

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY – 30 SEPTEMBER 2022**

(ORIGINALLY ISSUED IN TURKISH)

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY – 30 SEPTEMBER 2022**

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LOGO YAZILIM SANAYİ VE TİCARET A.Ş.**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 30 SEPTEMBER 2022**

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

		Not Reviewed	Audited
	Notes	30 September 2022	31 December 2021
ASSETS			
Current assets		745,207,180	796,273,910
Cash and cash equivalents	4	263,121,894	259,390,060
Financial investments	5	123,820,587	173,933,264
Trade receivables		310,481,863	333,669,674
- <i>Trade receivables from third parties</i>	8	309,511,024	332,830,871
- <i>Trade receivables from related parties</i>	28	970,839	838,803
Other receivables		69,121	130,036
- <i>Other receivables from third parties</i>	9	69,121	130,036
Inventories	10	5,038,292	5,929,135
Derivative instruments	29	414,975	7,563,396
Prepaid expenses	17	16,783,371	9,770,505
Other current assets	9	25,477,077	5,887,840
Non-current assets		1,383,396,659	1,011,197,908
Other receivables		13,026,605	9,044,507
- <i>Other receivables from related parties</i>	28	13,026,605	9,044,507
Financial investments	5	340,715,836	183,908,017
Right-of-use assets	13	15,013,491	17,696,433
Property, plant and equipment	11	23,634,869	20,966,204
Intangible assets		975,866,232	759,228,798
- <i>Goodwill</i>	14	391,186,658	327,276,359
- <i>Other intangible assets</i>	12	584,679,574	431,952,439
Prepaid expenses	17	1,271,823	1,125,044
Deferred tax asset	26	12,891,618	18,921,317
Other non-current assets		976,185	307,588
Total assets		2,128,603,839	1,807,471,818

The accompanying consolidated financial statements have been approved by Board of Directors on 08 November 2022 and signed on its behalf by Buğra Koyuncu, Vice Chairman of the Board of Directors and Logo Group Chief Executive Officer, CEO and Gülnur Anlaş, Logo Group Chief Financial Officer, CFO.

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 30 SEPTEMBER 2022

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

	Notes	Not Reviewed 30 September 2022	Audited 31 December 2021
LIABILITIES			
Current liabilities		768,678,275	742,156,945
Short-term borrowings	7	31,064,734	64,787,912
Short-term portions of long-term borrowings	7	36,259,849	29,055,855
Trade payables		94,966,867	79,780,089
- Trade payables to related parties	28	869,871	838,257
- Trade payables to third parties	8	94,096,996	78,941,832
Derivative instruments	29	1,293,909	25,307,291
Payables related to employee benefits	16	77,849,939	81,090,495
Other payables		235,410,600	159,563,379
- Other payables to third parties	9	235,406,800	159,559,579
- Other payables to related parties		3,800	3,800
Contract liabilities	17	277,808,286	290,897,336
Current tax liability	26	11,632,079	10,226,461
Other current liabilities		2,392,012	1,448,127
Non-current liabilities		264,563,637	231,809,483
Long-term borrowings	7	189,819,980	172,579,159
Other payables		5,878,552	6,653,446
- Other payables to third parties	9	5,878,552	6,653,446
Long-term provisions		51,046,604	37,391,280
- Long-term provisions for employee benefits	16	51,046,604	37,391,280
Deferred tax liability	26	17,818,501	15,185,598
EQUITY			
Equity attributable to equity holders of the parent		1,002,167,687	759,243,142
Paid-in capital	18	100,000,000	100,000,000
Capital adjustment differences	18	2,991,336	2,991,336
Restricted reserves appropriated from profit		29,381,522	7,196,456
Reserves for treasury shares	18	25,335,357	9,782,044
Put option revaluation fund related with non-controlling interests		(186,818,885)	(125,685,943)
Treasury shares (-)	18	(25,335,357)	(9,782,044)
Accumulated other comprehensive income/(expenses) that will not be reclassified to profit or loss		24,634,172	4,903,883
- Loss on revaluation and measurement		(10,562,073)	(10,562,073)
- Gain from investments in equity instruments		35,196,245	15,465,956
Other accumulated comprehensive income/(expenses) to be reclassified to profit or loss		206,004,374	172,245,346
- Foreign currency translation differences		236,507,475	179,421,334
- Hedging reserves gain losses		(8,236,418)	(7,175,988)
- Fair Value Losses on financial assets at fair value through other comprehensive income		(22,266,683)	-
Prior years' profit		473,135,675	332,942,105
Net profit for the period		352,839,493	264,649,959
Non-controlling interests		93,194,240	74,262,248
Total equity		1,095,361,927	833,505,390
Total liabilities and equity		2,128,603,839	1,807,471,818

