

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017
TOGETHER WITH INDEPENDENT AUDITOR'S REVIEW REPORT
(ORIGINALLY ISSUED IN TURKISH)**



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

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

Introduction

1. We have reviewed the accompanying condensed consolidated balance sheet of Logo Yazılım Sanayi ve Ticaret A.Ş. and its subsidiaries (collectively referred to as the "Group"), as at 30 June 2017 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended. The management of the Group is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with Turkish Accounting Standard 34 ("TAS 34") "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

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

Conclusion

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

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Mert Tüten, SMMM
Partner

Istanbul, 14 August 2017

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY
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**LOGO YAZILIM SANAYİ VE TİCARET A.Ş.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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

**CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT 30 JUNE 2017**

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

	Notes	Reviewed 30 June 2017	Audited 31 December 2016
ASSETS			
Current asset		144.683.740	139.523.661
Cash and cash equivalents	5	53.527.005	43.507.923
Financial investments	6	2.779.854	279.986
Trade receivables		81.297.735	92.906.476
- <i>Trade receivables from third parties</i>	9	81.297.735	92.906.476
Other receivables		693.348	147.362
- <i>Other receivables from related parties</i>		48.264	-
- <i>Other receivables from third parties</i>	10	645.084	147.362
Inventories	11	492.471	322.138
Prepaid expenses	17	4.029.482	1.946.104
Other current assets		1.863.845	413.672
Non-current assets		196.172.284	188.013.329
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	571.531	737.533
Property, plant and equipment	12	19.460.771	18.977.934
Intangible assets		171.006.977	161.722.764
- <i>Goodwill</i>	14	80.478.826	75.386.762
- <i>Other intangible assets</i>	13	90.528.151	86.336.002
Prepaid expenses	17	1.755.018	1.786.750
Deferred tax assets	26	81.460	1.208.136
Other non-current assets		456.148	368.413
Total assets		340.856.024	327.536.990

These consolidated financial statements have been approved by Board of Directors on 14 August 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.

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LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

**CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT 30 JUNE 2017**

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

	Notes	Reviewed 30 June 2017	Audited 31 December 2016
LIABILITIES			
Short-term liabilities		98.551.187	148.823.733
Short-term borrowings	8	13.539.863	56.798.022
Short-term portion of long-term borrowings	8	14.158.148	6.298.768
Trade payables		12.936.516	16.493.822
- Trade payables to related parties	28	6.306	-
- Trade payables to third parties	9	12.930.210	16.493.822
Employee benefit payables	16	9.557.857	6.457.090
Other payables		3.884.538	7.198.360
- Other payables to third parties	10	3.884.538	7.198.360
Deferred revenue	17	40.464.776	40.749.291
Short-term provisions		1.260.394	11.609.615
- Short-term provisions for employee benefits	16	1.260.394	11.609.615
Current income tax liabilities		1.388.685	1.818.901
Other current liabilities		1.360.410	1.399.864
Long-term liabilities		62.072.377	14.555.392
Long-term borrowings	8	49.027.289	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		9.039.572	6.315.332
- Provisions for employment termination benefits	16	9.039.572	6.315.332
Deferred tax liabilities	26	1.761.856	1.892.357
EQUITY			
Equity attributable to equity holders of the parent		179.776.177	160.802.613
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	7.196.456	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		(2.394.343)	(1.663.527)
- Actuarial loss on employment termination benefits		(2.394.343)	(1.663.527)
Other comprehensive income and expense that will be reclassified to profit or loss		10.994.065	6.899.780
- Currency translation difference		10.994.065	6.899.780
Retained earnings		117.055.838	79.874.166
Net income for the period		23.565.388	45.339.470
Non-controlling interests		456.283	3.355.252
Total equity		180.232.460	164.157.865
Total liabilities		340.856.024	327.536.990

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 PROFIT AND LOSS
FOR THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2017 AND 2016**

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

		Reviewed	Not reviewed	Reviewed	Not reviewed
	Notes	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Revenue	20	116.937.032	63.320.342	72.908.286	36.659.414
Cost of sales (-)	20	(6.121.674)	(3.314.763)	(1.405.208)	(762.717)
Gross profit		110.815.358	60.005.579	71.503.078	35.896.697
General and administrative expenses (-)	21	(12.313.202)	(6.322.862)	(6.509.906)	(3.331.889)
Marketing expenses (-)	21	(19.928.515)	(11.387.782)	(13.474.347)	(7.233.505)
Research and development expenses (-)	21	(49.707.204)	(25.590.312)	(20.740.155)	(11.009.626)
Other operating income	22	2.265.927	242.157	2.883.975	1.325.392
Other operating expenses (-)	22	(2.113.447)	(1.046.467)	(901.603)	(206.963)
Operating profit		29.018.917	15.900.313	32.761.042	15.440.106
Income from investing activities	23	128.443	82.983	167.964	88.878
Share of losses of investments accounted for by the equity method	7	(666.002)	(304.327)	-	-
Operating profit before financial income/(expenses)		28.481.358	15.678.969	32.929.006	15.528.984
Financial income	24	1.901.932	714.393	2.037.658	1.283.710
Financial expenses (-)	25	(4.897.772)	(2.141.199)	(1.068.066)	(262.451)
Income before taxes		25.485.518	14.252.163	33.898.598	16.550.243
Taxation on income:					
Current income tax expense	26	(1.440.068)	(899.252)	(961.642)	(752.945)
Deferred tax expense	26	(906.217)	(534.235)	(1.606.678)	(111.251)
Net income for the period		23.139.233	12.818.676	31.330.278	15.686.047
Net income attributable to:					
Non-controlling interests		(426.155)	(320.691)	676.120	413.632
Equity holders of the parent		23.565.388	13.139.367	30.654.158	15.272.415
Earnings per shares	27	9,43	5,26	12,26	6,11

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 OTHER COMPREHENSIVE
INCOME FOR THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2017 AND 2016**

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

		Not reviewed	Not reviewed	Not reviewed
	Reviewed	Reviewed	Reviewed	Reviewed
	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Notes				
Net income for the period	23.139.233	12.818.676	31.330.278	15.686.047
<i>Other comprehensive income and expense that will be reclassified to profit or loss</i>				
Currency translation differences	4.094.285	1.260.272	-	-
<i>Other comprehensive income and expense that will not be reclassified to profit or loss</i>				
Actuarial loss on employment termination benefits	16 (779.009)	(278.295)	(208.787)	(477.606)
Deferred tax effect	26 48.193	-	(28.243)	-
Other comprehensive income	3.363.469	981.977	(237.030)	(477.606)
Total comprehensive income	26.502.702	13.800.653	31.093.248	15.208.441
<i>Other comprehensive income attributable to:</i>				
Non-controlling interest	(426.155)	(324.341)	676.120	413.632
Equity holders of the parent	26.928.857	14.124.994	30.417.128	14.794.809

