

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2018**

(ORIGINALLY ISSUED IN TURKISH)

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY
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AS OF 30 SEPTEMBER 2018**

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

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

	Notes	Not audited 30 September 2018	Audited 31 December 2017
ASSETS			
Current asset		182.725.641	162.176.702
Cash and cash equivalents	4	70.615.577	51.633.614
Trade receivables		103.342.929	104.524.024
- Trade receivables from third parties	8	101.848.169	104.524.024
- Trade receivables from related parties	27	1.494.760	-
Other receivables		74.834	700.688
- Other receivables from third parties	9	74.834	700.688
Inventories	10	400.225	604.300
Prepaid expenses	16	4.108.057	2.775.530
Other current assets		4.184.019	1.938.546
Non-current assets		302.852.109	220.988.786
Other receivables		4.744.554	3.535.680
- Other receivables from related parties	27	4.583.942	3.375.068
- Other receivables from third parties	9	160.612	160.612
Financial investments	5	6.517.903	1.130.653
Investments accounted for using the equity method	6	514.086	558.663
Property, plant and equipment	11	21.262.979	19.941.705
Intangible assets		264.188.480	191.896.685
- Goodwill	13	124.057.260	83.294.475
- Other intangible assets	12	140.131.220	108.602.210
Prepaid expenses	16	1.783.563	3.006.485
Deferred tax assets	25	1.366.499	327.762
Other non-current assets		2.474.045	591.153
Total assets		485.577.750	383.165.488

These consolidated financial statements have been approved by Board of Directors on 7 November 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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AS AT 30 SEPTEMBER 2018**

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

	Notes	Not audited 30 September 2018	Audited 31 December 2017
LIABILITIES			
Short-term liabilities		89.427.921	115.034.637
Short-term borrowings	7	5.646.849	1.818.160
Short-term portion of long-term borrowings	7	865.559	17.466.660
Trade payables		15.433.201	20.198.763
- <i>Trade payables to third parties</i>	8	<i>15.433.201</i>	<i>20.198.763</i>
Employee benefit payables	15	15.468.206	8.373.167
Other payables		5.333.153	6.892.841
- <i>Other payables to third parties</i>	9	<i>5.333.153</i>	<i>6.892.841</i>
Deferred revenue	16	44.228.333	46.336.515
Short-term provisions		235.576	12.850.335
- <i>Provisions for employee benefits</i>	15	<i>235.576</i>	<i>12.850.335</i>
Current income tax liabilities		1.566.947	531.612
Other current liabilities		650.097	566.584
Long-term liabilities		104.466.601	58.855.384
Long-term borrowings	7	90.976.385	46.173.847
Other payables		615.243	1.809.414
- <i>Other payables to third parties</i>	9	<i>615.243</i>	<i>1.809.414</i>
Long-term provisions		9.462.269	8.298.563
- <i>Provisions for Employee benefits</i>	15	<i>9.462.269</i>	<i>8.298.563</i>
Deferred tax liabilities	25	3.412.704	2.573.560
EQUITY			
Equity attributable to equity holders of the parent		291.683.228	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	(10.054.033)	(4.632.563)
Reserves for treasury shares	17	10.054.033	4.632.563
Other comprehensive income and expense that will not be reclassified to profit or loss		(3.011.729)	(2.669.512)
- <i>Actuarial loss on employment termination benefits</i>		<i>(3.011.729)</i>	<i>(2.669.512)</i>
Other comprehensive income and expense that will be reclassified to profit or loss		48.464.719	12.738.172
- <i>Currency translation differences</i>		<i>48.464.719</i>	<i>12.738.172</i>
Retained earnings		158.597.545	112.423.275
Net profit for the period		52.444.901	50.828.565
Non-controlling interests		-	767.175
Total equity		291.683.228	209.275.467
Total liabilities		485.577.750	383.165.488

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

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

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

	Notes	1 January - 30 September 2018	1 July - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2017
Revenue	19	217.206.072	77.380.878	173.563.425	56.626.393
Cost of sales (-)	19	(44.716.816)	(17.085.616)	(35.932.946)	(11.124.144)
Gross profit		172.489.256	60.295.262	137.630.479	45.502.249
General and administrative expenses (-)	20	(25.955.377)	(9.659.807)	(20.130.961)	(7.817.759)
Marketing expenses (-)	20	(34.451.231)	(11.360.635)	(30.393.811)	(10.465.296)
Research and development expenses (-)	20	(58.178.626)	(20.952.735)	(43.218.161)	(12.198.085)
Other operating income	21	5.494.615	1.262.306	4.168.727	1.902.800
Other operating expenses (-)	21	(5.207.896)	(2.169.818)	(2.496.043)	(382.596)
Operating profit		54.190.741	17.414.573	45.560.230	16.541.313
Income from investing activities	22	131.601	103.532	269.532	141.089
Share of losses of investments accounted for by the equity method	6	(3.055.127)	(397.771)	(1.047.999)	(381.997)
Operating profit before financial income/(expenses)		51.267.215	17.120.334	44.781.763	16.300.405
Financial income	23	11.036.932	6.208.934	2.170.043	268.111
Financial expenses (-)	24	(7.650.082)	(3.576.794)	(6.543.653)	(1.645.881)
Income before taxes		54.654.065	19.752.474	40.408.153	14.922.635
Taxation on income:					
Current income tax expense	25	(3.644.025)	(1.898.229)	(2.158.367)	(718.299)
Deferred tax income/(expense)	25	1.434.861	(324.259)	(682.895)	223.322
Net income for the period		52.444.901	17.529.986	37.566.891	14.427.658
Net income attributable to:					
Non-controlling interests		-	-	(566.815)	(140.660)
Equity holders of the parent		52.444.901	17.529.986	38.133.706	14.568.318
Earnings per shares	26	20,98	7,01	15,25	5,83

