LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019
TOGETHER WITH INDEPENDENT AUDITOR'S REVIEW REPORT**

(ORIGINALLY ISSUED IN TURKISH)

pwc

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

To the Board of Directors of Logo Yazılım Sanayi ve Ticaret A.Ş.

Introduction

1. We have reviewed the accompanying condensed consolidated balance sheet of Logo Yazılım Sanayi ve Ticaret A.Ş. and its subsidiaries (collectively referred to as the "Group"), as at 30 June 2019 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended. The management of the Group is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with Turkish Accounting Standard 34 ("TAS 34") "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

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

Conclusion

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

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

Mert Tüten, SMMM
Partner

Istanbul, 31 July 2019

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019

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LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

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

	Notes	Reviewed 30 June 2019	Audited 31 December 2018
ASSETS			
Current assets		**253.617.375**	**227.507.326**
Cash and cash equivalents	5	109.941.983	80.919.777
Trade receivables		129.211.320	137.887.595
- Trade receivables from third parties	*9*	*127.346.053*	*136.480.630*
- Trade receivables from related parties	*29*	*1.865.267*	*1.406.965*
Other receivables		2.503.435	1.583.029
- Other receivables from third parties	*10*	*2.320.579*	*1.415.737*
- Other receivables from related parties		*182.856*	*167.292*
Inventories	11	475.644	787.560
Prepaid expenses	18	6.320.178	2.048.483
Other current assets	10	5.164.815	4.280.882
Non-current assets		**376.159.385**	**335.650.875**
Other receivables		160.612	160.612
- Other receivables from third parties	*10*	*160.612*	*160.612*
Financial investments	6	9.868.636	7.323.214
Property, plant and equipment	12	19.192.967	20.708.350
Right of use asset	13	14.841.769	-
Intangible assets		328.641.461	301.095.882
- Goodwill	*15*	*145.639.195*	*136.752.195*
- Other intangible assets	*14*	*183.002.266*	*164.343.687*
Prepaid expenses	18	1.529.565	2.902.501
Deferred tax assets	27	1.537.119	3.172.018
Other non-current assets		387.256	288.298
Total assets		**629.776.760**	**563.158.201**

These condensed financial statements have been approved by Board of Directors on 31 July 2019 and signed on its behalf by Buğra Koyuncu, Logo Group Chief Executive Officer and Gülnur Anlaş, Logo Group Chief Financial Officer.

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

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

	Notes	Reviewed 30 June 2019	Audited 31 December 2018
LIABILITIES			
Short-term liabilities		**139.795.439**	**131.938.977**
Short-term borrowings	8	23.414.235	1.925.997
Short-term portion of long-term borrowings	8	5.761.778	741.292
Trade payables		23.243.880	25.500.164
- Trade payables to third parties	9	*23.243.880*	*25.500.164*
Employee benefit obligations	17	21.493.842	10.842.883
Other payables		4.769.459	10.795.713
- Other payables to third parties	10	*4.769.459*	*10.795.713*
Contract liabilities	18	56.730.923	62.213.298
Short-term provisions		2.350.002	17.515.106
- Provisions for employee benefits	*17*	*2.350.002*	*17.515.106*
Current income tax liabilities		1.405.184	1.959.386
Other current liabilities		626.136	445.138
Long-term liabilities		**132.584.216**	**112.645.661**
Long-term borrowings	8	108.961.667	96.808.339
Other payables		6.851.983	1.633.361
- Other payables to third parties	10	*6.851.983*	*1.633.361*
Long-term provisions		14.027.711	11.332.729
- Provisions for employment termination benefits	*17*	*14.027.711*	*11.332.729*
Deferred tax liabilities	27	2.742.855	2.871.232
EQUITY			
Equity attributable to equity holders of the parent		**331.747.927**	**294.204.187**
Paid-in share capital	19	25.000.000	25.000.000
Adjustment to share capital	19	2.991.336	2.991.336
Restricted reserves		7.196.456	7.196.456
Put option revaluation fund related with non-controlling interests		(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		(3.900.905)	(3.796.067)
- Actuarial loss on employment termination benefits		*(3.900.905)*	*(3.796.067)*
Other comprehensive income and expense that will be reclassified to profit or loss		41.477.913	35.382.226
- Currency translation differences		*41.477.913*	*35.382.226*
Retained earnings		228.448.354	160.744.977
Net profit for the period		36.771.512	67.703.377
Non-controlling interests		**25.649.178**	**24.369.376**
Total equity		**357.397.105**	**318.573.563**
Total liabilities		**629.776.760**	**563.158.201**

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

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT AND LOSS FOR THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2019 AND 2018

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

	Notes	Reviewed 1 January - 30 June 2019	Not reviewed 1 April - 30 June 2019	Reviewed 1 January - 30 June 2018	Not reviewed 1 April - 30 June 2018
Revenue	21	176.242.856	94.883.367	139.825.194	72.446.521
Cost of sales (-)	21	(37.569.827)	(19.974.160)	(27.631.200)	(14.954.278)
Gross profit		**138.673.029**	**74.909.207**	**112.193.994**	**57.492.243**
General and administrative expenses (-)	22	(27.189.242)	(14.300.724)	(16.295.570)	(7.326.861)
Marketing expenses (-)	22	(28.703.627)	(16.088.356)	(23.090.596)	(13.278.232)
Research and development expenses (-)	22	(45.305.768)	(23.112.428)	(37.225.891)	(18.328.759)
Other operating income	23	4.838.684	996.409	4.232.309	915.914
Other operating expenses (-)	23	(2.725.509)	(1.423.963)	(3.038.078)	(2.770.310)
Operating profit		**39.587.567**	**20.980.145**	**36.776.168**	**16.703.995**
Income from investing activities	24	2.491.189	1.909.712	28.069	21.662
Share of losses of investments accounted for by the equity method	7	-	-	(2.657.356)	(1.200.699)
Operating profit before financial income/(expenses)		**42.078.756**	**22.889.857**	**34.146.881**	**15.524.958**
Financial income	25	2.813.739	1.275.906	4.827.998	4.047.082
Financial expenses (-)	26	(6.123.494)	(2.236.157)	(4.073.288)	(2.389.185)
Income before taxes		**38.769.001**	**21.929.606**	**34.901.591**	**17.182.855**
Taxation on income:					
Current income tax expense	27	(748.599)	(367.745)	(1.745.796)	(1.495.428)
Deferred tax income/(expense)	27	(1.317.942)	470.357	1.759.120	1.423.249
Profit for the period		**36.702.460**	**22.032.218**	**34.914.915**	**17.110.676**
Net income attributable to:					
Non-controlling interests		(69.052)	67.704	-	-
Equity holders of the parent		36.771.512	21.964.514	34.914.915	17.110.676
Earnings per shares	**28**	**14,71**	**8,79**	**13,97**	**6,84**

CONVENIENCE TRANSLATION INTO ENGLISH 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 INTERIM PERIODS 1 JANUARY - 30 JUNE 2019 AND 2018

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

	Notes	Reviewed 1 January - 30 June 2019	Not reviewed 1 April - 30 June 2019	Reviewed 1 January - 30 June 2018	Not reviewed 1 April - 30 June 2018
Profit for the period		**36.702.460**	**22.032.218**	**34.914.915**	**17.110.676**
Other comprehensive income and expense that will be reclassified to profit or loss:					
Currency translation differences		7.444.541	4.912.090	10.984.907	6.557.213
Other comprehensive income and expense that will not be reclassified to profit or loss					
Actuarial losses arising from employment termination benefits	17	(117.139)	(27.419)	(111.740)	(495.707)
Tax effect	27	12.301	1.812	13.676	51.232
Other comprehensive income		**7.339.703**	**4.886.483**	**10.886.843**	**6.112.738**
Total comprehensive income		**44.042.163**	**26.918.701**	**45.801.758**	**23.223.414**
Other comprehensive income attributable to:					
Non-controlling interest		1.279.802	1.051.004	-	-
Equity holders of the parent		42.762.361	25.867.697	45.801.758	23.223.414

