

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2018 WITH INDEPENDENT AUDITOR'S REPORT**

(ORIGINALLY ISSUED IN TURKISH)



**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH**

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Logo Yazılım Sanayi ve Ticaret A.Ş.

A. Audit of the Consolidated Financial Statements

1. Opinion

We have audited the accompanying consolidated financial statements of Logo Yazılım Sanayi ve Ticaret A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018 and the consolidated statement of profit or loss and consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements comprising a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Key audit matters	How our audit addressed the key audit matter
<p>Revenue recognition</p> <p>Revenue is the most significant measurement criterion for evaluating the results of strategies implemented throughout the year and performance follow-up.</p> <p>The revenue of the Group mainly consists of standard software licence sales, Logo Enterprise Membership (“LEM”) sales, SaaS subscription revenues, software development revenues and package upgrade revenues.</p> <p>We focused on this area due to the following reasons:</p> <ul style="list-style-type: none"> - It has important impact on more than one account on the consolidated financial statement of the Group as at 31 December 2018, - Application of accounting standards for recognition of revenue are complex, - Different types of revenue are recognised and they include management’s estimations and assumptions. <p>Accounting policies of the Group and the amount of revenue are disclosed in Note 2.5 and 20, respectively.</p>	<p>The following procedures were performed to audit of the revenue:</p> <p>Our audit procedures consist of understanding the internal controls and business processes on revenue recognition, including reporting on performance evaluation and controls performed by the management, analytical reviews and substantive tests. We designed our audit procedures based on each revenue types.</p> <p>To verify software licence and version upgrade revenues, accounting records and underlying documents were substantively tested. In addition, activation status of software licences was tested on a sample basis and we checked whether the product keys were delivered to the customers or not.</p> <p>LEM revenue is recognised over the duration of the contract term. LEM revenue and deferred revenue concerning LEM sales were tested by sampling method.</p> <p>SaaS subscription revenue consists of sales recorded and reflected to customers on a monthly basis. The accuracy of invoices issued to customers and records were tested using substantive testing procedures.</p> <p>The completion rate of projects was considered in recognition of special software development and project revenues. Our audit procedures on these type of revenues included reviewing agreements, testing completion rates and comparing the budgets and realized costs of the ongoing projects.</p> <p>We evaluated the adequacy of disclosures explained in Note 20 for requirements of TFRS 15, “Revenue from Contract with Customers”.</p> <p>As a result of our work, we had no material findings related to the revenue.</p>

Key audit matters	How our audit addressed the key audit matter
<p>Impairment test of goodwill</p> <p>The carrying value of goodwill accounted for under intangible assets amounted to TRY136.752.195 in the consolidated financial statements as of 31 December 2018.</p> <p>TRY101.214.681 of the goodwill recognised in the Group's consolidated financial statements as at 31 December 2018 originated as a result of the acquisition of Total Soft's shares in 2016 and TRY28.058.862 of the goodwill originated acquisition of ABS's shares in 2018.</p> <p>In accordance with TAS, goodwill should be tested for impairment annually.</p> <p>We focused on this area due to the following reasons:</p> <ul style="list-style-type: none"> - Carrying values of the goodwill recognised for Total Soft and ABS acquisitions in the consolidated financial statements as at 31 December 2018 is material, and valuation model were performed by an independent valuation firm, - Significant judgements and estimates were used in the impairment tests (growth rate and weighted average cost of capital etc.) performed by the management, - The outcome of some estimates is sensitive to changes in the market conditions and economical developments, <p>Please refer to Note 14 to the consolidated financial statements for the relevant disclosures, including the accounting policy and sensitivity analysis.</p>	<p>We performed the following procedures in relation to the impairment tests of goodwill:</p> <p>Discussed with management about their future plans and explanations based on the macroeconomical information on Romania.</p> <p>We inquired with independent valuation firm to understand the setup of the discounted cash flow models and underlying assumptions used and mathematical accuracy of the model was tested.</p> <p>Through involvement of our internal valuation specialists, we assessed the reasonableness of key assumptions (growth rates and weighted average cost of capital rates etc.) used in the goodwill impairment test and in light of our sectoral knowledge, we determined that the rates used are within the acceptable range.</p> <p>We evaluated the realizability of the future cash flow and investment projections used in the goodwill impairment test in the meetings held with top management.</p> <p>We evaluated whether the consolidated cash flow estimations prepared for Total Soft and ABS are reasonable when compared with past financial performance results.</p> <p>We checked whether the significant assumptions and sensitivity analysis are disclosed appropriately in the accompanying consolidated financial statements as of 31 December 2018 or not.</p> <p>We had no material findings related to the impairment tests of goodwill for Total Soft and ABS as a result of these procedures.</p>



Key audit matters	How our audit addressed the key audit matter
<p>Test of internally generated intangible assets - Development costs</p> <p>TRY46.974.852 of development costs are capitalised in the consolidated financial statements of the Group as at 31 December 2018. The Group applies policies described on TAS 38, “Intangible Assets”, and Note 2.5 in the capitalisation of development costs.</p> <p>Projects for which feasibility works have been completed and which are expected to generate cash flow in the future, the Group capitalises the costs of employees working on software development activities and the costs of consultancy received for these activities. Capitalisation is done by calculating the rates based on the management and project manager’s estimations and assumptions and the total work time of personnel for development activities.</p> <p>We defined this area as a key audit matter due the calculations of the capitalisation schedules are material on financial statements and include the management’s estimations.</p>	<p>We performed the following procedures in relation to the test of development costs:</p> <p>We discussed with management to understand how they meet the requirements in TAS 38, “Intangible Assets”. We discussed the details of the feasibility studies and future economical benefits of ongoing projects with the project managers.</p> <p>We checked the the project based capitalised cost details with the movement table of intangible assets.</p> <p>To test capitalised personnel cost on the projects, we obtained project based breakdown of personnel costs to verify capitalised personnel costs with payrolls and time sheets.</p> <p>We interviewed with personnel whose salaries are subject to capitalisation on a sample basis, and we understood the development activities and their roles on the projects.</p> <p>We understood the nature of the outsourced consultancy expenses and applied substantive testing procedures to test their accuracy.</p>



4. Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

5. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2018 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 13 February 2019.

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

A handwritten signature in blue ink, appearing to read "Mert Tüten", with a long horizontal stroke extending to the right.

Mert Tüten, SMMM
Partner

İstanbul, 13 February 2019

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2018 WITH INDEPENDENT AUDITOR'S REPORT**

CONTENTS	PAGE
CONSOLIDATED BALANCE SHEETS	1-2
CONSOLIDATED STATEMENTS OF PROFIT AND LOSS.....	3
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME.....	4
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	5
CONSOLIDATED STATEMENTS OF CASH FLOWS	6
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.....	7-66

CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2018

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

	Notes	Audited 31 December 2018	Audited 31 December 2017
ASSETS			
Current assets		227.507.326	162.176.702
Cash and cash equivalents	5	78.417.427	51.633.614
Financial investments	6	2.502.350	-
Trade receivables		137.887.595	104.524.024
- Trade receivables from third parties	9	136.480.630	104.524.024
- Trade receivables from related parties	28	1.406.965	-
Other receivables		1.583.029	700.688
- Other receivables from third parties	10	1.415.737	700.688
- Other receivables from related parties	28	167.292	-
Inventories	11	787.560	604.300
Prepaid expenses	17	2.048.483	2.775.530
Other current assets	10	4.280.882	1.938.546
Non-current assets		335.650.875	220.988.786
Other receivables		160.612	3.535.680
- Other receivables from related parties	28	-	3.375.068
- Other receivables from third parties	10	160.612	160.612
Financial investments	6	7.323.214	1.130.653
Investments accounted for using the equity method	7	-	558.663
Property, plant and equipment	12	20.708.350	19.941.705
Intangible assets		301.095.882	191.896.685
- Goodwill	14	136.752.195	83.294.475
- Other intangible assets	13	164.343.687	108.602.210
Prepaid expenses	17	2.902.501	3.006.485
Deferred tax assets	26	3.172.018	327.762
Other non-current assets		288.298	591.153
Total assets		563.158.201	383.165.488

These consolidated financial statements have been approved by Board of Directors on 13 February 2019 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.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2018

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

	Notes	Audited 31 December 2018	Audited 31 December 2017
LIABILITIES			
Short-term liabilities		131.938.977	115.034.637
Short-term borrowings	8	1.925.997	1.818.160
Short-term portion of long-term borrowings	8	741.292	17.466.660
Trade payables		25.500.164	20.198.763
- <i>Trade payables to third parties</i>	9	25.500.164	20.198.763
Employee benefit payables	16	10.842.883	8.373.167
Other payables		10.795.713	6.892.841
- <i>Other payables to third parties</i>	10	10.795.713	6.892.841
Deferred revenue	17	62.213.298	46.336.515
Short-term provisions		17.515.106	12.850.335
- <i>Provisions for employee benefits</i>	16	17.515.106	12.850.335
Current income tax liabilities	26	1.959.386	531.612
Other current liabilities		445.138	566.584
Long-term liabilities		112.645.661	58.855.384
Long-term borrowings	8	96.808.339	46.173.847
Other payables		1.633.361	1.809.414
- <i>Due to third parties</i>	10	1.633.361	1.809.414
Long-term provisions		11.332.729	8.298.563
- <i>Provisions for employee benefits</i>	16	11.332.729	8.298.563
Deferred tax liabilities	26	2.871.232	2.573.560
EQUITY			
Equity attributable to equity holders of the parent		294.204.187	208.508.292
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	7.196.456
Put option revaluation fund			
related with non-controlling interests	4	(1.018.118)	-
Treasury shares (-)	18	(10.054.033)	(4.632.563)
Reserves for treasury shares	18	10.054.033	4.632.563
Other comprehensive income and expense			
that will not be reclassified to profit or loss		(3.796.067)	(2.669.512)
- <i>Actuarial loss on employment termination benefits</i>		(3.796.067)	(2.669.512)
Other comprehensive income and expense			
that will be reclassified to profit or loss		35.382.226	12.738.172
- <i>Currency translation differences</i>		35.382.226	12.738.172
Retained earnings		160.744.977	112.423.275
Net income for the year		67.703.377	50.828.565
Non-controlling interests		24.369.376	767.175
Total equity		318.573.563	209.275.467
Total liabilities		563.158.201	383.165.488

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.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

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

PROFIT OR LOSS	Notes	Audited 1 January - 31 December 2018	Audited 1 January - 31 December 2017
Sales	20	321.092.099	256.168.914
Cost of sales (-)	20	(63.953.940)	(52.146.895)
Gross profit		257.138.159	204.022.019
General administrative expenses (-)	21	(45.718.868)	(31.785.508)
Marketing expenses (-)	21	(59.893.171)	(51.657.912)
Research and development expenses (-)	21	(83.306.746)	(61.896.938)
Other operating income	22	6.712.761	5.390.195
Other operating expenses (-)	22	(10.641.853)	(4.225.403)
Operating profit		64.290.282	59.846.453
Income from investing activities	23	6.243.889	285.885
Share of losses of investments accounted for by the equity method	7	(3.487.916)	(1.407.831)
Operating profit before financial income/(expenses)		67.046.255	58.724.507
Financial income	24	12.606.492	2.758.199
Financial expenses (-)	25	(11.239.814)	(8.574.390)
Income before taxes		68.412.933	52.908.316
Taxation on income/(expenses)			
Current income tax expense	26	(4.542.359)	(2.281.568)
Deferred tax expense	26	3.234.280	(871.482)
Net income for the period		67.104.854	49.755.266
Net income attributable to:			
Non-controlling interests		(598.523)	(1.073.299)
Equity holders of the parent		67.703.377	50.828.565
		67.104.854	49.755.266
Earnings per share	27	27.08	20.33

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.

**CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017**

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

OTHER COMPREHENSIVE INCOME	Notes	Audited 1 January - 31 December 2018	Audited 1 January - 31 December 2017
Net income for the period		67.104.854	49.755.266
Other comprehensive income and expense that will be reclassified to profit or loss		29.488.997	5.912.268
Currency translation differences		29.488.997	5.912.268
Other comprehensive income and expense that will not be reclassified to profit or loss		(1.126.555)	(1.005.985)
Actuarial loss on employment termination benefits	16	(1.250.713)	(1.129.795)
Tax effect	26	124.158	123.810
Other comprehensive income		28.362.442	4.906.283
Total comprehensive income		95.467.296	54.661.549
Other comprehensive income attributable to:			
Non-controlling interest		6.246.420	(999.423)
Equity holders of the parent		89.220.876	55.660.972
		95.467.296	54.661.549

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.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

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

	Paid-in share capital	Adjustment to share capital	Treasury shares	Reserves for treasury shares	Restricted reserves	Actuarial loss on employment termination benefits (*)	Currency translation differences (**)	Retained earnings	Net income for the year	Put option revaluation fund related with non-controlling interests (***)	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
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 to retained earnings	-	-	-	-	202.505	-	-	45.136.965	(45.339.470)	-	-	-	-
Transactions with non-controlling interests (****)	-	-	-	-	-	-	-	(7.955.293)	-	-	(7.955.293)	(1.588.654)	(9.543.947)
Profit for the year	-	-	-	-	-	-	-	-	50.828.565	-	50.828.565	(1.073.299)	49.755.266
Other comprehensive income	-	-	-	-	-	(1.005.985)	5.838.392	-	-	-	4.832.407	73.876	4.906.283
Balances at 31 December 2017	25.000.000	2.991.336	(4.632.563)	4.632.563	7.196.456	(2.669.512)	12.738.172	112.423.275	50.828.565	-	208.508.292	767.175	209.275.467
Balances at 1 January 2018	25.000.000	2.991.336	(4.632.563)	4.632.563	7.196.456	(2.669.512)	12.738.172	112.423.275	50.828.565	-	208.508.292	767.175	209.275.467
Transfers to retained earnings	-	-	-	-	-	-	-	50.828.565	(50.828.565)	-	-	-	-
Increase/(decrease) through changes in ownership interests in subsidiaries that do not result in loss of control	-	-	-	-	-	-	-	2.147.432	-	(1.018.118)	1.129.314	18.122.956	19.252.270
Increase due to redemption of shares	-	-	(5.421.470)	5.421.470	-	-	-	(5.421.470)	-	-	(5.421.470)	-	(5.421.470)
Transactions with non-controlling interests (*****)	-	-	-	-	-	-	-	767.175	-	-	767.175	(767.175)	-
Profit for the year	-	-	-	-	-	-	-	-	67.703.377	-	67.703.377	(598.524)	67.104.854
Other comprehensive income	-	-	-	-	-	(1.126.555)	22.644.054	-	-	-	21.517.499	6.844.943	28.362.442
Balances at 31 December 2018	25.000.000	2.991.336	(10.054.033)	10.054.033	7.196.456	(3.796.067)	35.382.226	160.744.977	67.703.377	(1.018.118)	294.204.187	24.369.376	318.573.563

(*) Other comprehensive income and expense that will not be reclassified to profit or loss

(**) Other comprehensive income and expense that will be reclassified to profit or loss

(***) Note 4.

(****) Note 18.

(*****) Note 2.1.3.

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.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

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

	Notes	1 January - 31 December 2018	1 January - 31 December 2017
A. Cash generated from operating activities		98.844.035	58.536.161
Profit for the period		67.104.854	49.755.266
Adjustments to reconcile profit for the year		64.473.905	27.051.261
Adjustments for depreciation and amortization expenses	12. 13	33.035.038	23.944.586
Adjustments for provision/(reversals) for employment termination benefits	16	6.659.672	2.862.258
Adjustments for interest expense	25	3.147.539	2.727.207
Adjustments for interest income	24	(3.274.770)	(414.959)
Adjustments for undistributed profits of joint ventures	7	3.487.916	1.407.831
Adjustments related to the gains of the disposal of the business partnership	23	(6.068.703)	-
Adjustments for provision/(reversal) for doubtful receivables	9	(1.143.590)	(1.992.063)
Other adjustments to reconcile the profit or loss		27.322.724	(4.636.649)
Adjustments for tax income	26	1.308.079	3.153.050
Changes in net working capital		(28.646.145)	(13.659.905)
Increase in inventories		(183.260)	(282.162)
Increase in trade receivables		(36.933.425)	(12.150.691)
Increase in trade payables		6.645.911	3.704.941
Increase in other payables		5.131.040	301.025
Increase in other receivables		(3.306.411)	(5.233.018)
Net cash generated from operating activities		102.932.614	63.146.622
Taxes paid		(3.114.585)	(3.568.857)
Employment termination benefits paid	16	(973.994)	(1.041.604)
Purchase of property and equipment and intangible assets	12. 13	(53.297.727)	(41.851.056)
Cash outflows for the acquisition of subsidiary		-	(10.000.000)
Cash inflows due to share sale or capital reduction of joint ventures	23	6.500.000	-
Cash outflows for the acquisition of debt instruments or shares of other entities or funds	6	(5.742.561)	-
Proceeds from sale of property and equipment and intangible assets		815.096	222.202
Contribution of increase of share capital in joint ventures	7	(1.350.000)	(1.228.961)
Interests received		3.036.571	414.959
B. Cash flows from investing activities		(50.038.621)	(52.442.856)
Repayments of borrowings	31	(31.262.443)	(47.984.600)
Proceeds from borrowings	31	16.141.895	51.415.957
Interests paid		(3.147.539)	(2.586.341)
Cash outflows from the acquisition of the company's own shares	18	(5.421.470)	-
C. Cash flows from financing activities		(23.689.557)	845.016
Net increase in cash and cash equivalent before the effects currency translation differences (A+B+C)		25.115.857	6.938.321
D. Effects of currency translation differences on cash and cash equivalents.		1.667.956	1.187.370
E. Cash and cash equivalents at beginning of the period	5	51.633.614	43.507.923
Cash and cash equivalents at end of the period (A+B+C+D+E)	5	78.417.427	51.633.614

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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(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 and multiplication of operating systems, application software, databases, software increasing productivity, multimedia software products and all types of similar software processed inside all types of computer hardware and distribution of these at all physical and electronic environment and to carry out all the services such as technical support, training and technical service activities.

As of 31 December 2018 the Group has 1,066 employees (31 December 2017: 1,041).

The address of the registered office is as follows:

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

As of 31 December 2018, main shareholders and ultimate controlling parties of Logo Yazılım are Logo Teknoloji ve Yatırım A.Ş. and Mediterra Capital Partners LLP. They jointly control the Company. The partnership structure of the Company is explained in Note 18.

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

Subsidiary	Country of incorporation	Nature of business
Total Soft S.A. (“Total Soft”)	Romania	Development and marketing of software
Logo Elektronik Ticaret Hizmetleri A.Ş. (“e-Logo”)	Turkey	Development and marketing of software
Logo Financial Solutions GmbH (“Logo GmbH”)	Germany	Development and marketing of software
Logo Business Solutions FZ-LLC United (“Logo FFC-LLC”)	Arab Emirates	Marketing of software
Logo Kobi Dijital Hizmetler A.Ş. (“Logo Kobi”)	Turkey	Development and marketing of software
Architected Business Solutions SRL (“ABS”)(*)	Romania	Development and marketing of software
ABS Financial Services SRL (“ABS FS”)(*)	Romania	Development and marketing of software
Joint Venture	Country of incorporation	Nature of business
FIGO Ticari Bilgi ve Uygulama Platformu A.Ş. (“FIGO”)(**)	Turkey	Development and marketing of software
Logo Infosoft Business Technology Private Limited (“Logo Infosoft”)	India	Development and marketing of software

(*) Note 4.

(**) As at 31 December 2018, the Group has transferred all its shares in FIGO, a joint venture with which it has a 50% shareholding (Note 7).

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 YEAR ENDED 31 DECEMBER 2018

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

NOTE 1 - ORGANIZATION AND NATURE OPERATIONS (Continued)

The Company’s Board of Directors decided at their meeting dated on 11 September 2017 to found Logo Kobi with a capital of 8.000.000 TRY and 100% owned by Logo Yazılım. Logo Kobi 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.

Upon share transfer agreement signed on 2 September 2016, The Company has purchased 100% of Romania based software company Total Soft’s shares. On 19 July 2018 Total Soft has purchased 100 % of ABS and ABS FS shares. ABS provides retail consultancy, technology and outsourcing services and ABS FS provides financial services. (Note 4).

The Company established Logo Infosoft with GSF Software Labs LLC on 8 December 2016 in India for software development and marketing operations.

The Company’s Board of Directors resolved on 22 April 2009 to close Logo Business Solutions FZ-LLC due to the foreseen negative effects of the 2009 global crisis on the Company's domestic and international sales and marketing activities, and to execute international sales and marketing activities from the head office. As of 31 December 2018, the liquidation process has been substantially completed. The Company’s foreign sales and marketing activities are managed from its headquarter in Turkey.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Financial reporting standards

The accompanying consolidated financial statements of the Group have been prepared in accordance with the Turkish Accounting Standards (“TAS”) promulgated by the Public Oversight Accounting and Auditing Standards Authority (“POA”) in compliance with the communiqué numbered II-14.1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (the “Communiqué”) announced by the CMB on 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”). TAS/IFRS are updated in harmony with the changes and updates in International Financial and Accounting Standards (“IFRS”) by the communiqués announced by the POA.

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

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

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 YEAR ENDED 31 DECEMBER 2018

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

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

2.1 Basis of presentation (Continued)

2.1.2 Financial statements of subsidiaries operating in foreign countries

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

2.1.3 Basis of consolidation

The consolidated financial statements prepared in accordance with the principles of consolidated financial statements for the year ended 31 December 2018 include the accounts for Logo Yazılım and its subsidiaries. The table below sets out the subsidiaries of Logo Yazılım and ownership interests held by the Company at 31 December 2018 and 2017:

Subsidiaries	31 December 2018 (%)	31 December 2017 (%)
Total Soft (*)	80,00	100,00
e-Logo	100,00	100,00
Logo GmbH	100,00	100,00
Logo Kobi	100,00	100,00
ABS (*)	100,00	-
ABS (FS) (*)	100,00	-
Joint Venture	31 December 2018 (%)	31 December 2017 (%)
Logo Infosoft (**)	50,00	66,66
FIGO (***)	-	50,00

(*) Note 4.

(**) As of 1 January 2018, the Company has joint control of Logo Infosoft based on the contract made with GSF Software Labs LLC on. After this date Logo Infosoft has been accounted according to equity method in the consolidated financial statements.

(***) Note 7.

Subsidiaries

Consolidated financial statements include financial statements of the Company and entities controlled by the Company's subsidiaries. Control is provided by the Company providing the following conditions:

- Have the authority on the investee company/asset
- Being open to or entitled to variable returns from the investee company/asset, and
- Ability to use its power that may have effect on the returns

The balance sheets, income statements and other comprehensive income statements of the subsidiaries that are incorporated into consolidation are consolidated using full consolidation method. The registered value of the investment recorded in the assets of the company and the amount from subsidiaries’ shareholder’s equity corresponded to company’s share are settled net. The transactions and balances between the company and subsidiaries are mutually deleted under consolidation.

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 YEAR ENDED 31 DECEMBER 2018

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

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

2.1 Basis of presentation (Continued)

Joint venture

Joint venture is a joint initiative in which, the sides who have joint control in an arrangement, have rights related to net assets in this common arrangement. Joint control is the sharing of the control over an economic activity depends on the agreement. This control is supposed to exist if the decisions about the related activity can only be made by the unanimous vote of the sides who share the control.

The investments in joint ventures are recognized using equity method as of the date after the investees turn into subsidiary or joint venture.

2.1.4 Presentation and functional currency

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

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

2.2 Going concern

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

2.3 Amendments to International Financial Reporting Standards

a. Standards, amendments and interpretations applicable as at 31 December 2018

- TFRS 9, “Financial instruments”; effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. There is not any material impact on the financial position or performance of the Group related to this amendments.

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 YEAR ENDED 31 DECEMBER 2018

(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 (Continued)

a. Standards, amendments and interpretations applicable as at 31 December 2018 (Continued)

- TFRS 15, “Revenue from customer contracts -; Effective for annual periods beginning on or after 1 January 2018. The new standard resulting from the compliance study with the US Accepted Accounting Standards is intended to ensure that the financial reporting of the revenue and the total incomes of the financial statements are comparable across the world. Contracts with customers under the new standard have been evaluated in order to define the Group's performance obligations and revenue recording models. The Group's performance obligations are limited to the delivery of the service or the product and it has not been deemed necessary to distribute the sales prices to different performance obligations. Moreover, since the income recording model applied in previous years is in compliance with TFRS 15, this standard does not have any significant impact on the financial position or performance of the Group.
- Amendments to TFRS 4, “Insurance contracts” regarding the implementation of TFRS 9, “Financial Instruments”; effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:
 - give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when TFRS 9 is applied before the new insurance contracts standard is issued; and
 - give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 until 2021. The entities that defer the application of TFRS 9 will continue to apply the existing financial instruments standard TAS 39.
- Amendment to TAS 40, “Investment property” relating to transfers of investment property; effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.
- Amendments to TFRS 2, “Share based payments” on clarifying how to account for certain types of share-based payment transactions; effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in TFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee’s tax obligation associated with a share-based payment and pay that amount to the tax authority.