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

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE PERIODS 1 JANUARY – 30 SEPTEMBER 2022 AND 2021**

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

	Notes	1 January - 30 September 2022	1 July - 30 September 2022	1 January - 30 September 2021	1 July - 30 September 2021
Revenue	20	1,019,620,479	382,764,552	486,195,920	169,026,475
Cost of sales (-)	20	(237,043,409)	(106,833,206)	(96,149,653)	(34,431,582)
Gross profit		782,577,070	275,931,346	390,046,267	134,594,893
General administrative expenses (-)	21	(116,118,282)	(36,772,461)	(58,922,587)	(18,715,897)
Marketing expenses (-)	21	(154,235,440)	(66,513,393)	(68,007,314)	(22,993,762)
Research and development expenses (-)	21	(204,142,784)	(81,232,750)	(117,133,032)	(44,716,785)
Other operating income	22	6,974,569	2,145,303	16,716,849	2,876,866
Other operating expenses (-)	22	(14,419,830)	(3,773,898)	(3,469,781)	(1,557,414)
Operating profit		300,635,303	89,784,147	159,230,402	49,487,901
Income from investing activities	23	38,145,578	12,131,866	2,173,298	1,188,709
Operating profit before finance income/(expenses)		338,780,881	101,916,013	161,403,700	50,676,610
Finance income	24	169,774,465	54,483,473	41,719,606	11,980,303
Finance expenses (-)	25	(106,146,456)	(30,380,572)	(16,386,828)	(6,043,399)
Profit before tax		402,408,890	126,018,914	186,736,478	56,613,514
Tax expense:					
Current tax expense	26	(34,111,164)	(12,072,289)	(16,143,361)	(3,779,773)
Deferred tax (expense)/income	26	(10,797,776)	959,771	(5,854,942)	(4,642,914)
Profit for the period		357,499,950	114,906,396	164,738,175	48,190,827
Profit for the period attributable to:					
Non-controlling interests		4,660,457	1,483,924	(3,610,059)	(345,978)
Equity holders of the parent		352,839,493	113,422,472	168,348,234	48,536,805
Earnings per 1 TL shares	27	3.66	1.18	1.74	0.50

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

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE PERIODS 1 JANUARY – 30 SEPTEMBER 2022 AND 2021

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

Notes	1 January - 30 September 2022	1 July - 30 September 2022	1 January - 30 September 2021	1 July - 30 September 2021
Profit for the period	357,499,950	114,906,396	164,738,175	48,190,827
<i>Items that will be reclassified to profit or loss:</i>				
	48,030,563	15,305,456	22,290,944	(2,541,644)
Foreign currency translation differences	71,357,676	18,596,902	24,629,187	(2,016,823)
Hedging reserves loss	(1,060,430)	(491,670)	(2,338,243)	(524,821)
Fair value difference losses on financial assets through other comprehensive income	(27,833,354)	(3,499,720)	-	-
Fair value difference other comprehensive income related to financial assets reflected in other comprehensive income, tax effect	5,566,671	699,944	-	-
<i>Items that will not be reclassified to profit or loss:</i>				
	19,730,289	6,509,150	(2,048,078)	(1,222,354)
Revaluation and measurement losses of defined benefits plans	16	-	-	(3,881,730)
Gain from investments in equity instruments	19,730,289	6,509,150	1,465,336	(1,213,677)
Tax effect	26	-	368,316	(8,677)
Other comprehensive income	67,760,852	21,814,606	20,242,866	(3,763,998)
Total comprehensive income	425,260,802	136,721,002	184,981,041	44,426,829
Total comprehensive income attributable to:				
Non-controlling interests	18,931,992	5,203,304	1,315,778	(749,343)
Equity holders of the parent	406,328,810	131,517,698	183,665,263	45,176,172