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

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE INTERIM PERIODS 1 JANUARY - 30 JUNE 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
Balances at 1 January 2018	**25.000.000**	**2.991.336**	**(4.632.563)**	**4.632.563**	**7.196.456**	**(2.669.512)**	**12.738.172**	**112.423.275**	**50.828.565**	**-**	**208.508.292**	**767.175**	**209.275.467**
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	-	-	-	-	-	-	-	-	34.914.915	-	34.914.915	-	34.914.915
Other comprehensive income	-	-	-	-	-	(98.064)	10.984.907	-	-	-	10.886.843	-	10.886.843
Balances at 30 June 2018	**25.000.000**	**2.991.336**	**(4.632.563)**	**4.632.563**	**7.196.456**	**(2.767.576)**	**23.723.079**	**164.019.015**	**34.914.915**	**-**	**255.077.225**	**-**	**255.077.225**
Balances at 1 January 2019	**25.000.000**	**2.991.336**	**(10.054.033)**	**10.054.033**	**7.196.456**	**(3.796.067)**	**35.382.226**	**160.744.977**	**67.703.377**	**(1.018.118)**	**294.204.187**	**24.369.376**	**318.573.563**
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	-	-	-	-	-	-	-	-	36.771.512	-	36.771.512	(69.052)	36.702.460
Other comprehensive income	-	-	-	-	-	(104.838)	6.095.687	-	-	-	5.990.849	1.348.854	7.339.703
Balance at 30 June 2019	**25.000.000**	**2.991.336**	**(10.054.033)**	**10.054.033**	**7.196.456**	**(3.900.905)**	**41.477.913**	**228.448.354**	**36.771.512**	**(6.236.739)**	**331.747.927**	**25.649.178**	**357.397.105**

(*) 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.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2019 AND 2018

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

	Notes	Reviewed 1 January - 30 June 2019	Reviewed 1 January - 30 June 2018
A. Cash flows from operating activities		**51.306.419**	**30.675.899**
Net profit for the period		36.702.460	34.914.915
Adjustments to reconcile profit for the year		**12.507.562**	**12.319.923**
Adjustment for depreciation and amortization	12,13,14	23.659.523	15.089.964
Adjustment for provision for employment termination benefits	17	(12.189.394)	(8.351.144)
Adjustment for interest expense	26	1.616.958	1.206.055
Adjustment for interest income	25	(720.613)	(1.338.969)
Adjustment for undistributed profits of joint ventures	7	-	2.657.356
Adjustment for impairment on receivables	9	1.311.798	592.963
Other adjustments to reconcile profit or loss		(3.237.251)	2.477.022
Adjustment for income tax expense	27	2.066.541	(13.324)
Changes in net working capital		**4.016.330**	**(14.267.882)**
Decrease/(increase) on trade receivables		5.864.818	(503.044)
Decrease on inventories		311.916	44.613
Increase on other current and non-current assets		(4.709.824)	(6.608.206)
Decrease on trade payables		(2.256.284)	(4.183.702)
Increase/(decrease) on other current and non-current liabilities		4.805.704	(3.017.543)
Cash flows used in operating activities		**53.226.352**	**32.966.956**
Taxes paid		(1.302.801)	(1.377.690)
Employment termination benefits paid	17	(617.132)	(913.367)
Purchases of property, plant and equipment and intangible assets	12,14	(31.734.923)	(22.918.747)
Cash outflows for the acquisition of debt instruments or shares of other entities or funds	6	(2.545.422)	(1.967.800)
Proceeds from sales of property and equipment	12	19.202	2.273
Contribution of increase of share capital in joint ventures	7	-	(750.000)
Interest received		628.381	1.234.953
B. Cash flows from investing activities		**(33.632.762)**	**(24.399.321)**
Repayments of borrowings	32	(1.918.409)	(14.559.726)
Proceeds from borrowings	32	16.738.928	13.321.406
Interest paid		(1.616.958)	(1.206.055)
Lease payments	32	(3.361.909)	-
C. Cash flows from financing activities		**9.841.652**	**(2.444.375)**
Net increase in cash and cash equivalents		**27.515.309**	**3.832.203**
D. Effects of currency translation differences on cash and cash equivalents		**1.506.897**	**1.025.655**
Cash and cash equivalents at the beginning of the period	**5**	**80.919.777**	**51.633.614**
Cash and cash equivalents at the end of the period	**5**	**109.941.983**	**56.491.472**

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

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

NOTE 1 - ORGANIZATION AND NATURE OPERATIONS

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

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

As of 30 June 2019 the Group has 1.142 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

The partnership structure of the Company as of 30 June 2019, is detailed in Note 19.

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

Subsidiaries	Country of incorporation	Nature of business
Total Soft S.A. ("Total Soft")	Romania	Development and marketing of software
Logo Elektronik Ticaret Hizmetleri A.Ş. ("e-Logo")	Turkey	Development and marketing of software
Logo Financial Solutions GmbH ("Logo Gmbh")	Germany	Development and marketing of software
Logo Business Solutions FZ-LLC United ("Logo FFC-LLC")	Arab Emirates	Marketing of software
Logo Kobi Dijital Hizmetler A.Ş. ("Logo Kobi")	Turkey	Development and marketing of software
Architected Business Solutions SRL ("ABS") (*)	Romania	Development and marketing of software
ABS Financial Services SRL ("ABS FS") (*)	Romania	Development and marketing of software

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

(*) Note 4.

(**) As at 31 December 2018, the Group has transferred all of its shares in FIGO, a joint venture which the Company had 50% of shares, previously (Note 7).

NOTE 1 - ORGANIZATION AND NATURE OPERATIONS (Continued)

With the share purchase agreement signed on 2 September 2016, The Company has acquired 100% of Romania based software company Total Soft's shares. On 19 July 2018 Total Soft has acquired 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 condensed consolidated interim 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 Capital Markets Board ("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 30 June 2019 in accordance with the Turkish Accounting Standards 34 ("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 foreign countries, are adjusted to Turkish Financial Reporting Standards ("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 condensed consolidated financial statements prepared in accordance with the principles of consolidated financial statements for the period ended 31 December 2018 include the accounts for Logo Yazılım and its subsidiaries.

(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)

The table below sets out the subsidiaries of Logo Yazılım and ownership interests held by the Company at 30 June 2019 and 31 December 2018:

Subsidiaries	**30 June 2019 (%)**	**31 December 2018 (%)**
Total Soft	80,00	80,00
e-Logo	100,00	100,00
Logo GmbH	100,00	100,00
Logo Kobi	100,00	100,00
ABS	100,00	100,00
ABS (FS)	100,00	100,00

Joint Venture	**30 June 2019 (%)**	**31 December 2018 (%)**
Logo Infosoft	50,00	50,00

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 30 June 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.

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

2.2 Going concern

Entities included to the consolidation prepared their financial statements in accordance with the going concern assumption. The Group management evaluated the ability to continue as a going concern and concluded that the Group has enough resources to continue its operation in foreseeable future as a going concern.