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 YEAR ENDED 31 DECEMBER 2018

(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 (Continued)

a. Standards, amendments and interpretations applicable as at 31 December 2018 (Continued)

Annual improvements 2014-2016; effective from annual periods beginning on or after 1 January 2018. These amendments impact 2 standards:

- TFRS 1, “First time adoption of TFRS”, regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19 and TFRS 10,
- TAS 28, ‘Investments in associates and joint venture’ regarding measuring an associate or joint venture at fair value.

- IFRIC 22, ‘Foreign currency transactions and advance consideration’; effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

b. Standards, amendments and interpretations that are issued but not effective as at 31 December 2018:

- Amendment to TFRS 9, ‘Financial instruments’; effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from TAS 39.
- Amendment to TAS 28, ‘Investments in associates and joint venture’; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using TFRS 9.

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 YEAR ENDED 31 DECEMBER 2018

(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 (Continued)

b. Standards, amendments and interpretations that are issued but not effective as at 31 December 2018 (Continued)

- TFRS 16, ‘Leases’; effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if TFRS 15 ‘Revenue from Contracts with Customers’ is also applied. This standard replaces the current guidance in TAS 17 and is a far-reaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right of use asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- IFRIC 23, ‘Uncertainty over income tax treatments’; effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of TAS 12 ‘Income taxes’, are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that TAS 37, not TAS 12 ‘Provisions, contingent liabilities and contingent assets’, applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.
- TFRS 17, ‘Insurance contracts’; effective from annual periods beginning on or after 1 January 2021. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

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 YEAR ENDED 31 DECEMBER 2018

(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 (Continued)

b. Standards, amendments and interpretations that are issued but not effective as at 31 December 2018 (Continued)

Annual improvements 2015-2017; effective from annual periods beginning on or after 1 January 2019. These improvements includes below amendments:

- TFRS 3, ‘Business combinations’, – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
- TFRS 11, ‘Joint arrangements’, – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- TAS 12, ‘Income taxes’ – a company accounts for all income tax consequences of dividend payments in the same way.
- TAS 23, ‘Borrowing costs’ – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.
- Amendments to TAS 19, ‘Employee benefits’ on plan amendment, curtailment or settlement’; effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:
 - use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
 - recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.
- Amendments to TAS 1 and TAS 8 on the definition of material; effective from Annual periods beginning on or after 1 January 2020. These amendments to TAS 1, ‘Presentation of financial statements’,and TAS 8, ‘Accounting policies, changes in accounting estimates and errors’, and consequential amendments to other TFRSs:
 - i) use a consistent definition of materiality throughout TFRSs and the Conceptual Framework for Financial Reporting;
 - ii) clarify the explanation of the definition of material; and
 - iii) incorporate some of the guidance in TAS 1 about immaterial information.
- Amendments to TFRS 3 - definition of a business; effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

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 YEAR ENDED 31 DECEMBER 2018

(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 (Continued)

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

The Group will apply TFRS 16 “Leasing” (“TFRS 16”) standard from 1 January 2019 which is the implementation date of TFRS 16. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. As a result, all right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

When the Standard is applied, the assets and liabilities of the Group’s balance sheet will increase by the amount of right of use asset and lease liability (after deferred tax effects), respectively. The Group’s net profit will decrease by the difference between the amortization of the right of use asset and the sum of the interest effect of the lease liability and the annual lease payments accounted for in accordance with the previous standard. Moreover, repayments of the principals of the lease payables will be classified as cash flows arising from financing activities, therefore the operating cash flows will increase and the financing cash flows will decrease accordingly.

After adoption of the TFRS 16 starting from 1 January 2019, it is expected approximately 15.750.000 TRY of right of use assets and lease liabilities will be recognised in the consolidated balance sheet.

2.4 Changes in Accounting Policies

Accounting policy changes arising from the initial application of a new TAS / TFRS are applied retrospectively or prospectively in accordance with the transitional provisions of the TAS / TFRS. Changes to which no transition clauses are included, material changes in accounting policies or voluntary accounting errors are applied retrospectively and prior period financial statements are restated.

If changes in accounting estimates are related to only one period, they are applied both in the current period when the amendment is made and for the future periods, both in the current period and in the future. The Company has applied the new standards, amendments and interpretations effective from January 1, 2018, in accordance with the transitional provisions of the relevant standards.

The impact of the first-time adoption of these standards and the impact of first-time adoption of relevant standards is as follows:

Transition to TFRS 15 “Revenue from contracts with customers”

Group has applied TFRS 15 “Revenue from contracts with customers”, by using cumulative effect method on the transition date, 1 January 2018. Considering the cumulative effect of the application of the new standard is not material, the Group has elected not to account the effects of the standard retrospectively.

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 YEAR ENDED 31 DECEMBER 2018

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

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

2.4 Changes in Accounting Policies (Continued)

Transition to TFRS 9 "Financial instruments"

TFRS 9 replaces TAS 39 which is financial instruments recognition and measurement standard, and the Group has chosen to recognize the as of 1 January 2018 within the framework of the transition exemption in paragraph 7.2.15 of the related standard. The cumulative impact of TFRS 9 as a result of the initial application of TFRS 9 has not been accounted for by considering the materiality level.

Changes in the classification of financial assets and liabilities under TFRS 9 are summarized below. These differences do not have an impact on the measurement of financial assets other than the financial investments account group:

Financial assets	Previous classification according to TMS 39	New classification according to TFRS 9
Cash and cash equivalents	Borrowings and receivables	Amortized cost
Trade receivables	Borrowings and receivables	Amortized cost
Financial investments	Financial assets available for sale	Fair value through other comprehensive income
Financial liabilities	Previous classification according to TMS 39	New classification according to TFRS 9
Borrowings	Amortized cost	Amortized cost
Financial leases	Amortized cost	Amortized cost
Trade payables	Amortized cost	Amortized cost

2.5 Summary of significant accounting policies

Financial assets

Classification and measurement

Group classified its financial assets in three categories; financial assets carried at amortized cost, financial assets carried at fair value through profit or loss, financial assets carried at fair value through other comprehensive income. Classification is performed in accordance with the business model determined based on the purpose of benefits from financial assets and expected cash flows. Management performs the classification of financial assets at the acquisition date.

(a) Financial assets carried at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost. They are included in current assets, except for maturities more than 12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. The Group's financial assets carried at amortized cost comprise "trade receivables" and "cash and cash equivalents" in the statement of financial position. In addition, with recourse factoring receivables classified in trade receivables are classified as financial assets carried at amortized cost since collection risk for those receivables are not transferred to counterparty.

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 YEAR ENDED 31 DECEMBER 2018

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

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

2.5 Summary of significant accounting policies (Continued)

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cheques received deposits at banks and highly liquid investments with maturity periods of less than three months.

Trade receivables and impairment provision

Trade receivables that are created by the Group by way of providing goods or services directly to a debtor are carried at amortized cost. Short term receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

A credit risk provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

Trade and other payables

Trade and other payables are initially measured at fair value. None interest rate bearing short term payables are measured at original invoice amount unless the effect of imputing interest is significant.

Financial borrowings

Interest-bearing financial borrowings are initially measured at the fair value of the consideration received, less directly attributable costs and are subsequently measured at amortized cost, using the effective interest rate method. Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset which requires substantial period of time to get ready for its intended use or sale shall be capitalized over the cost of the asset. Other borrowing costs shall be recognized as an expense in the period it incurs.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a company of similar financial assets) is derecognized where the rights to receive cash flows from the asset have expired, the Group retains the right to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a pass-through arrangement or the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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 YEAR ENDED 31 DECEMBER 2018

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

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

2.5 Summary of significant accounting policies (Continued)

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated income statement.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Related Parties

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
- (i) Has control or joint control over the reporting entity;
 - (ii) Has significant influence over the reporting entity; or
 - (iii) Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (i) The entity and the company are members of the same group.
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

For the purpose of these consolidated financial statements, shareholders, associated entities, key management personnel and Board of Directors members, in each case together with their families and companies controlled or affiliated with them are considered and referred to as related parties. As a result of ordinary business operations, Company may have business relations with the related parties.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquirer. The consideration transferred is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, the liabilities incurred by the Group to former owners of the entity and the equity interests issued by the Group.

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 YEAR ENDED 31 DECEMBER 2018

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

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

2.5 Summary of significant accounting policies (Continued)

When the agreement with the seller includes a clause that the consideration transferred could be adjusted for future events, the acquisition-date fair value of this contingent consideration is included in the cost of the acquisition. All transaction costs incurred by the Group have been recognized in general administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Acquisition method requires allocation of the acquisition cost to the assets acquired and liabilities assumed at their fair values on the date of acquisition. Accordingly, acquired assets and liabilities and contingent liabilities assumed based on the requirements of TFRS 3 are recognized at fair values on the date of acquisition. Acquired company is consolidated starting from the date of acquisition.

If the fair values of the acquired identifiable assets, liabilities and contingent liabilities or cost of the acquisition are based on provisional assessment as at the balance sheet date, the Group made provisional accounting. Temporarily determined business combination accounting has to be completed within twelve months following the combination date and adjustment entries have to be made beginning from combination date.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the aggregate of the consideration transferred measured at fair value at the date of acquisition and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed at fair value in accordance with TFRS 3 on the date of acquisition. The goodwill for associates is recorded in consolidated statement of financial position under associates accounted for using the equity method.

In the event the amount paid in an acquisition is lower than the fair value of the acquired net assets and liabilities the difference is recognised as income.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Whenever the carrying amount exceeds the recoverable amount, an impairment loss is recognized in the consolidated income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the acquisition, irrespective of whether other assets or liabilities are assigned to these units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amounts of the net assets assigned to the cash-generating unit, an impairment loss is recognized. The impairment of goodwill cannot be cancelled. The Group tests the impairments of goodwill as of December 31st. The profit and losses generated from the sale of a business include the goodwill on the sold business.

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 YEAR ENDED 31 DECEMBER 2018

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

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

2.5 Summary of significant accounting policies (Continued)

Property and equipment

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Gains or losses on disposals of property and equipment are included in the related income and expense accounts, as appropriate.

The initial cost of property and equipment comprises its purchase price, including import duties and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance expenses are charged to the statement of profit or loss during the period in which they are incurred.

These capitalized costs are depreciated and charged to statement of profit or loss over the useful life of the related assets. Depreciation is calculated on a straight line basis over the estimated useful life of the assets, which are as follows:

	<u>Useful Life</u>
Leasehold improvements relating to building	5 - 49 year
Machinery, plant and equipment	5 year
Motor vehicles	5 year
Furniture and fixtures	3 - 15 year

Estimated useful lives are reviewed and adjusted if appropriate at the end of each reporting period.

Intangible assets

Intangible assets include acquired rights, development costs, software and technology, customer relationships and other identifiable rights acquired in business combinations. Intangible assets are carried at cost less accumulated amortization. These are accounted by cost of acquisition and are subjected to straight-line depreciation method with their useful lives starting from the date of acquisition

	<u>Useful Life</u>
Development costs	5 - 15 year
Technology developed	5 - 10 year
Customer relations	8 - 20 year
Agreement for restriction of competition	3 - 4 year
Other intangible assets	3 - 5 year

Intangible assets acquired in business combinations are accounted for over their fair values at the acquisition date. Where an indication of impairment exists, the carrying amount of any intangible assets is assessed and written down immediately to its recoverable amount.

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 YEAR ENDED 31 DECEMBER 2018

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

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

2.5 Summary of significant accounting policies (Continued)

Research and development costs

Research is defined as the original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. The expenditure on research is recognized as an expense when it is incurred.

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 when the following are demonstrated:

- a) The technical feasibility of completing the intangible asset so that it will be available for use or sale,
- b) Its intention to complete the intangible asset and use or sell it,
- c) Its ability to use or sell the intangible asset,
- d) How the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset,
- e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset,
- f) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development costs comprise salaries, wages and related costs of the staff working directly in development activities and other directly attributable costs. The government grants related development costs are deducted from the carrying value of associated development costs.

Impairment of assets

All assets are reviewed for impairment losses including property, plant and equipment, and intangible assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset’s net selling price and value in use. Impairment losses are recognized in the statement of income.

Impairment losses on assets can be reversed, to the extent of previously recorded impairment losses, in cases where increases in the recoverable value of the asset can be associated with events that occur subsequent to the period when the impairment loss was recorded.

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 YEAR ENDED 31 DECEMBER 2018

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

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

2.5 Summary of significant accounting policies (Continued)

Leases

The Group as lessee

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

Financial leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the statement of profit or loss.