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LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE INTERIM PERIODS 1 JANUARY - 30 JUNE 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 <u>Actuarial gain/(loss) on employment termination benefits</u>	Other comprehensive income to be reclassified under profit and loss <u>Currency translation difference</u>	Retained earnings	Net profit for the year	Equity attributable to equity holders of the parent	Non- controlling interest	Total equity
Balances at 1 January 2016	25.000.000	2.991.336	(4.632.563)	6.993.951	(1.681.596)	-	39.979.376	39.894.790	108.545.294	1.754.570	110.299.864
Transfers	-	-	-	-	-	-	39.894.790	(39.894.790)	-	-	-
Net income for the period	-	-	-	-	-	-	-	30.654.158	30.654.158	676.120	31.330.278
Other comprehensive income	-	-	-	-	(237.030)	-	-	-	(237.030)	-	(237.030)
Balances at 30 June	25.000.000	2.991.336	(4.632.563)	6.993.951	(1.918.626)	-	79.874.166	30.654.158	138.962.422	2.430.690	141.393.112
Balances at 1 January 2017	25.000.000	2.991.336	(4.632.563)	6.993.951	(1.663.527)	6.899.780	79.874.166	45.339.470	160.802.613	3.355.252	164.157.865
Transfers	-	-	-	202.505	-	-	45.136.965	(45.339.470)	-	-	-
Transaction with non-controlling interests	-	-	-	-	-	-	(7.955.293)	-	(7.955.293)	(2.472.814)	(10.428.107)
Net income for the period	-	-	-	-	-	-	-	23.565.388	23.565.388	(426.155)	23.139.233
Other comprehensive income	-	-	-	-	(730.816)	4.094.285	-	-	3.363.469	-	3.363.469
Balances at 30 June 2017	25.000.000	2.991.336	(4.632.563)	7.196.456	(2.394.343)	10.994.065	117.055.838	23.565.388	179.776.177	456.283	180.232.460

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LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE
INTERIM PERIODS 1 JANUARY - 30 JUNE 2017 AND 2016**

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

	Notes	Reviewed 1 January - 30 June 2017	Reviewed 1 January - 30 June 2016
A. Cash flows from operating activities		31.777.859	42.229.770
Profit for the period		23.139.233	31.330.278
Adjustments to reconcile profit for the year		9.686.427	(9.435.650)
Adjustments for depreciation and amortization expenses	12, 13	12.355.367	7.897.889
Adjustments for provision/(reversals) for employment termination benefits	16	(8.120.178)	(6.293.810)
Adjustments for interest expense	25	1.730.017	75.052
Adjustments for interest income	24	(38.772)	(1.669.087)
Adjustments for undistributed profits of joint ventures	7	666.002	-
Adjustments for provision/(reversal) for doubtful receivables	9	322.428	339.473
Adjustments for gain on sale of property and equipment	23	-	(711)
Adjustments for other adjustments to reconcile profit or loss		425.278	(12.352.776)
Adjustments for tax expense/(income)		2.346.285	2.568.320
Changes in net working capital		1.106.295	21.393.530
Decrease in trade receivables		12.300.823	30.559.280
(Increase)/decrease in inventories		(170.333)	41.275
Increase in other current assets		(6.263.988)	(2.067.411)
Decrease in trade payables		(3.557.306)	(4.353.881)
Decrease in other receivables		-	3.949
Decrease in other liabilities		(1.202.901)	(2.789.682)
Cash flows from operating activities		33.931.955	43.288.158
Taxes paid		(1.870.284)	(850.546)
Employment termination benefits paid	16	(283.812)	(207.842)
Purchases of property, plant and equipment and intangible assets	12, 13	(15.517.818)	(12.259.693)
Cash used in purchase of assets held for sale		-	(549.972)
Acquisition of subsidiary	18	(10.000.000)	-
Proceeds from sales of property and equipment		22.519	3.042
Capital injections to joint ventures	7	(500.000)	-
Interest received		38.771	1.669.087
B. Cash flows from investing activities		(25.956.528)	(11.137.536)
Repayments of borrowings		(12.089.428)	(529.538)
Proceeds from borrowings		16.282.119	-
Interest paid		(1.226.835)	(80.443)
C. Cash flows from financing activities		2.965.856	(609.981)
Net increase in cash and cash equivalents		8.787.187	30.482.253
D. Effects of currency translation differences on cash and cash equivalents		1.231.895	-
Cash and cash equivalents at beginning of the period	5	43.507.923	51.529.036
Cash and cash equivalents at end of the period	5	53.527.005	82.011.289

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

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LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE INTERIM PERIOD 1 JANUARY - 30 JUNE 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 30 June 2017, the average number of personnel of the Group is 1.032 (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 30 June 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:

Subsidiaries	Country of incorporation	Nature of business
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
Joint venture	Country of incorporation	Nature of business
FIGO Ticari Bilgi ve Uygulama Platformu A.Ş. (“FIGO”)	Turkey	Development and marketing of computer software

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE INTERIM PERIOD 1 JANUARY - 30 JUNE 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 13 June 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”). The condensed interim consolidated financial statements are presented in accordance with “Announcement regarding with TAS Taxonomy” which was published on 2 June 2016 by Public Oversight Accounting and Auditing Standards Authority (“POAASA”) and the format and mandatory information recommended.

The Group prepared its condensed consolidated interim financial statements for the period ended 30 June 2017 in accordance with the TAS 34, “Interim Financial Reporting”. Interim condensed consolidated financial statements of the Group do not include all the information and disclosures required in the annual financial statements, therefore should be read in conjunction with the Group’s annual consolidated financial statements as of 31 December 2016.

2.1.2 Financial statements of subsidiaries operating in foreign countries

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

2.1.3 Basis of consolidation

The condensed consolidated financial statements prepared in accordance with the principles of consolidated financial statements for the year ended 31 December 2016 include 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 30 June 2017 and 31 December 2016:

Subsidiaries	30 June 2017 (%)	31 December 2016 (%)
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

(*) The details of additional share purchase are explained at the Note 18.