2.3 Amendments to TFRS

a) ***Standards, amendments and interpretations applicable as at 30 June 2019:***

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

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

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

2.3 Amendments to TFRS (Continued)

a) Standards, amendments and interpretations applicable as at 30 June 2019 (continued):

- **TFRS 16, 'Leases';** effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if TFRS 15'Revenue from Contracts with Customers' is also applied. This standard replaces the current guidance in TAS 17 and is a farreaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. In this case , the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

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

  - TFRS 3, 'Business combinations', – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
  - TFRS 11, 'Joint arrangements', – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

  TAS 12, 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way.

  - TAS 23, 'Borrowing costs' – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

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

2.3 Amendments to TFRS (Continued)

a) Standards, amendments and interpretations applicable as at 30 June 2019 (continued):

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

b) Standards, amendments and interpretations that are issued but not effective as at 30 June 2019:

- **Amendments to TAS 1 and TAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to TAS 1, 'Presentation of financial statements', and TAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other TFRSs:
  - i) use a consistent definition of materiality throughout TFRSs and the Conceptual Framework for Financial Reporting;
  - ii) clarify the explanation of the definition of material; and
  - iii) incorporate some of the guidance in TAS 1 about immaterial information.
- **Amendments to TFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.
- **TFRS 17, 'Insurance contracts';** effective from annual periods beginning on or after 1 January 2021. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

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:

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

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

TFRS 16 Leases

The Group – as a lessee

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

a) the contract involved the use of an identified asset – this may be specified explicitly or implicitly.
b) the asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified.
c) the Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and

d) the Group has the right to direct use of the asset. The Group concludes to have the right of use, when it is predetermined how and for what purpose the Group will use the asset.

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

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

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

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.

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

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

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.

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. For the six months period ended 30 June 2019, the amount recognized in the statement of profit or loss is TRY 958.408. (31 December 2018: TRY 574.296).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).

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

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

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

TFRS 16 adoption impact

The effects of the adoption of TFRS 16 on consolidated profit or loss statement as of 30 June 2019 are as follows:

	1 January - 30 June 2019 (TFRS 16 applied)	TFRS 16 effect	1 January - 30 June 2019 (TFRS 16 excluded)
Revenue	176.242.856	-	176.242.856
Cost of sales (-)	(37.569.827)	-	(37.569.827)
Gross profit	**138.673.029**	**-**	**138.673.029**
General and administrative expenses (-)	(27.189.242)	(47.240)	(27.236.482)
Marketing expenses (-)	(28.703.627)	(287.637)	(28.991.264)
Research and development expenses (-)	(45.305.768)	(388.971)	(45.694.739)
Other operating income	4.838.684	-	4.838.684
Other operating expenses (-)	(2.725.509)	-	(2.725.509)
Operating profit	**39.587.567**	**(723.848)**	**38.863.719**
Income from investing activities	2.491.189	-	2.491.189
Share of losses of investments accounted for by the equity method	-	-	-
Operating profit before Financial income/(expenses)	**42.078.756**	**(723.848)**	**41.354.908**
Financial income	2.813.739	-	2.813.739
Financial expenses (-)	(6.123.494)	954.029	(5.169.465)
Income before taxes	**38.769.001**	**230.181**	**38.999.182**
Taxation on income:			
Current income tax expense	(748.599)	-	(748.599)
Deferred tax income/(expense)	(1.317.942)	-	(1.317.942)
Profit for the period	**36.702.460**	**230.181**	**36.932.641**

2.5 Summary of Significant Accounting Policies

The interim condensed consolidated financial statements for the six months period ended 30 June 2019 have been prepared in accordance with TAS 34.The significant accounting policies used in preparing the condensed interim consolidated financial statements for the six months period ended 30 June 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 adoption of a new standard in Note 2.4.

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

2.6 Significant accounting estimates and assumptions

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

Provision for doubtful receivables

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

Useful lives of intangible assets

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

Revenue recognition

The Group's revenue mainly consists of standard package sales revenue, Logo Enterprise Membership sales revenue, retail cloud solutions ("SaaS") subscription revenue, after sales support revenue, custom software development project revenue and upgrade package revenue.

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.

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

2.6 Significant accounting estimates and assumptions (Continued)

Revenue recognition (Continued)

Companies that issue electronic invoices (e-invoices) can perform an electronic invoice by a special integrator with technical competence instead of using their own information processing infrastructure.

E-Logo, a Private Integrator Service Provider, which has received special integration permission from Revenue Administration, enables users to perform electronic invoice sending and receiving transactions with a fast and secure system running 24/7 and with a daily processing capacity of 130.000.000 invoices. Companies which receiving E-Logo Custom Integration Service, manages the approval process of e-invoices over the web.

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 30 June 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 30 June 2019 have been provided with the comparative financial information, for the period ended 30 June 2019.

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

The money markets funds amounted to TRY2.502.350 which was accounted for "short-term financial investements" as of 31 December 2018 has been reclassified to cash and cash equivalents in these condensed consolidated financial statements.

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

NOTE 3 - SEGMENT REPORTING

The authorized body of the Group is responsible to ensure that decisions are made to allocate resources and to assess the performance of the operating segments. Adjusted earning before interest, tax, depreciation and amortization ("EBITDA") is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Adjusted EBITDA is calculated as a result of the addition of depreciation expense and amortization to the net amount of the company's sales revenues, the cost of sales, the operating expenses (excluding other income and expenses from the operating activities).

30 June 2019	**Turkey**	**Romania**	**Segmental eliminations**	**Consolidated**
Reportable segment assets	435.649.691	195.050.783	(923.714)	629.776.760
Reportable segment liabilities	101.485.695	171.817.674	(923.714)	272.379.655
Goodwill	115.726.283	29.912.912	-	145.639.195
Property and equipment and intangible asset	120.754.335	96.282.667	-	217.037.002

30 June 2019	**Turkey**	**Romania**	**Segmental eliminations**	**Consolidated**
Revenue	106.221.257	70.021.599	-	176.242.856
Cost of sales	(1.882.288)	(35.687.539)	-	(37.569.827)
Operating expenses	(72.972.020)	(28.226.617)	-	(101.198.637)
Other operating income	4.275.339	563.345	-	4.838.684
Other operating expenses	(1.232.242)	(1.493.267)	-	(2.725.509)
Financial income	2.035.193	778.546	-	2.813.739
Financial expense	(2.310.795)	(3.812.699)	-	(6.123.494)
Depreciation and amortization	(15.528.250)	(8.131.273)	-	(23.659.523)
Tax income/(expense)	(2.112.494)	45.953	-	(2.066.541)
Profit for the period	34.513.139	2.189.321	-	36.702.460
Adjusted EBITDA	46.895.199	14.238.716	-	61.133.915
Purchase of property and equipment and intangible assets	32.372.949	17.174.681	-	49.547.630

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

30 June 2019	**Consolidated**
Adjusted EBITDA	61.133.915
Depreciation and amortization	(23.659.523)
Income from investing activities	2.491.189
Other income from operating activities	4.838.684
Other expense from operating activities	(2.725.509)
Financial income	2.813.739
Financial expenses	(6.123.494)
Profit before tax	**38.769.001**

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

NOTE 3 - SEGMENT REPORTING (Continued)

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

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

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

30 June 2018	Consolidated
Adjusted EBITDA	50.671.901
Depreciation and amortization	(15.089.964)
Income from investing activities	28.069
Investment under accounted equity income/ (loss)	(2.657.356)
Other income from operating activities	4.232.309
Other expense from operating activities	(3.038.078)
Financial income	4.827.998
Financial expenses	(4.073.288)
Profit before tax	**34.901.591**

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

NOTE 4 - BUSINESS COMBINATION

Acquisition of ABS and ABS FS

The Group acquired ABS and ABS FS shares through Share Purchase Agreement signed on 19 July 2018. The purchase consideration of ABS and ABS-FS is 20% shareholding in Total Soft. Acquisition was completed on 30 October 2018 and the nominal value of 20% of Total Soft shares of 22.239.700 RON (28.709.229 TRY) was determined to be within a fair value range as of 30 October 2018.

