

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 JUNE 2020**

(ORIGINALLY ISSUED IN TURKISH)



**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 2020 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, 5 August 2020

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

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AS OF 30 JUNE 2020**

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CONVENIENCE TRANSLATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2020**

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

	Notes	30 June 2020	Audited 31 December 2019
ASSETS			
Current asset		380.782.840	375.900.470
Cash and cash equivalents	5	191.521.826	152.183.722
Trade receivables		175.175.173	211.156.878
- <i>Trade receivables from third parties</i>	9	175.175.173	211.156.878
Other receivables		745.741	1.095.167
- <i>Other receivables from third parties</i>	10	745.741	909.141
- <i>Other receivables from related parties</i>	29	-	186.026
Inventories	11	690.369	538.114
Prepaid expenses	18	8.046.985	6.496.405
Other current assets	10	4.602.746	4.430.184
Non-current assets		463.182.799	399.831.802
Other receivables		4.343.131	3.192.800
- <i>Other receivables from related parties</i>	29	4.343.131	3.192.800
Financial investments	6	16.523.300	12.730.813
Right of use asset	14	11.413.723	14.391.618
Property, plant and equipment	12	20.249.690	20.049.599
Intangible assets		406.301.420	342.178.523
- <i>Goodwill</i>	15	180.834.623	146.362.128
- <i>Other intangible assets</i>	13	225.466.797	195.816.395
Prepaid expenses	18	2.037.105	1.307.947
Deferred tax assets	27	1.722.127	5.160.460
Other non-current assets		592.303	820.042
Total assets		843.965.639	775.732.272

These condensed consolidated financial statements have been approved by Board of Directors on 5 Aug 2020 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 OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2020**

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

	Notes	Reviewed 30 June 2020	Audited 31 December 2019
LIABILITIES			
Short-term liabilities		243.961.790	242.046.963
Short-term borrowings	8	7.977.647	21.309.333
Short-term parts of long-term borrowings	8	19.367.643	10.924.218
Trade payables		30.742.761	46.713.633
- Trade payables to third parties	9	30.742.761	46.713.633
Employee benefit obligations	17	18.317.481	11.838.284
Other payables		39.860.580	17.960.544
- Other payables to related parties		42.533	-
- Other payables to third parties	10	39.818.047	17.960.544
Contract liabilities arising from sales of goods and services	18	112.144.317	99.935.854
Short-term provisions		10.101.266	28.145.390
- Short term provisions for employee benefits	17	10.101.266	28.145.390
Current income tax liabilities	27	5.171.393	4.977.704
Other current liabilities		278.702	242.003
Long-term liabilities		145.123.045	139.084.303
Long-term borrowings	8	111.473.969	103.979.589
Other payables		4.595.797	18.773.309
- Other payables to third parties	10	4.595.797	18.773.309
Contract liabilities arising from sales of goods and services		6.374.957	-
Long-term provisions		15.872.047	13.595.065
- Long term provisions for employee benefits	17	15.872.047	13.595.065
Deferred tax liabilities	27	6.806.275	2.736.340
EQUITY			
Equity attributable to equity holders of the parent		424.096.157	368.962.947
Paid-in share capital	19	25.000.000	25.000.000
Adjustment to share capital	19	2.991.336	2.991.336
Restricted reserves		17.250.489	17.250.489
- Legal reserves	19	7.196.456	7.196.456
- Reserves for treasury shares	19	10.054.033	10.054.033
Put option revaluation fund related with non-controlling interests	4	(25.493.002)	(18.158.065)
Treasury shares (-)	19	(10.054.033)	(10.054.033)
Other comprehensive income and expense that will not be reclassified to profit or loss		(5.304.978)	(4.090.046)
- Actuarial loss on employment termination benefits		(5.891.591)	(4.676.659)
- Changes in the fair value of equity investments	6	586.613	586.613
Other comprehensive income and expense that will be reclassified to profit or loss		53.331.740	41.264.159
- Currency translation differences		55.355.089	41.264.159
- Cash flow hedge fund		(2.023.349)	-
Retained earnings		314.759.107	228.448.354
Net income for the year		51.615.498	86.310.753
Non-controlling interests		30.784.647	25.638.059
Total equity		454.880.804	394.601.006
Total liabilities and equity		843.965.639	775.732.272

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

CONVENIENCE TRANSLATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE THREE MONTHS PERIOD ENDED 30 JUNE 2020 AND 2019

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

	Notes	Reviewed 1 January - 30 June 2020	Not reviewed 1 April - 30 June 2020	Reviewed 1 January - 30 June 2019	Not reviewed 1 April - 30 June 2019
Revenue	21	218.746.691	117.020.720	176.242.856	94.883.367
Cost of sales (-)	21	(41.827.522)	(21.579.683)	(37.569.827)	(19.974.160)
Gross profit		176.919.169	95.441.037	138.673.029	74.909.207
General and administrative expenses (-)	22	(31.806.247)	(16.913.916)	(27.189.242)	(14.300.724)
Marketing expenses (-)	22	(37.178.191)	(19.548.129)	(28.703.627)	(16.088.356)
Research and development expenses (-)	22	(54.509.098)	(27.569.871)	(45.305.768)	(23.112.428)
Other operating income	23	6.214.273	2.098.624	4.838.684	996.409
Other operating expenses (-)	23	(4.854.573)	(4.037.986)	(2.725.509)	(1.423.963)
Operating profit		54.785.333	29.469.759	39.587.567	20.980.145
Income from investing activities	24	4.697.236	4.343.080	2.491.189	1.909.712
Operating profit before financial income/(expenses)		59.482.569	33.812.839	42.078.756	22.889.857
Financial income	25	4.184.052	1.813.383	2.813.739	1.275.906
Financial expenses (-)	26	(5.302.468)	(3.084.548)	(6.123.494)	(2.236.157)
Income before taxes		58.364.153	32.541.674	38.769.001	21.929.606
Taxation on income:					
Current income tax expense	27	(4.669.084)	(2.399.529)	(748.599)	(367.745)
Deferred tax income/(expense)	27	(2.566.256)	906.219	(1.317.942)	470.357
Profit for the period		51.128.813	31.048.364	36.702.460	22.032.218
Net income attributable to:					
Non-controlling interests		(486.685)	155.910	(69.052)	67.704
Equity holders of the parent		51.615.498	30.892.454	36.771.512	21.964.514
Earnings per shares	28	20,65	12,36	14,71	8,79

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

CONVENIENCE TRANSLATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE THREE MONTHS PERIOD ENDED 30 JUNE 2020 AND 2019

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

		Reviewed 1 January - 30 June 2020	Not reviewed 1 April - 30 June 2020	Reviewed 1 January - 30 June 2019	Not reviewed 1 April - 30 June 2019
	Notes				
Profit for the period		51.128.813	31.048.364	36.702.460	22.032.218
<i>Other comprehensive income and expense that will be reclassified to profit or loss:</i>					
Currency translation differences		19.224.979	9.376.147	7.444.541	4.912.090
<i>Other comprehensive income and expense that will not be reclassified to profit or loss</i>					
Actuarial losses arising from employment termination benefits	17	(1.344.016)	177.116	(117.139)	(27.419)
Tax effect	27	129.084	(21.329)	12.301	1.812
Other comprehensive income		18.010.047	9.531.934	7.339.703	4.886.483
Total comprehensive income		69.138.860	40.580.298	44.042.163	26.918.701
<i>Other comprehensive income attributable to:</i>					
Non-controlling interest		4.647.364	2.025.880	1.279.802	1.051.004
Equity holders of the parent		64.491.496	38.554.418	42.762.361	25.867.697

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

CONVENIENCE TRANSLATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE THREE MONTHS PERIOD ENDED 30 JUNE 2020 AND 2019

(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 (*)	Changes in the fair value of equity investments	Gains/ losses on hedging instrument	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 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/(expense)	-	-	-	-	-	(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
Balances at 1 January 2020	25.000.000	2.991.336	(10.054.033)	10.054.033	7.196.456	(4.676.659)	586.613	-	41.264.159	228.448.354	86.310.753	(18.158.065)	368.962.947	25.638.059	394.601.006
Transfer to retained earnings	-	-	-	-	-	-	-	(2.023.349)	-	86.310.753	(86.310.753)	-	(2.023.349)	-	(2.023.349)
Purchase of subsidiary	-	-	-	-	-	-	-	-	-	-	-	(3.980.554)	(3.980.554)	499.224	(3.481.330)
Increase/(decrease) through changes in ownership interests in subsidiaries that do not result in loss of control	-	-	-	-	-	-	-	-	-	-	-	(3.354.383)	(3.354.383)	-	(3.354.383)
Net profit for the period	-	-	-	-	-	-	-	-	-	-	51.615.498	-	51.615.498	(486.685)	51.128.813
Other comprehensive income	-	-	-	-	-	(1.214.932)	-	-	14.090.930	-	-	-	12.875.998	5.134.049	18.010.047
Balance at 30 June 2020	25.000.000	2.991.336	(10.054.033)	10.054.033	7.196.456	(5.891.591)	586.613	(2.023.349)	55.355.089	314.759.107	51.615.498	(25.493.002)	424.096.157	30.784.647	454.880.804

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

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

(***) Note 4.

