LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019 WITH INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

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

INDEPENDENT AUDITOR'S REPORT

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

A. Audit of the Consolidated Financial Statements

1. Opinion

We have audited the accompanying consolidated financial statements of Logo Yazılım Sanayi ve Ticaret A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019 and the consolidated statement of profit or loss and consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements comprising a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for Opinion

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

3. Key Audit Matters

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

Key audit matters	How our audit addressed the key audit matter
Revenue recognition Revenue is the most significant measurement criterion for evaluating the results of strategies implemented throughout the year and performance follow-up. The revenue of the Group mainly consists of standard software licence sales, Logo Enterprise Membership ("LEM") sales, SaaS subscription revenues, software development revenues and package upgrade revenues. We focused on this area due to the following reasons: - It has important impact on more than one account on the consolidated financial statement of the Group as at 31 December 2019, - Application of accounting standards for recognition of revenue are complex, - Different types of revenue are recognised and they include management's estimations and assumptions. Accounting policies of the Group and the amount of revenue are disclosed in Note 2.5 and 21, respectively.	The following procedures were performed to audit of the revenue: Our audit procedures consist of understanding the internal controls and business processes on revenue recognition, including reporting on performance evaluation and controls performed by the management, analytical reviews and substantive tests. We designed our audit procedures based on each revenue types. To verify software licence and version upgrade revenues, accounting records and underlying documents were substantively tested. In addition, activation status of software licences was tested on a sample basis and we checked whether the product keys were delivered to the customers or not. LEM revenue is recognised over the duration of the contract term. LEM revenue and deferred revenue concerning LEM sales were tested by sampling method. SaaS subscription revenue consists of sales recorded and reflected to customers on a monthly basis. The accuracy of invoices issued to customers and records were tested using substantive testing procedures. The completion rate of projects was considered in recognition of special software development and project revenues. Our audit procedures on these type of revenues included reviewing agreements, testing completion rates and comparing the budgets and realized costs of the ongoing projects. We evaluated the adequacy of disclosures explained in Note 21 for requirements of TFRS 15, "Revenue from Contract with Customers". As a result of our work, we had no material findings related to the revenue.

Key audit matters	How our audit addressed the key audit matter
Impairment test of goodwill The carrying value of goodwill accounted for under intangible assets amounted to TRY146.362.128 in the consolidated financial statements as of 31 December 2019. In accordance with TAS, goodwill should be tested for impairment annually. We focused on this area due to the following reasons: - Carrying values of the goodwill recognised in the consolidated financial statements as at 31 December 2019 is material, and valuation model were performed by an independent valuation firm, - Significant judgements and estimates were used in the impairment tests (growth rate and weighted average cost of capital etc.) performed by the management, - The outcome of some estimates is sensitive to changes in the market conditions and economical developments, Please refer to Note 15 to the consolidated financial statements for the relevant disclosures, including the accounting policy and sensitivity analysis.	We performed the following procedures in relation to the impairment tests of goodwill: Discussed with management about their future plans and explanations based on the macroeconomical information. We inquired with independent valuation firm to understand the setup of the discounted cash flow models and underlying assumptions used and mathematical accuracy of the model was tested. Through involvement of our internal valuation specialists, we assessed the reasonableness of key assumptions (growth rates and weighted average cost of capital rates etc.) used in the goodwill impairment test and in light of our sectoral knowledge, we determined that the rates used are within the acceptable range. We evaluated the realizability of the future cash flow and investment projections used in the goodwill impairment test in the meetings held with top management. We evaluated whether the consolidated cash flow estimations prepared are reasonable when compared with past financial performance results. We checked whether the significant assumptions and sensivity analysis are disclosed appropriately in the accompanying consolidated financial statements as of 31 December 2019 or not. We had no material findings related to the impairment tests of goodwill as a result of these procedures.

Key audit matters	How our audit addressed the key audit matter
Test of internally generated intangible assets - Development costs TRY61.908.759 of development costs are capitalised in the consolidated financial statements of the Group as at 31 December 2019. The Group applies policies described on TAS 38, "Intangible Assets", and Note 2.5 in the capitalisation of development costs. Projects for which feasibility works have been completed and which are expected to generate cash flow in the future, the Group capitalises the costs of employees working on software development activities and the costs of consultancy received for these activities. Capitalisation is done by calculating the rates based on the management and project manager's estimations and assumptions and the total work time of personnel for development activities. We defined this area as a key audit matter due the calculations of the capitalisation schedules are material on financial statements and include the management's estimations.	We performed the following procedures in relation to the test of development costs: We discussed with management to understand how they meet the requirements in TAS 38, "Intangible Assets". We discussed the details of the feasibility studies and future economical benefits of ongoing projects with the project managers. We checked the the project based capitalised cost details with the movement table of intangible assets. To test capitalised personnel cost on the projects, we obtained project based breakdown of personnel costs to verify capitalised personnel costs with payrolls and time sheets. We interviewed with personnel whose salaries are subject to capitalisation on a sample basis, and we understood the development activities and their roles on the projects. We understood the nature of the outsourced consultancy expenses and applied substantive testing procedures to test their accuracy.

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2019 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 19 February 2020.

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

Mert Tüten, SMMM
Partner

İstanbul, 19 February 2020

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019 WITH INDEPENDENT AUDITOR'S REPORT

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CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019

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

	Notes	Audited 31 December 2019	Audited 31 December 2018
ASSETS			
Current assets		**375.900.470**	**227.507.326**
Cash and cash equivalents	5	152.183.722	80.919.777
Trade receivables		211.156.878	137.887.595
- Trade receivables from third parties	*9*	*211.156.878*	*136.480.630*
- Trade receivables from related parties	*29*	-	*1.406.965*
Other receivables		1.095.167	1.583.029
- Other receivables from third parties	*10*	*909.141*	*1.415.737*
- Other receivables from related parties	*29*	*186.026*	*167.292*
Inventories	11	538.114	787.560
Prepaid expenses	18	6.496.405	2.048.483
Other current assets	10	4.430.184	4.280.882
Non-current assets		**399.831.802**	**335.650.875**
Other receivables		3.192.800	160.612
- Other receivables from related parties	*29*	*3.192.800*	-
- Other receivables from third parties	*10*	-	*160.612*
Financial investments	6	12.730.813	7.323.214
Investments accounted for using the equity method	7	-	-
Right of use assets	14	14.391.618	-
Property. plant and equipment	12	20.049.599	20.708.350
Intangible assets		342.178.523	301.095.882
- Goodwill	*15*	*146.362.128*	*136.752.195*
- Other intangible assets	*13*	*195.816.395*	*164.343.687*
Prepaid expenses	18	1.307.947	2.902.501
Deferred tax assets	27	5.160.460	3.172.018
Other non-current assets		820.042	288.298
Total assets		**775.732.272**	**563.158.201**

These consolidated financial statements have been approved by Board of Directors on 19 February 2020 and signed on its behalf by Buğra Koyuncu, Logo Group Chief Executive Officer and Gülnur Anlaş, Logo Group Head of Finance Chief Financial Officer.

CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019

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

	Notes	Audited 31 December 2019	Audited 31 December 2018
LIABILITIES			
Short-term liabilities		**242.046.963**	**131.938.977**
Short-term borrowings	8	21.309.333	1.925.997
Short-term portion of long-term borrowings	8	10.924.218	741.292
Trade payables		46.713.633	25.500.164
- Trade payables to third parties	9	*46.713.633*	*25.500.164*
Employee benefit payables	17	11.838.284	10.842.883
Other payables		17.960.544	10.795.713
- Other payables to third parties	10	*17.960.544*	*10.795.713*
Contract Liabilities	18	99.935.854	62.213.298
Short-term provisions		28.145.390	17.515.106
- Provisions for employee benefits	*17*	*28.145.390*	*17.515.106*
Current income tax liabilities	27	4.977.704	1.959.386
Other current liabilities		242.003	445.138
Long-term liabilities		**139.084.303**	**112.645.661**
Long-term borrowings	8	103.979.589	96.808.339
Other payables		18.773.309	1.633.361
- Due to third parties	10	*18.773.309*	*1.633.361*
Long-term provisions		13.595.065	11.332.729
- Provisions for employee benefits	*17*	*13.595.065*	*11.332.729*
Deferred tax liabilities	27	2.736.340	2.871.232
EQUITY			
Equity attributable to equity holders of the parent		**368.962.947**	**294.204.187**
Paid-in share capital	19	25.000.000	25.000.000
Adjustment to share capital	19	2.991.336	2.991.336
Restricted reserves	19	7.196.456	7.196.456
Put option revaluation fund related with non-controlling interests	4	(18.158.065)	(1.018.118)
Treasury shares (-)	19	(10.054.033)	(10.054.033)
Reserves for treasury shares	19	10.054.033	10.054.033
Changes in the fair value of equity investments	6	586.613	-
Other comprehensive income and expense that will not be reclassified to profit or loss		(4.676.659)	(3.796.067)
- Actuarial loss on employment termination benefits		*(4.676.659)*	*(3.796.067)*
Other comprehensive income and expense that will be reclassified to profit or loss		41.264.159	35.382.226
- Currency translation differences		*41.264.159*	*35.382.226*
Retained earnings		228.448.354	160.744.977
Net income for the year		86.310.753	67.703.377
Non-controlling interests		**25.638.059**	**24.369.376**
Total equity		**394.601.006**	**318.573.563**
Total liabilities		**775.732.272**	**563.158.201**

