

**LOGO YAZILIM SANAYİ VE TİCARET A.Ş.**

**CONVENIENCE TRANSLATION INTO ENGLISH OF  
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 MARCH 2019**

**(ORIGINALLY ISSUED IN TURKISH)**

**LOGO YAZILIM SANAYİ VE TİCARET A.Ş.**

**CONVENIENCE TRANSLATION INTO ENGLISH OF  
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AS OF 31 MARCH 2019**

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

**LOGO YAZILIM SANAYİ VE TİCARET A.Ş.**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 31 MARCH 2019**

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

	Notes	31 March 2019	Audited 31 December 2018
<b>ASSETS</b>			
<b>Current asset</b>		<b>225.396.984</b>	<b>227.507.326</b>
Cash and cash equivalents	5	82.069.218	78.417.427
Financial investments	6	5.000.897	2.502.350
Trade receivables		123.367.228	137.887.595
- <i>Trade receivables from third parties</i>	9	121.763.953	136.480.630
- <i>Trade receivables from related parties</i>	29	1.603.275	1.406.965
Other receivables		1.936.774	1.583.029
- <i>Other receivables from third parties</i>	10	1.759.968	1.415.737
- <i>Other receivables from related parties</i>	29	176.806	167.292
Inventories	11	649.349	787.560
Prepaid expenses	18	7.881.779	2.048.483
Other current assets	10	4.491.739	4.280.882
<b>Non-current assets</b>		<b>359.591.284</b>	<b>335.650.875</b>
Other receivables		160.612	160.612
- <i>Other receivables from third parties</i>	10	160.612	160.612
Financial investments	6	8.133.790	7.323.214
Property, plant and equipment	12	19.947.232	20.708.350
Right of use asset	13	16.171.080	-
Intangible assets		312.343.521	301.095.882
- <i>Goodwill</i>	15	139.936.056	136.752.195
- <i>Other intangible assets</i>	14	172.407.465	164.343.687
Prepaid expenses	18	1.320.600	2.902.501
Deferred tax assets	27	1.171.417	3.172.018
Other non-current assets		343.032	288.298
<b>Total assets</b>		<b>584.988.268</b>	<b>563.158.201</b>

These condensed consolidated financial statements have been approved by Board of Directors on 7 May 2019 and signed on its behalf by Buğra Koyuncu, Chief Executive Officer and Gülnur Anlaş, Chief Financial Officer.

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

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

**LOGO YAZILIM SANAYİ VE TİCARET A.Ş.**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 31 MARCH 2019**

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

	Notes	31 March 2019	Audited 31 December 2018
<b>LIABILITIES</b>			
<b>Short-term liabilities</b>		<b>124.160.516</b>	<b>131.938.977</b>
Short-term borrowings	8	17.001.744	1.925.997
Short-term portion of long-term borrowings	8	745.429	741.292
Trade payables		25.639.736	25.500.164
- <i>Trade payables to third parties</i>	9	25.639.736	25.500.164
Employee benefit obligations	17	12.690.225	10.842.883
Other payables		4.381.553	10.795.713
- <i>Other payables to third parties</i>	10	4.381.553	10.795.713
Contract liabilities	18	58.333.947	62.213.298
Short-term provisions		2.961.113	17.515.106
- <i>Provisions for employee benefits</i>	17	2.961.113	17.515.106
Current income tax liabilities	27	1.644.047	1.959.386
Other current liabilities		762.722	445.138
<b>Long-term liabilities</b>		<b>130.349.348</b>	<b>112.645.661</b>
Long-term borrowings	8	108.243.353	96.808.339
Other payables		6.851.983	1.633.361
- <i>Other payables to third parties</i>	10	6.851.983	1.633.361
Long-term provisions		12.532.868	11.332.729
- <i>Provisions for employment termination benefits</i>	17	12.532.868	11.332.729
Deferred tax liabilities	27	2.721.144	2.871.232
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>		<b>305.880.230</b>	<b>294.204.187</b>
Paid-in share capital	19	25.000.000	25.000.000
Adjustment to share capital	19	2.991.336	2.991.336
Restricted reserves		7.196.456	7.196.456
Put option revaluation fund			
related with non-controlling interests	4	(6.236.739)	(1.018.118)
Treasury shares (-)	19	(10.054.033)	(10.054.033)
Reserves for treasury shares	19	10.054.033	10.054.033
Other comprehensive income and expense that will not be reclassified to profit or loss		(3.875.298)	(3.796.067)
- <i>Actuarial loss on employment termination benefits</i>		(3.875.298)	(3.796.067)
Other comprehensive income and expense that will be reclassified to profit or loss		37.549.123	35.382.226
- <i>Currency translation differences</i>		37.549.123	35.382.226
Retained earnings		228.448.354	160.744.977
Net profit for the period		14.806.998	67.703.377
<b>Non-controlling interests</b>		<b>24.598.174</b>	<b>24.369.376</b>
<b>Total equity</b>		<b>330.478.404</b>	<b>318.573.563</b>
<b>Total liabilities</b>		<b>584.988.268</b>	<b>563.158.201</b>

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

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

**LOGO YAZILIM SANAYİ VE TİCARET A.Ş.**

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019 AND 2018**

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

<b>PROFIT OR LOSS</b>	<b>Notes</b>	<b>1 January - 31 March 2019</b>	<b>1 January - 31 March 2018</b>
Revenue	21	81.359.489	67.378.673
Cost of sales (-)	21	(17.595.667)	(12.676.922)
<b>Gross profit</b>		<b>63.763.822</b>	<b>54.701.751</b>
General administrative expenses (-)	22	(12.888.518)	(8.968.709)
Marketing expenses (-)	22	(12.615.271)	(9.812.364)
Research and development expenses (-)	22	(22.193.340)	(18.897.132)
Other operating income	23	3.842.275	3.316.395
Other operating expenses (-)	23	(1.301.546)	(267.768)
<b>Operating profit</b>		<b>18.607.422</b>	<b>20.072.173</b>
Income from investing activities	24	581.477	6.407
Share of losses of investment under equity method	7	-	(1.456.657)
<b>Operating profit before financial income/(expenses)</b>		<b>19.188.899</b>	<b>18.621.923</b>
Financial income	25	1.537.833	780.916
Financial expenses (-)	25	(3.887.337)	(1.684.103)
<b>Income before taxes</b>		<b>16.839.395</b>	<b>17.718.736</b>
<b>Taxation on income / (expenses)</b>			
Current income tax expense	27	(380.854)	(250.368)
Deferred tax income / expense	27	(1.788.299)	335.871
<b>Profit for the period</b>		<b>14.670.242</b>	<b>17.804.239</b>
<b>Net income attributable to:</b>			
Non-controlling interests		(136.756)	-
Equity holders of the parent		14.806.998	17.804.239
		<b>14.670.242</b>	<b>17.804.239</b>
<b>Earnings per share</b>	<b>28</b>	<b>5,92</b>	<b>7,12</b>

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

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

**LOGO YAZILIM SANAYİ VE TİCARET A.Ş.**

**CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019 AND 2018**

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

<b>OTHER COMPREHENSIVE INCOME</b>	<b>Notes</b>	<b>1 January - 31 March 2019</b>	<b>1 January - 31 March 2018</b>
<b>Profit for the period</b>		<b>14.670.242</b>	<b>17.804.239</b>
<b>Other comprehensive income and expense that will be reclassified to profit or loss</b>		<b>2.532.451</b>	<b>4.427.694</b>
Currency translation differences		2.532.451	4.427.694
<b>Other comprehensive income and expense that will not be reclassified to profit or loss</b>		<b>(79.231)</b>	<b>346.411</b>
Actuarial gains/(losses) arising from employee benefits	17	(89.720)	383.967
Tax effect	27	10.489	(37.556)
<b>Other comprehensive income</b>		<b>2.453.220</b>	<b>4.774.105</b>
<b>Total comprehensive income</b>		<b>17.123.462</b>	<b>22.578.344</b>
<b>Other comprehensive income attributable to:</b>			
Non-controlling interest		228.798	-
Equity holders of the parent		16.894.664	22.578.344
		<b>17.123.462</b>	<b>22.578.344</b>