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

CONVENIENCE TRANSLATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS PERIODS ENDED 30 JUNE 2020 AND 2019

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

	Notes	Reviewed 1 January - 30 June 2020	Reviewed 1 January - 30 June 2019
A. Cash flows from operating activities		106.313.284	51.306.419
Net profit for the period		51.128.813	36.702.460
Adjustments to reconcile profit for the year		40.734.738	12.507.562
Adjustment for depreciation and amortization	12,13,14	29.558.387	23.659.523
Adjustment for provision/(reversals) for employment termination benefits	17	(16.619.408)	(12.189.394)
Adjustment for interest expense	26	2.832.976	1.616.958
Adjustment for interest income	25	(758.817)	(720.613)
Adjustment for impairment on receivables	9	2.655.622	1.311.798
Other adjustments to reconcile profit or loss		15.830.638	(3.237.251)
Adjustment for income tax expense	27	7.235.340	2.066.541
Changes in net working capital		19.847.383	4.016.330
Decrease/(increase) on trade receivables		31.486.370	5.864.818
Decrease/(increase) on inventories		(152.255)	311.916
Increase on other current and non-current assets		(2.981.180)	(4.709.824)
Decrease on trade payables		(17.268.938)	(2.256.284)
Increase/(decrease) on other current and non-current liabilities		8.763.386	4.805.704
Cash flows used in operating activities		111.710.934	53.226.352
Taxes paid		(4.475.395)	(1.302.801)
Employment termination benefits paid	17	(922.255)	(617.132)
Cash outflows for purchases due to control of subsidiaries	4	(5.305.569)	-
Purchases of property, plant and equipment and intangible assets	12,14	(37.295.534)	(31.734.923)
Cash outflows for the acquisition of debt instruments or shares of other entities or funds	6	(3.792.487)	(2.545.422)
Proceeds from sales of property and equipment	12	78.961	19.202
Interest received		758.817	628.381
B. Cash flows from investing activities		(45.555.812)	(33.632.762)
Repayments of borrowings	32	(15.037.292)	(1.918.409)
Proceeds from borrowings	32	-	16.738.928
Interest paid		(2.832.976)	(1.616.958)
Lease payments	32	(2.630.469)	(3.361.909)
C. Cash flows from financing activities		(20.500.737)	9.841.652
Net increase in cash and cash equivalents before effects of currency translation differences		40.256.735	27.515.309
D. Effects of currency translation differences on cash and cash equivalents		(918.631)	1.506.897
Net increase in cash and cash equivalents		39.338.104	29.022.206
Cash and cash equivalents at the beginning of the period	5	152.183.722	80.919.777
Cash and cash equivalents at the end of the period	5	191.521.826	109.941.983

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

CONVENIENCE TRANSLATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS PERIODS ENDED 30 JUNE 2020 AND 2019

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

NOTE 1 - ORGANIZATION AND NATURE OPERATIONS

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

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

As of 30 June 2020 the Group has 1.162 employees (31 December 2019: 1.157).

The address of the registered office is as follows:

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

As of 30 June 2020, main shareholder and ultimate controlling party of Logo Yazılım is Logo Teknoloji ve Yatırım A.Ş. The partnership structure of the Company is explained in Note 19.

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

Subsidiary	Country of incorporation	Nature of business
Total Soft S.A. (“Total Soft”)	Romania	Development and marketing of software
Logo Elektronik Ticaret Hizmetleri A.Ş. (“e-Logo”)	Turkey	Development and marketing of software
Logo Financial Solutions GmbH (“Logo GmbH”)	Germany	Development and marketing of software
Logo Business Solutions FZ-LLC (“Logo FFC-LLC”)	United Arab Emirates	Marketing of software
Logo Kobi Dijital Hizmetler A.Ş. (“Logo Kobi”)	Turkey	Development and marketing of software
Architected Business Solutions SRL (“ABS”)	Romania	Development and marketing of software
ABS Financial Services SRL (“ABS FS”)	Romania	Development and marketing of software
Elba HR İnsan Kaynakları AŞ (Peoplise) (*)	Turkey	Development and marketing of software
Joint Venture	Country of incorporation	Nature of business
Logo Infosoft Business Technology Private Limited (“Logo Infosoft”)	India	Development and marketing of software

(*) As of 11 May 2020, The Company has acquired 86.7% shares of Peoplise – digital human resources management platform operating in Turkey – pursuant to share purchase agreement that signed on April 20 2020. (Note 4).

CONVENIENCE TRANSLATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Financial reporting standards

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

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

The Group has prepared its condensed consolidated financial statements for the interim period ended 30 June 2020 in accordance with the Turkish Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"). Interim condensed consolidated financial statements do not include all disclosures and notes required by the year-end financial statements and they should be read in conjunction with the consolidated financial statements dated as of 31 December 2019.

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

2.1.2 Financial statements of subsidiaries operating in foreign countries

Financial statements of subsidiaries, operating in countries other than Turkey, are adjusted to TAS/IFRS 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.

CONVENIENCE TRANSLATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1.3 Basis of consolidation

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

The table below sets out the subsidiaries of Logo Yazılım and ownership interests held by the Company at 30 June 2020 and 31 December 2019:

Subsidiaries	30 June 2020 (%)	31 December 2019 (%)
Total Soft	80,00	80,00
e-Logo	100,00	100,00
Logo GmbH	100,00	100,00
Logo Kobi	100,00	100,00
ABS	80,00	80,00
ABS FS	80,00	80,00
Peoplise (*)	86,70	-

Joint Venture	30 June 2020 (%)	31 December 2019 (%)
Logo Infosoft	50,00	50,00

(*) Note 4.

Subsidiaries

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

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

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

Joint venture

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

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

CONVENIENCE TRANSLATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

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

2.1.4 Presentation and functional currency

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

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

2.2 Going concern

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

COVID-19

The Group’s Management have taken the necessary actions to minimize the possible effects of the global COVID-19 pandemic on the operations and financial position of the Group. COVID-19 pandemic has caused developments / slowdowns both in the sector the Group is operating and in the general economic activities, but the Group continued its activities without any interruption. Meanwhile, actions have been taken by the Group to minimize the increase in investment expenditures and operational expenses and the cash strategy was revised to strengthen the liquidity position.

While preparing the interim condensed consolidated financial statements dated June 30, 2020, the Group has evaluated the possible effects of the COVID-19 pandemic on the financial statements and reviewed the estimates and assumptions used in the preparation of the consolidated financial statements. In this context, the Group has tested the possible impairment of financial assets, tangible and intangible assets and goodwill in the interim consolidated financial statements dated June 30, 2020 and no impairment has been identified.