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

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

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

	Notes	1 January - 30 September 2018	1 July - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2017
Net income for the period		52.444.901	17.529.986	37.566.891	14.427.658
<i>Other comprehensive income and expense that will be reclassified to profit or loss</i>					
Currency translation differences		35.726.547	24.741.640	6.420.565	2.326.280
<i>Other comprehensive income and expense that will not be reclassified to profit or loss</i>					
Actuarial loss on employment termination benefits	15	(381.632)	(269.892)	(1.254.163)	(475.154)
Deferred tax effect	25	39.415	25.739	48.193	-
Other comprehensive income		35.384.330	24.497.487	5.214.595	1.851.126
Total comprehensive income		87.829.231	42.027.473	42.781.486	16.278.784
<i>Other comprehensive income attributable to:</i>					
Non-controlling interest		-	-	(566.815)	(140.660)
Equity holders of the parent		87.829.231	42.027.473	43.348.301	16.419.444

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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS 1 JANUARY - 30 SEPTEMBER 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 benefits	Other comprehensive income and expense that will be reclassified to profit or loss	Currency translation differences	Retained earnings for the period	Equity attributable to Net 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)	(1.588.653)	(9.543.946)
Net income for the period	-	-	-	-	-	-	-	-	-	38.133.706	38.133.706	(566.815)	37.566.891
Other comprehensive income	-	-	-	-	-	(1.205.970)		6.420.565	-	-	5.214.595	-	5.214.595
Balances at 30 September 2017	25.000.000	2.991.336	(4.632.563)	4.632.563	7.196.456	(2.869.497)		13.320.345	112.423.275	38.133.706	196.195.621	1.199.784	197.395.405
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)	-	-	-
Increase/decrease regarding treasury shares purchases	-	-	(5.421.470)	5.421.470	-	-	-	-	(5.421.470)	-	(5.421.470)	-	(5.421.470)
Transactions with non-controlling interests (**)	-	-	-	-	-	-	-	-	767.175	-	767.175	(767.175)	-
Net income for the period	-	-	-	-	-	-	-	-	-	52.444.901	52.444.901	-	52.444.901
Other comprehensive income	-	-	-	-	-	(342.217)		35.726.547	-	-	35.384.330	-	35.384.330
Balances at 30 September 2018	25.000.000	2.991.336	(10.054.033)	10.054.033	7.196.456	(3.011.729)		48.464.719	158.597.545	52.444.901	291.683.228	-	291.683.228

(*) Note 17.

(**) Note 2.1.3.

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

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

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

	Notes	1 January - 30 September 2018	1 January - 30 September 2017
A. Cash flows from operating activities		64.206.211	51.474.304
Profit for the period		52.444.901	37.566.891
Adjustments to reconcile profit for the year		25.210.467	10.893.829
Adjustments for depreciation and amortization expenses	11, 12	23.914.355	18.537.364
Adjustments for provision/(reversals) for employment termination benefits	15	(11.844.569)	(10.216.360)
Adjustments for interest expense	24	2.278.552	2.189.460
Adjustments for interest income	23	(2.231.926)	(75.882)
Adjustments for undistributed profits of joint ventures	6	3.055.127	1.047.999
Adjustments for provision/(reversal) for doubtful receivables	8	(2.436.939)	(255.584)
Other adjustments to reconcile profit or loss		10.266.703	(3.174.430)
Adjustments for tax expense	25	2.209.164	2.841.262
Changes in net working capital		(9.906.971)	6.262.350
Decrease in trade receivables		(3.904.082)	20.999.901
(Increase)/decrease in inventories		204.075	(132.947)
Increase in other current assets		(7.284.674)	(4.125.740)
Decrease in trade payables		(3.421.052)	(6.870.987)
Decrease in other liabilities		4.498.762	(3.607.877)
Cash flows from operating activities		67.748.397	54.723.070
Taxes paid		(2.608.690)	(2.589.747)
Employment termination benefits paid	15	(933.496)	(659.019)
Purchases of property, plant and equipment and intangible assets	11, 12	(36.202.681)	(27.950.641)
Cash outflows for the acquisition of debt instruments or shares of other entities or funds	5	(4.937.250)	-
Cash outflows from acquisition of subsidiary	17	-	(10.000.000)
Proceeds from sales of property and equipment		2.273	150.783
Capital injections to joint ventures	6	(1.000.000)	(800.000)
Interest received		2.476.450	75.882
B. Cash flows from investing activities		(39.661.208)	(38.523.976)
Cash outflows from acquisitions of treasury shares	17	(5.421.470)	-
Repayments of borrowings	30	(16.617.313)	(22.516.257)
Proceeds from borrowings	30	13.692.081	18.586.296
Interest paid		(2.278.552)	(3.696.333)
C. Cash flows from financing activities		(10.625.254)	(7.626.294)
Net increase in cash and cash equivalents		13.919.749	5.324.034
D. Effects of currency translation differences on cash and cash equivalents		5.062.214	1.107.123
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	70.615.577	49.939.080

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE PERIOD 1 JANUARY - 30 SEPTEMBER 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 September 2018, the average number of personnel of the Group is 1.042 (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 September 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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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 September 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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**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 September 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 September 2018 and 31 December 2017:

Subsidiaries	30 September 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 September 2018 (%)	31 December 2017 (%)
Logo Infosoft (*)	50,00	-
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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(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)

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 are 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 are 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 September 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 TFRS”,
- 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 September 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)

IFRS 15 Revenue from contracts with customers

IFRS 15, ‘Revenue from contracts with customers’; effective from annual periods beginning on or after 1 January 2018. ‘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 nine month interim period ended 30 September 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 nine month interim period ended 30 September 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 September 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 September 2018 have been provided with the comparative financial information, for the period ended 30 September 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 September 2017 contains classification of “Research and development expenses” related to Total Soft's project sales to “cost of sales” amounting to TRY27.645.750.

