

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 MARCH 2021**

(ORIGINALLY ISSUED IN TURKISH)

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY – 31 MARCH 2021**

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LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 MARCH 2021

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

	Notes	31 March 2021	Audited 31 December 2020
ASSETS			
Current assets		540.244.115	543.820.036
Cash and cash equivalents	5	298.245.487	261.595.709
Financial investments	6	20.854.431	32.081.501
Trade receivables		202.958.918	235.668.367
- <i>Trade receivables from third parties</i>	9	202.958.918	235.668.367
Other receivables		262.314	799.556
- <i>Other receivables from third parties</i>	10	262.314	799.556
Inventories	11	719.859	2.846.711
Prepaid expenses	18	11.252.239	4.917.554
Other current assets	10	5.950.867	5.910.638
Non-current assets		592.778.709	553.699.940
Other receivables		6.115.215	5.343.356
- <i>Other receivables from related parties</i>	29	6.115.215	5.343.356
Financial investments	6	32.270.498	28.104.547
Investments valued by using equity method	7	-	-
Right-of-use asset	14	19.836.017	17.710.399
Property, plant and equipment	12	18.948.544	19.346.322
Intangible assets		506.813.920	470.238.309
- <i>Goodwill</i>	15	217.359.805	202.740.417
- <i>Other intangible assets</i>	13	289.454.115	267.497.892
Prepaid expenses	18	1.421.364	2.019.197
Deferred tax assets	27	7.005.879	10.007.150
Other non-current assets		367.272	930.660
Total assets		1.133.022.824	1.097.519.976

These condensed consolidated financial statements have been approved by Board of Directors on 6 May 2021 and signed on its behalf by Buğra Koyuncu, Logo Group Chief Executive Officer and Gülnur Anlaş, Logo Group Chief Financial Officer. General Assembly has the authority to change the consolidated financial statements.

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

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 MARCH 2021

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

	Notes	31 March 2021	Audited 31 December 2020
LIABILITIES			
Short-term Liabilities		353.920.981	406.374.780
Short-term borrowings	8	23.459.303	9.520.664
Short-term parts of long-term borrowings	8	18.912.101	17.463.445
Trade payables		45.985.070	65.971.841
- Trade payables to third parties	9	45.985.070	65.971.841
Payables related to employee benefits	17	40.160.574	75.595.098
Other payables		37.094.758	56.671.372
- Other payables to third parties	10	37.090.958	56.659.241
- Other payables to related parties		3.800	12.131
Contract liabilities	18	183.457.886	175.869.865
Current tax liability	27	4.255.123	3.461.961
Other current liabilities		596.166	1.820.534
Long-term liabilities		174.812.935	153.395.136
Long-term borrowings	8	136.794.414	125.316.688
Other payables		4.595.797	4.595.797
- Other payables to third parties	10	4.595.797	4.595.797
Long-term provisions		26.598.875	16.719.235
- Long-term provisions for employee benefits	17	26.598.875	16.719.235
Deferred tax liabilities	27	6.823.849	6.763.416
EQUITY			
Equity attributable to equity holders of the parent		567.929.077	502.281.113
Paid-in share capital	19	25.000.000	25.000.000
Adjustment to share capital	19	2.991.336	2.991.336
Restricted reserves appropriated from profit	19	7.196.456	7.196.456
Put option revaluation fund related to non-controlling interests		(27.008.050)	(29.324.261)
Treasury shares (-)	19	(10.054.033)	(10.054.033)
Reserves for treasury shares	19	10.054.033	10.054.033
Gains from financial instrument investments based on equity	6	2.395.487	1.334.356
Other accumulated comprehensive income and expense that will not be reclassified to profit or loss		(9.749.941)	(6.232.607)
- Losses on remeasurement of defined benefit plans		(9.749.941)	(6.232.607)
Other accumulated comprehensive income that will be reclassified to profit or loss		83.088.057	72.028.714
- Currency translation differences		86.808.439	74.999.449
- Hedging gains/losses		(3.720.382)	(2.970.735)
Prior years' profits		429.287.119	314.759.107
Net income for the period		54.728.613	114.528.012
Non-controlling interests		36.359.831	35.468.947
Total equity		604.288.908	537.750.060
Total liabilities and equity		1.133.022.824	1.097.519.976

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

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE PERIOD 1 JANUARY - 31 MARCH 2021**

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

PROFIT OR LOSS	Notes	1 January - 31 March 2021	1 January - 31 March 2020
Revenue	21	139.381.599	101.725.971
Cost of sales (-)	21	(27.601.122)	(20.247.839)
Gross profit		111.780.477	81.478.132
General administrative expenses (-)	22	(20.490.289)	(14.892.331)
Marketing expenses (-)	22	(19.237.649)	(17.630.062)
Research and development expenses (-)	22	(34.718.233)	(26.939.227)
Other income from operating activities	23	12.154.734	4.115.649
Other expenses from operating activities (-)	23	(853.407)	(816.587)
Operating profit		48.635.633	25.315.574
Income from investing activities	24	842.875	354.156
Operating profit before financial income/expenses		49.478.508	25.669.730
Financial income	25	15.695.745	2.370.669
Financial expenses (-)	26	(3.820.945)	(2.217.920)
Profit before tax		61.353.308	25.822.479
Tax income/expense			
Current tax expense	27	(5.776.867)	(2.269.555)
Deferred tax expense	27	(2.909.191)	(3.472.475)
Net profit for the period		52.667.250	20.080.449
Net income attributable to:			
Non-controlling interests		(2.061.363)	(642.595)
Equity holders of the parent		54.728.613	20.723.044
		52.667.250	20.080.449
Gains per share	28	21,89	8,29

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

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.**CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE PERIODS 1 JANUARY – 31 MARCH 2021 AND 2020**

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

OTHER COMPREHENSIVE INCOME	Notes	1 January - 31 March 2021	1 January - 31 March 2020
Net profit for the period		52.667.250	20.080.449
Other comprehensive income and expense that will be reclassified to profit or loss		14.011.590	9.848.832
Currency translation differences		14.761.237	9.848.832
Loss of cash flow hedges		(749.647)	-
Other comprehensive income and expense that will not be reclassified to profit or loss		(2.456.203)	(1.370.719)
Defined benefit plans re-measurement losses	17	(3.881.730)	(1.521.132)
Gains from financial instrument investments based on equity		1.061.131	-
Tax effect	27	364.396	150.413
Other comprehensive income		11.555.387	8.478.113
Total comprehensive income		64.222.637	28.558.562
Other comprehensive income attributable to:			
Non-controlling interest		890.884	2.621.484
Equity holders of the parent		63.331.753	25.937.078
		64.222.637	28.558.562

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

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS 1 JANUARY - 31 MARCH 2021 AND 2020**

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

	Paid-in Share capital	Adjustments to share capital	Treasury shares	Reserves for treasury shares	Cost of hedging reserves (**)	Restricted reserves appropriated from profit	Loss and gains on remeasurement of defined benefit plans (*)	Gains from financial instrument investments based on equity(*)	Currency translation differences(**)	Prior years' profits	Net profit for the period	Put option revaluation fund related with non-controlling interests(***)	Equity attributable to equity holders of the parent	Non- controlling interests	Total equity
Balances as of 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
Transfers to retained earnings	-	-	-	-	(1.584.157)	-	-	-	-	86.310.753	(86.310.753)	-	(1.584.157)	-	(1.584.157)
Increase/(decrease) through changes in ownership interests in subsidiaries that do not result in loss of control	-	-	-	-	-	-	-	-	-	-	-	(5.622.044)	(5.622.044)	-	(5.622.044)
Net profit for the year	-	-	-	-	-	-	-	-	-	-	20.723.044	-	20.723.044	(642.595)	20.080.449
Other comprehensive income	-	-	-	-	-	-	(1.370.719)	-	6.584.753	-	-	-	5.214.034	3.264.079	8.478.113
Balances as of 31 March 2020	25.000.000	2.991.336	(10.054.033)	10.054.033	(1.584.157)	7.196.456	(6.047.378)	586.613	47.848.912	314.759.107	20.723.044	(23.780.109)	387.693.824	28.259.543	415.953.367
Balances as of 1 January 2021	25.000.000	2.991.336	(10.054.033)	10.054.033	(2.970.735)	7.196.456	(6.232.607)	1.334.356	74.999.449	314.759.107	114.528.012	(29.324.261)	502.281.113	35.468.947	537.750.060
Transfers to retained earnings	-	-	-	-	-	-	-	-	-	114.528.012	(114.528.012)	-	-	-	-
Increase (decline) through changes in ownership interests in subsidiaries that do not result loss of control	-	-	-	-	-	-	-	-	-	-	-	2.316.211	2.316.211	-	2.316.211
Net profit for the period	-	-	-	-	-	-	-	-	-	-	54.728.613	-	54.728.613	(2.061.363)	52,667,250
Other comprehensive income	-	-	-	-	(749.647)	-	(3,517,334)	1,061,131	11,808,990	-	-	-	8,603,140	2,952,247	11,555,387
Balances as of 31 March 2021	25.000.000	2.991.336	(10.054.033)	10.054.033	(3.720.382)	7.196.456	(9.749.941)	2.395.487	86.808.439	429.287.119	54.728.613	(27.008.050)	567.929.077	36.359.831	604.288.908

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

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

(***) Note 4.

