

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2018
TOGETHER WITH INDEPENDENT AUDITOR'S REVIEW REPORT**

(ORIGINALLY ISSUED IN TURKISH)



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

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

Introduction

1. We have reviewed the accompanying condensed consolidated balance sheet of Logo Yazılım Sanayi ve Ticaret A.Ş. and its subsidiaries (collectively referred to as the "Group"), as at 30 June 2018 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended. The management of the Group is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with Turkish Accounting Standard 34 ("TAS 34") "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

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

Conclusion

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

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

Mert Tüten, SMMM
Partner

Istanbul, 1 August 2018

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY
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**LOGO YAZILIM SANAYİ VE TİCARET A.Ş.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2018**

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018**

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

	Notes	Reviewed 30 June 2018	Audited 31 December 2017
ASSETS			
Current asset		168.448.885	162.176.702
Cash and cash equivalents	4	56.491.472	51.633.614
Financial investments	5	2.491.950	-
Trade receivables		102.042.052	104.524.024
- <i>Trade receivables from third parties</i>	8	101.065.483	104.524.024
- <i>Trade receivables from related parties</i>	27	976.569	-
Other receivables		422.177	700.688
- <i>Other receivables from third parties</i>	9	422.177	700.688
Inventories	10	559.687	604.300
Prepaid expenses	16	3.659.628	2.775.530
Other current assets		2.781.919	1.938.546
Non-current assets		252.088.268	220.988.786
Other receivables		4.108.545	3.535.680
- <i>Other receivables from related parties</i>	27	3.947.933	3.375.068
- <i>Other receivables from third parties</i>	9	160.612	160.612
Financial investments	5	3.098.453	1.130.653
Investments accounted for using the equity method	6	661.857	558.663
Property, plant and equipment	11	19.184.624	19.941.705
Intangible assets		219.260.315	191.896.685
- <i>Goodwill</i>	13	96.602.010	83.294.475
- <i>Other intangible assets</i>	12	122.658.305	108.602.210
Prepaid expenses	16	1.444.530	3.006.485
Deferred tax assets	25	1.747.549	327.762
Other non-current assets		2.582.395	591.153
Total assets		420.537.153	383.165.488

These consolidated financial statements have been approved by Board of Directors on 1 August 2018 and signed on its behalf by Buğra Koyuncu, Chief Executive Officer and Gülnur Anlaş, Chief Financial Officer.

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

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LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018**

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

	Notes	Reviewed 30 June 2018	Audited 31 December 2017
LIABILITIES			
Short-term liabilities		83.410.760	115.034.637
Short-term borrowings	7	4.930.748	1.818.160
Short-term portion of long-term borrowings	7	530.459	17.466.660
Trade payables		14.670.551	20.198.763
- Trade payables to third parties	8	14.670.551	20.198.763
Employee benefit payables	15	9.059.261	8.373.167
Other payables		4.630.023	6.892.841
- Other payables to third parties	9	4.630.023	6.892.841
Deferred revenue	16	45.545.182	46.336.515
Short-term provisions		2.898.951	12.850.335
- Provisions for employee benefits	15	2.898.951	12.850.335
Current income tax liabilities		899.718	531.612
Other current liabilities		245.867	566.584
Long-term liabilities		82.049.168	58.855.384
Long-term borrowings	7	69.334.098	46.173.847
Other payables		615.243	1.809.414
- Other payables to third parties	9	615.243	1.809.414
Long-term provisions		9.452.910	8.298.563
- Provisions for			
Employee benefits	15	9.452.910	8.298.563
Deferred tax liabilities	25	2.646.917	2.573.560
EQUITY			
Equity attributable to equity holders of the parent		255.077.225	208.508.292
Paid-in share capital	17	25.000.000	25.000.000
Adjustment to share capital	17	2.991.336	2.991.336
Restricted reserves	17	7.196.456	7.196.456
Treasury shares (-)	17	(4.632.563)	(4.632.563)
Reserves for treasury shares	17	4.632.563	4.632.563
Other comprehensive income and expense that will not be reclassified to profit or loss		(2.767.576)	(2.669.512)
- Actuarial loss on employment termination benefits		(2.767.576)	(2.669.512)
Other comprehensive income and expense that will be reclassified to profit or loss		23.723.079	12.738.172
- Currency translation differences		23.723.079	12.738.172
Retained earnings		164.019.015	112.423.275
Net profit for the period		34.914.915	50.828.565
Non-controlling interests		-	767.175
Total equity		255.077.225	209.275.467
Total liabilities		420.537.153	383.165.488

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

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CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY
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LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT AND LOSS
FOR THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2018 AND 2017**

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

	Notes	Reviewed 1 January - 30 June 2018	Not reviewed 1 April - 30 June 2018	Reviewed 1 January - 30 June 2017	Not reviewed 1 April - 30 June 2017
Revenue	19	139.825.194	72.446.521	116.937.032	63.320.342
Cost of sales (-)	19	(27.631.200)	(14.954.278)	(24.808.802)	(12.286.192)
Gross profit		112.193.994	57.492.243	92.128.230	51.034.150
General and administrative expenses (-)	20	(16.295.570)	(7.326.861)	(12.313.202)	(6.322.862)
Marketing expenses (-)	20	(23.090.596)	(13.278.232)	(19.928.515)	(11.387.782)
Research and development expenses (-)	20	(37.225.891)	(18.328.759)	(31.020.076)	(16.618.883)
Other operating income	21	4.232.309	915.914	2.265.927	242.157
Other operating expenses (-)	21	(3.038.078)	(2.770.310)	(2.113.447)	(1.046.467)
Operating profit		36.776.168	16.703.995	29.018.917	15.900.313
Income from investing activities	22	28.069	21.662	128.443	82.983
Share of losses of investments accounted for by the equity method	6	(2.657.356)	(1.200.699)	(666.002)	(304.327)
Operating profit before financial income/(expenses)		34.146.881	15.524.958	28.481.358	15.678.969
Financial income	23	4.827.998	4.047.082	1.901.932	714.393
Financial expenses (-)	24	(4.073.288)	(2.389.185)	(4.897.772)	(2.141.199)
Income before taxes		34.901.591	17.182.855	25.485.518	14.252.163
Taxation on income:					
Current income tax expense	25	(1.745.796)	(1.495.428)	(1.440.068)	(899.252)
Deferred tax income/(expense)	25	1.759.120	1.423.249	(906.217)	(534.235)
Net income for the period		34.914.915	17.110.676	23.139.233	12.818.676
Net income attributable to:					
Non-controlling interests		-	-	(426.155)	(320.691)
Equity holders of the parent		34.914.915	17.110.676	23.565.388	13.139.367
Earnings per shares	26	13,97	6,84	9,43	5,26

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

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LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

**CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE
INCOME FOR THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2018 AND 2017**

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

		Reviewed 1 January - 30 June 2018	Not reviewed 1 April - 30 June 2018	Reviewed 1 January - 30 June 2017	Not reviewed 1 April - 30 June 2017
	Notes				
Net income for the period		34.914.915	17.110.676	23.139.233	12.818.676
<i>Other comprehensive income and expense that will be reclassified to profit or loss</i>					
Currency translation differences		10.984.907	6.557.213	4.094.285	1.260.272
<i>Other comprehensive income and expense that will not be reclassified to profit or loss</i>					
Actuarial loss on employment termination benefits	15	(111.740)	(495.707)	(779.009)	(278.295)
Deferred tax effect	25	13.676	51.232	48.193	-
Other comprehensive income		10.886.843	6.112.738	3.363.469	981.977
Total comprehensive income		45.801.758	23.223.414	26.502.702	13.800.653
Other comprehensive income attributable to:					
Non-controlling interest		-	-	(426.155)	(324.341)
Equity holders of the parent		45.801.758	23.223.414	26.928.857	14.124.994