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

2.1 Basis of presentation (Continued)

Joint Venture	30 June 2017 (%)	30 June 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 currency 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 30 June 2017

- TFRS 14, “Regulatory deferral accounts
- 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”.
 - TFRS 7, “Financial instruments: Disclosures”
 - TAS 19, “Employee benefits”
 - TAS 34, “Interim financial reporting”
- TFRS 11, “Joint arrangements”
- TAS 16, “Property, plant and equipment”, and TAS 41, “Agriculture”
- TAS 16, “Property, plant and equipment” and TAS 38, “Intangible assets”
- TAS 27, “Separate financial statements”
- TFRS 10, “Consolidated financial statements” and TAS 28, “Investments in associates and joint ventures”
- TAS 1, “Presentation of financial statements”

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
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(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

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

b. *Standards, amendments and interpretations effective after 30 June 2017*

- TAS 7, “Statement of cash flows”
- TAS 12, “Income Taxes”
- TFRS 2, “Share based payments”
- TFRS 9, “Financial instruments”
- TFRS 15, “Revenue from contracts with customers”
- TFRS 15, “Revenue from contracts with customers”,
- TAS 40, “Investment property”
- TFRS 9, “Financial instruments”
- TFRS 4, “Insurance contracts”
- Annual improvements 2014-2016;
 - TFRS 1, “First-time adoption of TFRS”
 - TFRS 12, “Disclosure of interests in other entities”
 - TAS 28, “Investments in associates and joint ventures”
- TFRS 22, “Foreign currency transactions and advance consideration”
- TFRS 16, “Leases” The Group will evaluate the effect of the changes in TFRS 16 and it is expected that the application of the new standard will have a significant effect on the consolidated financial statements of the Group.

2.4 Summary of significant accounting policies

The condensed consolidated interim financial statements as of and for the interim period ended 30 June 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 30 June 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.

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

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.

Useful lives of intangible assets

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.

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.

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

2.6 Significant accounting estimates and assumptions (Continued)

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.

NOTE 3 - SEGMENT REPORTING

The Group’s Chief Operating Decision-Maker is responsible for allocating resources and assessing performance of the operating segments. Adjusted earning before interest, tax, depreciation and amortization (“EBITDA”) is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Adjusted EBITDA definition includes revenue, direct cost of revenues excluding depreciation and amortization accounted for operating expenses (except other income and expenses).

30 June 2017	Turkey	Romania	Other	Segmental eliminations	Consolidated
Reportable segment assets	188.980.645	150.306.997	2.674.265	(1.105.883)	340.856.024
Reportable segment liabilities	73.967.629	86.296.177	1.465.641	(1.105.883)	160.623.564
Goodwill	80.478.826	-	-	-	80.478.826
Property and equipment and intangible asset	80.397.485	29.591.437	-	-	109.988.922

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NOTE 3 - SEGMENT REPORTING (Continued)

30 June 2017	Turkey	Romania	Other	Segmental eliminations	Consolidated
Revenue	78.044.773	38.892.259	-	-	116.937.032
Cost of sales (-)	(1.557.498)	(4.564.176)	-	-	(6.121.674)
Operating expenses	(44.869.063)	(35.807.118)	(1.272.740)	-	(81.948.921)
Finance income	474.606	1.427.326	-	-	1.901.932
Finance expense	(1.876.608)	(3.017.986)	(3.178)	-	(4.897.772)
Depreciation and amortization	(9.030.335)	(3.325.032)	-	-	(12.355.367)
Share of profit or loss of investments accounted for using the equity method	(666.002)	-	-	-	(666.002)
Tax expense	(1.729.372)	(616.913)	-	-	(2.346.285)
Net profit for the year	28.196.941	(3.781.790)	(1.275.918)	-	23.139.233
Adjusted EBITDA	40.648.547	1.845.997	(1.272.740)	-	41.221.804
Purchase of property and equipment and intangible assets	13.578.490	1.939.328	-	-	15.517.818

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

30 June 2017	Consolidated
Adjusted EBITDA	41.221.804
Depreciation and amortization	(12.355.367)
Income from investing activities	128.443
Share of profit or loss of investments accounted for using the equity method	(666.002)
Other operating income	2.265.927
Other operating expenses	(2.113.447)
Financial income	1.901.932
Financial expenses	(4.897.772)
Profit before tax	25.485.518

The Group is operating in countries other than Turkey since September 2016, thus segment reporting is not presented with comparative information.

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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 Totalsoft 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)

Fair value of net assets	39.604.040
Less: purchase consideration	101.432.073

Goodwill (*) **61.828.033**

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 and 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

Cash outflow due to purchase, net **87.038.836**

(*) It is calculated by using RON/TRY exchange at the date of merger. It was TRY 73.000.174 as of 30 June 2017.

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NOTE 5 - CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents as of 30 June 2017 and 31 December 2016 is as follows:

	30 June 2017	31 December 2016
Cash	34.250	21.013
Banks		
- Demand deposits - TRY	3.560.555	1.097.542
- Demand deposits - foreign currency	17.047.231	15.011.551
- Time deposits - TRY	500.000	260.000
- Time deposits - foreign currency	5.377.829	2.639.400
Credit card receivables	25.310.401	24.478.417
Cheques received	708.200	-
Restricted cash (*)	988.539	-
	53.527.005	43.507.923

(*) Restricted cash consist of cash guarantee given to the Totalsoft’s customers and the maturities of these accounts are less than one year.

NOTE 6 - FINANCIAL INVESTMENTS

Trading securities:

The analysis of financial assets at fair value through profit and loss at 30 June 2017 and 31 December 2016 is as follows:

	30 June 2017	31 December 2016
Mutual funds		
- Liquid funds	2.779.854	279.986

Available-for-sale financial assets:

The analysis of non-current financial assets at 30 June 2017 and 31 December 2016 is as follows:

	<u>30 June 2017</u>		<u>31 December 2016</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
		130.653		130.653

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NOTE 6 - FINANCIAL INVESTMENTS (Continued)

Interpro and Dokuz Eylül are assessed as available-for-sale financial asset as of 30 June 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:

	2017	2016
As of 1 January	737.533	-
Capital increases in joint venture	500.000	-
Share of profit/(loss)	(666.002)	-
As of 30 June	571.531	-

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:

FIGO	30 June 2017	31 December 2016
Cash and cash equivalents	230.422	704.534
Other current assets	255.533	110.344
Other non-current assets	171.421	136.177
Total assets	657.376	951.055
Other short-term liabilities	110.176	71.849
Total liabilities	110.176	71.849

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

Summary of income statements

Since the Group's business partnership, FIGO, started its operations on 10 October 2016, presentation of the summary income statement does not include comparatives.