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

CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

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

PROFIT OR LOSS	**Notes**	**Audited 1 January - 31 December 2019**	**Audited 1 January - 31 December 2018**
Sales	21	422.133.386	321.092.099
Cost of sales (-)	21	(75.030.599)	(63.953.940)
Gross profit		**347.102.787**	**257.138.159**
General administrative expenses (-)	22	(69.559.623)	(45.718.868)
Marketing expenses (-)	22	(83.760.534)	(59.893.171)
Research and development expenses (-)	22	(101.520.557)	(83.306.746)
Other operating income	23	6.025.298	6.712.761
Other operating expenses (-)	23	(5.741.624)	(10.641.853)
Operating profit		**92.545.747**	**64.290.282**
Income from investing activities	24	5.447.222	6.243.889
Share of losses of investments accounted for by the equity method	7	-	(3.487.916)
Operating profit before financial income/(expenses)		**97.992.969**	**67.046.255**
Financial income	25	6.446.006	12.606.492
Financial expenses (-)	26	(12.931.385)	(11.239.814)
Income before taxes		**91.507.590**	**68.412.933**
Taxation on income/(expenses)			
Current income tax expense	27	(7.461.566)	(4.542.359)
Deferred tax income	27	2.239.100	3.234.280
Net income for the period		**86.285.124**	**67.104.854**
Net income attributable to:			
Non-controlling interests		(25.629)	(598.523)
Equity holders of the parent		86.310.753	67.703.377
		86.285.124	**67.104.854**
Earnings per share	**28**	**34,52**	**27,08**

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

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

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

OTHER COMPREHENSIVE INCOME	**Notes**	**Audited 1 January - 31 December 2019**	**Audited 1 January - 31 December 2018**
Net income for the period		**86.285.124**	**67.104.854**
Other comprehensive income and expense that will be reclassified to profit or loss		**7.176.245**	**29.488.997**
Currency translation differences		7.176.245	29.488.997
Other comprehensive income and expense that will not be reclassified to profit or loss		**(293.979)**	**(1.126.555)**
Actuarial loss on employment termination benefits	17	(978.664)	(1.250.713)
Changes in the fair value of equity investments		586.613	-
Tax effect	27	98.072	124.158
Other comprehensive income		**6.882.266**	**28.362.442**
Total comprehensive income		**93.167.390**	**95.467.296**
Other comprehensive income attributable to:			
Non-controlling interest		1.268.683	6.246.420
Equity holders of the parent		91.898.707	89.220.876
		93.167.390	**95.467.296**

CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

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

	Paid-in share capital	Adjustment to share capital	Treasury shares	Reserves for treasury shares	Restricted shares	Actuarial loss on employment termination benefits (*)	Changes in the fair value of equity investments(*)	Currency translation differences(**)	Retained earnings	Net income for the year	Put option l revaluation fund related with non-controlling interests(***)	Equity attributable to equity holders of the parent	Non controlling interests	Total equity
Balances at 1 January 2018	**25.000.000**	**2.991.336**	**(4.632.563)**	**4.632.563**	**7.196.456**	**(2.669.512)**	**-**	**12.738.172**	**112.423.275**	**50.828.565**	**-**	**208.508.292**	**767.175**	**209.275.467**
Transfers to retained earnings	-	-	-	-	-	-	-	-	50.828.565	(50.828.565)	-	-	-	-
Increase/(decrease) through changes in ownership interests in subsidiaries that do not result in loss of control	-	-	-	-	-	-	-	-	2.147.432	-	(1.018.118)	1.129.314	18.122.956	19.252.270
Share 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)	-
Profit for the year	-	-	-	-	-	-	-	-	-	67.703.377	-	67.703.377	(598.523)	67.104.854
Other comprehensive income	-	-	-	-	-	(1.126.555)	-	22.644.054	-	-	-	21.517.499	6.844.943	28.362.442
Balances at 31 December 2018	**25.000.000**	**2.991.336**	**(10.054.033)**	**10.054.033**	**7.196.456**	**(3.796.067)**	**-**	**35.382.226**	**160.744.977**	**67.703.377**	**(1.018.118)**	**294.204.187**	**24.369.376**	**318.573.563**
Balances at 1 January 2019	**25.000.000**	**2.991.336**	**(10.054.033)**	**10.054.033**	**7.196.456**	**(3.796.067)**	**-**	**35.382.226**	**160.744.977**	**67.703.377**	**(1.018.118)**	**294.204.187**	**24.369.376**	**318.573.563**
Transfers to retained earnings	-	-	-	-	-	-	-	-	67.703.377	(67.703.377)	-	-	-	-
Increase/(decrease) through changes in ownership interests in subsidiaries that do not result in loss of control	-	-	-	-	-	-	-	-	-	-	(17.139.947)	(17.139.947)	-	(17.139.947)
Profit for the year	-	-	-	-	-	-	-	-	-	86.310.753	-	86.310.753	(25.629)	86.285.124
Other comprehensive income	-	-	-	-	-	(880.592)	586.613	5.881.933	-	-	-	5.587.954	1.294.312	6.882.266
Balances at 31 December 2019	**25.000.000**	**2.991.336**	**(10.054.033)**	**10.054.033**	**7.196.456**	**(4.676.659)**	**586.613**	**41.264.159**	**228.448.354**	**86.310.753**	**(18.158.065)**	**368.962.947**	**25.638.059**	**394.601.006**

(*) Other comprehensive income and expense that will not be reclassified to profit or loss
(**) Other comprehensive income and expense that will be reclassified to profit or loss
(***) Note 4.
(****) Note 2.1.3.

CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

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

	Notes	1 January - 31 December 2019	1 January - 31 December 2018
A. Cash generated from operating activities		**136.035.193**	**101.171.199**
Profit for the period		86.285.124	67.104.854
Adjustments to reconcile profit for the year		**101.587.980**	**64.298.719**
Adjustments for depreciation and amortization expenses	12. 13,14	50.002.342	33.035.038
Adjustments for provision/(reversals) for employment termination benefits	17	12.868.241	6.659.672
Adjustments for interest expense	26	5.416.564	3.147.539
Adjustments for interest income	25	(1.767.852)	(3.274.770)
Adjustments for undistributed profits of joint ventures	7	-	3.487.916
Adjustments related to the gains of the disposal of the business partnership	24	-	(6.068.703)
Adjustments for provision/(reversal) for doubtful receivables	9	(3.357.704)	(1.143.590)
Other adjustments to reconcile the profit or loss		33.203.923	27.147.538
Adjustments for tax expense	27	5.222.466	1.308.079
Changes in net working capital		**(46.233.170)**	**(26.143.795)**
Decrease (Increase) in inventories		249.446	(183.260)
Increase in trade receivables		(71.455.369)	(36.933.425)
Increase in trade payables		23.054.387	6.645.911
Increase in other operating payables		9.838.024	5.131.040
Increase in other operating assets		(7.919.658)	(804.061)
Net cash generated from operating activities		**141.639.934**	**105.259.778**
Taxes paid		(4.443.248)	(3.114.585)
Employment termination benefits paid	17	(1.161.493)	(973.994)
Purchase of property and equipment and intangible assets	12. 13,14	(67.214.921)	(53.297.727)
Cash inflows due to share sale or capital reduction of joint ventures	24	-	6.500.000
Cash outflows for the acquisition of debt instruments or shares of other entities or funds	6	(5.407.599)	(5.742.561)
Proceeds from sale of property and equipment and intangible assets		29.170	815.096
Contribution of increase of share capital in joint ventures	7	-	(1.350.000)
Cash inflows from other financial instruments		5.447.222	175.186
Interests received		1.767.852	3.036.571
B. Cash flows from investing activities		**(65.378.276)**	**(49.863.435)**
Repayments of borrowings	32	(795.117)	(31.262.443)
Proceeds from borrowings	32	11.459.560	16.141.895
Interests paid		(5.416.564)	(3.147.539)
Cash outflows from the acquisition of the company's own shares	19	-	(5.421.470)
Lease payments	32	(5.353.812)	-
C. Cash flows from financing activities		**(105.933)**	**(23.689.557)**
Net increase in cash and cash equivalent before the effects of currency translation differences (A+B+C)		**70.550.984**	**27.618.207**
D. Effects of currency translation differences on cash and cash equivalents.		**712.961**	**1.667.956**
E. Cash and cash equivalents at the beginning of the period	**5**	**80.919.777**	**51.633.614**
Cash and cash equivalents at the end of the period (A+B+C+D+E)	**5**	**152.183.722**	**80.919.777**

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

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

NOTE 1 - ORGANIZATION AND NATURE OPERATIONS

Logo Yazılım Sanayi ve Ticaret Anonim Şirketi ("Logo Yazılım" or the "Company"), was established in 1986 and became a corporation on 30 September 1999. The Company is domiciled in Turkey and operates under the Turkish Commercial Code.

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

As of 31 December 2019, average number of the personnel of the Group is 1,157 (31 December 2018: 1,066).

The address of the registered office is as follows:

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

As of 31 December 2019, main shareholders and ultimate controlling party of Logo Yazılım is Logo Teknoloji ve Yatırım A.Ş.. Shareholding structure of the Company is disclosed on Note 19.

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
Architected Business Solutions SRL ("ABS") (*)	Romania	Development and marketing of software
ABS Financial Services SRL ("ABS FS") (*)	Romania	Development and marketing of software

Joint Venture	**Country of incorporation**	**Nature of business**
Logo Infosoft Business Technology Private Limited ("Logo Infosoft")	India	Development and marketing of software

(*) Note 4.

NOTE 1 - ORGANIZATION AND NATURE OPERATIONS (Continued)

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Financial reporting standards

The accompanying consolidated financial statements of the Group have been prepared in accordance with the Turkish Accounting Standards ("TAS") promulgated by the Public Oversight Accounting and Auditing Standards Authority ("POA") in compliance with the communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets" (the "Communiqué") announced by the CMB on 13 June 2013 which is published on Official Gazette numbered 28676. TAS consists of the Turkish Accounting Standards, Turkish Financial Reporting Standards and related supplements and interpretations ("TAS/TFRS"). TAS/TFRS are updated in harmony with the changes and updates in International Financial and Accounting Standards ("IFRS") by the communiqués announced by the POA.

The consolidated financial statements are presented in accordance with "Announcement regarding with TAS Taxonomy" which was published on 15 April 2019 by POA and the format and mandatory information recommended by CMB.

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

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/TFRS for the purpose of fair presentation. Subsidiaries' assets and liabilities are translated into Turkish Lira from the foreign exchange rate at the balance sheet date and income and expenses are translated into Turkish Lira at the average foreign exchange rate. Exchange differences arising from the translation of the opening net assets and differences between the average and balance sheet dates are included in the "currency translation difference" under the shareholders' equity.