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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 September 2018	Turkey	Romania	Segmental eliminations	Consolidated
Reportable segment assets	362.513.995	124.148.521	(1.084.766)	485.577.750
Reportable segment liabilities	65.064.491	129.914.797	(1.084.766)	193.894.522
Goodwill	124.057.260	-	-	124.057.260
Property and equipment and intangible asset	96.655.353	64.738.846	-	161.394.199

30 September 2018	Turkey	Romania	Segmental eliminations	Consolidated
Revenue	141.849.607	75.356.465	-	217.206.072
Cost of sales (-)	(2.124.573)	(42.592.243)	-	(44.716.816)
Operating expenses	(88.429.070)	(30.156.164)	-	(118.585.234)
Other operating income	3.804.847	1.689.768	-	5.494.615
Other operating expenses	(4.275.138)	(932.758)	-	(5.207.896)
Finance income	10.414.734	989.545	(367.347)	11.036.932
Finance expense	(3.841.253)	(4.176.176)	367.347	(7.650.082)
Depreciation and amortization	(17.020.829)	(6.893.526)	-	(23.914.355)
Share of profit or loss of investments accounted for using the equity method	(3.055.127)	-	-	(3.055.127)
Tax expense	(1.747.223)	(461.941)	-	(2.209.164)
Net profit for the year	52.728.407	(283.506)	-	52.444.901
Adjusted EBITDA	68.316.793	9.501.584	-	77.818.377
Purchase of property and equipment and intangible assets	26.644.697	9.557.984	-	36.202.681

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

30 September 2018	Consolidated
Adjusted EBITDA	77.818.377
Depreciation and amortization	(23.914.355)
Income from investing activities	131.601
Share of profit or loss of investments accounted for using the equity method	(3.055.127)
Other operating income	5.494.615
Other operating expenses	(5.207.896)
Financial income	11.036.932
Financial expenses	(7.650.082)
Profit before tax	54.654.065

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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 September 2017	Turkey	Romania	Other	Segmental eliminations	Consolidated
Revenue	118.117.536	55.445.889	-	-	173.563.425
Cost of sales (-)	(2.089.558)	(33.843.388)	-	-	(35.932.946)
Operating expenses	(67.341.179)	(24.705.670)	(1.696.084)	-	(93.742.933)
Other operating income	3.273.870	894.857	-	-	4.168.727
Other operating expenses	(1.940.674)	(555.369)	-	-	(2.496.043)
Finance income	591.347	1.578.696	-	-	2.170.043
Finance expense	(2.567.372)	(3.975.315)	(966)	-	(6.543.653)
Depreciation and amortization	(13.937.676)	(4.484.941)	(114.747)	-	(18.537.364)
Share of profit or loss of investments accounted for using the equity method	(1.047.999)	-	-	-	(1.047.999)
Tax expense	(2.265.128)	(576.134)	-	-	(2.841.262)
Net profit for the year	45.000.374	(5.736.433)	(1.697.050)	-	37.566.891
Adjusted EBITDA	62.624.475	1.381.772	(1.581.337)	-	62.424.910
Purchase of property and equipment and intangible assets	20.912.699	6.217.373	820.569	-	27.950.641

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

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

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NOTE 4 - CASH AND CASH EQUIVALENTS

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

	30 September 2018	31 December 2017
Cash	48.359	22.472
Banks		
- Demand deposits - TRY	1.312.388	2.348.730
- Demand deposits - foreign currency	12.687.497	8.763.832
- Time deposits - TRY	9.080.000	8.957.092
- Time deposits - foreign currency	12.639.647	-
Credit card slip receivables	34.754.526	30.558.652
Cheques received	92.848	245.582
Restricted cash (*)	312	737.254
	70.615.577	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 September 2018, the weighted average effective annual interest rates of TRY denominated time deposits are between 19.60% and 29.50%. (31 December 2017: 11,00% and 14,00%) As of 30 September 2018 the weighted average effective annual interest rates of USD denominated time deposits are between 4,65% and 5,70% and EUR denominated time deposits are between 2,42% and 3,37 %.

NOTE 5 - FINANCIAL INVESTMENTS

Long term other financial investment:

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

	30 September 2018	31 December 2017
Long term other financial investment	4.937.250	-

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NOTE 5 - FINANCIAL INVESTMENTS (Continued)

Available-for-sale financial assets:

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

	<u>30 September 2018</u>		<u>31 December 2017</u>	
	Share (%)	TRY	Share (%)	TRY
Logo Ventures Girişim				
Sermayesi Yatırım Fonu (“Logo Ventures”)	20,00	1.450.000	20,00	1.000.000
İnterpro Yayıncılık Araştırma ve				
Organizasyon Hizmetleri A.Ş. (“İnterpro”)	2,00	80.653	2,00	80.653
Dokuz Eylül Teknoloji				
Geliştirme Bölgesi A.Ş. (“Dokuz Eylül”)	0,67	50.000	0,67	50.000
		1.580.653		1.130.653

Logo Ventures, İnterpro and Dokuz Eylül are assessed as available-for-sale financial asset as of 30 September 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 are as follows:

	2018	2017
As of 1 January	558.663	737.533
Logo Infosoft (*)	2.010.550	-
Capital increases in joint venture	1.000.000	800.000
Share of profit/(loss)	(3.055.127)	(1.047.999)
As of 30 September	514.086	489.534

(*) 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 September 2018	31 December 2017
Cash and cash equivalents	72.566	212.059
Other current assets	359.952	247.509
Other non-current assets	119.876	160.717
Total assets	552.394	620.285
Other short-term liabilities	120.083	98.816
Total liabilities	120.083	98.816
Net Assets	432.311	521.469