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

2.3 Amendments to TFRS

a) *Standards, amendments and interpretations applicable as at 30 June 2020:*

Explanations on the effects of the new TAS / TFRS on the financial statements:

- a) Title of TAS / TFRS
 - b) If the accounting policy change is made in accordance with the relevant transitional provisions,
 - c) Explanation of the change in accounting policy,
 - d) A description of the transitional provisions, if any,
 - e) The effects of transitional provisions to future periods if any,
 - f) Adjustment amount for the current and each previous period submitted as much as possible,
 - i. Must be submitted for each financial statement item affected and
 - ii. If the “TAS 33, Earnings Per Share” standard applies to the company, ordinary shares and diluted earnings per share must be recalculated.
 - g) Adjustment amounts not submitted for periods before periods, if possible; and if retrospective application is not possible for any period or periods, the events leading to this situation should be explained and it should be explained from which date and how the change in accounting policy was applied.
- **Amendments to TAS 1 and TAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to TAS 1, ‘Presentation of financial statements’, and TAS 8, ‘Accounting policies, changes in accounting estimates and errors’, and consequential amendments to other TFRSs:
 - i) Use a consistent definition of materiality throughout TFRSs and the Conceptual Framework for Financial Reporting;
 - ii) Clarify the explanation of the definition of material; and
 - iii) Incorporate some of the guidance in TAS 1 about immaterial information.
 - **Amendments to TFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.
 - **Amendments to TFRS 9, TAS 39 and TFRS 7 - Interest rate benchmark reform;** effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

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

2.3 Amendments to TFRS (Continued)

- **Amendment to TFRS 16, ‘Leases’ - Covid-19 related rent concessions;** effective from Annual periods beginning on or after 1 June 2020. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including suspension and postponement of lease payments. On 28 May 2020, the IASB published an amendment to TFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.
- b) *Standards, amendments and interpretations that are issued but not effective as at 30 June 2020:*
 - **TFRS 17, ‘Insurance contracts’;** effective from annual periods beginning on or after 1 January 2023. 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.
 - **Amendments to TAS 1, Presentation of financial statements’ on classification of liabilities;** effective from 1 January 2022. These narrow-scope amendments to TAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what TAS 1 means when it refers to the ‘settlement’ of a liability.
 - **A number of narrow-scope amendments to TFRS 3, TAS 16, TAS 17 and some annual improvements on TFRS 1, TFRS 9, TAS 41 and TFRS 16;** effective from Annual periods beginning on or after 1 January 2022.
 - **Amendments to TFRS 3, ‘Business combinations’** update a reference in TFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. .
 - **Amendments to TAS 16, ‘Property, plant and equipment’** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
 - **Amendments to TAS 37, ‘Provisions, contingent liabilities and contingent assets’** specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to TFRS 1, ‘First-time Adoption of TFRS’, TFRS 9, ‘Financial instruments’, TAS 41, ‘Agriculture’ and the Illustrative Examples accompanying TFRS 16, ‘Leases’.

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

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

2.4 Changes in Accounting Policies

Accounting policy changes arising from the initial application of a new TAS/IFRS are applied retrospectively or prospectively in accordance with the transitional provisions of the TAS/IFRS. Changes to which no transition clauses are included, material changes in accounting policies or voluntary accounting errors are applied retrospectively and prior period financial statements are restated.

The Group aims to eliminate the exchange rate fluctuations, in operational lease payments committed with foreign currency contracts, which is not recognized in its balance sheet in accordance with IFRS 16. Therefore, the Group maintains foreign currency deposits for these future payments.

In accordance with this policy, the Group has applied fair value hedge accounting to its operational expense payments in foreign currency starting from January 1, 2020 and until June 30, 2020, in accordance with IFRS 9. In this application, 'definitive commitments' in foreign currency other than the balance sheet are determined as hedged items and foreign currency deposited at the bank as of January 1, 2020 which corresponds to these payments are subject to 'fair value hedge' accounting. Exchange differences arising from hedged items (definitive commitments) accounted under operational expenses when they realise and foreign exchange differences arising from deposits as hedging instruments are accounted under operational expenses.

The company made operational lease payments in the amount of USD 141.119 and EUR 195.000 as hedged items, in its fair value hedge accounting, which was applied between 1 January 2020 and 30 June 2020.

As a result of this accounting, the Company has represented the foreign exchange loss arising from deposits amounting to TL 130.197 under operational expenses. Since the amount of hedged item and hedging instrument are the same and are subject to valuation rates on the same date, the ineffective portion has not occurred and not recognized.

The Company applies cash flow hedge accounting starting from 6 February 2020 to its EUR denominated future revenues with EUR denominated borrowings. Future EUR denominated revenues are designated as hedged item and the EUR denominated borrowing principal payments are designated as hedging instruments.

The nominal of highly probable forecast transaction (sales) subjected to hedge accounting is EUR15.576.468 and the timing of cash flows match with the principal payments of the EUR denominated borrowings.

The hedge ratio is 54% and prospective hedge effectiveness ratio is %100. The effective portion of the fx gain/loss resulting from the designated borrowings are TRY1.584.157 before tax as of 30 June 2020. The effective amount will be recognised and accumulated under OCI with its tax effect until the designated sales are realised. When the designated portion of sales are realised the related accumulated fx gain/loss under OCI will be classified to PL under fx gain/loss.

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

2.5 Summary of significant accounting policies

The interim condensed consolidated financial statements for the three months period ended 30 June 2020 have been prepared in accordance with TAS 34. The significant accounting policies used in preparing the condensed interim consolidated financial statements for the three months period ended 30 June 2020 are consistent with the accounting policies disclosed in the consolidated financial statements as of 31 December 2019. Accordingly, the condensed consolidated interim financial statements should be evaluated with the consolidated financial statements for the year ended 31 December 2019. The Group has disclosed its accounting policies for the first time in Note 2.4.

2.6 Significant accounting estimates and assumptions

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

Provision for doubtful receivables

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

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

2.6 Significant accounting estimates and assumptions (Continued)

Useful lives of intangible assets

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

Revenue recognition

The Group uses percentage of completion method in accounting of its software 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 in 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.

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 2020 has been provided with the comparative financial information of 31 December 2019 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 2020 have been provided with the comparative financial information, for the period ended 30 June 2019.

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NOTE 3 - SEGMENT REPORTING

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

30 June 2020	Turkey	Romania	Segmental eliminations	Consolidated
Reportable segment assets	631.162.240	213.550.599	(747.200)	843.965.639
Reportable segment liabilities	199.407.223	190.424.812	(747.200)	389.084.835
Goodwill	141.758.939	39.075.684	-	180.834.623
Tangible and intangible assets	142.815.385	114.314.825	-	257.130.210

30 June 2020	Turkey	Romania	Segmental eliminations	Consolidated
Revenue	140.830.047	77.916.644	-	218.746.691
Cost of sales	(2.822.545)	(39.004.977)	-	(41.827.522)
Operating expense	(90.369.944)	(33.123.592)	-	(123.493.536)
Other operating income	5.654.532	559.741	-	6.214.273
Other operating expenses	(1.326.757)	(3.527.816)	-	(4.854.573)
Income from investing activities	4.697.236	-	-	4.697.236
Financial income	3.903.902	280.150	-	4.184.052
Financial expense	(3.337.454)	(1.965.014)	-	(5.302.468)
Depreciation and amortization	(19.905.331)	(9.653.056)	-	(29.558.387)
Tax expense	(6.914.147)	(321.193)	-	(7.235.340)
Net profit for the year	50.314.870	813.943	-	51.128.813
Adjusted EBITDA	67.542.889	15.441.131	-	82.984.020
Purchase of property and equipment and intangible assets	25.910.556	11.384.978	-	37.295.534

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

30 June 2020	Consolidated
Adjusted EBITDA	82.984.020
Depreciation and amortization	(29.558.387)
Income from investing activities	4.697.236
Other operating income	6.214.273
Other operating expenses	(4.854.573)
Financial income	4.184.052
Financial expense	(5.302.468)
Profit before tax	58.364.153

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NOTE 3 - SEGMENT REPORTING (Continued)

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

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

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NOTE 4 - BUSINESS COMBINATION

Acquisition of Peoplise

On May 11 , 2020, the Group acquired 86.70% of the shares of ELBA HR Human Resources Training and Consultancy (Peoplise).

Peoplise is an integrated and video-enabled digital human resources management platform designed for all recruitment needs of corporate companies. This merger is expected to contribute significantly to the growth target by complementing the existing Human Resources solutions and supporting the Group's ongoing investments in the HR product portfolio, especially with the synergy it will create during the transition period to cloud-based solutions, it will support the increasing exposure to large corporate enterprises and global markets.

The difference between the total acquisition amount and the net assets acquired for the purchase of Peoplise, accounted provisionally in accordance with the TFRS 3, “Business Combinations Standard”. The fair value of acquisition price acquired assets and liabilities provisionally used within the scope of TFRS 3 is summarized in the table below:

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

	11 May 2020
Total Assets	5.273.550
Total Liabilities	(1.519.988)
Fair value of net assets	3.753.562
Non-controlling interests	(499.224)
Purchase value	13.065.584
Goodwill (Note 15)	9.811.246

(*) As of 30.06.2020 TRY 5.771.960 of the total purchase price has been paid, TRY6.019.892 has been accounted as other short term liabilities to third parties together with TRY1.273.732, which is a contractual contingent liability.

