

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

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

(ORIGINALLY ISSUED IN TURKISH)

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

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

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

	Notes	Reviewed 30 September 2020	Audited 31 December 2019
ASSETS			
Current asset		434.263.665	375.900.470
Cash and cash equivalents	5	252.948.777	152.183.722
Trade receivables		166.132.307	211.156.878
- <i>Trade receivables from third parties</i>	9	166.132.307	211.156.878
Other receivables		829.927	1.095.167
- <i>Other receivables from third parties</i>	10	829.927	909.141
- <i>Other receivables from related parties</i>	29	-	186.026
Inventories	11	794.529	538.114
Prepaid expenses	18	7.876.911	6.496.405
Other current assets	10	5.681.214	4.430.184
Non-current assets		518.592.719	399.831.802
Other receivables		4.963.196	3.192.800
- <i>Other receivables from related parties</i>	29	4.963.196	3.192.800
Financial investments	6	16.523.524	12.730.813
Right of use asset	14	9.671.346	14.391.618
Property, plant and equipment	12	20.664.993	20.049.599
Intangible assets		461.020.188	342.178.523
- <i>Goodwill</i>	15	209.838.952	146.362.128
- <i>Other intangible assets</i>	13	251.181.236	195.816.395
Prepaid expenses	18	2.545.962	1.307.947
Deferred tax assets	27	2.667.655	5.160.460
Other non-current assets		535.855	820.042
Total assets		952.856.384	775.732.272

These condensed consolidated financial statements have been approved by Board of Directors on 23 October 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 SEPTEMBER 2020**

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

	Notes	Reviewed 30 September 2020	Audited 31 December 2019
LIABILITIES			
Short-term liabilities		268.545.478	242.046.963
Short-term borrowings	8	7.311.049	21.309.333
Short-term parts of long-term borrowings	8	23.122.914	10.924.218
Trade payables		33.093.724	46.713.633
- <i>Trade payables to third parties</i>	9	33.093.724	46.713.633
Employee benefit obligations	17	27.494.555	11.838.284
Other payables		34.053.438	17.960.544
- <i>Other payables to related parties</i>		27.332	-
- <i>Other payables to third parties</i>	10	34.026.106	17.960.544
Contract liabilities arising from sales of goods and services	18	127.799.084	99.935.854
Short-term provisions		8.151.354	28.145.390
- <i>Short term provisions for employee benefits</i>	17	8.151.354	28.145.390
Current income tax liabilities		6.790.471	4.977.704
Other current liabilities		728.889	242.003
Long-term liabilities		167.958.624	139.084.303
Long-term borrowings	8	130.551.213	103.979.589
Other payables		4.595.797	18.773.309
- <i>Other payables to third parties</i>	10	4.595.797	18.773.309
Contract liabilities arising from sales of goods and services	18	9.454.635	-
Long-term provisions		15.969.607	13.595.065
- <i>Long term provisions for employee benefits</i>	17	15.969.607	13.595.065
Deferred tax liabilities	27	7.387.372	2.736.340
EQUITY			
Equity attributable to equity holders of the parent		480.141.081	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
- <i>Legal reserves</i>	19	7.196.456	7.196.456
- <i>Reserves for treasury shares</i>	19	10.054.033	10.054.033
Put option revaluation fund			
related with non-controlling interests	4	(20.921.950)	(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		(5.715.548)	(4.090.046)
- <i>Actuarial loss on employment termination benefits</i>		(6.302.161)	(4.676.659)
- <i>Changes in the fair value of equity investments</i>	6	586.613	586.613
Other comprehensive income and expense			
that will be reclassified to profit or loss		73.890.217	41.264.159
- <i>Currency translation differences</i>		76.727.081	41.264.159
- <i>Cash flow hedge fund</i>		(2.836.864)	-
Retained earnings		314.759.107	228.448.354
Net income for the year		82.941.463	86.310.753
Non-controlling interests		36.211.201	25.638.059
Total equity		516.352.282	394.601.006
Total liabilities and equity		952.856.384	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 PERIODS 1 JANUARY - 30 SEPTEMBER 2020 AND 2019

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

	Notes	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Revenue	21	338.702.815	119.956.124	268.483.333	92.240.477
Cost of sales (-)	21	(68.177.957)	(26.350.435)	(54.923.213)	(17.353.386)
Gross profit		270.524.858	93.605.689	213.560.120	74.887.091
General and administrative expenses (-)	22	(46.198.538)	(14.392.291)	(40.257.864)	(13.068.622)
Marketing expenses (-)	22	(61.139.209)	(23.961.018)	(43.285.330)	(14.581.703)
Research and development expenses (-)	22	(84.060.807)	(29.551.709)	(69.913.955)	(24.608.187)
Other operating income	23	5.318.969	(895.304)	7.140.977	2.302.293
Other operating expenses (-)	23	(4.770.612)	83.961	(4.025.788)	(1.300.279)
Operating profit		79.674.661	24.889.328	63.218.160	23.630.593
Income from investing activities	24	6.789.220	2.091.984	4.125.370	1.634.181
Operating profit before financial income/(expenses)		86.463.881	26.981.312	67.343.530	25.264.774
Financial income	25	15.083.795	10.899.743	4.143.317	1.329.578
Financial expenses (-)	26	(7.729.361)	(2.426.893)	(9.799.799)	(3.676.305)
Income before taxes		93.818.315	35.454.162	61.687.048	22.918.047
Taxation on income:					
Current income tax expense (-)	27	(10.287.682)	(5.618.598)	(3.764.617)	(3.016.018)
Deferred tax (income)/expense (-)	27	(998.873)	1.567.383	(1.841.269)	(523.327)
Profit for the period		82.531.760	31.402.947	56.081.162	19.378.702
Net income attributable to:					
Non-controlling interests		(409.703)	76.982	(916.130)	(847.078)
Equity holders of the parent		82.941.463	31.325.965	56.997.292	20.225.780
Earnings per shares	28	33,18	12,53	22,80	8,09