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

**LOGO YAZILIM SANAYİ VE TİCARET A.Ş.**

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019 AND 2018**

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

	Paid in share capital	Adjustments to share capital	Treasury shares	Reserves for treasury shares	Restricted reserves	Actuarial loss on employment termination benefits (*)	Currency translation adjustments (**)	Retained earnings	Net profit for the period	Put option revaluation fund related with non-controlling interests (***)	Equity attributable to equity holders of the parents	Non-controlling interests	Total equity
<b>Balances at 1 January 2018</b>	<b>25.000.000</b>	<b>2.991.336</b>	<b>(4.632.563)</b>	<b>4.632.563</b>	<b>7.196.456</b>	<b>(2.669.512)</b>	<b>12.738.172</b>	<b>112.423.275</b>	<b>50.828.565</b>	-	<b>208.508.292</b>	<b>767.175</b>	<b>209.275.467</b>
Transfer to retained earnings	-	-	-	-	-	-	-	50.828.565	(50.828.565)	-	-	-	-
Transactions with non-controlling interests	-	-	-	-	-	-	-	767.175	-	-	767.175	(767.175)	-
Net profit for the period	-	-	-	-	-	-	-	-	17.804.239	-	17.804.239	-	17.804.239
Other comprehensive income	-	-	-	-	-	346.411	4.427.694	-	-	-	4.774.105	-	4.774.105
<b>Balances at 31 March 2018</b>	<b>25.000.000</b>	<b>2.991.336</b>	<b>(4.632.563)</b>	<b>4.632.563</b>	<b>7.196.456</b>	<b>(2.323.101)</b>	<b>17.165.866</b>	<b>164.019.015</b>	<b>17.804.239</b>	-	<b>231.853.811</b>	-	<b>231.853.811</b>
<b>Balances at 1 January 2019</b>	<b>25.000.000</b>	<b>2.991.336</b>	<b>(10.054.033)</b>	<b>10.054.033</b>	<b>7.196.456</b>	<b>(3.796.067)</b>	<b>35.382.226</b>	<b>160.744.977</b>	<b>67.703.377</b>	<b>(1.018.118)</b>	<b>294.204.187</b>	<b>24.369.376</b>	<b>318.573.563</b>
Transfer 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	-	-	-	-	-	-	-	-	-	(5.218.621)	(5.218.621)	-	(5.218.621)
Net profit for the period	-	-	-	-	-	-	-	-	14.806.998	-	14.806.998	(136.756)	14.670.242
Other comprehensive income	-	-	-	-	-	(79.231)	2.166.897	-	-	-	2.087.666	365.554	2.453.220
<b>Balances at 31 March 2019</b>	<b>25.000.000</b>	<b>2.991.336</b>	<b>(10.054.033)</b>	<b>10.054.033</b>	<b>7.196.456</b>	<b>(3.875.298)</b>	<b>37.549.123</b>	<b>228.448.354</b>	<b>14.806.998</b>	<b>(6.236.739)</b>	<b>305.880.230</b>	<b>24.598.174</b>	<b>330.478.404</b>

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

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

(\*\*\*) Note 4.

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

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

**LOGO YAZILIM SANAYİ VE TİCARET A.Ş.**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS PERIODS ENDED 31 MARCH 2019 AND 2018**

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

	Notes	1 January - 31 March 2019	1 January - 31 March 2018
<b>A. Cash flow generated from operating activities</b>		<b>16.986.465</b>	<b>14.000.341</b>
Net profit for the period		14.670.242	17.804.239
<b>Adjustments to reconcile profit for the period</b>		<b>1.257.159</b>	<b>4.474.617</b>
Depreciation and amortization	12, 13,14	11.527.124	7.215.704
Provision for employment termination benefits	17	(13.101.461)	(4.631.256)
Interest expense	26	1.212.501	670.496
Interest income	25	(646.516)	(235.132)
Undistributed profits of joint ventures	7	-	1.456.657
Changes in doubtful receivable	9	528.891	(209.756)
Other adjustments to reconcile the profit or loss		(432.533)	293.407
Income tax expense	27	2.169.153	(85.503)
<b>Changes in net working capital</b>		<b>2.172.913</b>	<b>(7.106.001)</b>
Adjustments regarding changes on inventories		138.211	(45.402)
Adjustments regarding changes on trade receivables		13.421.407	7.114.852
Adjustments regarding changes on trade payables		139.572	(6.940.132)
Other current and non-current liabilities		(4.249.233)	(4.241.263)
Other current and non-current assets		(7.277.044)	(2.994.056)
<b>Net cash flow generated from operating activities</b>		<b>18.100.314</b>	<b>15.172.855</b>
Taxes paid		(696.193)	(588.849)
Employment termination benefits paid	17	(417.656)	(583.665)
Purchase of property and equipment and intangible assets	12, 14	(15.138.411)	(9.940.371)
Acquisition of subsidiary	6	(810.576)	(1.967.800)
Proceeds from sale of tangible and intangible assets		14.487	-
Contribution of increase of share capital in joint ventures		-	(500.000)
Interests received		554.284	235.132
<b>B. Cash flows generated from investing activities</b>		<b>(15.380.216)</b>	<b>(12.173.039)</b>
Repayments of borrowings	32	(1.887.418)	(2.312.130)
Proceeds from borrowings	32	6.272.656	2.279.183
Interests paid		(1.212.501)	(670.496)
Lease payments	32	(1.393.903)	-
<b>C. Cash flows from financing activities</b>		<b>1.778.834</b>	<b>(703.443)</b>
<b>Net increase in cash and cash equivalent before the effects currency translation differences (A+B+C)</b>		<b>3.385.083</b>	<b>1.123.859</b>
<b>D. Effects of currency translation differences on cash and cash equivalents.</b>		<b>266.708</b>	<b>630.161</b>
<b>E. Cash and cash equivalents at beginning of the period</b>	<b>5</b>	<b>78.417.427</b>	<b>51.633.614</b>
<b>Cash and cash equivalents at end of the period (A+B+C+D+E)</b>	<b>5</b>	<b>82.069.218</b>	<b>53.387.634</b>

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

# CONVENIENCE TRANSLATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

## LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2019

(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 March 2019 the Group has 1.157 employees (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 March 2019, main shareholders and ultimate controlling parties of Logo Yazılım are Logo Teknoloji ve Yatırım A.Ş. and Mediterra Capital Partners LLP. They jointly control the Company. The partnership structure of the Company is explained in Note 19.

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

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

(\*) Note 4.

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

# CONVENIENCE TRANSLATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

## LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2019

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

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#### 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 Financial Reporting Standards (“TFRS”) 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.

The Group prepared its condensed consolidated interim financial statements for the period ended 31 March 2019 in accordance with the TAS 34, “Interim Financial Reporting”. Interim condensed consolidated financial statements of the Group do not include all the information and disclosures required in the annual financial statements, therefore should be read in conjunction with the Group’s annual consolidated financial statements as of 31 December 2018.

###### 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. Foreign currency differences arising from the translation are included in the “currency translation difference” under the shareholders’ equity.

###### 2.1.3 Basis of consolidation

The consolidated financial statements prepared in accordance with the principles of consolidated financial statements for the year ended 31 March 2019 include the accounts for Logo Yazılım and its subsidiaries.

The table below sets out the subsidiaries of Logo Yazılım and ownership interests held by the Company at 31 March 2019 and 2018:

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

**LOGO YAZILIM SANAYİ VE TİCARET A.Ş.**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2019**

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

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

**2.1.3 Basis of consolidation (Continued)**

<b>Subsidiaries</b>	<b>31 March 2019 (%)</b>	<b>31 December 2018 (%)</b>
Total Soft	80,00	100,00
e-Logo	100,00	100,00
Logo GmbH	100,00	100,00
Logo Kobi	100,00	100,00
ABS	100,00	-
ABS (FS)	100,00	-
<b>Joint Venture</b>	<b>31 March 2019 (%)</b>	<b>31 December 2018 (%)</b>
Logo Infosoft	50,00	66,66

*Subsidiaries*

Consolidated financial statements comprise the accounts of the Company and its subsidiaries that are prepared consistent with principles stated in consolidated financial statements belong to year end at 31 March 2019:

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

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

*Joint venture*

Joint venture is a joint initiative in which, the sides who have joint control in an arrangement, have rights related to net assets in this common arrangement. Joint control is the sharing of the control over an economic activity depends on the agreement. This control is supposed to exist if the decisions about the related activity can only be made by the unanimous vote of the sides who share the control. The investments on joint ventures is recognized with using equity method as of the time after the investee turn into subsidiary or joint venture.

# CONVENIENCE TRANSLATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

## LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2019

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

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

##### 2.1.4 Presentation and functional currency

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

Functional currency of Total Soft and Logo Investment is Romanian Ley (“RON”). 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 condensed consolidated financial statements including the accounts of the parent company and its subsidiary have been prepared assuming that the Group will continue as a going concern on the basis that the entity will be able to realize its assets and discharge its liabilities in the normal course of business.