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

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

2.1 Basis of presentation (Continued)

2.1.3 Basis of consolidation

The consolidated financial statements prepared in accordance with the principles of consolidated financial statements for the year ended 31 December 2019 include the accounts of Logo Yazılım and its subsidiaries. The table below sets out the subsidiaries of Logo Yazılım and ownership interests held by the Company at 31 December 2019 and 2018:

Subsidiaries	**31 December 2019 (%)**	**31 December 2018 (%)**
Total Soft (*)	80,00	80,00
e-Logo	100,00	100,00
Logo GmbH	100,00	100,00
Logo Kobi	100,00	100,00
ABS (*)	80,00	80,00
ABS (FS) (*)	80,00	80,00

Joint Venture	**31 December 2019 (%)**	**31 December 2018 (%)**
Logo Infosoft (**)	50,00	50,00

(*) Note 4.
(**) As of 1 January 2018, the Company has joint control of Logo Infosoft based on the contract made with GSF Software Labs LLC on. After this date Logo Infosoft has been accounted according to equity method in the consolidated financial statements.

Subsidiaries

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

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

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

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

2.1 Basis of presentation (Continued)

Joint venture

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

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

2.1.4 Presentation and functional currency

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

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

2.2 Going concern

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

2.3 Amendments to International Financial Reporting Standards

a) Standards, amendments and interpretations applicable as at 31 December 2019:

- **Amendment to TFRS 9, 'Financial instruments'**; effective from annual periods beginning on or after 1 January 2019. This amendment confirmed two points: (1) that reasonable compensation for prepayments can be both negative or positive cash flows when considering whether a financial asset solely has cash flows that are principal and interest and (2) that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.

- **Amendment to TAS 28, 'Investments in associates and joint venture';** effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using TFRS 9.

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

2.3 Amendments to International Financial Reporting Standards (Continued)

a) Standards, amendments and interpretations applicable as at 31 December 2019 (Continued):

- **TFRS 16, 'Leases';** effective from annual periods beginning on or after 1 January 2019. This standard replaces the current guidance in TAS 17 and is a farreaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

- **IFRIC 23, 'Uncertainty over income tax treatments';** effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of TAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The TFRS IC had clarified previously that TAS 12, not TAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

- **Annual improvements 2015-2017;** effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:

    - TFRS 3, 'Business combinations', – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
    - TFRS 11, 'Joint arrangements', – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
    - TAS 12, 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way.
    - TAS 23, 'Borrowing costs' – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

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

2.3 Amendments to International Financial Reporting Standards (Continued)

- **Amendments to TAS 19, 'Employee benefits' on plan amendment, curtailment or settlement';** effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:

  - use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and
  - recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2019:

- **Amendments to TAS 1 and TAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to TAS 1, 'Presentation of financial statements', and TAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other TFRSs:

  i) use a consistent definition of materiality throughout TFRSs and the Conceptual Framework for Financial Reporting;
  ii) clarify the explanation of the definition of material; and
  iii) incorporate some of the guidance in TAS 1 about immaterial information.

- **Amendments to TFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

- **Amendments to TFRS 9, TAS 39 and TFRS 7 - Interest rate benchmark reform;** effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

Effect of these changes on the Group's financial statements and financial position will be evaluated.

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

2.4 Changes in Accounting Policies

Accounting policy changes arising from the initial application of a new TAS/TFRS are applied retrospectively or prospectively in accordance with the transitional provisions of the TAS/TFRS. Changes to which no transition clauses are included, material changes in accounting policies or voluntary accounting errors are applied retrospectively and prior period financial statements are restated. If changes in accounting estimates are related to only one period, they are applied both in the current period when the amendment is made and for the future periods, both in the current period and in the future. The Group has applied the accounting policy changes for "TFRS 16 Leases" resulting from new standards, amendments and interpretations effective from 1 January 2019, in accordance with the transitional provisions of the relevant standards.

The impact of the first-time adoption of this standard and the impact of first-time adoption of relevant standard is as follows:

TFRS 16, "Leases"

The Group - as a lessee

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, The Group assess whether:

a) the contract involved the use of an identified asset – this may be specified explicitly or implicitly.
b) the asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified.
c) the Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and
d) the Group has the right to direct use of the asset. The Group concludes to have the right of use, when it is predetermined how and for what purpose the Group will use the asset.

The Group has the right to direct use of asset if either:

i. the Group has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or;
ii. the Group designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

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

2.4 Changes in Accounting Policies (Continued)

TFRS 16 Leases (Continued)

Right of use asset

The right of use asset is initially recognized at cost comprising of:

a) amount of the initial measurement of the lease liability;
b) any lease payments made at or before the commencement date, less any lease incentives received;
c) any initial direct costs incurred by the Group; and

The Group subsequently measures the right of use asset:

a) after netting-off depreciation and reducing impairment losses from right of use asset,
b) adjusted for certain re-measurements of the lease liability recognized at the present value

The Group applies TAS 16 "Property, Plant and Equipment" to amortize the right of use asset and to asses for any impairment.

Determine whether the right of use assets has impaired and to account for any impairment loss, applies TAS 36, "Impairment of Assets" standart.

Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Lease liabilities are discounted to present value by using the interest rate implicit in the lease if readily determined or with the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

a) fixed payments;
b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date,
c) the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewable period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain to terminate early.

After initial recognition, the lease liability is measured:

a) increasing the carrying amount to reflect interest on lease liability
b) reducing the carrying amount to reflect the lease payments made and
c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

The reconciliation of operating lease commitments followed within the scope of TAS 17 "Leasing Transactions" prior to the first implementation date and the lease obligations accounted in the consolidated financial statements under TFRS 16 as of January 1, 2019 are as follows:

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

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

2.4 Changes in Accounting Policies (Continued)

TFRS 16 Leases (Continued)

Lease commitments under TAS 17	**22.737.854**
- Short term leases (-)	-
- Low value leases (-)	(1.395.750)
Total lease liability under TFRS 16 (not undiscounted)	**21.342.104**
Total lease liability under TFRS 16 (discounted with alternative borrowing rate)	**17.812.707**
-Short term lease liabilities	8.489.564
- Long term lease liabilities	9.323.143

The weighted average of the borrowing rates applied to the lease liabilities of the Group as of January 1, 2019 is as follows:

	Additions	**1 January 2019**
Turkish Lira	%12	%25
Euro	-	%4,5

2.5 Summary of significant accounting policies

Financial assets

Classification and measurement

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

(a) Financial assets carried at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost. They are included in current assets, except for maturities more than12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. The Group's financial assets carried at amortized cost comprise "trade receivables" and "cash and cash equivalents" in the statement of financial position. In addition, with recourse factoring receivables classified in trade receivables are classified as financial assets carried at amortized cost since collection risk for those receivables are not transferred to counterparty.

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

2.5 Summary of significant accounting policies (Continued)

(a) Financial assets carried at amortized cost (Continued)

Cash and cash equivalents

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

Trade receivables and impairment provision

The Group uses the provision matrix by selecting the facilitated application for impairment calculations, since its trade receivables, accounted for amortized cost in the consolidated financial statements, do not contain a significant financing component. With this application, the Group measures the expected credit loss provision at an amount equal to the lifetime expected credit losses in cases where the trade receivables are not impaired for certain reasons. In the calculation of expected credit losses, the future estimates of the Group are taken into account together with past credit loss experiences.

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

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

Trade and other payables

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

Financial borrowings

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

b-) Financial assets carried at fair value

Assets that are held by the management for collection of contractual cash flows and for selling the financial assets are measured at their fair value. If the management do not plan to dispose these assets in 12 months after the balance sheet date, they are classified as non-current assets. Group make a choice for the equity instruments during the initial recognition and elect profit or loss or other comprehensive income for the presentation of fair value gain and loss.

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

2.5 Summary of significant accounting policies (Continued)

Derecognition of financial assets and liabilities

Financial assets

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

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

Financial liabilities

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

Offsetting

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

Related Parties

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) Has control or joint control over the reporting entity,
- (ii) Has significant influence over the reporting entity or
- (iii) Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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

2.5 Summary of significant accounting policies (Continued)

Related Parties (Continued)

(b) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others), if;

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

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

Business combinations

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

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

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

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

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

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

2.5 Summary of significant accounting policies (Continued)

Goodwill

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

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

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

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

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

Property and equipment

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

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

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

2.5 Summary of significant accounting policies (Continued)

Property and equipment (Continued)

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

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

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

Intangible assets

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

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

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

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

2.5 Summary of significant accounting policies (Continued)

Research and development costs

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

Development is defined as the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use and an intangible asset arising from development is recognized when the following are demonstrated:

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

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

Impairment of assets

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

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

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

2.5 Summary of significant accounting policies (Continued)

Government incentives

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

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

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

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

Income taxes

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

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

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

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

2.5 Summary of significant accounting policies (Continued)

Income taxes (Continued)

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

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

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

Revenue Recognition

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

Off-the-shelf software sales - licence model

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

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

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

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

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

2.5 Summary of significant accounting policies (Continued)

e-Logo Private Integrator service sales

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

LEM sales and version upgrade package sales

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

SaaS subscription income

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

Post delivery customer support

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

Customized software development

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

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

2.5 Summary of significant accounting policies (Continued)

Other revenues

Other revenues earned by the Group are recognized on the following basis:

Royalty and rental income - on an accrual basis,
Interest income - on an effective yield basis,
Dividend income - when the Company's right to receive payment is established

Provisions

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

Provision of distribution premium

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

Contingent assets and liabilities

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

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

Put option

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

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

2.5 Summary of significant accounting policies (Continued)

Employee benefits

Retirement pay liability

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

Personnel vacation provision

Unused vacation rights accrued in the consolidated financial statements represents total provision for liabilities related to employees' unused vacation days as of the balance sheet date.