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

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIODS 1 JANUARY – 30 SEPTEMBER 2022 AND 2021

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

	Paid-in capital	Capital adjustment differences	Treasury shares	Reserves for treasury shares	Hedging losses (**)	Restricted reserves appropriated from profit	Gain on loss on remeasurement of defined plans (*)	Gains from investments in equity instruments (*)	Gains (Losses) on Assets at FVTOCI (**)	Foreign currency translation differences (**)	Prior years' profit	Net profit for the period	Put option valuation fund for non-controlling interests	Equity attributable to equity holders of the parents	Non-controlling interests	Total equity
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 prior years' profit	75,000,000	-	-	-	-	-	-	-	-	-	39,528,012	(114,528,012)	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-	(28,673,009)	-	-	(28,673,009)	-	(28,673,009)
Decrease due to share ratio changes that do not result in loss of control in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(11,607,271)	(11,607,271)	-	(11,607,271)
Sales of treasury shares	-	-	271,989	(271,989)	-	-	-	-	-	-	7,327,995	-	-	7,327,995	-	7,327,995
Net profit for the period	-	-	-	-	-	-	-	-	-	-	-	168,348,234	-	168,348,234	(3,610,059)	164,738,175
Other comprehensive income	-	-	-	-	(2,338,243)	-	(3,513,414)	1,465,336	-	19,703,350	-	-	-	15,317,029	4,925,837	20,242,866
Balances as of 30 September 2021	100,000,000	2,991,336	(9,782,044)	9,782,044	(5,308,978)	7,196,456	(9,746,021)	2,799,692	-	94,702,799	332,942,105	168,348,234	(40,931,532)	652,994,091	36,784,725	689,778,816
Balances as of 1 January 2022	100,000,000	2,991,336	(9,782,044)	9,782,044	(7,175,988)	7,196,456	(10,562,073)	15,465,956	-	179,421,334	332,942,105	264,649,959	(125,685,943)	759,243,142	74,262,248	833,505,390
Transfers to prior years' profit	-	-	-	-	-	22,185,066	-	-	-	-	242,464,893	(264,649,959)	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-	(86,718,010)	-	-	(86,718,010)	-	(86,718,010)
Decrease due to share ratio changes that do not result in loss of control in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(61,132,942)	(61,132,942)	-	(61,132,942)
Increase due to treasury shares	-	-	(15,553,313)	15,553,313	-	-	-	-	-	-	(15,553,313)	-	-	(15,553,313)	-	(15,553,313)
Net profit for the period	-	-	-	-	-	-	-	-	-	-	-	352,839,493	-	352,839,493	4,660,457	357,499,950
Other comprehensive income	-	-	-	-	(1,060,430)	-	-	19,730,289	(22,266,683)	57,086,141	-	-	-	53,489,317	14,271,535	67,760,852
Balances as of 30 September 2022	100,000,000	2,991,336	(25,335,357)	25,335,357	(8,236,418)	29,381,522	(10,562,073)	35,196,245	(22,266,683)	236,507,475	473,135,675	352,839,493	(186,818,885)	1,002,167,687	93,194,240	1,095,361,927

(*) Accumulated other comprehensive income/(expenses) that will not be reclassified to profit or loss

(**) Accumulated other comprehensive income/(expenses) that will be reclassified to profit or loss

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

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIODS 1 JANUARY - 30 SEPTEMBER 2022 AND 2021