##### 2.3 Amendments to TFRS

###### a. Standards, amendments and interpretations applicable as at 31 March 2019:

*TFRS 9 Financial instruments – Amendments*  
*TAS 28 Investments in associates and joint venture*  
*TFRS 16 Leases*  
*IFRIC 23 Uncertainty over income tax treatments*

*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.

# CONVENIENCE TRANSLATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

## LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2019

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

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

##### 2.3 Amendments to TFRS (Continued)

TAS 19, ‘Employee benefits’ on plan amendment, curtailment or settlement’; effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

##### b. Standards, amendments and interpretations that are issued but not effective as at 31 March 2019

Amendments to TAS 1 and TAS 8 on the definition of material.

Amendments to TFRS 3 - definition of a business.

Amendments to TFRS17, “ Insurance Contracts”

##### 2.4 Restatement and errors in the accounting policies and estimates

Any change in the accounting policies resulted from the first time adoption of a new standard is made either retrospectively or prospectively in accordance with the transition requirements. Changes without any transition requirement, material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements. If changes in accounting estimates are related to only one period, they are recognised in the period when changes are applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively. The Group has adopted TFRS 16 “Leases” as at 1 January 2019 for the first time, in line with the transition provisions of the standard. Impacts of the first time adoption of TFRS 16 on the condensed interim consolidated financial statements of the Group are as below:

##### **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.

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

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

##### 2.4 Restatement and errors in the accounting policies and estimates (Continued)

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.

##### **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 T

The Group applies TMS16 “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 TMS 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, including in-substance 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.

# CONVENIENCE TRANSLATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

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### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2019

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

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

##### 2.4 Restatement and errors in the accounting policies and estimates (Continued)

###### Exemptions and simplifications

Short-term lease payments and payments for leases of low-value assets like IT equipments (mainly printers, laptops and mobile phones etc.) are not included in the measurement of the lease liabilities in the scope of TFRS 16. Lease payments of these contracts are continued to be recognised in profit or loss in the related period.

The Group applied a single discount rate to a portfolio of leases which have similar characteristics (asset classes which have similar remaining rent periods in a similar economic environment).

##### 2.5 Summary of Significant Accounting Policies

The interim condensed consolidated financial statements for the three months period ended 31 March 2019 have been prepared in accordance with TAS 34. The significant accounting policies used in preparing the condensed interim consolidated financial statements for the three months period ended 31 March 2019 are consistent with the accounting policies disclosed in the consolidated financial statements as of 31 December 2018. Accordingly, the condensed consolidated interim financial statements should be evaluated with the consolidated financial statements for the year ended 31 December 2018. The Group has disclosed its accounting policies for the first time in Note 2.4.

##### 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

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### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2019

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

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

##### 2.6 Significant accounting estimates and assumptions (Continued)

###### *Revenue recognition*

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

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

###### *Cost of sales*

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

###### *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 condensed consolidated financial statements of the Group include comparative financial information to enable the determination of the financial position and performance. The condensed consolidated balance sheet of the Group at 31 March 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 March 2019 have been provided with the comparative financial information, for the period ended 31 March 2019.

In order to comply with the presentation of consolidated interim financial statements the current period when deemed necessary, comparative information is reclassified, and material differences are presented.

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

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2019**

(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).

<b>31 March 2019</b>	<b>Turkey</b>	<b>Romania</b>	<b>Segmental eliminations</b>	<b>Consolidated</b>
Reportable segment assets	406.259.289	178.877.009	(148.030)	584.988.268
Reportable segment liabilities	95.697.159	158.960.735	(148.030)	254.509.864
Goodwill	111.257.921	28.678.135	-	139.936.056
Property and equipment and intangible assets	117.627.761	90.898.016	-	208.525.777

<b>31 March 2019</b>	<b>Turkey</b>	<b>Romania</b>	<b>Segmental eliminations</b>	<b>Consolidated</b>
Revenue	48.289.632	33.069.857	-	81.359.489
Cost of sales	(833.438)	(16.762.229)	-	(17.595.667)
Operating expense	(33.655.967)	(14.041.162)	-	(47.697.129)
Other operating income	3.542.552	299.723	-	3.842.275
Other operating expenses	(654.355)	(647.191)	-	(1.301.546)
Financial income	1.404.087	133.746	-	1.537.833
Financial expense	(1.061.194)	(2.826.143)	-	(3.887.337)
Depreciation and amortization	(7.619.529)	(3.907.595)	-	(11.527.124)
Tax expense	(2.258.768)	89.615	-	(2.169.153)
Profit for the period	15.354.026	(683.784)	-	14.670.242
Adjusted EBITDA	21.419.756	6.174.061	-	27.593.817
Purchase of property and equipment and intangible assets	21.332.939	11.489.179	-	32.822.118

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

<b>31 March 2019</b>	<b>Consolidated</b>
Adjusted EBITDA	27.593.817
Depreciation and amortization	(11.527.124)
Income from investing activities	581.477
Other income from operating activities	3.842.275
Other expense from operating activities	(1.301.546)
Financial income	1.537.833
Financial expense	(3.887.337)
<b>Profit before tax</b>	<b>16.839.395</b>

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

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2019**

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

**NOTE 3 - SEGMENT REPORTING (Continued)**

<b>31 March 2018</b>	<b>Turkey</b>	<b>Romania</b>	<b>Segmental eliminations</b>	<b>Consolidated</b>
Reportable segment assets	313.335.846	83.716.264	(5.899.808)	391.152.302
Reportable segment liabilities	64.963.553	100.234.746	(5.899.808)	159.298.491
Goodwill	89.230.787	-	-	89.230.787
Property and equipment and intangible assets	89.009.251	43.740.229	-	132.749.480

<b>31 March 2018</b>	<b>Turkey</b>	<b>Romania</b>	<b>Segmental eliminations</b>	<b>Consolidated</b>
Revenue	45.977.291	21.401.382	-	67.378.673
Cost of sales	(836.366)	(11.840.556)	-	(12.676.922)
Operating expense	(28.245.395)	(9.432.810)	-	(37.678.205)
Financial income	680.570	100.346	-	780.916
Financial expense	(790.867)	(893.236)	-	(1.684.103)
Depreciation and amortization	(5.295.095)	(1.920.609)	-	(7.215.704)
Investment under accounted equity income / (loss)	(1.456.657)	-	-	(1.456.657)
Tax expense	(71.052)	156.555	-	85.503
Profit for the period	17.389.335	414.904	-	17.804.239
Adjusted EBITDA	22.190.625	2.048.625	-	24.239.250
Purchase of property and equipment and intangible assets	7.272.861	2.667.510	-	9.940.371

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

<b>31 March 2018</b>	<b>Consolidated</b>
Adjusted EBITDA	24.239.250
Depreciation and amortization	(7.215.704)
Income from investing activities	6.407
Investment under accounted equity income / (loss)	(1.456.657)
Other income from operating activities	3.316.395
Other expense from operating activities	(267.768)
Financial income	780.916
Financial expense	(1.684.103)
<b>Profit before tax</b>	<b>17.718.736</b>

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#### NOTE 4 - BUSINESS COMBINATION

##### Acquisition of ABS and ABS FS

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

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

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

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

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 March 31 2019, the Company has accounted for the liability for a put option amounting to TRY 6.236.739 in the long-term liabilities account as a result of the sales option given in the consolidated financial statements.

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2019**

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

**NOTE 5 - CASH AND CASH EQUIVALENTS**

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

	<b>31 March 2019</b>	<b>31 December 2018</b>
Cash	51.333	36.477
Banks		
- Demand deposits - TRY	1.622.070	661.540
- Demand deposits - foreign currency	10.520.524	6.197.342
- Time deposits - TRY	15.755.863	19.029.482
- Time deposits - foreign currency	10.515.166	9.340.088
Credit card slip receivables	43.169.225	41.791.108
Cheques received	378.682	260.274
Restricted cash (*)	56.355	1.101.116
	<b>82.069.218</b>	<b>78.417.427</b>

(\*) 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 March 2019, the weighted average effective annual interest rates of TRY denominated time deposits are between 13,00% and 20,50%. (31 December 2018: 13,75% and 25,70%) As of 31 March 2019 the weighted average effective annual interest rates of USD time deposits are between 2,50% and 3,50% and EUR time deposits are between 1,00% and 1,50%.