Personnel bonus provision

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

Treasury shares

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

Statement of cash flows

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

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

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

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

2.5 Summary of significant accounting policies (Continued)

Segment Reporting

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

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

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

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

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

Earnings per share

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

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

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

2.6 Significant accounting estimates and assumptions

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

Provision for doubtful receivables

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

Useful lives of intangible assets

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

Revenue recognition

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

Logo Enterprise Membership is an insurance package that provides free ownership for all the charged version updates which protect enterprises against all the legal amendments and which includes new features that will contribute new values to the products throughout the year. Since the free of charge LEM products given the first year are given along with the currently up-to-date software, they do not bring significant updates for the user and their commercial value is lower compared to the LEM products provided in the subsequent years. Thus, related sales amounts are recognized as revenue within the transaction year.

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 15.

2.7 Comparatives and adjustment of prior periods' financial statements

The consolidated financial statements of the Group include comparative financial information to enable the determination of the financial position and performance. The consolidated balance sheet of the Group at 31 December 2019 has been provided with the comparative financial information of 31 December 2018 and the consolidated statements of profit or loss, the consolidated statements other comprehensive income, changes in equity and cash flows for the period ended 31 December 2019 have been provided with the comparative financial information, for the period ended 31 December 2018.

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

- The Group's consolidated balance sheet as at 31 December 2018 contains classification of "liquid funds" amounting to TRY2.502.350 under cash and cash equivalents which was presented under "short-term financial investments", previously.

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

NOTE 3 - SEGMENT REPORTING

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

31 December 2019	**Turkey**	**Romania**	**Segmental eliminations**	**Consolidated**
Reportable segment assets	583.386.199	192.416.708	(70.635)	775.732.272
Reportable segment liabilities	209.088.268	172.113.633	(70.635)	381.131.266
Goodwill	116.292.694	30.069.434	-	146.362.128
Property and equipment and intangible asset	131.108.431	99.149.181	-	230.257.612

2019	**Turkey**	**Romania**	**Segmental eliminations**	**Consolidated**
Revenue	280.252.177	141.881.209	-	422.133.386
Cost of sales	(4.738.333)	(70.292.266)	-	(75.030.599)
Operating expense	(192.284.206)	(62.556.508)	-	(254.840.714)
Other operating income	4.085.725	1.939.573	-	6.025.298
Other operating expenses	(3.212.503)	(2.529.121)	-	(5.741.624)
Income from investing activities	5.447.222	-	-	5.447.222
Financial income	5.322.485	1.123.521	-	6.446.006
Financial expense	(5.598.911)	(7.332.474)	-	(12.931.385)
Depreciation and amortization	(32.610.943)	(17.391.399)	-	(50.002.342)
Share of profit or loss of investments accounted for using the equity method	-	-	-	-
Tax expense	(3.082.526)	(2.139.940)	-	(5.222.466)
Net profit for the year	86.191.130	93.994	-	86.285.124
Adjusted EBITDA	115.840.581	26.423.834	-	142.264.415
Purchase of property and equipment and intangible assets	48.530.526	18.684.042	-	71.257.208

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

2019	**Consolidated**
Adjusted EBITDA	142.264.415
Depreciation and amortization	(50.002.342)
Income from investing activities	5.447.222
Share of profit or loss of investments accounted for using the equity method	-
Other operating income	6.025.298
Other operating expenses	(5.741.624)
Financial income	6.446.006
Financial expense	(12.931.385)
Profit before tax	**91.507.590**

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

NOTE 3 - SEGMENT REPORTING (Continued)

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

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

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

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

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

NOTE 4 - BUSINESS COMBINATION

Acquisition of ABS and ABS FS

The Group acquired ABS and ABS FS shares which are hold by ABS through Share Purchase Agreement signed on 19 July 2018. The purchase consideration of ABS and ABS FS was determined as 20% shares of Total Soft which has been transferred to ex-shareholders of ABS and ABS FS. After completion of the provisions described in Share Purchase Agreement, the acquisition process was completed on 30 October 2018. The nominal value of 20% of Total Soft shares of 22.239.700 RON (28.709.229 TRY) was determined to be within a fair value range at that date. Consequently, no adjustments were made and the consideration for the operating assets of ABS and ABS FS was assumed to be equal to 22.239.700 RON (28.709.229 TRY).

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

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

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

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

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

As a result of these acquisitions, there is a sales option given to Avramos Holding Ltd. by Logo Yazılım for the 20% Total Soft shares transferred to Avramos Holding Ltd. between 1 January 2021 and 31 December 2024. As of December 31, 2019, the Company has accounted for the liability for a put option amounting to TRY 18.158.065 in the long-term liabilities account as a result of the sales option given in the consolidated financial statements.

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

NOTE 5 - CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents as of 31 December 2019 and 31 December 2018 is as follows:

	31 December 2019	**31 December 2018**
Cash	85.283	36.477
Banks		
- Demand deposits - TRY	1.251.573	661.540
- Demand deposits - foreign currency	11.055.256	6.197.342
- Time deposits – foreign currency	19.084.419	9.340.088
- Time deposits - TRY	6.224.745	19.029.482
Credit card slip receivables	57.802.741	41.791.108
Liquid funds(*)	56.603.131	2.502.350
Checks received	76.574	260.274
Blocked cash (**)	-	1.101.116
	152.183.722	**80.919.777**

(*) Liquid funds consist of investment instruments that can be converted to cash.
(**) Restricted cash consist of cash guarantees given by the Total Soft to its customers and the maturities are less than three months.

As of 31 December 2019, the weighted average effective annual interest rates of TRY denominated time deposits are between 10,75% and 23,50% (31 December 2018: 13,75% and 25,70%). As of 31 December 2019, the weighted average effective annual interest rates of USD denominated time deposits are between 2,10% and 3,80% and EURO denominated time deposits are between 0,20% and 1,50%.

NOTE 6 - FINANCIAL INVESTMENTS

The analysis of non-current financial assets at 31 December 2019 and 2018 is as follows:

	31 December 2019		**31 December 2018**	
	Share (%)	**Carrying amount**	**Share (%)**	**Carrying amount**
Logo Ventures Girişim Sermayesi Yatırım Fonu ("Logo Ventures") (*)	20.00	2.036.613	20.00	1.450.000
İnterpro Yayıncılık Araştırma ve Organizasyon Hizmetleri A.Ş. ("Interpro") (*)	2.00	80.653	2.00	80.653
Dokuz Eylül Teknoloji Geliştirme Bölgesi A.Ş. ("Dokuz Eylül") (*)	0.67	50.000	0.67	50.000
		2.167.266		**1.580.653**

(*) As of 31 December 2019, Logo Ventures has been recognized as the asset fair value and difference is reflected to other comprehensive income and TRY 586.613 difference between its fair value and the cost value is accounted in other comprehensive income. İnterpro and Dokuz Eylül is reflected to consolidated financial statements with their cost value since their fair value is not significant as of 31 December 2019.

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

NOTE 6 - FINANCIAL INVESTMENTS (Continued)

Long term other financial investment:

	30 December 2019	31 December 2018
Long term other financial investment (*)	10.563.547	5.742.561

(*) The Group's joint venture consists of the convertible debt instruments issued by Logo Infosoft, when the relevant amounts are included in equity the ownership ratio of the Group is 66.59 %. The Group has not considered the related investment for trading purposes and has recognized the fair value changes in the other comprehensive income statement in accordance with the accounting policies explained in Note 2.5.

NOTE 7 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	2019	2018
As of 1 January	**-**	**558.663**
Effect of Logo Infosoft – opening effect	-	2.010.550
Participation in capital increase of joint venture	-	1.350.000
Share of profit/(loss)	-	(3.487.916)
Sale of Figo	-	(431.297)
As of 31 December	**-**	**-**

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

Summary of balance sheet

Logo Infosoft	**31 December 2019**	**31 December 2018**
Cash and cash equivalents	383.839	494.318
Other current assets	2.663.927	2.173.129
Other non-current assets	1.379.164	1.832.886
Total assets	**4.426.930**	**4.500.333**
Other short term liabilities	5.575.211	3.722.651
Other long term liabilities	13.113.500	-
Total liabilities	**18.688.711**	**3.722.651**
Net (Liabilities)/ Assets	**(14.261.781)**	**777.682**

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

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

Summary of income statements

Logo Infosoft	**31 December 2019**	**31 December 2018**
Income	790.736	1.055.581
Expenses (-)	(9.560.714)	(10.267.319)
Net loss for the period	**(8.769.978)**	**(9.211.738)**
Interest ratio of the Group	%50,00	%50,00
Group’s share	(4.384.989)	(4.605.869)
Unrecognised losses (*)	4.384.989	2.595.319
Share of losses of investment under equity method	**-**	**(2.010.550)**

(*) Group’s shares of loss for the period of Logo Infosoft amounting to TRY 4.384.989 has not been recognised. since the carrying value of Logo Infosoft declined to zero.