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

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

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

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

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

As a result of these acquisitions, there is a sales option given to Avramos Holding Ltd. by Logo Yazılım for the 20% Total Soft shares transferred to Avramos Holding Ltd. between 1 January 2021 and 31 December 2024. As of 30 June 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 (Note:10).

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

NOTE 5 - CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents as of 30 June 2019 and 31 December 2018 is as follows:

	30 June 2019	**31 December 2018**
Cash	60.171	36.477
Banks		
- Demand deposits - TRY	2.178.293	661.540
- Demand deposits - foreign currency	14.930.436	6.197.342
- Time deposits - TRY	71.889	19.029.482
- Time deposits - foreign currency	16.637.856	9.340.088
Credit card receivables	40.749.406	41.791.108
Money market funds (**)	35.171.617	2.502.350
Cheques	142.024	260.274
Blocked deposits (*)	291	1.101.116
	109.941.983	**80.919.777**

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

(**) Money market funds consist of investment instruments that can be converted to cash.

As of 30 June 2019, the weighted average effective annual interest rates of TRY denominated time deposits are between 13,00% and 22,35%. (31 December 2018: 13,75% and 25,70%) As of 30 June 2019 the weighted average effective annual interest rates of USD denominated time deposits are between 2,50% and 3,80% and EUR denominated time deposits are between 1,00% and 1,40%.

NOTE 6 - FINANCIAL ASSETS

Financial assets which is accounted by it's fair value:

The analysis of non-current financial assets at 30 June 2019 and 31 December 2018 is as follows:

	30 June 2019		**31 December 2018**	
	Share (%)	**Carrying amount**	**Share (%)**	**Carrying amount**
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. ("Interpro")	2,00	80.653	2,00	80.653
Dokuz Eylül Teknoloji Geliştirme Bölgesi A.Ş. ("Dokuz Eylül")	0,67	50.000	0,67	50.000
		1.580.653		**1.580.653**

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

NOTE 6 – FINANCIAL ASSETS (Continued)

As of 30 June 2019 and 31 December 2018, Logo Ventures, İnterpro and Dokuz Eylül have been recognized as the fair value difference is considered as the asset reflected to other comprehensive income and as of 30 June 2019, due to difference between the fair value and the cost value is not significant the cost value is reflected to the consolidated financial statements.

Other long term financial investments:

	30 June 2019	31 December 2018
Other long term financial investments (*)	8.287.983	5.742.561

(*) It consists of long-term equity convertible debt instruments issued by Logo Infosoft, a joint venture of the Company. The Group did not consider the related investment for trading purposes and accounted for the fair value changes within the scope of the accounting policies explained in Note 2.5 in the other comprehensive income statement.

NOTE 7 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	2019	2018
As of 1 January	**-**	**558.663**
Effect of Logo Infosoft	-	2.010.550
Participation in capital increase of joint venture	-	750.000
Share of profits/(losses)	-	(2.657.356)
As of 30 June	**-**	**661.857**

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

Summary of balance sheet

Logo Infosoft	**30 June 2019**	**31 December 2018**
Cash and cash equivalents	423.289	494.318
Other current assets	2.552.075	2.173.129
Other non-current assets	1.689.824	1.832.886
Total assets	**4.665.188**	**4.500.333**
Other short-term liabilities	3.799.778	3.722.651
Other long-term liabilities	9.980.627	-
Total liabilities	**13.780.405**	**3.722.651**
Net (liabilities)/assests	**(9.115.217)**	**777.682**

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

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

Summary of income statements

Logo Infosoft	**30 June 2019**	**30 June 2018**
Income	210.052	438.005
Expenses (-)	(3.937.307)	(4.484.026)
Net loss for the period	**(3.727.255)**	**(4.046.021)**
Interest ratio of the Group	%50,00	57.14%
Group's share	(1.863.627)	(2.311.896)
Unrecognised losses (*)	1.863.627	301.346
Share of losses of investment under equity method	**-**	**(2.010.550)**

(*) Logo Infosoft's portion of the Group's share of loss amounting to TRY 1.863.627 (2018: TRY 301.346) has not been accounted because Logo Infosoft's carrying amount has been zero.

NOTE 8 - BORROWINGS

Details of borrowings as of 30 June 2019 and 31 December 2018 is as follows:

Short-term borrowings:	**30 June 2019**	**31 December 2018**
Short-term bank borrowings	17.440.957	1.788.145
Credit card payables	181.543	137.852
Borrowings from leases	5.791.735	-
	23.414.235	**1.925.997**
Short-term portion of long-term bank borrowings:		
Short-term portion of long-term bank borrowings:	4.984.356	-
Financial leases	777.422	741.292
	5.761.778	**741.292**
Total short-term bank borrowings	**29.176.013**	**2.667.289**

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

NOTE 8 – BORROWINGS (Continued)

Long-term bank borrowings:	**30 June 2019**	**31 December 2018**
Long-term bank borrowings	99.263.606	96.009.180
Borrowings from leases	9.211.422	-
Financial leases	486.639	799.159
Total long-term borrowings	**108.961.667**	**96.808.339**

	30 June 2019		
	Weighted average annual interest rate (%)	**Original amount**	**TRY equivalent**
Short-term bank borrowings:			
Bank borrowings - RON - unsecured	-	12.675.114	17.440.957
Credit cards -TRY	-	181.543	181.543
Borrowing from leases- Euro	-	850.932	5.574.202
Borrowing from leases - TRY	-	217.533	217.533
			23.414.235
Short-term portion of long-term bank borrowings:			
Financial leases - EUR	-	118.678	777.422
Bank borrowings - Euro – secured	Euribor+ 2.95%	760.889	4.984.356
			5.761.778
Long-term bank borrowings:			
Bank borrowings - Euro – secured	Euribor+%2.95	15.153.130	99.263.606
Financial leases – Euro	-	74.288	486.639
Borrowing from leases – EUR	-	423.378	2.773.424
Borrowing from leases – TRY	-	6.437.998	6.437.998
			108.961.667
Total borrowings			**138.137.680**

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

NOTE 8 - BORROWINGS (Continued)

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

The redemption schedules of long-term borrowings on 30 June 2019 and 31 December 2018 are as follows:

	30 June 2019	**31 December 2018**
Due within 1-2 years	19.437.168	9.830.270
Due within 2-5 years	37.663.470	34.443.045
Due within 5-10 years	51.023.463	52.535.024
Due more than 10 years	837.566	-
	108.961.667	**96.808.339**

	Net book value		**Fair value**	
	30 June 2019	**31 December 2018**	**30 June 2019**	**31 December2018**
Bank borrowings	121.688.919	97.797.325	137.208.063	113.480.897
	121.688.919	**97.797.325**	**137.208.063**	**113.480.897**

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

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

NOTE 9 - TRADE RECEIVABLES AND PAYABLES

The details of trade receivables and payables as of 30 June 2019 and 31 December 2018 are as follows:

Short-term trade receivables:	**30 June 2019**	**31 December 2018**
Trade receivables	122.419.499	116.448.525
Credit card receivables	36.577.536	46.264.280
Cheques and notes receivables	3.007.073	7.738.534
Less: provision for doubtful receivables	(28.945.519)	(26.134.062)
Less: unearned finance income arising from credit sales	(5.712.536)	(7.836.647)
	127.346.053	**136.480.630**

As of 30 June 2019 the average turnover of the trade receivables is 120 days (31 December 2018: 123 days), excluding the credit cards receivables average 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%).