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

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIODS 1 JANUARY - 31 MARCH 2021 AND 2020

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

	Notes	1 January - 31 March 2021	1 January - 31 March 2020
A. Cash flow generated from operating activities		51.642.865	35.835.264
Profit for the period		52.667.250	20.080.449
Adjustments to reconcile profit for the period		52.815.785	33.308.014
Depreciation and amortization	12, 13, 14	17.745.459	14.435.536
Adjustments for provision for employment termination benefits	17	26.742.988	7.257.242
Adjustments for interest expense	26	1.357.473	1.415.210
Adjustments for interest income	24, 25	(5.798.004)	(613.355)
Adjustments for impairment/(reversal) of receivables	9	(317.386)	(1.021.508)
Other adjustments to reconcile the profit / (loss)		4.399.197	6.092.859
Adjustments for tax expense	27	8.686.058	5.742.030
Changes in net working capital		(48.470.528)	(12.930.651)
Adjustments regarding decreases (increases) on inventories		2.126.852	(20.311)
Adjustments regarding decreases on trade receivables		34.179.927	34.427.119
Adjustments regarding decreases on trade payables		(21.027.987)	(19.240.594)
Decrease in other operating payables		(72.255.202)	(23.899.945)
Decrease in other operating assets		8.505.882	(4.196.920)
Cash flow generated from activities		57.012.507	40.457.812
Taxes paid		(4.983.705)	(3.839.378)
Employment termination benefits paid	17	(385.937)	(783.170)
Cash outflows for purchase of property, plant and equipment and intangible assets	12, 13	(27.106.325)	(19.250.741)
Cash outflows for the acquisition of debt instruments or shares of other entities or funds	6	(2.396.790)	(1.755.935)
Cash inflows from sale of property, plant and equipment and intangible assets		146.410	39.943
Cash outflows for purchase of share or increase in share capital in associates and joint ventures	4	(1.422.577)	-
Interests received		4.826.646	227.019
B. Cash flows generated from investing activities		(25.952.636)	(20.739.714)
Cash outflows related to repayments of loans	32	(53.533)	(198.244)
Cash inflows from loans	32	11.777.857	4.912.755
Interests paid	26	(762.446)	(914.007)
Cash outflows for lease payments	32	(1.928.111)	(1.693.032)
C. Cash flows from financing activities		9.033.767	2.107.472
Net increase in cash and cash equivalent before the effect of currency translation differences (A+B+C)		34.723.996	17.203.022
D. Effects of currency translation differences on cash and cash equivalents		1.925.782	1.879.470
Net increase in cash and cash equivalents (A+B+C+D)		36.649.778	19.082.492
E. Cash and cash equivalents at the beginning of the period	5	261.595.709	152.183.722
Cash and cash equivalents at the end of the period (A+B+C+D+E)	5	298.245.487	171.266.214

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

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 MARCH 2021

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

NOTE 1 - ORGANIZATION AND OPERATIONS OF THE GROUP

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

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

As of 31 March 2021, average number of the personnel of the Group is 1.228 (31 December 2020: 1.177).

The address of the registered office is as follows:

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

As of 31 March 2021, 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 operations of subsidiaries and joint ventures of Logo Yazılım (together referred to as the “Group”) are as follows:

Subsidiary	Country of operation	Area of operation
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 Eğitim ve Danışmanlık A.Ş. (“Peoplise”) (*)	Turkey	Development and marketing of software
Joint Venture	Country of operation	Area of operation
Logo Infosoft Business Technology Private Limited (“Logo Infosoft”)	India	Development and marketing of software

(*) On 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 was signed on 20 April 2020 (Note 4).

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 MARCH 2021

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

NOTE 2 - BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Financial Reporting Standards

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

Condensed 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.

2.1.3 Basis of Consolidation

The condensed consolidated financial statements prepared in accordance with the principles of consolidated financial statements for the year ended 31 December 2020 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 as of 31 March 2021 and 31 December 2020:

Subsidiaries	31 March 2021 (%)	31 December 2020 (%)
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 (*)	88,00	88,00

(*) Note 4.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 MARCH 2021

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

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

2.1.3 Basis of Consolidation (Continued)

<u>Joint Venture</u>	<u>31 March 2021 (%)</u>	<u>31 December 2020 (%)</u>
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Logo Infosoft (**)	50,00	50,00
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(**) On 1 January 2018, the Company’s control on Logo Infosoft became joint control based on the contract made with GSF Software Labs LLC. After this date, Logo Infosoft has been accounted according to equity method in the consolidated financial statements.

Subsidiaries

Condensed 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.

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 subsidiaries operating in Romania 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. Subsidiaries’ assets and liabilities are translated into Turkish Lira by using the foreign exchange rate at the balance sheet date and income and expenses are translated into Turkish Lira at the average foreign exchange rate. Exchange differences arising from the translation of the opening net assets and differences between the average and balance sheet dates are included in the ‘currency translation difference’ under the shareholders’ equity and other comprehensive income.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 MARCH 2021**

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

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

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 Group will be able to realize its assets and discharge its liabilities in the normal course of business.

Covid-19

The necessary actions have been taken by the Group management to minimize the possible effects of COVID-19, which affects the whole world, on the Group's activities and financial status. Due to the COVID-19 outbreak, there were developments / slowdowns in both the Group's sector and the general economic activity, but the Group continued its activities without interruption during this period. Considering the health of its employees, the Group has started to implement remote working model in its domestic and international operations. During this period, operations were successfully carried out using digital platforms. There are some tax exemptions that the Group utilized as explained in Note 27. To take advantage of these exemptions, the Group follows the regulations made by the Republic of Turkey Ministry of Industry and Technology and takes the necessary actions. 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 as of 31 March 2021, 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 interim condensed consolidated financial statements. In this context, the Group has tested the possible impairment in the values of financial assets, tangible and intangible fixed assets and goodwill included in its consolidated financial statements dated 31 March 2021 and has not detected any impairment.

2.3 New and Amended Turkish Financial Reporting Standards

a. Amendments that are mandatorily effective from 2021

**Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 Interest Rate Benchmark Reform
— Phase 2**

The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

The amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 are all effective for annual periods beginning on or after 1 January 2021. Early application is permitted.

The Group assessed that the adoption of this amendment does not have any effect on the Group's consolidated financial statements.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 MARCH 2021

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

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

2.3 New and Amended Turkish Financial Reporting Standards (Continued)

b. New and amended TFRSs in issue but not yet effective

The Group has not yet adopted the following standards and amendments and interpretations to the existing standards:

TFRS 17	<i>Insurance Contracts</i>
Amendments to TAS 1	<i>Classification of Liabilities as Current or Non-Current</i>
Amendments to TFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to TAS 16	<i>Property, Plant and Equipment – Proceeds before Intended Use</i>
Amendments to TAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to TFRS Standards 2018-2020	<i>Amendments to TFRS 1, TFRS 9 and TAS 41</i>
Amendments to TFRS 4	<i>Extension of the Temporary Exemption from Applying TFRS 9</i>
Amendments to TFRS 16	<i>COVID-19 Related Rent Concessions beyond 30 June 2021</i>

TFRS 17 Insurance Contracts

TFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. TFRS 17 supersedes TFRS 4 Insurance Contracts as of 1 January 2023.

Amendments to TAS 1 Classification of Liabilities as Current or Non-Current

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

Amendments to TFRS 3 Reference to the Conceptual Framework

The amendments update an outdated reference to the Conceptual Framework in TFRS 3 without significantly changing the requirements in the standard.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated *Conceptual Framework*) at the same time or earlier.

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

2.3 New and Amended Turkish Financial Reporting Standards (Continued)

b. New and amended TFRSs in issue but not yet effective (continued)

Amendments to TAS 16 *Property, Plant and Equipment - Proceeds before Intended Use*

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Amendments to TAS 37 *Onerous Contracts – Cost of Fulfilling a Contract*

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Annual Improvements to TFRS Standards 2018-2020 Cycle

Amendments to TFRS 1 *First time adoption of International Financial Reporting Standards*

The amendment permits a subsidiary that applies paragraph D16(a) of TFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to TFRSs.

Amendments to TFRS 9 *Financial Instruments*

The amendment clarifies which fees an entity includes in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

Amendments to TAS 41 *Agriculture*

The amendment removes the requirement in paragraph 22 of TAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in TFRS 13.

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

2.3 New and Amended Turkish Financial Reporting Standards (Continued)

b. New and amended TFRSs in issue but not yet effective (continued)

Annual Improvements to TFRS Standards 2018-2020 Cycle (Continued)

Amendments to TAS 41 Agriculture (Continued)

The amendments to TFRS 1, TFRS 9, and TAS 41 are all effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Amendments to TFRS 4 *Extension of the Temporary Exemption from Applying TFRS 9*

The amendment changes the fixed expiry date for the temporary exemption in TFRS 4 Insurance Contracts from applying TFRS 9 Financial Instruments, so that entities would be required to apply TFRS 9 for annual periods beginning on or after 1 January 2023.

