary liabilities	-	-	-	-
<b>17.</b>	<b>Non-current liabilities (14+15+16)</b>	<b>(49.748.150)</b>	<b>-</b>	<b>(12.790.890)</b>	<b>-</b>
<b>18.</b>	<b>Total liabilities (13+17)</b>	<b>(63.952.997)</b>	<b>(33.941)</b>	<b>(16.414.466)</b>	<b>(10.965)</b>
19.	Net asset/liability position of off-balance sheet derivative financial instruments (19a - 19b)	-	-	-	-
19a.	Off-balance sheet foreign currency derivative financial assets	-	-	-	-
19b.	Off-balance sheet foreign currency derivative financial liabilities	-	-	-	-
<b>20.</b>	<b>Net foreign assets/(liability) position (9-18+19)</b>	<b>(35.930.847)</b>	<b>1.205.151</b>	<b>(10.458.801)</b>	<b>(10.414)</b>
<b>21.</b>	<b>Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(35.930.847)</b>	<b>1.205.151</b>	<b>(10.458.801)</b>	<b>(10.414)</b>
22.	Fair value of derivative instruments used in foreign currency hedge	-	-	-	-
23.	Export	(8.083.869)	-	-	-
24.	Import	-	-	-	-

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**NOTE 29 - NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)**

		Foreign currency position as of 31 December 2016			
		TRY equivalent	USD	EUR	Other
1.	Trade receivables	13.580.357	1.512.511	2.225.809	-
2a.	Monetary financial assets, (cash, and banks accounts included))	16.822.199	961.152	3.622.524	518
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
<b>4.</b>	<b>Current assets (1+2+3)</b>	<b>30.402.556</b>	<b>2.473.663</b>	<b>5.848.333</b>	<b>518</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>30.402.556</b>	<b>2.473.663</b>	<b>5.848.333</b>	<b>518</b>
10.	Trade payables	(1.076.878)	(117.426)	(178.881)	-
11.	Financial liabilities	(54.617.944)	-	(14.772.969)	-
12a.	Other monetary liabilities	-	-	-	-
12b.	Other non-monetary liabilities	-	-	-	-
<b>13.</b>	<b>Non-current liabilities (10+11+12)</b>	<b>(55.694.822)</b>	<b>(117.426)</b>	<b>(14.951.850)</b>	<b>-</b>
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(3.605.981)	-	(979.600)	-
16a.	Other monetary liabilities	-	-	-	-
16b.	Other non-monetary liabilities	-	-	-	-
<b>17.</b>	<b>Non-current liabilities (14+15+16)</b>	<b>(3.605.981)</b>	<b>-</b>	<b>(979.600)</b>	<b>-</b>
<b>18.</b>	<b>Total liabilities (13+17)</b>	<b>(59.300.803)</b>	<b>(117.426)</b>	<b>(15.931.450)</b>	<b>-</b>
19.	Net asset/liability position of off-balance sheet derivative financial instruments (19a - 19b)	-	-	-	-
19a.	Off-balance sheet foreign currency derivative financial assets	-	-	-	-
19b.	Off-balance sheet foreign currency derivative financial liabilities	-	-	-	-
<b>20.</b>	<b>Net foreign assets/(liability) position (9-18+19)</b>	<b>(28.898.247)</b>	<b>2.356.237</b>	<b>(10.083.117)</b>	<b>518</b>
<b>21.</b>	<b>Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(28.898.247)</b>	<b>2.356.237</b>	<b>(10.083.117)</b>	<b>518</b>
22.	Fair value of derivative instruments used in foreign currency hedge	-	-	-	-
23.	Export	(13.644.984)	-	-	-
24.	Import	-	-	-	-



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#### NOTE 29 - NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

##### *Capital risk management*

The Group's objectives when managing capital are to safeguard the Group'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 Group may pay out dividends, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group 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 statement of financial position) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt.

	31 March 2017	31 December 2016
Total payables	90.932.619	83.196.594
Less: Cash and cash equivalents	(51.913.091)	(43.507.923)
Net Debt	39.019.528	39.688.671
Total equity	165.651.182	160.802.613
Total capital	204.670.710	200.491.284
<b>Gearing ratio (%)</b>	<b>19</b>	<b>20</b>

#### NOTE 30 - FINANCIAL INSTRUMENTS

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

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

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

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**NOTE 30 - FINANCIAL INSTRUMENTS (Continued)**

**Monetary assets**

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

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

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

**Monetary liabilities**

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

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 31 December 2016 is as follows:

**Financial assets held at fair value**

<b>through profit or loss:</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Financial investments	279.986	-	-

.....