Rentals payable under operating leases are charged to the statement of profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Government incentives

Logo Yazılım benefits from research and development ("R&D") grants within the scope of the Communiqué No: 98/10 of The Scientific and Technological Research Council of Turkey ("TÜBİTAK") and Money Credit and Coordination Board related to R&D grants for its research and development projects given that such projects satisfy specific criteria with respect to the evaluation of TÜBİTAK Technology Monitoring and Evaluation Board.

The government grants are recognized when there is reasonable assurance that Logo Yazılım will comply with the conditions attached to them and the grants will be received.

The government grants are recognized as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Accordingly, government grants are when the related costs which they are intended to compensate were incurred. Similarly, grants related to depreciable assets are recognized as income over the periods and in the proportions in which depreciation on those assets is charged.

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 YEAR ENDED 31 DECEMBER 2018

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

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

2.5 Summary of significant accounting policies (Continued)

Gains arising from incentives for investment and research and development activities together with government grants are recognized when there is a reasonable assurance for the necessary conditions to be fulfilled and incentive to be acquired by the Group. Vested government grants related with expense or capitalization realized in previous accounting periods, are recognized in statements of profit or loss when collectible.

Taxation and deferred taxes

Income tax expense comprises current and deferred taxes. Income tax expense is recognized in the statement of profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current income tax is based on taxable profit for the year. Taxable profit differs from “profit before tax” as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Current tax is calculated using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Interest and penalties assessed on income tax deficiencies are presented based on their nature.

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 YEAR ENDED 31 DECEMBER 2018

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

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

2.5 Summary of significant accounting policies (Continued)

Revenue Recognition

The Group mainly generates revenue from sale of off-the-shelf software, sale of Logo Enterprise Membership, sale of SaaS membership, after-sales services revenue, development of customized software and version upgrade package sales.

Off-the-shelf software sales - licence model

Revenues on off-the-shelf software sales are recognized on an accrual basis at the time deliveries or acceptances are made, the amount of the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group, at the fair value of consideration received or receivable. Net sales represent the invoiced value less sales returns and discounts. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized as interest income on a time proportion basis that takes into account the effective yield on the asset.

On the off-the-shelf software sales, Logo Yazılım charge its customers a one-time fee and the customers are entitled to use the current release and version indefinitely. Accordingly, the Company does not have obligation following the point of sale.

Off-the-shelf software sales - pay as you go model

In the sales model where the licence rights are not transferred to customers, but usage right of the package programme is made available for a limited period of time, the revenues are accounted for on accrual basis.

e-Logo Private Integrator service sales

Companies issuing e-invoice can exchange electronic invoice via data processing system of a private integrator that has the technical capability instead of using internal data processing infrastructure e-Logo is a private integrator certified by the Turkish Revenue Administration and enables its users to realize their electronic invoice exchanges with an invoice processing capacity of 130,000,000 invoices a day that works with speed and security 24 hours. Companies that use e-Logo’s private Integrator Service manage their approval processes on web. Private Integrator Service is provided with a prepaid coin sale. Revenue is recognized according to rates of coin usage.

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 YEAR ENDED 31 DECEMBER 2018

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

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

2.5 Summary of significant accounting policies (Continued)

Logo Enterprise Membership (“LEM”) sales and version upgrade package sales

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. Enterprises which buy LEM obtain the basic maintenance and support services necessary for high performance functioning of Enterprise Resource Planning, besides receiving all the legal changes and charged version changes free of charge. LEM sales are recognized on an accrual basis over the contract period. The Group gives LEM for free with the initial sale of the main software. The Group's management noted that LEM products are sold free of charge in the first year and all receipts from these sales transactions are attributed to the main software product. Since the free of charge LEM products given the first year are given along with the currently up-to-date software, they do not bring significant updates for the user and their commercial value is lower compared to the LEM products provided in the subsequent years. A fee is charged for the subsequent renewal of LEM agreements.

SaaS subscription income

SaaS subscription income is allocated to customers on a monthly basis. Income is invoiced and recognised as part of a periodic invoicing process and the source of income is accounted for as soon as the service is rendered.

Post delivery customer support

The revenues from post delivery customer support are recognized on the accrual basis based on the terms of the agreements. The post delivery customer support services are mainly provided by the business partners.

Customized software development

The revenues from customized software development are recognized by reference to the stage of completion of the contract activity at the balance sheet date.

Other revenues

Other revenues earned by the Group are recognized on the following basis:
Royalty and rental income - on an accrual basis,
Interest income - on an effective yield basis,
Dividend income - when the Company's right to receive payment is established

Provisions

Provisions are recognized when the Group has a present legal constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

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 YEAR ENDED 31 DECEMBER 2018

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

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

2.5 Summary of significant accounting policies (Continued)

Provision of distribution premium

The group set annual sale targets for its distributors and distribute premiums at the end of the year according to these targets. Premiums are recognized in the period that they are realized and associated with profit and loss statements.

Contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in financial statements and treated as contingent assets or liabilities.

Contingent liabilities are disclosed in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote. If an outflow of resources has become probable, contingent liabilities are recognized in the financial statements. Contingent assets are not recognized in financial statements but disclosed in the notes to the financial statements where an inflow of economic benefits is probable.

Sales Option

Potential cash payments related to the sales options held by the Group's subsidiaries are accounted for as a financial liability. The amount payable under the option is initially recognized at fair value within the borrowing framework and the amount corresponding to this amount is followed in equity. The amount recognized in the shareholders equity is recognized in the put option revaluation fund related with non-controlling interests account under the shareholders' equity of the parent company, provided that certain conditions are met. The Group recognizes changes in the subsequent periods in the other comprehensive income and expense statement.

Employee benefits

Retirement pay liability

Employment termination benefits, as required by the Turkish Labor Law, represent the estimated present value of the total reserve of the future probable obligation of the Company arising in case of the retirement of the employees. According to Turkish Labor Law and other laws applicable in Turkey, the Company is obliged to pay employment termination benefit to employees in cases of termination of employment without due cause, retirement or death upon the completion of a minimum one year service. The provision which is allocated by using the defined benefit pension's current value is calculated by using the estimated liability method. All actuarial profits and losses are recognized in the other comprehensive income.

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 YEAR ENDED 31 DECEMBER 2018

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

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

2.5 Summary of significant accounting policies (Continued)

Personnel bonus provision

Provision for bonus is provided when the bonus is a legal obligation, or past practice would make the bonus a constructive obligation and the Group is able to make a reliable estimate of the obligation.

Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group’s own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in share premium. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them. Share options exercised during the reporting period are satisfied with treasury shares.

Statement of cash flows

The Group prepares consolidated statement of cash flows as an integral part of its financial statements to enable financial statement analysis about the change in its net assets, financial structure and the ability to direct cash flow amounts and timing according to evolving conditions. Cash flows during the period are classified and reported by operating, investing and financing activities in the cash flow statements.

Cash flows from operating activities represent the cash flows generated from the Group’s activities.

Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (property and equipment, intangible assets and financial investments).

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

Segment Reporting

The Group’s operations are carried out in a single business line. There are two geographical segments which include the data used by management to make decisions on performance evaluation and source distribution. The Group’s geographical segments cover operations in Turkey and Romania. These segments are managed separately since different economic conditions affect them. Their risks and yields are different based on their geographical positions. The Group’s management adopted a policy of examining geographical segment results in the interim consolidated financial statements prepared in line with TFRS while evaluating the performance of segments

Geographical segments are reported in a manner consistent with the reporting provided to the Chief Executive Officer and board of directors of the Group (“Chief Operating Decision-Maker”).

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 YEAR ENDED 31 DECEMBER 2018

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

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

2.5 Summary of significant accounting policies (Continued)

Adjusted EBITDA is not a financial measure defined by TAS/IFRS as a measurement of financial performance and may not be comparable to other similarly-titled indicators used by other companies.

For a geographical segment to be identified as a reportable segment, its revenue, including both sales to external customers and intersegment sales or transfers, should be 10% or more of the combined revenue, internal and external, of all geographical segments; its profit or loss should be 10% or more of the combined profit or loss or its assets should be 10% or more of the combined assets of all geographical segments. Management monitors the Group’s operations in Turkey and Romania, separately.

Geographical segments that do not meet any of the quantitative thresholds may be considered as reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the interim consolidated financial statements.

Earnings per share

The Group presents basic and diluted earnings per share (“EPS”) data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is equal to basic EPS because the Group does not have any convertible notes or share options granted to employees.

In Turkey, companies are allowed to raise their share capital by distributing bonus shares to shareholders from retained earnings. In computing earnings per share, such bonus share distributions are treated as issued shares. Accordingly, the retrospective effect for such share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this calculation.

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.

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 YEAR ENDED 31 DECEMBER 2018

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

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

2.6 Significant accounting estimates and assumptions (Continued)

Useful lives of intangible assets

In accordance with the accounting policy stated in Note 2.5, property and equipment are stated at historical cost less depreciation, net of any impairment charges. Depreciation on tangible assets is calculated using the straight-line method over their estimated useful lives. Useful lives depend on the best estimates of management and are reviewed in each financial period and corrected accordingly

Revenue recognition

The Group uses percentage of completion method in accounting of its software 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. Since the free of charge LEM products given the first year are given along with the currently up-to-date software, they do not bring significant updates for the user and their commercial value is lower compared to the LEM products provided in the subsequent years. Thus, related sales amounts are recognized as revenue within the transaction year.

Research and development costs

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

Goodwill impairment test

Goodwill is subject to impairment test at least annually. The recoverable amounts of cash generating units are determined on fair value less cost of disposal (“FVLCD”) 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. The consolidated balance sheet of the Group at 31 December 2018 has been provided with the comparative financial information of 31 December 2017 and the consolidated statements of profit or loss, the consolidated statements other comprehensive income, changes in equity and cash flows for the period ended 31 December 2018 have been provided with the comparative financial information, for the period ended 31 December 2017.

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;

- The Group's consolidated statement of profit or loss on 31 December 2017 contains classification of “Research and development expenses” related to Total Soft's project sales to “cost of sales” amounting to TRY 40.100.375.

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 YEAR ENDED 31 DECEMBER 2018

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

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).

31 December 2018	Turkey	Romania	Segmental eliminations	Consolidated
Reportable segment assets	408.864.406	154.383.330	(89.535)	563.158.201
Reportable segment liabilities	110.923.038	133.751.135	(89.535)	244.584.638
Goodwill	108.693.333	28.058.862	-	136.752.195
Property and equipment and intangible asset	103.914.351	81.137.686	-	185.052.037

2018	Turkey	Romania	Segmental eliminations	Consolidated
Revenue	213.114.614	107.977.485	-	321.092.099
Cost of sales	(3.382.399)	(60.571.541)	-	(63.953.940)
Operating expense	(143.872.370)	(45.046.415)	-	(188.918.785)
Other operating income	4.559.906	2.152.855	-	6.712.761
Other operating expenses	(7.927.327)	(2.714.526)	-	(10.641.853)
Financial income	11.707.978	1.265.861	(367.347)	12.606.492
Financial expense	(5.814.076)	(5.793.085)	367.347	(11.239.814)
Depreciation and amortization	(23.374.968)	(9.660.070)	-	(33.035.038)
Share of profit or loss of investments accounted for using the equity method	(3.487.916)	-	-	(3.487.916)
Tax expense	(677.477)	(630.602)	-	(1.308.079)
Net profit for the year	70.097.475	(2.992.621)	-	67.104.854
Adjusted EBITDA	89.234.813	12.019.599	-	101.254.412
Purchase of property and equipment and intangible assets	40.258.430	13.039.297	-	53.297.727

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

2018	Consolidated
Adjusted EBITDA	101.254.412
Depreciation and amortization	(33.035.038)
Income from investing activities	6.243.889
Share of profit or loss of investments accounted for using the equity method	(3.487.916)
Other operating income	6.712.761
Other operating expenses	(10.641.853)
Financial income	12.606.492
Financial expense	(11.239.814)
Profit before tax	68.412.933

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 YEAR ENDED 31 DECEMBER 2018

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

NOTE 3 - SEGMENT REPORTING (Continued)

31 December 2017	Turkey	Romania	Other	Segmental eliminations	Consolidated
Reportable segment assets	232.200.817	151.737.093	4.315.056	(5.087.478)	383.165.488
Reportable segment liabilities	85.326.963	91.640.648	2.009.888	(5.087.478)	173.890.021
Goodwill	83.294.475	-	-	-	83.294.475
Property and equipment and intangible assets	87.031.485	39.852.461	1.659.969	-	128.543.915