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

	Notes	1 January - 30 September 2022	1 January - 30 September 2021
A. Cash flows from operating activities		439,289,592	118,374,036
Profit for the period		357,499,950	164,738,175
Adjustments to reconcile net profit for the period		76,822,437	67,609,034
Adjustment related to depreciation and amortization	11,12,13	85,559,924	56,720,537
Adjustment related to reversal of provisions for employment termination benefits	16	14,241,359	10,583,225
Adjustment related to interest expenses	25	28,934,359	4,382,609
Adjustment related to interest income	24	(51,051,747)	(21,363,479)
Change in derivative assets and liabilities		(16,864,961)	-
Adjustment related to impairment/(reversal of) on receivables	8	903,122	(16,507,558)
Other adjustments to profit/(loss) reconciliation		(29,808,559)	11,795,397
Adjustment related to tax expense	26	44,908,940	21,998,303
Changes in working capital		40,409,180	(95,327,705)
Adjustments related to decrease in trade receivables		52,549,785	26,430,106
Adjustments related to decrease (increase) in inventories		890,843	(58,990)
Adjustments related to increase in other operating assets		(29,364,725)	(37,175,613)
Adjustments related to decrease in trade payables		11,705,228	(29,296,587)
Adjustments related to increase (decrease) in other operating liabilities		4,628,049	(55,226,621)
Cash flows used in operating activities		474,731,567	137,019,504
Tax payments		(32,705,546)	(17,615,283)
Payments related to employee benefits	16	(2,736,429)	(1,030,185)
Cash outflows for share purchases or capital increase of subsidiaries and joint venture		(6,172,677)	(8,506,335)
Cash outflows for purchases of property, plant and equipment and intangible assets	11,12	(176,793,416)	(86,548,716)
Cash outflows for the acquisition of debt instruments or shares of other entities or funds		(17,482,598)	(5,418,132)
Proceeds from sales of property, plant and equipment	11	137,270	221,304
Change in financial investments		(97,315,609)	12,785,994
Interest received		51,051,747	20,075,614
B. Cash flows from investing activities		(246,575,283)	(67,390,271)
Cash outflows for repayments of loans	32	(55,842,488)	(40,580,796)
Cash from loans	32	-	57,670,519
Interest paid		(27,358,557)	(2,671,302)
Cash outflows from the acquisition of own shares of the business		(15,553,313)	-
Cash inflows from sales of treasury shares		-	9,770,661
Cash outflows related to debt payments arising from lease agreements	32	(8,435,355)	(8,857,259)
Dividends paid		(86,718,010)	(28,673,009)
C. Cash flows from financing activities		(193,907,723)	(13,341,186)
Net (decrease) increase in cash and cash equivalents before the effects of foreign currency translation differences		(1,193,414)	37,642,579
D. Effect of foreign currency translation differences on cash and cash equivalents		4,925,248	17,205,710
Net increase in cash and cash equivalents		3,731,834	54,848,289
Cash and cash equivalents at the beginning of the period	4	259,390,060	261,595,709
Cash and cash equivalents at the end of the period	4	263,121,894	316,443,998

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 – 30 SEPTEMBER 2022

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

NOTE 1 - ORGANIZATION AND OPERATION OF THE GROUP

Logo Yazılım Sanayi ve Ticaret Anonim Şirketi (“Logo Yazılım” or the “Company”) was established as a Limited Company in 1986 and became a joint stock company on 30 September 1999 after changing its legal form. The Company is registered in Turkey and operates under the Turkish Commercial Code.

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

As of 30 September 2022, the Group has 1,382 employees (31 December 2021: 1,255).

The address of the registered office is as follows:

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

As of 30 September 2022, the 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 18.

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

Subsidiaries	Country of incorporation	Nature of business
Total Soft S.A. (“Total Soft”)	Romania	Development and marketing of software
Logo Elektronik Ticaret Hizmetleri A.Ş. (“e-Logo”) (*)	Turkey	Development and marketing of software
Logo Financial Solutions GmbH (“Logo GmbH”)	Germany	Development and marketing of software
Logo Business Solutions FZ-LLC (“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 AŞ (“Peoplise”)	Turkey	Development and marketing of software

(*) On 9 November 2021, Logo Yazılım merged with e-Logo and Logo Kobi companies through takeover.

