

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2017**

(ORIGINALLY ISSUED IN TURKISH)

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

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2017**

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CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONDENSED CONSOLIDATED BALANCE SHEETS AT 30 SEPTEMBER 2017

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

| | Notes | Not audited 30 September 2017 | Audited 31 December 2016 |
|--|-------|----------------------------------|-----------------------------|
| ASSETS | | | |
| Current asset | | 130.507.773 | 139.523.661 |
| Cash and cash equivalents | 5 | 49.939.080 | 43.507.923 |
| Financial investments | 6 | - | 279.986 |
| Trade receivables | | 73.719.082 | 92.906.476 |
| - <i>Trade receivables from third parties</i> | 9 | 73.719.082 | 92.906.476 |
| Other receivables | | 1.089.361 | 147.362 |
| - <i>Other receivables from third parties</i> | 10 | 1.089.361 | 147.362 |
| Inventories | 11 | 455.085 | 322.138 |
| Prepaid expenses | 17 | 3.303.268 | 1.946.104 |
| Other current assets | | 2.001.897 | 413.672 |
| Non-current assets | | 206.708.224 | 188.013.329 |
| Other receivables | | 3.535.680 | 3.081.146 |
| - <i>Other receivables from related parties</i> | 28 | 3.375.068 | 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 | 489.534 | 737.533 |
| Property, plant and equipment | 12 | 20.256.992 | 18.977.934 |
| Intangible assets | | 179.831.546 | 161.722.764 |
| - <i>Goodwill</i> | 14 | 83.168.091 | 75.386.762 |
| - <i>Other intangible assets</i> | 13 | 96.663.455 | 86.336.002 |
| Prepaid expenses | 17 | 1.722.135 | 1.786.750 |
| Deferred tax assets | 26 | 244.852 | 1.208.136 |
| Other non-current assets | | 496.832 | 368.413 |
| Total assets | | 337.215.997 | 327.536.990 |

These consolidated financial statements have been approved by Board of Directors on 02 November 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 CONSOLIDATED FINANCIAL
STATEMENTS ORIGINALLY ISSUED IN TURKISH**

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONDENSED CONSOLIDATED BALANCE SHEETS AT 30 SEPTEMBER 2017

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

| | Notes | Not audited 30 September 2017 | Audited 31 December 2016 |
|--|-------|----------------------------------|-----------------------------|
| LIABILITIES | | | |
| Short-term liabilities | | 82.898.184 | 148.823.733 |
| Short-term borrowings | 8 | 7.172.171 | 56.798.022 |
| Short-term portion of long-term borrowings | 8 | 16.367.170 | 6.298.768 |
| Trade payables | | 9.622.835 | 16.493.822 |
| - <i>Trade payables to third parties</i> | 9 | 9.622.835 | 16.493.822 |
| Employee benefit payables | 16 | 7.606.848 | 6.457.090 |
| Other payables | | 3.163.121 | 7.198.360 |
| - <i>Other payables to third parties</i> | 10 | 3.163.121 | 7.198.360 |
| Deferred revenue | 17 | 36.788.027 | 40.749.291 |
| Short-term provisions | | - | 11.609.615 |
| - <i>Short-term provisions for employee benefits</i> | 16 | - | 11.609.615 |
| Current income tax liabilities | | 1.387.521 | 1.818.901 |
| Other current liabilities | | 790.491 | 1.399.864 |
| Long-term liabilities | | 56.922.408 | 14.555.392 |
| Long-term borrowings | 8 | 45.043.110 | 3.605.982 |
| Other payables | | 1.809.414 | 2.741.721 |
| - <i>Other payables to third parties</i> | 10 | 1.809.414 | 2.741.721 |
| Long-term provisions | | 8.303.731 | 6.315.332 |
| - <i>Provisions for employment termination benefits</i> | 16 | 8.303.731 | 6.315.332 |
| Deferred tax liabilities | 26 | 1.766.153 | 1.892.357 |
| EQUITY | | | |
| Equity attributable to equity holders of the parent | | 196.195.621 | 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 |
| Reserves for treasury shares | | 4.632.563 | 4.632.563 |
| Treasury shares (-) | 18 | (4.632.563) | (4.632.563) |
| Other comprehensive income and expense that will not be reclassified to profit or loss | | (2.869.497) | (1.663.527) |
| - <i>Actuarial loss on employment termination benefits</i> | | (2.869.497) | (1.663.527) |
| Other comprehensive income and expense that will be reclassified to profit or loss | | 13.320.345 | 6.899.780 |
| - <i>Currency translation difference</i> | | 13.320.345 | 6.899.780 |
| Retained earnings | | 112.423.275 | 75.241.603 |
| Net income for the period | | 38.133.706 | 45.339.470 |
| Non-controlling interests | | 1.199.784 | 3.355.252 |
| Total equity | | 197.395.405 | 164.157.865 |
| Total liabilities | | 337.215.997 | 327.536.990 |

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

CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT AND LOSS FOR THE PERIODS 1 JANUARY - 30 SEPTEMBER 2017 AND 2016

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

| | Notes | 1 January - 30 September 2017 | 1 July - 30 September 2017 | 1 January - 30 September 2016 | 1 July - 30 September 2016 |
|--|-------|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|
| Revenue | 20 | 173.563.425 | 56.626.393 | 110.408.304 | 37.500.018 |
| Cost of sales (-) | 20 | (8.287.196) | (2.165.522) | (1.963.105) | (557.897) |
| Gross profit | | 165.276.229 | 54.460.871 | 108.445.199 | 36.942.121 |
| General and administrative expenses (-) | 21 | (20.130.961) | (7.817.759) | (9.862.484) | (3.352.578) |
| Marketing expenses (-) | 21 | (30.393.811) | (10.465.296) | (18.832.999) | (5.358.652) |
| Research and development expenses (-) | 21 | (70.863.911) | (21.156.707) | (33.990.781) | (13.250.626) |
| Other operating income | 22 | 4.168.727 | 1.902.800 | 4.162.028 | 1.278.053 |
| Other operating expenses (-) | 22 | (2.496.043) | (382.596) | (1.431.191) | (529.588) |
| Operating profit | | 45.560.230 | 16.541.313 | 48.489.772 | 15.728.730 |
| Income from investing activities | 23 | 269.532 | 141.089 | 225.453 | 57.489 |
| Share of losses of investments accounted for by the equity method | 7 | (1.047.999) | (381.997) | - | - |
| Operating profit before financial income/(expenses) | | 44.781.763 | 16.300.405 | 48.715.225 | 15.786.219 |
| Financial income | 24 | 2.170.043 | 268.111 | 3.030.987 | 993.329 |
| Financial expenses (-) | 25 | (6.543.653) | (1.645.881) | (2.031.996) | (963.930) |
| Income before taxes | | 40.408.153 | 14.922.635 | 49.714.216 | 15.815.618 |
| Taxation on income: | | | | | |
| Current income tax expense | 26 | (2.158.367) | (718.299) | (1.578.844) | (617.202) |
| Deferred tax expense | 26 | (682.895) | 223.322 | (1.966.755) | (360.077) |
| Net income for the period | | 37.566.891 | 14.427.658 | 46.168.617 | 14.838.339 |
| Net income attributable to: | | | | | |
| Non-controlling interests | | (566.815) | (140.660) | 1.195.338 | 519.218 |
| Equity holders of the parent | | 38.133.706 | 14.568.318 | 44.973.279 | 14.319.121 |
| Earnings per shares | 27 | 15,25 | 5,83 | 17,99 | 5,73 |