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 PERIODS 1 JANUARY - 30 SEPTEMBER 2020 AND 2019

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

	Notes	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Profit for the period		82.531.760	31.402.947	56.081.162	19.378.702
<i>Other comprehensive income and expense that will be reclassified to profit or loss:</i>					
Currency translation differences		45.946.543	26.721.564	(391.082)	(7.835.623)
<i>Other comprehensive income and expense that will not be reclassified to profit or loss</i>					
Actuarial losses arising from employment termination benefits	17	(1.801.289)	(457.273)	(1.030.941)	(913.802)
Tax effect	27	175.787	46.703	103.034	90.733
Other comprehensive income		44.321.041	26.310.994	(1.318.989)	(8.658.692)
Total comprehensive income		126.852.801	57.713.941	54.762.173	10.720.010
<i>Other comprehensive income attributable to:</i>					
Non-controlling interest		10.073.918	5.426.554	(1.140.026)	(2.419.828)
Equity holders of the parent		116.778.883	52.287.387	55.902.199	13.139.838

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 PERIODS 1 JANUARY - 30 SEPTEMBER 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	-	-	-	-	-	-	-	-	-	-	56,997.292	-	56,997.292	(916.130)	56,081.162
Other comprehensive income/(expense)	-	-	-	-	-	(927.907)	-	-	(167.186)	-	-	-	(1,095.093)	(223.896)	(1,318.989)
Balance at 30 September 2019	25,000.000	2,991.336	(10,054.033)	10,054.033	7,196.456	(4,723.974)	-	-	35,215.040	228,448.354	56,997.292	(6,236.739)	344,887.765	23,229.350	368,117.115
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	-	-	-	-	-	-	-	(2,836.864)	-	86,310.753	(86,310.753)	-	(2,836.864)	-	(2,836.864)
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	-	-	-	-	-	-	-	-	-	-	-	1,216.669	1,216.669	-	1,216.669
Net profit for the period	-	-	-	-	-	-	-	-	-	-	82,941.463	-	82,941.463	(409,703)	82,531.760
Other comprehensive income/(expense)	-	-	-	-	-	(1,625.502)	-	-	35,462.922	-	-	-	33,837.420	10,483.621	44,321.041
Balance at 30 September 2020	25,000.000	2,991.336	(10,054.033)	10,054.033	7,196.456	(6,302.161)	586.613	(2,836.864)	76,727.081	314,759.107	82,941.463	(20,921.950)	480,141.081	36,211.201	516,352.282

(*) 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 PERIODS 1 JANUARY - 30 SEPTEMBER 2020 AND 2019

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

	Notes	1 January - 30 September 2020	1 January - 30 September 2019
A. Cash flows from operating activities		174.857.541	80.716.778
Net profit for the period		82.531.760	56.081.162
Adjustments to reconcile profit for the year		61.364.263	19.705.694
Adjustment for depreciation and amortization	12,13,14	45.918.149	35.887.221
Adjustment for provision for employment termination benefits	17	(19.280.631)	(15.115.354)
Adjustment for interest expense	26	4.107.482	3.929.871
Adjustment for interest income	25	(9.327.887)	(5.082.926)
Adjustment for impairment on receivables	9	1.579.617	1.742.215
Other adjustments to reconcile profit or loss		27.080.978	(7.261.219)
Adjustment for income tax expense	27	11.286.555	5.605.886
Changes in net working capital		40.496.414	9.714.963
(Increase)/decrease on trade receivables		37.348.454	14.121.074
(Increase)/decrease on inventories		(256.415)	254.544
(Increase)/decrease on other current and non-current assets		(5.046.231)	(2.849.611)
Decrease on trade payables		(14.917.975)	(3.493.542)
Increase/(decrease) on other current and non-current liabilities		23.368.581	1.682.498
Cash flows from operating activities		184.392.437	85.501.819
Taxes paid		(8.474.915)	(3.887.540)
Employment termination benefits paid	17	(1.059.981)	(897.501)
Cash outflows for purchases due to control of subsidiaries	4	(5.305.569)	-
Purchases of property, plant and equipment and intangible assets	12,13	(57.815.767)	(47.430.275)
Cash outflows for the acquisition of dept instruments Or shares of other businesses or funds	6	(3.792.711)	(4.820.930)
Proceeds from sales of property and equipment	12	103.517	29.170
Interest received		9.327.887	4.944.472
B. Cash flows from investing activities		(57.482.643)	(47.277.563)
Repayments of borrowings	32	(15.919.642)	(42.778.631)
Proceeds from borrowings	32	-	47.719.138
Interest paid		(4.107.482)	(3.929.871)
Cash outflows on loan payments arising from lease agreements	32	(4.336.143)	(4.743.025)
C. Cash flows from financing activities		(24.363.267)	(3.732.389)
Net increase in cash and cash equivalents before currency translation differences		93.011.631	29.706.826
D. Effects of currency translation differences on cash and cash equivalents		7.753.424	32.325
Net increase in cash and cash equivalents		100.765.055	29.739.151
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	252.948.777	110.658.928

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 1 JANUARY - 30 SEPTEMBER 2020**

(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 as a Limited Company 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 September 2020 the Group has 1.165 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 September 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 A.Ş. (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 SEPTEMBER 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 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 September 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 SEPTEMBER 2020

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation (Continued)

2.1.3 Basis of consolidation

The consolidated financial statements prepared in accordance with the principles of consolidated financial statements for the year ended 31 December 2019 include the accounts 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 September 2020 and 31 December 2019:

Subsidiaries	30 September 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 September 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

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

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

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

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

2.1 Basis of Presentation (Continued)

2.1.4 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 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 that the Group is operating and in the general economic activities, but the Group continued its activities without any disruption. Meanwhile, the Group has taken action 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 30 September 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 30 September 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 September 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 TFRS:
 - i) Use a consistent definition of materiality throughout TFRS 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)

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

- **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 September 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 1 January 2020 and until 30 September 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 1 January 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 USD117.500 and as hedged items, in its fair value hedge accounting, which was applied between 1 January 2020 and 30 September 2020.