FIGO	30 June 2017
Income	21.408
Expenses (-)	(1.353.412)
Net loss for the year	(1.332.004)
The Group's interest	50%
The Group's share	(666.002)
Share of losses from investments accounted for using the equity method	(666.002)

NOTE 8 - BORROWINGS

Details of borrowings as of 30 June 2017 and 31 December 2016 is as follows:

Short-term borrowings:	30 June 2017	31 December 2016
Short-term bank borrowings	13.197.225	56.639.008
Credit card payables	342.638	159.014
	13.539.863	56.798.022
Current portion of long-term borrowings:		
Current portion of long-term bank borrowings	13.731.704	5.825.342
Finance leases	426.444	473.426
	14.158.148	6.298.768
Total short-term bank borrowings	27.698.011	63.096.790
Long-term bank borrowings:	30 June 2017	31 December 2016
Long-term bank borrowings	48.424.394	2.948.375
Finance leases	602.895	657.607
Total long-term borrowings	49.027.289	3.605.982

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NOTE 8 - BORROWINGS (Continued)

	30 June 2017		
	Weighted average annual interest rate (%)	Original amount	TRY equivalent
Short-term borrowings:			
Bank borrowings - TRY - unsecured	13,00	10.772.225	10.772.225
Bank borrowings - RON - unsecured	-	2.774.378	2.425.000
Credit cards payables - TRY	-	342.638	342.638
			13.539.863
Current portion of long-term borrowings:			
Bank borrowings - EUR - secured	Euribor+2,25	1.290.822	5.138.022
Bank borrowings - EUR - secured	2,50	2.138.618	8.512.612
Finance leases - EUR	-	107.135	426.444
Bank borrowings - TRY	13,68	81.070	81.070
			14.158.148
Long-term borrowings:			
Bank borrowings - EUR -secured	2,50	11.165.627	44.443.967
Bank borrowings - EUR - secured	Euribor+2,25	1.000.000	3.980.427
Finance leases - EUR	-	161.465	602.895
			49.027.289
Total borrowings			76.725.300

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NOTE 8 - BORROWINGS (Continued)

	31 December 2016		
	Weighted average annual interest rate (%)	Original amount	TRY equivalent
Short-term borrowings:			
Bank borrowings - EUR - unsecured	2,05	13.072.000	48.638.807
Bank borrowings - TRY - unsecured	12,40	8.000.201	8.000.201
Credit card payables- TRY	-	159.014	159.014
			56.798.022
Current portion of long-term borrowings:			
Bank borrowings - EUR - secured	Euribor+2,25	1.498.499	5.512.323
Finance leases - EUR	-	127.236	473.426
Bank borrowings - TRY	13,68	313.019	313.019
			6.298.768
Total short-term borrowings			63.096.790
Long-term borrowings:			
Bank borrowings - EUR - secured	Euribor+2,25	801.501	2.948.375
Financial leases - EUR	-	178.767	657.607
			3.605.982
Total borrowings			66.702.772

The redemption schedules of long-term borrowings at 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017	31 December 2016
To be paid within 1-2 years	12.483.666	3.251.042
To be paid within 2-5 years	24.026.691	354.940
More than 5 years	12.516.932	-
	49.027.289	3.605.982
	Carrying amount	Fair value
	30 June 2017	31 December 2016
Bank borrowings	75.353.323	65.412.725
	75.353.323	65.412.725
	82.554.748	66.082.184
	82.554.748	66.082.184

Interest rate and currency risk of the Group are described in Note 29.

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NOTE 9 - TRADE RECEIVABLES AND PAYABLES

The details of trade receivables and payables as of 30 June 2017 and 31 December 2016 are as follows:

Short-term trade receivables:	30 June 2017	31 December 2016
Trade receivables	77.321.710	87.589.858
Credit card receivables	26.904.806	25.623.742
Cheques and notes receivables	1.493.124	2.850.196
Income accruals	67.942	69.451
Less: provision for doubtful receivables	(22.432.770)	(21.095.832)
Less: unearned finance income arising from credit sales	(2.057.077)	(2.130.939)
	81.297.735	92.906.476

As of 30 June 2017 the average turnover of the trade receivables is 108 days (31 December 2016: 117 days), excluding the credit cards receivables average turnover day is 74 days (31 December 2016: 72 days), the discount rate applied to the unmatured receivables is 12,10% (31 December 2016: 8.82%).

As of 30 June 2017, trade receivables of TRY 14.628.507 (31 December 2016: TRY 16.575.792) were past due but not impaired. The aging analysis of these trade receivables is as follows:

	30 June 2017	31 December 2016
Up to 1 month	3.800.817	1.169.448
1-3 months	3.629.115	596.012
More than 3 months (*)	7.198.575	14.810.332
	14.628.507	16.575.792

(*) TRY 5.838.154 of trade receivables matured more than 3 months is comprised of trade receivables of Totalsoft. (31 December 2016: TRY 13.004.274). The Group is managing its receivables in accordance with credit risk management policies described in Note 29.

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NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

The movement of provision for doubtful receivables for the periods ended 30 June 2017 and 30 June 2016 are as follows:

Trade payables to third parties:	2017	2016
As of 1 January	21.095.832	6.451.544
Provision for the period	1.113.687	380.035
Releases	(791.259)	(40.562)
Foreign currency translation difference	1.014.510	-
As of 30 June	22.432.770	6.791.017
Trade payables to third parties:	30 June 2017	31 December 2016
Trade payables	12.930.210	16.493.822

As of 30 June 2017, the average debt payment period is 67 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 30 June 2017 and 31 December 2016:

30 June 2017	Trade receivables		Other receivables		Cash at bank
	Related party	Other	Related party	Other	
The maximum of credit risk exposure at the reporting date	-	81.297.735	2.597.378	805.696	53.492.755
- <i>Amount of risk covered by guarantees</i>	-	582.724	-	-	-
Net carrying value of not past due and not impaired financial assets	-	66.669.228	2.597.378	805.696	53.492.755
Net carrying value of past due but not impaired financial assets	-	14.628.507	-	-	-
<i>Amount of risk covered by guarantees</i>	-	-	-	-	-
Net carrying value of impaired assets	-	-	-	-	-
- <i>Past due (gross carrying value)</i>	-	22.432.770	-	-	-
- <i>Provision for impairment (-)</i>	-	(22.432.770)	-	-	-
- <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 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

31 December 2016	Trade receivables		Other receivables		Cash at bank
	Related party	Other	Related party	Other	
The maximum of credit risk exposure at the reporting date	-	92.906.476	2.920.534	307.974	43.486.910
- <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:	30 June 2017	31 December 2016
Deposits and guarantees given	395.084	147.362
Income accruals	250.000	-
	645.084	147.362

Other long-term receivables from third parties:	30 June 2017	31 December 2016
Other long-term receivables	160.612	160.612