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LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE INTERIM PERIODS 1 JANUARY - 30 JUNE 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	Other comprehensive income and expense that will not be reclassified to profit or loss	Actuarial loss on employment termination benefits	Other comprehensive income and expense that will be reclassified to profit or loss	Currency translation differences	Retained earnings	Net profit for the period	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	-	-	-	-	202.505	-	-	-	45.136.965	(45.339.470)	-	-	-	
Transactions with non-controlling interests (*)	-	-	-	-	-	-	-	-	(7.955.293)	-	(7.955.293)	(2.472.814)	(10.428.107)	
Profit for the period	-	-	-	-	-	-	-	-	-	23.565.388	23.565.388	(426.155)	23.139.233	
Other comprehensive income	-	-	-	-	-	(730.816)	-	4.094.285	-	-	3.363.469	-	3.363.469	
Balances at 30 June 2017	25.000.000	2.991.336	(4.632.563)	4.632.563	7.196.456	(2.394.343)		10.994.065	112.423.275	23.565.388	179.776.177	456.283	180.232.460	
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	-	-	-	-	-	-	-	-	50.828.565	(50.828.565)	-	-	-	
Transactions with non-controlling interests (**)	-	-	-	-	-	-	-	-	767.175	-	767.175	(767.175)	-	
Profit for the period	-	-	-	-	-	-	-	-	-	34.914.915	34.914.915	-	34.914.915	
Other comprehensive income	-	-	-	-	-	(98.064)	-	10.984.907	-	-	10.886.843	-	10.886.843	
Balances at 30 June 2018	25.000.000	2.991.336	(4.632.563)	4.632.563	7.196.456	(2.767.576)		23.723.079	164.019.015	34.914.915	255.077.225	-	255.077.225	

(*) Note 17.

(**) Note 2.1.3.

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

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

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE
INTERIM PERIODS 1 JANUARY - 30 JUNE 2018 AND 2017**

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

	Notes	Reviewed 1 January - 30 June 2018	Reviewed 1 January - 30 June 2017
A. Cash flows from operating activities		30.675.899	31.777.859
Profit for the period		34.914.915	23.139.233
Adjustments to reconcile profit for the year		12.319.923	9.686.427
Adjustments for depreciation and amortization expenses	11, 12	15.089.964	12.355.367
Adjustments for provision/(reversals) for employee benefits	15	(8.351.144)	(8.120.178)
Adjustments for interest expense	24	1.206.055	1.730.017
Adjustments for interest income	23	(1.338.969)	(38.772)
Adjustments for undistributed profits of joint ventures	6	2.657.356	666.002
Adjustments for provision/(reversal) for doubtful receivables	8	592.963	322.428
Other adjustments to reconcile profit or loss		2.477.022	425.278
Adjustments for tax expense/(income)	25	(13.324)	2.346.285
Changes in net working capital		(14.267.882)	1.106.295
(Increase)/decrease in trade receivables		(503.044)	12.300.823
Decrease/(increase) in inventories		44.613	(170.333)
Increase in other current assets		(6.608.206)	(6.263.988)
Decrease in trade payables		(4.183.702)	(3.557.306)
Decrease in other liabilities		(3.017.543)	(1.202.901)
Cash flows from operating activities		32.966.956	33.931.955
Taxes paid		(1.377.690)	(1.870.284)
Employment termination benefits paid	15	(913.367)	(283.812)
Purchases of property, plant and equipment and intangible assets	11, 12	(22.918.747)	(15.517.818)
Cash outflows for the acquisition of debt instruments or shares of other entities or funds	5	(1.967.800)	-
Cash outflows for the acquisition of subsidiary	17	-	(10.000.000)
Proceeds from sales of property and equipment		2.273	22.519
Contribution of increase of share capital in joint ventures	6	(750.000)	(500.000)
Interest received		1.234.953	38.771
B. Cash flows from investing activities		(24.399.321)	(25.956.528)
Repayments of borrowings	30	(14.559.726)	(12.089.428)
Proceeds from borrowings	30	13.321.406	16.282.119
Interest paid		(1.206.055)	(1.226.835)
C. Cash flows from financing activities		(2.444.375)	2.965.856
Net increase in cash and cash equivalents		3.832.203	8.787.187
D. Effects of currency translation differences on cash and cash equivalents		1.025.655	1.231.895
Cash and cash equivalents at beginning of the period	4	51.633.614	43.507.923
Cash and cash equivalents at end of the period	4	56.491.472	53.527.005

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

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LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 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 system, application software, databases, software programs that increase productivity, multimedia software products and all types of similar software that are processed inside all types of computer hardware, and distribution of these to all physical and electronic environment, and carrying out all the services such as technical support, training and technical service activities.

As of 30 June 2018, the average number of personnel of the Group is 1.030 (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 30 June 2018, main shareholders of Logo Yazılım are Logo Teknoloji ve Yatırım A.Ş. and Mediterra Capital Partners LLP. They jointly control the Company. The shareholding structure of the Company is disclosed in Note 17.

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 (“Logo FFC-LLC”)	United Arab Emirates	Marketing of software
Logo Kobi Dijital Hizmetler A.Ş. (“Logo Kobi”)	Turkey	Development and marketing of software

Joint Venture	Country of incorporation	Nature of business
Logo Infosoft Business Technology Private Limited (“Logo Infosoft”)	India	Development and marketing of software
FIGO Ticari Bilgi ve Uygulama Platformu A.Ş. (“FIGO”)	Turkey	Development and marketing of software

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 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.

The Company founded Logo Investment S.A. (“Logo Investment”) in Romania on 19 August 2016. Upon share transfer agreement signed on 2 September 2016, Logo Investment has purchased 100% of Total Soft shares. On 30 December 2017, Logo Investment merged Total Soft with transferring all assets and liabilities of Total Soft to Logo Investment. After merger transaction, company name of Logo Investment has been changed as Total Soft S.A.

The Company signed an agreement with F.I.T. Bilgi İşlem Sistemleri Servisleri Sanayi ve Ticaret A.Ş. on 29 July 2016 and incorporated FIGO Ticari Bilgi ve Uygulama Platformu A.Ş. (“FIGO”). The Company participates in 50% shares of FIGO. FIGO provides companies in Turkey access to value-added services like risk appraisal, insurance, financing and collection that is predicted to facilitate their business operations through Commercial Knowledge Platform.

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 30 June 2018, the liquidation process has been substantially completed. The Company’s foreign sales and marketing activities are managed from its headquarter in Turkey.

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Financial reporting standards

The accompanying condensed consolidated financial statements of the Group have been prepared in accordance with the Turkish Accounting Standards (“TAS”) promulgated by the Public Oversight Accounting and Auditing Standards Authority (“POAASA”) in compliance with the communiqué numbered II-14.1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (the “Communiqué”) announced by the CMB on 13 June 2013 which is published on Official Gazette numbered 28676. TAS consists of the Turkish Accounting Standards, Turkish Financial Reporting Standards and related supplements and interpretations (“TAS/IFRS”). The condensed interim consolidated financial statements are presented in accordance with “Announcement regarding with TAS Taxonomy” which was published on 2 June 2016 by Public Oversight Accounting and Auditing Standards Authority (“POAASA”) and the format and mandatory information recommended.

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(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)

The Group prepared its condensed consolidated interim financial statements for the period ended 30 June 2018 in accordance with the TAS 34, “Interim Financial Reporting”. Interim condensed consolidated financial statements of the Group do not include all the information and disclosures required in the annual financial statements, therefore should be read in conjunction with the Group’s annual consolidated financial statements as of 31 December 2017.