Logo Infosoft	30 September 2018	31 December 2017
Cash and cash equivalents	1.598.538	-
Other current assets	2.490.939	-
Other non-current assets	2.268.364	-
Total assets	6.357.841	-
Other short-term liabilities	3.743.062	-
Total liabilities	3.743.062	-
Net Assets	2.614.779	-

Summary of income statements

FIGO	30 September 2018	30 September 2017
Income	68.747	25.984
Expenses (-)	(2.157.901)	(2.121.981)
Net loss for the period	(2.089.154)	(2.095.997)
Interest ratio of the Group	50%	50%
Group's share	(1.044.577)	(1.047.999)
Share of losses of investment under equity method	(1.044.577)	(1.047.999)

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

Logo Infosoft	30 September 2018	30 September 2017
Income	931.293	-
Expenses (-)	(7.843.825)	-
Net loss for the period	(6.912.532)	-
Interest ratio of the Group	% 50,00	-
Group’s share	(3.456.266)	-
Unrecognised losses (*)	1.445.716	-
Share of losses of investment under equity method	(2.010.550)	-

(*) Group’s shares of loss for the period of Logo Infosoft amounting to TRY1.445.716 has not been recognised, since the carrying value of Logo Infosoft declined to zero.

NOTE 7 - BORROWINGS

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

Short-term borrowings:	30 September 2018	31 December 2017
Short-term bank borrowings	5.505.415	1.759.193
Credit card payables	141.434	58.967
	5.646.849	1.818.160
Current portion of long-term borrowings:		
Current portion of long-term bank borrowings	-	16.972.616
Finance leases	865.559	494.044
	865.559	17.466.660
Total short-term bank borrowings	6.512.408	19.284.820
Long-term bank borrowings:	30 September 2018	31 December 2017
Long-term bank borrowings	89.844.781	45.372.436
Finance leases	1.131.604	801.411
Total long-term borrowings	90.976.385	46.173.847

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NOTE 7 - BORROWINGS (Continued)

	30 September 2018		
	Weighted average annual interest rate (%)	Original amount	TRY equivalent
Short-term borrowings:			
Bank borrowings - RON - unsecured	-	3.715.106	5.505.415
Bank borrowings - TRY - unsecured	-	-	-
Credit cards payables - TRY	-	141.434	141.434
			5.646.849
Current portion of long-term borrowings:			
Finance leases - EUR	-	125.241	865.559
			865.559
Long-term borrowings:			
Bank borrowings - EUR - secured	Eurolibor 6M+2.95%	13.000.000	89.844.781
Finance leases - EUR	-	163.736	1.131.604
			90.976.385
Total borrowings			97.488.793
	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 September 2018 and 31 December 2017 are as follows:

	30 September 2018	31 December 2017
To be paid within 1-2 years	6.418.624	18.522.125
To be paid within 2-5 years	31.722.119	27.651.722
To be paid within 5-10 years	52.835.642	-
	90.976.385	46.173.847

	<u>Carrying amount</u>		<u>Fair value</u>	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Bank borrowings	95.350.196	64.104.245	111.374.339	68.773.430
	95.350.196	64.104.245	111.374.339	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 September 2018 and 31 December 2017 are as follows:

Short-term trade receivables:	30 September 2018	31 December 2017
Trade receivables	99.300.608	89.591.194
Credit card receivables	32.265.574	37.701.792
Cheques and notes receivables	2.523.353	2.735.947
Less: Provision for doubtful receivables	(26.714.152)	(21.628.975)
Less: Unearned finance income arising from credit sales	(5.527.214)	(3.875.934)
	101.848.169	104.524.024

As of 30 September 2018 the average turnover of the trade receivables is 116 days (31 December 2017: 123 days), excluding the credit cards receivables average turnover day is 74 days (31 December 2017: 83 days), the discount rate applied to the undue receivables is 26.49% (31 December 2017: 13,10%).

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NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

As of 30 September 2018, trade receivables of TRY17.830.153 (31 December 2017: TRY12.149.007) were past due but not impaired. The aging analysis of these trade receivables is as follows:

	30 September 2018	31 December 2017
Up to 1 month	5.809.667	4.469.151
1-3 months	3.639.487	1.735.726
More than 3 months	8.380.999	5.944.130
	17.830.153	12.149.007

As of 30 September 2018, TRY13.601.853 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 September 2018 and 2017 are as follows:

	2018	2017
As of 1 January	21.628.975	21.095.832
Provision for the period	999.784	1.066.918
Provisions no longer required	(3.436.723)	(1.322.502)
Foreign currency translation difference	7.522.116	1.556.923
As of 30 September	26.714.152	22.397.171

Trade payables to third parties:	30 September 2018	31 December 2017
Trade payables	15.433.201	20.198.763

As of 30 September 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 September 2018 and 31 December 2017:

30 September 2018	Trade receivables		Other receivables		Cash at bank
	Related party	Other	Related party	Other	
The maximum of credit risk exposure at the reporting date	1.494.760	101.848.169	4.583.942	235.446	70.474.370
- Amount of risk covered by guarantees	-	582.724	-	-	-
Net carrying value of not past due and not impaired financial assets	1.494.760	84.018.016	4.583.942	235.446	70.474.370
Net carrying value of past due but not impaired financial assets	-	17.830.153	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-
Net carrying value of impaired assets	-	-	-	-	-
- Past due (gross carrying value)	-	26.714.152	-	-	-
- Provision for impairment (-)	-	(26.714.152)	-	-	-
- 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 September 2018	31 December 2017
Income accruals	66.918	311.442
Deposits and guarantees given	7.916	389.246
	74.834	700.688