As a result of this accounting, the Company has represented the foreign exchange loss arising from deposits amounting to TRY59.674 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 TRY2.836.864 before tax as of 30 September 2020. The effective amount will be recognised and accumulated under other comprehensive income (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 nine months period ended 30 September 2020 have been prepared in accordance with TAS 34. The significant accounting policies used in preparing the condensed interim consolidated financial statements for the nine months period ended 30 September 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.

Useful lives of intangible assets

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

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

2.6 Significant Accounting Estimates and Assumptions (Continued)

Revenue recognition

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

Logo Enterprise Membership ('LEM') is an insurance package that provides free ownership for all the charged version updates which protect enterprises against all the legal amendments and which includes new features that will provide added-value 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 September 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 September 2020 have been provided with the comparative financial information, for the period ended 30 September 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 September 2020	Turkey	Romania	Segmental eliminations	Consolidated
Reportable segment assets	697.927.589	255.671.914	(743.119)	952.856.384
Reportable segment liabilities	209.769.389	227.477.832	(743.119)	436.504.102
Goodwill	163.833.274	46.005.678	-	209.838.952
Tangible and intangible assets	145.782.534	135.735.041	-	281.517.575

30 September 2020	Turkey	Romania	Segmental eliminations	Consolidated
Revenue	217.452.542	121.250.273	-	338.702.815
Cost of sales	(4.820.520)	(63.357.437)	-	(68.177.957)
Operating expense (-)	(141.392.101)	(50.006.453)	-	(191.398.554)
Other operating income	4.494.365	824.604	-	5.318.969
Other operating expenses (-)	(2.081.439)	(2.689.173)	-	(4.770.612)
Income from investing activities	6.789.220	-	-	6.789.220
Financial income	14.825.855	257.940	-	15.083.795
Financial expense (-)	(4.466.253)	(3.263.108)	-	(7.729.361)
Depreciation and amortization	(30.628.051)	(15.290.098)	-	(45.918.149)
Tax expense (-)	(10.318.432)	(968.123)	-	(11.286.555)
Net profit for the year	80.483.237	2.048.523	-	82.531.760
Adjusted EBITDA	101.867.972	23.176.481	-	125.044.453
Purchase of property and equipment and intangible assets	39.624.981	18.190.786	-	57.815.767

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

30 September 2020	Consolidated
Adjusted EBITDA	125.044.453
Depreciation and amortization	(45.918.149)
Income from investing activities	6.789.220
Other operating income	5.318.969
Other operating expenses (-)	(4.770.612)
Financial income	15.083.795
Financial expense (-)	(7.729.361)
Profit before tax	93.818.315

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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 September 2019	Turkey	Romania	Segmental eliminations	Consolidated
Revenue	163.270.768	105.212.565	-	268.483.333
Cost of sales	(2.658.982)	(52.264.231)	-	(54.923.213)
Operating expenses (-)	(110.714.893)	(42.742.256)	-	(153.457.149)
Other operating income	6.375.993	764.984	-	7.140.977
Other operating expenses (-)	(2.263.427)	(1.762.361)	-	(4.025.788)
Income from investing activities	4.125.370	-	-	4.125.370
Financial income	3.179.208	964.109	-	4.143.317
Financial expense (-)	(4.488.767)	(5.311.032)	-	(9.799.799)
Depreciation and amortization	(23.788.774)	(12.098.447)	-	(35.887.221)
Tax (income)/expense	(4.147.128)	(1.458.758)	-	(5.605.886)
Profit for the period	52.678.142	3.403.020	-	56.081.162
Adjusted EBITDA	73.685.667	22.304.525	-	95.990.192
Purchase of property and equipment and intangible assets	33.785.494	13.644.781	-	47.430.275

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

30 September 2019	Consolidated
Adjusted EBITDA	95.990.192
Depreciation and amortization	(35.887.221)
Income from investing activities	4.125.370
Other income from operating activities	7.140.977
Other expense from operating activities	(4.025.788)
Financial income	4.143.317
Financial expenses	(9.799.799)
Profit before tax	61.687.048

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NOTE 4 - BUSINESS COMBINATION

Acquisition of Peoplise

On 11 May 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 enterprises. This merger is expected to contribute significantly to the Group's 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 enterprises and global markets.

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

	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 September 2020 TRY5.771.960 of the total purchase price has been paid, TRY4.774.664 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 TRY1.971.994 and its contribution to net profit was TRY26.101. 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 TRY3.772.727 and TRY385.012, 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 September 2020 and 31 December 2019 is as follows:

	30 September 2020	31 December 2019
Cash	72.465	85.283
Banks		
- Demand deposits - TRY	11.007.651	1.251.573
- Demand deposits - Foreign currency	24.687.281	11.055.256
- Time deposits - TRY	68.244.696	6.224.745
- Time deposits - Foreign currency	25.724.706	19.084.419
Credit card slip receivables	62.181.263	57.802.741
Liquid funds (*)	60.899.137	56.603.131
Checks received	131.578	76.574
	252.948.777	152.183.722

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

As of 30 September 2020, the weighted average effective annual interest rates of TRY denominated time deposits are between 9,00% and 12,90%. (31 December 2019: 10,75% and 23,50%). As of 30 September 2020, the weighted average effective annual interest rates of USD denominated time deposits are between 0,05% and 2,85%, Euro denominated time deposits are between 0,35% and 0,50%, Swapp denominated transactions are between 10% and 28,50%.