Joint Venture	Country of incorporation	Nature of business
Logo Infosoft Business Technology Private Limited (“Logo Infosoft”)	India	Development and marketing of software

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY – 30 SEPTEMBER 2022**

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

NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Application of 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.

The Group has prepared its condensed consolidated financial statements for the interim period ended 30 September 2022 in accordance with the Turkish Accounting Standard 34, "Interim Financial Reporting" ("TAS 34"). Interim condensed consolidated financial statements do not include all disclosures and notes required by the year-end financial statements and they should be read in conjunction with the consolidated financial statements dated as at 31 December 2021.

The 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 property, plant and equipment and intangible assets arising from business combinations.

POA made an announcement on 20 January 2022 regarding the application of TAS 29, “Financial Reporting in Hyperinflationary Economies” (IAS 29 Financial Reporting in Hyperinflationary Economies) for entities adopting Turkish Financial Reporting Standards (“TFRS”) for the year ended 31 December 2021. The announcement stated that, entities that apply TFRS should not adjust their financial statements in accordance with TAS 29 - Financial Reporting in Hyperinflationary Economies for the year ended 31 December 2021. As of the date of this report, POA has not made any further announcements regarding the scope and application of TAS 29. In this context, while preparing the consolidated financial statements dated 30 September 2022, no inflation adjustment was made according to TAS 29.

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 published by POA 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 translation differences arising from the translation are included in the foreign currency translation difference under the 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 2021 include the accounts of Logo Yazılım and its subsidiaries.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 30 SEPTEMBER 2022

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

NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.1.3 Basis of Consolidation (cont’d)

The table below sets out the subsidiaries of Logo Yazılım and ownership interests held by the Company as of 30 September 2022 and 31 December 2021:

Subsidiaries	30 September 2022 (%)	31 December 2021 (%)
Total Soft	80.00	80.00
e-Logo (*)	-	-
Logo GmbH	100.00	100.00
Logo Kobi (*)	-	-
ABS	80.00	80.00
ABS FS	40.00	40.00
Peoplise	88.00	88.00

(*) On 9 November 2021, Logo Yazılım merged with e-Logo and Logo Kobi companies through takeover.

Joint venture	30 September 2022 (%)	31 December 2021 (%)
Logo Infosoft (*)	50.00	50.00

(*) With the agreement signed by the Company with GSF Software Labs LLC on 1 January 2018, its control over Logo Infosoft has turned into joint control. After this date, Logo Infosoft has been evaluated as a joint venture in the consolidated financial statements and recognized as an investment valued by the equity method. The Group's joint venture consists of long-term debt instruments convertible into equity issued by Logo Infosoft, when the relevant amounts are included in the capital, the Group's ownership rate is 81.21%.

Subsidiaries

The 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 the 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 parties, 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 associate or joint venture.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 30 SEPTEMBER 2022

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

NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.1.4 Functional and Presentation 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 (“TL”), which is the currency of the primary economic environment in which Logo Yazılım operates (“the functional currency”).

The functional currency of subsidiaries operating in Romania is Romanian Leu (“RON”). Functional currency of Logo Infosoft is Indian rupee (“INR”). Financial position and operating results of each entity included in consolidation are measured using the currency of the primary economic environment in which these entities operate. The financial statements of the subsidiaries operating in foreign countries are prepared in the functional currency of the country in which they operate in accordance with the law and regulations of the country, the assets and liabilities in the financial statements are translated into TL by using the closing exchange rate effective on the balance sheet date, and income and expenses are translated into TL by using the monthly average exchange rate. The currency differences resulting from the use of closing and monthly average rates are monitored in the foreign currency translation differences account under equity and other comprehensive income.