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

	30 September 2018	31 December 2017
Other long-term receivables	160.612	160.612

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

	30 September 2018	31 December 2017
Taxes payable	5.333.153	6.892.841
	5.333.153	6.892.841

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

	30 September 2018	31 December 2017
Other payables	615.243	1.809.414

NOTE 10 - INVENTORIES

	30 September 2018	31 December 2017
Trade goods	384.370	587.559
Raw materials and equipment	14.727	14.726
Other	1.128	2.015
	400.225	604.300

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2018	Additions	Disposal of subsidiary (*)	Disposals	Currency translation differences	30 September 2018
Cost:						
Machinery plant and equipment	9.081.537	1.787.627	(168.063)	(56.617)	1.171.925	11.816.409
Motor vehicles	2.237.291	372.844	-	-	1.147.342	3.757.477
Furniture and fixtures	5.510.453	153.333	(230.945)	(11.272)	199.624	5.621.193
Leasehold improvements	22.606.581	1.129.160	(295.937)	-	122.140	23.561.944
	39.435.862	3.442.964	(694.945)	(67.889)	2.641.031	44.757.023
Accumulated Depreciation:						
Machinery plant and equipment	6.914.609	1.072.606	(6.600)	(56.617)	406.936	8.330.934
Motor vehicles	605.486	846.586	-	-	465.443	1.917.515
Furniture and fixtures	3.911.284	289.717	(9.516)	(8.999)	111.533	4.294.019
Leasehold improvements	8.062.778	835.290	(11.622)	-	65.130	8.951.576
	19.494.157	3.044.199	(27.738)	(65.616)	1.049.042	23.494.044
Net book value	19.941.705					21.262.979

(*) Note 2.1.3.

	1 January 2017	Additions	Disposals	Currency translation difference	30 September 2017
Cost:					
Machinery and equipment	8.040.756	1.008.903	(18.048)	223.726	9.255.337
Motor vehicles	2.462.846	135.032	(571.589)	401.375	2.427.664
Furniture and fixtures	4.781.587	349.222	-	165.861	5.296.670
Leasehold improvements	20.618.937	1.049.585	-	184.530	21.853.052
	35.904.126	2.542.742	(589.637)	975.492	38.832.723
Accumulated depreciation:					
Machinery and equipment	6.033.557	688.210	(9.436)	(95.955)	6.616.376
Motor vehicles	244.408	381.927	(429.418)	74.390	271.307
Furniture and fixtures	3.549.714	257.734	-	31.191	3.838.639
Leasehold improvements	7.098.513	666.063	-	84.833	7.849.409
	16.926.192	1.993.934	(438.854)	94.459	18.575.731
Net book value	18.977.934				20.256.992

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, TRY 423.293 till 1 year, TRY 1.873.819 between 1-5 years and TRY 6.506.809 more than 5 years for relevant land (30 September 2017: TRY 334.309 till 1 year, TRY 1.337.238 between 1-5 years, TRY 7.758.765 more than 5 years).

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NOTE 12 - INTANGIBLE ASSETS

	1 January 2018	Additions	Disposals of subsidiary (*)	Currency translation differences	30 September 2018
Costs:					
Development costs	161.201.959	31.875.669	(1.040.579)	18.954.533	210.991.582
Advanced technology	15.656.562	-	-	1.367.791	17.024.353
Customer relations	19.482.447	-	-	4.156.223	23.638.670
Non-compete agreement	2.747.778	-	-	-	2.747.778
Other intangible assets	7.668.671	884.048	(62.260)	196.519	8.686.978
	206.757.417	32.759.717	(1.102.839)	24.675.066	263.089.361
Accumulated depreciation:					
Development costs	76.520.130	17.170.741	(110.077)	2.645.512	96.226.306
Advanced technology	6.452.820	1.493.599	-	564.017	8.510.436
Customer relations	6.988.578	1.684.809	-	718.709	9.392.096
Non-compete agreement	2.692.889	54.889	-	-	2.747.778
Other intangible assets	5.500.790	466.118	-	114.617	6.081.525
	98.155.207	20.870.156	(110.077)	4.042.855	122.958.141
Net book value	108.602.210				140.131.220

(*) Note 1.2.3.

Additions amounting to TRY31.275.669 to development costs for the period ended 30 September 2018 (30 September 2017: TRY 24.906.037) consists of capitalized personnel costs.

TRY 22.986.014 (30 September 2017:TRY16.567.630), TRY307.267 (30 September 2017: TRY283.346), 194.167 TL (30 September 2017: TRY1.305.936) and TRY426.907 (30 September 2017: TRY380.452) of the depreciation and amortization expenses for the period ended 30 September 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 September 2017
Costs:				
Development costs	119.975.822	24.997.912	4.268.099	149.241.833
Advanced technology	15.258.917	-	547.579	15.806.496
Customer relations	18.274.146	-	697.276	18.971.422
Non-compete agreement	2.747.778	-	-	2.747.778
Other intangible assets	7.117.018	409.987	103.778	7.630.783
	163.373.681	25.407.899	5.616.732	194.398.312
Accumulated amortization:				
Development costs	60.217.975	13.178.329	3.030.302	76.426.606
Advanced technology	4.555.533	1.309.526	441.612	6.306.671
Customer relations	4.862.180	1.494.480	586.956	6.943.616
Non-compete agreement	2.423.648	201.930	-	2.625.578
Other intangible assets	4.978.343	359.165	94.878	5.432.386
	77.037.679	16.543.430	4.153.748	97.734.857
Net book value	86.336.002			96.663.455

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NOTE 13 - GOODWILL

	30 September 2018	31 December 2017
Totalsoft	116.578.608	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
	124.057.260	83.294.475

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

	2018	2017
As of 1 January	83.294.475	75.386.762
Currency translation difference	40.762.785	7.781.329
As of 30 September	124.057.260	83.168.091

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 September 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 September 2018.