**NOTE 6 - FINANCIAL ASSETS**

*Long term financial assets which is accounted by it's fair value:*

The analysis of financial investments at fair value through profit and loss at 31 March 2019 and 2018 is as follows:

	<b>31 March 2019</b>	<b>31 December 2018</b>
Long term other financial investment	6.553.137	5.742.561

*Available-for-sale equity securities:*

The analysis of financial assets at fair value through profit and loss at 31 March 2019 and 2018 is as follows:

	<b>31 March 2019</b>	<b>31 December 2018</b>
Mutual funds		
- Liquid funds	5.000.897	2.502.350

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

**NOTE 6 - FINANCIAL ASSETS (Devamı)**

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

	<b>31 March 2019</b>		<b>31 December 2018</b>	
	<b>Share (%)</b>	<b>Carrying amount</b>	<b>Share (%)</b>	<b>Carrying amount</b>
Logo Ventures Girişim Sermayesi Yatırım Fonu (“Logo Ventures”)	20,00	1.450.000	20,00	1.450.000
İnterpro Yayıncılık Araştırma ve Organizasyon Hizmetleri A.Ş. (“İnterpro”)	2,00	80.653	2,00	80.653
Dokuz Eylül Teknoloji Geliştirme Bölgesi A.Ş. (“Dokuz Eylül”)	0,67	50.000	0,67	50.000
		<b>1.580.653</b>		<b>1.580.653</b>

Logo Ventures, İnterpro and Dokuz Eylül are assessed as available-for-sale financial asset as of 31 March 2019 and 2018. Since they do not have any quoted market price in an active market, their fair value cannot be measured reliably. Their costs are not material to the consolidated financial statements, therefore they have been carried at cost.

**NOTE 7 - INVESTMENT UNDER EQUITY METHOD**

Movement of investments under equity method within the period is as follows:

	<b>2019</b>	<b>2018</b>
<b>As of 1 January</b>	-	<b>558.663</b>
Participation in capital increase of joint venture	-	2.510.550
Share of profits/(losses)	-	(1.456.657)
<b>As of 31 March</b>	-	<b>1.612.556</b>

*Summary of balance sheet*

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

<b>Logo Infosoft</b>	<b>31 March 2019</b>	<b>31 December 2018</b>
Cash and cash equivalents	261.025	494.318
Other current assets	2.479.904	2.173.129
Other non-current assets	1.774.422	1.832.886
<b>Total assets</b>	<b>4.515.351</b>	<b>4.500.333</b>
Other short-term liabilities	4.357.158	3.722.651
<b>Total liabilities</b>	<b>4.357.158</b>	<b>3.722.651</b>
<b>Net assets</b>	<b>158.193</b>	<b>777.682</b>

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

**NOTE 7 - INVESTMENT UNDER EQUITY METHOD (Continued)**

*Summary income statement information*

<b>Logo Infosoft</b>	<b>31 March 2019</b>	<b>31 March 2018</b>
Income	140.680	186.742
Expenses (-)	(2.259.867)	(2.194.065)
<b>Net loss for the period</b>	<b>(2.119.187)</b>	<b>(2.007.323)</b>
Interest ratio of the Group	%50,00	%57,14
Group's share (*)	(1.059.594)	(1.146.984)
<b>Share of losses of investment under equity method</b>	<b>-</b>	<b>(1.456.657)</b>

(\*) Logo Infosoft's portion of the Group's share of loss amounting to TRY1.059.594 has not been accounted because Logo Infosoft's carrying amount has been zero.

**NOTE 8 - BORROWINGS**

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

<b>Short-term bank borrowings:</b>	<b>31 March 2019</b>	<b>31 December 2018</b>
Short-term bank borrowings	7.525.855	1.788.145
Credit card payables	234.699	137.852
Financial leases	9.241.190	-
	<b>17.001.744</b>	<b>1.925.997</b>
<b>Short-term portion of long-term bank borrowings:</b>		
Financial leases	745.429	741.292
	<b>745.429</b>	<b>741.292</b>
<b>Total short-term bank borrowings</b>	<b>17.747.173</b>	<b>2.667.289</b>
<b>Long-term bank borrowings:</b>	<b>31 March 2019</b>	<b>31 December 2018</b>
Long-term bank borrowings	100.529.372	96.009.180
Financial leases	7.713.981	799.159
<b>Total long-term bank borrowings</b>	<b>108.243.353</b>	<b>96.808.339</b>

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**NOTE 8 – BORROWINGS (Continued)**

				<b>31 March 2019</b>		
		<b>Weighted average annual interest rate (%)</b>	<b>Original amount</b>	<b>TRY equivalent</b>		
<b>Short-term bank borrowings:</b>						
Bank borrowings - RON - unsecured	-		5.704.863	7.525.855		
Credit cards- TRY	-		234.699	234.699		
Financial leases- Euro	-		1.270.932	8.030.762		
Financial leases- TRY	-		1.210.428	1.210.428		
				<b>17.001.744</b>		
<b>Short-term portion of long-term bank borrowings:</b>						
Financial leases - Euro	-		117.970	745.429		
				<b>745.429</b>		
<b>Long-term bank borrowings:</b>						
Bank borrowings - Euro - secured	Euribor+%2.50-%2.95		15.909.567	100.529.372		
Financial leases- Euro	-		437.015	2.761.412		
Financial leases- TRY	-		4.952.569	4.952.569		
				<b>108.243.353</b>		
<b>Total borrowings</b>				<b>125.990.526</b>		
				<b>31 December 2018</b>		
		<b>Weighted average annual interest rate (%)</b>	<b>Original amount</b>	<b>TRY equivalent</b>		
<b>Short-term bank borrowings:</b>						
Bank borrowings - RON - unsecured	-		1.788.145	1.788.145		
Credit cards- TRY	-		137.852	137.852		
				<b>1.925.997</b>		
<b>Short-term portion of long-term bank borrowings:</b>						
Financial leases - Euro	-		122.975	741.292		
				<b>741.292</b>		
<b>Long-term bank borrowings:</b>						
Bank borrowings - Euro - secured	Euribor+%2.50-%2.95		15.927.203	96.009.180		
Financial leases- Euro	-		132.574	799.159		
				<b>96.808.339</b>		
<b>Total borrowings</b>				<b>99.475.628</b>		

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**NOTE 8 - BORROWINGS (Continued)**

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

	<b>31 March 2019</b>	<b>31 December 2018</b>
To be paid within 1-2 years	13.874.198	9.830.270
To be paid within 2-5 years	38.340.379	34.443.045
To be paid over 5 years	56.028.776	52.535.024
	<b>108.243.353</b>	<b>96.808.339</b>

	<u>Net book value</u>		<u>Fair value</u>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Borrowings	108.055.227	97.797.325	124.477.193	113.480.897
	<b>108.055.227</b>	<b>97.797.325</b>	<b>124.477.193</b>	<b>113.480.897</b>

Interest rate and currency risk of the Group are explained in Note 30.

**NOTE 9 - TRADE RECEIVABLES AND PAYABLES**

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

<b>Short-term trade receivables:</b>	<b>31 March 2019</b>	<b>31 December 2018</b>
Trade receivables	111.423.800	116.448.525
Credit card receivables	39.101.030	46.264.280
Cheques and notes receivables	4.227.270	7.738.534
Less: provision for doubtful receivables	(27.233.022)	(26.134.062)
Less: unearned finance income arising from credit sales	(5.755.125)	(7.836.647)
	<b>121.763.953</b>	<b>136.480.630</b>

As of 31 March 2019, the average turnover of the trade receivables is 121 days (31 December 2018: 123 days), excluding the credit card receivables, the turnover day is 79 days (31 December 2018: 78 days), The discount rate applied to the unmatured receivables is 24.79% (31 December 2018: 23.48%)

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**NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)**

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

	<b>31 March 2019</b>	<b>31 March 2018</b>
<b>As of 1 January</b>	<b>26.134.062</b>	<b>21.628.975</b>
Provisions for the period	690.607	-
Releases	(161.716)	(209.756)
Foreign currency translation difference	570.069	1.077.344
	<b>27.233.022</b>	<b>22.496.563</b>
<b>Trade payables to third parties:</b>	<b>31 March 2019</b>	<b>31 December 2018</b>
Trade payables	25.639.736	25.500.164

As of 31 March 2019, the average debt payment period is 86 days (31 December 2018: 80 days).