2.2 Going Concern

The entities included in the consolidation have prepared their financial statements in accordance with the going concern principle. The Group management has made an assessment of the sustainability of the Group's operations and concluded that the Group has sufficient resources to continue its activities in the near future.

Covid-19

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

While preparing the interim condensed consolidated financial statements as at 30 September 2022, the Group has evaluated the possible effects of the COVID-19 pandemic on the financial statements and reviewed the estimates and assumptions used in the preparation of the consolidated financial statements.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 30 SEPTEMBER 2022

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

NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.3 New and amended Turkish financial reporting standards

a. Amendments that are mandatorily effective from 2022:

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 16	<i>COVID-19 Related Rent Concessions beyond 30 June 2021</i>

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.

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 published today 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 Turkish 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.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 30 SEPTEMBER 2022

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

NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.3 New and amended Turkish financial reporting standards (cont’d)

a. Amendments that are mandatorily effective from 2022 (cont’d):

Annual Improvements to TFRS Standards 2018-2020 Cycle (cont’d)

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.

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 16 *COVID-19 Related Rent Concessions beyond 30 September 2021*

Public Oversight Accounting and Auditing Standards Authority (“POA”) has published Amendments to TFRS 16 *COVID-19 Related Rent Concessions beyond 30 September 2021* that extends, by one year, the September 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 September 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 new amendment is effective for lessees for annual reporting periods beginning on or after 1 April 2021. Earlier application is permitted.

The Group management has evaluated that these amendments and interpretations, effective from 2022, do not have any impact on the consolidated financial statements of the Group.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.3. New and amended Turkish financial reporting standards (cont’d)

b. New and revised 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 4	<i>Extension of the Temporary Exemption from Applying TFRS 9</i>
Amendments to TAS 1	<i>Disclosure of Accounting Policies</i>
Amendments to TAS 8	<i>Definition of Accounting Estimates</i>
Amendments to TAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to TFRS 17	<i>Initial Application of TFRS 17 and TFRS 9 — Comparative Information (Amendment to TFRS 17)</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 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, so that entities would be required to apply TFRS 9 for annual periods beginning on or after 1 January 2023 with the deferral of the effective date of TFRS 17.

Amendments to TAS 1 *Disclosure of Accounting Policies*

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies.

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

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

NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

New and amended Turkish financial reporting standards (cont’d)

b. New and revised TFRSs in issue but not yet effective (cont’d):

Amendments to TAS 8 Definition of Accounting Estimates

With this amendment, the definition of “a change in accounting estimates” has been replaced with the definition of “an accounting estimate”, sample and explanatory paragraphs regarding estimates have been added, and the differences between application of an estimate prospectively and correction of errors retrospectively have been clarified.

Amendments to TAS 8 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

Amendments to TAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

Amendments to TAS 12 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

Amendments to TFRS 17 Insurance Contracts and Initial Application of TFRS 17 and TFRS 9 — Comparative Information

Amendments have been made in TFRS 17 in order to reduce the implementation costs, to explain the results and to facilitate the initial application.

The amendment permits entities that first apply TFRS 17 and TFRS 9 at the same time to present comparative information about a financial asset as if the classification and measurement requirements of TFRS 9 had been applied to that financial asset before.

Amendments are effective with the first application of TFRS 17.

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

2.4 Changes in Accounting Policies

Changes in accounting policies, if any, that result from applying a new TAS/TFRS for the first time are applied retrospectively or prospectively in accordance with transition provisions. Changes with no transition provisions, significant discretionary changes in accounting policy or accounting errors are applied retrospectively and financial statements of prior period are restated.

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

NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.5 Summary of Significant Accounting Policies

The interim condensed consolidated financial statements for the nine-months period ended 30 September 2022 have been prepared in accordance with TAS 34. The significant accounting policies used in preparing the condensed interim consolidated financial statements for the nine-months period ended 30 September 2022 are consistent with the accounting policies disclosed in the consolidated financial statements as of 31 December 2021. Accordingly, the condensed consolidated interim financial statements should be evaluated with the consolidated financial statements for the year ended 31 December 2021. The Group has disclosed its accounting policies for the first time in Note 2.4.