NOTE 8 - BORROWINGS

Details of borrowings as of 31 December 2019 and 2018 is as follows:

Short-term borrowings:	**31 December 2019**	**31 December 2018**
Short-term bank borrowings	13.755.155	1.788.145
Credit card payables	185.159	137.852
Lease liabilities	7.369.019	-
	21.309.333	**1.925.997**
Short-term portion of long-term borrowings:		
Short-term portion of long-term bank borrowings	10.114.413	-
Lease liabilities	809.805	741.292
	10.924.218	**741.292**
Total short-term borrowings	**32.233.551**	**2.667.289**

Long-term borrowings:	**31 December 2019**	**31 December 2018**
Long-term bank borrowings	95.657.231	96.009.180
Lease liabilities	8.322.358	799.159
Total long-term borrowings	**103.979.589**	**96.808.339**

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

NOTE 8 - BORROWINGS (Continued)

	31 December 2019		
	Weighted average annual interest rate (%)	**Original amount**	**TRY equivalent**
Short-term borrowings:			
Bank borrowings - TRY - unsecured		1.796.645	1.796.645
Bank borrowings - RON - unsecured		8.645.539	11.958.510
Credit card payables - TRY		185.159	185.159
Lease liabilities- Euro	4.5%	797.919	5.306.640
Lease liabilities- TRY	12%-25%	2.062.379	2.062.379
			21.309.333
Short-term portion of long-term borrowings:			
Bank borrowings – Euro-secured	Euribor+2.50%- 2.95%	1.520.827	10.114.413
Financial leases – Euro	4.5%	121.764	809.805
			10.924.218
Long-term borrowings:			
Bank borrowings - Euro - secured	Euribor+2.50%- 2.95%	14.383.248	95.657.231
Financial leases- TRY	12%-25%	4.851.390	4.851.390
Financial leases- Euro	4.5%	521.903	3.470.968
			103.979.589
Total borrowings			**136.213.140**

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

NOTE 8 - BORROWINGS (Continued)

	31 December 2018		
	Weighted average annual interest rate (%)	**Original amount**	**TRY equivalent**
Short-term borrowings:			
Bank borrowings - RON - unsecured	-	1.788.145	1.788.145
Credit cards- TRY	-	137.852	137.852
			1.925.997
Short-term portion of long-term borrowings:			
Financial leases - Euro	-	122.975	741.292
			741.292
Long-term borrowings:			
Bank borrowings - Euro - secured	Euribor+2.50%- 2.95%	15.927.203	96.009.180
Financial leases- Euro	-	132.574	799.159
			96.808.339
Total borrowings			**99.475.628**

The redemption schedules of long-term borrowings at 31 December 2019 and 2018 are as follows:

	31 December 2019	**31 December 2018**
To be paid within 1-2 years	18.646.974	9.830.270
To be paid within 2-5 years	38.914.011	34.443.045
To be paid in more than 5 years	46.418.604	52.535.024
	103.979.589	**96.808.339**

	Net book value		**Fair value**	
	2019	**2018**	**2019**	**2018**
Bank borrowings	119.526.799	97.797.325	133.736.289	113.480.897
	119.526.799	**97.797.325**	**133.736.289**	**113.480.897**

Interest rate and currency risk of the Group are explained in Note 31.

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

NOTE 9 - TRADE RECEIVABLES AND PAYABLES

The details of trade receivables and payables as of 31 December 2019 and 31 December 2018 are as follows:

Short-term trade receivables:	**31 December 2019**	**31 December 2018**
Trade receivables	150.603.977	116.448.525
Credit card receivables	89.151.849	46.264.280
Cheques and notes receivables	3.268.483	7.738.534
Less: provision for doubtful receivables	(24.320.148)	(26.134.062)
Less: unearned finance income arising from credit sales	(7.547.283)	(7.836.647)
	211.156.878	**136.480.630**

As of 31 December 2019, the average turnover of the trade receivables is 124 days (31 December 2018: 123 days), excluding the credit card receivables, the turnover day is 80 days (31 December 2018: 78 days). The discount rate applied to the undue receivables is 10,57% (31 December 2018: 23,48%).

As of 31 December 2019, TRY 15.888.327 of trade receivables (31 December 2018: TRY 14.898.546) were past due but not impaired. The aging analysis of these trade receivables is as follows:

	31 December 2019	**31 December 2018**
Up to 1 month	7.015.955	4.820.403
1-3 months	3.214.898	4.032.670
More than 3 months	5.657.474	6.045.473
	15.888.327	**14.898.546**

As of 31 December 2019, TRY12.469.489 of overdue receivables consist of trade receivables of Total Soft (31 December 2018: TRY11.192.815). Group manages its receivables in accordance with credit risk management policies which is explained in Note 30.

The movement of provision for doubtful receivables for the periods ended 31 December 2019 and 2018 are as follows:

	2019	**2018**
As of 1 January	**26.134.062**	**21.628.975**
Provisions for the year	3.638.421	2.818.108
Releases	(6.996.125)	(3.961.698)
Acquisition of subsidiary	-	935.233
Foreign currency translation difference	1.543.790	4.713.444
As of 31 December	**24.320.148**	**26.134.062**

Trade payables to third parties:

	31 December 2019	**31 December 2018**
Trade payables	46.713.633	25.500.164

As of 31 December 2019, the average debt payment period is 110 days (31 December 2018: 80 days)

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

NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

The table below shows the maximum exposure of the Group to credit risk as of 31 December 2019 and 31 December 2018:

	Trade receivables		**Other receivables**		
31 December 2019	**Related party**	**Other**	**Related party**	**Other**	**Cash at bank**
The maximum of credit risk exposure as of reporting date	-	211.156.878	3.378.826	909.141	152.021.865
- Amount of risk covered by gurantees	-	*303.324*	-	-	-
Net carrying value of not past due and not impaired financial assets	-	195.268.551	3.378.826	909.141	152.021.865
Net carrying value of past due but not impaired financial assets	-	15.888.327	-	-	-
- *Amount of risk covered by guarantees*	-	-	-	-	-
Net carrying value of impaired assets					
- *Past due (gross carrying value)*	-	*24.320.148*	-	-	-
- *Provision for impairment (-)*	-	*(24.320.148)*	-	-	-
- *Amount of risk covered by guarantees*	-	-	-	-	-

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

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

NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

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

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

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

NOTE 10 - OTHER RECEIVABLES, PAYABLES AND OTHER CURRENT ASSETS

Short-term other receivables from third parties:	**31 December 2019**	**31 December 2018**
Income accruals	881.805	1.407.822
Deposits and guarantees given	7.915	7.915
Other	19.421	-
	909.141	**1.415.737**

Long-term other receivables from third parties:	**31 December 2019**	**31 December 2018**
Other long-term receivables	-	160.612

Short-term other payables to third parties:	**31 December 2019**	**31 December 2018**
Taxes payable	17.960.544	10.360.105
Other	-	435.608
	17.960.544	**10.795.713**

Long-term other payables to third parties:	**31 December 2019**	**31 December 2018**
Put option liability (Note 4)	18.158.065	1.018.118
Other payables	615.244	615.243
	18.773.309	**1.633.361**

Other current assets:	**31 December 2019**	**31 December 2018**
Prepaid taxes	1.442.516	2.081.115
Personel advances	803.448	1.481.654
Deferred VAT	657.042	496.205
Business advances	453.073	-
Other	1.074.105	221.908
	4.430.184	**4.280.882**

NOTE 11 - INVENTORIES

	31 December 2019	**31 December 2018**
Trade goods	497.443	772.724
Raw materials and equipment	19.311	14.726
Other	21.360	110
	538.114	**787.560**

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

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2019	Additions	Disposals	Currency translation differences	31 December 2019
Cost:					
Machinery. plant equipment	12.943.767	2.222.352	(2.953.389)	334.699	12.547.429
Motor Vehicles	3.404.357	70.385	(324.331)	113.169	3.263.580
Furniture and Fixtures	5.915.932	426.457	(22.194)	58.570	6.378.765
Leasehold improvements	24.194.629	1.304.730	-	23.060	25.522.419
	46.458.685	**4.023.924**	**(3.299.914)**	**529.498**	**47.712.193**
Accumulated Depreciation:					
Machinery. plant equipment	9.971.579	2.067.337	(2.938.706)	205.464	9.305.674
Motor Vehicles	2.086.528	931.328	(309.844)	166.950	2.874.962
Furniture and Fixtures	4.433.912	361.233	(22.194)	24.776	4.797.727
Leasehold improvements	9.258.316	1.409.828	-	16.087	10.684.231
	25.750.335	**4.769.726**	**(3.270.744)**	**413.277**	**27.662.594**
Net book value	**20.708.350**				**20.049.599**

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

(*) Note 4.
(**) Note 7.

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

NOTE 13 - INTANGIBLE ASSETS

	1 January 2019	Additions	Currency translation differences	31 December 2019
Costs:				
Development costs	218.928.412	61.908.759	4.593.593	285.430.764
Advanced technology	16.508.818	-	274.725	16.783.543
Customer relations	46.047.973	-	2.560.745	48.608.718
Non-compete agreement	2.747.778	-	-	2.747.778
Other intangible assets	10.804.144	1.282.238	205.741	12.292.123
	295.037.125	**63.190.997**	**7.634.804**	**365.862.926**
Accumulated Depreciation:				
Development costs	101.458.113	30.999.666	996.339	133.454.118
Advanced technology	8.732.316	1.793.572	169.643	10.695.531
Customer relations	9.660.770	4.011.197	281.595	13.953.562
Non-compete agreement	2.747.778	-	-	2.747.778
Other intangible Assets	8.094.461	920.479	180.602	9.195.542
	130.693.438	**37.724.914**	**1.628.179**	**170.046.531**
Net book value	**164.343.687**			**195.816.395**

Additions amounting to TRY61.868.759 to development costs for the year ended 31 December 2019 (2018: TRY46.974.852) consists of capitalised personnel costs.

TRY40.454.442 (2018: TRY31.640.078) of the current year's depreciation and amortization expenses has been allocated to research and development expenses, TRY1.972.328 (2018: TRY422.233) has been allocated to marketing expenses, TRY 6.984.835 (2018: TRY400.832) has been allocated to general administrative expenses, TRY 590.737 (2018: TRY571.895) has been allocated to cost of sales.

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

NOTE 13 - INTANGIBLE ASSETS (Continued)

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

(*) Note 4.
(**) Note 7.

DİPNOT 14 – RIGHT OF USE ASSETS

	1 January 2019	Additions	Disposals	Currency translation differences	31 December 2019
Cost:					
Vehicles	8.511.862	962.686	-	101.128	9.575.676
Office	9.300.845	3.079.601	(531.327)	620.854	12.469.973
	17.812.707	**4.042.287**	**(531.327)**	**721.982**	**22.045.649**
Accumulated Depreciation:					
Vehicles	-	3.130.781	-	11.809	3.142.590
Office	-	4.376.921	(17.118)	151.638	4.511.441
	-	**7.507.702**	**(17.118)**	**163.447**	**7.654.031**
Net book value	**17.812.707**				**14.391.618**

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

NOTE 15 - GOODWILL

	31 December 2019	31 December 2018
Total Soft	108.814.042	101.214.681
Total Soft (ABS)	30.069.434	28.058.862
Netsis	5.892.252	5.892.252
Sempa	903.000	903.000
Vardar	346.338	346.338
Intermat	337.062	337.062
	146.362.128	**136.752.195**

Movement table of goodwill for the years ended 31 December 2019 and 2018 are as follows;

	2019	2018
As of 1 January	**136.752.195**	**83.294.475**
Currency translation difference	9.609.933	25.398.858
Acquisition of subsidiaries (*)	-	28.058.862
As of 31 December	**146.362.128**	**136.752.195**

(*) Note 4.