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**NOTE 10 - OTHER RECEIVABLES, PAYABLES AND OTHER ASSETS**

**Short-term other receivables from third parties:**

	<b>31 March 2019</b>	<b>31 December 2018</b>
Income accruals	1.752.053	1.407.822
Deposits and guarantees given	7.915	7.915
	<b>1.759.968</b>	<b>1.415.737</b>

**Long-term other receivables from third parties:**

	<b>31 March 2019</b>	<b>31 December 2018</b>
Long-term other receivables	160.612	160.612

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

	<b>31 March 2019</b>	<b>31 December 2018</b>
Taxes payable	4.381.553	10.360.105
Other	-	435.608
	<b>4.381.553</b>	<b>10.795.713</b>

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

	<b>31 March 2019</b>	<b>31 December 2018</b>
Other payables	6.851.983	1.633.361
	<b>6.851.983</b>	<b>1.633.361</b>

**Other current assets:**

	<b>31 March 2019</b>	<b>31 December 2018</b>
Personnel advances	1.605.903	1.481.654
Prepaid taxes	1.539.110	2.081.115
Other	1.346.726	718.113
	<b>4.491.739</b>	<b>4.280.882</b>

**NOTE 11 - INVENTORIES**

	<b>31 March 2019</b>	<b>31 December 2018</b>
Trade goods	593.437	772.724
Raw materials and equipment	55.912	14.726
Other	-	110
	<b>649.349</b>	<b>787.560</b>

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**NOTE 12 - PROPERTY, PLANT AND EQUIPMENT**

	1 January 2019	Additions	Disposals	Currency translation differences	31 March 2019	
<b>Costs:</b>						
Machinery, plant and equipment	12.943.767	238.321	(2.794.992)	53.574	10.440.670	
Motor vehicles	3.404.357	-	(46.358)	79.768	3.437.767	
Furniture and fixtures	5.915.932	116.331	(22.194)	19.701	6.029.770	
Leasehold improvements	24.194.629	183.377	-	25.555	24.403.561	
	<b>46.458.685</b>	<b>538.029</b>	<b>(2.863.544)</b>	<b>178.598</b>	<b>44.311.768</b>	
<b>Accumulated depreciation:</b>						
Machinery, plant and equipment	9.971.579	531.929	(2.794.992)	92.822	7.801.338	
Motor vehicles	2.086.528	285.717	(31.871)	63.257	2.403.631	
Furniture and fixtures	4.433.912	101.034	(22.194)	11.777	4.524.529	
Leasehold improvements	9.258.316	347.560	-	29.162	9.635.038	
	<b>25.750.335</b>	<b>1.266.240</b>	<b>(2.849.057)</b>	<b>197.018</b>	<b>24.364.536</b>	
<b>Net book value</b>	<b>20.708.350</b>				<b>19.947.232</b>	
	1 January 2018	Additions	Disposals	Currency translation differences	Disposals of subsidiary	31 March 2018
<b>Costs:</b>						
Machinery, plant and equipment	9.081.537	69.355	(3.590)	116.576	(168.063)	9.095.815
Motor vehicles	2.237.291	-	-	180.586	-	2.417.877
Furniture and fixtures	5.510.453	121.418	-	29.292	(230.945)	5.430.218
Leasehold improvements	22.606.581	150.302	-	16.749	(295.937)	22.477.695
	<b>39.435.862</b>	<b>341.075</b>	<b>(3.590)</b>	<b>343.203</b>	<b>(694.945)</b>	<b>39.421.605</b>
<b>Accumulated depreciation:</b>						
Machinery, plant and equipment	6.914.609	282.307	(3.590)	45.843	(6.600)	7.232.569
Motor vehicles	605.486	241.260	-	53.184	-	899.930
Furniture and fixtures	3.911.284	92.022	-	13.403	(9.516)	4.007.193
Leasehold improvements	8.062.778	262.628	-	8.515	(11.622)	8.322.299
	<b>19.494.157</b>	<b>878.217</b>	<b>(3.590)</b>	<b>120.945</b>	<b>(27.738)</b>	<b>20.461.991</b>
<b>Net book value</b>	<b>19.941.705</b>					<b>18.959.614</b>

The Group constructed its headquarter building on the land which has been leased from Gebze Organize Sanayi Bolgesi for a lease period of 49 years. The cost of this building is accounted under leasehold improvements. The Group has an obligation to pay TRY478.630 till 1 year, TRY1.914.519 between 1-5 years and TRY7.196.567 more than 5 years for relevant land (31 March 2018: TRY371.655 till 1 year, TRY1.486.619 between 1-5 years, TRY6.880.954 more than 5 years).

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**NOTE 13 – RIGHT OF USE ASSETS**

	<b>1 January 2019</b>	<b>Additions</b>	<b>Disposals</b>	<b>Currency translation differences</b>	<b>31 March 2019</b>
<b>Costs:</b>					
Motor vehicles	-	8.511.863	-	48.034	8.559.897
Office rent	-	9.171.844	(56.063)	246.900	9.362.681
	-	<b>17.683.707</b>	<b>(56.063)</b>	<b>294.934</b>	<b>17.922.578</b>
<b>Accumulated depreciation:</b>					
Motor vehicles	-	775.242	-	-	775.242
Office rent	-	976.256	-	-	976.256
	-	<b>1.751.498</b>	-	-	<b>1.751.498</b>
<b>Net book value</b>	-				<b>16.171.080</b>

**NOTE 14 - INTANGIBLE ASSETS**

	<b>1 January 2019</b>	<b>Additions</b>	<b>Disposals</b>	<b>Currency translation differences</b>	<b>31 March 2019</b>
<b>Costs:</b>					
Development costs	218.928.412	13.744.541	-	1.434.596	234.107.549
Advanced technology	16.508.818	-	-	86.054	16.594.872
Customer relations	46.047.973	-	-	864.186	46.912.159
Non-compete agreement	2.747.778	-	-	-	2.747.778
Other intangible assets	10.804.144	855.841	-	69.193	11.729.178
	<b>295.037.125</b>	<b>14.600.382</b>	-	<b>2.454.029</b>	<b>312.091.536</b>
<b>Accumulated depreciation:</b>					
Development costs	101.458.113	6.871.910	-	290.446	108.620.469
Advanced technology	8.732.316	440.614	-	52.454	9.225.384
Customer relations	9.660.770	977.146	-	79.217	10.717.133
Non-compete agreement	2.747.778	-	-	-	2.747.778
Other intangible assets	8.094.461	219.716	-	59.130	8.373.307
	<b>130.693.438</b>	<b>8.509.386</b>	-	<b>481.247</b>	<b>139.684.071</b>
<b>Net book value</b>	<b>164.343.687</b>				<b>172.407.465</b>

Whole additions to development costs for the period ended 31 March 2019 consists of capitalised personnel costs.

TRY9.240.185 (31 March 2018: TRY7.103.208) of the current period's depreciation and amortization expenses has been allocated to research and development expenses, TRY440.849 (31 March 2018: TRY97.123) has been allocated to marketing expenses, TRY1.686.879 (31 March 2018: TRY15.373) has been allocated to general administrative expenses and TRY159.211 has been allocated to cost of sales (Note 22).

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**NOTE 14 - INTANGIBLE ASSETS (Continued)**

	1 January 2018	Additions	Disposals of subsidiary	Currency translation differences	31 March 2018
<b>Costs:</b>					
Development costs	161.201.959	9.351.329	(1.040.579)	2.535.145	172.047.854
Advanced technology	15.656.562	-	-	199.193	15.855.755
Customer relations	19.482.447	-	-	605.274	20.087.721
Non-compete agreement	2.747.778	-	-	-	2.747.778
Other intangible assets	7.668.671	247.967	(62.260)	21.773	7.876.151
	<b>206.757.417</b>	<b>9.599.296</b>	<b>(1.102.839)</b>	<b>3.361.385</b>	<b>218.615.259</b>
<b>Accumulated depreciation:</b>					
Development costs	76.520.130	5.176.827	(110.077)	276.640	81.863.520
Advanced technology	6.452.820	472.183	-	67.273	6.992.276
Customer relations	6.988.578	528.875	-	85.724	7.603.177
Non-compete agreement	2.692.889	25.714	-	-	2.718.603
Other intangible assets	5.500.790	133.888	-	13.139	5.647.817
	<b>98.155.207</b>	<b>6.337.487</b>	<b>(110.077)</b>	<b>442.776</b>	<b>104.825.393</b>
<b>Net book value</b>	<b>108.602.210</b>				<b>113.789.866</b>

**NOTE 15 - GOODWILL**

	31 March 2019	31 December 2018
Total Soft	103.779.269	101.214.681
Total Soft (ABS)	28.678.135	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
	<b>139.936.056</b>	<b>136.752.195</b>

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**NOTE 15 - GOODWILL (Continued)**

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

	<b>2019</b>	<b>2018</b>
<b>As of 1 January</b>	<b>136.752.195</b>	<b>83.294.475</b>
Currency translation difference	3.183.861	5.936.312
	<b>139.936.056</b>	<b>89.230.787</b>

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

***Goodwill impairment test - Total Soft and ABS***

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

For the purpose of goodwill impairment testing, the six years business projections of Total Soft and ABS prepared by the management between 1 January 2019 and 31 December 2024. 14% 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 long-term inflation rate announced by the Central Bank of Romania.