Amendments to TFRS 16 *COVID-19 Related Rent Concessions beyond 30 June 2021*

Public Oversight Accounting and Auditing Standards Authority (“POA”) has published *COVID-19 Related Rent Concessions beyond 30 June 2021 (Amendment to TFRS 16)* that extends, by one year, the June 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification.

On issuance, the practical expedient was limited to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021. Since lessors continue to grant COVID-19 related rent concessions to lessees and since the effects of the COVID-19 pandemic are ongoing and significant, the POA decided to extend the time period over which the practical expedient is available for use.

The Group evaluates the effects of these standards, amendments and improvements on the consolidated financial statements.

2.4 Changes in Accounting Policies

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

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

2.5 Summary of Significant Accounting Policies

The interim condensed consolidated financial statements for the three months period ended 31 March 2021 have been prepared in accordance with TAS 34. The significant accounting policies used in preparing the condensed interim consolidated financial statements for the three months period ended 31 March 2021 are consistent with the accounting policies disclosed in the consolidated financial statements as of 31 December 2020. Accordingly, the condensed consolidated interim financial statements should be evaluated with the consolidated financial statements for the year ended 31 December 2020. 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.

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.

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

2.6 Significant Accounting Estimates and Assumptions (Continued)

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

Research and development costs

Development is defined as the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use and an intangible asset arising from development is recognized by the Group. Management determines the cost of employees to be capitalized taking into account time spent by each employee on research and development activities. The costs of employees relating to research are expensed as incurred.

Goodwill impairment test

Goodwill is subject to impairment test at least annually. The recoverable amounts of cash generating units are determined on fair value less cost of disposal (“FVLCD”) basis. The details of estimates and assumptions used are explained in Note 15.

2.7 Comparatives and Adjustment Of Prior Periods’ Financial Statements

The 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 on 31 March 2021 has been provided with the comparative financial information of 31 December 2020 and the consolidated statements of profit or loss, the consolidated statements of other comprehensive income, changes in equity and cash flows for the period ended 31 March 2021 have been provided with the comparative financial information, for the period ended 31 March 2020. In order to comply with the presentation of consolidated financial statements in the current period when deemed necessary, comparative information is reclassified, and material differences are presented.

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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 (“Adjusted EBITDA”) is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Adjusted EBITDA definition includes revenue, direct cost of revenues excluding depreciation and amortization accounted for operating expenses (except other income and expenses).

31 March 2021	Turkey	Romania	Segmental eliminations	Consolidated
Reportable segment assets	849.537.131	283.489.551	(3.858)	1.133.022.824
Reportable segment liabilities	287.995.762	240.742.012	(3.858)	528.733.916
Goodwill	166.722.158	50.637.647	-	217.359.805
Property, plant and equipment and intangible assets	163.451.295	144.951.364	-	308.402.659
Right of use assets	8.749.282	11.086.735	-	19.836.017

31 March 2021	Turkey	Romania	Segmental eliminations	Consolidated
Revenue	91.253.676	48.127.923	-	139.381.599
Cost of sales	(2.542.754)	(25.058.368)	-	(27.601.122)
Operating expense	(55.840.772)	(18.605.399)	-	(74.446.171)
Other income from operating activities	2.383.046	9.771.688	-	12.154.734
Other expenses from operating activities	(699.888)	(153.519)	-	(853.407)
Income from investing activities	842.875	-	-	842.875
Finance income	15.475.391	220.354	-	15.695.745
Finance expenses	(1.620.253)	(2.200.692)	-	(3.820.945)
Depreciation and amortization expenses	(11.872.386)	(5.873.073)	-	(17.745.459)
Share of profit or loss of investments accounted for using the equity method	-	-	-	-
Tax expense	(6.890.884)	(1.795.174)	-	(8.686.058)
Net profit/(loss) for the year	42.360.437	10.306.813	-	52.667.250
Adjusted EBITDA	44.742.536	10.337.229	-	55.079.765
Purchase of property, plant and equipment and intangible assets	19.152.696	7.953.629	-	27.106.325

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NOTE 3 - SEGMENT REPORTING (Continued)

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

31 March 2021	Consolidated
Adjusted EBITDA	55.079.765
Depreciation and amortization	(17.745.459)
Income from investing activities	842.875
Share of profit or loss of investments accounted for using the equity method	-
Other income from operating activities	12.154.734
Other expenses from operating activities	(853.407)
Finance income	15.695.745
Finance expenses	(3.820.945)

Profit before tax **61.353.308**

31 December 2020	Turkey	Romania	Segmental eliminations	Consolidated
Reportable segment assets	831.996.902	265.526.932	(3.858)	1.097.519.976
Reportable segment liabilities	323.705.285	236.068.489	(3.858)	559.769.916
Goodwill	155.692.858	47.047.559	-	202.740.417
Property, plant and equipment and intangible asset	155.096.580	131.747.634	-	286.844.214
Right-of-use assets	6.594.507	11.115.892	-	17.710.399

31 March 2020	Turkey	Romania	Segmental eliminations	Consolidated
Revenue	63.297.824	38.428.147	-	101.725.971
Cost of sales	(931.992)	(19.315.847)	-	(20.247.839)
Operating expense	(43.886.976)	(15.574.644)	-	(59.461.620)
Other income from operating activities	3.147.851	967.798	-	4.115.649
Other expenses from operating activities	(769.280)	(47.307)	-	(816.587)
Income from investing activities	354.156	-	-	354.156
Finance income	1.811.809	558.860	-	2.370.669
Finance expenses	(1.270.547)	(947.373)	-	(2.217.920)
Depreciation and amortization expenses	(9.703.877)	(4.731.659)	-	(14.435.536)
Tax expense	(4.885.373)	(856.657)	-	(5.742.030)
Net profit/(loss) for the period	16.867.472	3.212.977	-	20.080.449
Adjusted EBITDA	28.182.733	8.269.315	-	36.452.048
Purchase of property, plant and equipment and intangible assets	13.468.326	5.782.415	-	19.250.741

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NOTE 3 - SEGMENT REPORTING (Continued)

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

31 March 2020	Consolidated
Adjusted EBITDA	36.452.048
Depreciation and amortization	(14.435.536)
Income from investing activities	354.156
Other income from operating activities	4.115.649
Other expenses from operating activities	(816.587)
Finance income	2.370.669
Finance expenses	(2.217.920)
Profit before tax	25.822.479

NOTE 4 - BUSINESS COMBINATION

Acquisition of Peoplise

The Group acquired 86,70% of the shares of Peoplise on 11 May 2020.

Peoplise is an integrated and video-enabled digital human resources management platform designed for all recruitment needs of corporate companies. This merger is expected to contribute significantly to the 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 in accordance with the TFRS 3, ‘Business Combinations Standard’. The 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
Intangible assets - customer relationships	4.004.436
Intangible assets - technology developed	1.425.116
Total liabilities	(1.519.988)
Fair value of net assets	9.183.114
Non-controlling interests (-)	(499.224)
Purchase consideration (*)	12.360.762
Goodwill (Note 15)	3.676.872

(*) TRY 8.439.764 of the total purchase price has been paid in cash. The portion amounting to TRY 3.920.998 has not been paid as of 31 March 2021 and has been accounted under other payables to third parties.

In the consolidated profit or loss statement, the share of Peoplise in the sales revenues obtained for the interim period ended 31 March 2021 is TRY 1.768.416, and its contribution to the net profit for the period is TRY 162.379.

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NOTE 4 - BUSINESS COMBINATION (Continued)

Acquisition of Peoplise (Continued)

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

Total purchase price (paid in cash)	7.017.187
Additional payments during the period	1.422.577
Minus: Cash and cash equivalents (acquired)	(466.391)
Cash outflow from purchasing (net)	7.973.373

Acquisition of Nexia

Nexia CRG Expert S.R.L. ("Nexia") provides accounting, taxation, payroll and personnel management services to its clients operating in real estate, e-commerce, retail, energy and various other service areas in the Romanian region. Total Soft, the subsidiary of the Group, has incorporated the accounting department of Nexia as a whole. This merger has been evaluated and accounted for in accordance with the provisions of TFRS 3, "Business Combinations Standard". This merger is expected to contribute to Total Soft's growth target in the region.

The purchase price, the fair values of the acquired assets and liabilities used within the scope of TFRS 3 are summarized in the table below:

	1 October 2020
Total assets	219
Total liabilities	(33.749)
Fair value of net assets	(33.530)
Purchase consideration (*)	1.638.126
Goodwill (Note 15)	1.671.656

(*) TRY 852.593 of the total purchase price has been paid in cash. The portion amounting to TRY 852.593 has not been paid as of 31 March 2020 and it has been accounted under other payables to third parties.

NOTE 5 - CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents as of 31 March 2021 and 31 December 2020 are as follows:

	31 March 2021	31 December 2020
Cash	40.834	69.082
Banks		
- Demand deposits - TRY	10.319.988	715.667
- Demand deposits - foreign currency	27.671.747	31.691.121
- Time deposits - foreign currency	53.056.172	39.980.828
- Time deposits - TRY	110.837.144	109.747.643
Credit card slip receivables	72.804.021	73.559.439
Liquid funds (*)	23.056.024	5.649.349
Checks received	459.557	182.580
	298.245.487	261.595.709

(*) Liquid funds consist of investment instruments with a maturity of less than 3 months that can be converted into cash at any time without significant loss.