In the consolidated profit or loss statement, Peoplise's share in revenue obtained after the purchase date was TRY860.541 and its contribution to net profit was TRY163.480. If Peoplise had been included in consolidation as of 1 January 2020, the Group's effect on sales income and net profit for the period in the statement of consolidated profit or loss would be TRY2.245.901 and TRY1.323.901, respectively.

The details of the cash outflow arising from the purchase are as follows:

Total purchase price - cash	5.771.960
Cash and cash equivalents - acquired	(466.391)
Cash outflow from purchase (net)	5.305.569

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NOTE 5 - CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents as of 30 June 2020 and 31 December 2019 is as follows:

	30 June 2020	31 December 2019
Cash	57.763	85.283
Banks		
- Demand deposits - TRY	6.538.750	1.251.573
- Demand deposits - foreign currency	16.953.209	11.055.256
- Time deposits - TRY	7.625.853	6.224.745
- Time deposits - foreign currency	4.748.487	19.084.419
Credit card slip receivables	62.362.650	57.802.741
Liquid funds(*)	93.038.067	56.603.131
Checks received	197.047	76.574
	191.521.826	152.183.722

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

As of 30 June 2020, the weighted average effective annual interest rates of TRY denominated time deposits are around CPI +5,25%. (31 December 2019: 10,75% and 23,50%). As of 30 June 2020, the weighted average effective annual interest rates of USD denominated time deposits are between 1,01% and 1,60.

NOTE 6 - FINANCIAL INVESTMENTS

Financial assets accounted on their fair value

The analysis of non-current financial assets at 30 June 2020 and 31 December 2019 is as follows:

	30 June 2020		31 December 2019	
	Share (%)	TL	Share (%)	TL
Logo Ventures Girişim				
Sermayesi Yatırım Fonu (“Logo Ventures”) (*)	20,00	2.036.613	20,00	2.036.613
İnterpro Yayıncılık Araştırma ve				
Organizasyon Hizmetleri A.Ş. (“İnterpro”)	2,00	80.653	2,00	80.653
Dokuz Eylül Teknoloji				
Geliştirme Bölgesi A.Ş. (“Dokuz Eylül”)	0,67	50.000	0,67	50.000
		2.167.266		2.167.266

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NOTE 6 - FINANCIAL INVESTMENTS (Continued)

Long term other financial investment:

	30 June 2020	31 December 2019
Long term other financial investment (*)	14.356.034	10.563.547

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

NOTE 7 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

Summary balance sheet

Logo Infosoft	30 June 2020	31 December 2019
Cash and cash equivalents	1.315.667	383.839
Other current assets	2.815.882	2.663.927
Other non-current assets	1.169.186	1.379.164
Total assets	5.300.735	4.426.930
Other short term liabilities	6.889.006	5.575.211
Other long term liabilities	18.233.101	13.113.500
Total liabilities	25.122.107	18.688.711
Net (Liabilities)/ Assets	(19.821.372)	(14.261.781)

Summary of income statements

Logo Infosoft	30 June 2020	30 June 2019
Income	1.085.609	140.680
Expenses (-)	(5.244.789)	(2.259.867)
Net loss for the period	(4.159.180)	(2.119.187)
Interest ratio of the Group	% 50,00	% 50,00
Group's share	(2.079.590)	(1.059.594)
Unrecognised losses (*)	2.079.590	1.059.594

(*) Logo Infosoft's portion of the Group's share of loss amounting to TRY 2.079.590 has not been accounted because Logo Infosoft's carrying amount has been zero.

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NOTE 8 - BORROWINGS

Details of borrowings as of 30 June 2020 and 31 December 2019 is as follows:

Short-term borrowings:	30 June 2020	31 December 2019
Short-term bank borrowings	2.241.790	13.755.155
Credit card payables	307.515	185.159
Lease liabilities	5.428.342	7.369.019
	7.977.647	21.309.333
Short-term portion of long-term borrowings:		
Short-term portion of long-term bank borrowings	19.019.642	10.114.413
Lease liabilities	348.001	809.805
	19.367.643	10.924.218
Total short-term borrowings	27.345.290	32.233.551
Long-term borrowings:	30 June 2020	31 December 2019
Long-term bank borrowings	103.564.151	95.657.231
Lease liabilities	7.909.818	8.322.358
Total long-term borrowings	111.473.969	103.979.589

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NOTE 8 - BORROWINGS (Continued)

		30 June 2020		
		Weighted average annual interest rate (%)	Original amount	TRY equivalent
Short-term borrowings:				
Bank borrowings - TRY - unsecured			1.987.093	1.987.093
Bank borrowings - RON - unsecured	Robor+1%-1.65%		171.548	254.697
Credit card payables - TRY			307.515	307.515
Lease liabilities- EUR	4.5%		481.907	3.714.638
Lease liabilities- TRY	12%-25%		1.713.704	1.713.704
			7.977.647	
Short-term portion of long-term borrowings:				
Bank borrowings - EUR -secured	Euribor+%2.45- %2.50		2.467.456	19.019.642
Financial leases - EUR	4.5%		45.147	348.001
			19.367.643	
Long-term borrowings:				
Bank borrowings - EUR - secured	Euribor+2.45%-2.50%		13.435.582	103.564.151
Financial leases- TRY	12%-25%		5.287.529	5.287.529
Financial leases- EUR	4.5%		340.195	2.622.289
			111.473.969	
Total borrowings			138.819.259	

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NOTE 8 - BORROWINGS (Continued)

	31 December 2019		
	Weighted average annual interest rate (%)	Original amount	TRY equivalent
Short-term borrowings:			
Bank borrowings - TRY - unsecured		1.796.645	1.796.645
Bank borrowings - RON - unsecured	Robor+1%-1.65%	8.645.539	11.958.510
Credit card payables - TRY		185.159	185.159
Lease liabilities- EUR	4.5%	797.919	5.306.640
Lease liabilities- TRY	12%-25%	2.062.379	2.062.379
			21.309.333
Short-term portion of long-term borrowings:			
Bank borrowings - EUR -secured	Euribor+2.50%- 2.95%	1.520.827	10.114.413
Financial leases - EUR	4.5%	121.764	809.805
			10.924.218
Long-term borrowings:			
Bank borrowings - EUR - secured	Euribor+2.50%- 2.95%	14.383.248	95.657.231
Financial leases- TRY	12%-25%	4.851.390	4.851.390
Financial leases- EUR	4.5%	521.903	3.470.968
			103.979.589
Total borrowings			136.213.140

The redemption schedules of long-term borrowings at 30 June 2020 and 31 December 2019 are as follows:

	30 June 2020	31 December 2019
To be paid within 1-2 years	20.835.821	18.646.974
To be paid within 2-5 years	44.324.367	38.914.011
To be paid in more than 5 years	46.313.781	46.418.604
	111.473.969	103.979.589

	Net book value		Fair value	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Bank borrowings	124.825.583	119.526.799	138.801.117	133.736.289
	124.825.583	119.526.799	138.801.117	133.736.289

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

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NOTE 9 - TRADE RECEIVABLES AND PAYABLES

The details of trade receivables and payables as of 30 June 2020 and 31 December 2019 are as follows:

Short-term trade receivables:	30 June 2020	31 December 2019
Trade receivables	126.267.947	150.603.977
Credit card receivables	79.969.934	89.151.849
Cheques and notes receivables	2.607.677	3.268.483
Less: provision for doubtful receivables	(29.488.351)	(24.320.148)
Less: unearned finance income	(4.182.034)	(7.547.283)
	175.175.173	211.156.878

As of 30 June 2020, the average turnover of the trade receivables is 127 days (31 December 2019: 124 days), excluding the credit card receivables, the turnover day is 74 days (31 December 2019: 80 days). The discount rate applied to the undue receivables is 7,64% (31 December 2019: 10,57%).