2.1.2 Financial statements of subsidiaries operating in foreign countries

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

2.1.3 Basis of consolidation

The condensed consolidated financial statements are prepared in accordance with the principles of the consolidated financial statements for the year ended 31 December 2017 and 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 on 30 June 2018 and 31 December 2017:

Subsidiaries	30 June 2018 (%)	31 December 2017 (%)
Total Soft	100,00	100,00
e-Logo	100,00	100,00
Logo Infosoft (*)	-	66,66
Logo GmbH	100,00	100,00
Logo Kobi	100,00	100,00
Joint venture	30 June 2018 (%)	31 December 2017 (%)
Logo Infosoft (*)	57,14	-
FIGO	50,00	50,00

(*) The Company has started to control Logo Infosoft jointly as a result of the contract made with GSF Software Labs LLC on 1 January 2018. After this date Logo Infosoft has been accounted according to equity method in the consolidated financial statements.

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

2.1 Basis of presentation (Continued)

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 is consolidated with 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.

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 on joint ventures is recognized with using equity method as of the time after the investee turn into subsidiary or joint venture.

2.1.4 Presentation and functional currency

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

Functional currencies of 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.

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

2.2 Going concern

The condensed 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 Turkish Financial Reporting Standards

Standards, amendments and interpretations applicable as of 30 June 2018:

- Amendments to TFRS 4, “Insurance contracts”
- Amendment to TAS 40, “Investment property”
- Amendments to TFRS 2, “Share based payments”

Annual improvements 2014-2016; effective from annual periods beginning on or after 1 January 2018.

- TFRS 1, “First time adoption of IFRS”,
- TAS 28, “Investments in associates and joint venture”
- TFRIC 22, “Foreign currency transactions and advance consideration”

Standards, amendments and interpretations that are issued but not effective as of 30 June 2018:

- Amendment to TFRS 9, “Financial instruments”
- Amendment to TAS 28, “Investments in associates and joint venture”
- TFRS 16, “Leases”
- TFRIC 23, “Uncertainty over income tax treatments”
- TFRS 17, “Insurance contracts”

Annual improvements 2015-2017; effective from annual periods beginning on or after 1 January 2019.

- TFRS 3, “Business combinations”
- TFRS 11, “Joint arrangements”
- TAS 12, “Income taxes”
- TAS 23, “Borrowing costs”
- Amendments to TAS 19, ‘Employee benefits’ on plan amendment, curtailment or settlement’

TFRS 9 Financial instruments

TFRS 9, ‘Financial instruments’; effective from annual periods beginning on or after 1 January 2019. 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 isn’t any material impact on the financial position or performance of the Group related to this standard.

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

2.3 Amendments to Turkish Financial Reporting Standards (Continued)

TFRS 15 Revenue from contracts with customers

TFRS 15, ‘Revenue from contracts with customers’; effective from annual periods beginning on or after 1 January 2018. TFRS 15, ‘Revenue from contracts with customers’ is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. In the scope of the new standards, contract with customers has been assessed and performance obligations are defined as performance liability, limited with delivering of goods and services therefore it is not required to allocate the sales price for performance obligations. There isn’t any material impact on the financial position or performance of the Group related to this standard.

2.4 Summary of significant accounting policies

The condensed consolidated interim financial statements as at and for the six month interim period ended 30 June 2018 have been prepared in accordance with TAS 34. The accounting policies used in the preparation of these condensed consolidated financial statements as at and for the six month interim period ended 30 June 2018 are consistent with those used in the preparation of annual consolidated financial statements as of 31 December 2017. Accordingly, these condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements as of 31 December 2017.

2.5 Seasonality of the operations

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

2.6 Significant accounting estimates and assumptions

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

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

2.6 Significant accounting estimates and assumptions (Continued)

Provision for doubtful receivables

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

Useful lives of intangible assets

Intangible assets are stated at historical cost less depreciation, net of any impairment charges. Amortisation on intangible assets is calculated using the straight-line method over their estimated useful lives. Useful lives depend on the best estimates of management and are reviewed in each financial period and corrected accordingly.

Revenue recognition

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

Logo Enterprise Membership (“LEM”) 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.

Cost of sales

The cost of sales mainly consists of the cost of financial rights and cost of consultancy for project implementation of Total Soft.

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

2.6 Significant accounting estimates and assumptions (Continued)

Research and development costs

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

Goodwill impairment test

Goodwill is subject to impairment test at least annually. The recoverable amounts of cash generating units are determined on fair value less cost of disposal (“FVLCD”) basis. The details of estimates and assumptions used are explained in Note 13.

2.7 Comparatives and adjustment of prior periods’ financial statements

The condensed consolidated financial statements of the Group include comparative financial information to enable the determination of the financial position and performance. The condensed consolidated balance sheet of the Group at 30 June 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 30 June 2018 have been provided with the comparative financial information, for the period ended 30 June 2017.

In order to comply with the presentation of consolidated interim 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 30 June 2017 contains classification of “Research and development expenses” related to Total Soft's project sales to “cost of sales” amounting to TRY18.687.128.

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NOTE 3 - SEGMENT REPORTING

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

30 June 2018	Turkey	Romania	Segmental eliminations	Consolidated
Reportable segment assets	339.823.887	89.974.892	(9.261.626)	420.537.153
Reportable segment liabilities	67.273.018	107.448.536	(9.261.626)	165.459.928
Goodwill	96.602.010	-	-	96.602.010
Property and equipment and intangible asset	93.205.667	48.637.262	-	141.842.929

30 June 2018	Turkey	Romania	Segmental eliminations	Consolidated
Revenue	94.945.229	44.879.965	-	139.825.194
Cost of sales (-)	(1.584.622)	(26.046.578)	-	(27.631.200)
Operating expenses	(58.842.811)	(17.769.246)	-	(76.612.057)
Financial income	4.641.298	302.177	(115.477)	4.827.998
Financial expense	(2.362.371)	(1.826.394)	115.477	(4.073.288)
Depreciation and amortization	(11.003.879)	(4.086.085)	-	(15.089.964)
Share of profit or loss of investments accounted for using the equity method	(2.657.356)	-	-	(2.657.356)
Tax income/(expense)	177.847	(164.523)	-	13.324
Net profit for the year	34.641.160	273.755	-	34.914.915
Adjusted EBITDA	45.521.675	5.150.226	-	50.671.901
Purchase of property and equipment and intangible assets	17.178.061	5.740.686	-	22.918.747

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

30 June 2018	Consolidated
Adjusted EBITDA	50.671.901
Depreciation and amortization	(15.089.964)
Income from investing activities	28.069
Share of profit or loss of investments accounted for using the equity method	(2.657.356)
Other operating income	4.232.309
Other operating expenses	(3.038.078)
Financial income	4.827.998
Financial expenses	(4.073.288)
Profit before tax	34.901.591

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NOTE 3 - SEGMENT REPORTING (Continued)

31 December 2017	Turkey	Romania	Other	Segmental eliminations	Consolidated
Reportable segment assets	308.016.641	75.921.269	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

30 June 2017	Turkey	Romania	Other	Segmental eliminations	Consolidated
Revenue	78.044.773	38.892.259	-	-	116.937.032
Cost of sales (-)	(1.557.498)	(23.251.304)	-	-	(24.808.802)
Operating expenses	(44.869.063)	(17.119.990)	(1.272.740)	-	(63.261.793)
Financial income	474.606	1.427.326	-	-	1.901.932
Financial expense	(1.876.608)	(3.017.986)	(3.178)	-	(4.897.772)
Depreciation and amortization	(9.030.335)	(3.325.032)	-	-	(12.355.367)
Share of profit or loss of investments accounted for using the equity method	(666.002)	-	-	-	(666.002)
Tax expense	(1.729.372)	(616.913)	-	-	(2.346.285)
Net profit/(loss) for the year	28.196.941	(3.781.790)	(1.275.918)	-	23.139.233
Adjusted EBITDA	40.648.547	1.845.997	(1.272.740)	-	41.221.804
Purchase of property and equipment and intangible assets	13.578.490	1.939.328	-	-	15.517.818

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

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

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NOTE 4 - CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents as of 30 June 2018 and 31 December 2017 is as follows:

	30 June 2018	31 December 2017
Cash	23.094	22.472
Banks		
- Demand deposits - TRY	1.102.841	2.348.730
- Demand deposits - foreign currency	7.689.434	8.763.832
- Time deposits - TRY	4.000.000	8.957.092
- Time deposits - foreign currency	9.899.080	-
Credit card slip receivables	33.743.662	30.558.652
Cheques received	33.123	245.582
Restricted cash (*)	238	737.254
	56.491.472	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 30 June 2018, the weighted average effective annual interest rates of TRY denominated time deposits are between 17,50% and 19,00%. (31 December 2017: 11,00% and 14,00%) As of 30 June 2018 the weighted average effective annual interest rates of USD denominated time deposits are between 3,80% and 4,60% and EUR denominated time deposits are between 1,85% and 2,05%.