2017	Turkey	Romania	Other	Segmental eliminations	Consolidated
Revenue	181.240.115	74.928.799	-	-	256.168.914
Cost of sales	(3.845.561)	(48.301.334)	-	-	(52.146.895)
Operating expense	(108.278.563)	(33.831.874)	(3.229.921)	-	(145.340.358)
Financial income	1.070.665	1.687.534	-	-	2.758.199
Financial expense	(3.056.986)	(5.516.417)	(987)	-	(8.574.390)
Depreciation and amortization	(19.135.678)	(4.677.630)	(131.278)	-	(23.944.586)
Investment under accounted equity income/(loss)	(1.407.831)	-	-	-	(1.407.831)
Tax expense	(2.491.808)	(661.242)	-	-	(3.153.050)
Profit for the period	63.141.877	(10.173.141)	(3.213.470)	-	49.755.266
Adjusted EBITDA	88.251.669	(2.526.779)	(3.098.643)	-	82.626.247
Purchase of property and equipment and intangible assets	30.321.555	9.731.717	1.797.784	-	41.851.056

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

2017	Consolidated
Adjusted EBITDA	82.626.247
Depreciation and amortization	(23.944.586)
Income from investing activities	285.885
Investment under accounted equity income/(loss)	(1.407.831)
Other income from operating activities	5.390.195
Other expense from operating activities	(4.225.403)
Financial income	2.758.199
Financial expense	(8.574.390)
Profit before tax	52.908.316

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 YEAR ENDED 31 DECEMBER 2018

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

NOTE 4 - BUSINESS COMBINATION

Acquisition of ABS and ABS FS

The Group acquired ABS and ABS FS shares through Share Purchase Agreement signed on 19 July 2018. The purchase consideration of ABS and ABS-FS is 20% shareholding in Total Soft. Acquisition was completed on 30 October 2018 and the nominal value of 20% of Total Soft shares of 22.239.700 RON (28.709.229 TRY) was determined to be within a fair value range as of 30 October 2018. Consequently, no adjustments were made and the consideration for the operating assets of ABS and ABS FS was assumed to be equal to 22.239.700 RON (28.709.229 TRY).

The Group with respect to aforementioned acquisition process accounted for ABS and ABS FS in accordance with TFRS 3, “Business Combination”. The fair values of identifiable assets acquired and liabilities were determined based on the valuation report performed as a part of purchase price allocation study.

As of the acquisition date, TRY equivalents of RON denominated identifiable assets acquired and liabilities assumed were booked over their following values:

Total assets	663.174
Intangible assets - Customer relationships	24.060.016
Total liabilities	(24.072.823)
<hr/>	
Fair value of net assets	650.367
Less: Purchase consideration	28.709.229
<hr/>	
Goodwill	28.058.862

The identifiable assets determined as a result of the purchase price allocation for ABS and ABS FS acquisition are amortized over 15 years for customer relationship.

The goodwill amount calculated is recognized in the financial statements of Total Soft. The goodwill arising from foreign economic unit acquisition is recognized based on the functional currency of Total Soft which is RON within the concept of TMS 21, “The effects of changes in foreign exchange rates”. The goodwill amount calculated as of the date of acquisition is RON 21,739,035.

As a result of these acquisitions, there is a sales option given to Avramos Holding Ltd. by Logo Yazılım for the 20% Total Soft shares transferred to Avramos Holding Ltd. between 1 January 2021 and 31 December 2024. As of December 31, 2018, the Company has accounted for the liability for a put option amounting to TRY 1.018.118 in the long-term liabilities account as a result of the sales option given in the consolidated financial statements.

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 YEAR ENDED 31 DECEMBER 2018

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

NOTE 5 - CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents as of 31 December 2018 and 31 December 2017 is as follows:

	31 December 2018	31 December 2017
Cash	36.477	22.472
Banks		
- Demand deposits - TRY	661.540	2.348.730
- Demand deposits - foreign currency	6.197.342	8.763.832
- Time deposits - TRY	19.029.482	8.957.092
- Time deposits - foreign currency	9.340.088	-
Credit card slip receivables	41.791.108	30.558.652
Checks received	260.274	245.582
Blocked cash (*)	1.101.116	737.254
	78.417.427	51.633.614

(*) Restricted cash consist of cash guarantees given by the Total Soft to its customers and the maturities are less than three months.

As of 31 December 2018, the weighted average effective annual interest rates of TRY denominated time deposits are between 13.75% and 25.70% (31 December 2017: 11.00% and 14.00%). As of 31 December 2018, the weighted average effective annual interest rates of USD denominated time deposits are between 4.65% and 5.70% and EURO denominated time deposits are between 2.42% and 3.37%.

NOTE 6 - FINANCIAL INVESTMENTS

Available-for-sale financial assets:

The analysis of financial assets at fair value through profit and loss at 31 December 2018 and 2017 is as follows:

	31 December 2018	31 December 2017
Mutual funds		
- Liquid funds	2.502.350	-

The analysis of non-current financial assets at 31 December 2018 and 2017 is as follows:

	31 December 2018		31 December 2017	
	Share (%)	Carrying amount	Share (%)	Carrying amount
Logo Ventures Girişim Sermayesi Yatırım Fonu (“Logo Ventures”)	20.00	1.450.000	20.00	1.000.000
İnterpro Yayıncılık Araştırma ve Organizasyon Hizmetleri A.Ş. (“Interpro”)	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
		1.580.653		1.130.653

As of 31 December 2018, the fair value difference of Logo Ventures, Interpro and Dokuz Eylül, 31 December 2018 and 2017 has been evaluated in the other comprehensive income and as of 31 December 2018, the fair value of the fair value is reflected in the consolidated financial statements at cost.

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 YEAR ENDED 31 DECEMBER 2018

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

NOTE 6 - FINANCIAL ASSETS (Continued)

Long term other financial investment:

	30 December 2018	31 December 2017
Long term other financial investment (*)	5.742.561	-

(*) The Group's joint venture consists of the convertible debt instruments issued by Logo Infosoft. The Group has not considered the related investment for trading purposes and has recognized the fair value changes in the other comprehensive income statement in accordance with the accounting policies explained in Note 2.5.

NOTE 7 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	2018	2017
As of 1 January	558.663	737.533
Effect of Logo Infosoft (*)	2.010.550	-
Participation in capital increase of joint venture	1.350.000	1.228.961
Share of profit/(loss)	(3.487.916)	(1.407.831)
Sale of Figo	(431.297)	-
As of 31 December	-	558.663

(*) Note 2.1.3.

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

Summary of balance sheet

FIGO	31 December 2018	31 December 2017
Cash and cash equivalents	-	212.059
Other current assets	-	247.509
Other non-current assets	-	160.717
Total assets	-	620.285
Other short-term liabilities	-	98.816
Total liabilities	-	98.816
Net assets	-	521.469

(*) Group has transferred all its shares at FIGO corresponding to 50 % with a collection amount of 6.500.000 TRY as per share transfer agreement signed on 31 December 2018.

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 YEAR ENDED 31 DECEMBER 2018

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

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

Logo Infosoft	31 December 2018
Cash and cash equivalents	494.318
Other current assets	2.173.129
Other non-current assets	1.832.886
Total assets	4.500.333
Other short-term liabilities	3.722.651
Total liabilities	3.722.651
Net Assets	777.682

Summary of income statements

FIGO	31 December 2018	31 December 2017
Income	114.725	65.563
Expenses (-)	(3.069.457)	(2.881.225)
Net loss for the period	(2.954.732)	(2.815.662)
Interest ratio of the Group	50%	50%
Group's share	(1.477.366)	(1.407.831)
Share of losses of investment under equity method	(1.477.366)	(1.407.831)

Logo Infosoft	December 2018
Income	1.055.581
Expenses (-)	(10.267.319)
Net loss for the period	(9.211.738)
Interest ratio of the Group	% 50.00
Group's share	(4.605.869)
Unrecognised losses (*)	2.595.319
Share of losses of investment under equity method	(2.010.550)

(*) Group's shares of loss for the period of Logo Infosoft amounting to TRY 2.595.319 has not been recognised, since the carrying value of Logo Infosoft declined to zero.

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 YEAR ENDED 31 DECEMBER 2018

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

NOTE 8 - BORROWINGS

Details of borrowings as of 31 December 2018 and 2017 is as follows:

Short-term bank borrowings:	31 December 2018	31 December 2017	
Short-term bank borrowings	1.788.145	1.759.193	
Credit card payables	137.852	58.967	
	1.925.997	1.818.160	
Short-term portion of long-term bank borrowings:			
Short-term portion of long-term bank borrowings	-	16.972.616	
Financial leases	741.292	494.044	
	741.292	17.466.660	
Total short-term bank borrowings	2.667.289	19.284.820	
Long-term bank borrowings:	31 December 2018	31 December 2017	
Long-term bank borrowings	96.009.180	45.372.436	
Financial leases	799.159	801.411	
Total long-term bank borrowings	96.808.339	46.173.847	
	31 December 2018		
	Weighted average annual interest rate (%)	Original amount	TRY equivalent
Short-term bank borrowings:			
Bank borrowings - RON - unsecured	-	1.788.145	1.788.145
Credit cards- TRY	-	137.852	137.852
			1.925.997
Short-term portion of long-term bank borrowings:			
Financial leases - Euro	-	122.975	741.292
Bank borrowings - Euro	-	-	-
			741.292
Long-term bank borrowings:			
Bank borrowings - Euro - secured Euribor+2.50%- 2.95%		15.927.203	96.009.180
Financial leases- Euro	-	132.574	799.159
			96.808.339
Total borrowings			99.475.628

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 YEAR ENDED 31 DECEMBER 2018

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

NOTE 8 - BORROWINGS (Continued)

	31 December 2017		
	Weighted average annual interest rate (%)	Original amount	TRY equivalent
Short-term bank borrowings:			
Bank borrowings - RON - unsecured	-	1.825.381	1.759.193
Credit cards- TRY	-	58.967	58.967
			1.818.160
Short-term portion of long-term bank borrowings:			
Bank borrowings- Euro - secured	Euribor+2.25	1.802.601	8.053.667
Financial leases - Euro	-	110.579	494.044
Bank borrowings - Euro	2.50	1.996.272	8.918.949
			17.466.660
Long-term bank borrowings:			
Bank borrowings - Euro - secured	2.50	10.155.426	45.372.436
Financial leases- Euro	-	179.375	801.411
			46.173.847
Total borrowings			65.458.667

The redemption schedules of long-term borrowings at 31 December 2018 and 2017 are as follows:

	31 December 2018		31 December 2017	
	Net book value	Fair value	Net book value	Fair value
	2018	2017	2018	2017
To be paid within 1-2 years	9.830.270	18.522.125	18.522.125	18.522.125
To be paid within 2-5 years	34.443.045	27.651.722	27.651.722	27.651.722
To be paid in more than 5 years	52.535.024	-	-	-
	96.808.339	46.173.847	46.173.847	46.173.847
	97.797.325	64.104.245	113.480.897	68.773.430
Borrowings	97.797.325	64.104.245	113.480.897	68.773.430

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

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 YEAR ENDED 31 DECEMBER 2018

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

NOTE 9 - TRADE RECEIVABLES AND PAYABLES

The details of trade receivables and payables as of 31 December 2018 and 31 December 2017 are as follows:

Short-term trade receivables:	31 December 2018	31 December 2017
Trade receivables	116.448.525	89.591.194
Credit card receivables	46.264.280	37.701.792
Cheques and notes receivables	7.738.534	2.735.947
Less: provision for doubtful receivables	(26.134.062)	(21.628.975)
Less: unearned finance income arising from credit sales	(7.836.647)	(3.875.934)
	136.480.630	104.524.024

As of 31 December 2018, the average turnover of the trade receivables is 123 days (31 December 2017: 123 days), excluding the credit card receivables, the turnover day is 78 days (31 December 2017: 83 days). The discount rate applied to the undue receivables is 23.48% (31 December 2017: 13.10%).

As of 31 December 2018, TRY 14.898.546 of trade receivables (31 December 2017: TRY 12.149.007) were past due but not impaired. The aging analysis of these trade receivables is as follows:

	31 December 2018	31 December 2017
Up to 1 month	4.820.403	4.469.151
1-3 months	4.032.670	1.735.726
More than 3 months	6.045.473	5.944.130
	14.898.546	12.149.007

As of 31 December 2018, TRY 11.192.815 of overdue receivables consist of trade receivables of Total Soft (31 December 2017: TRY 8.761.321). Group manages its receivables in accordance with credit risk management policies which is explained in Note 30.