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

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

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

**CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE
INCOME FOR THE PERIODS 1 JANUARY - 30 SEPTEMBER 2017 AND 2016**

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

| | Notes | 1 January - 30 September 2017 | 1 July - 30 September 2017 | 1 January - 30 September 2016 | 1 July - 30 September 2016 |
|---|-------|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|
| Net income for the period | | 37.566.891 | 14.427.658 | 46.168.617 | 14.838.339 |
| <i>Other comprehensive income and expense that will be reclassified to profit or loss</i> | | | | | |
| Currency translation differences | | 6.420.565 | 2.326.280 | - | - |
| <i>Other comprehensive income and expense that will not be reclassified to profit or loss</i> | | | | | |
| Actuarial loss on employment termination benefits | 16 | (1.254.163) | (475.154) | (627.362) | (418.575) |
| Deferred tax effect | 26 | 48.193 | - | 59.967 | 88.210 |
| Other comprehensive income | | 5.214.595 | 1.851.126 | (567.395) | (330.365) |
| Total comprehensive income | | 42.781.486 | 16.278.784 | 45.601.222 | 14.507.974 |
| Other comprehensive income attributable to: | | | | | |
| Non-controlling interest | | (566.815) | (140.660) | 1.195.338 | 519.218 |
| Equity holders of the parent | | 43.348.301 | 16.419.444 | 44.405.884 | 13.988.756 |

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

CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIODS 1 JANUARY - 30 SEPTEMBER 2017 AND 2016

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

| | Paid-in share capital | Adjustments to share capital | Reserves for Treasury shares | Reserves for treasury shares | Restricted reserves | Other comprehensive income not to be reclassified under profit and loss Actuarial gain/(loss) on employment 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 | |
|---|-----------------------|------------------------------|------------------------------|------------------------------|---------------------|---|--|-------------------|-------------------------|---|--------------------------|------------------|--------------------|
| Balances at 1 January 2016 | | 25.000.000 | 2.991.336 | (4.632.563) | 4.632.563 | 6.993.951 | (1.681.596) | - | 35.346.813 | 39.894.790 | 108.545.294 | 1.754.570 | 110.299.864 |
| Transfers | | - | - | - | - | - | - | - | 39.894.790 | (39.894.790) | - | - | - |
| Acquisition or disposal of subsidiaries | | - | - | - | - | - | - | 663.459 | - | - | 663.459 | - | 663.459 |
| Net income for the period | | - | - | - | - | - | - | - | 44.973.279 | 44.973.279 | 1.195.338 | - | 46.168.617 |
| Other comprehensive income | | - | - | - | - | - | (567.395) | - | - | - | (567.395) | - | (567.395) |
| Balances at 30 September 2016 | | 25.000.000 | 2.991.336 | (4.632.563) | 4.632.563 | 6.993.951 | (2.248.991) | 663.459 | 75.241.603 | 44.973.279 | 153.614.637 | 2.949.908 | 156.564.545 |
| Balances at 1 January 2017 | | 25.000.000 | 2.991.336 | (4.632.563) | 4.632.563 | 6.993.951 | (1.663.527) | 6.899.780 | 75.241.603 | 45.339.470 | 160.802.613 | 3.355.252 | 164.157.865 |
| Transfers | | - | - | - | - | 202.505 | - | - | 45.136.965 | (45.339.470) | - | - | - |
| Acquisition of subsidiaries | | - | - | - | - | - | - | - | (7.955.293) | - | (7.955.293) | (1.588.653) | (9.543.946) |
| Net income for the period | | - | - | - | - | - | - | - | - | 38.133.706 | 38.133.706 | (566.815) | 37.566.891 |
| Other comprehensive income | | - | - | - | - | - | (1.205.970) | 6.420.565 | - | - | 5.214.595 | - | 5.214.595 |
| Balances at 30 September 2017 | | 25.000.000 | 2.991.336 | (4.632.563) | 4.632.563 | 7.196.456 | (2.869.497) | 13.320.345 | 112.423.275 | 38.133.706 | 196.195.621 | 1.199.784 | 197.395.405 |

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

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

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

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

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

| | Notes | 1 January - 30 September 2017 | 1 January - 30 September 2016 |
|--|----------|----------------------------------|----------------------------------|
| A. Cash flows from operating activities | | 51.474.304 | 53.472.482 |
| Profit for the period | | 37.566.891 | 46.168.617 |
| Adjustments to reconcile profit for the year | | 10.893.829 | (3.946.027) |
| Adjustments for depreciation and amortization expenses | 12, 13 | 18.537.364 | 12.688.634 |
| Adjustments for provision/(reversals) for employment termination benefits | 16 | (10.216.360) | 367.593 |
| Adjustments for interest expense | 25 | 2.189.460 | 279.301 |
| Adjustments for interest income | 24 | (75.882) | (2.297.062) |
| Adjustments for undistributed profits of joint ventures | 7 | 1.047.999 | - |
| Adjustments for provision/(reversal) for doubtful receivables | 9 | (255.584) | 320.646 |
| Adjustments for gain on sale of property and equipment | 23 | - | (711) |
| Adjustments for other adjustments to reconcile profit or loss | | (3.174.430) | (18.850.027) |
| Adjustments for tax expense | | 2.841.262 | 3.545.599 |
| Changes in net working capital | | 6.262.350 | 13.022.136 |
| Decrease in trade receivables | | 20.999.901 | 42.605.895 |
| (Increase)/decrease in inventories | | (132.947) | 63.444 |
| Increase in other current assets | | (4.125.740) | (9.914.483) |
| Decrease in trade payables | | (6.870.987) | (4.534.934) |
| Decrease in other liabilities | | (3.607.877) | (15.197.786) |
| Cash flows from operating activities | | 54.723.070 | 55.244.726 |
| Taxes paid | | (2.589.747) | (1.493.280) |
| Employment termination benefits paid | 16 | (659.019) | (278.964) |
| Purchases of property, plant and equipment and intangible assets | 12, 13 | (27.950.641) | (18.314.152) |
| Cash used in purchase of assets held for sale | | | |
| Acquisition of subsidiary | 18 | (10.000.000) | (90.188.399) |
| Proceeds from sales of property and equipment | | 150.783 | 3.454 |
| Capital injections to joint ventures | 7 | (800.000) | - |
| Interest received | | 75.882 | 2.297.062 |
| B. Cash flows from investing activities | | (38.523.976) | (106.202.035) |
| Repayments of borrowings | | (22.516.257) | (855.753) |
| Proceeds from borrowings | | 18.586.296 | 49.973.028 |
| Interest paid | | (3.696.333) | (279.301) |
| C. Cash flows from financing activities | | (7.626.294) | 48.837.974 |
| Net increase in cash and cash equivalents | | 5.324.034 | (3.891.579) |
| D. Effects of currency translation differences on cash and cash equivalents | | 1.107.123 | 7.029 |
| 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 | 49.939.080 | 47.644.486 |

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

CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 SEPTEMBER 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 September 2017, the average number of personnel of the Group is 1.033 (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 September 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 |
| Logo Kobi Dijital Hizmetler A.Ş. (“Logo Kobi”) (*) | Turkey | Development and marketing of computer software |
| Joint venture | Country of incorporation | Nature of business |
| FIGO Ticari Bilgi ve Uygulama Platformu A.Ş. (“FIGO”) | Turkey | Development and marketing of computer software |

(*) Logo Kobi was established on 11 September 2017 with capital of 8,000,000TRY. Logo Kobi is wholly owned by Logo Yazılım

CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 SEPTEMBER 2017

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

NOTE 1 - ORGANIZATION AND NATURE OPERATIONS (Continued)

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

Our Board of Directors decided at their meeting dated on 11 September 2017 to found a company named Logo Kobi Dijital Hizmetler A.Ş. with a capital of 8.000.000 TRY and fully owned by Logo Yazılım. The company's foundation process has been completed

Logo Kobi Dijital Hizmetler A.Ş. aims to develop cloud-based software and service-based micro solutions for newly founded, small-sized and one-person consultancy companies. As a result, information technology services will be offered to one-person-companies and small companies through web-based and mobile technologies.