NOTE 5 - FINANCIAL INVESTMENTS

Short term other financial investments:

The analysis of financial assets at fair value through profit and loss on 30 June 2018 and 31 December 2017 is as follows:

	30 June 2018	31 December 2017
Bond	2.491.950	-

Long term other financial investment:

The analysis of financial assets at fair value through profit and loss on 30 June 2018 and 2017 is as follows:

	30 June 2018	31 December 2017
Long term other financial investment	1.967.800	-

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NOTE 5 - FINANCIAL INVESTMENTS (Continued)

Available-for-sale financial assets:

The analysis of non-current financial assets on 30 June 2018 and 31 December 2017 is as follows:

	<u>30 June 2018</u>		<u>31 December 2017</u>	
	<u>Share (%)</u>	<u>TRY</u>	<u>Share (%)</u>	<u>TRY</u>
Logo Ventures Girişim				
Sermayesi Yatırım Fonu (“Logo Ventures”)	20,00	1.000.000	20,00	1.000.000
İnterpro Yayıncılık Araştırma ve				
Organizasyon Hizmetleri A.Ş. (“İnterpro”)	2,00	80.653	2,00	80.653
Dokuz Eylül Teknoloji				
Geliştirme Bölgesi A.Ş. (“Dokuz Eylül”)	0,67	50.00	0,67	50.000
		1.130.653		1.130.653

Logo Ventures, İnterpro and Dokuz Eylül are assessed as available-for-sale financial asset as of 30 June 2018 and 31 December 2017. Since they do not have any quoted market price in an active market, their fair value cannot be measured reliably. Their costs are not material to the consolidated financial statements, therefore they have been carried at cost.

NOTE 6 - 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	750.000	500.000
Share of profit/(loss)	(2.657.356)	(666.002)
As of 30 June	661.857	571.531

(*) Note 2.1.3.

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NOTE 6 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

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

Summary of balance sheet

FIGO	30 June 2018	31 December 2017
Cash and cash equivalents	282.116	212.059
Other current assets	324.134	247.509
Other non-current assets	116.640	160.717
Total assets	722.890	620.285
Other short-term liabilities	95.035	98.816
Total liabilities	95.035	98.816
Net Assets	627.855	521.469
Logo Infosoft	30 June 2018	31 December 2017
Cash and cash equivalents	16.191	-
Other current assets	2.318.941	-
Other non-current assets	1.875.552	-
Total assets	4.210.684	-
Other short-term liabilities	2.961.231	-
Total liabilities	2.961.231	-
Net Assets	1.249.453	-
<i>Summary of income statements</i>		
FIGO	30 June 2018	30 June 2017
Income	41.989	21.408
Expenses (-)	(1.335.601)	(1.353.412)
Net loss for the period	(1.293.612)	(1.332.004)
Interest ratio of the Group Group’s share	%50 (646.806)	%50 (666.002)
Share of losses of investment under equity method	(646.806)	(666.002)

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NOTE 6 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

Logo Infosoft	30 June 2018	30 June 2017
Income	438.005	-
Expenses (-)	(4.484.026)	-
Net loss for the period	(4.046.021)	-
Interest ratio of the Group	%57.14	-
Group’s share	(2.311.896)	-
Unrecognised losses	301.346	-
Share of losses of investment under equity method (*)	(2.010.550)	-

(*) Group’s shares of loss for the period of Logo Infosoft amounting to TRY301.346 has not been recognised, since the carrying value of Logo Infosoft declined to zero.

NOTE 7 - BORROWINGS

Details of borrowings as of 30 June 2018 and 31 December 2017 is as follows:

Short-term borrowings:	30 June 2018	31 December 2017
Short-term bank borrowings	4.829.694	1.759.193
Credit card payables	101.054	58.967
	4.930.748	1.818.160
Current portion of long-term borrowings:		
Current portion of long-term bank borrowings (*)	58.555.731	16.972.616
Restricted cash (-) (*)	(58.555.731)	-
Finance leases	530.459	494.044
	530.459	17.466.660
Total short-term bank borrowings	5.461.207	19.284.820
Long-term bank borrowings:	30 June 2018	31 December 2017
Long-term bank borrowings	68.647.282	45.372.436
Finance leases	686.816	801.411
Total long-term borrowings	69.334.098	46.173.847

(*) On 24 May 2018, Total Soft has borrowed a loan amounting to EUR13 million with ten years maturity to paid off the loan borrowed on 12 January 2017 amounting to EUR11.200.000 earlier. In accordance with the terms of the agreement of this loan, the earliest date of the repayment was 3 July 2018. Therefore, the cash funded by the new loan was held in the restricted bank accounts to pay off the loan on 3 July 2018.

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NOTE 7 - BORROWINGS (Continued)

	30 June 2018		
	Weighted average annual interest rate (%)	Original amount	TRY equivalent
Short-term borrowings:			
Bank borrowings - RON - unsecured	-	3.512.838	3.979.694
Bank borrowings - TRY - unsecured	-	850.000	850.000
Credit cards payables - TRY	-	101.054	101.054
			4.930.748
Current portion of long-term borrowings:			
Finance leases - EUR	-	100.455	530.459
			530.459
Long-term borrowings:			
Bank borrowings - EUR -secured	Eurlibor+2,95	13.000.000	68.647.282
Finance leases - EUR	-	130.064	686.816
			69.334.098
Total borrowings			74.795.305
	31 December 2017		
	Weighted average annual interest rate (%)	Original amount	TRY equivalent
Short-term borrowings:			
Bank borrowings - RON - unsecured	-	1.825.381	1.759.193
Credit card payables- TRY	-	58.967	58.967
			1.818.160
Current portion of long-term borrowings:			
Bank borrowings - EUR - secured	Eurlibor+2.25	1.802.601	8.053.667
Finance leases - EUR	-	110.579	494.044
Bank borrowings - EUR	2,50	1.996.272	8.918.949
Total short-term borrowings			17.466.660
Long-term borrowings:			
Bank borrowings - EUR - secured	2,50	10.155.426	45.372.436
Finance leases - EUR	-	179.375	801.411
Total long-term borrowings			46.173.847
Total borrowings			65.458.667

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NOTE 7 - BORROWINGS (Continued)

The redemption schedules of long-term borrowings on 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018	31 December 2017
To be paid within 1-2 years	8.766.073	18.522.125
To be paid within 2-5 years	28.277.400	27.651.722
To be paid within 5-10 years	32.290.625	-
	69.334.098	46.173.847

	<u>Carrying amount</u>		<u>Fair value</u>	
	<u>30 June 2018</u>	<u>31 December 2017</u>	<u>30 June 2018</u>	<u>31 December 2017</u>
Bank borrowings	73.476.976	64.104.245	87.038.798	68.773.430
	73.476.976	64.104.245	87.038.798	68.773.430

Interest rate and currency risk of the Group are described in Note 28.