NOTE 6 - FINANCIAL INVESTMENTS

Financial assets accounted on their fair value

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

	30 September 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. ('Interpro')	2,00	80.653	2,00	80.653
Dokuz Eylül Teknoloji				
Geliştirme Bölgesi A.Ş. ('Dokuz Eylül')	0,67	50.000	0,67	50.000
		2.167.266		2.167.266

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NOTE 6 - FINANCIAL INVESTMENTS (Continued)

Long term other financial investment:

	30 September 2020	31 December 2019
Long term other financial investment (*)	14.356.258	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 September 2020	31 December 2019
Cash and cash equivalents	546.715	383.839
Other current assets	3.387.338	2.663.927
Other non-current assets	1.149.948	1.379.164
Total assets	5.084.001	4.426.930
Other short term liabilities	8.087.250	5.575.211
Other long term liabilities	21.893.343	13.113.500
Total liabilities	29.980.593	18.688.711
Net (liabilities)/assets	(24.896.592)	(14.261.781)

Summary of income statements

Logo Infosoft	30 September 2020	30 September 2019
Income	1.359.197	599.455
Expenses (-)	(7.348.701)	(6.318.607)
Net loss for the period	(5.989.504)	(5.719.152)
Interest ratio of the Group	50,00%	50,00%
Group's share	(2.994.752)	(2.859.576)
Unrecognised losses (*)	2.994.752	2.859.576

(*) Logo Infosoft's portion of the Group's share of loss amounting to TRY2.994.752 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 September 2020 and 31 December 2019 is as follows:

Short-term borrowings:	30 September 2020	31 December 2019
Short-term bank borrowings	3.651.963	13.755.155
Credit card payables	209.312	185.159
Lease liabilities	3.449.774	7.369.019
	7.311.049	21.309.333
Short-term portion of long-term borrowings:		
Short-term portion of long-term bank borrowings	22.519.908	10.114.413
Lease liabilities	603.006	809.805
	23.122.914	10.924.218
Total short-term borrowings	30.433.963	32.233.551
Long-term borrowings:	30 September 2020	31 December 2019
Long-term bank borrowings	122.623.507	95.657.231
Lease liabilities	7.927.706	8.322.358
Total long-term borrowings	130.551.213	103.979.589

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NOTE 8 - BORROWINGS (Continued)

	30 September 2020		
	Weighted average annual interest rate (%)	Original amount	TRY equivalent
Short-term borrowings:			
Bank borrowings - TRY - unsecured		2.450.517	2.450.517
Bank borrowings - RON - unsecured	Robor+%1 - %1.65	644.968	1.201.446
Credit card payables - TRY		209.312	209.312
Lease liabilities - EUR	%4.5	301.206	2.749.436
Lease liabilities - TRY	%12 - %25	700.338	700.338
			7.311.049
Short-term portion of long-term borrowings:			
Bank borrowings - EUR - secured	Euribor+%2.45 - %2.50	2.467.097	22.519.908
Financial leases - EUR	%4.5	66.060	603.006
			23.122.914
Long-term borrowings:			
Bank borrowings - EUR - secured	Euribor+%2.45 - %2.50	13.433.629	122.623.507
Financial leases - TRY	%12 - %25	5.403.846	5.403.846
Financial leases - EUR	%4.5	276.494	2.523.860
			130.551.213
Total borrowings			160.985.176

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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 September 2020 and 31 December 2019 are as follows:

	30 September 2020		31 December 2019	
	Net book value		Fair value	
	30 September 2020	31 December 2019	30 September 2020	31 December 2019
To be paid within 1 - 2 years	148.795.378	119.526.799	165.342.888	133.736.289
To be paid within 2 - 5 years				
To be paid in more than 5 years				
	148.795.378	119.526.799	165.342.888	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 September 2020 and 31 December 2019 are as follows:

Short-term trade receivables:	30 September 2020	31 December 2019
Trade receivables	126.699.373	150.603.977
Credit card receivables	76.047.380	89.151.849
Cheques and notes receivables	2.724.794	3.268.483
Less: provision for doubtful receivables	(32.669.133)	(24.320.148)
Less: unearned finance income	(6.670.107)	(7.547.283)
	166.132.307	211.156.878

As of 30 September 2020, the average turnover of the trade receivables is 126 days (31 December 2019: 124 days), excluding the credit card receivables, the turnover day is 70 days (31 December 2019: 80 days). The discount rate applied to the undue receivables is 12,43% (31 December 2019: 10,57%).

As of 30 September 2020, TRY20.113.714 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 September 2020	31 December 2019
Up to 1 month	7.912.392	7.015.955
1 - 3 months	4.825.457	3.214.898
More than 3 months	7.375.865	5.657.474
	20.113.714	15.888.327

As of 30 September 2020, TRY15.793.216 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 September 2020 and 2019 are as follows:

	2020	2019
As of 1 January	24.320.148	26.134.062
Provisions for the year	7.353.841	2.792.439
Releases	(5.774.224)	(1.050.224)
Foreign currency translation difference	6.769.368	107.003
As of 30 September	32.669.133	27.983.280

Trade payables to third parties:

	30 September 2020	31 December 2019
Trade payables	33.093.724	46.713.633

As of 30 September 2020, the average debt payment period is 104 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 September 2020 and 31 December 2019:

30 September 2020	Trade receivables		Other receivables		Cash at bank
	Related party	Other	Related party	Other	
The maximum of credit risk exposure as of reporting date	-	166.132.307	4.963.196	829.927	252.744.734
- <i>Amount of risk covered by guarantees</i>	-	290.274	-	-	-
Net carrying value of not past due and not impaired financial assets	-	146.018.593	4.963.196	829.927	252.744.734
Net carrying value of past due but not impaired financial assets	-	20.113.714	-	-	-
- <i>Amount of risk covered by guarantees</i>	-	-	-	-	-
Net carrying value of impaired assets	-	-	-	-	-
- <i>Past due (gross carrying value)</i>	-	32.669.133	-	-	-
- <i>Provision for impairment (-)</i>	-	(32.669.133)	-	-	-
- <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
- <i>Amount of risk covered by guarantees</i>	-	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	-	-	-
- <i>Amount of risk covered by guarantees</i>	-	-	-	-	-
Net carrying value of impaired assets	-	-	-	-	-
- <i>Past due (gross carrying value)</i>	-	24.320.148	-	-	-
- <i>Provision for impairment (-)</i>	-	(24.320.148)	-	-	-
- <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 10 - OTHER RECEIVABLES, PAYABLES AND OTHER CURRENT ASSETS

Short-term other receivables from third parties:

	30 September 2020	31 December 2019
Income accruals	667.835	881.805
Deposits and guarantees given	131.721	7.915
Other	30.371	19.421
	829.927	909.141

Short-term other payables to third parties:

	30 September 2020	31 December 2019
Put option liability (*)	16.941.396	-
Taxes payable	11.036.314	17.960.544
Other (Note 4)	6.048.396	-
	34.026.106	17.960.544

(*) As a result of ABS and ABS FS 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 September 2020, the Company has accounted for the liability for a put option amounting to TRY16.941.396 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 September 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 Peoplise acquisition, there is a sales option given to minority shareholders of Peoplise by Logo Yazılım for the 13.3% Peoplise shares. As of 30 September 2020, the Company has accounted for the liability for a put option amounting to TRY3.980.553 in the short-term liabilities account as a result of the sales option given in the consolidated financial statements.