As of 30 June 2020, TRY20.542.932 of trade receivables (31 December 2019: TRY15.888.327) were past due but not impaired. The aging analysis of these trade receivables is as follows:

	30 June 2020	31 December 2019
Up to 1 month	6.157.299	7.015.955
1-3 months	7.119.687	3.214.898
More than 3 months	7.265.946	5.657.474
	20.542.932	15.888.327

As of 30 June 2020, TRY14.248.571 of overdue receivables consist of trade receivables of Total Soft (31 December 2019: TRY12.469.489). Group manages its receivables in accordance with credit risk management policies which is explained in Note 30.

The movement of provision for doubtful receivables for the periods ended 30 June 2020 and 31 December 2019 are as follows:

	2020	2019
As of 1 January	24.320.148	26.134.062
Provisions for the year	4.814.605	1.810.977
Releases	(2.158.983)	(499.179)
Foreign currency translation difference	2.512.581	1.499.659
As of 30 June	29.488.351	28.945.519

Trade payables to third parties:

	30 June 2020	31 December 2019
Trade payables	30.742.761	46.713.633

As of 30 June 2020, the average debt payment period is 108 days (31 December 2019: 110 days)

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NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

The table below shows the maximum exposure of the Group to credit risk as of 30 June 2020 and 31 December 2019:

30 June 2020	Trade receivables		Other receivables		Cash at bank
	Related party	Other	Related party	Other	
The maximum of credit risk exposure as of reporting date	-	175.175.173	4.343.131	745.741	191.267.016
- <i>Amount of risk covered by guarantees</i>	-	290.274	-	-	-
Net carrying value of not past due and not impaired financial assets	-	154.632.241	4.343.131	745.741	191.267.016
Net carrying value of past due but not impaired financial assets	-	20.542.932	-	-	-
- <i>Amount of risk covered by guarantees</i>	-	-	-	-	-
Net carrying value of impaired assets					
- <i>Past due (gross carrying value)</i>	-	29.488.351	-	-	-
- <i>Provision for impairment (-)</i>	-	(29.488.351)	-	-	-
- <i>Amount of risk covered by guarantees</i>	-	-	-	-	-

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

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NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

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

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

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NOTE 10 - OTHER RECEIVABLES, PAYABLES AND OTHER CURRENT ASSETS

Short-term other receivables from third parties:

	30 June 2020	31 December 2019
Income accruals	667.871	881.805
Deposits and guarantees given	52.221	7.915
Other	25.649	19.421
	745.741	909.141

Short-term other payables to third parties:

	30 June 2020	31 December 2019
Put option liability (*)	21.512.448	-
Taxes payable	11.011.975	17.960.544
Other (Note 4)	7.293.624	-
	39.818.047	17.960.544

(*) 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, 2020, the Company has accounted for the liability for a put option amounting to TRY 21.512.448 in the long-term liabilities account as a result of the sales option given in the consolidated financial statements.

Long-term other payables to third parties:

	30 June 2020	31 December 2019
Put option liability (*)	3.980.553	18.158.065
Other	615.244	615.244
	4.595.797	18.773.309

(*) As a result of this acquisition, there is a sales option given to minority shaereholders by Logo Yazılım for the 13.3% Peoplise shares. As of 30 June, 2020, the Company has accounted for the liability for a put option amounting to TRY 3.980.553 in the short-term liabilities account as a result of the sales option given in the consolidated financial statements.

Other current assets:

	30 June 2020	31 December 2019
Prepaid taxes	1.942.950	1.442.516
Deferred VAT	865.633	657.042
Personel advances	602.567	803.448
Business advances	149.456	453.073
Other	1.042.140	1.074.105
	4.602.746	4.430.184

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NOTE 11 - INVENTORIES

	30 June 2020	31 December 2019
Trade goods	557.699	497.443
Raw materials and equipment	119.395	19.311
Other	13.275	21.360
	690.369	538.114

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2020	Additions	Purchase of subsidiary(*)	Disposals	Currency translation differences	30 June 2020
Cost:						
Machinery, plant equipment	12.547.429	1.499.788	39.325	(104.254)	913.676	14.895.964
Motor vehicles	3.263.580	103.846	-	(118.203)	432.986	3.682.209
Furniture and fixtures	6.378.765	227.499	16.148	-	120.842	6.743.254
Leasehold improvements	25.522.419	366.032	-	-	47.507	25.935.958
	47.712.193	2.197.165	55.473	(222.457)	1.515.011	51.257.385
Accumulated Depreciation:						
Machinery, plant equipment	9.305.674	1.122.071	30.263	(25.293)	717.626	11.150.341
Motor vehicles	2.874.962	215.185	-	(118.203)	398.201	3.370.145
Furniture and fixtures	4.797.727	177.880	5.422	-	77.318	5.058.347
Leasehold improvements	10.684.231	708.006	-	-	36.625	11.428.862
	27.662.594	2.223.142	35.685	(143.496)	1.229.770	31.007.695
Net defter değeri	20.049.599					20.249.690

	1 January 2019	Additions	Disposals	Currency translation differences	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

(*) Note 4.

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NOTE 13 - INTANGIBLE ASSETS OTHER THAN GOODWILL

	1 January 2020	Additions	Purchase of subsidiary (*)	Disposals	Currency translation differences	30 June 2020
Costs:						
Development costs	285.430.764	34.862.846	6.632.263	-	11.619.975	338.545.848
Advanced technology	16.783.543	-	-	-	528.140	17.311.683
Customer relations	48.608.718	-	-	-	5.275.242	53.883.960
Non-compete agreement	2.747.778	-	-	-	-	2.747.778
Foundation and organisation	-	-	2.219	-	-	2.219
Other intangible Assets	12.292.123	235.523	150.000	-	502.561	13.180.207
	365.862.926	35.098.369	6.784.482	-	17.925.918	425.671.695
Accumulated Depreciation:						
Development costs	133.454.118	19.237.888	2.650.597	-	2.925.746	158.268.349
Advanced technology	10.695.531	940.148	-	-	437.496	12.073.175
Customer relations	13.953.562	2.148.588	-	-	870.370	16.972.520
Non-compete agreement	2.747.778	-	-	-	-	2.747.778
Other intangible Assets	9.195.542	480.519	63.671	-	403.344	10.143.076
	170.046.531	22.807.143	2.714.268	-	4.636.956	200.204.898
Net book value	195.816.395					225.466.797

(*) Note 4.

TRY 34.667.846 of the total additions to development costs for the period ended 30 June 2020 (all additions as of 30 June 2019) consist of capitalised personnel costs.

TRY 24.324.896 (30 June 2019: TRY 18.885.025), TRY 1.410.514 (30 June 2019: TRY 948.645), TRY 3.572.078 (30 June 2019: TRY 3.504.511) and TRY 250.899 (30 June 2019: TRY 321.342) of the depreciation and amortization expenses for the period ended 30 June 2020 have been accounted for research and development expenses, marketing expenses, general administrative expenses and cost of sales respectively. (Note 22)

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NOTE 13 - INTANGIBLE ASSETS OTHER THAN GOODWILL (Continued)

	1 January 2019	Additions	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

NOTE 14 - RIGHT OF USE ASSETS

	1 January 2020	Additions	Disposals	Currency translation differences	30 June 2020
Cost:					
Vehicles	9.575.676	1.692.501	-	165.091	11.433.268
Office	12.469.973	3.304	(940.179)	1.384.703	12.917.801
	22.045.649	1.695.805	(940.179)	1.549.794	24.351.069
Accumulated Depreciation:					
Vehicles	3.142.590	1.867.330	-	60.304	5.070.224
Office	4.511.441	2.660.772	-	694.909	7.867.122
	7.654.031	4.528.102	-	755.213	12.937.346
Net book value	14.391.618				11.413.723

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NOTE 14 - RIGHT OF USE ASSETS (Continued)

	1 January 2019	Additions	Disposals	Currency 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 15 - GOODWILL

	30 June 2020	31 December 2019
Total Soft	124.469.041	108.814.042
Total Soft (ABS)	39.075.684	30.069.434
Peoplise	9.811.246	-
Netsis	5.892.252	5.892.252
Sempa	903.000	903.000
Vardar	346.338	346.338
Intermat	337.062	337.062
	180.834.623	146.362.128

Movement table of goodwill for the periods ended 30 June 2020 and 2019 are as follows;

	2020	2019
As of 1 January	146.362.128	136.752.195
Currency translation difference	24.661.249	8.887.000
Purchase of subsidiary (*)	9.811.246	-
As of 30 June	180.834.623	145.639.195

(*) Note 4.