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 September 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.

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LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 SEPTEMBER 2017

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

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

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 September 2017 and 31 December 2016:

| Subsidiaries | 30 September 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 |
| Logo Kobi (**) | 100,00 | - |

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

(**) Logo Kobi was established on 11 September 2017.

Joint Venture

| | 30 September 2017 (%) | 31 December 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.

CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 SEPTEMBER 2017

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

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

2.3 Amendments to International Financial Reporting Standards

a. Standards, amendments and interpretations applicable as at 30 September 2017

- TFRS 14, “Regulatory deferral accounts
- Annual improvements of 2014,
 - 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”

b. Standards, amendments and interpretations effective after 30 September 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”
- 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”
- TFRIC 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.

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

2.4 Summary of significant accounting policies

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

Group’s sales fluctuate on a quarterly basis and generally are highest in the fourth quarter of our reporting period.

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

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The Group uses percentage of completion method in accounting of its software license 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. LEM is provided free of charge in the first year of the software sale. Since 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.

2.7 Comparatives and adjustment of prior periods’ financial statements

The consolidated financial statements of the Group include comparative financial information to enable the determination of the financial position and performance.

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

- A reclassification is made amounting to TRY 4,632,563 between “Reserves for treasury shares” and “Retained earnings” on the consolidated balance sheet of the Group prepared as of 31 December 2016.

NOTE 3 - SEGMENT REPORTING

The Group’s Chief Operating Decision-Maker is responsible for allocating resources and assessing performance of the operating segments. Adjusted earnings 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).

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NOTE 3 - SEGMENT REPORTING (Continued)

| 30 September 2017 | Turkey | Romania | Other | Segmental eliminations | Consolidated |
|---|---------------|----------------|--------------|-------------------------------|---------------------|
| Reportable segment assets | 186.107.361 | 148.427.801 | 4.330.919 | (1.650.084) | 337.215.997 |
| Reportable segment liabilities | 57.574.993 | 83.165.000 | 730.683 | (1.650.084) | 139.820.592 |
| Goodwill | 83.168.091 | - | - | - | 83.168.091 |
| Property and equipment and intangible asset | 82.822.503 | 33.392.137 | 705.807 | - | 116.920.447 |

| 30 September 2017 | Turkey | Romania | Other | Segmental eliminations | Consolidated |
|--|---------------|----------------|--------------|-------------------------------|---------------------|
| Revenue | 118.117.536 | 55.445.889 | - | - | 173.563.425 |
| Cost of sales (-) | (2.089.558) | (6.197.638) | - | - | (8.287.196) |
| Operating expenses | (67.341.179) | (52.351.420) | (1.696.084) | - | (121.388.683) |
| Finance income | 591.347 | 1.578.696 | - | - | 2.170.043 |
| Finance expense | (2.567.372) | (3.975.315) | (966) | - | (6.543.653) |
| Depreciation and amortization | (13.937.676) | (4.484.941) | (114.747) | - | (18.537.364) |
| Share of profit or loss of investments accounted for using the equity method | (1.047.999) | - | - | - | (1.047.999) |
| Tax expense | (2.265.128) | (576.134) | - | - | (2.841.262) |
| Net profit for the year | 45.000.374 | (5.736.433) | (1.697.050) | - | 37.566.891 |
| Adjusted EBITDA | 62.624.475 | 1.381.772 | (1.581.337) | - | 62.424.910 |
| Purchase of property and equipment and intangible assets | 20.912.699 | 6.217.373 | 820.569 | - | 27.950.641 |

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

| 30 September 2017 | Consolidated |
|--|---------------------|
| Adjusted EBITDA | 62.424.910 |
| Depreciation and amortization | (18.537.364) |
| Income from investing activities | 269.532 |
| Share of profit or loss of investments accounted for using the equity method | (1.047.999) |
| Other operating income | 4.168.727 |
| Other operating expenses | (2.496.043) |
| Financial income | 2.170.043 |
| Financial expenses | (6.543.653) |
| Profit before tax | 40.408.153 |

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NOTE 3 - SEGMENT REPORTING (Continued)

| 30 September 2016 | Turkey | Romania | Segmental eliminations | Consolidated |
|--|---------------|----------------|-------------------------------|---------------------|
| Reportable segment assets | 158.958.699 | 123.069.683 | - | 282.028.382 |
| Reportable segment liabilities | 60.611.941 | 64.851.896 | - | 125.463.837 |
| Property and equipment and intangible asset | 15.927.398 | 1.738.539 | - | 17.665.937 |
| 30 September 2016 | Turkey | Romania | Segmental eliminations | Consolidated |
| Revenue | 104.650.186 | 5.758.118 | - | 110.408.304 |
| Cost of sales (-) | (1.790.277) | (172.828) | - | (1.963.105) |
| Operating expenses | (57.438.015) | (5.248.249) | - | (62.686.264) |
| Finance income | 2.972.110 | 58.877 | - | 3.030.987 |
| Finance expense | (1.909.919) | (122.077) | - | (2.031.996) |
| Depreciation and amortization | (12.237.464) | (451.170) | - | (12.688.634) |
| Tax expense | (3.487.776) | (57.823) | - | (3.545.599) |
| Net profit for the year | 45.949.839 | 218.778 | - | 46.168.617 |
| Adjusted EBITDA | 57.659.358 | 788.211 | - | 58.447.569 |
| Purchase of property and equipment and intangible assets | 18.209.998 | 104.154 | - | 18.314.152 |

Reconciliation between adjusted EBITDA and profit before tax is as follows

| 30 September 2016 | Consolidated |
|--|---------------------|
| Adjusted EBITDA | 58.447.569 |
| Depreciation and amortization | (12.688.634) |
| Income from investing activities | 225.453 |
| Share of profit or loss of investments accounted for using the equity method | - |
| Other operating income | 4.162.028 |
| Other operating expenses | (1.431.191) |
| Financial income | 3.030.987 |
| Financial expenses | (2.031.996) |
| Profit before tax | 49.714.216 |

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.

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NOTE 4 - BUSINESS COMBINATION (Continued)

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 75.689.439 as of 30 September 2017.