Other current assets:

	30 September 2020	31 December 2019
Prepaid taxes	2.048.456	1.442.516
Deferred VAT	1.030.949	657.042
Personel advances	831.010	803.448
Business advances	554.996	453.073
Other	1.215.803	1.074.105
	5.681.214	4.430.184

NOTE 11 - INVENTORIES

	30 September 2020	31 December 2019
Trade goods	670.473	497.443
Raw materials and equipment	88.793	19.311
Other	35.263	21.360
	794.529	538.114

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NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2020	Additions	Purchase of subsidiary (*)	Disposals	Currency translation differences	30 September 2020
Cost:						
Machinery, plant equipment	12.547.429	1.911.689	39.325	(131.480)	2.222.901	16.589.864
Motor vehicles	3.263.580	103.846	-	(118.203)	1.046.038	4.295.261
Furniture and fixtures	6.378.765	239.269	16.148	-	291.561	6.925.743
Leasehold improvements	25.522.419	378.372	-	-	114.493	26.015.284
	47.712.193	2.633.176	55.473	(249.683)	3.674.993	53.826.152
Accumulated Depreciation:						
Machinery, plant equipment	9.305.674	1.595.159	30.263	(27.963)	1.815.925	12.719.058
Motor vehicles	2.874.962	319.457	-	(118.203)	971.513	4.047.729
Furniture and fixtures	4.797.727	270.849	5.422	-	190.199	5.264.197
Leasehold improvements	10.684.231	356.389	-	-	89.555	11.130.175
	27.662.594	2.541.854	35.685	(146.166)	3.067.192	33.161.159
Net book value	20.049.599					20.664.993
	1 January 2019	Additions	Disposals		Currency translation differences	30 September 2019
Cost:						
Machinery, plant and equipment	12.943.767	896.407	(2.953.389)		(55.099)	10.831.686
Motor vehicles	3.404.357	70.385	(324.331)		(81.657)	3.068.754
Furniture and fixtures	5.915.932	322.023	(22.194)		4.707	6.220.468
Leasehold improvements	24.194.629	973.773	-		1.886	25.170.288
	46.458.685	2.262.588	(3.299.914)		(130.163)	45.291.196
Accumulated depreciation: (-)						
Machinery, plant and equipment	9.971.579	1.623.131	(2.938.706)		(94.566)	8.561.438
Motor vehicles	2.086.528	817.049	(309.844)		(5.935)	2.587.798
Furniture and fixtures	4.433.912	278.292	(22.194)		(9.418)	4.680.592
Leasehold improvements	9.258.316	1.078.827	-		216	10.337.359
	25.750.335	3.797.299	(3.270.744)		(109.703)	26.167.187
Net book value	20.708.350					19.124.009

(*) 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 September 2020
Cost:						
Development costs	285.430.764	54.894.494	6.632.263	-	29.387.450	376.344.971
Advanced technology	16.783.543	-	-	-	1.272.844	18.056.387
Customer relations	48.608.718	-	-	-	12.713.599	61.322.317
Non-compete agreement	2.747.778	-	-	-	-	2.747.778
Foundation and organisation	-	-	2.219	-	-	2.219
Other intangible assets	12.292.123	288.097	150.000	-	1.207.713	13.937.933
	365.862.926	55.182.591	6.784.482	-	44.581.606	472.411.605
Accumulated Depreciation:						
Development costs	133.454.118	30.164.963	2.650.597	-	7.680.672	173.950.350
Advanced technology	10.695.531	1.432.342	-	-	1.113.276	13.241.149
Customer relations	13.953.562	3.351.149	-	-	2.291.825	19.596.536
Non-compete agreement	2.747.778	-	-	-	-	2.747.778
Other intangible assets	9.195.542	1.439.833	63.671	-	995.510	11.694.556
	170.046.531	36.388.287	2.714.268	-	12.081.283	221.230.369
Net book value	195.816.395					251.181.236

(*) Note 4.

TRY54.578.544 of the total additions to development costs for the period ended 30 September 2020 (All additions as of 30 September 2019) consist of capitalised personnel costs.

TRY37.847.756 (30 September 2019: TRY 28.776.979), TRY2.076.388 (30 September 2019: TRY1.458.739), TRY5.592.098 (30 September 2019: TRY 5.184.639) and TRY401.907 (30 September 2019: TRY 466.864) of the depreciation and amortization expenses for the period ended 30 September 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 September 2019
Cost:				
Development costs	218.928.412	44.191.019	(80.638)	263.038.793
Advanced technology	16.508.818	-	20.854	16.529.672
Customer relations	46.047.973	-	209.419	46.257.392
Non-compete agreement	2.747.778	-	-	2.747.778
Other intangible assets	10.804.144	976.668	13.018	11.793.830
	295.037.125	45.167.687	162.653	340.367.465
Accumulated depreciation (-):				
Development costs	101.458.113	21.696.101	(53.445)	123.100.769
Advanced technology	8.732.316	1.344.370	(4.234)	10.072.452
Customer relations	9.660.770	3.005.728	(36.680)	12.629.818
Non-compete agreement	2.747.778	-	-	2.747.778
Other intangible assets	8.094.461	666.641	9.401	8.770.503
	130.693.438	26.712.840	(84.958)	157.321.320
Net book value	164.343.687			183.046.145