The movement of provision for doubtful receivables for the periods ended 30 June 2019 and 2018 are as follows:

	2019	**2018**
As of 1 January	**26.134.062**	**21.628.975**
Provision for the period	1.810.977	999.784
Releases	(499.179)	(406.821)
Foreign currency translation difference	1.499.659	2.392.053
As of 30 June	**28.945.519**	**24.613.991**

Trade payables to third parties:	**30 June 2019**	**31 December 2018**
Trade payables	23.243.880	25.500.164

As of 30 June 2019, the average debt payment period is 93 days (31 December 2018: 80 days).

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

NOTE 10 - OTHER RECEIVABLES, PAYABLES AND OTHER ASSETS

Short-term other receivables from third parties:	**30 June 2019**	**31 December 2018**
Income accruals	2.306.461	1.407.822
Deposits and guarantees given	7.915	7.915
Other	6.203	-
	2.320.579	**1.415.737**

Long-term other receivables from third parties:	**30 June 2019**	**31 December 2018**
Long-term other receivables	160.612	160.612

Short-term other payables to third parties:	**30 June 2019**	**31 December 2018**
Taxes payable	4.769.459	10.360.105
Other	-	435.608
	4.769.459	**10.795.713**

Long-term other payables to third parties:	**30 June 2019**	**31 December 2018**
Other payables	6.851.983	1.633.361
	6.851.983	**1.633.361**

Other current assets:	**30 June 2019**	**31 December 2018**
Personnel advances	2.443.556	1.481.654
Prepaid taxes	2.258.956	2.081.115
Other	462.303	718.113
	5.164.815	**4.280.882**

NOTE 11 - INVENTORIES

	30 June 2019	**31 December 2018**
Trade goods	445.154	772.724
Raw materials and equipment	19.311	14.726
Other	11.179	110
	475.644	**787.560**

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

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2019	Additions	Disposals of subsidiary	Disposals	Currency translation differances	30 June 2019
Costs:						
Machinery, plant and equipment	12.943.767	484.196	-	(2.814.340)	285.016	10.898.639
Motor vehicles	3.404.357	70.385	-	(181.960)	216.690	3.509.472
Furniture and fixtures	5.915.932	196.900	-	(22.194)	54.027	6.144.665
Leasehold improvements	24.194.629	263.012	-	-	21.342	24.478.983
	46.458.685	**1.014.493**	**-**	**(3.018.494)**	**577.075**	**45.031.759**
Accumulated depreciation:						
Machinery, plant and equipment	9.971.579	1.101.356	-	(2.809.625)	236.869	8.500.179
Motor vehicles	2.086.528	586.288	-	(167.473)	161.284	2.666.627
Furniture and fixtures	4.433.912	196.173	-	(22.194)	27.208	4.635.099
Leasehold improvements	9.258.316	699.018	-	-	79.553	10.036.887
	25.750.335	**2.582.835**	**-**	**(2.999.292)**	**504.914**	**25.838.792**
Net book value	**20.708.350**					**19.192.967**

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

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

NOTE 13 – RIGHT OF USE ASSETS

	1 January 2019	Additions	Disposals	Currrency translation differences	30 June 2019
Costs:					
Motor vehicles	8.511.862	-	-	95.155	8.607.017
Office	9.300.845	-	(56.063)	568.968	9.813.750
	17.812.707	**-**	**(56.063)**	**664.123**	**18.420.767**
Accumulated depreciation:					
Motor vehicles	-	1.552.095	-	-	1.552.095
Office	-	2.026.903	-	-	2.026.903
	-	**3.578.998**	**-**	**-**	**3.578.998**
Net book value	**17.812.707**				**14.841.769**

NOTE 14 - INTANGIBLE ASSETS

	1 January 2019	Additions	Disposal of subsidiary	Disposals	Currency translation differences	30 June 2019
Costs:						
Development costs	218.928.412	29.775.743	-	-	3.921.600	252.625.755
Advanced technology	16.508.818	-	-	-	235.990	16.744.808
Customer relations	46.047.973	-	-		2.369.883	48.417.856
Non-compete agreement	2.747.778	-	-	-	-	2.747.778
Other intangible assets	10.804.144	944.687	-	-	196.874	11.945.705
	295.037.125	**30.720.430**	**-**	**-**	**6.724.347**	**332.481.902**
Accumulated depreciation:						
Development costs	101.458.113	14.152.733	-	-	777.303	116.388.149
Advanced technology	8.732.316	896.615	-	-	141.219	9.770.150
Customer relations	9.660.770	2.005.027	-	-	208.576	11.874.373
Non-compete agreement	2.747.778	-	-	-	-	2.747.778
Other intangible assets	8.094.461	443.315	-	-	161.410	8.699.186
	130.693.438	**17.497.690**	**-**	**-**	**1.288.508**	**149.479.636**
Net book value	**164.343.687**					**183.002.266**

Total additions to development costs for the period ended 30 June 2019 consist of capitalised personnel costs (30 June 2018: TRY20.587.971).

TRY18.885.025 (30 June 2018: TRY14.573.628), TRY948.645 (30 June 2018: TRY198.604), TRY3.504.511 (30 June 2018: TRY56.837) and TRY321.342 (30 June 2018: TRY260.895) of the depreciation and amortization expenses for the period ended 30 June 2018 have been accounted for research and development expenses, marketing expenses, general administrative expenses and cost of sales respectively (Note 22).

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

NOTE 14 - INTANGIBLE ASSETS (Continued)

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

NOTE 15 - GOODWILL

	30 June 2019	31 December 2018
Totalsoft	108.247.631	101.214.681
Totalsoft (ABS)	29.912.912	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
	145.639.195	**136.752.195**

The movement of goodwill for the interim periods ended 30 June 2019 and 2018 is as follows;

	2019	2018
As of 1 January	**136.752.195**	**83.294.475**
Currency translation difference	8.887.000	13.307.535
As of 30 June	**145.639.195**	**96.602.010**

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

The goodwill impairment test of goodwill arising from Totalsoft and Totalsoft (ABS) acquisition was valued by an independent valuation company on 31 December 2018. Since there is no triggering event which may cause impairment losses on goodwill recognised for Totalsoft and Totalsoft (ABS) acquisition, no impairment test has been performed as of 30 June 2019.

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

NOTE 15 - GOODWILL (Continued)

The goodwill impairment test of goodwill arising from Netsis acquisition had been performed by using current book value and cash flows for the year ended 31 December 2018. Since there is no triggering event which may cause impairment losses on goodwill recognised for Netsis acquisition, no impairment test has been performed as of 30 June 2019.

NOTE 16 - COMMITMENTS AND CONTINGENT LIABILITIES

Guarantees received:

		30 June 2019		31 December 2018	
	Original currency	Original amount	TRY equivalent	Original amount	TRY equivalent
Guarantee notes	TRY	268.324	268.324	247.724	247.724
Mortgages	TRY	360.000	360.000	360.000	360.000
			628.324		**607.724**

As of 30 June 2019 and 31 December 2018, guarantee/pledge/mortgage ("GPM") given by the Company on behalf of its legal entity are presented in original currency by TRY equivalent as follows:

GPM issued by the Company:

	30 June 2019				31 December 2018			
	EUR	USD	RON	TRY	EUR	USD	RON	TRY
A. Total amount of Guarantees provided by the Company on behalf of itself	-	257.052	-	697.245	-	234.978	-	1.181.997
B. Total amount of Guarantees provided on behalf of the associates accounted under full consolidation method (*)	116.451.283	-	44.679	-	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 Gurantees provided on behalf of the associates which are not in the scope of B and C.	-	-	-	-	-	-	-	-
iii) Total amount of Gurantees provided on behalf of third parties which are not in the scope of C.	-	-	-	-	-	-	-	-
	116.451.283	**257.052**	**44.679**	**697.245**	**107.348.145**	**234.978**	**48.117**	**1.181.997**

(*) Note 8.