Short-term other payables to third parties:	30 June 2017	31 December 2016
Taxes payable	3.197.280	6.865.594
Other	687.258	332.766
	3.884.538	7.198.360

Other long-term payables to third parties:	30 June 2017	31 December 2016
Long term payables regarding Vardar acquisition	1.249.292	1.249.292
Long term payables regarding Intermat acquisition	994.368	1.492.429
	2.243.660	2.741.721

NOTE 11 - INVENTORIES

	30 June 2017	31 December 2016
Trade goods	921.662	832.761
Raw materials and equipments	196.399	79.004
Other	18.880	9.889
Provision for inventory (-)	(644.470)	(599.516)
	492.471	322.138

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NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2017	Additions	Disposals	Currency translation difference	30 June 2017
Cost:					
Machinery and equipment	8.040.756	157.526	(1.867)	139.480	8.335.895
Motor vehicles	2.462.846	135.032	(169.015)	265.311	2.694.174
Furniture and fixtures	4.781.587	148.844	-	108.477	5.038.908
Leasehold improvements	20.618.937	807.768	-	120.716	21.547.421
	35.904.126	1.249.170	(170.882)	633.984	37.616.398
Accumulated depreciation:					
Machinery and equipment	6.033.557	466.498	(1.867)	(64.108)	6.434.080
Motor vehicles	244.408	252.073	(146.496)	47.497	397.482
Furniture and fixtures	3.549.714	163.777	-	19.844	3.733.335
Leasehold improvements	7.098.513	436.114	-	56.103	7.590.730
	16.926.192	1.318.462	(148.363)	59.336	18.155.627
Net book value	18.977.934				19.460.771
	1 January 2016	Additions	Disposals		30 June 2016
Cost:					
Machinery and equipment	6.606.148	716.966	(3.655)		7.319.459
Motor vehicles	55.382	-	-		55.382
Furniture and fixtures	3.901.241	130.474	-		4.031.715
Leasehold improvements	19.985.276	385.492	-		20.370.768
	30.548.047	1.232.932	(3.655)		31.777.324
Accumulated depreciation:					
Machinery and equipment	5.360.844	251.037	(1.324)		5.610.557
Motor vehicles	52.026	-	-		52.026
Furniture and fixtures	3.218.764	128.686	-		3.347.450
Leasehold improvements	6.427.629	320.125	-		6.747.754
	15.059.263	699.848	(1.324)		15.757.787
Net book value	15.488.784				16.019.537

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 330.074 - within 1 year, TRY1.320.297 - 1 to 5 years and TRY 6.193.637 - more than 5 years.

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NOTE 13 - INTANGIBLE ASSETS

	1 January 2017	Additions	Currency translation difference	30 June 2017
Costs:				
Development costs	119.975.822	13.910.929	2.730.939	136.617.690
Advanced technology	15.258.917	-	358.333	15.617.250
Customer relations	18.274.146	-	456.294	18.730.440
Non-compete agreement	2.747.778	-	-	2.747.778
Other intangible assets	7.117.018	357.719	65.510	7.540.247
	163.373.681	14.268.648	3.611.076	181.253.405
Accumulated amortization:				
Development costs	60.217.975	8.805.426	1.931.324	70.954.725
Advanced technology	4.555.533	870.010	282.647	5.708.190
Customer relations	4.862.180	992.108	375.577	6.229.865
Non-compete agreement	2.423.648	134.620	-	2.558.268
Other intangible assets	4.978.343	234.741	61.122	5.274.206
	77.037.679	11.036.905	2.650.670	90.725.254
Net defter değeri	86.336.002			90.528.151

Additions amounting to TRY 13.819.054 to development costs for the period ended 30 June 2017 (30 June 2016: TRY 9.590.488) consists of staff costs.

11.253.353 TRY (30 June 2016: TRY 7.683.260) TRY 187.765 (30 June 2016: TRY 109.374) and TRY 914.249 (30 June 2016: TRY 105.255) of the depreciation and amortization expenses for the period ended 30 June 2017 have been accounted for research and development expenses, marketing expenses and general administrative expenses, respectively.

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NOTE 13 - INTANGIBLE ASSETS (Continued)

	1 January 2016	Additions	30 June 2016
Cost:			
Development costs	79.862.344	10.518.565	90.380.909
Technology developed	12.460.183	-	12.460.183
Customer relations	11.852.175	-	11.852.175
Agreement for restriction of competition	2.747.778	-	2.747.778
Other intangible assets	6.186.579	508.196	6.694.775
	113.109.059	11.026.761	124.135.820
Accumulated amortization:			
Development costs	48.627.617	5.615.127	54.242.744
Technology developed	3.066.467	639.812	3.706.279
Customer relations	3.312.463	669.665	3.982.128
Agreement for restriction of competition	2.154.407	134.620	2.289.027
Other intangible assets	4.667.718	138.817	4.806.535
	61.828.672	7.198.041	69.026.713
Net book value	51.280.387		55.109.107

NOTE 14 - GOODWILL

	30 June 2017	31 December 2016
Totalsoft	73.000.174	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
	80.478.826	75.386.762

The movement of goodwill for the interim periods ended 30 June 2017 and 2016 is as follows;

	2017	2016
As of 1 January	75.386.762	7.478.652
Currency translation difference	5.092.064	-
As of 30 June	80.478.826	7.478.652

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NOTE 14 - GOODWILL (Continued)

Goodwill is subject to impairment test every year or shorter periods if there is any triggering events which may cause an impairment on the goodwill. 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.

As of 30 June 2017, no impairment test has been performed to the goodwill recognized for Totalsoft acquisition, since there is no circumstances or events that would cause the impairment.