NOTE 14 - RIGHT OF USE ASSETS

	1 January 2020	Additions	Disposals	Currency translation differences	30 September 2020
Cost:					
Vehicles	9.575.676	1.692.501	-	397.876	11.666.053
Office	12.469.973	3.304	(940.179)	3.179.301	14.712.399
	22.045.649	1.695.805	(940.179)	3.577.177	26.378.452
Accumulated Depreciation :					
Vehicles	3.142.590	2.766.667	-	165.054	6.074.311
Office	4.511.441	4.221.341	-	1.900.013	10.632.795
	7.654.031	6.988.008	-	2.065.067	16.707.106
Net book value	14.391.618				9.671.346

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NOTE 14 - RIGHT OF USE ASSETS (Continued)

	1 January 2019	Additions	Disposals	Currency translation differences	30 September 2019
Cost:					
Motor vehicles	8.511.862	-	-	27.543	8.539.405
Office	9.300.845	-	(56.063)	140.847	9.385.629
	17.812.707	-	(56.063)	168.390	17.925.034
Accumulated depreciation :					
Motor vehicles	-	2.311.271	-	(5.550)	2.305.721
Office	-	3.065.811	-	(74.780)	2.991.031
	-	5.377.082	-	(80.330)	5.296.752
Net book value	17.812.707				12.628.282

NOTE 15 - GOODWILL

	30 September 2020	31 December 2019
Total Soft	146.543.376	108.814.042
Total Soft (ABS)	46.005.678	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
	209.838.952	146.362.128

Movement table of goodwill for the periods ended 30 September 2020 and 2019 are as follows:

	2020	2019
As of 1 January	146.362.128	136.752.195
Currency translation difference	53.665.578	703.799
Purchase of subsidiary (*)	9.811.246	-
As of 30 September	209.838.952	137.455.994

(*) 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 happens. 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 September 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 2020 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 September 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 September 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 September 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 September 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	-	348.744	-	676.885	-	265.319	-	671.885
B. Total amount of Guarantees provided on behalf of the associates accounted under full consolidation method (*)	162.269.522	-	92.357	-	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	-	-	-	-	-	-	-	-
	162.269.522	348.744	92.357	676.885	118.220.143	265.319	44.912	671.885

(*) Note 8.

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

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NOTE 17 - EMPLOYEE BENEFITS

Short - term payables for employee benefits:

	30 September 2020	31 December 2019
Taxes, funds and social security payables	13.787.061	6.504.227
Due to personnel	13.707.494	5.334.057
	27.494.555	11.838.284

Short - term provisions for employment benefits:

	30 September 2020	31 December 2019
Bonus provision	8.151.354	28.145.390
	8.151.354	28.145.390

Long - term provisions for employment benefits:

	30 September 2020	31 December 2019
Provision for employment termination benefits	9.233.927	7.120.017
Provision for unused vacation liability	6.735.680	6.475.048
	15.969.607	13.595.065

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

	2020	2019
As of 1 January	6.475.048	5.323.122
Increase for the period	(659.197)	345.145
Currency translation difference	919.829	32.228
As of 30 September	6.735.680	5.700.495

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 TRY7.117,17 for each year of service (31 December 2019: TRY 6.379,86). 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 September 2020	31 December 2019
Discount rate (%)	4,19	4,19
Turnover rate to estimate the probability of retirement (%)	94,52	94,10

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. This 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 TRY7.117,17 which is effective from 1 July 2020 (1 July 2019: 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 September 2020 and 2019 were as follows:

	2020	2019
As of 1 January	7.120.017	6.009.607
Interest cost	741.974	490.086
Service cost	630.628	468.681
Actuarial loss	1.801.289	1.030.941
Payments during the year (-)	(1.059.981)	(897.501)
As of 30 September	9.233.927	7.101.814

NOTE 18 - PREPAID EXPENSES AND CONTRACT LIABILITIES

Short - term prepaid expenses:	30 September 2020	31 December 2019
Prepaid expenses (-)	7.876.911	6.496.405
	7.876.911	6.496.405
Long - term prepaid expenses:	30 September 2020	31 December 2019
Advances given	2.545.962	1.307.947
	2.545.962	1.307.947

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NOTE 18 - PREPAID EXPENSES AND CONTRACT LIABILITIES (Continued)

Contract liabilities:

	30 September 2020	31 December 2019
Contract liabilities (*)	133.321.106	97.698.400
Advances received	3.932.613	2.237.454
	137.253.719	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 September 2020 and 31 December 2019 as follows:

	30 September 2020	31 December 2019
Pay as you go sales	74.712.959	36.918.671
LEM sales	39.833.024	49.805.494
Revenue from continuing projects	14.382.589	9.658.022
After-sales services revenue	4.392.534	1.316.213
	133.321.106	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 Kr1 each. The shareholding structure of the Company as of 30 September 2020 and 31 December 2019 are as follows:

	30 September 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 September 2020 the amount of treasury shares which is accounted in Group's equity is TRY10.054.033 (31 December 2019: TRY10.054.033) and the number of treasury shares is 870.173 (31 December 2019: 870.173)

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 TRY522.913 is accounted under equity on the transaction dates.

Dividend distribution

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

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

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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 September 2020 and 2019, expenses are disclosed by function and the details of the expenses are summarized in Note 21 and Note 22.