As of 31 March 2021, the weighted average effective annual interest rates of TRY denominated time deposits are between 16% and 18,50% (31 December 2020: 8,50% and 20,00%). As of 31 March 2021, the weighted average effective annual interest rates of USD denominated time deposits are between 1,50% and 3%.

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NOTE 6 - FINANCIAL INVESTMENTS

Short-term financial investments:

	31 March 2021	31 December 2020
Private sector bonds (*)		
- <i>Assets with fair value difference recorded in other comprehensive income</i>	20.854.431	32.081.501

(*) Private sector bonds consist of financial investments that are easily convertible into cash, do not carry the risk of significant value changes and have high liquidity. Bonds are in US Dollars and the annual weighted average interest rate range is 4,88% - 6,25%.

Long-term financial investment:

Financial assets accounted for at fair value

The analysis of non-current financial assets as of 31 March 2021 and 31 December 2020 is as follows:

	31 March 2021	31 December 2020
Logo Ventures Girişim Sermayesi Yatırım Fonu (“Logo Ventures”) (**)	3.845.487	2.784.356
İnterpro Yayıncılık Araştırma ve Organizasyon Hizmetleri A.Ş. (“İnterpro”)	80.653	80.653
Dokuz Eylül Teknoloji Geliştirme Bölgesi A.Ş. (“Dokuz Eylül”)	50.000	50.000
	3.976.140	2.915.009

(**) As of 31 March 2021, Logo Ventures has been recognized as the asset fair value and difference is reflected to other comprehensive income and TRY 1.061.131 difference between its fair value and the cost value is accounted in other comprehensive income. İnterpro and Dokuz Eylül is reflected to consolidated financial statements with their cost value since their fair value is not significant as of 31 March 2021 and 31 December 2020.

	31 March 2021	31 December 2020
Private Sector Bonds (***)		
- <i>Assets whose fair value difference is recorded in other comprehensive income</i>	8.366.053	7.658.131

(***) Private sector bonds consist of highly liquid financial investments that are easily convertible into cash, do not bear the risk of significant value changes. Bonds are in USD and the annual weighted average interest rate range is 5,25%-6,00%. The maturity of the bonds classified under long-term investments is 2025 and must pay fixed interest every six months.

Other long-term financial investments:

	31 March 2021	31 December 2020
Other long-term financial investments (****)	19.928.305	17.531.407

(****) It consists of long-term borrowing instruments convertible to equity issued by The Group's joint venture, Logo Soft, and when the relevant amounts are included in share capital, the ownership ratio of the Group is 74,07%. 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.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 MARCH 2021

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NOTE 7 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

Summary of balance sheet

Logo Infosoft	31 March 2021	31 December 2020
Cash and cash equivalents	141.044	1.685.774
Other current assets	3.883.729	3.426.358
Other non-current assets	898.017	945.401
Total assets	4.922.790	6.057.533
Other short-term liabilities	10.039.077	8.336.121
Other long-term liabilities	26.900.579	24.224.647
Total liabilities	36.939.656	32.560.768
Net (liabilities)/assets	(32.016.866)	(26.503.235)

Summary of income statement

Logo Infosoft	31 March 2021	31 March 2020
Income	263.670	301.208
Expenses (-)	(2.612.561)	(2.421.086)
Net loss for the period	(2.348.891)	(2.119.878)
Interest ratio of the Group	%50,00	%50,00
Group's share	(1.174.446)	(1.059.939)
Unrecognised losses (*)	1.174.446	1.059.939
Share of losses of investment under equity method	-	-

(*) Group's shares of Logo Infosoft's loss for the period amounting to TRY 1.174.446 has not been recognised since the carrying value of Logo Infosoft declined to zero. As of 31 March 2021, the total loss of the Group's share which is not recorded is TRY 12.394.010.

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NOTE 8 - BORROWINGS

Details of financial borrowings as of 31 March 2021 and 31 December 2020 is as follows:

Short-term borrowings:	31 March 2021	31 December 2020
Short-term bank loans	15.553.024	2.799.296
Credit card payables	644.672	231.815
Lease liabilities	7.261.607	6.489.553
	23.459.303	9.520.664
Short-term portion of long-term borrowings:		
Short-term portion of long-term bank loans	18.553.529	17.043.175
Lease liabilities	358.572	420.270
	18.912.101	17.463.445
Total short-term borrowings	42.371.404	26.984.109
Long-term borrowings:		
Long-term bank loans	122.375.376	112.413.383
Lease liabilities	14.419.038	12.903.305
Total long-term borrowings	136.794.414	125.316.688

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 8 - BORROWINGS (Continued)

		31 March 2021	
	Weighted average annual interest rate (%)	Original amount	TRY equivalent
Short-term borrowings:			
Bank loans - TRY - unsecured		2.969.340	2.969.340
Bank loans - RON - unsecured	Rabor+1 1,65%	6.363.432	12.583.684
Credit card payables - TRY		644.672	644.672
Lease liabilities- EUR	4,5%	339.731	3.320.569
Lease liabilities- TRY	12% - 25%	3.941.038	3.941.038
			23.459.303
Short-term portion of long-term borrowings:			
Bank loans – EUR -secured	Euribor+ 2,45%-2,50%	1.898.234	18.553.529
Financial leases - EUR		36.686	358.572
			18.912.101
Long-term borrowings:			
Bank loans - EUR - secured	Euribor+2,45%-2.50%	12.520.373	122.375.376
Financial leases - TRY		5.841.308	5.841.308
Financial leases - EUR		877.598	8.577.730
			136.794.414
Total borrowings			179.165.818
		31 December 2020	
	Weighted average annual interest rate (%)	Original amount	TRY equivalent
Short-term borrowings:			
Bank borrowings - TRY - unsecured		2.540.901	2.540.901
Bank borrowings - RON - unsecured	Rabor+1 1,65%	140.639	258.395
Credit card payables - TRY		231.815	231.815
Lease liabilities- EUR	4,5%	356.732	3.213.405
Lease liabilities- TRY	12% - 25%	3.276.148	3.276.148
			9.520.664
Short-term portion of long-term borrowings:			
Bank borrowings - EUR - secured	Euribor+ 2,45%-2,50%	1.892.025	17.043.175
Financial leases - EUR		46.656	420.270
			17.463.445
Long-term borrowings:			
Bank borrowings - EUR - secured	Euribor+2.45%-2,50%	12.479.422	112.413.383
Financial leases - TRY		4.123.938	4.123.938
Financial leases - EUR		974.630	8.779.367
			125.316.688
Total borrowings			152.300.797

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NOTE 8 - BORROWINGS (Continued)

The redemption schedules of long-term borrowings as of 31 March 2021 and 31 December 2020 are as follows:

	31 March 2021	31 December 2020
To be paid within 1 - 2 years	25.260.464	23.393.957
To be paid within 2 - 5 years	62.108.503	56.553.066
To be paid in more than 5 years	49.425.447	45.369.665
	136.794.414	125.316.688

	<u>Net book value</u>		<u>Fair value</u>	
	31 March 2021	31 December 2020	31 March 2021	31 December 2020
Bank loans	156.481.929	132.255.854	170.728.112	145.342.326
	156.481.929	132.255.854	170.728.112	145.342.326

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

NOTE 9 - TRADE RECEIVABLES AND PAYABLES

The details of trade receivables and payables as of 31 March 2021 and 31 December 2020 are as follows:

Short-term trade receivables:	31 March 2021	31 December 2020
Trade receivables	139.035.059	161.563.717
Credit card receivables	110.284.654	117.856.712
Cheques and notes receivables	2.465.042	4.484.233
Less: Provision for doubtful receivables	(34.060.308)	(32.509.022)
Less: Unearned finance income arising from credit sales	(14.765.529)	(15.727.273)
	202.958.918	235.668.367

As of 31 March 2021, the average turnover of the trade receivables is 120 days (31 December 2020: 129 days), excluding the credit card receivables, the turnover day is 61 days (31 December 2020: 69 days). The discount rate applied to the undue receivables is 19,00% (31 December 2020: 17,13%).

As of 31 March 2021, TRY 15.267.514 of trade receivables (31 December 2020: TRY 20.091.728) were past due but not impaired. The aging analysis of these trade receivables is as follows:

	31 March 2021	31 December 2020
Up to 1 month	6.250.821	5.832.128
1 - 3 months	5.173.094	2.875.373
More than 3 months	3.843.599	11.384.227
	15.267.514	20.091.728

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NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

As of 31 March 2021, TRY 10.077.304 of overdue receivables consist of trade receivables of Total Soft (31 December 2020: TRY 16.199.714). Group manages its receivables in accordance with credit risk management policies which is explained in Note 30.