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NOTE 5 - CASH AND CASH EQUIVALENTS

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

| | 30 September 2017 | 31 December 2016 |
|--------------------------------------|--------------------------|-------------------------|
| Cash | 25.438 | 21.013 |
| Banks | | |
| - Demand deposits - TRY | 2.924.357 | 1.097.542 |
| - Demand deposits - foreign currency | 13.840.201 | 15.011.551 |
| - Time deposits - TRY | 5.710.000 | 260.000 |
| - Time deposits - foreign currency | 420.001 | 2.639.400 |
| Credit card receivables | 25.478.079 | 24.478.417 |
| Cheques received | 409.114 | - |
| Restricted cash (*) | 1.131.890 | - |
| | 49.939.080 | 43.507.923 |

(*) Restricted cash consist of cash guarantees given by the Totalsoft to its customers and the maturities 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 September 2017 and 31 December 2016 is as follows:

| | 30 September 2017 | 31 December 2016 |
|----------------|--------------------------|-------------------------|
| Mutual funds | | |
| - Liquid funds | - | 279.986 |

Available-for-sale financial assets:

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

| | 30 September 2017 | | 31 December 2016 | |
|--|--------------------------|----------------|-------------------------|----------------|
| | Share (%) | TRY | Share (%) | TRY |
| 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 September 2017 and 31 December 2016. Since they do not have any quoted market price in active market, their fair value cannot 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 | 800.000 | - |
| Share of profit/(loss) | (1.047.999) | - |
| As of 30 September | 489.534 | - |

Summary of balance sheet

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

| FIGO | 30 September 2017 | 31 December 2016 |
|------------------------------|--------------------------|-------------------------|
| Cash and cash equivalents | 138.782 | 704.534 |
| Other current assets | 269.026 | 110.344 |
| Other non-current assets | 170.856 | 136.177 |
| Total assets | 578.664 | 951.055 |
| Other short-term liabilities | 195.457 | 71.849 |
| Total liabilities | 774.121 | 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 September 2017 |
|---|--------------------------|
| Income | 25.984 |
| Expenses (-) | (2.121.981) |
| Net loss for the year | (2.095.997) |
| The Group's interest | 50% |
| The Group's share | (1.047.999) |
| Share of losses from investments accounted for using the equity method | (1.047.999) |

NOTE 8 - BORROWINGS

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

| Short-term borrowings: | 30 September 2017 | 31 December 2016 |
|---|--------------------------|-------------------------|
| Short-term bank borrowings | 6.980.408 | 56.639.008 |
| Credit card payables | 191.763 | 159.014 |
| | 7.172.171 | 56.798.022 |
| Current portion of long-term borrowings: | | |
| Current portion of long-term bank borrowings | 15.843.377 | 5.825.342 |
| Finance leases | 523.793 | 473.426 |
| | 16.367.170 | 6.298.768 |
| Total short-term bank borrowings | 23.539.341 | 63.096.790 |
| Long-term bank borrowings: | 30 September 2017 | 31 December 2016 |
| Long-term bank borrowings | 44.184.815 | 2.948.375 |
| Finance leases | 858.295 | 657.607 |
| Total long term borrowings | 45.043.110 | 3.605.982 |

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NOTE 8 - BORROWINGS (Continued)

| | 30 September 2017 | | |
|---|--|------------------------|---------------------------|
| | Weighted average annual interest rate (%) | Original amount | TRY equivalent |
| Short-term borrowings: | | | |
| Bank borrowings - TRY - unsecured | 13,32 | 4.500.331 | 4.500.331 |
| Bank borrowings - RON - unsecured | - | 2.736.576 | 2.480.077 |
| Credit cards payables - TRY | - | 191.763 | 191.763 |
| | | | 7.172.171 |
| Current portion of long-term borrowings: | | | |
| Bank borrowings - EUR - secured | Euribor+2,25 | 1.800.000 | 7.459.777 |
| Bank borrowings - EUR - secured | 2,50 | 2.022.913 | 8.383.600 |
| Finance leases - EUR | - | 126.388 | 523.793 |
| | | | 16.367.170 |
| Long-term borrowings: | | | |
| Bank borrowings - EUR -secured | 2,50 | 10.661.534 | 44.184.815 |
| Finance leases - EUR | - | 207.101 | 858.295 |
| | | | 45.043.110 |
| Total borrowings | | | 68.582.451 |

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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 September 2017 and 31 December 2016 are as follows:

| | 30 September 2017 | | 31 December 2016 | |
|-----------------------------|--------------------------|-------------------|--------------------------|-------------------------|
| | Carrving amount | Fair value | 30 September 2017 | 31 December 2016 |
| To be paid within 1-2 years | 9.171.704 | 3.251.042 | | |
| To be paid within 2-5 years | 24.834.050 | 354.940 | | |
| More than 5 years | 11.037.356 | - | | |
| | 45.043.110 | 3.605.982 | | |
| Bank borrowings | 67.008.600 | 65.412.725 | 72.892.096 | 66.082.184 |
| | 67.008.600 | 65.412.725 | 72.892.096 | 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 September 2017 and 31 December 2016 are as follows:

| Short-term trade receivables: | 30 September 2017 | 31 December 2016 |
|---|--------------------------|-------------------------|
| Trade receivables | 72.513.648 | 87.589.858 |
| Credit card receivables | 23.726.160 | 25.623.742 |
| Cheques and notes receivables | 1.686.945 | 2.850.196 |
| Income accruals | 67.942 | 69.451 |
| Less: provision for doubtful receivables | (22.397.171) | (21.095.832) |
| Less: unearned finance income arising from credit sales | (1.878.442) | (2.130.939) |
| | 73.719.082 | 92.906.476 |

As of 30 September 2017, the average turnover of the trade receivables is 110 days (31 December 2016: 117 days), excluding the credit cards receivables average turnover day is 76 days (31 December 2016: 72 days), the discount rate applied to the unmatured receivables is 13,10% (31 December 2016: 8,82%).

As of 30 September 2017, trade receivables of TRY13.448.691 (31 December 2016: TRY16.575.792) were past due but not impaired. The aging analysis of these trade receivables is as follows:

| | 30 September 2017 | 31 December 2016 |
|------------------------|--------------------------|-------------------------|
| Up to 1 month | 2.403.786 | 1.169.448 |
| 1-3 months | 2.250.711 | 596.012 |
| More than 3 months (*) | 8.794.194 | 14.810.332 |
| | 13.448.691 | 16.575.792 |

(*) TRY6.812.527 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 September 2017 and 2016 are as follows:

| | 2017 | 2016 |
|---|-------------------|-------------------|
| As of 1 January | 21.095.832 | 6.451.544 |
| Provision for the period | 1.066.918 | (374.252) |
| Releases | (1.322.502) | 53.606 |
| Acquisition of subsidiary | - | (11.690.785) |
| Foreign currency translation difference | 1.556.923 | - |
| As of 30 September | 22.397.171 | 18.462.975 |

| Trade payables to third parties: | 30 September 2017 | 31 December 2016 |
|---|--------------------------|-------------------------|
| Trade payables | 9.622.835 | 16.493.822 |

As of 30 September 2017, the average debt payment period is 64 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 September 2017 and 31 December 2016:

| 30 September 2017 | Trade receivables | | Other receivables | | Cash at bank |
|--|-------------------|--------------|-------------------|-----------|--------------|
| | Related party | Other | Related party | Other | |
| The maximum of credit risk exposure at the reporting date | - | 73.719.082 | 3.375.068 | 1.249.973 | 49.913.642 |
| - <i>Amount of risk covered by guarantees</i> | - | 582.724 | - | - | - |
| Net carrying value of not past due and not impaired financial assets | - | 60.270.391 | 3.375.068 | 1.249.973 | 49.913.642 |
| Net carrying value of past due but not impaired financial assets | - | 13.448.691 | - | - | - |
| - <i>Amount of risk covered by guarantees</i> | - | - | - | - | - |
| Net carrying value of impaired assets | - | - | - | - | - |
| - <i>Past due (gross carrying value)</i> | - | 22.397.171 | - | - | - |
| - <i>Provision for impairment (-)</i> | - | (22.397.171) | - | - | - |
| - <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 September 2017 | 31 December 2016 |
|-------------------------------|--------------------------|-------------------------|
| Deposits and guarantees given | 395.918 | 147.362 |
| Income accruals | 693.443 | - |
| | 1.089.361 | 147.362 |

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

| | 30 September 2017 | 31 December 2016 |
|-----------------------------|--------------------------|-------------------------|
| Other long-term receivables | 160.612 | 160.612 |