The Group applies impairment test for goodwill every year or in shorter periods in case any triggering event that shows any impairment indicator on goodwill. The recoverable amounts of cash generating units are determined based on fair value less cost of disposal ("FVLCD").

Goodwill impairment test - Total Soft and ABS

FVLCD is determined by discounting the expected future discounted cash flows to be generated by the cash-generating unit. The below key assumptions are used in the calculation of the recoverable value of CGU as of 31 December 2019:

Goodwill impairment test has been performed by using the five years consolidated business projections of Total Soft and ABS prepared by the management between 1 January 2020 and 31 December 2024. 10,6% has been used as cumulative average growth rate the years between 2019 and 2024.

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

Weighted average cost of capital rate of 14.6% has been used as after tax discount rate in order to calculate the recoverable amount of the unit.

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

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

NOTE 15 – GOODWILL(Continued)

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

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

Long term growth rate

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

Discount rate

Originally, the discount rate is assumed to be 14.6%. Has the rate been assumed to be as 15.1%, the recoverable amount would have been 4% higher than the goodwill included book value of cash generating unit including goodwill and still no impairment provision would have been required.

Goodwill impairment test - Netsis

The impairment test of goodwill related with Netsis acquisition has been performed using the cash flows for the year ended 31 December 2019 and current book value. As of 31 December 2019, it is noted that the current cash flows of the cash generating unit exceeds its book value by 175%. Negative cash flows are not expected from Netsis in the foreseeable future.

NOTE 16 - COMMITMENTS AND CONTINGENT LIABILITIES

Guarantees received:

		31 December 2019		31 December 2018	
	Original currency	Original amount	TRY equivalent	Original amount	TRY equivalent
Guarantee notes	TRY	243.324	243.324	247.724	247.724
Mortgages	TRY	60.000	60.000	360.000	360.000
			303.324		**607.724**

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

NOTE 16 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

As of 31 December 2019 and 31 December 2018, guarantee/pledge/mortgage ("GPM") given by the Company on behalf of its legal entity are as follows:

GPM given by the Company:	31 December 2019				31 December 2018			
	Euro	**USD**	**RON**	**TRY**	**Euro**	**USD**	**RON**	**TRY**
A. Total amount of Guarantees provided by the Company on behalf of itself	-	265.319	-	671.885	-	234.978	-	1.181.997
B. Total amount of Guarantees provided on behalf of the associates accounted under full consolidation method (*)	118.220.143	-	44.912	-	107.348.145	-	48.117	-
C. Provided on behalf of third parties in order to maintain operating activities (to secure third party payables)	-	-	-	-	-	-	-	-
D. Other Guarantees given-	-	-	-	-	-	-	-	-
(i) Total amount of Guarantees given on behalf of the parent Company-	-	-	-	-	-	-	-	
(ii) Total amount of Guarantees provided on behalf of the associates which are not in the scope of B and C	-	-	-	-	-	-	-	-
(iii) Total amount of Guarantees provided on behalf of third parties which are not in the scope of C	-	-	-	-	-	-	-	-
	118.220.143	**265.319**	**44.912**	**671.885**	**107.348.145**	**234.978**	**48.117**	**1.181.997**

(*) Note 8.

The lawsuits filed against the Group are total TRY4.428.192. The Group's management does not expect any cash outflows regarding these lawsuits therefore, no provisions has been accounted in the consolidated financial statements.

NOTE 17 - EMPLOYEE BENEFITS

Short - term payables for employee benefits:	**31 December 2019**	**31 December 2018**
Taxes, funds and social security payables	6.504.227	5.340.132
Due to personnel	5.334.057	5.502.751
	11.838.284	**10.842.883**

Short - term provisions for employment benefits:	**31 December 2019**	**31 December 2018**
Bonus provision	28.145.390	17.515.106

Long - term provisions for employment benefits:	**31 December 2019**	**31 December 2018**
Provision for employment termination benefits	7.120.017	6.009.607
Provision for unused vacation liability	6.475.048	5.323.122
	13.595.065	**11.332.729**

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

NOTE 17 - EMPLOYEE BENEFITS (Continued)

The movement of provision for unused vacation liability for the years ended 31 December 2019 and 2018 is as follow:

	2019	**2018**
As of 1 January	**5.323.122**	**3.956.857**
Increase for the period	944.718	603.719
Acquisition of subsidiaries	-	117.374
Currency translation difference	207.208	645.172
As of 31 December	**6.475.048**	**5.323.122**

Under the Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). The amount payable consists of one month's salary limited to a maximum of TRY6.730,15 for each year of service at 1 January 2020 (31 December 2018: TRY6.017,60). Provision for employment termination benefits is calculated based on the present value of the Group's obligation to pay in the event of retirement.

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":

	31 December 2019	**31 December 2018**
Discount rate (%)	4,19	5.65
Turnover rate to estimate the probability of retirement (%)	94,10	93.50

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Since the Group calculates the reserve for employment termination benefits every six months the maximum amount of TRY6.730,15 which is effective from 1 January 2020 (1 January 2019: TRY6.017,60) has been taken into consideration in the calculations.

The movement in the provision for employment termination benefits during the years ended 31 December 2019 and 2018 were as follows:

	2019	**2018**
As of 1 January	**6.009.607**	**4.341.706**
Service cost	637.261	706.320
Interest cost	655.978	684.862
Actuarial loss	978.664	1.250.713
Payments during the year	(1.161.493)	(973.994)
As of 31 December	**7.120.017**	**6.009.607**

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

NOTE 18 - PREPAID EXPENSES AND CONTRACT LIABILITIES

Short - term prepaid expenses:	31 December 2019	31 December 2018
Prepaid expenses	6.496.405	2.048.483
	6.496.405	**2.048.483**

Long - term prepaid expenses:	31 December 2019	31 December 2018
Advances given	1.307.947	2.902.501
	1.307.947	**2.902.501**

Short - term contract liabilities:	31 December 2019	31 December 2018
Contract liabilities	97.698.400	58.665.117
Advances received	2.237.454	3.548.181
	99.935.854	**62.213.298**

Contract liabilities mainly relates to LEM sales revenue, pay as you go sales (integrator revenue), after-sales services, customized software sales and Tübitak incentives billed but not earned.

The details of contract liabilities at 31 December 2019 and 31 December 2018 as follows:

	31 December 2019	31 December 2018
LEM sales	49.805.494	39.102.529
Pay as you go sales	36.918.671	12.519.888
Revenue from continuing projects	9.658.022	5.400.083
After-sales services revenue	1.316.213	1.642.617
	97.698.400	**58.665.117**

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

NOTE 19 - EQUITY

The Company's authorized and paid-in share capital consists of 2.500.000.000 (31 December 2018: 2.500.000.000) shares with a nominal value of Kr 1 each. The shareholding structure of the Company as of 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019	Share (%)	31 December 2018	Share (%)
Logo Teknoloji ve Yatırım A.Ş.	8.407.513	33,63	8.391.013	33,56
Mediterra Capital Partners I. LP	-	-	16.500	< 1,00
Publicly traded	16.592.487	66,37	16.592.487	66,44
	25.000.000	**100,00**	**25.000.000**	**100,00**
Adjustment to share capital	2.991.336		2.991.336	
Total paid-in share capital	**27.991.336**		**27.991.336**	

The shares representing capital are categorized as group A and B. The privileges granted to group A shares are as follows: half of the board members will be elected from among the candidates nominated by group A shareholders and the Chairman of the Board is elected from among the board members proposed by Group A shareholders. Adjustment to share capital represents the difference between the historical amounts and the amounts adjusted according to the inflation of cash contributions to share capital.

Treasury shares

As of 31 December 2019 the amount of treasury shares which is accounted in Group's equity is TRY 10.054.033 (31 December 2018: TRY 10.054.033)

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

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

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

NOTE 19 - EQUITY (Continued)

Year	Share	Sales amount	Purchase amount
2013	1.297.500	6.487.500	5.964.587
Total sales	**1.297.500**	**6.487.500**	**5.964.587**

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

Dividend distribution

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

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

Dividend advance payments can be made in accordance with Turkish Commercial Code and CMB regulations provided that General Assembly authorizes the Board of Directors to pay dividend advance, limited to the related year, to shareholders in accordance with the Articles of Association. The Group aims to complete the dividend payment before the last working day of the year in which dividend distribution decision is made in the General Assembly and starts the payment latest at the end of the accounting period when the General Assembly meeting is held. General Assembly or Board of Directors, if authorized by the General Assembly, can decide to distribute dividend in installments in line with CMB regulations.

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

NOTE 20 - EXPENSES BY NATURE

As of 31 December 2019 and 2018, expenses are disclosed by function and the details of the expenses are summarized in Note 22 and Note 23.