The movement of provision for doubtful receivables for the periods ended 31 March 2021 and 2020 are as follows:

	2021	2020
As of 1 January	32.509.022	24.320.148
Provisions for the year	570.987	123.209
Provisions released	(888.373)	(1.144.717)
Foreign currency translation difference	1.868.672	1.336.833
As of 31 March	34.060.308	24.635.473

Trade payables to third parties:	31 March 2021	31 December 2020
Trade payables	45.985.070	65.971.841

As of 31 March 2021, the average debt payment period is 110 days (31 December 2020: 115 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 31 March 2021 and 31 December 2020:

31 March 2021	Trade receivables		Other receivables		Cash at bank
	Related party	Other	Related party	Other	
The maximum of credit risk exposure as of reporting date	-	202.958.918	6.115.215	262.314	297.745.096
- <i>Amount of risk covered by guarantees</i>	-	290.274	-	-	-
Net carrying value of not past due and-not impaired financial assets	-	187.691.404	6.115.215	262.314	297.745.096
Net carrying value of past due but -not impaired financial assets	-	15.267.514	-	-	-
- <i>Amount of risk covered by guarantees</i>	-	-	-	-	-
Net carrying value of impaired assets	-	-	-	-	-
- <i>Past due (gross carrying value)</i>	-	34.060.308	-	-	-
- <i>Provision for impairment (-)</i>	-	(34.060.308)	-	-	-
- <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 2020	Trade receivables		Other receivables		Cash at bank
	Related party	Other	Related party	Other	
The maximum of credit risk exposure as of reporting date	-	235.668.367	5.343.356	799.556	261.344.047
- <i>Amount of risk covered by guarantees</i>	-	290.274	-	-	-
Net carrying value of not past due and not impaired financial assets	-	215.576.639	5.343.356	799.556	261.344.047
Net carrying value of past due but not impaired financial assets	-	20.091.728	-	-	-
- <i>Amount of risk covered by guarantees</i>	-	-	-	-	-
Net carrying value of impaired assets	-	-	-	-	-
- <i>Past due (gross carrying value)</i>	-	32.509.022	-	-	-
- <i>Provision for impairment (-)</i>	-	(32.509.022)	-	-	-
- <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 ASSETS

Other short-term receivables from third parties:	31 March 2021	31 December 2020
Deposits and guarantees given	131.721	131.721
Income accruals	130.593	667.835
	262.314	799.556

Other short-term payables to third parties:	31 March 2021	31 December 2020
Put option liability - ABS (*)	23.027.497	25.343.708
Other taxes payable	9.289.870	25.119.365
Other payables to third parties (**)	4.773.591	6.196.168
	37.090.958	56.659.241

Other long-term payables to third parties	31 March 2021	31 December 2020
Put option liability - Peoplise (***)	3.980.553	3.980.553
Other	615.244	615.244
	4.595.797	4.595.797

(*) With the share transfer agreement signed on 19 July 2018, the Group acquired ABS shares and ABS-FS shares which are fully owned by ABS. As a result of these acquisitions, there is a put option granted to Avramos Holding Ltd by Logo Yazılım for the 20% Total Soft shares transferred to Avramos Holding Ltd. Due to the put option given in the consolidated financial statements prepared as of 31 March 2021, put option liability amounting to TRY 23.027.497 has been accounted under “other short-term payables to third parties” account.

(**) Note 4.

(***) As a result of Peoplise's acquisitions, there is a put option granted to the shareholders by Logo Yazılım for 13,3% of the shares owned by the minority shareholders. As of 31 March 2021, put option liability amounting to TRY 3.980.553 was accounted under “other long-term payables to third parties” account due to put option given in consolidated financial statements.

Other current assets:

	31 March 2021	31 December 2020
Prepaid taxes	2.002.946	2.425.985
Deferred VAT	1.157.442	1.124.957
Personnel advances	972.745	413.220
Business advances	879.762	225.531
Other	937.972	1.720.945
	5.950.867	5.910.638

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 11 - INVENTORIES

	31 March 2021	31 December 2020
Trade goods	597.894	2.714.608
Raw materials and equipment	99.996	126.891
Other	21.969	5.212
	719.859	2.846.711

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2021	Additions	Disposals	Currency translation differences	31 March 2021
Cost:					
Machinery, plant equipment	16.734.912	398.545	(591.591)	696.484	17.238.350
Motor vehicles	4.120.764	-	-	297.243	4.418.007
Furniture and fixtures	6.967.484	20.867	-	86.674	7.075.025
Leasehold improvements	26.033.420	50.365	-	33.469	26.117.254
	53.856.580	469.777	(591.591)	1.113.870	54.848.636
Accumulated depreciation:					
Machinery, plant equipment	13.145.024	366.212	(445.181)	606.377	13.672.432
Motor vehicles	3.828.381	66.702	-	282.061	4.177.144
Furniture and fixtures	5.357.150	90.685	-	59.610	5.507.445
Leasehold improvements	12.179.703	335.832	-	27.536	12.543.071
	34.510.258	859.431	(445.181)	975.584	35.900.092
Net book value	19.346.322				18.948.544
	1 January 2020	Additions	Disposals	Currency translation differences	31 March 2020
Cost:					
Machinery, plant equipment	12.547.429	1.240.976	(57.578)	461.187	14.192.014
Motor vehicles	3.263.580	-	-	222.941	3.486.521
Furniture and fixtures	6.378.765	184.960	-	61.636	6.625.361
Leasehold improvements	25.522.419	89.284	-	24.231	25.635.934
	47.712.193	1.515.220	(57.578)	769.995	49.939.830
Accumulated depreciation:					
Machinery, plant equipment	9.305.674	547.507	(17.635)	359.291	10.194.837
Motor vehicles	2.874.962	101.265	-	205.107	3.181.334
Furniture and fixtures	4.797.727	86.351	-	39.184	4.923.262
Leasehold improvements	10.684.231	350.350	-	18.581	11.053.162
	27.662.594	1.085.473	(17.635)	622.163	29.352.595
Net book value	20.049.599				20.587.235

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NOTE 13 - INTANGIBLE ASSETS

	1 January 2021	Additions	Currency translation differences	31 March 2021
Cost:				
Development costs	400.376.247	26.398.014	10.382.297	437.156.558
Advanced technology	19.413.827	-	372.087	19.785.914
Customer relations	64.650.780	-	3.716.528	68.367.308
Non-compete agreement	2.747.778	-	-	2.747.778
Other intangible assets	14.280.023	238.534	379.109	14.897.666
	501.468.655	26.636.548	14.850.021	542.955.224
Accumulated depreciation:				
Development costs	185.286.066	13.076.743	3.084.144	201.446.953
Advanced technology	14.052.336	241.065	370.087	14.663.488
Customer relations	20.701.616	1.281.890	900.766	22.884.272
Non-compete agreement	2.747.778	-	-	2.747.778
Other intangible assets	11.182.967	257.748	317.903	11.758.618
	233.970.763	14.857.446	4.672.900	253.501.109
Net book value	267.497.892			289.454.115

Additions amounting to TRY 26.250.249 to development costs for the interim period ended 31 March 2021 (31 March 2020: all of additions) consist of capitalized personnel costs.

TRY 15.754.350 (31 March 2020: TRY 11.777.874) of the current period’s depreciation and amortization expenses has been allocated to research and development expenses, TRY 651.436 (31 March 2020: TRY 681.420) has been allocated to marketing expenses, TRY 1.116.081 (31 March 2020: TRY 1.863.830) has been allocated to general administrative expenses, TRY 223.592 (31 March 2020: TRY 112.412) has been allocated to cost of sales.

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NOTE 13 - INTANGIBLE ASSETS (Continued)

	1 January 2020	Additions	Currency translation differences	31 March 2020
Cost:				
Development costs	285.430.764	17.504.144	5.843.416	308.778.324
Advanced technology	16.783.543	-	269.378	17.052.921
Customer relations	48.608.718	-	2.690.639	51.299.357
Non-compete agreement	2.747.778	-	-	2.747.778
Other intangible assets	12.292.123	231.377	263.560	12.787.060
	365.862.926	17.735.521	9.066.993	392.665.440
Accumulated depreciation:				
Development costs	133.454.118	9.236.457	1.458.383	144.148.958
Advanced technology	10.695.531	458.066	219.969	11.373.566
Customer relations	13.953.562	1.034.697	433.459	15.421.718
Non-compete agreement	2.747.778	-	-	2.747.778
Other intangible assets	9.195.542	237.696	204.457	9.637.695
	170.046.531	10.966.916	2.316.268	183.329.715
Net book value	195.816.395			209.335.725

NOTE 14 – RIGHT-OF-USE ASSETS

	1 January 2021	Additions	Disposals	Currency translation differences	31 March 2021
Cost:					
Vehicles	12.618.514	785.241	-	116.310	13.520.065
Office	17.521.821	2.593.732	(3.383)	1.015.759	21.127.929
	30.140.335	3.378.973	(3.383)	1.132.069	34.647.994
Accumulated depreciation: (-)					
Vehicles	7.020.425	924.106	-	77.268	8.021.799
Office	5.409.511	1.104.476	-	276.191	6.790.178
	12.429.936	2.028.582	-	353.459	14.811.977
Net book value	17.710.399				19.836.017

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NOTE 14 – RIGHT-OF-USE ASSETS (Continued)