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NOTE 14 - COMMITMENTS AND CONTINGENT LIABILITIES

Guarantees received:

	Original currency	30 September 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

As of 30 September 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:

GPM given by the Company:

	30 September 2018				31 December 2017			
	EUR	USD	RON	TRY	EUR	USD	RON	TRY
A. Total amount of Guarantees provided								
- by the Company on behalf of itself	-	464.708	-	1.181.997	-	292.616	-	409.020
B. Total amount of Guarantees								
- Provided on behalf of the								
- associates accounted	123.530.590	-	48.117	-	62.970.985	-	61.976	-
C. Provided on behalf of third parties								
- in order to maintain operating activities								
(to secure third party payables)	-	-	-	-	-	-	-	-
D. Other guarantees given								
i) Total amount of Guarantees given								
on behalf of the parent company	-	-	-	-	-	-	-	-
ii) Total amount of 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.	-	-	-	-	-	-	-	-
	123.530.590	464.708	48.117	1.181.997	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 September 2018	31 December 2017
Due to personnel	8.933.189	3.568.428
Taxes, funds and social security payables	6.535.017	4.804.739
	15.468.206	8.373.167

Short - term provisions for employment benefits:	30 September 2018	31 December 2017
Provision for employment benefits	235.576	12.850.335

Long - term provisions for employment benefits:	30 September 2018	31 December 2017
Provision for employment termination benefits	4.813.632	4.341.706
Provision for unused vacation liability	4.648.637	3.956.857
	9.462.269	8.298.563

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

	2018	2017
As of 1 January	3.956.857	3.033.583
Increase in the period	945.380	179.884
Currency translation difference	(253.600)	144.664
As of 30 September	4.648.637	3.358.131

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 TRY5.434,42 for each year of service (31 December 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 September 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 TRY5.434,42 which is effective as of 1 July 2018 (1 July 2017: TRY4.732,48) has been taken into consideration in the calculations.

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

	2018	2017
As of 1 January	4.341.706	3.281.749
Interest cost	551.079	519.390
Service cost	472.711	549.317
Actuarial gain	381.632	1.254.163
Payments	(933.496)	(659.019)
As of 30 September	4.813.632	4.945.600

NOTE 16 - PREPAID EXPENSES AND DEFERRED REVENUE

Short - term prepaid expenses:	30 September 2018	31 December 2017
Prepaid expenses	4.108.057	2.775.530
	4.108.057	2.775.530

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NOTE 16 - PREPAID EXPENSES AND DEFERRED REVENUE (Continued)

Long - term prepaid expenses:	30 September 2018	31 December 2017
Advances given	1.783.563	3.006.485
	1.783.563	3.006.485
Short - term deferred revenues:	30 September 2018	31 December 2017
Deferred revenue	41.374.851	45.059.647
Advances received	2.853.482	1.276.868
	44.228.333	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 September 2018 and 31 December 2017 as follows:

	30 September 2018	31 December 2017
LEM sales	24.515.033	29.677.483
Pay as you go sales	8.169.898	10.101.004
Deferred revenue from continuing projects	5.314.018	4.268.985
After-sales services revenue	3.375.902	1.012.175
	41.374.851	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 September 2018 and 31 December 2017 are as follows:

	30 September 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 (*)	279.781	1,12	1.279.781	5,12
Publicly traded	16.329.206	65,32	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 1,09% 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 September 2018 the amount of treasure shares which is accounted in Group's equity is TRY10.054.033 (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
2018		177.042	5.421.470
Total purchases		2.167.673	16.018.620
Sales year		Quantity of stock	Sales price
2013		1.297.500	5.964.587
Total sales		1.297.500	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 TRY10.000.000. 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 September 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 September 2018	1 July - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2017
Sales revenue	149.957.661	51.110.224	124.193.699	41.834.114
Service revenue	64.285.749	25.752.263	47.143.081	13.590.934
SaaS service revenue	6.391.484	1.491.118	6.152.025	2.668.770
Sales returns	(2.119.811)	(593.059)	(2.591.581)	(1.067.811)
Sales discounts	(1.309.011)	(379.668)	(1.333.799)	(399.614)
Net sales	217.206.072	77.380.878	173.563.425	56.626.393
Cost of sales	(44.716.816)	(17.085.616)	(35.932.946)	(11.124.144)
Gross profit	172.489.256	60.295.262	137.630.479	45.502.249

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

Research and development expenses	1 January - 30 September 2018	1 July - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2017
Personnel expenses	24.921.340	8.880.698	19.349.189	4.541.432
Depreciation and amortization expenses	22.986.014	8.412.386	16.567.630	5.573.995
Motor vehicle expenses	2.339.985	869.044	1.673.424	596.051
Outsourced benefits and services	1.849.521	834.689	1.078.416	375.315
Consultancy expenses	1.167.042	383.752	1.000.407	2.722
Rent expenses	1.145.773	429.815	635.471	220.081
Travel expenses	651.778	189.802	490.216	154.479
Other	3.117.173	952.549	2.423.408	734.010
	58.178.626	20.952.735	43.218.161	12.198.085

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

Marketing expenses	1 January - 30 September 2018	1 July - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2017
Personnel expenses	14.525.106	3.775.124	13.914.778	4.905.396
Advertising and selling expenses	13.482.843	5.090.132	10.535.104	3.514.861
Consultancy expenses	1.447.148	374.641	1.732.839	597.253
Outsourced benefits and services	1.426.254	602.063	813.338	312.716
Motor vehicle expenses	1.354.832	521.641	1.172.695	406.559
Rent expenses	662.091	357.468	457.930	152.834
Travel expenses	615.455	290.327	631.235	187.116
Depreciation and amortization expenses	307.267	108.663	283.346	95.581
Other	630.235	240.576	852.546	292.980
	34.451.231	11.360.635	30.393.811	10.465.296