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

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

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

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

***Long term growth rate***

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

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**NOTE 15 - GOODWILL (Continued)**

*Discount rate*

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

*Goodwill impairment test - Netsis*

The impairment test of goodwill related with Netsis acquisition has been performed using the cash flows for the year ended 31 March 2019 and current book value. As of 31 March 2019, it is noted that the current cash flows of the cash generating unit exceeds its book value by 157%. Management does not expect any negative cash flows from Netsis in the foreseeable future.

**NOTE 16 - COMMITMENTS AND CONTINGENT LIABILITIES**

**Guarantees received:**

	Original currency	31 March 2019		31 December 2018	
		Original amount	TRY equivalent	Original amount	TRY equivalent
Guarantee notes	TRY	208.324	208.324	247.724	247.724
Mortgages	TRY	360.000	360.000	360.000	360.000
			<b>568.324</b>		<b>607.724</b>

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**NOTE 16 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)**

As of 31 March 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 March 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	-	251.392	-	758.517	-	234.978	-	-
	1.181.997							
B. Total amount of Guarantees provided on behalf of the associates accounted under full consolidation method (*)	112.375.864	-	40.948	-	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	-	-	-	-	-	-	-	-
	<b>112.375.864</b>	<b>251.392</b>	<b>40.948</b>	<b>758.517</b>	<b>107.348.145</b>	<b>234.978</b>	<b>48.117</b>	<b>1.181.997</b>

(\*) Note 8.

The lawsuits filed against the Group in the past is amounting to TRY4.478.758. The Group’s management does not expect any cash outflows regarding these lawsuits therefore, no provisions have been accounted in the consolidated financial statements.

**NOTE 17 - EMPLOYEE BENEFITS**

<b>Short - term payables for employee benefits:</b>	<b>31 March 2019</b>	<b>31 December 2018</b>
Taxes, funds and social security payables	7.708.346	5.340.132
Due to personnel	4.981.879	5.502.751
	<b>12.690.225</b>	<b>10.842.883</b>
<b>Short - term provisions for employment benefits:</b>	<b>31 March 2019</b>	<b>31 December 2018</b>
Provision for employment benefits	2.961.113	17.515.106
<b>Long - term provisions for employment benefits:</b>	<b>31 March 2019</b>	<b>31 December 2018</b>
Provision for unused vacation liability	6.326.468	5.323.122
Provision for employment termination benefits	6.206.400	6.009.607
	<b>12.532.868</b>	<b>11.332.729</b>

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**NOTE 17 - EMPLOYEE BENEFITS (Continued)**

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

	<b>2019</b>	<b>2018</b>
<b>As of 1 January</b>	<b>5.323.122</b>	<b>3.956.857</b>
Increase for the period	927.803	532.751
Currency translation difference	75.543	151.328
<b>As of 31 March</b>	<b>6.326.468</b>	<b>4.640.936</b>

Under the Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). The amount payable consists of one month's salary limited to a maximum of TRY6.017,60 for each year of service (31 March 2018: TRY5.001,76).

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

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

**31 March 2019 31 December 2018**

Discount rate (%)	5,65	5,65
Turnover rate to estimate the probability of retirement (%)	93,50	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 TRY6.017,60 which is effective from 1 January 2019 (1 January 2018: TRY5.001,76) has been taken into consideration in the calculations.

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

	<b>2019</b>	<b>2018</b>
<b>As of 1 January</b>	<b>6.009.607</b>	<b>4.341.706</b>
Service cost	272.548	415.373
Actuarial gains/(losses)	89.720	(383.967)
Interest cost	252.181	480.438
Payments	(417.656)	(583.665)
<b>As of 31 March</b>	<b>6.206.400</b>	<b>4.269.885</b>

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**NOTE 18 - PREPAID EXPENSES AND DEFERRED REVENUE**

<b>Short - term prepaid expenses:</b>	<b>31 March 2019</b>	<b>31 December 2018</b>
Prepaid expenses	7.881.779	2.048.483
	<b>7.881.779</b>	<b>2.048.483</b>
<b>Long - term prepaid expenses:</b>	<b>31 March 2019</b>	<b>31 December 2018</b>
Advances given	1.320.600	2.902.501
	<b>1.320.600</b>	<b>2.902.501</b>
<b>Short - term deferred revenues:</b>	<b>31 March 2019</b>	<b>31 December 2018</b>
Deferred revenue	54.704.419	58.665.117
Advances received	3.629.528	3.548.181
	<b>58.333.947</b>	<b>62.213.298</b>

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

The details of deferred revenues at 31 March 2019 and 31 December 2018 as follows:

	<b>31 March 2019</b>	<b>31 December 2018</b>
LEM sales	33.473.776	39.102.529
Pay as you go sales	9.332.585	12.519.888
After-sales services revenue	6.762.637	1.642.617
Deferred revenue from continuing projects	5.135.421	5.400.083
	<b>54.704.419</b>	<b>58.665.117</b>

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**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 March 2019 and 31 December 2018 are as follows:

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

(\*) Consist of Group A preferred shares Mediterra Capital Partners I. LP owns.

The shares representing capital are categorized as group A and B. There are privileges given to group A shares such as election of minimum of more than half of the members of the Board of Directors of the parent, chairman of the Board of Directors .Adjustment to share capital represents the restatement effect of cash contributions to share capital.

**Treasury shares**

As of 31 March 2019 the amount of treasure shares which is accounted in Group's equity is TRY10.054.033 (31 December 2018: TRY10.054.033)

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:

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

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**NOTE 19 - EQUITY (Continued)**

<b>Year</b>	<b>Number of share</b>	<b>Sales amount</b>	<b>Purchase amount</b>
2013	1.297.500	6.487.500	5.964.587
<b>Total sales</b>	<b>1.297.500</b>	<b>6.487.500</b>	<b>5.964.587</b>

The difference between purchase amounts and sales amounts amounting to TRY522.913 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 instalments in line with CMB regulations.

**NOTE 20 - EXPENSES BY NATURE**

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

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**NOTE 21 - SALES AND COST OF SALES**

	<b>31 March 2019</b>	<b>31 March 2018</b>
Revenue	52.591.104	48.141.501
Service revenue	28.461.438	18.605.663
SaaS service revenue	1.581.352	2.127.447
Sales returns	(665.413)	(918.216)
Sales discounts	(608.992)	(577.722)
<b>Net sales</b>	<b>81.359.489</b>	<b>67.378.673</b>
Cost of sales	(17.595.667)	(12.676.922)
<b>Gross profit</b>	<b>63.763.822</b>	<b>54.701.751</b>
<b>Cost of sales</b>		
	<b>31 March 2019</b>	<b>31 March 2018</b>
Cost of services	16.762.229	11.840.556
Cost of transfer of financial rights	805.976	785.243
Cost of trade goods sold	27.462	51.123
<b>Cost of sales</b>	<b>17.595.667</b>	<b>12.676.922</b>

**NOTE 22 - MARKETING, SELLING AND DISTRIBUTION EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES, GENERAL ADMINISTRATIVE EXPENSES**

**Research and development expenses:**

	<b>31 March 2019</b>	<b>31 March 2018</b>
Personnel	9.486.566	8.533.613
Depreciation and amortization	9.240.185	7.103.208
Outsourced benefits and services	994.248	402.805
Consultancy	433.122	546.169
Motor vehicle	368.502	684.371
Travel	197.404	231.870
Rent	113.713	343.971
Other	1.359.600	1.051.125
	<b>22.193.340</b>	<b>18.897.132</b>

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**NOTE 22 - MARKETING, SELLING AND DISTRIBUTION EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES, GENERAL ADMINISTRATIVE EXPENSES (Continued)**