The movement of provision for doubtful receivables for the periods ended 31 December 2018 and 2017 are as follows:

	2018	2017
As of 1 January	21.628.975	21.095.832
Provisions for the year	2.818.108	1.729.080
Releases	(3.961.698)	(3.721.143)
Acquisition of subsidiary	935.233	-
Foreign currency translation difference	4.713.444	2.525.206
As of 31 December	26.134.062	21.628.975

Trade payables to third parties:

	31 December 2018	31 December 2017
Trade payables	25.500.164	20.198.763

As of 31 December 2018, the average debt payment period is 80 days (31 December 2017: 71 days).

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 YEAR ENDED 31 DECEMBER 2018

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

NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

The table below shows the maximum exposure of the Group to credit risk as of 31 December 2018 and 31 December 2017:

31 December 2018	Trade receivables		Other receivables		Cash at bank
	Related party	Other	Related party	Other	
The maximum of credit risk exposure date	1.406.965	136.480.630	-	1.576.349	78.120.676
- Amount of risk covered by guarantees	-	607.724	-	-	-
Net carrying value of not past due and not impaired financial assets	1.406.965	121.582.084	-	1.576.349	78.120.676
Net carrying value of past due but not impaired financial assets	-	14.898.546	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-
Net carrying value of impaired assets	-	-	-	-	-
- Past due (gross carrying value)	-	26.134.062	-	-	-
- Provision for impairment (-)	-	(26.134.062)	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

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

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 YEAR ENDED 31 DECEMBER 2018

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

NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

31 December 2017	Trade receivables		Other receivables		Cash at bank
	Related party	Other	Related party	Other	
The maximum of credit risk exposure at the reporting date	-	104.524.024	3.375.068	861.300	51.365.560
- Amount of risk covered by guarantees	-	582.724	-	-	-
Net carrying value of not past due and not impaired financial assets	-	92.375.017	3.375.068	861.300	51.365.560
Net carrying value of past due but not impaired financial assets	-	12.149.007	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-
Net carrying value of impaired assets	-	-	-	-	-
- Past due (gross carrying value)	-	21.628.975	-	-	-
- Provision for impairment (-)	-	(21.628.975)	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

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

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 YEAR ENDED 31 DECEMBER 2018

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

NOTE 10 - OTHER RECEIVABLES, PAYABLES AND OTHER CURRENT ASSETS

Short-term other receivables from third parties:

	31 December 2018	31 December 2017
Income Accruals	1.407.822	311.442
Deposits and guarantees given	7.915	389.246
	1.415.737	700.688

Long-term other receivables from third parties:

	31 December 2018	31 December 2017
Long-term other receivables	160.612	160.612

Short-term other payables to third parties:

	31 December 2018	31 December 2017
Taxes payable	10.360.105	6.892.841
Other	435.608	-
	10.795.713	6.892.841

Long-term other payables to third parties:

	31 December 2018	31 December 2017
Other payables	1.633.361	1.809.414
	1.633.361	1.809.414

Other Current Assets:

	31 December 2018	31 December 2017
Prepaid taxes	2.081.115	972.819
Personel advances	1.481.654	671.924
Other	718.113	293.803
	4.280.882	1.938.546

NOTE 11 - INVENTORIES

	31 December 2018	31 December 2017
Trade goods	772.724	587.559
Raw materials and equipment	14.726	14.726
Other	110	2.015
	787.560	604.300

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 YEAR ENDED 31 DECEMBER 2018

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

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2018	Additions	Disposals	Currency translation differences	Addition of subsidiary (*)	Disposal of subsidiary (**)	31 December 2018
Cost:							
Lands	-	-	(160.825)	-	160.825	-	-
Buildings	-	-	(791.259)	-	791.259	-	-
Machinery, plant equipment	9.081.537	2.087.059	(69.051)	635.803	1.376.482	(168.063)	12.943.767
Motor Vehicles	2.237.291	372.844	-	681.853	112.369	-	3.404.357
Furniture and Fixtures	5.510.453	238.836	(2.922)	123.627	276.883	(230.945)	5.915.932
Leasehold improvements	22.606.581	1.816.818	(8.350)	75.517	-	(295.937)	24.194.629
	39.435.862	4.515.557	(1.032.407)	1.516.800	2.717.818	(694.945)	46.458.685
Accumulated Depreciation:							
Buildings	-	3.342	(139.939)	-	136.597	-	-
Machinery, plant equipment	6.914.609	1.606.987	(68.373)	186.750	1.338.206	(6.600)	9.971.579
Motor Vehicles	605.486	1.160.448	-	208.224	112.370	-	2.086.528
Furniture and Fixtures	3.911.284	391.265	(649)	61.574	79.954	(9.516)	4.433.912
Leasehold improvements	8.062.778	1.177.858	(8.350)	37.652	-	(11.622)	9.258.316
	19.494.157	4.339.900	(217.311)	494.200	1.667.127	(27.738)	25.750.335
Net book value	19.941.705						20.708.350

	1 January 2017	Additions	Disposals	Currency translation differences	31 December 2017
Costs:					
Machinery, plant and equipment	8.040.756	1.161.334	(312.537)	191.984	9.081.537
Motor vehicles	2.462.846	218.278	(883.262)	439.429	2.237.291
Furniture and fixtures	4.781.587	685.213	(11.672)	55.325	5.510.453
Leasehold improvements	20.618.937	1.963.706	-	23.938	22.606.581
	35.904.126	4.028.531	(1.207.471)	710.676	39.435.862
Accumulated depreciation:					
Machinery, plant and equipment	6.033.557	1.120.930	(295.863)	55.985	6.914.609
Motor vehicles	244.408	1.005.486	(679.695)	35.287	605.486
Furniture and fixtures	3.549.714	355.823	(9.711)	15.458	3.911.284
Leasehold improvements	7.098.513	957.136	-	7.129	8.062.778
	16.926.192	3.439.375	(985.269)	113.859	19.494.157
Net book value	18.977.934				19.941.705

(*) Note 4.

(**) Note 7.

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. The Group has an obligation to pay, in acknowledgement of TRY 478.630 till 1 year, TRY 1.914.519 between 1-5 years and TRY 7.539.261 more than 5 years for relevant land (31 December 2017: TRY 354.996 till 1 year, TRY 1.419.985 between 1-5 years, TRY 6.661.281 more than 5 years).

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 YEAR ENDED 31 DECEMBER 2018

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

NOTE 13 - INTANGIBLE ASSETS

	1 January 2018	Additions	Currency translation differences	Addition of subsidiary (*)	Disposal of subsidiary (**)	31 December 2018
Costs:						
Development costs	161.201.959	47.574.852	11.192.180	-	(1.040.579)	218.928.412
Advanced technology	15.656.562	-	852.256	-	-	16.508.818
Customer relations	19.482.447	-	2.505.510	24.060.016	-	46.047.973
Non-compete agreement	2.747.778	-	-	-	-	2.747.778
Other intangible assets	7.668.671	1.207.318	119.431	1.870.984	(62.260)	10.804.144
	206.757.417	48.782.170	14.669.377	25.931.000	(1.102.839)	295.037.125
Accumulated Depreciation:						
Development costs	76.520.130	23.720.676	1.327.384	-	(110.077)	101.458.113
Advanced technology	6.452.820	1.971.990	307.506	-	-	8.732.316
Customer relations	6.988.578	2.280.347	391.845	-	-	9.660.770
Non-compete agreement	2.692.889	54.889	-	-	-	2.747.778
Other intangible Assets	5.500.790	667.236	60.223	1.866.212	-	8.094.461
	98.155.207	28.695.138	2.086.958	1.866.212	(110.077)	130.693.438
Net book value	108.602.210					164.343.687

(*) Note 4.

(**) Note 7.

Additions amounting to TRY 46.974.852 to development costs for the year ended 31 December 2018 (2017: TRY 37.220.780) consists of capitalised personnel costs.

TRY 31.640.078 (2017: TRY 22.615.514) of the current year’s depreciation and amortization expenses has been allocated to research and development expenses, TRY 422.233 (2017: TRY 388.104) has been allocated to marketing expenses, TRY 400.837 (2017: TRY 428.067) has been allocated to general administrative expenses, TRY 571.895 (2017: TRY 512.901) has been allocated to cost of sales. (Note 21).

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 YEAR ENDED 31 DECEMBER 2018

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

NOTE 13 - INTANGIBLE ASSETS (Continued)

	1 January 2017	Additions	Currency translation differences	31 December 2017
Costs:				
Development costs	119.975.822	37.312.654	3.913.483	161.201.959
Advanced technology	15.258.917	-	397.645	15.656.562
Customer relations	18.274.146	-	1.208.301	19.482.447
Non-compete agreement	2.747.778	-	-	2.747.778
Other intangible assets	7.117.018	509.871	41.782	7.668.671
	163.373.681	37.822.525	5.561.211	206.757.417
Accumulated Depreciation:				
Development costs	60.217.975	15.858.113	444.042	76.520.130
Advanced technology	4.555.533	1.830.849	66.438	6.452.820
Customer relations	4.862.180	2.036.372	90.026	6.988.578
Non-compete agreement	2.423.648	269.241	-	2.692.889
Other intangible assets	4.978.343	510.636	11.811	5.500.790
	77.037.679	20.505.211	612.317	98.155.207
Net book value	86.336.002			108.602.210

NOTE 14 - GOODWILL

	31 December 2018	31 December 2017
Total Soft	101.214.681	75.815.823
Total Soft (ABS)	28.058.862	-
Netsis	5.892.252	5.892.252
Sempa	903.000	903.000
Vardar	346.338	346.338
Intermat	337.062	337.062
	136.752.195	83.294.475

Movement table of goodwill for the years ended 31 December 2018 and 2017 are as follows;

	2018	2017
As of 1 January	83.294.475	75.386.762
Acquisition of subsidiaries (*)	28.058.862	-
Currency translation difference	25.398.858	7.907.713
As of 31 December	136.752.195	83.294.475

(*) Note 4.

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 YEAR ENDED 31 DECEMBER 2018

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

NOTE 14 - GOODWILL (Continued)

Goodwill is subject to impairment test every year. The recoverable amounts of cash generating units are determined based on fair value less cost of disposal (“FVLCD”).

Goodwill impairment test - Total Soft and ABS

FVLCD is determined by discounting the expected future discounted cash flows to be generated by the cash-generating unit. The below key assumptions are used in the calculation of the recoverable value of CGU as of 31 December 2018:

For the purpose of goodwill impairment testing, the six years business projections of Total Soft and ABS prepared by the management between 1 January 2018 and 31 December 2024. 14% has been used as cumulative average growth rate the years between 2018 and 2024.

Cash flows for future periods (perpetuity) were extrapolated using a constant growth rate of 2.5% which is the long-term inflation rate announced by the Central Bank of Romania.

Weighted average cost of capital rate of 12.8% has been used as after tax discount rate in order to calculate the recoverable amount of the unit.

After-tax rate was adjusted considering the tax cash outflows and other future tax related cash flows and differences between the cost of the assets and their tax bases.

No impairment has been recorded as a result of the impairment test made according to available analyzes.

Sensitivity to the changes in the estimates used in the impairment test of Total Soft's goodwill is as follows:

Long term growth rate

Originally, the long term growth rate is assumed to be 2.5%. Has the rate been assumed to be as 2%, the recoverable amount would have been 3% higher than the goodwill included book value of cash generating unit including goodwill and still no impairment provision would have been provided for.

Discount rate

Originally, the discount rate is assumed to be 12.8%. Has the rate been assumed to be as 13.5%, the recoverable amount would have been 3% higher than the goodwill included book value of cash generating unit including goodwill and still no impairment provision would have been provided for.

Goodwill impairment test - Netsis

The impairment test of goodwill related with Netsis acquisition has been performed using the cash flows for the year ended 31 December 2018 and current book value. As of 31 December 2018, it is noted that the current cash flows of the cash generating unit exceeds its book value by 157%. Management does not expect any negative cash flows from Netsis in the foreseeable future.

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 YEAR ENDED 31 DECEMBER 2018

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

NOTE 15 - COMMITMENTS AND CONTINGENT LIABILITIES

Guarantees received:

	Original currency	31 December 2018		31 December 2017	
		Original amount	TRY equivalent	Original amount	TRY equivalent
Guarantee notes	TRY	247.724	247.724	222.724	222.724
Mortgages	TRY	360.000	360.000	360.000	360.000
			607.724		582.724

As of 31 December 2018 and 31 December 2017, guarantee/pledge/mortgage (“GPM”) given by the Company on behalf of its legal entity are as follows:

GPM given by the Company:

	31 December 2018				31 December 2017			
	Euro	USD	RON	TRY	Euro	USD	RON	TRY
A. Total amount of Guarantees provided by the Company on behalf of itself	-	243.978	-	1.181.997	-	292.616	-	409.020
B. Total amount of Guarantees provided on behalf of the associates accounted under full consolidation method (*)	107.348.145	-	48.117	-	62.970.985	-	61.976	-
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	-	-	-	-	-	-	-	-
	107.348.145	234.978	48.117	1.181.997	62.970.985	292.616	61.976	409.020

(*) Note 8.