NOTE 21 - SALES AND COST OF SALES

Revenue

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Sales revenue	231.073.930	81.967.874	174.876.074	61.525.470
Service revenue	108.454.773	38.797.530	91.287.336	30.622.896
Retail Saas service revenue	7.256.218	1.963.922	6.244.515	1.447.044
Sales returns (-)	(2.486.263)	(868.157)	(2.506.121)	(924.586)
Sales discounts (-)	(5.595.843)	(1.905.045)	(1.418.471)	(430.347)
Net sales	338.702.815	119.956.124	268.483.333	92.240.477
Cost of sales (-)	(68.177.957)	(26.350.435)	(54.923.213)	(17.353.386)
Gross profit	270.524.858	93.605.689	213.560.120	74.887.091

Cost of sales (-)

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Cost of services	64.019.194	24.703.226	52.265.981	16.577.560
Cost of transfer of financial rights	3.702.748	1.493.768	2.546.640	764.478
Cost of trade goods sold	456.015	153.441	110.592	11.348
Cost of sales (-)	68.177.957	26.350.435	54.923.213	17.353.386

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

Research and development expenses:

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Depreciation and amortization	37.847.756	13.522.860	28.776.979	9.891.954
Personnel	34.059.193	11.570.175	29.091.859	10.629.885
Outsourced benefits and services	3.965.275	1.384.339	3.066.232	1.056.891
Consultancy	1.251.639	455.220	1.460.441	350.029
Motor vehicles	885.184	313.174	1.566.377	540.572
Travel	156.209	8.349	854.294	246.673
Other	5.895.551	2.297.592	5.097.773	1.892.183
	84.060.807	29.551.709	69.913.955	24.608.187

Marketing, selling and distribution expenses:

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Advertising and sales	27.479.276	11.838.749	14.644.971	6.090.791
Personnel	24.678.979	8.885.113	19.738.232	5.511.445
Outsourced benefits and services	2.348.151	803.825	1.864.639	603.790
Depreciation and amortization	2.076.388	665.874	1.458.739	510.094
Consultancy	1.659.168	775.649	1.965.056	680.790
Motor vehicle	851.631	353.583	1.152.856	435.395
Other	2.045.616	638.225	2.460.837	749.398
	61.139.209	23.961.018	43.285.330	14.581.703

General administrative expenses:

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Personnel	28.445.172	7.282.425	25.646.080	7.680.696
Consultancy	7.429.960	3.578.315	5.386.246	2.135.857
Depreciation and amortization	5.592.098	2.020.020	5.184.639	1.680.128
Motor vehicles	1.082.803	383.895	1.018.579	374.449
Outsourced benefits and services	390.707	129.510	451.969	142.101
Travel	226.668	71.478	530.315	160.559
Other	3.031.130	926.648	2.040.036	894.832
	46.198.538	14.392.291	40.257.864	13.068.622

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NOTE 23 - OTHER OPERATING INCOME AND EXPENSES

Other operating income

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Foreign exchange gains (*)	1.539.518	808.233	746.377	113.877
Rediscount income	1.423.096	(1.997.835)	4.371.328	1.633.845
Overdue interest income	364.855	68.901	608.353	228.433
Other	1.991.500	225.397	1.414.919	326.138
	5.318.969	(895.304)	7.140.977	2.302.293

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

Other operating expenses

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Provision expense (-)	2.781.340	(901.562)	1.834.220	480.756
Foreign exchange losses (-) (*)	594.701	146.114	732.456	253.876
Rediscount expense (-)	545.920	490.237	936.019	322.647
Other	848.651	181.250	523.093	243.000
	4.770.612	(83.961)	4.025.788	1.300.279

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

NOTE 24 - INCOME FROM INVESTING ACTIVITIES

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Gain on sale of financial instruments	6.789.220	2.091.984	4.125.370	1.634.181
	6.789.220	2.091.984	4.125.370	1.634.181

NOTE 25 - FINANCIAL INCOME

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Foreign exchange gains	12.545.128	9.119.893	3.185.761	1.092.635
Interest income	2.538.667	1.779.850	957.556	236.943
	15.083.795	10.899.743	4.143.317	1.329.578

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NOTE 26 - FINANCIAL EXPENSES

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Interest expenses	2.509.662	810.108	2.544.716	927.758
Foreign exchange losses	1.829.006	521.283	4.520.263	2.066.336
Interest expense from leases	1.597.820	464.398	1.385.155	431.126
Credit card commissions	922.620	325.197	771.264	234.816
Interest cost of				
employee termination benefits	741.974	247.325	490.086	(16.350)
Other financial expenses	128.279	58.582	88.315	32.619
	7.729.361	2.426.893	9.799.799	3.676.305

NOTE 27 - TAX ASSETS AND LIABILITIES

	30 September 2020	30 September 2019
Current period tax expense (-)	(10.287.682)	(3.764.617)
Deferred tax expense/(income)	(998.873)	(1.841.269)
Current period tax expense/(income)	(11.286.555)	(5.605.886)

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 September 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 September 2020	31 December 2019	30 September 2020	31 December 2019
Deferred income tax assets:				
Expense accruals	23.980.169	23.539.318	4.796.034	4.707.864
Unaccrued finance income	6.628.564	7.461.550	1.325.713	1.492.310
Employee termination benefits	5.325.721	4.107.216	1.065.144	821.443
Deferred revenue	4.931.177	2.611.582	986.235	522.316
Vacation provision	1.884.684	1.937.224	376.937	387.445
Provision for doubtful receivables	845.566	544.244	169.113	108.849
	43.595.881	40.201.134	8.719.176	8.040.227
Deferred income tax liabilities:				
Difference between the tax base and carrying value of property, equipment and intangible assets	(67.194.465)	(28.080.537)	(13.438.893)	(5.616.107)
	(67.194.465)	(28.080.537)	(13.438.893)	(5.616.107)
Deferred income tax assets/(liabilities) net			(4.719.717)	2.424.120

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

Deferred tax assets	1 January - 30 September 2020	1 January - 31 December 2019
To be recovered less than 12 months	7.277.095	6.831.339
To be recovered more than 12 months	1.442.081	1.208.888
	8.719.176	8.040.227
Deferred tax liabilities		
To be recovered more than 12 months	(13.438.893)	(5.616.107)
	(13.438.893)	(5.616.107)
Deferred income tax assets/(liabilities), net	(4.719.717)	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	(998.873)	(1.841.269)
Charged to other comprehensive income	175.787	103.034
Currency translation difference	(6.320.751)	(25.875)
As of 30 September	(4.719.717)	(1.463.324)

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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, losses can be carried forward to offset against future taxable income for up to 5 years. But 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 Kr1 amounted to TRY33,18 for the year ended 30 September 2020 (30 September 2019: TRY22,80).