**Marketing, selling and distribution expenses:**

	<b>31 March 2019</b>	<b>31 March 2018</b>
Personnel	6.466.144	4.463.071
Advertising and selling	3.380.716	3.425.588
Outsourced benefits and services	602.103	308.539
Consultancy	600.817	620.976
Depreciation and amortization	440.849	97.123
Motor vehicle	290.284	407.568
Travel	273.295	152.482
Rent	255.713	144.435
Other	305.350	192.582
	<b>12.615.271</b>	<b>9.812.364</b>

**General administrative expenses:**

	<b>31 March 2019</b>	<b>31 March 2018</b>
Personnel	8.516.022	5.312.180
Depreciation and amortization	1.686.879	15.373
Consultancy	1.312.203	2.452.629
Motor vehicle	178.627	273.827
Outsourced benefits and services	151.709	85.577
Travel	146.196	97.169
Rent	13.116	109.583
Other	883.766	622.371
	<b>12.888.518</b>	<b>8.968.709</b>

**NOTE 23 - OTHER OPERATING INCOME/EXPENSES**

**Other operating income**

	<b>31 March 2019</b>	<b>31 March 2018</b>
Rediscount income	2.494.481	578.332
Foreign exchange gains (*)	294.684	554.051
Overdue interest income	117.028	566.423
Other	936.082	1.617.589
	<b>3.842.275</b>	<b>3.316.395</b>

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

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**NOTE 23 - OTHER OPERATING INCOME/EXPENSES (Continued)**

**Other operating expenses**

	<b>31 March 2019</b>	<b>31 March 2018</b>
Provision expense	598.644	-
Rediscount expenses	412.958	154.678
Foreign exchange losses (*)	91.809	60.473
Other	198.135	52.617
	<b>1.301.546</b>	<b>267.768</b>

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

**NOTE 24 - INCOME FROM INVESTING ACTIVITIES**

	<b>31 March 2019</b>	<b>31 March 2019</b>
Gain on sale of financial instruments	581.477	6.407
	<b>581.477</b>	<b>6.407</b>

**NOTE 25 - FINANCIAL INCOME**

	<b>31 March 2019</b>	<b>31 March 2019</b>
Foreign exchange gains	891.317	545.784
Interest income	646.516	235.132
	<b>1.537.833</b>	<b>780.916</b>

**NOTE 26 - FINANCIAL EXPENSES**

	<b>31 March 2019</b>	<b>31 March 2018</b>
Foreign exchange losses	2.127.170	265.930
Interest expense	1.212.501	670.496
Credit card commissions	272.207	232.634
Interest cost of employment termination benefits	252.181	480.438
Other financial expenses	23.278	34.605
	<b>3.887.337</b>	<b>1.684.103</b>

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**NOTE 27 - TAX ASSETS AND LIABILITIES**

	31 March 2019	31 March 2018
Current income tax expense	(380.854)	(250.368)
Deferred tax income/(expense)	(1.788.299)	335.871
<b>Total</b>	<b>(2.169.153)</b>	<b>85.503</b>

*Deferred taxes*

The Group recognizes deferred tax assets and liabilities based upon the temporary differences between financial statements as reported in accordance with TAS and its tax base of statutory financial statements. These differences usually result in the recognition of revenue and expense items in different periods for TAS 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 March 2019 and 31 December 2018 using the enacted tax rates, is as follows:

	<b>Total temporary differences</b>		<b>Deferred tax assets/(liabilities)</b>	
	<b>31 March 2019</b>	<b>31 December 2018</b>	<b>31 March 2019</b>	<b>31 December 2018</b>
<b>Deferred income tax assets:</b>				
Expense accruals	8.280.870	15.934.891	1.656.174	3.186.978
Rediscount of income	5.625.860	7.577.267	1.125.172	1.515.453
Provision for doubtful receivables	568.053	462.957	113.611	92.591
Provision for employee termination benefits	3.159.149	3.574.275	631.830	714.855
Deferred income	1.780.032	1.217.361	356.006	243.473
	<b>19.413.964</b>	<b>28.766.751</b>	<b>3.882.793</b>	<b>5.753.350</b>
<b>Deferred income tax liabilities:</b>				
Difference between the tax base and carrying value of property, equipment and intangible assets	(27.162.600)	(27.262.822)	(5.432.520)	(5.452.564)
	<b>(27.162.600)</b>	<b>(27.262.822)</b>	<b>(5.432.520)</b>	<b>(5.452.564)</b>
<b>Deferred income tax assets/(liabilities), net</b>			<b>(1.549.727)</b>	<b>300.786</b>

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**NOTE 27 - TAX ASSETS AND LIABILITIES (Continued)**

The reconciliation of current period tax expense for the periods ended 31 March 2019 and 2018 is as follows:

<b>Deferred tax assets</b>	<b>31 March 2019</b>	<b>31 December 2018</b>
To be recovered less than 12 months	2.944.369	4.803.856
To be recovered more than 12 months	938.424	949.494
	<b>3.882.793</b>	<b>5.753.350</b>
<b>Deferred tax liabilities</b>		
To be recovered more than 12 months	(5.432.520)	(5.452.564)
	<b>(5.432.520)</b>	<b>(5.452.564)</b>
<b>Deferred income tax assets/(liabilities), net</b>	<b>(1.549.727)</b>	<b>300.786</b>

Movement of deferred taxes for the periods is as follows:

	<b>2019</b>	<b>2018</b>
<b>As of 1 January</b>	<b>300.786</b>	<b>(2.245.798)</b>
Accounted under profit or loss	(1.788.299)	335.871
Currency translation difference	(72.703)	(192.915)
Accounted under other comprehensive income	10.489	(37.556)
<b>As of 31 March</b>	<b>(1.549.727)</b>	<b>(2.140.398)</b>

**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.

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### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2019

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#### NOTE 27 - TAX ASSETS AND LIABILITIES (Continued)

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

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government. In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate.

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

Under the Turkish taxation system, 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.

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**NOTE 28 - EARNINGS PER SHARE**

The earnings per thousand shares with nominal value of Kr 1 amounted to TRY5,92 for the 31 March 2019 (31 March 2018: TRY7,12).

	<b>31 March 2019</b>	<b>31 March 2018</b>
Net income attributable to equity holders of the parent	14.806.998	17.804.239
Average number of shares for the period	2.500.000.000	2.500.000.000
<b>Earnings per share</b>	<b>5,92</b>	<b>7,12</b>

**NOTE 29 - RELATED PARTY DISCLOSURES**

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

<b>Trade receivables from related parties:</b>	<b>31 March 2019</b>	<b>31 December 2018</b>
Logo Infosoft	1.603.275	1.406.965
	<b>1.603.275</b>	<b>1.406.965</b>

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

<b>Other receivables from related parties:</b>	<b>31 March 2019</b>	<b>31 December 2018</b>
Other	176.806	167.292
	<b>176.806</b>	<b>167.292</b>

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

**Services given to related parties**

	<b>31 March 2019</b>	<b>31 March 2018</b>
Logo Siber	173.983	128.093
Logo Infosoft	103.845	-
Logo Teknoloji ve Yatırım A.Ş.	5.391	2.345
	<b>283.219</b>	<b>130.438</b>

d) **Services purchased from related parties and other transactions with related parties during the periods ended 31 March 2019 and 2018:**

**Services purchase from related parties**

	<b>31 March 2019</b>	<b>31 March 2018</b>
Logo Siber	-	466.754
Logo Teknoloji ve Yatırım A.Ş.	-	2.649
	<b>-</b>	<b>469.403</b>

e) **Benefits provided to executive management:**

	<b>2019</b>	<b>2018</b>
Paid wages and premiums to the executive management	1.065.955	811.420

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**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.