As of 30 June 2017, no impairment test was performed to the goodwill recognized for Netsis acquisition, since there is no circumstances or events that would cause the impairment

NOTE 15 - COMMITMENTS AND CONTINGENT LIABILITIES

Guarantees received:

	Original currency	30 June 2017		31 December 2016	
		Original amount	TRY equivalent	Original amount	TRY equivalent
Guarantee notes	TRY	222.724	222.724	215.531	215.531
	USD	-	-	34.950	122.996
Mortgages	TRY	360.000	360.000	360.000	360.000
			582.724		698.527

As of 30 June 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:

	30 June 2017				31 December 2016		
	EUR	USD	RON	TRY	EUR	USD	TRY
A. Total amount of Guarantees provided by the Company on behalf of itself	-	272.074	-	257.920	-	556.660	1.015.620
B. Total amount of Guarantees provided on behalf of the associates accounted under full consolidation method	57.237.691	-	206.174	-	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	-	-	-	-	-	-	-
	57.237.691	272.074	206.174	257.920	67.299.900	556.660	1.015.620

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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 court was decided to the Company’s favor, however the counterparty has appealed to the higher court. 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

Short - term payables for employee benefits:	30 June 2017	31 December 2016
Due to personnel	6.291.719	2.652.681
Taxes, funds and social security payables	3.266.138	3.804.409
	9.557.857	6.457.090

Short - term provisions for employment benefits:	30 June 2017	31 December 2016
Provision for performance premium of personnel	1.260.394	11.609.615

Long - term provisions for employment benefits:	30 June 2017	31 December 2016
Provision for employment termination benefits	4.818.433	3.281.749
Provision for unused vacation liability	4.221.139	3.033.583
	9.039.572	6.315.332

The movement of provision for unused vacation liability for the periods ended 30 June 2017 and 2016 is as follow:

	2017	2016
As of 1 January	3.033.583	1.455.909
Increase in the period	1.187.556	610.112
As of 30 June	4.221.139	2.066.021

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 30 June 2017 (30 June 2016: TRY 4.297,21).

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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”:

	30 June 2017	31 December 2016
Discount rate (%)	3,76	4,00
Turnover rate to estimate the probability of retirement (%)	94,69	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 4.732,48 which is effective from 1 July 2017 (1 July 2016: TRY 4.297,21) has been taken into consideration in the calculations.

The movement in the provision for employment termination benefits during the periods ended 30 June 2017 and 2016 were as follows:

	2017	2016
As of 1 January	3.281.749	2.651.362
Service cost	535.551	162.083
Interest cost	505.936	166.402
Actuarial loss	779.009	208.787
Payments	(283.812)	(207.842)
As of 30 June	4.818.433	2.980.792

NOTE 17 - PREPAID EXPENSES AND DEFERRED REVENUE

Short - term prepaid expenses:	30 June 2017	31 December 2016
Prepaid expenses	4.029.482	1.946.104
	4.029.482	1.946.104

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NOTE 17 - PREPAID EXPENSES AND DEFERRED REVENUE (Continued)

Long - term prepaid expenses:	30 June 2017	31 December 2016
Advances given	1.755.018	1.786.750
	1.755.018	1.786.750
Short - term deferred revenues:	30 June 2017	31 December 2016
Deferred revenue	39.097.631	39.322.403
Advances received	1.367.145	1.426.888
	40.464.776	40.749.291

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 30 June 2017 and 31 December 2016 as follows:

	30 June 2017	31 December 2016
LEM sales	20.419.737	21.763.927
Pay as you go sales	12.663.547	13.226.576
Deferred revenue from continuing projects	3.110.658	3.893.029
After-sales services revenue	2.903.689	438.871
	39.097.631	39.322.403

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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 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017	Share (%)	31 December 2016	Share (%)
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
Publicly traded	15.329.206	61,32	15.329.206	61,32
	25.000.000	100,00	25.000.000	100,00
Adjustment to share capital	2.991.336		2.991.336	
Total paid-in share capital	27.991.336		27.991.336	

(*) Consist of EAS S.A.R.L 4,96% and others.

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 inflation adjustment effects of cash contributions to share capital.

Treasury shares

As of 30 June 2017 the amount of treasure shares which is accounted in Group's equity is TRY 4.632.563 (31 December 2016 : TRY 4.632.563)

The amount and the number of shares related to the group shares that are buybacked and the sales of these shares categorized by years are like below:

Purchase year		Quantity of stock	Purchase price
2012		171.000	450.493
2013		1.711.495	8.163.509
2015		108.136	1.983.148
Total purchases		1.990.631	10.597.150
Sales year	Quantity of stock	Sales price	Purchase price
2013	1.297.500	6.487.500	5.964.587
Total sales	1.297.500	6.487.500	5.964.587

The difference between purchase amounts and sales amounts amounting to TRY 522.913 is accounted under equity on the transaction dates.

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NOTE 18 - EQUITY (Continued)

Dividend distribution

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

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 owned %90,58 shares of e-Logo has purchased additional 57 shares of non-controlling interests of e-Logo for TRY 10.000.0000 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 30 June 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

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Sales revenue	67.775.056	31.727.530	68.977.015	34.011.141
Service revenue	48.136.676	31.101.224	2.636.397	1.432.549
Saas service revenue	3.483.255	1.528.629	4.240.040	2.718.135
Sales returns	(1.523.770)	(692.140)	(2.100.312)	(1.015.451)
Sales discounts	(934.185)	(344.901)	(844.854)	(486.960)
Net sales	116.937.032	63.320.342	72.908.286	36.659.414
Cost of sales	(6.121.674)	(3.314.763)	(1.405.208)	(762.717)
Gross profit	110.815.358	60.005.579	71.503.078	35.896.697

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

Research and development expenses	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Personnel expenses	29.870.752	15.453.038	9.803.338	5.313.903
Depreciation and amortization expenses	11.253.353	5.731.704	7.683.260	3.960.313
Consultancy expenses	2.340.844	1.320.572	482.297	279.340
Motor vehicle expenses	1.229.343	650.536	790.690	402.308
Rent expenses	986.653	510.020	259.843	94.716
Travel expenses	813.510	364.577	338.161	183.801
Outsourced benefits and services	703.100	334.357	532.614	299.252
Other	2.509.649	1.225.508	849.952	475.993
	49.707.204	25.590.312	20.740.155	11.009.626

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

Marketing expenses	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April 30 June 2016
Personnel expenses	9.009.382	5.439.206	6.761.601	4.311.701
Advertising and selling expenses	7.020.243	3.862.996	4.695.051	1.855.222
Consultancy expenses	1.135.586	683.904	502.697	289.498
Motor vehicle expenses	766.136	398.183	514.002	264.899
Outsourced benefits and services	500.622	283.356	340.410	186.934
Travel expenses	444.119	190.568	152.417	69.738
Rent expenses	305.096	158.191	202.696	85.624
Depreciation and amortization expenses	187.765	98.207	109.374	57.517
Other	559.566	273.171	196.099	112.372
	19.928.515	11.387.782	13.474.347	7.233.505

General and administrative expenses	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Personnel expenses	7.147.193	3.671.319	4.151.568	1.863.813
Consultancy expenses	1.626.508	914.258	1.328.050	997.476
Depreciation and amortization expenses	914.249	453.411	105.255	52.997
Motor vehicle expenses	396.808	211.989	219.088	101.890
Travel expenses	302.685	212.739	173.324	53.163
Rent expenses	168.501	82.806	23.826	7.548
Outsourced benefits and services	114.228	56.800	113.876	41.516
Other	1.643.030	719.540	394.919	213.486
	12.313.202	6.322.862	6.509.906	3.331.889

NOTE 22 - OTHER OPERATING INCOME/EXPENSES

Other operating income	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Foreign exchange gains (*)	770.432	100.430	328.503	267.654
Overdue interest income	539.933	120.914	246.398	146.552
Rediscount income	378.285	9.355	2.151.345	753.457
Other	577.277	11.458	157.729	157.729
	2.265.927	242.157	2.883.975	1.325.392

(*) It consists of exchange differences arising from trade receivables and payables.