	1 January 2020	Additions	Disposals	Currency translation differences	31 March 2020
Cost:					
Vehicles	9.575.676	1.692.500	-	84.204	11.352.380
Office	12.469.973	3.304	(54.148)	710.708	13.129.837
	22.045.649	1.695.804	(54.148)	794.912	24.482.217
Accumulated depreciation: (-)					
Vehicles	3.142.590	956.914	-	29.362	4.128.866
Office	4.511.441	1.426.233	-	332.794	6.270.468
	7.654.031	2.383.147	-	362.156	10.399.334
Net book value	14.391.618				14.082.883

NOTE 15 - GOODWILL

	31 March 2021	31 December 2020
Total Soft	155.566.634	144.537.334
Total Soft (ABS)	48.838.430	45.375.903
Netsis	5.892.252	5.892.252
Peoplise	3.676.872	3.676.872
Nexia	1.799.217	1.671.656
Sempa	903.000	903.000
Vardar	346.338	346.338
Intermat	337.062	337.062
	217.359.805	202.740.417

Movement table of goodwill for the interim periods ended 31 March 2021 and 2020 are as follows:

	2021	2020
As of 1 January	202.740.417	146.362.128
Currency translation difference	14.619.388	10.191.348
As of 31 March	217.359.805	156.553.476

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

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NOTE 15 – GOODWILL (Continued)

Goodwill impairment test - Total Soft and ABS

FVLCD is determined by discounting the expected future discounted cash flows to be generated by the cash-generating unit. The below key assumptions are used in the calculation of the recoverable value of CGU as of 31 March 2021:

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. 14,9% has been used as cumulative average growth rate for the years between 2019 and 2024.

Cash flows for future periods (perpetuity) were extrapolated using a constant growth rate of 2,4% which is the expected inflation rate announced by the Central Bank of Romania.

Weighted average cost of capital rate of 18,2% 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 2,4%. 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 18,2%. Has the rate been assumed to be as 18,7%, 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.

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NOTE 16 - COMMITMENTS AND CONTINGENT LIABILITIES

Guarantees received:

	Original currency	31 March 2021		31 December 2020	
		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	46.950	46.950
		290.274	290.274	290.274	290.274

As of 31 March 2021, and 31 December 2020, guarantee/pledge/mortgage ('GPM') given by the Company on behalf of its legal entity are as follows:

GPM given by the Company:

	31 March 2021				31 December 2020			
	EUR	USD	RON	TRY	EUR	USD	RON	TRY
A. Total amount of GPM provided by the Company on behalf of itself	-	371.881	-	1.079.450	-	327.863	-	894.470
B. Total amount of GPM provided on behalf of the associates accounted under full consolidation method (*)	173.753.413	-	618.243	-	160.132.736	-	82.942	-
C. Total amount of GPM provided on behalf of third parties in order to maintain operating activities (to secure third party payables)	-	-	-	-	-	-	-	-
D. Total amount of other GPM given-	-	-	-	-	-	-	-	-
(i) Total amount of GPM given on behalf of the parent Company -	-	-	-	-	-	-	-	-
(ii) Total amount of GPM provided on behalf of other Group companies which are not in the scope of B and C	-	-	-	-	-	-	-	-
(iii) Total amount of GPM provided on behalf of third parties which are not in the scope of C	-	-	-	-	-	-	-	-
	173.753.413	371.881	618.243	1.079.450	160.132.736	327.863	82.942	894.470

(*) Note 8.

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

NOTE 17 - EMPLOYEE BENEFITS

Short-term payables for employee benefits:

	31 March 2021	31 December 2020
Due to personnel	10.049.813	7.280.516
Personnel premiums	20.693.126	41.297.483
Taxes, funds and social security payables	9.417.635	27.017.099
	40.160.574	75.595.098

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NOTE 17 - EMPLOYEE BENEFITS (Continued)

Long-term provisions for employee benefits:	31 March 2021	31 December 2020
Provision for employment termination benefits	15.445.195	10.000.811
Provision for unused vacation	11.153.680	6.718.424
	26.598.875	16.719.235

The movements of provision for unused vacation for the interim periods ended 31 March 2021 and 2020 are as follow:

	2021	2020
As of 1 January	6.718.424	6.475.048
Increase/(decrease) in the period	4.101.271	869.436
Currency translation difference	333.985	231.239
As of 31 March	11.153.680	7.575.723

Under the Turkish Labor Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). The amount payable consists of one month’s salary limited to a maximum of TRY 7.638,96 for each year of service. (1 January 2020: TRY 6.730,15). 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 loss/(gain) is accounted under the ‘Funds for actuarial gains/(losses) on employee termination benefits’:

	31 March 2021	31 December 2020
Discount rate (%)	3,67	4,19
Turnover rate to estimate the probability of retirement (%)	96,06	94,10

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NOTE 17 - EMPLOYEE BENEFITS (Continued)

The movements of the provision for employment termination benefits for the interim periods ended 31 March 2021 and 2020 are as follows:

	2021	2020
As of 1 January	10.000.811	7.120.017
Actuarial loss	3.881.730	1.521.132
Service cost	1.822.973	210.208
Interest cost	125.618	247.325
Payments during the year	(385.937)	(783.170)
As of 31 March	15.445.195	8.315.512

NOTE 18 - PREPAID EXPENSES AND CONTRACT LIABILITIES

Short-term prepaid expenses:	31 March 2021	31 December 2020
Prepaid expenses	11.252.239	4.917.554
	11.252.239	4.917.554
Long-term prepaid expenses:	31 March 2021	31 December 2020
Advances given	1.421.364	2.019.197
	1.421.364	2.019.197
Short - term contract liabilities:	31 March 2021	31 December 2020
Contract liabilities (*)	178.382.198	170.886.245
Advances received	5.075.688	4.983.620
	183.457.886	175.869.865

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

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NOTE 18 - PREPAID EXPENSES AND CONTRACT LIABILITIES (Continued)

The details of deferred income as of 31 March 2021 and 31 December 2020 are as follows:

	31 March 2021	31 December 2020
Income from pay as you go sales and private integrator sales	96.902.598	85.221.466
Income from LEM sales	56.701.302	67.207.340
Income from continuing projects	15.295.323	17.427.209
Income from after-sales services	9.482.975	1.030.230
	178.382.198	170.886.245

NOTE 19 - EQUITY

The Company's authorized and paid-in share capital consists of 2.500.000.000 (31 December 2020: 2.500.000.000) shares with a nominal value of Kr 1 each. The shareholding structure of the Company as of 31 March 2021 and 31 December 2020 is as follows:

	31 March 2021	Share (%)	31 December 2020	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	
Paid-in share capital	27.991.336		27.991.336	

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

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NOTE 19 - EQUITY (Continued)

Treasury shares

As of 31 March 2021, the amount of treasury shares which is accounted in Group's equity is TRY 10.054.033 (31 December 2020: TRY 10.054.033).

The considerations and the number of shares related to the Group's treasury shares and their sales categorized by years are as follows:

Year of purchase	Number of shares	Purchase consideration
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 of sale	Number of shares	Sale consideration	Purchase consideration
2013	1.297.500	6.487.500	5.964.587
Total sales	1.297.500	6.487.500	5.964.587

The Group recognized the difference between purchase consideration and sales consideration amounting to TRY 522.913 under equity in the related period.

Dividend distribution

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

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

Dividend advance payments can be made in accordance with Turkish Commercial Code and CMB regulations provided that General Assembly authorizes the Board of Directors to pay dividend advance, limited to the related year, to shareholders in accordance with the Articles of Association.

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.

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NOTE 20 - EXPENSES BY NATURE

As of 31 March 2021, and 2020, expenses are disclosed by function and the details of the expenses are summarized in Note 22 and Note 23.

NOTE 21 - REVENUE AND COST OF SALES

Revenue:

	1 January - 31 March 2021	1 January - 31 March 2020
Sales income	94.041.488	69.101.630
Service income	41.841.746	32.923.421
Saas service income	5.464.566	2.126.039
Sales returns	(515.293)	(684.707)
Sales discounts	(1.450.908)	(1.740.412)
Net sales income	139.381.599	101.725.971
Cost of sales (-)	(27.601.122)	(20.247.839)
Gross profit	111.780.477	81.478.132

Cost of sales:

	1 January - 31 March 2021	1 January - 31 March 2020
Cost of services	25.709.455	19.337.383
Cost of transfer of financial rights	1.732.930	844.776
Cost of trade goods sold	158.737	65.680
Cost of sales (-)	27.601.122	20.247.839

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

Research and development expenses:

	1 January - 31 March 2021	1 January - 31 March 2020
Depreciation and amortization (Note 12,13,14)	15.754.350	11.777.874
Personnel	13.166.233	11.305.772
Outsourced benefits and services	1.930.921	1.303.428
Consultancy	758.931	472.969
Motor vehicle	277.775	191.654
Travel	12.470	143.117
Other	2.817.553	1.744.413
	34.718.233	26.939.227

Marketing expenses:

	1 January - 31 March 2021	1 January - 31 March 2020
Advertising and selling	8.079.778	7.559.693
Personnel	8.222.264	7.336.348
Outsourced benefits and services	740.796	640.673
Consultancy	688.068	411.164
Depreciation and amortization (Note 12,13,14)	651.436	681.420
Motor vehicle	246.314	195.125
Travel	9.955	110.958
Other	599.038	694.681
	19.237.649	17.630.062