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

| | 30 September 2017 | 31 December 2016 |
|---------------|--------------------------|-------------------------|
| Taxes payable | 2.475.863 | 6.865.594 |
| Other | 687.258 | 332.766 |
| | 3.163.121 | 7.198.360 |

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

| | 30 September 2017 | 31 December 2016 |
|---|--------------------------|-------------------------|
| Long term payables regarding Vardar acquisition | 1.249.292 | 1.249.292 |
| Long term payables regarding Intermat acquisition | 560.122 | 1.492.429 |
| | 1.809.414 | 2.741.721 |

NOTE 11 - INVENTORIES

| | 30 September 2017 | 31 December 2016 |
|-----------------------------|--------------------------|-------------------------|
| Trade goods | 1.022.429 | 832.761 |
| Raw materials and equipment | 97.372 | 79.004 |
| Other | 3.497 | 9.889 |
| Provision for inventory (-) | (668.213) | (599.516) |
| | 455.085 | 322.138 |

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NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

| | 1 January 2017 | Additions | Disposals | Currency translation difference | 30 September 2017 | |
|----------------------------------|-------------------|------------------|------------------------------|---------------------------------------|--|----------------------|
| Cost: | | | | | | |
| Machinery and equipment | 8.040.756 | 1.008.903 | (18.048) | 223.726 | 9.255.337 | |
| Motor vehicles | 2.462.846 | 135.032 | (571.589) | 401.375 | 2.427.664 | |
| Furniture and fixtures | 4.781.587 | 349.222 | - | 165.861 | 5.296.670 | |
| Special costs | 20.618.937 | 1.049.585 | - | 184.530 | 21.853.052 | |
| | 35.904.126 | 2.542.742 | (589.637) | 975.492 | 38.832.723 | |
| Accumulated depreciation: | | | | | | |
| Machinery and equipment | 6.033.557 | 688.210 | (9.436) | (95.955) | 6.616.376 | |
| Motor vehicles | 244.408 | 381.927 | (429.418) | 74.390 | 271.307 | |
| Furniture and fixtures | 3.549.714 | 257.734 | - | 31.191 | 3.838.639 | |
| Special costs | 7.098.513 | 666.063 | - | 84.833 | 7.849.409 | |
| | 16.926.192 | 1.993.934 | (438.854) | 94.459 | 18.575.731 | |
| Net book value | 18.977.934 | | | | 20.256.992 | |
| | 1 January 2016 | Additions | Acquisition of subsidiary | Disposals | Currency translation differences | 30 September 2016 |
| Cost: | | | | | | |
| Machinery and equipment | 6.606.148 | 845.294 | 1.562.648 | (4.067) | 22.227 | 9.032.250 |
| Motor vehicles | 55.382 | | 1.998.812 | (80.681) | 27.079 | 2.000.592 |
| Furniture and fixtures | 3.901.241 | 182.357 | 942.802 | - | 13.312 | 5.039.712 |
| Furniture and fixtures | 19.985.276 | 502.802 | 1.465.764 | - | 20.651 | 21.974.493 |
| | 30.548.047 | 1.530.453 | 5.970.026 | (84.748) | 83.269 | 38.047.047 |
| Accumulated Depreciation: | | | | | | |
| Machinery and equipment | 5.360.844 | 25.268 | 1.188.019 | (1.324) | 17.178 | 6.989.985 |
| Motor vehicles | 52.026 | 30.309 | 917.414 | (80.681) | 13.266 | 932.334 |
| Furniture and fixtures | 3.218.764 | 198.588 | 677.091 | - | 9.790 | 4.104.233 |
| Furniture and fixtures | 6.427.629 | 490.095 | 1.416.354 | - | 20.480 | 8.354.558 |
| | 15.059.263 | 1.144.260 | 4.198.878 | (82.005) | 60.714 | 20.381.110 |
| Net book value | 15.488.784 | | | | | 17.665.937 |

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 USD7.843 and the Group’s non-cancellable lease payments are, TRY334.309 within 1 year, TRY1.337.238 1 to 5 years and TRY7.758.765 more than 5 years.

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NOTE 13 - INTANGIBLE ASSETS

| | 1 January 2017 | Additions | Currency translation difference | 30 September 2017 |
|----------------------------------|---------------------------|-------------------|--|------------------------------|
| Costs: | | | | |
| Development costs | 119.975.822 | 24.997.912 | 4.268.099 | 149.241.833 |
| Advanced technology | 15.258.917 | - | 547.579 | 15.806.496 |
| Customer relations | 18.274.146 | - | 697.276 | 18.971.422 |
| Non-compete agreement | 2.747.778 | - | - | 2.747.778 |
| Other intangible assets | 7.117.018 | 409.987 | 103.778 | 7.630.783 |
| | 163.373.681 | 25.407.899 | 5.616.732 | 194.398.312 |
| Accumulated amortization: | | | | |
| Development costs | 60.217.975 | 13.178.329 | 3.030.302 | 76.426.606 |
| Advanced technology | 4.555.533 | 1.309.526 | 441.612 | 6.306.671 |
| Customer relations | 4.862.180 | 1.494.480 | 586.956 | 6.943.616 |
| Non-compete agreement | 2.423.648 | 201.930 | - | 2.625.578 |
| Other intangible assets | 4.978.343 | 359.165 | 94.878 | 5.432.386 |
| | 77.037.679 | 16.543.430 | 4.153.748 | 97.734.857 |
| Net book value | 86.336.002 | | | 96.663.455 |

Additions amounting to TRY24.906.037 to development costs for the period ended 30 September 2017 (30 September 2016: TRY15.932.610) consists of personnel costs.

TRY16.948.082 (30 September 2016: TRY 12.301.137) TRY283.346 (30 September 2016: TRY182.530) and TRY1.305.936 (30 September 2016: TRY204.967) of the depreciation and amortization expenses for the period ended 30 September 2017 have been included to 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 | Acquisition of subsidiary | Currency translation differences | 30 September 2016 |
|---|---------------------------|-------------------|--------------------------------------|---|------------------------------|
| Cost: | | | | | |
| Development costs | 79.862.344 | 16.084.887 | 34.260.277 | 483.826 | 130.691.334 |
| Technology developed | 12.460.183 | - | 4.350.890 | 61.299 | 16.872.372 |
| Customer relations | 11.852.175 | - | 5.540.342 | 78.057 | 17.470.574 |
| Agreement for restriction ..of competition | 2.747.778 | - | 7.637.533 | 107.605 | 10.492.916 |
| Other intangible assets | 6.186.579 | 698.812 | 786.135 | 11.076 | 7.682.602 |
| | 113.109.059 | 16.783.699 | 52.575.177 | 741.863 | 183.209.798 |
| Accumulated amortization: | | | | | |
| Development costs | 48.627.617 | 9.069.525 | 19.145.569 | 273.619 | 77.116.330 |
| Technology developed | 3.066.467 | 992.708 | 2.636.903 | 37.587 | 6.733.665 |
| Customer relations | 3.312.463 | 1.050.707 | 3.693.561 | 52.649 | 8.109.380 |
| Agreement for restriction of competition | 2.154.407 | 201.930 | - | - | 2.356.337 |
| Other intangible assets | 4.667.718 | 229.504 | 707.682 | 10.043 | 5.614.947 |
| | 61.828.672 | 11.544.374 | 26.183.715 | 373.898 | 99.930.659 |
| Net book value | 51.280.387 | | | | 83.279.139 |

NOTE 14 - GOODWILL

| | 30 September 2017 | 31 December 2016 |
|-----------|--------------------------|-------------------------|
| Totalsoft | 75.689.439 | 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 |
| | 83.168.091 | 75.386.762 |

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

| | 2017 | 2016 |
|---------------------------------|-------------------|-------------------|
| As of 1 January | 75.386.762 | 7.478.652 |
| Acquisition of subsidiary | - | 58.112.262 |
| Currency translation difference | 7.781.329 | - |
| As of 30 September | 83.168.091 | 65.590.914 |

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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 September 2017, no impairment test has been performed to the goodwill recognized for Totalsoft acquisition, since there is no circumstance or event that would cause the impairment.