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

The details of trade receivables and payables as of 30 June 2018 and 31 December 2017 are as follows:

Short-term trade receivables:	30 June 2018	31 December 2017
Trade receivables	90.130.759	89.591.194
Credit card receivables	38.300.465	37.701.792
Cheques and notes receivables	2.085.254	2.735.947
Less: Provision for doubtful receivables	(24.613.991)	(21.628.975)
Less: Unearned finance income arising from credit sales	(4.837.004)	(3.875.934)
	101.065.483	104.524.024

As of 30 June 2018 the average turnover of the trade receivables is 119 days (31 December 2017: 123 days), excluding the credit cards receivables average turnover day is 76 days (31 December 2017: 83 days), the discount rate applied to the undue receivables is 18,47% (31 December 2017: 13,10%).

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NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

As of 30 June 2018, trade receivables of TRY16.845.750 (31 December 2017: TRY12.149.007) were past due but not impaired. The aging analysis of these trade receivables is as follows:

	30 June 2018	31 December 2017
Up to 1 month	6.464.813	4.469.151
1-3 months	3.718.415	1.735.726
More than 3 months	6.662.522	5.944.130
	16.845.750	12.149.007

As of 30 June 2018, TRY11.116.967 of overdue receivables consist of trade receivables of Total Soft (31 December 2017: TRY8.761.321). Group manages its receivables in accordance with credit risk management policies described in Note 28.

The movement of provision for doubtful receivables for the periods ended 30 June 2018 and 2017 are as follows:

	2018	2017
As of 1 January	21.628.975	21.095.832
Provision for the period	999.784	1.113.687
Releases	(406.821)	(791.259)
Foreign currency translation difference	2.392.053	1.014.510
As of 30 June	24.613.991	22.432.770

Trade payables to third parties:	30 June 2018	31 December 2017
Trade payables	14.670.551	20.198.763

As of 30 June 2018, the average debt payment period is 67 days (31 December 2017: 71 days).

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NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

The table below shows the maximum exposure of the Group to credit risk as of 30 June 2018 and 31 December 2017:

30 June 2018	Trade receivables		Other receivables		Cash at bank
	Related party	Other	Related party	Other	
The maximum of credit risk exposure at the reporting date	976.569	101.065.483	3.947.933	582.789	56.435.255
- Amount of risk covered by guarantees	-	582.724	-	-	-
Net carrying value of not past due and not impaired financial assets	976.569	84.219.733	3.947.933	582.789	56.435.255
Net carrying value of past due but not impaired financial assets	-	16.845.750	-	-	-
Amount of risk covered by guarantees	-	-	-	-	-
Net carrying value of impaired assets	-	-	-	-	-
- Past due (gross carrying value)	-	24.613.991	-	-	-
- Provision for impairment (-)	-	(24.613.991)	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

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

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NOTE 8 - 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
- <i>Amount of risk covered by guarantees</i>	-	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	-	-	-
- <i>Amount of risk covered by guarantees</i>	-	-	-	-	-
Net carrying value of impaired assets	-	-	-	-	-
- <i>Past due (gross carrying value)</i>	-	21.628.975	-	-	-
- <i>Provision for impairment (-)</i>	-	(21.628.975)	-	-	-
- <i>Amount of risk covered by guarantees</i>	-	-	-	-	-

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

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NOTE 9 - OTHER RECEIVABLES AND PAYABLES

Other short-term receivables from third parties:	30 June 2018	31 December 2017
Income accruals	415.458	389.246
Deposits and guarantees given	6.719	311.442
	422.177	700.688

Other long-term receivables from third parties:	30 June 2018	31 December 2017
Other long-term receivables	160.612	160.612

Short-term other payables to third parties:	30 June 2018	31 December 2017
Taxes payable	4.630.023	6.892.841
	4.630.023	6.892.841

Other long-term payables to third parties:	30 June 2018	31 December 2017
Long term payables regarding Vardar acquisition (*)	429.292	1.249.292
Long term payables regarding Intermat acquisition (*)	185.951	560.122
	615.243	1.809.414

(*) Consists of performance premium payments for Vardar and Intermat. TRY100.000 and TRY720.000 were paid for Vardar on 31 January 2018 and 5 March 2018, respectively. TRY374.171 was paid for Intermat on 2 February 2018.

NOTE 10 - INVENTORIES

	30 June 2018	31 December 2017
Trade goods	542.817	587.559
Raw materials and equipment	14.726	14.726
Other	2.144	2.015
	559.687	604.300

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2018	Additions	Disposal of subsidiary (*)	Disposals	Currency translation differences	30 June 2018
Cost:						
Machinery plant and equipment	9.081.537	712.737	(168.063)	(56.617)	341.807	9.911.401
Motor vehicles	2.237.291	77.844	-	-	315.516	2.630.651
Furniture and fixtures	5.510.453	111.559	(230.945)	(11.272)	65.476	5.445.271
Leasehold improvements	22.606.581	328.392	(295.937)	-	38.824	22.677.860
	39.435.862	1.230.532	(694.945)	(67.889)	761.623	40.665.183
Accumulated Depreciation:						
Machinery plant and equipment	6.914.609	595.692	(6.600)	(56.617)	111.496	7.558.580
Motor vehicles	605.486	510.259	-	-	87.986	1.203.731
Furniture and fixtures	3.911.284	187.415	(9.516)	(8.999)	31.995	4.112.179
Leasehold improvements	8.062.778	535.186	(11.622)	-	19.727	8.606.069
	19.494.157	1.828.552	(27.738)	(65.616)	251.204	21.480.559
Net book value	19.941.705					19.184.624

(*) Note 2.1.3.

	1 January 2017	Additions	Disposals	Currency translation difference	30 June 2017
Cost:					
Machinery and equipment	8.040.756	157.526	(1.867)	139.480	8.335.895
Motor vehicles	2.462.846	135.032	(169.015)	265.311	2.694.174
Furniture and fixtures	4.781.587	148.844	-	108.477	5.038.908
Leasehold improvements	20.618.937	807.768	-	120.716	21.547.421
	35.904.126	1.249.170	(170.882)	633.984	37.616.398
Accumulated depreciation:					
Machinery and equipment	6.033.557	466.498	(1.867)	(64.108)	6.434.080
Motor vehicles	244.408	252.073	(146.496)	47.497	397.482
Furniture and fixtures	3.549.714	163.777	-	19.844	3.733.335
Leasehold improvements	7.098.513	436.114	-	56.103	7.590.730
	16.926.192	1.318.462	(148.363)	59.336	18.155.627
Net book value	18.977.934				19.460.771

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 USD7.843 of monthly rent, TRY 429.235 till 1 year, TRY 1.716.939 between 1-5 years and TRY 7.625.089 more than 5 years for relevant land (30 June 2017: TRY 330.074 till 1 year, TRY 1.320.297 between 1-5 years, TRY 6.193.637 more than 5 years).

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NOTE 12 - INTANGIBLE ASSETS

	1 January 2018	Additions	Disposals of subsidiary (*)	Currency translation differences	30 June 2018
Costs:					
Development costs	161.201.959	21.187.971	(1.040.579)	5.850.823	187.200.174
Advanced technology	15.656.562	-	-	446.533	16.103.095
Customer relations	19.482.447	-	-	1.356.853	20.839.300
Non-compete agreement	2.747.778	-	-	-	2.747.778
Other intangible assets	7.668.671	500.244	(62.260)	58.759	8.165.414
	206.757.417	21.688.215	(1.102.839)	7.712.968	235.055.761
Accumulated depreciation:					
Development costs	76.520.130	10.879.696	(110.077)	693.477	87.983.226
Advanced technology	6.452.820	961.425	-	160.842	7.575.087
Customer relations	6.988.578	1.079.486	-	204.956	8.273.020
Non-compete agreement	2.692.889	51.428	-	-	2.744.317
Other intangible assets	5.500.790	289.377	-	31.639	5.821.806
	98.155.207	13.261.412	(110.077)	1.090.914	112.397.456
Net book value	108.602.210				122.658.305

(*) Note 1.2.3.