	1 January - 30 September 2020	1 January - 30 September 2019
Net income attributable to equity holders of the parent	82.941.463	56.997.292
Average number of shares for the period	2.500.000.000	2.500.000.000
Earnings per share	33,18	22,80

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NOTE 29 - RELATED PARTY DISCLOSURES

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

Other receivables from related parties:

	30 September 2020	31 December 2019
Logo Infosoft	4.963.196	3.192.800
Other	-	186.026
	4.963.196	3.378.826

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

Services given to related parties

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Logo Infosoft	1.210.322	325.388	710.671	374.572
Logo Siber	576.552	161.574	640.903	223.236
Logo Teknoloji ve Yatırım A.Ş.	15.310	7.863	19.173	7.274
	1.802.184	494.825	1.370.747	605.082

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

Services received from related parties

Services purchased from related parties	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Logo Siber	-	-	1.440	1.440
	-	-	1.440	1.440

d) Remuneration of the executive management:

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Remuneration of the executive management	9.427.084	3.035.579	8.887.467	2.575.179

During the interim periods ending on 30 September 2020 and 30 September 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 September 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	160.985.176	177.532.686	22.697.321	12.640.612	85.157.085	57.037.668
Trade payables						
- Trade payables to third parties	33.093.724	33.093.724	33.093.724	-	-	-
Due to personnel	27.494.555	27.494.555	27.494.555	-	-	-
Other payables						
- Other payables to third parties	38.621.903	38.621.903	34.026.106	-	4.595.797	-
Total liabilities	260.195.358	276.742.868	117.311.706	12.640.612	89.752.882	57.037.668
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 September 2020	31 December 2019
<u>Financial instruments with fixed interest rate</u>		
Financial assets		
<i>Financial assets at fair value through profit or loss</i>	93.969.402	25.309.164
Financial liabilities	15.841.761	30.441.496
<u>Financial instruments with float interest rate</u>		
Financial assets		
<i>Financial assets with fair value reflected to profit/(loss)</i>	60.899.137	56.603.131
Financial liabilities	145.143.415	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 September 2020 and 31 December 2019 are as follows:

	30 September 2020	31 December 2019
USD	7,8080	5,9402
EUR	9,1281	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 September 2020			
		TRY equivalent	USD	EUR	Other
1.	Trade receivables	15.410.421	720.404	1.072.021	-
2a.	Monetary financial assets (cash and banks accounts included)	62.300.766	6.053.658	1.646.440	4.948
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
4.	Current assets (1+2+3)	77.711.187	6.774.062	2.718.461	4.948
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)	77.711.187	6.774.062	2.718.461	4.948
10.	Trade payables	(1.090.926)	(203.007)	54.135	-
11.	Financial liabilities	(25.872.350)	-	(2.834.363)	-
12a.	Other monetary liabilities	-	-	-	-
12b.	Other non-monetary liabilities	-	-	-	-
13.	Current liabilities (10+11+12)	(26.963.276)	(203.007)	(2.780.228)	-
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(125.147.367)	-	(13.710.123)	-
16a.	Other monetary liabilities	-	-	-	-
16b.	Other non-monetary liabilities	-	-	-	-
17.	Non-current liabilities (14+15+16)	(125.147.367)	-	(13.710.123)	-
18.	Total liabilities (13+17)	(152.110.643)	(203.007)	(16.490.351)	-
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)	(74.399.456)	6.571.055	(13.771.890)	4.948
21.	Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	(74.399.456)	6.571.055	(13.771.890)	4.948
22.	Fair value of derivative instruments used in foreign currency hedge	-	-	-	-
23.	Export (*)	(39.994.689)	-	-	-
24.	Import	-	-	-	-

(*) Includes exports from the countries in which the Group operates. As of 30 September 2020 the Group's total sales made outside Turkey during the period is TRY125.323.376 (30 September 2019: TRY108.696.310).

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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 executive management and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items at the end of the period and presents effect of 10% change in foreign currency rates. The positive amount indicates increase in profit/loss before tax or equity.

Foreign currency sensitivity

	30 September 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	5.260.398	(5.260.398)	-	-
2- Hedged portion from USD risks (-)	-	-	-	-
3- USD net effect (1+2)	5.260.398	(5.260.398)		
Change of EUR against TRY by 10%				
4- EUR net assets/liabilities	262.355	(262.355)	-	-
5- Hedged portion from EUR risks (-)	-	-	-	-
6- EUR net effect (4+5)	262.355	(262.355)		
Change of USD against RON by 10%				
7- USD net assets/liabilities	(129.718)	129.718	-	-
8- Hedged portion from USD risks (-)	-	-	-	-
9- USD net effect (7+8)	(129.718)	129.718		
Change of EUR against RON by 10%				
10- EUR net assets/liabilities	(12.833.474)	12.833.474	-	-
11- Hedged portion from EUR risks (-)	-	-	-	-
12- EUR net effect (10+11)	(12.833.474)	12.833.474		

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

	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 change dividend amount, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

	30 September 2020	31 December 2019
Total payables	194.078.900	182.926.773
Less: Cash and cash equivalents	(252.948.777)	(152.183.722)
Net debt	(58.869.877)	30.743.051
Total equity	480.141.081	368.962.947
Total capital	421.271.204	399.705.998
Debt/equity ratio	(%14)	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 September 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	(15.919.642)	-	(15.919.642)
Currency translation differences	45.212.374	-	45.212.374
Increase in lease liabilities (TFRS 16)	-	(184.553)	(184.553)
Cash outflows from lease liabilities (TFRS 16)	-	(4.336.143)	(4.336.143)
30 September 2020	149.004.690	11.980.486	160.985.176
Cash and cash equivalents (-)			(252.948.777)
Net debt			(91.963.601)

NOTE 33 - EVENTS AFTER BALANCE SHEET DATE

None.

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