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

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

NOTE 17 - EMPLOYEE BENEFITS

Short - term payables for employee benefits:	**30 June 2019**	**31 December 2018**
Due to personnel	13.118.819	5.502.751
Taxes, funds and social security payables	8.375.023	5.340.132
	21.493.842	**10.842.883**

Short - term provisions for employment benefits:	**30 June 2019**	**31 December 2018**
Provision for employment benefits	2.350.002	17.515.106

Long - term provisions for employment benefits:	**30 June 2019**	**31 December 2018**
Provision for unused vacation liability	7.456.259	5.323.122
Provision for employment termination benefits	6.571.452	6.009.607
	14.027.711	**11.332.729**

The movement of provision for unused vacation liability for the periods ended 30 June 2019 and 2018 is as follow:

	2019	**2018**
As of 1 January	**5.323.122**	**3.956.857**
Increase in the period	1.913.872	582.363
Currency translation difference	219.265	355.734
As of 30 June	**7.456.259**	**4.894.954**

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 TRY6.107,60 for each year of service (31 December 2018: TRY5.434,42). Provision for employment termination benefits is calculated based on the present value of the Group's obligation to pay in the event of retirement.

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

NOTE 17 - EMPLOYEE BENEFITS (Continued)

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

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

	30 June 2019	31 December 2018
Discount rate (%)	5,71	5,65
Turnover rate to estimate the probability of retirement (%)	93,40	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 TRY6.379,86 which is effective as of 1 July 2019 (1 July 2018: TRY5.434,42) has been taken into consideration in the calculations.

The movement in the provision for employment termination benefits during the periods ended 30 June 2019 and 2018 were as follows:

	2019	2018
As of 1 January	**6.009.607**	**4.341.706**
Service cost	555.402	450.792
Interest cost	506.436	567.085
Actuarial losses	117.139	111.740
Payments	(617.132)	(913.367)
As of 30 June	**6.571.452**	**4.557.956**

NOTE 18 - PREPAID EXPENSES AND DEFERRED REVENUE

Short - term prepaid expenses:	30 June 2019	31 December 2018
Prepaid expenses	6.320.178	2.048.483
	6.320.178	**2.048.483**

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

NOTE 18 - PREPAID EXPENSES AND DEFERRED REVENUE (Continued)

Long - term prepaid expenses:	**30 June 2019**	**31 December 2018**
Advances given	1.529.565	2.902.501
	1.529.565	**2.902.501**

Short - term deferred revenues:	**30 June 2019**	**31 December 2018**
Deferred revenue (*)	54.129.931	58.665.117
Advances received	2.600.992	3.548.181
	56.730.923	**62.213.298**

(*) Deferred revenue mainly relates to LEM sales revenue, pay as you go sales, after-sales services, customized software sales and Tübitak incentives related to future periods.

The details of deferred revenues at 30 June 2019 and 31 December 2018 as follows:

	30 June 2019	**31 December 2018**
LEM sales	33.393.353	39.102.529
Pay as you go sales	9.959.123	12.519.888
Revenue from continuing projects	5.812.429	5.400.083
After-sales services revenue	4.965.026	1.642.617
	54.129.931	**58.665.117**

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 30 June 2019 and 31 December 2018 are as follows:

	30 June 2019	**Share (%)**	**31 December 2018**	**Share (%)**
Logo Teknoloji ve Yatırım A.Ş.	8.391.013	33,56	8.391.013	33,56
Mediterra Capital Partners I. LP (*)	16.500	<1,00	16.500	<1.00
Publicy traded	16.592.487	66,44	16.592.487	66,44
	25.000.000	**100,00**	**25.000.000**	**100,00**
Adjustment to share capital	2.991.336		2.991.336	
Total paid-in share capital	**27.991.336**		**27.991.336**	

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

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

NOTE 19 - EQUITY (Continued)

The shares representing capital are categorized as group A and B. The privileges of group A shares are the right to nominate candidates for half of the Board members to be elected. The Chairman of the Board is elected from among the board members nominated by Group A shareholders. Adjustment to share capital represents the restatement effect of cash contributions to share capital.

Treasury shares

As of 30 June 2019 the amount of treasure shares 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 ia as follows:

Purchase year	Quantity of stock	Purchase price
2012	171.000	450.493
2013	1.711.495	8.163.509
2015	108.136	1.983.148
2018	177.042	5.421.470
Total purchases	**2.167.673**	**16.018.620**

Sales year	Quantity of stock	Sales price	Purchase price
2013	1.297.500	6.487.500	5.964.587
Total sales	**1.297.500**	**6.487.500**	**5.964.587**

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

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.

There are no privileges in the articles of association for participation to the profit of the company. Dividend policy is reviewed by the board of directors annually in line with the principles of corporate governance. A balanced and consistent policy with respect to the interests of the investors and the company is applied for profit distribution. The dividend distribution policy is prepared by the board of directors, taking into consideration the general economic conditions, long term investment and financing policies, as well as the cash position of the company. Upto 55% of the distributable net profit for the period calculated in accordance with Turkish Commercial Code and CMB regulations and the Articles of Association of our company shall be distributed to our shareholders. Dividend distribution shall be made in cash or as capital increase by bonus issue or partly in cash and partly as capital increase by bonus issue. If the amount of the dividends is less than 5% of the paid-in capital, the corresponding amount in question shall be retained in the company.

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

NOTE 20 - EXPENSES BY NATURE

As of 30 June 2019 and 2018, expenses are disclosed by function and the details of the expenses are summarized in Note 22 and Note 23.

NOTE 21 - SALES AND COST OF SALES

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Sales revenue	113.350.604	60.759.500	98.847.437	50.705.936
Service revenue	60.664.440	32.203.002	38.533.486	19.927.823
Saas service revenue	4.797.471	3.216.119	4.900.366	2.772.919
Sales returns	(1.581.535)	(916.122)	(1.526.752)	(608.536)
Sales discounts	(988.124)	(379.132)	(929.343)	(351.621)
Net sales	**176.242.856**	**94.883.367**	**139.825.194**	**72.446.521**
Cost of sales	(37.569.827)	(19.974.160)	(27.631.200)	(14.954.278)
Gross profit	**138.673.029**	**74.909.207**	**112.193.994**	**57.492.243**

Cost of sales

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Cost of services	35.688.421	18.926.192	26.049.527	14.208.971
Cost of transfer of financial rights	1.782.162	976.186	1.426.617	641.374
Cost of trade goods sold	99.244	71.782	155.056	103.933
Cost of sales	**37.569.827**	**19.974.160**	**27.631.200**	**14.954.278**

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

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

Research and development expenses	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Depreciation and amortization	18.885.025	9.644.840	14.573.628	7.470.420
Personnel	18.461.974	8.975.408	16.040.642	7.507.029
Outsourced benefits and services	2.009.341	1.015.093	1.014.832	612.027
Consultancy	1.110.412	677.290	783.290	237.121
Motor vehicles	1.025.805	657.303	1.470.941	786.570
Travel	607.621	410.217	461.976	230.106
Rent	188.337	74.624	715.958	371.987
Other	3.017.253	1.657.653	2.164.624	1.113.499
	45.305.768	**23.112.428**	**37.225.891**	**18.328.759**