Additions amounting to TRY20.587.971 to development costs for the period ended 30 June 2018 (30 June 2017: TRY13.819.054) consists of capitalized personnel costs.

TRY14.573.628 (30 June 2017: TRY10.993.635), TRY198.604 (30 June 2017: TRY187.765), TRY56.837 (30 June 2017: TRY914.249) and TRY260.895 (30 June 2017: TRY259.718) of the depreciation and amortization expenses for the period ended 30 June 2018 have been accounted for research and development expenses, marketing expenses, general administrative expenses and cost of sales respectively (Note 20).

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NOTE 12 - INTANGIBLE ASSETS (Continued)

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

NOTE 13 - GOODWILL

	30 June 2018	31 December 2017
Totalsoft	89.123.358	75.815.823
Netsis	5.892.252	5.892.252
Sempa	903.000	903.000
Vardar	346.338	346.338
Intermat	337.062	337.062
	96.602.010	83.294.475

The movement of goodwill for the interim periods ended 30 June 2018 and 2017 is as follows;

	2018	2017
As of 1 January	83.294.475	75.386.762
Currency translation difference	13.307.535	5.092.064
As of 30 June	96.602.010	80.478.826

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NOTE 13 - GOODWILL (Continued)

Goodwill is subject to impairment test every year or shorter periods if there are any triggering events which may cause an impairment on the goodwill. The recoverable amounts of cash generating units are determined on value in use basis.

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

The goodwill impairment test of goodwill arising from Total Soft acquisition was valued by an independent valuation company on 31 December 2017. Since there is no triggering event which may cause impairment losses on goodwill recognised for Total Soft acquisition, no impairment test has been performed as of 30 June 2018.

The goodwill impairment test of goodwill arising from Netsis acquisition had been performed as of 31 December 2017 and no impairment on the book value of the goodwill has been noted. Since there is no triggering event which may cause impairment losses on goodwill recognised for Netsis acquisition, no impairment test has been performed as of 30 June 2018.

NOTE 14 - COMMITMENTS AND CONTINGENT LIABILITIES

Guarantees received:

	Original currency	30 June 2018		31 December 2017	
		Original amount	TRY equivalent	Original amount	TRY equivalent
Guarantee notes	TRY	222.724	222.724	222.724	222.724
Mortgages	TRY	360.000	360.000	360.000	360.000
			582.724		582.724

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NOTE 14 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

As of 30 June 2018 and 31 December 2017, guarantee/pledge/mortgage (“GPM”) given by the Company on behalf of its legal entity are as follows with TRY equivalent to the original currency:

	<u>30 June 2018</u>				<u>31 December 2017</u>			
	EUR	USD	RON	TRY	EUR	USD	RON	TRY
A. Total amount of Guarantees provided by the Company on behalf of itself	-	353.810	-	760.997	-	292.616	-	409.020
B. Total amount of Guarantees Provided on behalf of the associates accounted	70.477.144	-	70.627	-	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 Gurantees provided on behalf of the associates which are not in the scope of B and C.	-	-	-	-	-	-	-	-
iii) Total amount of Gurantees provided on behalf of third parties which are not in the scope of C.	-	-	-	-	-	-	-	-
	70.477.144	353.810	70.627	760.997	62.970.985	292.616	61.976	409.020

The lawsuits filed against the Group in the past is amounting to TRY 4.478.758. The Group’s management does not expect any cash outflow regarding these lawsuits and accordingly, it has not booked any provision in these consolidated financial statements.

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NOTE 15 - EMPLOYEE BENEFITS

Short - term payables for employee benefits:	30 June 2018	31 December 2017
Taxes, funds and social security payables	5.519.439	4.804.739
Due to personnel	3.539.822	3.568.428
	9.059.261	8.373.167

Short - term provisions for employment benefits:	30 June 2018	31 December 2017
Provision for employment benefits	2.898.951	12.850.335

Long - term provisions for employment benefits:	30 June 2018	31 December 2017
Provision for employment termination benefits	4.557.956	4.341.706
Provision for unused vacation liability	4.894.954	3.956.857
	9.452.910	8.298.563

The movement of provision for unused vacation liability for the periods ended 30 June 2018 and 2017 is as follow:

	2018	2017
As of 1 January	3.956.857	3.033.583
Increase in the period	582.363	1.187.556
Currency translation difference	355.734	-
As of 30 June	4.894.954	4.221.139

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 TRY5.001,76 for each year of service (30 June 2017: TRY4.732,48). Provision for employment termination benefits is calculated based on the present value of the Group’s obligation to pay in the event of retirement.

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NOTE 15 - EMPLOYEE BENEFITS (Continued)

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

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

	30 June 2018	31 December 2017
Discount rate (%)	5,63	4,69
Turnover rate to estimate the probability of retirement (%)	94,41	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 TRY5.435,42 which is effective as of 1 July 2018 (1 July 2017: TRY4.732,28) has been taken into consideration in the calculations.

The movement in the provision for employment termination benefits during the periods ended 30 June 2018 and 2017 were as follows:

	2018	2017
As of 1 January	4.341.706	3.281.749
Service cost	450.792	535.551
Interest cost	567.085	505.936
Actuarial loss	111.740	779.009
Indemnities paid	(913.367)	(283.812)
As of 30 June	4.557.956	4.818.433

NOTE 16 - PREPAID EXPENSES AND DEFERRED REVENUE

Short - term prepaid expenses:	30 June 2018	31 December 2017
Prepaid expenses	3.659.628	2.775.530
	3.659.628	2.775.530

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NOTE 16 - PREPAID EXPENSES AND DEFERRED REVENUE (Continued)

Long - term prepaid expenses:	30 June 2018	31 December 2017
Advances given	1.444.530	3.006.485
	1.444.530	3.006.485
Short - term deferred revenues:	30 June 2018	31 December 2017
Deferred revenue	43.751.158	45.059.647
Advances received	1.794.024	1.276.868
	45.545.182	46.336.515

Deferred revenue mainly relates to LEM sales revenue, pay as you go sales, after-sales services, Netsis license revenues and version upgrade package sales, customized software sales and Tübitak incentives for coming periods.

The details of deferred revenues at 30 June 2018 and 31 December 2017 as follows:

	30 June 2018	31 December 2017
LEM sales	28.108.780	29.677.483
Pay as you go sales	7.261.374	10.101.004
After-sales services revenue	4.304.013	1.012.175
Deferred revenue from continuing projects	4.076.991	4.268.985
	43.751.158	45.059.647

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NOTE 17 - 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 30 June 2018 and 31 December 2017 are as follows:

	30 June 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 (*)	1.279.781	5,12	1.279.781	5,12
Publicly traded	15.329.206	61,32	15.329.206	61,32
	25.000.000	100	25.000.000	100
Adjustment to share capital	2.991.336		2.991.336	
Total paid-in share capital	27.991.336		27.991.336	

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

The shares representing capital are categorized as group A and B. There are privileges given to group A shares; one plus half of the members of the Board of Directors of the parent, the chairman of the Board of Directors, and the auditors shall be elected from among the candidates nominated by group A shareholders. Adjustment to share capital represents the inflation adjustment effects of cash contributions to share capital.

Treasury shares

As of 30 June 2018 the amount of treasure shares which is accounted in Group's equity is TRY4.632.563 (31 December 2017: TRY4.632.563).

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:

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

The difference between purchase amounts and sales amounts amounting to TRY522.913 is accounted under equity on the transaction dates.