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NOTE 22 - OTHER OPERATING INCOME/EXPENSES (Continued)

Other operating expenses	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Foreign exchange losses (*)	1.019.662	395.956	91.832	3.272
Provision expense	489.404	479.374	410.692	37.285
Rediscount expenses	341.959	100.748	278.358	137.311
Other	262.422	70.389	120.721	29.095
	2.113.447	1.046.467	901.603	206.963

(*) It consists of exchange differences arising from trade receivables and payables.

NOTE 23 - INCOME FROM INVESTING ACTIVITIES

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Gain on sale of financial instruments	128.443	82.983	167.253	88.167
Gain on sale of property, plant, and equipment	-	-	711	711
	128.443	82.983	167.964	88.878

NOTE 24 - FINANCIAL INCOME

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Foreign exchange gains	1.863.160	694.166	368.571	261.323
Interest income	38.772	20.227	1.669.087	1.022.387
	1.901.932	714.393	2.037.658	1.283.710

NOTE 25 - FINANCE COSTS

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Foreign exchange losses	1.990.657	904.044	263.734	37.546
Interest expense	1.730.017	837.596	75.052	38.695
Credit card commissions	459.793	273.282	384.219	178.982
Other financial expenses	717.305	126.277	345.061	7.228
	4.897.772	2.141.199	1.068.066	262.451

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NOTE 26 - TAX ASSETS AND LIABILITIES

Deferred taxes

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred tax has been provided at 30 June 2017 and 31 December 2016 using the enacted tax rates, is as follows:

	Total temporary differences		Deferred tax assets/(liabilities)	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Deferred income tax assets:				
Expense accruals	5.155.745	6.614.136	1.031.149	1.322.827
Provision for employee termination benefits	2.601.895	1.564.278	520.379	312.856
Unincurred finance income on trade receivables and payables	2.199.710	2.109.079	439.942	421.816
Provision for doubtful receivables	2.116.110	2.233.823	423.222	446.765
Deferred revenue	210.660	686.372	42.132	137.274
			2.456.824	2.641.538
Deferred income tax liabilities:				
Difference between the tax base and carrying value of property, equipment and intangible assets	19.436.790)	(16.335.323)	(3.887.358)	(2.998.513)
Other	(1.249.310)	(1.578.290)	(249.862)	(327.246)
			(4.137.220)	(3.325.759)
Deferred income tax (liabilities)/assets, net			(1.680.396)	(684.221)

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

	30 June 2017	31 December 2016
Deferred tax assets		
To be recovered less than 12 months	1.936.445	2.328.682
To be recovered more than 12 months	520.379	312.856
	2.456.824	2.641.538
Deferred tax liabilities		
To be recovered more than 12 months	(4.137.220)	(3.325.759)
	(4.137.220)	(3.325.759)
Deferred income tax (liabilities)/assets, net	(1.680.396)	(684.221)

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NOTE 26 - TAX ASSETS AND LIABILITIES (Continued)

Movement of deferred tax assets/(liabilities) for the periods ended 30 June 2017 and 2016 is as follows:

	2017	2016
As of 1 January	(684.221)	1.874.043
Charged to statements of profit or loss	(906.217)	(1.606.678)
Currency translation difference	(138.151)	-
Charged to other comprehensive income	48.193	(28.243)
As of 30 June	(1.680.396)	239.122

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 30,00% 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.

NOTE 27 - EARNINGS PER SHARE

The table of earnings per thousand shares calculated from nominal value of 1 Kr for the period ended 30 June 2017 is as follows;

	30 June 2017	30 June 2016
Net income attributable to equity holders of the parent	23.565.388	30.654.158
Shares	2.500.000	2.500.000
Earnings per share	9,43	12,26

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NOTE 28 - RELATED PARTY DISCLOSURES

a) Due from related parties at 30 June 2017 and 31 December 2016:

Long-term other receivables from related parties:	30 June 2017	31 December 2016
Receivables from other shareholders	2.549.114	1.970.534
Receivables from shareholders (*)	-	950.000
	2.549.114	2.920.534

(*) 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 30 June 2017 and 31 December 2016:**

Services given to related parties	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Logo Teknoloji ve Yatırım A.Ş.	357.488	1.390	16.432	1.596
Logo Siber	154.463	75.560	108.452	58.626
	511.951	76.950	124.884	60.222

c) **Services purchased from related parties and other transactions with related parties during the periods ended 30 June 2017 and 31 December 2016:**

Services purchased from related parties	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Logo Teknoloji ve Yatırım A.Ş.	48.245	8.585	330.114	24.751

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

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Remuneration of the management	1.474.418	750.809	1.122.611	584.225

The remuneration of executive management (executive management includes general manager and assistant general managers) for the interim periods ended 30 June 2017 and 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 for the interim periods ended 30 June 2017 and 2016.

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

30 June 2017						
Non-derivative financial instruments	Carrying value	Contractual cash outflow (I+II+III+IV)	Up to 3 month (I)	Between 3-12 month (II)	Between 1-5 year (III)	More than 5 year (IV)
Borrowings	76.725.300	83.914.287	13.479.932	17.119.665	40.371.215	12.943.475
Trade payables						
- Trade payables to third parties	12.930.210	12.930.210	12.930.210	-	-	-
Due to personel	9.557.857	9.557.857	9.557.857	-	-	-
Other payables						
- Other payables to third parties	6.128.198	6.128.198	3.884.538	-	2.243.660	-
Total liabilities	105.341.565	112.530.552	39.852.537	17.119.665	42.614.875	12.943.475

31 December 2016						
Non-derivative financial instruments	Carrying value	Contractual cash outflow (I+II+III+IV)	Up to 3 month (I)	Between 3-12 month (II)	Between 1-5 year (III)	More than 5 year (IV)
Borrowings	66.702.772	66.971.526	54.692.259	8.673.285	3.605.982	-
Trade payables						
- Trade payables to third parties	16.493.822	16.493.822	16.493.822	-	-	-
- Due to personel	6.457.090	6.457.090	6.457.090	-	-	-
Other payables						
- Other payables to third parties	9.940.081	9.940.081	7.198.360	-	2.741.721	-
Total liabilities	99.593.765	99.862.519	84.841.531	8.673.285	6.347.703	-