As of 30 September 2017, no impairment test was performed to the goodwill recognized for Netsis acquisition, since there is no circumstance or event that would cause the impairment.

NOTE 15 - COMMITMENTS AND CONTINGENT LIABILITIES

Guarantees received:

| | Original currency | 30 September 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 September 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 September 2017 | | | | 31 December 2016 | | |
|---|-------------------|----------------|----------------|----------------|-------------------|----------------|------------------|
| | EUR | USD | RON | TRY | EUR | USD | TRY |
| A. Total amount of Guarantees provided by the Company on behalf of itself | - | 272.344 | - | 413.620 | - | 556.660 | 1.015.620 |
| B. Total amount of Guarantees provided on behalf of the associates accounted under full consolidation method | 59.944.981 | - | 621.309 | - | 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 | - | - | - | - | - | - | - |
| | 59.944.981 | 272.344 | 621.309 | 413.620 | 67.299.900 | 556.660 | 1.015.620 |

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NOTE 15 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

There are lawsuits filed against the Group in the past with a total amount of TRY4.382.197. The Group’s management does not expect any cash outflow regarding these lawsuits and accordingly, no provision has been accounted in these consolidated financial statements.

The Company has re-issued its corporate tax declaration with reservations for 2015 and made a payment amounting to TRY1.081.742. 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 September 2017 | 31 December 2016 |
|---|--------------------------|-------------------------|
| Due to personnel | 3.111.154 | 2.652.681 |
| Taxes, funds and social security payables | 4.495.694 | 3.804.409 |
| | 7.606.848 | 6.457.090 |

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

| Long - term provisions for employment benefits: | 30 September 2017 | 31 December 2016 |
|--|--------------------------|-------------------------|
| Provision for employment termination benefits | 4.945.600 | 3.281.749 |
| Provision for unused vacation liability | 3.358.131 | 3.033.583 |
| | 8.303.731 | 6.315.332 |

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

| | 2017 | 2016 |
|---------------------------------|------------------|------------------|
| As of 1 January | 3.033.583 | 1.455.909 |
| Increase in the period | 144.664 | 14.975 |
| Currency translation difference | 179.884 | - |
| As of 30 September | 3.358.131 | 1.470.884 |

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 TRY4.732,48 for each year of service at 30 September 2017 (30 December 2016: TRY4.297,21).

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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 September 2017 | 31 December 2016 |
|---|--------------------------|-------------------------|
| Discount rate (%) | 3,76 | 4,00 |
| Turnover rate to estimate the probability of retirement (%) | 95,00 | 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 4.732,48 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 September 2017 and 2016 were as follows:

| | 2017 | 2016 |
|---------------------------|------------------|------------------|
| As of 1 January | 3.281.749 | 2.651.362 |
| Service cost | 549.317 | 176.098 |
| Interest cost | 519.390 | 176.520 |
| Actuarial loss | 1.254.163 | 627.362 |
| Payments | (659.019) | (278.964) |
| As of 30 September | 4.945.600 | 3.352.378 |

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NOTE 17 - PREPAID EXPENSES AND DEFERRED REVENUE

| Short - term prepaid expenses: | 30 September 2017 | 31 December 2016 |
|--|--------------------------|-------------------------|
| Prepaid expenses | 3.303.268 | 1.946.104 |
| | 3.303.268 | 1.946.104 |
| Long - term prepaid expenses: | 30 September 2017 | 31 December 2016 |
| Advances given | 1.722.135 | 1.786.750 |
| | 1.722.135 | 1.786.750 |
| Short - term deferred revenues: | 30 September 2017 | 31 December 2016 |
| Deferred revenue | 34.997.909 | 39.322.403 |
| Advances received | 1.790.118 | 1.426.888 |
| | 36.788.027 | 40.749.291 |

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

The details of deferred revenues at 30 September 2017 and 31 December 2016 as follows:

| | 30 September 2017 | 31 December 2016 |
|---|--------------------------|-------------------------|
| LEM sales | 19.304.577 | 21.763.927 |
| Pay as you go sales | 9.539.318 | 13.226.576 |
| Deferred revenue from continuing projects | 3.286.958 | 3.893.029 |
| After-sales services revenue | 2.867.056 | 438.871 |
| | 34.997.909 | 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 September 2017 and 31 December 2016 are as follows:

| | 30 September 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 company, 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 September 2017 the amount of treasure shares which is accounted in Group's equity is TRY4.632.563 (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, as long as the ongoing regulations and its financial resources allow, the Company, considering its long-term corporate strategy, investment plans and financing policies, and its profitability and cash position, and provided that 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 with the Articles of Association.

The Group aims to complete the dividend payment before the last working day of the year in which dividend distribution decision is made in the General Assembly and starts the payment latest at the end of the accounting period when the General Assembly meeting is held. General Assembly or Board of Directors, if authorized by the General Assembly, can decide to distribute dividend in installments in line with CMB regulations.

Transactions with non-controlling interests

The Company owned %90,58 shares of e-Logo and it further purchased e-Logo’s minority shareholder’s 57 shares with a nominal value of TRY 5.700 which is equal to 9,42% of total shares for TRY 10.000.0000. 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 September 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 September 2017 | 1 July - 30 September 2017 | 1 January - 30 September 2016 | 1 July - 30 September 2016 |
|----------------------|--|---------------------------------------|--|---------------------------------------|
| Sales revenue | 124.193.699 | 41.834.114 | 106.354.330 | 37.377.315 |
| Service revenue | 47.143.081 | 13.590.934 | 3.626.750 | 990.353 |
| SaaS service revenue | 6.152.025 | 2.668.770 | 5.721.820 | 1.481.780 |
| Sales returns | (2.591.581) | (1.067.811) | (4.266.522) | (2.166.210) |
| Sales discounts | (1.333.799) | (399.614) | (1.028.074) | (183.220) |
| Net sales | 173.563.425 | 56.626.393 | 110.408.304 | 37.500.018 |
| Cost of sales | (8.287.196) | (2.165.522) | (1.963.105) | (557.897) |
| Gross profit | 165.276.229 | 54.460.871 | 108.445.199 | 36.942.121 |