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

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NOTE 15 - GOODWILL(Continued)

Goodwill impairment test - Total Soft and ABS

FVLCD is determined by discounting the expected future discounted cash flows to be generated by the cash-generating unit. The below key assumptions are used in the calculation of the recoverable value of CGU as of 30 June 2020:

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

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

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

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

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

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

Long term growth rate

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

Discount rate

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

Goodwill impairment test - Netsis

The goodwill impairment test resulting from the acquisition of Netsis was carried out on the cash flow for the year ended 31 December 2019 and ongoing value. As of 30 June 2020, it was observed that the cash flow generated by the cash generating unit was 488% higher than the goodwill amount associated with the relevant unit. The cash generating unit is not expected to generate negative cash flow in the foreseeable future.

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NOTE 16 - COMMITMENTS AND CONTINGENT LIABILITIES

Guarantees received:

	Original currency	30 June 2020		31 December 2019	
		Original amount	TRY equivalent	Original amount	TRY equivalent
Guarantee notes	TRY	243.324	243.324	243.324	243.324
Mortgages	TRY	46.950	46.950	60.000	60.000
			290.274		303.324

As of 30 June 2020 and 31 December 2019, guarantee/pledge/mortgage (“GPM”) given by the Company on behalf of its legal entity are as follows:

GPM given by the Company:

	30 June 2020				31 December 2019			
	EUR	USD	RON	TRY	EUR	USD	RON	TRY
A. Total amount of Guarantees provided by the Company on behalf of itself	-	305.607	-	671.885	-	265.319	-	671.885
B. Total amount of Guarantees provided on behalf of the associates accounted under full consolidation method (*)	137.028.070	-	79.394	-	118.220.143	-	44.912	-
C. Provided on behalf of third parties in order to maintain operating activities (to secure third party payables)	-	-	-	-	-	-	-	-
D. Other Guarantees given-	-	-	-	-	-	-	-	-
(i) Total amount of Guarantees given on behalf of the parent Company-	-	-	-	-	-	-	-	-
(ii) Total amount of Guarantees provided on behalf of the associates which are not in the scope of B and C	-	-	-	-	-	-	-	-
(iii) Total amount of Guarantees provided on behalf of third parties which are not in the scope of C	-	-	-	-	-	-	-	-
	137.028.070	305.607	79.394	671.885	118.220.143	265.319	44.912	671.885

(*) Note 8.

The lawsuits filed against the Group in the previous periods amount to TRY 4.428.192. The Group’s management does not expect any cash outflows regarding these lawsuits therefore, no provisions has been accounted in the consolidated financial statements.

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NOTE 17 - EMPLOYEE BENEFITS

Short - term payables for employee benefits:

	30 June 2020	31 December 2019
Due to personnel	11.171.111	5.334.057
Taxes, funds and social security payables	7.146.370	6.504.227
	18.317.481	11.838.284

Short - term provisions for employment benefits:

	30 June 2020	31 December 2019
Bonus provision	10.101.266	28.145.390

Long - term provisions for employment benefits:

	30 June 2020	31 December 2019
Provision for employment termination benefits	8.456.846	7.120.017
Provision for unused vacation liability	7.415.201	6.475.048
	15.872.047	13.595.065

The movement of provision for unused vacation liability for the years ended 30 June 2020 and 2019 is as follow:

	2020	2019
As of 1 January	6.475.048	5.323.122
Increase for the period	509.648	1.913.872
Currency translation difference	430.505	219.265
As of 30 June	7.415.201	7.456.259

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 TRY 6.730,15 for each year of service (31 December 2019 TRY 6.017,60). Provision for employment termination benefits is calculated based on the present value of the Group's obligation to pay in the event of retirement.

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

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

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NOTE 17 - EMPLOYEE BENEFITS (Continued)

	30 June 2020	31 December 2019
Discount rate (%)	4,19	4,19
Turnover rate to estimate the probability of retirement (%)	94,90	94,10

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 TRY 7.117,17 which is effective from 1 July 2020 (1 July 2020: TRY6.379,86) has been taken into consideration in the calculations.

The movement in the provision for employment termination benefits during the periods ended 30 June 2020 and 2019 were as follows:

	2020	2019
As of 1 January	7.120.017	6.009.607
Interest cost	494.649	506.436
Service cost	420.419	555.402
Actuarial loss	1.344.016	117.139
Payments during the year	(922.255)	(617.132)
As of 30 June	8.456.846	6.571.452

NOTE 18 - PREPAID EXPENSES AND CONTRACT LIABILITIES

Short - term prepaid expenses:	30 June 2020	31 December 2019
Prepaid expenses	8.046.985	6.496.405
	8.046.985	6.496.405
Long - term prepaid expenses:	30 June 2020	31 December 2019
Advances given	2.037.105	1.307.947
	2.037.105	1.307.947

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NOTE 18 - PREPAID EXPENSES AND CONTRACT LIABILITIES (Continued)

Contract liabilities:

	30 June 2020	31 December 2019
Contract liabilities (*)	115.416.394	97.698.400
Advances received	3.102.880	2.237.454
	118.519.274	99.935.854

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

The details of contract liabilities at 30 June 2020 and 31 December 2019 as follows:

	30 June 2020	31 December 2019
Pay as you go sales	57.183.270	36.918.671
LEM sales	42.786.597	49.805.494
Revenue from continuing projects	9.973.144	9.658.022
After-sales services revenue	5.473.383	1.316.213
	115.416.394	97.698.400

NOTE 19 - EQUITY

The Company's authorized and paid-in share capital consists of 2.500.000.000 (31 December 2019: 2.500.000.000) shares with a nominal value of Kr 1 each. The shareholding structure of the Company as of 30 June 2020 and 31 December 2019 are as follows:

	30 June 2020	Share (%)	31 December 2019	Share (%)
Logo Teknoloji ve Yatırım A.Ş.	8.407.513	33,63	8.407.513	33,63
Publicly traded	16.592.487	66,37	16.592.487	66,37
	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	

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NOTE 19 - EQUITY (Continued)

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

Treasury shares

As of 30 June 2020 the amount of treasury shares which is accounted in Group's equity is TRY10.054.033 (31 December 2019: TRY10.054.033)

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

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

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

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

Dividend distribution

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

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

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NOTE 19 - EQUITY (Continued)

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

NOTE 20 - EXPENSES BY NATURE

As of 30 June 2020 and 2019, 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

Revenue

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Sales revenue	149.106.056	80.004.426	113.350.604	60.759.500
Service revenue	69.657.243	36.733.822	60.664.440	32.203.002
Retail Saas service revenue	5.292.296	3.166.257	4.797.471	3.216.119
Sales returns	(1.618.106)	(933.399)	(1.581.535)	(916.122)
Sales discounts	(3.690.798)	(1.950.386)	(988.124)	(379.132)
Net sales	218.746.691	117.020.720	176.242.856	94.883.367

Cost of sales	(41.827.522)	(21.579.683)	(37.569.827)	(19.974.160)
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Gross profit	176.919.169	95.441.037	138.673.029	74.909.207
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Cost of sales

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Cost of services	39.315.968	19.978.585	35.688.421	18.926.192
Cost of transfer of financial rights	2.208.980	1.364.204	1.782.162	976.186
Cost of trade goods sold	302.574	236.894	99.244	71.782
Cost of sales	41.827.522	21.579.683	37.569.827	19.974.160

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

Research and development expenses:

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Depreciation and amortization	24.324.896	12.547.022	18.885.025	9.644.840
Personnel	22.489.018	11.183.246	18.461.974	8.975.408
Outsourced benefits and services	2.580.936	1.277.508	2.009.341	1.015.093
Consultancy	796.419	323.450	1.110.412	677.290
Motor vehicles	572.010	380.356	1.025.805	657.303
Travel	147.860	4.743	607.621	410.217
Other	3.597.959	1.853.546	3.205.590	1.732.277
	54.509.098	27.569.871	45.305.768	23.112.428

Marketing, selling and distribution expenses:

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Personnel	15.793.866	8.457.518	14.226.787	7.760.643
Advertising and sales	15.640.527	8.080.834	8.554.180	5.173.464
Outsourced benefits and services	1.544.326	903.653	1.260.849	658.746
Depreciation and amortization	1.410.514	729.094	948.645	507.796
Consultancy	883.519	472.355	1.284.266	683.449
Motor vehicle	498.048	302.923	717.461	427.177
Other	1.407.391	601.752	1.711.439	877.081
	37.178.191	19.548.129	28.703.627	16.088.356