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

Interest rate risk

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

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

	30 June 2017	31 December 2016
<u>Financial instruments with fixed interest rate</u>		
Financial assets		
- Financial assets at fair value through profit or loss	5.877.829	2.899.400
Financial liabilities	67.606.851	58.242.074
<u>Financial instruments with float interest rate</u>		
Financial liabilities	9.118.449	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 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017	31 December 2016
USD	3,5071	3,5192
EUR	4,0030	3,7099

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

		Foreign currency position as of 30 June 2017			
		TRY equivalent	USD	EUR	Other
1.	Trade receivables	6.230.651	679.363	961.293	-
2a.	Monetary financial assets, (cash, and banks accounts included))	21.706.680	503.008	4.981.046	3.465
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
4.	Current assets (1+2+3)	27.937.331	1.182.371	5.942.339	3.465
5.	Trade receivables	-	-	-	-
6a.	Monetary financial assets	-	-	-	-
6b.	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	Non-current assets (5+6+7)	-	-	-	-
9.	Total assets (4+8)	27.937.331	1.182.371	5.942.339	3.465
10.	Trade payables	(1.773.790)	(109.000)	(344.966)	(10.617)
11.	Financial liabilities	(2.425.000)	-	-	(2.425.000)
12a.	Other monetary liabilities	-	-	-	-
12b.	Other non-monetary liabilities	-	-	-	-
13.	Non-current liabilities (10+11+12)	(4.198.790)	(109.000)	(344.966)	(2.435.617)
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(63.104.367)	-	(15.863.667)	-
16a.	Other monetary liabilities	-	-	-	-
16b.	Other non-monetary liabilities	-	-	-	-
17.	Non-current liabilities (14+15+16)	(63.104.367)	-	(15.863.667)	-
18.	Total liabilities (13+17)	(67.303.157)	(109.000)	(16.208.633)	(2.435.617)
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	-	-	-	-
20.	Net foreign assets/(liability) position (9-18+19)	(39.365.826)	1.073.371	(10.266.294)	(2.432.152)
21.	Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a- 10-11-12a-14-15-16a)	(39.365.826)	1.073.371	(10.266.294)	(2.432.152)
22.	Fair value of derivative instruments used in foreign currency hedge	-	-	-	-
23.	Export	(15.477.640)	-	-	-
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	-	-	-	-
4.	Current assets (1+2+3)	30.402.556	2.473.663	5.848.333	518
5.	Trade receivables	-	-	-	-
6a.	Monetary financial assets	-	-	-	-
6b.	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	Non-current assets (5+6+7)	-	-	-	-
9.	Total assets (4+8)	30.402.556	2.473.663	5.848.333	518
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	-	-	-	-
13.	Non-current liabilities (10+11+12)	(55.694.822)	(117.426)	(14.951.850)	-
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(3.605.981)	-	(979.600)	-
16a.	Other monetary liabilities	-	-	-	-
16b.	Other non-monetary liabilities	-	-	-	-
17.	Non-current liabilities (14+15+16)	(3.605.981)	-	(979.600)	-
18.	Total liabilities (13+17)	(59.300.803)	(117.426)	(15.931.450)	-
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	-	-	-	-
20.	Net foreign assets/(liability) position (9-18+19)	(28.898.247)	2.356.237	(10.083.117)	518
21.	Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a- 10-11-12a-14-15-16a)	(28.898.247)	2.356.237	(10.083.117)	518
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
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The following table shows the Group’s sensitivity to a 10% change in USD and EUR. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items at the end of the period and presents effect of 10% change in foreign currency rates. The positive amount indicates increase in profit/loss before tax or equity.

Foreign currency sensitivity

	30 June 2017			
	Profit/(loss)		Equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
Change of USD against TRY by 10%				
1- USD net assets/liabilities	107.337	(107.337)	-	-
2- Hedged portion from USD risks (-)	-	-	-	-
3- USD net effect (1+2)	107.337	(107.337)	-	-
Change of EUR against TRY by 10%				
4- EUR net assets/liabilities	(1.026.629)	1.026.629	-	-
5- Hedged portion from EUR risks (-)	-	-	-	-
6- EUR net effect (4+5)	(1.026.629)	1.026.629	-	-
Change of other currencies against TRY by 10%				
7- Other currencies net assets/liabilities	(243.215)	243.215	-	-
8- Hedged portion from other currency risks (-)	-	-	-	-
9- Other currencies net effect (7+8)	(243.215)	243.215	-	-
Total (3+6+9)	(1.162.507)	1.162.507	-	-
	31 December 2016			
	Profit/(loss)		Equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
Change of USD against TRY by 10%				
1- USD net assets/liabilities	235.624	(235.624)	-	-
2- Hedged portion from USD risks (-)	-	-	-	-
3- USD net effect (1+2)	235.624	(235.624)	-	-
Change of EUR against TRY by 10%				
4- EUR net assets/liabilities	(1.008.312)	1.008.312	-	-
5- Hedged portion from EUR risks (-)	-	-	-	-
6- EUR net effect (4+5)	(1.008.312)	1.008.312	-	-
Change of other currencies against TRY by 10%				
7- Other currencies net assets/liabilities	52	(52)	-	-
8- Hedged portion from other currency risks (-)	-	-	-	-
9- Other currencies net effect (7+8)	52	(52)	-	-
Total (3+6+9)	(772.636)	772.636	-	-

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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.

	30 June 2017	31 December 2016
Total payables	89.661.816	83.196.594
Less: Cash and cash equivalents	(53.527.005)	(43.507.923)
Net Debt	36.134.811	39.688.671
Total equity	179.776.177	160.802.613
Total capital	215.910.988	200.491.284
Gearing ratio (%)	17	20

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 through profit or loss:	Level 1	Level 2	Level 3
Financial investments	279.986	-	-

Fair value hierarchy table as at 30 June 2017 is as follows:

Financial assets held at fair value through profit or loss:	Level 1	Level 2	Level 3
Financial investments	2.779.854	-	-

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NOTE 31 – EVENTS AFTER BALANCE SHEET DATE

At the Board of Directors meeting held on 1 August 2017, it has been decided for the Company to participate in 20% of Actus Asset Management A.Ş.-Logo Ventures Private Equity Investment Fund’s outstanding shares. Total share capital committed by the investors to the newly established investment fund is amounting to TRY 10.000.000.

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