The lawsuits filed against the Group total TRY 4.478.758 The Group’s management does not expect any cash outflows regarding these lawsuits therefore, no provisions has been accounted in the consolidated financial statements.

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 YEAR ENDED 31 DECEMBER 2018

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

NOTE 16 - EMPLOYEE BENEFITS

Short - term payables for employee benefits:	31 December 2018	31 December 2017
Due to personnel	5.502.751	3.568.428
Taxes, funds and social security payables	5.340.132	4.804.739
	10.842.883	8.373.167

Short - term provisions for employment benefits:	31 December 2018	31 December 2017
Provision for employment benefits	17.515.106	12.850.335

Long - term provisions for employment benefits:	31 December 2018	31 December 2017
Provision for employment termination benefits	6.009.607	4.341.706
Provision for unused vacation liability	5.323.122	3.956.857
	11.332.729	8.298.563

The movement of provision for unused vacation liability for the years ended 31 December 2018 and 2017 is as follow:

	2018	2017
As of 1 January	3.956.857	3.033.583
Increase for the period	603.719	649.772
Acquisition of subsidiaries	117.374	-
Currency translation difference	645.172	273.502
As of 31 December	5.323.122	3.956.857

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 TRY6.017,60 for each year of service at 1 January 2019 (31 December 2017: TRY5.001,76).

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”:

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 YEAR ENDED 31 DECEMBER 2018

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

NOTE 16 - EMPLOYEE BENEFITS (Continued)

	31 December 2018	31 December 2017
Discount rate (%)	5.65	4.69
Turnover rate to estimate the probability of retirement (%)	93.50	93.40

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Since the Group calculates the reserve for employment termination benefits every six months the maximum amount of TRY6.017,60 which is effective from 1 January 2019 (1 January 2018: TRY5.001,76) has been taken into consideration in the calculations.

The movement in the provision for employment termination benefits during the years ended 31 December 2018 and 2017 were as follows:

	2018	2017
As of 1 January	4.341.706	3.281.749
Service cost	706.320	467.308
Interest cost	684.863	504.458
Actuarial loss	1.250.712	1.129.795
Payments during the year	(973.994)	(1.041.604)
As of 31 December	6.009.607	4.341.706

NOTE 17 - PREPAID EXPENSES AND DEFERRED REVENUE

Short - term prepaid expenses:	31 December 2018	31 December 2017
Prepaid expenses	2.048.483	2.775.530
	2.048.483	2.775.530

Long - term prepaid expenses:	31 December 2018	31 December 2017
Advances given	2.902.501	3.006.485
	2.902.501	3.006.485

Short - term deferred revenues:	31 December 2018	31 December 2017
Deferred revenue	58.665.117	45.059.647
Advances received	3.548.181	1.276.868
	62.213.298	46.336.515

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

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 YEAR ENDED 31 DECEMBER 2018

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

NOTE 17 - PREPAID EXPENSES AND DEFERRED REVENUE (Continued)

The details of deferred revenues at 31 December 2018 and 31 December 2017 as follows:

	31 December 2018	31 December 2017
LEM sales	39.102.529	29.677.483
Pay as you go sales	12.519.888	10.101.004
Deferred revenue from continuing projects	5.400.083	4.268.985
After-sales services revenue	1.642.617	1.012.175
	58.665.117	45.059.647

NOTE 18 - EQUITY

The Company's authorized and paid-in share capital consists of 2.500.000.000 (31 December 2017: 2.500.000.000) shares with a nominal value of Kr 1 each. The shareholding structure of the Company as of 31 December 2018 and 31 December 2017 are as follows:

	31 December 2018	Share (%)	31 December 2017	Share (%)
Logo Teknoloji ve Yatırım A.Ş.	8.391.013	33.56	8.391.013	33.56
Mediterra Capital Partners I. LP (*)	16.500	< 1.00	1.279.781	5.12
Publicly traded	16.592.487	66.44	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 Group A preferred shares Mediterra Capital Partners I. LP owns.

The shares representing capital are categorized as group A and B. The A shares are preferred and allow their holders to nominate half plus one of the board members, to nominate the chairman of the board. Adjustment to share capital represents the difference between the historical amounts and the amounts adjusted according to the inflation of cash contributions to share capital.

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 YEAR ENDED 31 DECEMBER 2018

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

NOTE 18 - EQUITY (Continued)

Treasury shares

As of 31 December 2018 the amount of treasury shares which is accounted in Group's equity is TRY 10.054.033 (31 December 2017: TRY 4.632.563)

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

Year	Share	Purchase amount
2012	171.000	450.493
2013	1.711.495	8.163.509
2015	108.136	1.983.148
2018	177.042	5.421.470
Total purchases	2.167.673	16.018.620

Year	Share	Sales amount	Purchase amount
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.

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.

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 YEAR ENDED 31 DECEMBER 2018

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

NOTE 19 - EXPENSES BY NATURE

As of 31 December 2018 and 2017, expenses are disclosed by function and the details of the expenses are summarized in Note 21 and Note 22.

NOTE 20 - SALES AND COST OF SALES

Sales:

	1 January - 31 December 2018	1 January - 31 December 2017
Revenue	224.587.057	188.613.937
Service revenue	92.377.000	64.531.242
SaaS service revenue	9.435.674	9.148.552
Sales returns	(3.136.948)	(3.993.421)
Sales discounts	(2.170.684)	(2.131.396)

Net sales **321.092.099** **256.168.914**

Cost of sales (63.953.940) (52.146.895)

Gross profit **257.138.159** **204.022.019**

Cost of sales:

	1 January - 31 December 2018	1 January - 31 December 2017
Cost of services	60.571.541	48.301.334
Cost of transfer of financial rights	3.009.481	3.596.980
Cost of trade goods sold	372.918	248.581

Cost of sales **63.953.940** **52.146.895**

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 YEAR ENDED 31 DECEMBER 2018**

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

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

Research and development expenses:

	1 January - 31 December 2018	1 January - 31 December 2017
Personnel expenses	37.164.661	28.355.348
Depreciation and amortization (Note 13)	31.640.078	22.615.514
Motor vehicle expenses	3.206.854	2.310.801
Outsourced benefits and services	2.668.442	1.493.235
Consultancy expenses	1.597.939	1.717.965
Rent expenses	1.583.804	921.193
Travel expenses	924.792	815.915
Other	4.520.176	3.666.967
	83.306.746	61.896.938

Marketing, selling and distribution expenses:

	1 January - 31 December 2018	1 January - 31 December 2017
Advertising and selling expenses	27.497.678	21.524.297
Personnel expenses	22.725.288	21.792.939
Consultancy expenses	2.601.541	2.477.703
Outsourced benefits and services	2.007.851	1.085.021
Motor vehicle expenses	1.822.513	1.614.491
Travel expenses	947.259	883.614
Rent expenses	944.593	640.571
Depreciation and amortization (Note 13)	422.233	388.104
Other	924.215	1.251.172
	59.893.171	51.657.912

General administrative expenses:

	1 January - 31 December 2018	1 January - 31 December 2017
Personnel expenses	30.760.765	20.925.576
Consultancy expenses	8.600.774	5.032.768
Motor vehicle expenses	1.212.333	864.807
Outsourced benefits and services	656.497	466.823
Travel expenses	611.996	936.246
Rent expenses	568.524	779.283
Depreciation and amortization (Note 13)	400.832	428.067
Other	2.907.147	2.351.938
	45.718.868	31.785.508

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 YEAR ENDED 31 DECEMBER 2018

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

NOTE 22 - OTHER OPERATING INCOME AND EXPENSES

Other operating income

	1 January - 31 December 2018	1 January - 31 December 2017
Foreign exchange gains (*)	3.575.628	1.971.374
Rediscount income	732.546	211.188
Overdue interest income	429.546	724.019
Other	1.975.041	2.483.614
	6.712.761	5.390.195

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

Other operating expenses

	1 January - 31 December 2018	1 January - 31 December 2017
Rediscount expenses	4.693.260	2.105.718
Foreign exchange losses (*)	2.070.511	1.793.150
Provision expense	2.009.499	276.691
Other	1.868.583	49.844
	10.641.853	4.225.403

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

NOTE 23 - INCOME FROM INVESTING ACTIVITIES

	1 January - 31 December 2018	1 January - 31 December 2017
Gain on joint ventures sale (*)	6.068.703	-
Gain on sale of financial instruments	175.186	285.885
	6.243.889	285.885

(*) Group has transferred all shares of FIGO with the share transfer agreement that signed on 31 December 2018. On assignment, difference between book value of FIGO TRY 431.297 and sale value TRY 6.500.000 has been accounted as gains on joint ventures sale.

NOTE 24 - FINANCIAL INCOME

	1 January - 31 December 2018	1 January - 31 December 2017
Foreign exchange gains	9.331.722	2.343.240
Interest income	3.274.770	414.959
	12.606.492	2.758.199

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 YEAR ENDED 31 DECEMBER 2018

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

NOTE 25 - FINANCIAL EXPENSES

	1 January - 31 December 2018	1 January - 31 December 2017
Foreign exchange losses	6.170.865	3.787.523
Interest expense	3.147.539	2.727.207
Credit card commissions	1.100.604	1.136.898
Interest expense of employee termination benefits	684.862	504.458
Other financial expenses	135.944	418.304
	11.239.814	8.574.390

NOTE 26 - TAX ASSETS AND LIABILITIES

	31 December 2018	31 December 2017
Current period tax expense	(4.542.359)	(2.281.568)
Deferred tax income/(expense)	3.234.280	(871.482)
Current period tax expense	(1.308.079)	(3.153.050)

Deferred taxes

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

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

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred tax has been provided at 31 December 2018 and 31 December 2017 using the enacted tax rates, is as follows:

	Total temporary differences		Deferred tax assets/(liabilities)	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Deferred income tax assets:				
Provision for expense accruals	15.934.891	2.914.527	3.186.978	582.905
Rediscount of trade receivables and payables	7.577.267	3.996.713	1.515.453	799.343
Provision for employee termination benefits	3.574.275	2.750.543	714.855	550.109
Deferred income	1.217.361	690.145	243.473	138.029
Provision for doubtful receivables	462.957	2.359.687	92.591	471.937
	28.766.751	12.711.615	5.753.350	2.542.323
Deferred income tax liabilities:				
Difference between the tax base and carrying value of property, equipment and intangible assets	(27.262.822)	(23.940.605)	(5.452.564)	(4.788.121)
	(27.262.822)	(23.940.605)	(5.452.564)	(4.788.121)
Deferred income tax assets/(liabilities) net			300.786	(2.245.798)

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 YEAR ENDED 31 DECEMBER 2018

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

NOTE 26 - TAX ASSETS AND LIABILITIES (Continued)

The reconciliation of current period tax expense for the periods ending 31 December 2018 and 2017 are as follows:

Deferred tax assets	2018	2017
To be recovered less than 12 months	4.803.855	1.767.516
To be recovered more than 12 months	949.494	774.807
	5.753.350	2.542.323
Deferred tax liabilities		
To be recovered more than 12 months	(5.452.564)	(4.788.121)
	(5.452.564)	(4.788.121)
Deferred income tax assets/(liabilities). net	300.786	(2.245.798)

Movement of deferred taxes asset/(liabilities) for the periods is as follows:

	2018	2017
As of 1 January	(2.245.798)	(684.221)
Charged to statements of profit or loss	3.234.280	(871.482)
Charged to other comprehensive income	124.158	123.810
Currency translation difference	(811.854)	(813.905)
As of 31 December	300.786	(2.245.798)

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 2018 is 22% (2017: 20%). The law regarding amendments on Certain Tax Laws was approved in the Parliament on 28 November 2017 and the Law was published in the Official Gazette on 5 December 2017. Accordingly, the corporate income tax rate for all companies will be increased from 20% to 22% for the years 2018, 2019 and 2020. The corporate tax rate is 16% in Romania (2017: 16%).

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.

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 YEAR ENDED 31 DECEMBER 2018

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

NOTE 26 - TAX ASSETS AND LIABILITIES (Continued)

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 22% on their corporate income. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government. In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate.

Tax returns are open for 5 years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

There are many exemptions in Corporate Tax Law regarding corporations. Those related to the Company are explained below:

In accordance with Tax Law No: 5035 item 44, that amends "Technology Development Regions Law" No: 4691, corporate and income taxpayers operating in technology development regions are exempt from corporate and income tax until 31 December 2023.