General administrative expenses:

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Personnel	21.162.747	11.648.168	17.965.384	9.449.362
Consultancy	3.851.645	1.897.025	3.250.389	1.938.186
Depreciation and amortization	3.572.078	1.708.248	3.504.511	1.817.632
Outsourced benefits and services	261.197	110.145	309.868	158.159
Motor vehicles	698.908	508.446	644.130	465.503
Travel	155.190	8.649	369.756	223.560
Other	2.104.482	1.033.235	1.145.204	248.322
	31.806.247	16.913.916	27.189.242	14.300.724

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NOTE 23 - OTHER OPERATING INCOME AND EXPENSES

Other operating income

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Rediscount income	3.420.931	1.149.077	2.737.483	243.002
Foreign exchange gains (*)	731.285	340.255	632.500	337.816
Overdue interest income	295.954	132.098	379.920	262.892
Other	1.766.103	477.194	1.088.781	152.699
	6.214.273	2.098.624	4.838.684	996.409

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

Other operating expenses

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Provision expense	3.682.902	3.559.693	1.353.464	754.820
Foreign exchange losses (*)	448.587	341.829	478.580	386.771
Rediscount expense	55.683	(25.018)	613.372	200.414
Other	667.401	161.482	280.093	81.958
	4.854.573	4.037.986	2.725.509	1.423.963

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

NOTE 24 - INCOME FROM INVESTING ACTIVITIES

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Gain on sale of financial instruments	4.697.236	4.343.080	2.491.189	1.909.712
	4.697.236	4.343.080	2.491.189	1.909.712

NOTE 25 - FINANCIAL INCOME

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Foreign exchange gains	3.425.235	1.313.765	2.093.126	1.201.809
Interest income	758.817	499.618	720.613	74.097
	4.184.052	1.813.383	2.813.739	1.275.906

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NOTE 26 - FINANCIAL EXPENSES

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Interest expenses	1.699.554	785.547	1.616.958	895.381
Foreign exchange losses	1.307.723	1.123.982	2.453.927	326.757
Interest expense from leases	1.133.422	632.219	954.029	463.105
Credit card commissions	597.423	271.085	536.448	264.241
Interest cost of				
employee termination benefits	494.649	247.324	506.436	254.255
Other financial expenses	69.697	24.391	55.696	32.418
	5.302.468	3.084.548	6.123.494	2.236.157

NOTE 27 - TAX ASSETS AND LIABILITIES

	30 June 2020	30 June 2019
Current period tax expense	(4.669.084)	(748.599)
Deferred tax expense/(income)	(2.566.256)	(1.317.942)
Current period tax expense/(income)	(7.235.340)	(2.066.541)

Deferred taxes

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

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

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred tax has been provided at 30 June 2020 and 31 December 2019 using the enacted tax rates, is as follows:

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NOTE 27 - TAX ASSETS AND LIABILITIES (Continued)

	Total temporary differences		Deferred tax assets/(liabilities)	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Deferred income tax assets:				
Expense accruals	18.623.343	23.539.318	3.724.669	4.707.864
Rediscount of trade receivables and payables	4.129.631	7.461.550	825.926	1.492.310
Employee termination benefits	4.682.542	4.107.216	936.508	821.443
Deferred revenue	2.759.513	2.611.582	551.903	522.316
Vacation provision	2.201.785	1.937.224	440.357	387.445
Provision for doubtful receivables	672.394	544.244	134.479	108.849
	33.069.208	40.201.134	6.613.842	8.040.227
Deferred income tax liabilities:				
Difference between the tax base and carrying value of property, equipment and intangible assets	(58.489.950)	(28.080.537)	(11.697.990)	(5.616.107)
	(58.489.950)	(28.080.537)	(11.697.990)	(5.616.107)
Deferred income tax assets/(liabilities) net			(5.084.148)	2.424.120

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

Deferred tax assets	1 January - 30 June 2020	1 January - 31 December 2019
To be recovered less than 12 months	5.236.977	6.831.339
To be recovered more than 12 months	1.376.865	1.208.888
	6.613.842	8.040.227
Deferred tax liabilities		
To be recovered more than 12 months	(11.697.990)	(5.616.107)
	(11.697.990)	(5.616.107)
Deferred income tax assets/(liabilities) net	(5.084.148)	2.424.120

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

	2020	2019
As of 1 January	2.424.120	300.786
Charged to statements of profit or loss	(2.566.256)	(1.317.942)
Charged to other comprehensive income	129.084	12.301
Currency translation difference	(5.071.096)	(200.881)
As of 30 June	(5.084.148)	(1.205.736)

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NOTE 27 - TAX ASSETS AND LIABILITIES (Continued)

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 2020 is 22% (31 December 2019: 22%). The law regarding amendments on Certain Tax Laws was approved in the Parliament on 28 November 2017 and the Law was published in the Official Gazette on 5 December 2017. Accordingly, the corporate income tax rate for all companies will be increased from 20% to 22% for the years 2018, 2019 and 2020. The corporate tax rate is 16% in Romania (31 December 2019: 16%).

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

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

Corporations are required to pay advance corporation tax quarterly at the rate of 22% on their corporate income. Advance tax is payable by the 17th of the second month following each calendar. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 30th of the fourth month following the close of the financial year to which they relate.

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

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

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

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

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NOTE 27 - TAX ASSETS AND LIABILITIES (Continued)

Corporate tax (Continued)

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 Kr 1 amounted to TRY 20,65 for the year ended 30 June 2020 (30 June 2019: TRY 14,71).

	1 January - 30 June 2020	1 January - 30 June 2019
Net income attributable to equity holders of the parent	51.615.498	36.771.512
Average number of shares for the period	2.500.000.000	2.500.000.000
Earnings per share	20,65	14,71

NOTE 29 - RELATED PARTY DISCLOSURES

a) Due from related parties at 30 June 2020 and 31 December 2019:

Other receivables from related parties:

	30 June 2020	31 December 2019
Logo Infosoft	4.343.131	3.192.800
Other	-	186.026
	4.343.131	3.378.826

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NOTE 29 - RELATED PARTY DISCLOSURES (Continued)

- b) **Sales to related parties, services given to related parties and financial income from related parties during the interim periods ended 30 June 2020 and 30 June 2019:**

Services given to related parties

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Logo Siber	414.978	170.871	417.667	243.684
Logo Infosoft	884.934	484.982	336.099	232.254
Logo Teknoloji ve Yatırım A.Ş.	7.447	4.386	11.899	6.508
	1.307.359	660.239	765.665	482.446

- c) **Purchases from related parties, services received from related parties and financial expense from related parties during the interim periods ended 30 June 2020 and 30 June 2019:**

Services received from related parties

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Logo Siber	-	-	1.440	1.440
	-	-	1.440	1.440

- d) **Remuneration of the executive management:**

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Paid wages and bonuses of executive management	6.391.505	3.438.660	6.312.288	3.997.296

During the interim periods ending on June 30, 2020 and June 30, 2019, all benefits provided to executive management personnel (executive management personnel include general manager and assistant general managers) are short term benefits and fees. It does not include termination benefits.

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

30.1 Financial Risk Management

Credit Risk

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

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business the Company aims at maintaining flexibility in funding by keeping committed credit lines available. The Company management holds adequate cash and credit commitment that will meet the cash need for the immediate 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.

Non-derivative financial instruments	30 June 2020					
	Carrying value	Contractual cash outflow (I+II+III+IV)	Up to 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Borrowings	138.819.259	152.794.793	4.641.468	26.845.570	72.959.465	48.348.290
Trade payables						
- Trade payables to third parties	30.742.761	30.742.761	30.742.761	-	-	-
Due to personnel	18.317.481	18.317.481	18.317.481	-	-	-
Other payables						
- Other payables to third parties	44.413.844	44.413.844	39.818.047	-	4.595.797	-
Total liabilities	232.293.345	246.268.879	93.519.757	26.845.570	77.555.262	48.348.290
Non-derivative financial instruments	31 December 2019					
	Carrying value	Contractual cash outflow (I+II+III+IV)	Up to 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Borrowings	136.213.140	150.422.630	16.157.141	19.078.940	66.091.019	49.095.530
Trade payables						
- Trade payables to third parties	46.713.633	46.713.633	46.713.633	-	-	-
Due to personnel	11.838.284	11.838.284	11.838.284	-	-	-
Other payables						
- Other payables to third parties	36.733.853	36.733.853	17.960.544	-	18.773.309	-
Total liabilities	231.498.910	245.708.400	92.669.602	19.078.940	84.864.328	49.095.530

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.