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NOTE 17 - EQUITY (Continued)

Dividend distribution

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

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

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

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

Transactions with non-controlling interests

The Company owned %90,58 shares of e-Logo and further purchased e-Logo’s minority shareholder’s 57 shares with a nominal value of TRY 5.700 which is equal to 9,42% of total shares for TRY10.000.0000 . This transaction has been completed with the results of the valuation report prepared in accordance with international valuation standards and drafted by an independent valuation firm. Value of the shares has been calculated by using a minority share discount and results of the negotiations with ex-shareholders. As a result of this transaction dated 28 March 2017, Logo Yazılım has become 100% owner of e-Logo.

NOTE 18 - EXPENSES BY NATURE

As of 30 June 2018 and 2017, expenses are disclosed by function and the details of the expenses are summarized in Note 20 and Note 21.

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NOTE 19 - SALES AND COST OF SALES

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Sales revenue	98.847.437	50.705.936	82.359.585	46.312.059
Service revenue	38.533.486	19.927.823	33.552.147	16.516.695
Saas service revenue	4.900.366	2.772.919	3.483.255	1.528.629
Sales returns	(1.526.752)	(608.536)	(1.523.770)	(692.140)
Sales discounts	(929.343)	(351.621)	(934.185)	(344.901)
Net sales	139.825.194	72.446.521	116.937.032	63.320.342
Cost of sales	(27.631.200)	(14.954.278)	(24.808.802)	(12.286.192)
Gross profit	112.193.994	57.492.243	92.128.230	51.034.150

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

Research and development expenses	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Personnel expenses	16.040.642	7.507.029	14.807.757	8.167.788
Depreciation and amortization expenses	14.573.628	7.470.420	10.993.635	5.471.986
Motor vehicle expenses	1.470.941	786.570	1.077.373	555.034
Outsourced benefits and services	1.014.832	612.027	703.101	334.357
Consultancy expenses	783.290	237.121	997.685	679.931
Rent expenses	715.958	371.987	415.390	221.301
Travel expenses	461.976	230.106	335.737	139.949
Other	2.164.624	1.113.499	1.689.398	1.048.537
	37.225.891	18.328.759	31.020.076	16.618.883

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**NOTE 20 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING EXPENSES,
AND GENERAL ADMINISTRATIVE EXPENSES (Continued)**

Marketing expenses	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April 30 June 2017
Personnel expenses	10.749.982	6.286.911	9.107.573	5.537.397
Advertising and selling expenses	8.392.711	4.967.123	7.020.243	3.862.996
Consultancy expenses	1.072.507	451.531	1.037.395	585.713
Motor vehicle expenses	833.191	425.623	766.136	398.183
Outsourced benefits and services	824.191	515.652	500.622	283.356
Travel expenses	325.128	172.646	444.119	190.568
Rent expenses	304.623	160.188	305.096	158.191
Depreciation and amortization expenses	198.604	101.481	187.765	98.207
Other	389.659	197.077	559.566	273.171
	23.090.596	13.278.232	19.928.515	11.387.782
General and administrative expenses	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Personnel expenses	9.051.015	3.738.835	7.147.193	3.671.319
Consultancy expenses	4.234.816	1.782.187	2.283.482	1.571.232
Motor vehicle expenses	523.837	250.010	396.808	211.989
Travel expenses	304.927	207.758	302.685	212.739
Rent expenses	244.817	135.234	168.501	82.806
Outsourced benefits and services	126.768	41.191	114.228	56.800
Depreciation and amortization expenses	56.837	41.464	914.249	453.411
Other	1.752.553	1.130.182	986.056	62.566
	16.295.570	7.326.861	12.313.202	6.322.862

NOTE 21 - OTHER OPERATING INCOME/EXPENSES

Other operating income	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Foreign exchange gains (*)	1.219.821	665.770	770.432	100.430
Rediscount income	290.036	(288.296)	378.285	9.355
Overdue interest income	249.151	90.425	539.933	120.914
Other	2.473.301	448.015	577.277	11.458
	4.232.309	915.914	2.265.927	242.157

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

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NOTE 21 - OTHER OPERATING INCOME/EXPENSES (Continued)

Other operating expenses	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Provision expense	1.285.198	1.285.198	489.404	479.374
Rediscount expenses	1.251.106	1.096.428	341.959	100.748
Foreign exchange losses (*)	302.938	242.465	1.019.662	395.956
Other	198.836	146.219	262.422	70.389
	3.038.078	2.770.310	2.113.447	1.046.467

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

NOTE 22 - INCOME FROM INVESTING ACTIVITIES

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Gain on sale of financial instruments	28.069	21.662	128.443	82.983
	28.069	21.662	128.443	82.983

NOTE 23 - FINANCIAL INCOME

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Foreign exchange gains	3.489.029	2.943.245	1.863.160	694.166
Interest income	1.338.969	1.103.837	38.772	20.227
	4.827.998	4.047.082	1.901.932	714.393

NOTE 24 - FINANCIAL EXPENSES

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Foreign exchange losses	1.789.480	1.523.550	1.990.657	904.044
Interest expense	1.206.055	535.559	1.730.017	837.596
Interest expense of				
Employee termination benefits	567.085	86.647	505.936	25.498
Credit card commissions	443.803	211.169	459.793	273.282
Other financial expenses	66.865	32.260	211.369	100.779
	4.073.288	2.389.185	4.897.772	2.141.199

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NOTE 25 - TAX ASSETS AND LIABILITIES

	30 June 2018	30 June 2017
Current period tax expense	(1.745.796)	(1.440.068)
Deferred tax income/(expense)	1.759.120	(906.217)
Current period tax income/(expense)	13.324	(2.346.285)

Deferred taxes

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred tax has been provided at 30 June 2018 and 31 December 2017 using the enacted tax rates, is as follows:

	Total temporary differences		Deferred tax assets/(liabilities)	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
Deferred tax assets:				
Expense accruals	8.287.523	2.914.527	1.657.505	582.905
Unincurred finance income on trade receivables and payables	5.184.507	3.996.713	1.036.901	799.343
Provision for doubtful receivables	2.686.201	2.359.687	537.240	471.937
Deferred revenue	2.538.370	690.145	507.674	138.029
Provision for employee termination benefits	2.147.518	2.750.543	429.504	550.109
			4.168.824	2.542.323
Deferred tax liabilities:				
Difference between the tax base and carrying value of property, equipment and intangible assets	(25.340.958)	(23.940.605)	(5.068.192)	(4.788.121)
			(5.068.192)	(4.788.121)
Deferred tax (liabilities)/assets, net			(899.368)	(2.245.798)

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

Deferred tax assets	30 June 2018	31 December 2017
To be recovered less than 12 months	3.470.426	1.767.516
To be recovered more than 12 months	698.398	774.807
	4.168.824	2.542.323

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NOTE 25 - TAX ASSETS AND LIABILITIES (Continued)

Deferred tax liabilities	30 June 2018	31 December 2017
To be recovered more than 12 months	(5.068.192)	(4.788.121)
	(5.068.192)	(4.788.121)
Deferred tax (liabilities)/assets, net	(899.368)	(2.245.798)

Movement of deferred tax assets/(liabilities) for the periods ended 30 June 2018 and 2017 is as follows:

	2018	2017
As of 1 January	(2.245.798)	(684.221)
Charged to statements of profit or loss	1.759.120	(906.217)
Currency translation difference	(426.366)	(138.151)
Charged to other comprehensive income	13.676	48.193
As of 30 June	(899.368)	(1.680.396)

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. In 2018, 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.

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

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NOTE 25 - TAX ASSETS AND LIABILITIES (Continued)

Corporations are required to pay advance corporation tax quarterly at the rate of 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.

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, losses can be carried forward to offset against future taxable income for up to 5 years. 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).

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.