Marketing, selling and distribution expenses	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Personnel	14.226.787	7.760.643	10.749.982	6.286.911
Advertising and sales	8.554.180	5.173.464	8.392.711	4.967.123
Consultancy	1.284.266	683.449	1.072.507	451.531
Outsourced benefits and services	1.260.849	658.746	824.191	515.652
Depreciation and amortization	948.645	507.796	198.604	101.481
Motor vehicle	717.461	427.177	833.191	425.623
Travel	596.926	323.631	325.128	172.646
Rent	488.788	233.075	304.623	160.188
Other	625.725	320.375	389.659	197.077
	28.703.627	**16.088.356**	**23.090.596**	**13.278.232**

General and administrative expenses	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Personnel	17.965.384	9.449.362	9.051.015	3.738.835
Depreciation and amortization	3.504.511	1.817.632	56.837	41.464
Consultancy	3.250.389	1.938.186	4.234.816	1.782.187
Motor vehicles	644.130	465.503	523.837	250.010
Travel	369.756	223.560	304.927	207.758
Outsourced benefits and services	309.868	158.159	126.768	41.191
Rent	-	-	244.817	135.234
Other	1.145.204	248.322	1.752.553	1.130.182
	27.189.242	**14.300.724**	**16.295.570**	**7.326.861**

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

NOTE 23 - OTHER OPERATING INCOME/EXPENSES

Other operating income	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Rediscount income	2.737.483	243.002	290.036	(288.296)
Foreign exchange gains (*)	632.500	337.816	1.219.821	665.770
Overdue interest income	379.920	262.892	249.151	90.425
Other	1.088.781	152.699	2.473.301	448.015
	4.838.684	**996.409**	**4.232.309**	**915.914**

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

Other operating expenses	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Provision expense	1.353.464	754.820	1.285.198	1.285.198
Rediscount expense	613.372	200.414	1.251.106	1.096.428
Foreign exchange losses (*)	478.580	386.771	302.938	242.465
Other	280.093	81.958	198.836	146.219
	2.725.509	**1.423.963**	**3.038.078**	**2.770.310**

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

NOTE 24 - INCOME FROM INVESTING ACTIVITIES

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Gain on sale of financial instruments	2.491.189	1.909.712	28.069	21.662
	2.491.189	**1.909.712**	**28.069**	**21.662**

NOTE 25 - FINANCIAL INCOME

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Foreign exchange gains	2.093.126	1.201.809	3.489.029	2.943.245
Interest income	720.613	74.097	1.338.969	1.103.837
	2.813.739	**1.275.906**	**4.827.998**	**4.047.082**

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

NOTE 26 - FINANCIAL EXPENSES

	1 January - 30 June 2019	**1 April - 30 June 2019**	**1 January - 30 June 2018**	**1 April - 30 June 2018**
Foreign exchange losses	2.453.927	326.757	1.789.480	1.523.550
Interest expenses	1.616.958	895.381	1.206.055	535.559
Interest expense from leases	954.029	463.105	-	-
Credit card comissions	536.448	264.241	443.803	211.169
Interest cost of employee termination benefits	506.436	254.255	567.085	86.647
Other financial expenses	55.696	32.418	66.865	32.260
	6.123.494	**2.236.157**	**4.073.288**	**2.389.185**

NOTE 27 - TAX ASSETS AND LIABILITIES

	30 June 2019	**30 June 2018**
Current period tax expense	(748.599)	(1.745.796)
Deferred tax expense/(income)	(1.317.942)	1.759.120
Current period tax expense/(income)	**(2.066.541)**	**13.324**

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 30 June 2019 and 31 December 2018 using the enacted tax rates, is as follows:

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

NOTE 27 - TAX ASSETS AND LIABILITIES (Continued)

	Total temporary differences		**Deferred tax assets/(liabilities)**	
	30 June 2019	**31 December 2018**	**30 June 2019**	**31 December 2018**
Deferred tax assets:				
Expense accruals	8.184.305	14.761.697	1.636.861	2.952.339
Rediscount of income	5.608.235	7.577.267	1.121.647	1.515.453
Provision for employee termination benefits	3.320.530	3.574.275	664.106	714.855
Deferred revenue	1.912.510	1.217.361	382.502	243.473
Unused vacation	1.891.865	1.173.194	378.373	234.639
Provision for doubtful receivables	490.320	462.957	98.064	92.591
	21.407.765	**28.766.751**	**4.281.553**	**5.753.350**
Deferred tax liabilities:				
Difference between the tax base and carrying value of property, equipment and intangible assets	(27.436.445)	(27.262.822)	(5.487.289)	(5.452.564)
	(27.436.445)	**(27.262.822)**	**(5.487.289)**	**(5.452.564)**
Deferred tax (liabilities)/assets, net			**(1.205.736)**	**300.786**

The analysis of current period tax expense is as follows:

Deferred tax assets	**30 June 2019**	**31 December 2018**
To be recovered less than 12 months	3.239.074	4.803.856
To be recovered more than 12 months	1.042.479	949.494
	4.281.553	**5.753.350**

Deferred tax liabilities	**30 June 2019**	**31 December 2018**
To be recovered more than 12 months	(5.487.289)	(5.452.564)
	(5.487.289)	**(5.452.564)**
Deferred tax (liabilities)/assets, net	**(1.205.736)**	**300.786**

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

NOTE 27 - TAX ASSETS AND LIABILITIES (Continued)

Movement of deferred tax assets/(liabilities) is as follows:

	2019	2018
As of 1 January	**300.786**	**(2.245.798)**
Accounted under profit or loss	(1.317.942)	1.759.120
Currency translation difference	(200.881)	(426.366)
Accounted under other comprehensive income	12.301	13.676
As of 30 June	**(1.205.736)**	**(899.368)**

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. In 2019, the corporate tax rate is 16% in Romania (2018:16%).

Corporation tax rate is applicable on the total income of the companies after adjusting for certain disallowable expenses, income tax exemptions (participation exemption etc.) and income tax deductions (for example research and development expenses deduction). No further tax is payable unless the profit is distributed.

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

Corporations are required to pay advance corporation tax quarterly at the rate of 22% on their corporate income. Advance tax is payable by the 17th of the second month following each calendar 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.

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

NOTE 27 - TAX ASSETS AND LIABILITIES (Continued)

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

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

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

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

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

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

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

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

NOTE 28 - EARNINGS PER SHARE

The earnings per thousand shares with nominal value of 1 Kr amounted to TRY14.71 for the period end 30 June 2019 (30 June 2018: TRY13,97).

	30 June 2019	**30 June 2018**
Net income attributable to equity holders of the parent	36.771.512	34.914.915
Average number of shares for the period	2.500.000.000	2.500.000.000
Earnings per share	**14,71**	**13,97**

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

NOTE 29 - RELATED PARTY DISCLOSURES

a) Due from related parties on 30 June 2019 and 31 December 2018:

Trade receivables from related parties:	30 June 2019	31 December 2018
Logo Infosoft	1.865.267	1.406.965
	1.865.267	**1.406.965**

b) Due from related parties at 30 June 2019 and 31 December 2018:

Other receivables from related parties:	30 June 2019	31 December 2018
Other	182.856	167.292
	182.856	**167.292**

c) Sales to related parties, services given to related parties and financial income from related parties during the periods ended 30 June 2019 and 30 June 2018:

Services given to related parties

Services given to related parties	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Logo Siber	417.667	243.684	244.642	116.549
Logo Infosoft	336.099	232.254	400.287	126.679
Logo Teknoloji ve Yatırım A.Ş.	11.899	6.508	5.127	2.782
	765.665	**482.446**	**650.056**	**246.010**

d) Services purchased from related parties and other transactions with related parties during the periods ended 30 June 2019 and 30 June 2018:

Services purchased from related parties

Services purchased from related parties	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Logo Siber	1.440	1.440	517.912	51.158
Logo Teknoloji ve Yatırım A.Ş.	-	-	29.231	26.582
	1.440	**1.440**	**547.143**	**77.740**

e) Benefits provided to executive management:

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Paid wages and premiums to executive management	2.194.248	1.128.293	1.585.745	774.325

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

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

30.1 Financial Risk Management

Credit Risk

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

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business the Company aims at maintaining flexibility in funding by keeping committed credit lines available. The Company management holds adequate cash and credit commitment that will meet the need cash for recent future in order to manage its liquidity risk. In this context, the Company has credit limit from banks amounting to over TRY100.000.000 that can be utilized whenever needed.