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

30.1 Financial Risk Management (Continued)

Interest rate risk (Continued)

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

	30 June 2020	31 December 2019
<u>Financial instruments with fixed interest rate</u>		
Financial assets		
- Financial assets at fair value through profit or loss	12.374.340	25.309.164
Financial liabilities	16.235.466	30.441.496
<u>Financial instruments with float interest rate</u>		
Financial assets		
- Financial assets with fair value reflected to profit/loss	93.038.067	56.603.131
Financial liabilities	122.583.793	105.771.644

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 possessing liquid funds and obtaining adequate committed funding lines from high quality lenders.

Foreign currency risk

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

Foreign exchange rates used to translate the Group's assets and liabilities denominated in foreign currencies into TRY at 30 June 2020 and 31 December 2019 are as follows:

	30 June 2020	31 December 2019
USD	6.8422	5,9402
EUR	7.7082	6,6506

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

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

		Foreign currency position as of 30 June 2020			
		TRY equivalent	USD	EUR	Other
1.	Trade receivables	8.467.770	702.638	474.842	-
2a.	Monetary financial assets. (cash. and banks accounts included)	53.968.500	6.716.416	1.039.060	4.164
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
4.	Current assets (1+2+3)	62.436.270	7.419.054	1.513.902	4.164
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)	62.436.270	7.419.054	1.513.902	4.164
10.	Trade payables	(603.403)	(142.361)	48.086	-
11.	Financial liabilities	(23.082.281)	-	(2.994.510)	-
12a.	Other monetary liabilities	-	-	-	-
12b.	Other non-monetary liabilities	-	-	-	-
13.	Current liabilities (10+11+12)	(23.685.684)	(142.361)	(2.946.424)	-
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(106.186.440)	-	(13.775.777)	-
16a.	Other monetary liabilities	-	-	-	-
16b.	Other non-monetary liabilities	-	-	-	-
17.	Non-current liabilities (14+15+16)	(106.186.440)	-	(13.775.777)	-
18.	Total liabilities (13+17)	(129.872.124)	(142.361)	(16.722.201)	-
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)	(67.435.854)	7.276.693	(15.208.299)	4.164
21.	Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	(67.435.854)	7.276.693	(15.208.299)	4.164
22.	Fair value of derivative instruments used in foreign currency hedge	-	-	-	-
23.	Export (*)	(25.142.892)	-	-	-
24.	Import	-	-	-	-

(*) Includes exports from the countries in which the Group operates. As of 30 June 2020 the Group's total sales made outside Turkey during the period is TRY114.612.154 (30 June 2019: TRY72.100.420).

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

		Foreign currency position as of 31 December 2019			
		TRY equivalent	USD	EUR	Other
1.	Trade receivables	17.331.292	671.440	2.006.256	-
2a.	Monetary financial assets. (cash. and banks accounts included)	25.656.481	1.543.464	2.478.600	3.835
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
4.	Current assets (1+2+3)	42.987.773	2.214.904	4.484.856	3.835
5.	Trade receivables	-	-	-	-
6a.	Monetary financial assets	-	-	-	-
6b.	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	Non-current assets (5+6+7)	-	-	-	-
9.	Total assets (4+8)	42.987.773	2.214.904	4.484.856	3.835
10.	Trade payables	(1.876.326)	(273.792)	(37.583)	-
11.	Financial liabilities	(16.230.858)	-	(2.440.510)	-
12a.	Other monetary liabilities	-	-	-	-
12b.	Other non-monetary liabilities	-	-	-	-
13.	Current liabilities (10+11+12)	(18.107.184)	(273.792)	(2.478.093)	-
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(99.128.199)	-	(14.905.151)	-
16a.	Other monetary liabilities	-	-	-	-
16b.	Other non-monetary liabilities	-	-	-	-
17.	Non-current liabilities (14+15+16)	(99.128.199)	-	(14.905.151)	-
18.	Total liabilities (13+17)	(117.235.383)	(273.792)	(17.383.244)	-
19.	Net asset/liability position of off-balance sheet derivative financial instruments (19a - 19b)	-	-	-	-
19a.	Off-balance sheet foreign currency derivative financial assets	-	-	-	-
19b.	Off-balance sheet foreign currency derivative financial liabilities	-	-	-	-
20.	Net foreign assets/(liability) position (9-18+19)	(74.247.610)	1.941.112	(12.898.388)	3.835
21.	Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	(74.247.610)	1.941.112	(12.898.388)	3.835
22.	Fair value of derivative instruments used in foreign currency hedge	-	-	-	-
23.	Export	(46.561.355)	-	-	-
24.	Import	-	-	-	-

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

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

Foreign currency sensitivity

	30 June 2020			
	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	5.026.066	(5.026.066)	-	-
2- Hedged portion from USD risks (-)	-	-	-	-
3- USD net effect (1+2)	5.026.066	(5.026.066)	-	-
Change of EUR against TRY by 10%				
4- EUR net assets/liabilities	83.832	(83.832)	-	-
5- Hedged portion from EUR risks (-)	-	-	-	-
6- EUR net effect (4+5)	83.832	(83.832)	-	-
Change of USD against RON by 10%				
7- USD net assets/liabilities	(47.207)	47.207	-	-
8- Hedged portion from USD risks (-)	-	-	-	-
9- USD net effect (7+8)	(47.207)	47.207	-	-
Change of EUR against RON by 10%				
10- EUR net assets/liabilities	(11.806.693)	11.806.693	-	-
11- Hedged portion from EUR risks (-)	-	-	-	-
12- EUR net effect (10+11)	(11.806.693)	11.806.693	-	-
	31 December 2019			
	Profit/(Loss)		Equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
Change of USD against TRY by 10%				
1- USD net assets/liabilities	1.250.134	(1.250.134)	-	-
2- Hedged portion from USD risks (-)	-	-	-	-
3- USD net effect (1+2)	1.250.134	(1.250.134)	-	-
Change of EUR against TRY by 10%				
4- EUR net assets/liabilities	1.050.393	(1.050.393)	-	-
5- Hedged portion from EUR risks (-)	-	-	-	-
6- EUR net effect (4+5)	1.050.393	(1.050.393)	-	-
Change of USD against RON by 10%				
7- USD net assets/liabilities	(97.075)	97.075	-	-
8- Hedged portion from USD risks (-)	-	-	-	-
9- USD net effect (7+8)	(97.075)	97.075	-	-
Change of EUR against RON by 10%				
10- EUR net assets/liabilities	(9.628.595)	9.628.595	-	-
11- Hedged portion from EUR risks (-)	-	-	-	-
12- EUR net effect (10+11)	(9.628.595)	9.628.595	-	-

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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 2020	31 December 2019
Total payables	169.562.020	182.926.773
Less: Cash and cash equivalents	(191.521.826)	(152.183.722)
Net debt	(21.959.806)	30.743.051
Total equity	424.096.157	368.962.947
Total capital	402.136.351	399.705.998
Debt/equity ratio	(5%)	8%

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

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

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

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NOTE 31 - FINANCIAL INSTRUMENTS

Monetary assets

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

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

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

Monetary liabilities

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

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

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

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

Level 3: Valuation techniques does not contain observable market inputs

Fair value hierarchy table as at 30 June 2020 is as follows:

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

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

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

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NOTE 32 -CASH FLOW INFORMATION

	Loans and Credit cards	Financial leases	Total
1 January 2020	119.711.958	16.501.182	136.213.140
Cash inflows	-	-	-
Cash outflows	(15.037.292)	-	(15.037.292)
Currency translation differences	17.643.411	-	17.643.411
Increase in lease liabilities (TFRS 16)	-	755.627	755.627
Cash outflows from lease liabilities (TFRS 16)	-	(2.630.469)	(2.630.469)
30 June 2020	122.318.077	14.626.340	136.944.417
Cash and cash equivalents (-)			191.521.826
Net debt			(54.577.409)

NOTE 33 -EVENTS AFTER BALANCE SHEET DATE

None.

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