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

| Research and development expenses | 1 January - 30 September 2017 | 1 July - 30 September 2017 | 1 January - 30 September 2016 | 1 July - 30 September 2016 |
|--|--|---------------------------------------|--|---------------------------------------|
| Personnel expenses | 41.429.932 | 11.559.180 | 16.179.208 | 6.375.870 |
| Depreciation and amortization expenses | 16.948.082 | 5.694.729 | 12.301.137 | 4.617.877 |
| Consultancy expenses | 3.002.813 | 661.969 | 1.087.246 | 604.949 |
| Motor vehicle expenses | 1.904.964 | 675.621 | 1.233.417 | 442.727 |
| Rent expenses | 1.500.762 | 514.109 | 473.949 | 214.106 |
| Travel expenses | 1.275.088 | 461.578 | 548.945 | 210.784 |
| Outsourced benefits and services | 1.078.416 | 375.316 | 785.423 | 252.809 |
| Other | 3.723.854 | 1.214.205 | 1.381.456 | 531.504 |
| | 70.863.911 | 21.156.707 | 33.990.781 | 13.250.626 |
| Marketing expenses | 1 January - 30 September 2017 | 1 July - 30 September 2017 | 1 January - 30 September 2016 | 1 July - 30 September 2016 |
| Personnel expenses | 13.914.778 | 4.905.396 | 9.316.250 | 2.554.649 |
| Advertising and selling expenses | 10.535.104 | 3.514.861 | 6.149.458 | 1.454.407 |
| Consultancy expenses | 1.732.839 | 597.253 | 691.722 | 189.025 |
| Motor vehicle expenses | 1.172.695 | 406.559 | 780.489 | 266.487 |
| Outsourced benefits and services | 813.338 | 312.716 | 546.449 | 206.039 |
| Travel expenses | 631.235 | 187.116 | 218.222 | 65.805 |
| Rent expenses | 457.930 | 152.834 | 303.113 | 100.417 |
| Depreciation and amortization expenses | 283.346 | 95.581 | 182.530 | 73.154 |
| Other | 852.546 | 292.980 | 644.766 | 448.669 |
| | 30.393.811 | 10.465.296 | 18.832.999 | 5.358.652 |

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

| General and administrative expenses | 1 January - 30 September 2017 | 1 July - 30 September 2017 | 1 January - 30 September 2016 | 1 July - 30 September 2016 |
|--|-------------------------------|----------------------------|-------------------------------|----------------------------|
| Personnel expenses | 11.368.121 | 4.220.928 | 5.730.715 | 1.579.147 |
| expenses | 2.388.657 | 762.149 | 2.414.420 | 1.086.370 |
| Depreciation and amortization expenses | 1.305.936 | 391.687 | 204.967 | 99.712 |
| Motor vehicle expenses | 658.161 | 261.353 | 324.896 | 105.808 |
| Travel expenses | 429.846 | 127.161 | 301.355 | 128.031 |
| Rent expenses | 266.201 | 97.700 | 75.649 | 51.823 |
| Outsourced benefits and services | 173.688 | 59.460 | 170.168 | 56.292 |
| Other | 3.540.351 | 1.897.321 | 640.314 | 245.395 |
| | 20.130.961 | 7.817.759 | 9.862.484 | 3.352.578 |

NOTE 22 - OTHER OPERATING INCOME/EXPENSES

| Other operating income | 1 January - 30 September 2017 | 1 July - 30 September 2017 | 1 January - 30 September 2016 | 1 July - 30 September 2016 |
|-------------------------|-------------------------------|----------------------------|-------------------------------|----------------------------|
| Foreign exchange gains | 1.228.624 | 458.192 | 861.947 | 533.444 |
| Overdue interest income | 639.879 | 99.946 | 351.027 | 104.629 |
| Rediscount income | 526.210 | 147.925 | 2.507.131 | 355.786 |
| Other | 1.774.014 | 1.196.737 | 441.923 | 284.194 |
| | 4.168.727 | 1.902.800 | 4.162.028 | 1.278.053 |

| Other operating expenses | 1 January - 30 September 2017 | 1 July - 30 September 2017 | 1 January - 30 September 2016 | 1 July - 30 September 2016 |
|--------------------------|-------------------------------|----------------------------|-------------------------------|----------------------------|
| Foreign exchange losses | 1.292.568 | 272.906 | 60.726 | (31.106) |
| Provision expenses | 506.224 | 16.820 | 405.119 | (5.573) |
| Rediscount expenses | 423.247 | 81.288 | 365.899 | 87.541 |
| Other | 274.004 | 11.582 | 599.447 | 478.726 |
| | 2.496.043 | 382.596 | 1.431.191 | 529.588 |

NOTE 23 - INCOME FROM INVESTING ACTIVITIES

| | 1 January - 30 September 2017 | 1 July - 30 September 2017 | 1 January - 30 September 2016 | 1 July - 30 September 2016 |
|---|-------------------------------|----------------------------|-------------------------------|----------------------------|
| Gain on sale of financial instruments | 269.532 | 141.089 | 224.742 | 57.489 |
| Gain on sale of property, plant and equipment | - | - | 711 | - |
| | 269.532 | 141.089 | 225.453 | 57.489 |

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NOTE 24 - FINANCIAL INCOME

| | 1 January - 30 September 2017 | 1 July - 30 September 2017 | 1 January - 30 September 2016 | 1 July - 30 September 2016 |
|------------------------|--|---------------------------------------|--|---------------------------------------|
| Foreign exchange gains | 2.094.161 | 231.001 | 733.925 | 365.354 |
| Interest income | 75.882 | 37.110 | 2.297.062 | 627.975 |
| | 2.170.043 | 268.111 | 3.030.987 | 993.329 |

NOTE 25 - FINANCE COSTS

| | 1 January - 30 September 2017 | 1 July - 30 September 2017 | 1 January - 30 September 2016 | 1 July - 30 September 2016 |
|--------------------------|--|---------------------------------------|--|---------------------------------------|
| Foreign exchange losses | 2.699.354 | 708.697 | 801.172 | 537.438 |
| Interest expense | 2.189.460 | 459.443 | 279.301 | 204.249 |
| Credit card commissions | 825.413 | 365.620 | 548.351 | 164.132 |
| Other financial expenses | 829.426 | 112.121 | 403.172 | 58.111 |
| | 6.543.653 | 1.645.881 | 2.031.996 | 963.930 |

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

| | Total temporary differences | | Deferred tax assets/(liabilities) | |
|---|------------------------------------|-------------------------|--|-------------------------|
| | 30 September 2017 | 31 December 2016 | 30 September 2017 | 31 December 2016 |
| Deferred income tax assets: | | | | |
| Expense accruals | 5.156.430 | 6.614.136 | 1.031.286 | 1.322.827 |
| Provision for employee termination benefits | 2.724.296 | 1.564.278 | 544.859 | 312.856 |
| Unaccrued finance income on trade receivables and payables | 2.020.916 | 2.109.079 | 404.183 | 421.816 |
| Provision for doubtful receivables | 2.070.886 | 2.233.823 | 414.177 | 446.765 |
| Deferred revenue | 46.767 | 686.372 | 9.353 | 137.274 |
| | | | 2.403.858 | 2.641.538 |
| Deferred income tax liabilities: | | | | |
| Difference between the tax base and carrying value of property, equipment and intangible assets | (19.625.795) | (16.335.323) | (3.925.159) | (2.998.513) |
| Other | - | (1.578.290) | - | (327.246) |
| | | | (3.925.159) | (3.325.759) |
| Deferred income tax (liabilities)/assets, net | | | (1.521.301) | (684.221) |

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

| Deferred tax assets | 30 September 2017 | 31 December 2016 |
|--|--------------------------|-------------------------|
| To be recovered less than 12 months | 1.858.999 | 2.328.682 |
| To be recovered more than 12 months | 544.859 | 312.856 |
| | 2.403.858 | 2.641.538 |
| Deferred tax liabilities | | |
| To be recovered more than 12 months | (3.925.159) | (3.325.759) |
| | (3.925.159) | (3.325.759) |
| Deferred income tax (liabilities)/assets, net | (1.521.301) | (684.221) |

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NOTE 26 - TAX ASSETS AND LIABILITIES (Continued)

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

| | 2017 | 2016 |
|---|--------------------|--------------------|
| As of 1 January | (684.221) | 1.874.043 |
| Charged to statements of profit or loss | (682.895) | (1.966.755) |
| Currency translation difference | (202.378) | - |
| Acquisition of subsidiary | - | (1.449.316) |
| Charged to other comprehensive income | 48.193 | 59.967 |
| As of 30 September | (1.521.301) | (1.482.061) |