General and administrative expenses	1 January - 30 September 2018	1 July - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2017
Personnel expenses	14.743.652	5.692.637	11.368.121	4.220.928
Consultancy expenses	7.018.958	2.784.142	2.388.657	762.149
Motor vehicle expenses	854.410	330.573	658.161	261.353
Outsourced benefits and services	464.141	337.373	173.688	59.460
Travel expenses	412.072	107.145	429.846	127.161
Rent expenses	401.507	156.690	266.201	97.700
Depreciation and amortization expenses	194.167	137.330	1.305.936	391.687
Other	1.866.470	113.917	3.540.351	1.897.321
	25.955.377	9.659.807	20.130.961	7.817.759

NOTE 21 - OTHER OPERATING INCOME/EXPENSES

Other operating income	1 January - 30 September 2018	1 July - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2017
Foreign exchange gains (*)	2.927.020	1.707.199	1.228.624	458.192
Rediscount income	494.270	204.234	526.210	147.925
Overdue interest income	387.762	138.611	639.879	99.946
Other	1.685.563	(787.738)	1.774.014	1.196.737
	5.494.615	1.262.306	4.168.727	1.902.800

(*) 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 September 2018	1 July - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2017
Rediscount expenses	2.145.549	894.443	423.247	81.288
Foreign exchange losses (*)	1.141.233	838.295	1.292.568	272.906
Provision expenses	317.998	(967.200)	506.224	16.820
Other	1.603.116	1.404.280	274.004	11.582
	5.207.896	2.169.818	2.496.043	382.596

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

NOTE 22 - INCOME FROM INVESTING ACTIVITIES

	1 January - 30 September 2018	1 July - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2017
Gain on sale of financial instruments	131.601	103.532	269.532	141.089
	131.601	103.532	269.532	141.089

NOTE 23 - FINANCIAL INCOME

	1 January - 30 September 2018	1 July - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2017
Foreign exchange gains	8.805.006	5.315.977	2.094.161	231.001
Interest income	2.231.926	892.957	75.882	37.110
	11.036.932	6.208.934	2.170.043	268.111

NOTE 24 - FINANCIAL EXPENSES

	1 January - 30 September 2018	1 July - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2017
Foreign exchange losses	3.870.289	2.080.809	2.699.354	708.697
Interest expense	2.278.552	1.072.497	2.189.460	459.443
Credit card commissions	853.271	409.468	825.413	365.620
Interest expense of				
Employee termination benefits	551.079	(16.006)	519.389	13.453
Other financial expenses	96.891	30.026	310.037	98.668
	7.650.082	3.576.794	6.543.653	1.645.881

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NOTE 25 - TAX ASSETS AND LIABILITIES

	30 September 2018	30 September 2017
Current period tax expense	(3.644.025)	(2.158.367)
Deferred tax income/(expense)	1.434.861	(682.895)
Current period tax expense	(2.209.164)	(2.841.262)

Deferred taxes

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

	Total temporary differences		Deferred tax assets/(liabilities)	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Deferred tax assets:				
Expense accruals	7.947.947	2.914.527	1.589.589	582.905
Unincurred finance income on trade receivables and payables	5.435.690	3.996.713	1.087.138	799.343
Provision for doubtful receivables	2.955.552	2.359.687	591.110	471.937
Provision for employee termination benefits	2.566.720	2.750.543	513.344	550.109
Deferred revenue	1.590.338	690.145	318.068	138.029
			4.099.249	2.542.323
Deferred tax liabilities:				
Difference between the tax base and carrying value of property, equipment and intangible assets	(30.727.276)	(23.940.605)	(6.145.454)	(4.788.121)
			(6.145.454)	(4.788.121)
Deferred tax (liabilities)/assets, net			(2.046.205)	(2.245.798)

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

Deferred tax assets	30 September 2018	31 December 2017
To be recovered less than 12 months	3.362.721	1.767.516
To be recovered more than 12 months	736.528	774.807
	4.099.249	2.542.323

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NOTE 25 - TAX ASSETS AND LIABILITIES (Continued)

Deferred tax liabilities	30 September 2018	31 December 2017
To be recovered more than 12 months	(6.145.454)	(4.788.121)
	(6.145.454)	(4.788.121)
Deferred tax (liabilities)/assets, net	(2.046.205)	(2.245.798)

Movement of deferred tax liabilities is as follows:

	2018	2017
As of 1 January	(2.245.798)	(684.221)
Charged to statements of profit or loss	1.434.861	(682.895)
Charged to other comprehensive income	39.415	48.193
Currency translation difference	(1.274.683)	(202.378)
As of 30 September	(2.046.205)	(1.521.301)

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 inspection authorities may carry out their accounting records for five years retrospectively and change the amount of tax due to tax assessment if a faulty transaction is detected.

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 September 2018 is as follows;

	30 September 2018	30 September 2017
Net income attributable to equity holders of the parent	52.444.901	38.133.706
Average number of shares for the period	2.500.000	2.500.000
Earnings per share	20,98	15,25

NOTE 27 - RELATED PARTY DISCLOSURES

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

Long-term other receivables from related parties:	30 September 2018	31 December 2017
Receivables from other shareholders	4.583.942	3.375.068
	4.583.942	3.375.068

Trade receivables from related parties:	30 September 2018	31 December 2017
Logo Infosoft	1.494.760	-
	1.494.760	-

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

Services given to related parties	1 January - 30 September 2018	1 July - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2017
Logo Infosoft Business Tech	606.484	206.197	-	-
Logo Siber	590.913	346.271	229.056	74.593
Logo Teknoloji ve Yatırım A.Ş.	19.264	14.137	359.459	1.971
	1.216.661	566.605	588.515	76.564

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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 September 2018 and 30 September 2017:

Services purchased from related parties	1 January - 30 September 2018	1 July - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2017
Logo Siber	524.997	7.085	87.242	87.242
Logo Teknoloji ve Yatırım A.Ş.	46.717	17.486	50.502	2.257
	571.714	24.571	137.744	89.499

d) Remuneration of the executive management:

	1 January - 30 September 2018	1 July - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2017
Remuneration of the management	2.524.080	938.335	2.233.875	759.457

The executive management (executive management includes General Manager (CEO) and Assistant General Managers) for the interim periods ended 30 September 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)**

Non-derivative financial instruments	30 September 2018					
	Carrying value	Contractual cash outflow (I+II+III+IV)	Up to 3 month (I)	Between 3-12 month (II)	Between 1-5 year (III)	More than 5 year (IV)
Borrowings	97.488.793	113.512.936	7.117.654	1.982.539	59.312.338	45.100.405
Trade payables						
- Trade payables to third parties	15.433.201	15.433.201	15.433.201	-	-	-
Provisions for employee benefits	15.468.206	15.468.206	15.468.206	-	-	-
Other payables						
- Other payables to third parties	5.948.396	5.948.396	5.333.153	-	615.243	-
Total liabilities	134.338.596	150.362.739	43.352.214	1.982.539	59.927.581	45.100.405

Non-derivative financial instruments	31 December 2017					
	Carrying value	Contractual cash outflow (I+II+III+IV)	Up to 3 month (I)	Between 3-12 month (II)	Between 1-5 year (III)	More than 5 year (IV)
Borrowings	65.458.667	71.572.424	4.657.926	16.427.732	40.576.736	9.910.030
Trade payables						
- Trade payables to third parties	20.198.763	20.198.763	20.198.763	-	-	-
Provisions for employee benefits	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 September 2018	31 December 2017
<u>Financial instruments with fixed interest rate</u>		
Financial assets		
- Financial assets at fair value through profit or loss	21.719.647	8.957.092
Financial liabilities	7.644.012	57.405.000
<u>Financial instruments with float interest rate</u>		
Financial liabilities	89.844.781	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.

In the fair value hedge accounting that has been applied between 1 July 2018 and 30 September 2018, the Group has made operational lease payments amounting to USD 141.119 and EUR 195.000 in total, whereas the amount corresponding to this amount, which is determined as hedging instrument, is 1 July 2018. As of 30 September 2018, the Company has carried its balance sheet. As a result of this accounting, the Company provided TL 446.958 of exchange rate difference income from deposits with the related operational expenses under main activity an expenses. Since the hedged item and the hedging instrument amount are closely matched and valued at the same dates, the inactive part has not been recognized and recognized.

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

	30 September 2018	31 December 2017
USD	5,9902	3,7719
EUR	6,9505	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 September 2018			
		TRY equivalent	USD	EUR	Other
1.	Trade receivables	12.784.039	619.081	1.305.751	-
2a.	Monetary financial assets, (cash, and banks accounts included)	25.134.010	1.806.188	2.058.845	4.598
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
4.	Current assets (1+2+3)	37.918.049	2.425.269	3.364.596	4.598
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)	37.918.049	2.425.269	3.364.596	4.598
10.	Trade payables	(2.264.255)	(138.653)	(206.272)	-
11.	Financial liabilities	(865.559)	-	(125.241)	-
12a.	Other monetary liabilities	-	-	-	-
12b.	Other non-monetary liabilities	-	-	-	-
13.	Current liabilities (10+11+12)	(3.129.814)	(138.653)	(331.513)	-
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(90.976.385)	-	(13.163.736)	-
16a.	Other monetary liabilities	-	-	-	-
16b.	Other non-monetary liabilities	-	-	-	-
17.	Non-current liabilities (14+15+16)	(90.976.385)	-	(13.163.736)	-
18.	Total liabilities (13+17)	(94.106.199)	(138.653)	(13.495.249)	-
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)	(56.188.150)	2.286.616	(10.130.653)	4.598
21.	Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a- 10-11-12a-14-15-16a)	(56.188.150)	2.286.616	(10.130.653)	4.598
22.	Fair value of derivative instruments used in foreign currency hedge	-	-	-	-
23.	Export (*)	(29.033.421)	-	-	-
24.	Import	-	-	-	-

(*) Includes exports from the countries in which the Group operates. As of 30 September 2018 the Group's total sales made outside Turkey during the period is TRY 79.423.234 (30 September 2017: TRY 58.274.656)

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE PERIOD 1 JANUARY - 30 SEPTEMBER 2018**

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

**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 28 - 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 September 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)	1.369.729	(1.369.729)	-	-
2- Hedged portion from USD risks (-)	-	-	-	-
3- USD net effect (1+2)	1.369.729	(1.369.729)	-	-
Change of EUR against TRY by 10%				
4- EUR net assets/(liabilities)	(7.041.310)	7.041.310	-	-
5- Hedged portion from EUR risks (-)	-	-	-	-
6- EUR net effect (4+5)	(7.041.310)	7.041.310	-	-
Change of other currencies against TRY by 10%				
7- Other currencies net assets/(liabilities)	460	(460)	-	-
8- Hedged portion from other currency risks (-)	-	-	-	-
9- Other currencies net effect (7+8)	460	(460)	-	-
Total (3+6+9)	(5.671.121)	5.671.121	-	-
	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 September 2018	31 December 2017
Total payables	112.921.994	85.657.430
Less: Cash and cash equivalents	(70.615.577)	(51.633.614)
Net debt	42.306.417	34.023.816
Total equity	291.683.228	208.508.292
Total capital	333.989.645	242.532.108
Debt/equity ratio (%)	13%	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 30 September 2018 is as follows:

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

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

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

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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	13.692.081	-	13.692.081
Cash outflows	(16.139.285)	(478.028)	(16.617.313)
Currency translation differences	33.775.622	1.179.736	34.955.358
Balance at 30 September 2018	95.491.630	1.997.163	97.488.793
Cash and cash equivalents (-)			70.615.577
Net debt			26.873.216

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