General administrative expenses:

	1 January - 31 March 2021	1 January - 31 March 2020
Personnel	15.581.904	9.514.579
Consultancy	2.101.070	1.954.620
Depreciation and amortization (Note 12, 13, 14)	1.116.081	1.863.830
Motor vehicle	369.329	190.462
Outsourced benefits and services	164.644	151.052
Travel	58.550	146.541
Other	1.098.711	1.071.247
	20.490.289	14.892.331

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NOTE 23 - OTHER OPERATING INCOME AND EXPENSES

Other operating income

	1 January - 31 March 2021	1 January - 31 March 2020
Rediscount income	1.211.367	2.271.854
Foreign exchange gains (*)	882.514	391.030
Overdue interest income	98.627	163.856
Other	9.962.226	1.288.909
	12.154.734	4.115.649

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

Other operating expenses

	1 January - 31 March 2021	1 January - 31 March 2020
Rediscount expenses	249.624	80.701
Foreign exchange losses (*)	236.122	106.758
Provision expense	-	123.209
Other	367.661	505.919
	853.407	816.587

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

NOTE 24 - INCOME FROM INVESTING ACTIVITIES

	1 January - 31 March 2021	1 January - 31 March 2020
Gain on sale of financial instruments	842.875	354.156
	842.875	354.156

NOTE 25 - FINANCIAL INCOME

	1 January - 31 March 2021	1 January - 31 March 2020
Foreign exchange gains	10.740.616	2.111.470
Interest income	4.955.129	259.199
	15.695.745	2.370.669

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NOTE 26 - FINANCIAL EXPENSES

	1 January - 31 March 2021	1 January - 31 March 2020
Foreign exchange losses	1.755.367	183.741
Interest expense	762.446	914.007
Interest expense from leases	595.027	501.203
Credit card commissions	392.565	326.338
Interest cost of employment termination benefits	125.618	247.325
Other financial expenses	189.922	45.306
	3.820.945	2.217.920

NOTE 27 - TAX ASSETS AND LIABILITIES

	31 March 2021	31 March 2020
Current period tax expense	(5.776.867)	(2.269.555)
Deferred tax income	(2.909.191)	(3.472.475)
Current period tax expense	(8.686.058)	(5.742.030)

Deferred taxes

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

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

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred tax has been provided at 31 March 2021 and 31 December 2020 using the enacted tax rates, is as follows.

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NOTE 27 - TAX ASSETS AND LIABILITIES (Continued)

	<u>Total temporary differences</u>		<u>Deferred tax assets/(liabilities)</u>	
	31 March 2021	31 December 2020	31 March 2021	31 December 2020
Deferred income tax assets:				
Expense accruals	36.634.386	50.844.428	7.326.877	10.168.886
Finance income unaccrued	14.724.515	15.603.114	2.944.903	3.120.623
Employment termination benefits	9.038.876	5.691.569	1.807.775	1.138.314
Deferred income	5.527.200	6.646.257	1.105.440	1.329.251
Vacation provision	2.841.541	2.037.821	568.308	407.564
Provision for doubtful receivables	863.528	808.966	172.706	161.793
	69.630.046	81.632.155	13.926.009	16.326.431
Deferred income tax liabilities:				
Difference between the tax base and carrying value of property, plant and equipment and intangible assets	(68.719.895)	(65.413.485)	(13.743.979)	(13.082.697)
	(68.719.895)	(65.413.485)	(13.743.979)	(13.082.697)
Deferred income tax assets/(liabilities), net			182.030	3.243.734

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

Deferred tax assets	1 January - 31 March 2021	1 January - 31 December 2020
To be recovered less than 12 months	11.549.926	14.780.553
To be recovered more than 12 months	2.376.083	1.545.878
	13.926.009	16.326.431
Deferred tax liabilities		
To be recovered more than 12 months	(13.743.979)	(13.082.697)
	(13.743.979)	(13.082.697)
Deferred income tax assets/(liabilities), net	182.030	3.243.734

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

	2021	2020
As of 1 January	3.243.734	2.424.120
Charged to statements of profit or loss	(2.909.191)	(3.472.475)
Charged to other comprehensive income	364.396	150.413
Currency translation difference	(516.909)	(218.206)
As of 31 March	182.030	(1.116.148)

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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. Accordingly, the corporate tax rate is 20% for the interim period ended 31 March 2021, and 25% for the following interim periods and for full-year 2021 (31 December 2020: 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 for 202 (31 December 2020: 16%).

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

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

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

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

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

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

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

In accordance with Tax Law No: 5035 item 44, that amends “Technology Development Regions Law” No: 4691, software and R&D activities of corporate and income taxpayers operating in technology development regions are exempt from corporate and income tax until 31 December 2028.

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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:

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

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

NOTE 28 - EARNINGS PER SHARE

The earnings per thousand shares with nominal value of Kr 1 amounted to TRY 21,89 for the interim ended 31 March 2021 (31 March 2020: TRY 8,29).

	1 January - 31 March 2021	1 January - 31 March 2020
Net income attributable to equity holders of the parent	54.728.613	20.723.044
Average number of shares for the period	2.500.000.000	2.500.000.000
Earnings per share	21,89	8,29

NOTE 29 - RELATED PARTY DISCLOSURES

- Due from related parties at 31 March 2021 and 31 December 2020:**

Other receivables from related parties:	31 March 2021	31 March 2020
Logo Infosoft	6.115.215	5.343.356
	6.115.215	5.343.356

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NOTE 29 - RELATED PARTY DISCLOSURES (Continued)

- b) Sales to related parties, services given to related parties and financial income from related parties during the interim periods ended 31 March 2021 and 31 March 2020:

Services given to related parties

	31 March 2021	31 March 2020
Logo Infosoft	396.439	399.952
Logo Siber	152.711	244.107
Logo Teknoloji ve Yatırım A.Ş.	5.644	3.061
	554.794	647.120

- c) Remuneration of the executive management:

	31 March 2021	31 March 2020
Remuneration of the executive management	3.487.880	2.952.845

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 (except for related parties) 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.

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

30.1 Financial risk management (Continued)

Liquidity risk (Continued)

The risk of meeting existing and probable future liabilities is managed only by means of having access to sufficient number of trustable creditors. The Company management monitors the liquidity reserve movements of the Company according to the estimated cash flows. The Company management holds adequate cash and credit commitment that will meet the need cash for recent future in order to manage its liquidity risk. In this context, the Company has credit limit from banks amounting to over TRY 100.000.000 that can be utilized whenever needed.

Non-derivative financial instruments	Carrying value	Contractual cash outflow (I+II+III+IV)	31 March 2021			
			Up to 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Borrowings	179.165.818	193.412.001	29.296.489	16.473.934	96.347.540	51.294.038
Trade payables						
- Trade payables to third parties	45.985.070	45.985.070	45.985.070	-	-	-
Payables related to employee benefits	40.160.574	40.160.574	40.160.574	-	-	-
Other payables						
- Other payables to third parties	41.686.755	41.686.755	37.090.958	-	4.595.797	-
Total liabilities	306.998.217	321.244.400	152.533.091	16.473.934	100.943.337	51.294.038

Non-derivative financial instruments	Carrying value	Contractual cash outflow (I+II+III+IV)	31 December 2020			
			Up to 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Borrowings	152.300.797	165.387.269	4.870.541	25.235.891	88.194.694	47.086.143
Trade payables						
- Trade payables to third parties	65.971.841	65.971.841	65.971.841	-	-	-
Payables related to employee benefits	75.595.098	75.595.098	75.595.098	-	-	-
Other payables						
- Other payables to third parties	61.255.038	61.255.038	56.659.241	-	4.595.797	-
Total liabilities	355.122.774	368.209.246	203.096.721	25.235.891	92.790.491	47.086.143

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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

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

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

	31 March 2021	31 December 2020
<u>Financial instruments with fixed interest rate</u>		
Financial assets		
- Financial assets at amortized cost	163.893.316	149.728.471
Financial liabilities	38.236.913	22.844.239
<u>Financial instruments with float interest rate</u>		
Financial assets		
- Financial assets with fair value reflected to profit/loss	23.056.024	5.649.349
- Financial assets with fair value reflected to other comprehensive income	29.220.484	39.739.632
Financial liabilities	140.928.905	129.456.558

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 rate risk arising from exchange rate changes due to the translation of foreign currency denominated assets or liabilities to Turkish Lira. Exchange rate risk is monitored and limited by analyzing the foreign exchange position.