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 September 2017 is as follows;

| | 30 September 2017 | 30 September 2016 |
|---|--------------------------|--------------------------|
| Net income attributable to equity holders of the parent | 38.133.706 | 44.973.279 |
| Shares | 2.500.000 | 2.500.000 |
| Earnings per share | 15,25 | 17,99 |

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NOTE 28 - RELATED PARTY DISCLOSURES

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

| Long-term other receivables from related parties: | 30 September 2017 | 31 December 2016 |
|--|--------------------------|-------------------------|
| Receivables from other shareholders | 3.375.068 | 1.970.534 |
| Receivables from shareholders | - | 950.000 |
| | 3.375.068 | 2.920.534 |

b) **Sales to related parties, services given to related parties and financial income from related parties during the periods ended 30 September 2017 and 2016:**

| Services given to related parties | 1 January - 30 September 2017 | 1 July - 30 September 2017 | 1 January - 30 September 2016 | 1 July - 30 September 2016 |
|--|--------------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|
| Logo Teknoloji ve Yatırım A.Ş. | 359.459 | 1.971 | 19.186 | 2.754 |
| Logo Siber | 229.056 | 74.593 | 152.730 | 44.278 |
| | 588.515 | 76.564 | 171.916 | 47.032 |

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

| Services purchased from related parties | 1 January - 30 September 2017 | 1 July - 30 September 2017 | 1 January - 30 September 2016 | 1 July - 30 September 2016 |
|--|--------------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|
| Logo Teknoloji ve Yatırım A.Ş. | 50.502 | 2.257 | 338.156 | 8.042 |

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

| | 1 January - 30 September 2017 | 1 July - 30 September 2017 | 1 January - 30 September 2016 | 1 July - 30 September 2016 |
|--------------------------------|--------------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|
| Remuneration of the management | 2.233.875 | 759.457 | 1.715.676 | 593.065 |

The remuneration of executive management (executive management includes general manager and assistant general managers) for the interim periods ended 30 September 2017 and 2016 comprises of 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 or termination benefits, or other long-term employment benefits or share-based payments for the interim periods ended 30 September 2017 and 2016.

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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 the near future in order to manage its liquidity risk. In this context, the Company has credit limit from banks amounting to over TRY100.000.000 that can be utilized whenever needed.

| 30 September 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 | 68.582.451 | 74.465.947 | 10.040.560 | 15.284.549 | 37.840.617 | 11.300.221 |
| Trade payables | | | | | | |
| - Trade payables to third parties | 9.622.835 | 9.622.835 | 9.622.835 | - | - | - |
| Due to personnel | 7.606.848 | 7.606.848 | 7.606.848 | - | - | - |
| Other payables | | | | | | |
| -Other payables to third parties | 4.972.535 | 4.972.535 | 3.163.121 | - | 1.809.414 | - |
| Total liabilities | 90.784.669 | 96.668.165 | 30.433.364 | 15.284.549 | 39.650.031 | 11.300.221 |

| 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 September 2017 | 31 December 2016 |
|--|--------------------------|-------------------------|
| <u>Financial instruments with fixed interest rate</u> | | |
| Financial assets | | |
| - Financial assets at fair value through profit or loss | 6.130.001 | 2.899.400 |
| Financial liabilities | 61.122.674 | 58.242.074 |
| <u>Financial instruments with floating interest rate</u> | | |
| Financial liabilities | 7.459.777 | 8.460.698 |

Financial assets designated as fair value through profit or loss consists of TRY time deposits with fixed interest rate and foreign currency denominated time deposits with fixed and variable interest rates 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.

Foreign exchange rates used to translate the Group's assets and liabilities denominated in foreign currencies into TRY at 30 September 2017 and 31 December 2016 are as follows:

| | 30 September 2017 | 31 December 2016 |
|-----|--------------------------|-------------------------|
| USD | 3,5521 | 3,5192 |
| EUR | 4,1924 | 3,7099 |

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

| | | Foreign currency position as of 30 September 2017 | | | |
|------------|---|--|-----------------|---------------------|-----------------|
| | | TRY equivalent | USD | EUR | Other |
| 1. | Trade receivables | 6.076.849 | 601.982 | 939.450 | - |
| 2a. | Monetary financial assets, (cash, and banks accounts included) | 12.259.953 | 264.540 | 2.699.333 | 3.605 |
| 2b. | Non-monetary financial assets | - | - | - | - |
| 3. | Other | - | - | - | - |
| 4. | Current assets (1+2+3) | 18.336.802 | 866.522 | 3.638.783 | 3.605 |
| 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) | 8.336.802 | 866.522 | 3.638.783 | 3.605 |
| 10. | Trade payables | (1.396.897) | (99.034) | (246.748) | (10.651) |
| 11. | Financial liabilities | (16.367.170) | - | (3.949.301) | - |
| 12a. | Other monetary liabilities | - | - | - | - |
| 12b. | Other non-monetary liabilities | - | - | - | - |
| 13. | Non-current liabilities (10+11+12) | (17.764.067) | (99.034) | (4.196.049) | (10.651) |
| 14. | Trade payables | - | - | - | - |
| 15. | Financial liabilities | (45.043.110) | - | (10.868.635) | - |
| 16a. | Other monetary liabilities | - | - | - | - |
| 16b. | Other non-monetary liabilities | - | - | - | - |
| 17. | Non-current liabilities (14+15+16) | (45.043.110) | - | (10.868.635) | - |
| 18. | Total liabilities (13+17) | (62.807.177) | (99.034) | (15.064.684) | (10.651) |
| 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) | (44.470.375) | 767.488 | (11.425.901) | (7.046) |
| 21. | Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a) | (44.470.375) | 767.488 | (11.425.901) | (7.046) |
| 22. | Fair value of derivative instruments used in foreign currency hedge | - | - | - | - |
| 23. | Export | 21.438.066 | - | - | - |
| 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 INSTRUMENTS (Continued)

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 executive management 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 September 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 | 76.749 | (76.749) | - | - |
| 2- Hedged portion from USD risks (-) | - | - | - | - |
| 3- USD net effect (1+2) | 76.749 | (76.749) | | |
| Change of EUR against TRY by 10% | | | | |
| 4- EUR net assets/liabilities | (1.142.590) | 1.142.590 | - | - |
| 5- Hedged portion from EUR risks (-) | - | - | - | - |
| 6- EUR net effect (4+5) | (1.142.590) | 1.142.590 | | |
| Change of other currencies against TRY by 10% | | | | |
| 7- Other currencies net assets/liabilities | (705) | 705 | - | - |
| 8- Hedged portion from other currency risks (-) | - | - | - | - |
| 9- Other currencies net effect (7+8) | (705) | 705 | | |
| Total (3+6+9) | (1.066.546) | 1.066.546 | | |
| Total TRY net effect | (4.447.038) | 4.447.038 | | |

| | 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 | | |
| Total TRY net effect | (2.889.825) | 2.889.825 | | |

CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2017

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

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 debt/equity 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 September 2017 | 31 December 2016 |
|---------------------------------|--------------------------|-------------------------|
| Total payables | 78.205.286 | 83.196.594 |
| Less: Cash and cash equivalents | (49.939.080) | (43.507.923) |
| Net Debt | 28.266.206 | 39.688.671 |
| Total equity | 196.195.621 | 160.802.613 |
| Total capital | 224.461.827 | 200.491.284 |
| Debt/Equity ratio (%) | 13 | 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 Group, 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.

CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2017

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

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 | - | - |

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