NOTE 21 - SALES AND COST OF SALES

Sales:

	1 January - 31 December 2019	1 January - 31 December 2018
Revenue	303.174.395	224.587.057
Service revenue	115.091.222	92.377.000
Retail saas service revenue	12.189.351	9.435.674
Sales returns	(5.308.617)	(3.136.948)
Sales discounts	(3.012.965)	(2.170.684)
Net sales	**422.133.386**	**321.092.099**
Cost of sales	(75.030.599)	(63.953.940)
Gross profit	**347.102.787**	**257.138.159**

Cost of sales:

	1 January - 31 December 2019	1 January - 31 December 2018
Cost of services	70.304.720	60.571.541
Cost of transfer of financial rights	4.253.124	3.009.481
Cost of trade goods sold	472.755	372.918
Cost of sales	**75.030.599**	**63.953.940**

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

NOTE 22 - RESEARCH AND DEVELOPMENT EXPENSES. MARKETING EXPENSES. AND GENERAL ADMINISTRATIVE EXPENSES

Research and development expenses:

	1 January - 31 December 2019	**1 January - 31 December 2018**
Personnel expenses	44.026.700	37.164.661
Depreciation and amortization (Note 13)	40.454.442	31.640.078
Outsourced benefits and services	4.232.473	2.668.442
Consultancy expenses	2.427.932	1.597.939
Motor vehicle expenses	2.053.785	3.206.854
Travel expenses	1.223.379	924.792
Other	7.101.846	6.103.980
	101.520.557	**83.306.746**

Marketing, selling and distribution expenses:

	1 January - 31 December 2019	**1 January - 31 December 2018**
Advertising and selling expenses	39.678.693	27.497.678
Personnel expenses	30.824.590	22.725.288
Consultancy expenses	3.421.954	2.601.541
Outsourced benefits and services	2.482.163	2.007.851
Depreciation and amortization (Note 13)	1.972.328	422.233
Motor vehicle expenses	1.620.646	1.822.513
Travel expenses	1.080.229	947.259
Other	2.679.931	1.868.808
	83.760.534	**59.893.171**

General administrative expenses:

	1 January - 31 December 2019	**1 January - 31 December 2018**
Personnel expenses	50.444.504	30.760.765
Depreciation and amortization (Note 13)	6.984.835	400.832
Consultancy expenses	6.895.526	8.600.774
Motor vehicle expenses	1.343.951	1.212.333
Travel expenses	675.410	611.996
Outsourced benefits and services	622.897	656.497
Other	2.592.500	3.475.671
	69.559.623	**45.718.868**

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

NOTE 23 - OTHER OPERATING INCOME AND EXPENSES

Other operating income

	1 January - 31 December 2019	1 January - 31 December 2018
Rediscount income	1.666.853	732.546
Foreign exchange gains (*)	1.003.612	3.575.628
Overdue interest income	527.029	429.546
Other	2.827.804	1.975.041
	6.025.298	**6.712.761**

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

Other operating expenses

	1 January - 31 December 2019	1 January - 31 December 2018
Provision expense	2.629.423	2.009.499
Rediscount expenses	1.377.488	4.693.260
Foreign exchange losses (*)	804.581	2.070.511
Other	930.132	1.868.583
	5.741.624	**10.641.853**

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

NOTE 24 - INCOME FROM INVESTING ACTIVITIES

	1 January - 31 December 2019	1 January - 31 December 2018
Gain on sale of financial instruments	5.447.222	175.186
Gain on joint ventures sale (*)	-	6.068.703
	5.447.222	**6.243.889**

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

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

NOTE 25 - FINANCIAL INCOME

	1 January - 31 December 2019	1 January - 31 December 2018
Foreign exchange gains	4.678.154	9.331.722
Interest income	1.767.852	3.274.770
	6.446.006	**12.606.492**

NOTE 26 - FINANCIAL EXPENSES

	1 January - 31 December 2019	1 January - 31 December 2018
Foreign exchange losses	5.678.968	6.170.865
Interest expense	3.793.890	3.147.539
Interest expense from leases	1.622.674	-
Credit card commissions	1.060.630	1.100.604
Interest expense of employee termination benefits	655.978	684.862
Other financial expenses	119.245	135.944
	12.931.385	**11.239.814**

NOTE 27 - TAX ASSETS AND LIABILITIES

	31 December 2019	31 December 2018
Current period tax expense	(7.461.566)	(4.542.359)
Deferred tax income/(expense)	2.239.100	3.234.280
Current period tax expense	**(5.222.466)**	**(1.308.079)**

Deferred taxes

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

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

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred tax has been provided at 31 December 2019 and 31 December 2018 using the enacted tax rates, is as follows:

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

NOTE 27 - TAX ASSETS AND LIABILITIES (Continued)

	Total temporary differences		**Deferred tax assets/(liabilities)**	
	31 December 2019	**31 December 2018**	**31 December 2019**	**31 December 2018**
Deferred income tax assets:				
Expense accruals	23.539.318	14.761.697	4.707.864	2.952.339
Rediscount of trade receivables and payables	7.461.550	7.577.267	1.492.310	1.515.453
Employee termination benefits	4.107.216	3.574.275	821.443	714.855
Contract liabilities	2.611.582	1.217.361	522.316	243.473
Vacation provision	1.937.224	1.173.194	387.445	234.639
Provision for doubtful receivables	544.244	462.957	108.849	92.591
	40.201.134	**28.766.751**	**8.040.227**	**5.753.350**
Deferred income tax liabilities:				
Difference between the tax base and carrying value of property. equipment and intangible assets	(28.080.537)	(27.262.822)	(5.616.107)	(5.452.564)
	(28.080.537)	**(27.262.822)**	**(5.616.107)**	**(5.452.564)**
Deferred income tax assets/(liabilities) net			**2.424.120**	**300.786**

The analysis of deferred tax assets and liabilities are as follows:

Deferred tax assets	**2019**	**2018**
To be recovered less than 12 months	6.831.339	4.803.856
To be recovered more than 12 months	1.208.888	949.494
	8.040.227	**5.753.350**
Deferred tax liabilities		
To be recovered more than 12 months	(5.616.107)	(5.452.564)
	(5.616.107)	**(5.452.564)**
Deferred income tax assets/(liabilities). net	**2.424.120**	**300.786**

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

NOTE 27 - TAX ASSETS AND LIABILITIES (Continued)

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

	2019	2018
As of 1 January	**300.786**	**(2.245.798)**
Charged to statements of profit or loss	2.239.100	3.234.280
Charged to other comprehensive income	98.072	124.158
Currency translation difference	(213.838)	(811.854)
As of 31 December	**2.424.120**	**300.786**

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

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. 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 30th of the fourth month following the close of the financial year to which they relate.

NOTE 27 - TAX ASSETS AND LIABILITIES (Continued)

Corporate tax (Continued)

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

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

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

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

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

a) In accordance with the investment certificates prepared for applications made before 24 April 2003 investments to be made after 1 January 2006 in the scope of the certificate regarding the investments that began in the scope of additional articles 1, 2, 3, 4, 5 and 6 of Income Tax Law No: 193 before it was repealed with the Law No, 4842 dated 9 April 2003 and,

b) investment allowance amounts to be calculated in accordance with legislation effective at 31 December 2005 related to investments which exhibit a technical and economic and integrity and which were started prior to 1 January 2006 in the scope of Income Tax Law 193 repealed 19th article, only against the income related to the years 2006, 2007 and 2008, in accordance with the legislation at 31 December 2005 (including provisions related to tax rates).

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.

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

NOTE 27 - TAX ASSETS AND LIABILITIES (Continued)

Corporate tax (Continued)

	1 January - 31 December 2019	1 January - 31 December 2018
Current income tax expense	7.461.566	4.542.359
Prepaid taxes and funds (-)	(2.483.862)	(2.582.973)
Current income tax liabilities	**4.977.704**	**1.959.386**

Income tax reconciliation:	1 January - 31 December 2019	1 January - 31 December 2018
Profit before income tax	91.507.590	68.412.933
Tax calculated at enacted tax rate in Turkey (22%)	(20.131.670)	(15.050.845)
Non-deductible expenses	(4.654.912)	(2.667.785)
Income not subject to tax	19.428.031	17.045.000
Tax rate difference (*)	136.085	(217.611)
Accumulated loss on deferred tax assets		(416.838)
Income tax expense	**(5.522.466)**	**(1.308.079)**

(*) The applicable tax rate in Romania is 16% as of 31 December 2019 (2018: 16%).

NOTE 28 - EARNINGS PER SHARE

The earnings per thousand shares with nominal value of Kr 1 amounted to TRY34,52 for the year ended 31 December 2019 (2018: TRY 27,08).

	1 January - 31 December 2019	1 January - 31 December 2018
Net income attributable to equity holders of the parent	86.310.753	67.703.377
Average number of shares for the period	2.500.000.000	2.500.000.000
Earnings per share	**34,52**	**27,08**

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

NOTE 29 - RELATED PARTY DISCLOSURES

a) Due from related parties at 31 December 2019 and 2018:

Other receivables from related parties:

	31 December 2019	31 December 2018
Logo Infosoft	3.192.800	-
Diğer	186.026	167.292
	3.378.826	**167.292**

Trade receivables from related parties:

	31 December 2019	31 December 2018
Logo Infosoft	-	1.406.965
	-	**1.406.965**

b) Sales to related parties, services given to related parties and financial income from related parties during the periods ended 31 December 2019 and 2018:

Services given to related parties

	2019	2018
Logo Infosoft	1.026.851	772.830
Logo Siber	982.559	913.927
Logo Teknoloji ve Yatırım A.Ş.	31.093	26.608
	2.040.503	**1.713.365**

c) Services purchased from related parties and other transactions with related parties during the periods ended 31 December 2019 and 2018:

Services purchase from related parties

	2019	2018
Logo Siber	13.309	524.997
Logo Teknoloji ve Yatırım A.Ş.	-	302.632
	13.309	**827.629**

d) Remuneration of the executive management:

	2019	2018
Remuneration of the management	25.348.413	15.922.750

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

NOTE 30 - NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

30.1 Financial Risk Management

Credit Risk

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

Liquidity Risk

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

			31 December 2019			
Non-derivative financial instruments	**Carrying value**	**Contractual cash outflow (I+II+III+IV)**	**Up to 3 months (I)**	**Between 3-12 months (II)**	**Between 1-5 years (III)**	**More than 5 years (IV)**
Borrowings	136.213.140	150.422.630	16.157.141	19.078.940	66.091.019	49.095.530
Trade payables						
- *Trade payables to third parties*	*46.713.633*	*46.713.633*	*46.713.633*	-	-	-
Due to personnel	11.838.284	11.838.284	11.838.284	-	-	-
Other Payables						
- *Other payables to third parties*	*36.733.853*	*36.733.853*	*17.960.544*	-	*18.773.309*	-
Total liabilities	**231.498.910**	**245.708.400**	**92.669.602**	**19.078.940**	**84.864.328**	**49.095.530**