The investment allowance, which has been applied for many years and calculated as 40% of property plant and equipment acquisitions exceeding a certain amount, was annulled with the Law No, 5479 dated 30 March 2006, However, in accordance with the temporary Law No, 69 added to the Income Tax Law, corporate and income taxpayers can offset the investment allowance amounts present as of 31 December 2005, which could not be offset against taxable income in 2005 and:

- a) In accordance with the investment certificates prepared for applications made before 24 April 2003 investments to be made after 1 January 2006 in the scope of the certificate regarding the investments that began in the scope of additional articles 1, 2, 3, 4, 5 and 6 of Income Tax Law No: 193 before it was repealed with the Law No, 4842 dated 9 April 2003 and,
- b) investment allowance amounts to be calculated in accordance with legislation effective at 31 December 2005 related to investments which exhibit a technical and economic and integrity and which were started prior to 1 January 2006 in the scope of Income Tax Law 193 repealed 19th article, only against the income related to the years 2006, 2007 and 2008, in accordance with the legislation at 31 December 2005 (including provisions related to tax rates).

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 YEAR ENDED 31 DECEMBER 2018

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

NOTE 26 - TAX ASSETS AND LIABILITIES (Continued)

The Constitutional Court abolished the provisions of Temporary Article 69 of the Income Tax Law regarding the time limitation to the investment allowance in its meeting held on 15 October 2009, and published the minutes of the relevant meeting on its website in October 2009. The decision of the Constitutional Court on the cancellation of the time limitation for investment allowance for the years 2006, 2007 and 2008 came into force with its promulgation in the Official Gazette, dated 8 January 2010, and thereby the time limitation regarding investment allowance was removed.

	1 January - 31 December 2018	1 January - 31 December 2017
Current income tax expense	4.542.359	2.281.568
Prepaid taxes and funds (-)	(2.582.973)	(1.749.956)
Current income tax liabilities	1.959.386	531.612
	1 January - 31 December 2018	1 January - 31 December 2017
Income tax reconciliation:		
Profit before income tax	68.412.933	52.908.316
Tax calculated at enacted tax rate in Turkey (22%)	(15.050.845)	(10.581.663)
Non-deductible expenses	(2.667.785)	(5.011.065)
Income not subject to tax	17.045.000	13.935.601
Tax rate difference (*)	(217.611)	(70.115)
Accumulated loss on deferred tax assets	(416.838)	(1.425.808)
Income tax expense	(1.308.079)	(3.153.050)

(*) The applicable tax rate in Romania is 16% as of 31 December 2018 (2017: 16%).

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 YEAR ENDED 31 DECEMBER 2018

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

NOTE 27 - EARNINGS/LOSS PER SHARE

The earnings per 1,000 shares with nominal value of Kr 1 amounted to TRY 27.08 for the 31 December 2018 (2017: TRY 20.33).

	2018	2017
Net income attributable to equity holders of the parent	67.703.377	50.828.565
Average number of shares for the period	2.500.000.000	2.500.000.000
Earnings per share	27.08	20.33

NOTE 28 - RELATED PARTY DISCLOSURES

a) Due from related parties at 31 December 2018 and 2017:

Long-term other receivables from related parties:

	31 December 2018	31 December 2017
Receivables from other shareholders	-	3.375.068
	-	3.375.068

Trade receivables from related parties:

	31 December 2018	31 December 2017
Logo Infosoft	1.406.965	-
	1.406.965	-

As of 31 December 2018, receivables amounting to 167.292 TRY arise from other related parties.

b) Sales to related parties, services given to related parties and financial income from related parties during the periods ended 31 December 2018 and 2017:

Services given to related parties

	2018	2017
Logo Siber	913.927	359.828
Logo Infosoft	772.830	-
Logo Teknoloji ve Yatırım A.Ş.	26.608	361.937
	1.713.365	721.765

c) Services purchased from related parties and other transactions with related parties during the periods ended 31 December 2018 and 2017:

Services purchase from related parties

	2018	2017
Logo Siber	524.997	905.216
Logo Teknoloji ve Yatırım A.Ş.	302.632	52.094
	827.629	957.310

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 YEAR ENDED 31 DECEMBER 2018

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

NOTE 28 - RELATED PARTY DISCLOSURES (Continued)

d) Remuneration of the executive management:

	2018	2017
Remuneration of the management	8.630.936	6.066.064

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

29.1 Financial Risk Management

Credit Risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. These risks are managed by limiting aggregate risk from any individual counterparty and obtaining sufficient collateral where necessary

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business the Company aims at maintaining flexibility in funding by keeping committed credit lines available. The Company management holds adequate cash and credit commitment that will meet the need cash for recent future in order to manage its liquidity risk. In this context, the Company has credit limit from banks amounting to over TRY100,000,000 that can be utilized whenever needed.

Non-derivative financial instruments	31 December 2018					
	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	99.475.628	115.159.200	2.122.926	3.329.946	53.305.432	56.400.896
Trade payables						
- Trade payables to third parties	25.500.164	25.500.164	25.500.164	-	-	-
Due to personnel	10.842.883	10.842.883	10.842.883	-	-	-
Other Payables						
- Other payables to third parties	12.429.074	12.429.074	10.795.713	-	1.633.361	-
Total Liabilities	148.247.749	163.931.321	49.261.686	3.329.946	54.938.793	56.400.896

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 YEAR ENDED 31 DECEMBER 2018

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

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

Non-derivative financial instruments	31 December 2017					
	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	65.458.667	71.572.424	4.657.926	16.427.732	40.576.736	9.910.030
Trade payables						
- Trade payables to third parties	20.198.763	20.198.763	20.198.763	-	-	-
Due to personnel	8.373.167	8.373.167	8.373.167	-	-	-
Other Payables						
- Other payables to third parties	8.702.255	8.702.255	6.892.841	-	1.809.414	-
Total Liabilities	102.732.852	108.846.609	40.122.697	16.427.732	42.386.150	9.910.030

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:

	31 December 2018	31 December 2017
<u>Financial instruments with fixed interest rate</u>		
Financial assets		
- Financial assets at fair value through profit or loss	28.369.570	8.957.092
Financial liabilities	3.466.448	57.405.000
<u>Financial instruments with float interest rate</u>		
Financial liabilities	96.009.180	8.053.667

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

Funding risk

The ability to fund the existing and prospective debt requirements is managed as necessary by obtaining adequate committed funding lines from high quality lenders.

Foreign Currency Position

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 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
USD	5.2609	3.7719
Euro	6.0280	4.5155

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

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 YEAR ENDED 31 DECEMBER 2018

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

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

		Foreign currency position as of 31 December 2018			
		TRY equivalent	USD	Euro	Other
1.	Trade receivables	8.482.449	609.266	875.442	-
2a.	Monetary financial assets. (cash. and banks accounts included)	14.109.725	1.521.165	1.012.453	3.965
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
4.	Current assets (1+2+3)	22.592.174	2.130.431	1.887.895	3.965
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)	22.592.174	2.130.431	1.887.895	3.965
10.	Trade payables	(1.285.832)	(132.369)	(97.785)	-
11.	Financial liabilities	(741.292)	-	(122.975)	-
12a.	Other monetary liabilities	-	-	-	-
12b.	Other non-monetary liabilities	-	-	-	-
13.	Non-current liabilities (10+11+12)	(2.027.124)	(132.369)	(220.760)	-
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(96.808.339)	-	(16.059.777)	-
16a.	Other monetary liabilities	-	-	-	-
16b.	Other non-monetary liabilities	-	-	-	-
17.	Non-current liabilities (14+15+16)	(96.808.339)	-	(16.059.777)	-
18.	Total liabilities (13+17)	(98.835.463)	(132.369)	(16.280.537)	-
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)	(76.243.289)	1.998.062	(14.392.642)	3.965
21.	Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	(76.243.289)	1.998.062	(14.392.642)	3.965
22.	Fair value of derivative instruments used in foreign currency hedge	-	-	-	-
23.	Export (*)	(41.974.432)	-	-	-
24.	Import	-	-	-	-

(*) Includes exports from the countries in which the Group operates. As of 2018 the Group's total sales made outside Turkey during the period is TRY 114.612.154 (2017: TRY 78.968.165).

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 YEAR ENDED 31 DECEMBER 2018

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

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

		Foreign currency position as of 31 December 2017			
		TRY equivalent	USD	Euro	Other
1.	Trade receivables	8.264.904	386.244	1.507.701	-
2a.	Monetary financial assets. (cash. and banks accounts included)	7.125.605	244.260	1.373.145	3.850
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
4.	Current assets (1+2+3)	15.390.509	630.504	2.880.846	3.850
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)	15.390.509	630.504	2.880.846	3.850
10.	Trade payables	(747.958)	(44.097)	(128.807)	-
11.	Financial liabilities	(17.466.660)	-	(3.909.452)	-
12a.	Other monetary liabilities	-	-	-	-
12b.	Other non-monetary liabilities	-	-	-	-
13.	Non-current liabilities (10+11+12)	(18.214.618)	(44.097)	(4.038.259)	-
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(46.173.847)	-	(10.334.801)	-
16a.	Other monetary liabilities	-	-	-	-
16b.	Other non-monetary liabilities	-	-	-	-
17.	Non-current liabilities (14+15+16)	(46.173.847)	-	(10.334.801)	-
18.	Total liabilities (13+17)	(64.388.465)	(44.097)	(14.373.060)	-
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)	(48.997.956)	586.407	(11.492.214)	3.850
21.	Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	(48.997.956)	586.407	(11.492.214)	3.850
22.	Fair value of derivative instruments used in foreign currency hedge	-	-	-	-
23.	Export	(29.609.535)	-	-	-
24.	Import	-	-	-	-

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 YEAR ENDED 31 DECEMBER 2018

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

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

The following table shows the TRY equivalents of Group’s sensitivity to a 10% change in USD and EUR 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items at the end of the period and presents effect of 10% change in foreign currency rates. The positive amount indicates increase in profit/loss before tax or equity.

Foreign currency sensitivity

	31 December 2018			
	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	1.051.160	(1.051.160)	-	-
2- Hedged portion from USD risks (-)	-	-	-	-
3- USD net effect (1+2)	1.051.160	(1.051.160)	-	-
Change of EUR against TRY by 10%				
4- EUR net assets/liabilities	(8.675.885)	8.675.885	-	-
5- Hedged portion from EUR risks (-)	-	-	-	-
6- EUR net effect (4+5)	(8.675.885)	8.675.885	-	-
Change of other currencies against TRY by 10%				
7- Other currencies net assets/liabilities	397	(397)	-	-
8- Hedged portion from other currency risks (-)	-	-	-	-
9- Other currencies net effect (7+8)	397	(397)	-	-
Total (3+6+9)	(7.624.328)	7.624.328	-	-

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 YEAR ENDED 31 DECEMBER 2018

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

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

	31 December 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	221.188	(221.188)	-	-
2- Hedged portion from USD risks (-)	-	-	-	-
3- USD net effect (1+2)	221.188	(221.188)	-	-
Change of EUR against TRY by 10%				
4- EUR net assets/liabilities	(5.189.307)	5.189.307	-	-
5- Hedged portion from EUR risks (-)	-	-	-	-
6- EUR net effect (4+5)	(5.189.307)	5.189.307	-	-
Change of other currencies against TRY by 10%				
7- Other currencies net assets/liabilities	385	(385)	-	-
8- Hedged portion from other currency risks (-)	-	-	-	-
9- Other currencies net effect (7+8)	385	(385)	-	-
Total (3+6+9)	(4.967.734)	4.967.734	-	-

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may pay out dividends, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings, accounts payable and due to related parties, as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt.

	31 December 2018	31 December 2017
Total payables	124.975.792	85.657.430
Less: Cash and cash equivalents	(78.417.427)	(51.633.614)
Net Debt	46.558.365	34.023.816
Total equity	294.204.187	208.508.292
Total capital	340.762.552	242.532.108
Debt/equity ratio (%)	14%	14%

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 YEAR ENDED 31 DECEMBER 2018

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

NOTE 30 - FINANCIAL INSTRUMENTS

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

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

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

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

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 YEAR ENDED 31 DECEMBER 2018

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

NOTE 30 - FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy table as at 31 December 2018 is as follows:

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

Fair value hierarchy table as at 31 December 2017 is as follows:

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

NOTE 31 - NET DEBT RECONCILIATION

	Loans and Credit cards	Financial leases	Total
1 January 2018	64.163.212	1.295.455	65.458.667
Cash inflows	16.141.895	-	16.141.895
Cash outflows	(30.583.641)	(678.802)	(31.262.443)
Currency translation differences	48.213.711	923.798	49.137.509
31 Aralık 2018	97.935.177	1.540.451	99.475.628
Cash and cash equivalents (-)			78.417.427
Net debt			21.058.201

.....