Foreign exchange rates used to translate the Group's assets and liabilities denominated in foreign currencies into TRY at 31 March 2021 and 31 December 2020 are as follows:

	31 March 2021	31 December 2020
USD	8,3260	7,3405
EUR	9,7741	9,0079

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 31 March 2021			
		TRY equivalent	USD	EUR	Other
1.	Trade receivables	13.454.510	751.908	726.471	-
2a.	Monetary financial assets. (cash. and banks accounts included)	102.337.914	10.093.221	1.872.331	1.403
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
4.	Current assets (1+2+3)	115.792.424	10.845.129	2.598.802	1.403
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)	115.792.424	10.845.129	2.598.802	1.403
10.	Trade payables	452.594	(131.845)	158.617	-
11.	Financial liabilities	(22.232.670)	-	(2.274.651)	-
12a.	Other monetary liabilities	-	-	-	-
12b.	Other non-monetary liabilities	-	-	-	-
13.	Current liabilities (10+11+12)	(21.780.076)	(131.845)	(2.116.034)	-
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(130.953.106)	-	(13.397.971)	-
16a.	Other monetary liabilities	-	-	-	-
16b.	Other non-monetary liabilities	-	-	-	-
17.	Non-current liabilities (14+15+16)	(130.953.106)	-	(13.397.971)	-
18.	Total liabilities (13+17)	(152.733.182)	(131.845)	(15.514.005)	-
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)	(36.940.758)	10.713.284	(12.915.203)	1.403
21.	Net foreign currency asset/(liability) position of monetary items (=1+2a+3+5+6a-10-11-12a-14-15-16a)	(36.940.758)	10.713.284	(12.915.203)	1.403
22.	Fair value of derivative instruments used in foreign currency hedge	-	-	-	-
23.	Export (*)	(15.904.320)	(144.067)	(1.504.468)	-
24.	Import	-	-	-	-

(*) Includes exports from the countries in which the Group operates. As of 31 March 2021 the Group's total sales made outside Turkey during the period is TRY 49.327.426 (31 March 2020: TRY 39.580.713).

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

		Foreign currency position as of 31 December 2020			
		TRY equivalent	USD	EUR	Other
1.	Trade receivables	13.754.590	806.442	869.781	-
2a.	Monetary financial assets. (cash. and banks accounts included)	94.729.548	10.925.398	1.612.671	4.901
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
4.	Current assets (1+2+3)	108.484.138	11.731.840	2.482.452	4.901
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)	108.484.138	11.731.840	2.482.452	4.901
10.	Trade payables	277.399	(160.045)	161.215	-
11.	Financial liabilities	(20.676.850)	-	(2.295.413)	-
12a.	Other monetary liabilities	-	-	-	-
12b.	Other non-monetary liabilities	-	-	-	-
13.	Current liabilities (10+11+12)	(20.399.451)	(160.045)	(2.134.198)	-
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(121.192.750)	-	(13.454.051)	-
16a.	Other monetary liabilities	-	-	-	-
16b.	Other non-monetary liabilities	-	-	-	-
17.	Non-current liabilities (14+15+16)	(121.192.750)	-	(13.454.051)	-
18.	Total liabilities (13+17)	(141.592.201)	(160.045)	(15.588.249)	-
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)	(33.108.063)	11.571.795	(13.105.797)	4.901
21.	Net foreign currency asset/(liability) position of monetary items (=1+2a+3+5+6a-10-11-12a-14-15-16a)	(33.108.063)	11.571.795	(13.105.797)	4.901
22.	Fair value of derivative instruments used in foreign currency hedge	-	-	-	-
23.	Export (*)	(61.233.479)	(873.228)	(6.086.163)	-
24.	Import	-	-	-	-

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

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

Foreign currency sensitivity

	31 March 2021			
	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	8.920.115	(8.920.115)	-	-
2- Hedged portion from USD risks (-)	-	-	-	-
3- USD net effect (1+2)	8.920.115	(8.920.115)	-	-
Change of EUR against TRY by 10%				
4- EUR net assets/liabilities	187.723	(187.723)	-	-
5- Hedged portion from EUR risks (-)	-	-	-	-
6- EUR net effect (4+5)	187.723	(187.723)	-	-
Change of USD against RON by 10%				
7- USD net assets/liabilities	(236)	236	-	-
8- Hedged portion from USD risks (-)	-	-	-	-
9- USD net effect (7+8)	(236)	236	-	-
Change of EUR against RON by 10%				
10- EUR net assets/liabilities	(12.811.172)	12.811.172	-	-
11- Hedged portion from EUR risks (-)	-	-	-	-
12- EUR net effect (10+11)	(12.811.172)	12.811.172	-	-
	31 December 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	8.492.873	(8.492.873)	-	-
2- Hedged portion from USD risks (-)	-	-	-	-
3- USD net effect (1+2)	8.492.873	(8.492.873)	-	-
Change of EUR against TRY by 10%				
4- EUR net assets/liabilities	181.725	(181.725)	-	-
5- Hedged portion from EUR risks (-)	-	-	-	-
6- EUR net effect (4+5)	181.725	(181.725)	-	-
Change of USD against RON by 10%				
7- USD net assets/liabilities	1.403	(1.403)	-	-
8- Hedged portion from USD risks (-)	-	-	-	-
9- USD net effect (7+8)	1.403	(1.403)	-	-
Change of EUR against RON by 10%				
10- EUR net assets/liabilities	(11.987.296)	11.987.296	-	-
11- Hedged portion from EUR risks (-)	-	-	-	-
12- EUR net effect (10+11)	(11.987.296)	11.987.296	-	-

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

Foreign currency risk (cont'd)

Hedging activities

The functional currency of the Group's subsidiary Total Soft operating in Romania is RON. In order to be hedged against the foreign currency translation risk arising from the translation of the borrowings of Total Soft in Euro to RON, 54% of the revenues that Total Soft obtains in Euro and plans to obtain in Euro between 2020 and 2028 is defined as a hedging tool. The Group management considers the risk of hedging ineffectiveness that may arise in the future low since the hedge ratio used is low. In the interim period ended 31 March 2021, the foreign exchange loss amounting to TRY 3.720.382 was recognized in the hedging gains/losses fund under equity.

Capital risk management

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

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

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

	31 March 2021	31 December 2020
Total payables	225.150.888	218.272.638
Less: Cash and cash equivalents	(298.245.487)	(261.595.709)
Net debt	(73.094.599)	(43.323.071)
Total equity	567.929.077	502.281.113
Total capital	494.834.478	458.958.042
Debt/equity ratio	(15%)	(9%)

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

The estimated fair values of financial instruments have been determined by the Group, using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the 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 long-term funds borrowed and other monetary liabilities are considered to approximate their respective carrying values since they are at floating interest.

It is estimated that the carrying values of trade and other payables approximate their fair values due to their short-term nature.

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

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

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

Level 3: Valuation techniques does not contain observable market inputs

Fair value hierarchy table as at 31 March 2021 is as follows:

Financial assets held at fair value through profit or loss:	Level 1	Level 2	Level 3
Financial investments (*)	29.220.484	-	23.904.445

Fair value hierarchy table as at 31 December 2020 is as follows:

Financial assets held at fair value through profit or loss:	Level 1	Level 2	Level 3
Financial investments (*)	39.736.632	-	20.446.416

(*) Note 6

While determining the fair values of financial investments in Level 3, discounted cash flow analysis has been used. Since the sensitivities of the inputs used in the analysis do not have a significant effect on the consolidated financial statements, the sensitivity analysis is not presented separately.

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NOTE 32 - CASH FLOW INFORMATION

	Loans and Credit cards	Financial leases	Total
1 January 2021	132.487.670	19.813.128	152.300.798
Cash inflows	11.777.857	-	11.777.857
Cash outflows	(53.533)	-	(53.533)
Currency translation differences	12.914.607	778.610	13.693.217
Increase in lease liabilities (TFRS 16)	-	3.375.590	3.375.590
Cash outflows from lease liabilities (TFRS 16)	-	(1.928.111)	(1.928.111)
31 March 2021	157.126.601	22.039.217	179.165.818
Cash and cash equivalents (-)			(298.245.487)
Net debt			(119.079.669)

	Loans and Credit cards	Financial leases	Total
1 January 2020	119.711.958	16.501.182	136.213.140
Cash inflows	-	-	-
Cash outflows	(29.185.543)	-	(29.185.543)
Currency translation differences	41.961.255	-	41.961.255
Increase in lease liabilities (TFRS 16)	-	10.166.344	10.166.344
Cash outflows from lease liabilities (TFRS 16)	-	(6.854.398)	(6.854.398)
31 December 2020	132.487.670	19.813.128	152.300.798
Cash and cash equivalents (-)			(261.595.709)
Net debt			(109.294.911)

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NOTE 33 – EVENTS AFTER THE REPORTING PERIOD

Logo Yazılım has made an application to the Capital Markets Board to obtain the necessary permissions to increase its capital from TRY 25.000.000 to TRY 100.000.000, to be covered from dividends and internal resources, and to amend Article 6 titled "Share Capital" of the Company's Articles of Association.

At the meeting of the Board of Directors of Logo Yazılım dated 12 March 2021, it was proposed to the General Assembly to distribute the net profit for the accounting period 01.01.2020 - 31.12.2020 which was prepared by the Company in accordance with the Communiqué Serial: II No.14.1 of the Capital Market Board and audited by Pwc Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., pursuant to the Company's dividend distribution policy and in accordance with the dividend payment table prepared, and the proposal was accepted at the Ordinary General Assembly dated 7 April 2021.

In accordance with the Company's Share Buy-back Program, 64.500 of treasury shares were sold to the Company's Board Member Murat Erkurt on 4 May 2021.