			31 December 2018			
Non-derivative financial instruments	**Carrying value**	**Contractual cash outflow (I+II+III+IV)**	**Up to 3 months (I)**	**Between 3-12 months (II)**	**Between 1-5 years (III)**	**More than 5 years (IV)**
Borrowings	99.475.628	115.159.200	2.122.926	3.329.946	53.305.432	56.400.896
Trade payables						
- *Trade payables to third parties*	*25.500.164*	*25.500.164*	*25.500.164*	-	-	-
Due to personnel	10.842.883	10.842.883	10.842.883	-	-	-
Other Payables						
- *Other payables to third parties*	*12.429.074*	*12.429.074*	*10.795.713*	-	*1.633.361*	-
Total liabilities	**148.247.749**	**163.931.321**	**49.261.686**	**3.329.946**	**54.938.793**	**56.400.896**

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

NOTE 30 - NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Interest rate risk

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

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

	31 December 2019	**31 December 2018**
Financial instruments with fixed interest rate		
Financial assets		
- Financial assets at fair value through profit or loss	25.309.164	28.369.570
Financial liabilities	30.441.496	3.466.448
Financial instruments with float interest rate		
Financial assets		
- *Financial assets with fair value reflected to profit/loss*	*56.603.131*	*2.502.350*
Financial liabilities	105.771.644	96.009.180

Financial assets designated as fair value through profit or loss consists of fixed and floating interest rate bank deposits denominated in TRY and foreign currencies which maturities less than three months and liquid funds. Since the interest expense of the floating rate loans during the year is not significant, sensitivity analysis of interest rate change has not 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 risk

The Group is exposed to foreign exchange risk arising from the ownership of foreign currency denominated assets and liabilities with sales or purchase commitments. The policy of the Group is to compare every foreign currency type for the probable sales or purchases in the future.

Foreign exchange rates used to translate the Group's assets and liabilities denominated in foreign currencies into TRY at 31 December 2019 and 2018 are as follows:

	31 December 2019	**31 December 2018**
USD	5,9402	5,2609
Euro	6,6506	6,0280

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

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

NOTE 30 - NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

		Foreign currency position as of 31 December 2019			
		TRY equivalent	**USD**	**Euro**	**Other**
1.	Trade receivables	17.331.292	671.440	2.006.256	-
2a.	Monetary financial assets. (cash. and banks accounts included)	25.656.481	1.543.464	2.478.600	3.835
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
4.	**Current assets (1+2+3)**	**42.987.773**	**2.214.904**	**4.484.856**	**3.835**
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)**	**42.987.773**	**2.214.904**	**4.484.856**	**3.835**
10.	Trade payables	(1.876.326)	(273.792)	(37.583)	-
11.	Financial liabilities	(16.230.858)	-	(2.440.510)	-
12a.	Other monetary liabilities	-	-	-	-
12b.	Other non-monetary liabilities	-	-	-	-
13.	**Current liabilities (10+11+12)**	**(18.107.184)**	**(273.792)**	**(2.478.093)**	**-**
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(99.128.199)	-	(14.905.151)	-
16a.	Other monetary liabilities	-	-	-	-
16b.	Other non-monetary liabilities	-	-	-	-
17.	**Non-current liabilities (14+15+16)**	**(99.128.199)**	**-**	**(14.905.151)**	**-**
18.	**Total liabilities (13+17)**	**(117.235.383)**	**(273.792)**	**(17.383.244)**	**-**
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)**	**(74.247.610)**	**1.941.112**	**(12.898.388)**	**3.835**
21.	**Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)**	**(74.247.610)**	**1.941.112**	**(12.898.388)**	**3.835**
22.	Fair value of derivative instruments used in foreign currency hedge	-	-	-	-
23.	Export (*)	(46.561.355)	-	-	-
24.	Import	-	-	-	-

(*) Includes exports from the countries in which the Group operates. As of 2019 the Group's total sales made outside Turkey during the period is TRY147.019.827 (2018: TRY114.612.154).

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

NOTE 30 - NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

		Foreign currency position as of 31 December 2018			
		TRY equivalent	**USD**	**Euro**	**Other**
1.	Trade receivables	8.482.449	609.266	875.442	-
2a.	Monetary financial assets. (cash. and banks accounts included)	14.109.725	1.521.165	1.012.453	3.965
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
4.	**Current assets (1+2+3)**	**22.592.174**	**2.130.431**	**1.887.895**	**3.965**
5.	Trade receivables	-	-	-	-
6a.	Monetary financial assets	-	-	-	-
6b.	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	**Non-current assets (5+6+7)**	**-**	**-**	**-**	**-**
9.	**Total assets (4+8)**	**22.592.174**	**2.130.431**	**1.887.895**	**3.965**
10.	Trade payables	(1.285.832)	(132.369)	(97.785)	-
11.	Financial liabilities	(741.292)	-	(122.975)	-
12a.	Other monetary liabilities	-	-	-	-
12b.	Other non-monetary liabilities	-	-	-	-
13.	**Current liabilities (10+11+12)**	**(2.027.124)**	**(132.369)**	**(220.760)**	**-**
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(96.808.339)	-	(16.059.777)	-
16a.	Other monetary liabilities	-	-	-	-
16b.	Other non-monetary liabilities	-	-	-	-
17.	**Non-current liabilities (14+15+16)**	**(96.808.339)**	**-**	**(16.059.777)**	**-**
18.	**Total liabilities (13+17)**	**(98.835.463)**	**(132.369)**	**(16.280.537)**	**-**
19.	Net asset/liability position of off-balance sheet derivative financial instruments (19a - 19b)	-	-	-	-
19a.	Off-balance sheet foreign currency derivative financial assets	-	-	-	-
19b.	Off-balance sheet foreign currency derivative financial liabilities	-	-	-	-
20.	**Net foreign assets/(liability) position (9-18+19)**	**(76.243.289)**	**1.998.062**	**(14.392.642)**	**3.965**
21.	**Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)**	**(76.243.289)**	**1.998.062**	**(14.392.642)**	**3.965**
22.	Fair value of derivative instruments used in foreign currency hedge	-	-	-	-
23.	Export	(41.974.432)	-	-	-
24.	Import	-	-	-	-

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

NOTE 30 - NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

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

Foreign currency sensitivity

	31 December 2019			
	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	1.250.134	(1.250.134)	-	-
2- Hedged portion from USD risks (-)	-	-	-	-
3- USD net effect (1+2)	**1.250.134**	**(1.250.134)**	**-**	**-**
Change of EUR against TRY by 10%				
4- EUR net assets/liabilities	1.050.393	(1.050.393)	-	-
5- Hedged portion from EUR risks (-)	-	-	-	-
6- EUR net effect (4+5)	**1.050.393**	**(1.050.393)**	**-**	**-**
Change of USD against RON by 10%				
7- USD net assets/liabilities	(97.075)	97.075	-	-
8- Hedged portion from USD risks (-)	-	-	-	-
9- USD net effect (7+8)	**(97.075)**	**97.075**	**-**	**-**
Change of EUR against RON by 10%				
10- EUR net assets/liabilities	(9.628.595)	9.628.595	-	-
11- Hedged portion from EUR risks (-)	-	-	-	-
12- EUR net effect (10+11)	**(9.628.595)**	**9.628.595**	**-**	**-**

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

NOTE 30 - NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

	31 December 2018			
	Profit/(Loss)		Equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
Change of USD against TRY by 10%				
1- USD net assets/liabilities	1.083.647	(1.083.647)	-	-
2- Hedged portion from USD risks (-)	-	-	-	-
3- USD net effect (1+2)	**1.083.647**	**(1.083.647)**	**-**	**-**
Change of EUR against TRY by 10%				
4- EUR net assets/liabilities	335.505	(335.505)	-	-
5- Hedged portion from EUR risks (-)	-	-	-	-
6- EUR net effect (4+5)	**335.505**	**(335.505)**	**-**	**-**
Change of USD against RON by 10%				
7- USD net assets/liabilities	(32.487)	32.487	-	-
8- Hedged portion from USD risks (-)	-	-	-	-
9- USD net effect (7+8)	**(32.487)**	**32.487**	**-**	**-**
Change of EUR against RON by 10%				
10- EUR net assets/liabilities	(9.011.390)	9.011.390	-	-
11- Hedged portion from EUR risks (-)	-	-	-	-
12- EUR net effect (10+11)	**(9.011.390)**	**9.011.390**	**-**	**-**

Capital risk management

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

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

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

	31 December 2019	31 December 2018
Total payables	182.926.773	124.975.792
Less: Cash and cash equivalents	(152.183.722)	(80.919.777)
Net debt	30.743.051	44.056.015
Total equity	368.962.947	294.204.187
Total capital	399.705.998	338.260.202
Debt/equity ratio	**8%**	**13%**

NOTE 31 - FINANCIAL INSTRUMENTS

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

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

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

Monetary assets

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

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

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

Monetary liabilities

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

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

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

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

Level 3: Valuation techniques does not contain observable market inputs

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

NOTE 31 - FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy table as at 31 December 2019 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 2018 is as follows:

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

NOTE 32 – CASH FLOW INFORMATION

	Loans and Credit cards	**Financial leases**	**Total**
1 January 2019	**97.935.177**	**19.353.158**	**117.288.335**
Cash inflows	11.459.560	-	11.459.560
Cash outflows	(795.117)	-	(795.117)
Currency translation differences	11.112.338	-	11.112.338
Increase in lease liabilities (TFRS 16)	-	2.501.836	2.501.836
Cash outflows from lease liabilities (TFRS 16)	-	(5.353.812)	(5.353.812)
31 December 2019	**119.711.958**	**16.501.182**	**136.213.140**
Cash and cash equivalents (-)			(152.183.722)
Net debt			**(15.970.582)**

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