	30 June 2019					
Non-derivative financial instruments	**Carrying value**	**Contractual cash outflow (I+II+III+IV)**	**Up to 3 month (I)**	**Between 3-12 month (II)**	**Between 1-5 year (III)**	**More than 5year (IV)**
Borrowings	138.137.680	153.656.824	19.236.306	12.964.328	66.221.340	55.234.850
Trade payables						
- *Trade payables to third parties*	*23.243.880*	*23.243.880*	*23.243.880*	-	-	-
Due to personnel	21.493.842	21.493.842	21.493.842	-	-	-
Other payables						
- *Other payables to third parties*	*11.621.442*	*11.621.442*	*4.769.459*	-	*6.851.983*	-
Total liabilities	**194.496.844**	**210.015.988**	**68.743.487**	**12.964.328**	**73.073.323**	**55.234.850**

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

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

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

Interest rate risk

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

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

	30 June 2019	**31 December 2018**
<u>Financial instruments with fixed interest rate</u>		
Financial assets		
- Financial assets at fair value through profit or loss	*16.709.745*	*28.369.570*
Financial liabilities	33.889.718	3.466.448
<u>Financial instruments with float interest rate</u>		
Financial assets		
- Financial assets at fair value through profit or loss	*35.171.617*	*2.502.350*
Financial liabilities	104.247.962	96.009.180

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

Funding risk

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

Foreign currency 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. That exchange rate risk is monitored by analyzing the foreign currency position.

Foreign exchange rates used to translate the Group's assets and liabilities denominated in foreign currencies into TRY at 30 June 2019 and 31 December 2018 are as follows:

	30 June 2019	**31 December 2018**
USD	5,7551	5.2609
EUR	6,5507	6.0280

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

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

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

		Foreign currency position as of 30 June 2019			
		TRY equivalent	**USD**	**EUR**	**Other**
1.	Trade receivables	13.585.801	517.606	1.619.205	-
2a.	Monetary financial assets, (cash, and banks accounts included))	27.497.353	1.877.116	2.547.853	4.160
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
4.	**Current assets (1+2+3)**	**41.083.154**	**2.394.722**	**4.167.058**	**4.160**
5.	Trade receivables	-	-	-	-
6a.	Monetary financial assets	-	-	-	-
6b.	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	**Non-current assets (5+6+7)**	**-**	**-**	**-**	**-**
9.	**Total assets (4+8)**	**41.083.154**	**2.394.722**	**4.167.058**	**4.160**
10.	Trade payables	(2.128.519)	(101.596)	(235.674)	-
11.	Financial liabilities	(11.335.980)	-	(1.730.499)	-
12a.	Other monetary liabilities	-	-	-	-
12b.	Other non-monetary liabilities	-	-	-	-
13.	**Current liabilities (10+11+12)**	**(13.464.499)**	**(101.596)**	**(1.966.173)**	**-**
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(102.523.669)	-	(15.650.796)	-
16a.	Other monetary liabilities	-	-	-	-
16b.	Other non-monetary liabilities	-	-	-	-
17.	**Non-current liabilities (14+15+16)**	**(102.523.669)**	**-**	**(15.650.796)**	**-**
18.	**Total liabilities (13+17)**	**(115.988.168)**	**(101.596)**	**(17.616.969)**	**-**
19.	Net asset/liability position of off-balance sheet derivative financial instruments (19a - 19b)	-	-	-	-
19a.	Off-balance sheet foreign currency derivative financial assets	-	-	-	-
19b.	Off-balance sheet foreign currency derivative financial liabilities	-	-	-	-
20.	**Net foreign assets/(liability) position (9-18+19)**	**(74.905.014)**	**2.293.126**	**(13.449.911)**	**4.160**
21.	**Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)**	**(74.905.014)**	**2.293.126**	**(13.449.911)**	**4.160**
22.	Fair value of derivative instruments used in foreign currency hedge	-	-	-	-
23.	Export (*)	(21.220.508)	-	-	-
24.	Import	-	-	-	-

(*) Includes exports from the countries in which the Group operates. As of 30 June 2019 the Group's total sales made outside Turkey during the period is TRY72.100.420 (30 June 2018: TRY47.640.011).

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

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

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

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

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

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

Foreign currency sensitivity

	30 June 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	1.319.717	(1.319.717)	-	-
2- Hedged portion from USD risks (-)	-	-	-	-
3- USD net effect (1+2)	**1.319.717**	**(1.319.717)**	**-**	**-**
Change of EUR against TRY by 10%				
4- EUR net assets/liabilities	(8.810.633)	8.810.633	-	-
5- Hedged portion from EUR risks (-)	-	-	-	-
6- EUR net effect (4+5)	**(8.810.633)**	**8.810.633**	**-**	**-**
Change of other currencies against TRY by 10%				
7- Other currencies net assets/liabilities	416	(416)	-	-
8- Hedged portion from other currency risks (-)	-	-	-	-
9- Other currencies net effect (7+8)	**416**	**(416)**	**-**	**-**
Total (3+6+9)	**(7.490.500)**	**7.490.500**	**-**	**-**

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

(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.

	30 June 2019	31 December 2018
Total payables	161.381.560	124.975.792
Less: Cash and cash equivalents	(109.941.983)	(80.919.777)
Net debt	51.439.577	44.056.015
Total equity	331.747.927	294.204.187
Total capital	383.187.504	338.260.202
Debt/equity ratio (%)	**13%**	**13%**

NOTE 31 - FINANCIAL INSTRUMENTS

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

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

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

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 carrying values of financial liabilities and other monetary liabilities approximates their fair values due to their variable interest rates.

The carrying values of trade and other payables approximates their fair values due to their variable short term maturities.

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 30 June 2019 at is as follows:

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

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

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

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

NOTE 32 - NET DEBT RECONCILIATION

	Borrowings and credit cards	Lease liabilities	Total
1 January 2019	**97.935.177**	**1.540.451**	**99.475.628**
Increase in lease liabilities (TFRS 16)	-	17.812.707	17.812.707
Cash inflows	16.738.928	-	16.738.928
Cash outflows	(1.530.255)	(388.154)	(1.918.409)
Decrease in lease liabilities (TFRS 16)	-	(3.361.909)	(3.361.909)
Currency translation differences	8.726.612	664.123	9.390.735
30 June 2019	**121.870.462**	**16.267.218**	**138.137.680**
Less: cash and cash equivalents			109.941.983
Net debt			**28.195.697**

NOTE 33 – EVENTS AFTER THE BALANCE SHEET DATE

On 11 July 2019, 16,500 Group A shares held by Mediterra Capital Partners, were sold to Logo Teknoloji ve Yatırım A.Ş. After this transaction, Mediterra Capital Partners no longer has a shareholding in our Company, and the shareholding of Logo Teknoloji ve Yatırım A.Ş. went up from 33.56% to 33.63%.

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