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

Non-derivative financial instruments	31 March 2019					
	Carrying value	Contractual cash outflow (I+II+III+IV)	Up to 3 month (I)	Between 3-12 month (II)	Between 1-5 year (III)	More than 5 year (IV)
Borrowings	125.990.526	142.412.492	11.071.855	6.289.632	64.974.348	60.076.657
Trade payables						
- Trade payables to third parties	25.639.736	25.639.736	25.639.736	-	-	-
Due to personnel	12.690.225	12.690.225	12.690.225	-	-	-
Other payables						
- Other payables to third parties	11.233.536	11.233.536	4.381.553	-	6.851.983	-
<b>Total Liabilities</b>	<b>175.554.023</b>	<b>191.975.989</b>	<b>53.783.369</b>	<b>6.289.632</b>	<b>71.826.331</b>	<b>60.076.657</b>
Non-derivative financial instruments	31 December 2018					
	Carrying value	Contractual cash outflow (I+II+III+IV)	Up to 3 month (I)	Between 3-12 month (II)	Between 1-5 year (III)	More than 5 year (IV)
Borrowings	99.475.628	115.159.200	2.122.926	3.329.946	53.305.432	56.400.896
Trade payables						
- Trade payables to third parties	25.500.164	25.500.164	25.500.164	-	-	-
Due to personnel	10.842.883	10.842.883	10.842.883	-	-	-
Other payables						
- Other payables to third parties	12.429.074	12.429.074	10.795.713	-	1.633.361	-
<b>Total Liabilities</b>	<b>148.247.749</b>	<b>163.931.321</b>	<b>49.261.686</b>	<b>3.329.946</b>	<b>54.938.793</b>	<b>56.400.896</b>

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(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:

	<b>31 March 2019</b>	<b>31 December 2018</b>
<u>Financial instruments with fixed interest rate</u>		
Financial assets		
- Financial assets	26.271.029	28.369.570
Financial liabilities	25.461.154	3.466.448
<u>Financial instruments with float interest rate</u>		
Financial liabilities	100.529.372	96.009.180

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

**Funding risk**

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

**Foreign Currency Position**

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

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

	<b>31 March 2019</b>	<b>31 December 2018</b>
USD	5,6284	5,2609
EUR	6,3188	6,0280

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

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

		<b>Foreign currency position as of 31 March 2019</b>			
		<b>TRY equivalent</b>	<b>USD</b>	<b>EUR</b>	<b>Other</b>
1.	Trade receivables	10.463.658	609.437	1.113.107	-
2a.	Monetary financial assets, (cash, and banks accounts included)	17.873.087	1.572.638	1.427.096	4.125
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
<b>4.</b>	<b>Current assets (1+2+3)</b>	<b>28.336.745</b>	<b>2.182.075</b>	<b>2.540.203</b>	<b>4.125</b>
5.	Trade receivables	-	-	-	-
6a.	Monetary financial assets	-	-	-	-
6b.	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
<b>8.</b>	<b>Non-current assets (5+6+7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9.</b>	<b>Total assets (4+8)</b>	<b>28.336.745</b>	<b>2.182.075</b>	<b>2.540.203</b>	<b>4.125</b>
10.	Trade payables	(1.407.867)	(216.784)	(29.708)	-
11.	Financial liabilities	(8.776.191)	-	(1.388.902)	-
12a.	Other monetary liabilities	-	-	-	-
12b.	Other non-monetary liabilities	-	-	-	-
<b>13.</b>	<b>Non-current liabilities (10+11+12)</b>	<b>(10.184.058)</b>	<b>(216.784)</b>	<b>(1.418.610)</b>	<b>-</b>
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(103.290.784)	-	(16.346.582)	-
16a.	Other monetary liabilities	-	-	-	-
16b.	Other non-monetary liabilities	-	-	-	-
<b>17.</b>	<b>Non-current liabilities (14+15+16)</b>	<b>(103.290.784)</b>	<b>-</b>	<b>(16.346.582)</b>	<b>-</b>
<b>18.</b>	<b>Total liabilities (13+17)</b>	<b>(113.474.842)</b>	<b>(216.784)</b>	<b>(17.765.192)</b>	<b>-</b>
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	-	-	-	-
<b>20.</b>	<b>Net foreign assets/(liability) position (9-18+19)</b>	<b>(85.138.097)</b>	<b>1.965.291</b>	<b>(15.224.989)</b>	<b>4.125</b>
<b>21.</b>	<b>Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(85.138.097)</b>	<b>1.965.291</b>	<b>(15.224.989)</b>	<b>4.125</b>
22.	Fair value of derivative instruments used in foreign currency hedge	-	-	-	-
23.	Export*	(9.303.980)	-	-	-
24.	Import	-	-	-	-

(\*) Includes exports from the countries in which the Group operates. As of 31 March 2019 the Group's total sales made outside Turkey during the period is TRY33.856.789 (31 March 2018: TRY22.600.897).

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**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	-	-	-	-
<b>4.</b>	<b>Current assets (1+2+3)</b>	<b>22.592.174</b>	<b>2.130.431</b>	<b>1.887.895</b>	<b>3.965</b>
5.	Trade receivables	-	-	-	-
6a.	Monetary financial assets	-	-	-	-
6b.	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
<b>8.</b>	<b>Non-current assets (5+6+7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9.</b>	<b>Total assets (4+8)</b>	<b>22.592.174</b>	<b>2.130.431</b>	<b>1.887.895</b>	<b>3.965</b>
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	-	-	-	-
<b>13.</b>	<b>Non-current liabilities (10+11+12)</b>	<b>(2.027.124)</b>	<b>(132.369)</b>	<b>(220.760)</b>	<b>-</b>
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(96.808.339)	-	(16.059.777)	-
16a.	Other monetary liabilities	-	-	-	-
16b.	Other non-monetary liabilities	-	-	-	-
<b>17.</b>	<b>Non-current liabilities (14+15+16)</b>	<b>(96.808.339)</b>	<b>-</b>	<b>(16.059.777)</b>	<b>-</b>
<b>18.</b>	<b>Total liabilities (13+17)</b>	<b>(98.835.463)</b>	<b>(132.369)</b>	<b>(16.280.537)</b>	<b>-</b>
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	-	-	-	-
<b>20.</b>	<b>Net foreign assets/(liability) position (9-18+19)</b>	<b>(76.243.289)</b>	<b>1.998.062</b>	<b>(14.392.642)</b>	<b>3.965</b>
<b>21.</b>	<b>Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(76.243.289)</b>	<b>1.998.062</b>	<b>(14.392.642)</b>	<b>3.965</b>
22.	Fair value of derivative instruments used in foreign currency hedge	-	-	-	-
23.	Export (*)	(41.974.432)	-	-	-
24.	Import	-	-	-	-

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**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 March 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	1.106.144	(1.106.144)	-	-
2- Hedged portion from USD risks (-)	-	-	-	-
<b>3- USD net effect (1+2)</b>	<b>1.106.144</b>	<b>(1.106.144)</b>	-	-
Change of EUR against TRY by 10%				
4- EUR net assets/liabilities	(9.620.366)	9.620.366	-	-
5- Hedged portion from EUR risks (-)	-	-	-	-
<b>6- EUR net effect (4+5)</b>	<b>(9.620.366)</b>	<b>9.620.366</b>	-	-
Change of other currencies against TRY by 10%				
7- Other currencies net assets/liabilities	413	(413)	-	-
8- Hedged portion from other currency risks (-)	-	-	-	-
<b>9- Other currencies net effect (7+8)</b>	<b>413</b>	<b>(413)</b>	-	-
<b>Total (3+6+9)</b>	<b>(8.513.809)</b>	<b>8.513.809</b>	-	-

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

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#### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2019

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

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

##### *Capital risk management*

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

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

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

	31 March 2019	31 December 2018
Total payables	151.630.262	124.975.792
Less: Cash and cash equivalents	(82.069.218)	(78.417.427)
Net Debt	69.561.044	46.558.365
Total equity	305.880.230	294.204.187
Total capital	375.441.274	340.762.552
<b>Debt/equity ratio (%)</b>	<b>19%</b>	<b>14%</b>

#### 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.

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**NOTE 31 - FINANCIAL INSTRUMENTS (Continued)**

**Monetary assets**

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

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

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

**Monetary liabilities**

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

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

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

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

Level 3: Valuation techniques does not contain observable market inputs

Fair value hierarchy table as at 31 March 2019 is as follows:

<b>Financial assets held at fair value through profit or loss:</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Other financial investments	-	-	-

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

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

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**NOTE 32 – NET DEBT RECONCILIATION**

	<b>Borrowings and credit cards</b>	<b>Lease liabilities</b>	<b>Total</b>
<b>1 January 2019</b>	<b>97.935.177</b>	<b>1.540.451</b>	<b>99.475.628</b>
Increase in lease liabilities	-	17.683.707	17.683.707
Cash inflows	6.272.656	-	6.272.656
Cash outflows	(1.695.876)	(191.542)	(1.887.418)
Decrease in lease liabilities	-	(1.393.903)	(1.393.903)
Other non-cash movements	5.777.969	61.887	5.839.856
<b>31 March 2019</b>	<b>108.289.926</b>	<b>17.700.600</b>	<b>125.990.526</b>
Less: cash and cash equivalents			82.069.218
<b>Net debt</b>			<b>43.921.308</b>

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