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NOTE 26 - EARNINGS PER SHARE

The table of earnings per thousand shares calculated from nominal value of 1 Kr for the period ended 30 June 2018 is as follows;

	30 June 2018	30 June 2017
Net income attributable to equity holders of the parent	34.914.915	23.565.388
Average number of shares for the period	2.500.000	2.500.000
Earnings per share	13,97	9,43

NOTE 27 - RELATED PARTY DISCLOSURES

a) Due from related parties on 30 June 2018 and 31 December 2017:

Long-term other receivables from related parties:	30 June 2018	31 December 2017
Receivables from other shareholders	3.947.933	3.375.068
	3.947.933	3.375.068

Trade receivables from related parties:	30 June 2018	31 December 2017
Logo Infosoft	976.569	-
	976.569	-

b) Sales to related parties, services given to related parties and financial income from related parties during the periods ended 30 June 2018 and 30 June 2017:

Services given to related parties	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Logo Infosoft Business Tech	400.287	126.679	-	-
Logo Siber	244.642	116.549	154.463	75.560
Logo Teknoloji ve Yatırım A.Ş.	5.127	2.782	357.488	1.390
	650.056	246.010	511.951	76.950

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NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

c) Services purchased from related parties and other transactions with related parties during the periods ended 30 June 2018 and 30 June 2017:

Services purchased from related parties	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Logo Teknoloji ve Yatırım A.Ş.	29.231	26.582	48.245	8.585
Logo Siber	517.912	51.158	-	-
	547.143	77.740	48.245	8.585

d) Remuneration of the executive management:

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Remuneration of the management	1.585.745	774.325	1.474.418	750.809

The executive management (executive management includes General Manager (CEO) and Assistant General Managers) for the interim periods ended 30 June 2018 and 2017 comprise short-term employment benefits including salary, bonus and other short-term benefits. The amount does not include post-employment benefits and other payments.

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

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.

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

	30 June 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)
Non-derivative financial instruments						
Borrowings	74.795.305	87.038.798	5.075.173	2.363.272	45.140.697	34.459.656
Trade payables						
- Trade payables to third parties	14.670.551	14.670.551	14.670.551	-	-	-
Due to personnel						
Other payables	9.059.261	9.059.261	9.059.261	-	-	-
- Other payables to third parties	5.245.266	5.245.266	4.630.023	-	615.243	-
Total liabilities	103.770.383	116.013.876	33.435.008	2.363.272	45.755.940	34.459.656
	31 December 2017					
Non-derivative financial instruments	Carrying value	Contractual cash outflow (I+II+III+IV)	Up to 3 month (I)	Between 3-12 month (II)	Between 1-5 year (III)	More than 5 year (IV)
Borrowings	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:

	30 June 2018	31 December 2017
<u>Financial instruments with fixed interest rate</u>		
Financial assets		
- Financial assets at fair value through profit or loss	13.899.080	8.957.092
Financial liabilities	6.148.023	57.405.000
<u>Financial instruments with float interest rate</u>		
Financial liabilities	68.647.282	8.053.667

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

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. Since the interest rate that occurred during the year of the floating rate loans is not important, no sensitivity analysis related to the interest rate change has been presented.

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 exchange rate risk arising from the exchange rate changes due to translation of foreign currency denominated assets or liabilities to Turkish Lira. The exchange rate risk is monitored by analyzing the foreign exchange position.

Foreign exchange rates used to translate the Group’s assets and liabilities denominated in foreign currencies into TRY at 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018	31 December 2017
USD	4,5607	3,7719
EUR	5,3092	4,5155

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

The Group is mainly exposed to USD and Euro currency risk.

		Foreign currency position as of 30 June 2018			
		TRY equivalent	USD	EUR	Other
1.	Trade receivables	10.314.728	494.480	1.518.035	-
2a.	Monetary financial assets, (cash, and banks accounts included))	16.432.941	2.426.024	1.010.531	3.463
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
4.	Current assets (1+2+3)	26.747.669	2.920.504	2.528.566	3.463
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)	26.747.669	2.920.504	2.528.566	3.463
10.	Trade payables	(2.539.041)	(92.839)	(398.484)	-
11.	Financial liabilities	(530.459)	-	(100.455)	-
12a.	Other monetary liabilities	-	-	-	-
12b.	Other non-monetary liabilities	-	-	-	-
13.	Current liabilities (10+11+12)	(3.069.500)	(92.839)	(498.939)	-
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(69.334.098)	-	(13.130.064)	-
16a.	Other monetary liabilities	-	-	-	-
16b.	Other non-monetary liabilities	-	-	-	-
17.	Non-current liabilities (14+15+16)	(69.334.098)	-	(13.130.064)	-
18.	Total liabilities (13+17)	(72.403.598)	(92.839)	(13.629.003)	-
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)	(45.655.929)	2.827.665	(11.100.437)	3.463
21.	Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a- 10-11-12a-14-15-16a)	(45.655.929)	2.827.665	(11.100.437)	3.463
22.	Fair value of derivative instruments used in foreign currency hedge	-	-	-	-
23.	Export (*)	(18.436.858)	-	-	-
24.	Import	-	-	-	-

(*) Includes exports from the countries in which the Group operates. As of 30 June 2018 the Group's total sales made outside Turkey during the period is TRY47.640.011 (30 June 2017: TRY39.519.282).

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

		Foreign currency position as of 31 December 2017			
		TRY equivalent	USD	EUR	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.	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	-	-	-	-

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**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

	30 June 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	1.289.613	(1.289.613)	-	-
2- Hedged portion from USD risks (-)	-	-	-	-
3- USD net effect (1+2)	1.289.613	(1.289.613)	-	-
Change of EUR against TRY by 10%				
4- EUR net assets/liabilities	(5.893.444)	5.893.444	-	-
5- Hedged portion from EUR risks (-)	-	-	-	-
6- EUR net effect (4+5)	(5.893.444)	5.893.444	-	-
Change of other currencies against TRY by 10%				
7- Other currencies net assets/liabilities	346	(346)	-	-
8- Hedged portion from other currency risks (-)	-	-	-	-
9- Other currencies net effect (7+8)	346	(346)	-	-
Total (3+6+9)	(4.603.485)	4.603.485	-	-
	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	-	-

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

Capital risk management

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

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

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

	30 June 2018	31 December 2017
Total payables	89.465.856	85.657.430
Less: Cash and cash equivalents	(56.491.472)	(51.633.614)
Net debt	32.974.384	34.023.816
Total equity	255.077.225	208.508.292
Total capital	288.051.609	242.532.108
Debt/equity ratio (%)	11%	14%

NOTE 29 - FINANCIAL INSTRUMENTS

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

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

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

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NOTE 29 - FINANCIAL INSTRUMENTS (Continued)

Monetary assets

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

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

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

Monetary liabilities

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

The fair values of trade and other payables are estimated to be their fair values due to their short-term nature.

The Group classifies the fair value measurement of each class of financial instruments according to the source, using the three-level hierarchy, as follows:

Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted)

Level 2: Other valuation techniques includes direct or indirect observable inputs

Level 3: Valuation techniques does not contains observable market inputs

Fair value hierarchy table as at 31 December 2017 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 30 June 2018 is as follows:

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

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NOTE 30 - NET DEBT RECONCILIATION

	Loans and credit cards	Finance leases	Total
Balance at 1 January 2018	64.163.212	1.295.455	65.458.667
Cash inflows	13.321.406	-	13.321.406
Cash outflows	(14.277.054)	(282.672)	(14.559.726)
Currency translation differences	10.370.466	204.492	10.574.958
Balance at 30 June 2018	73.578.030	1.217.275	74.795.305
Cash and cash equivalents (-)			56.491.472
Net debt			18.303.833

NOTE 31 - EVENTS AFTER BALANCE SHEET DATE

On 19 July 2018, Total Soft, a subsidiary of the Company, has signed the share purchase agreement with Architected Business Solutions (“ABS”) which is a Romania-based international consultancy firm specialized in retail, technology and outsourcing. As a result of Total Soft’s non-cash acquisition of ABS, ABS shareholders will have a 20% stake in Total Soft and ABS founder Görkem Turşucu will assume the role of General Manager (CEO) of Total Soft.

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