2.6 Significant Accounting Judgments, Estimates and Assumptions

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

Provision for doubtful receivables

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

Useful lives of intangible assets

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

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

NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.6 Significant Accounting Judgments, Estimates and Assumptions (cont’d)

Revenue recognition

The Group uses percentage of completion method in accounting of its software license revenue and customized software revenue as of the balance sheet date. Completion level is calculated by dividing the estimated total service given as of the balance sheet date to the total service required contractually.

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 considering time spent by each employee on research and development activities. The costs of employees related to research are expensed as incurred.

Goodwill impairment test

The Group tests the goodwill amount for impairment each year or in shorter periods in case of any impairment. The recoverable amounts of cash generating units are determined on fair value less cost of disposal basis.

2.7 Comparative Information and Restatement 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 consolidated balance sheet of the Group as of 30 September 2022 has been provided with the comparative financial information of 31 December 2021 and the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the interim period ended 30 September 2022 have been provided with the comparative financial information for the period ended 30 September 2021.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 30 SEPTEMBER 2022

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

NOTE 3 - SEGMENT REPORTING

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

30 September 2022	Turkey	Romania	Segmental eliminations	Consolidated
Segment assets	1,198,546,221	930,108,449	(50,831)	2,128,603,839
Segment liabilities	566,028,417	467,264,326	(50,831)	1,033,241,912
Goodwill	11,155,524	380,031,134	-	391,186,658
Property, plant and equipment and other intangible assets	263,962,221	344,352,222	-	608,314,443
Right-of-use assets	4,664,346	10,349,145	-	15,013,491

30 September 2022	Turkey	Romania	Segmental eliminations	Consolidated
Revenue	648,185,030	371,435,449	-	1,019,620,479
Cost of sales	(20,823,118)	(216,220,291)	-	(237,043,409)
Operating expenses	(362,765,933)	(111,730,573)	-	(474,496,506)
Other operating income	6,010,465	964,104	-	6,974,569
Other operating expenses	(13,061,401)	(1,358,429)	-	(14,419,830)
Income from investing activities	38,145,578	-	-	38,145,578
Financial income	165,465,775	4,308,690	-	169,774,465
Financial expenses	(94,158,146)	(11,988,310)	-	(106,146,456)
Depreciation and amortization expenses	(46,396,809)	(39,163,115)	-	(85,559,924)
Tax expense	(38,288,154)	(6,620,786)	-	(44,908,940)
Net profit/(loss) for the period	328,710,096	28,789,854	-	357,499,950
Adjusted EBITDA	310,992,788	82,647,700	-	393,640,488
Purchase of property, plant and equipment and intangible assets	113,217,058	63,576,358	-	176,793,416

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

30 September 2022	Consolidated
Adjusted EBITDA	393,640,488
Depreciation and amortization expenses	(85,559,924)
Income from investing activities	38,145,578
Other operating income	6,974,569
Other operating expenses	(14,419,830)
Finance income	169,774,465
Finance expenses	(106,146,456)
Profit before tax	402,408,890

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 - SEGMENT REPORTING (cont'd)

31 December 2021	Turkey	Romania	Segmental eliminations	Consolidated
Segment assets	1,095,151,372	712,824,928	(504,482)	1,807,471,818
Segment liabilities	625,403,001	349,067,909	(504,482)	973,966,428
Goodwill	11,155,524	316,120,835	-	327,276,359
Property, plant and equipment and other intangible assets	193,883,260	259,035,383	-	452,918,643
Right-of-use assets	5,831,297	11,865,136	-	17,696,433

30 September 2021	Turkey	Romania	Segmental eliminations	Consolidated
Revenue	324,605,030	161,590,890	-	486,195,920
Cost of sales	(9,229,388)	(86,920,265)	-	(96,149,653)
Operating expenses	(187,097,822)	(56,965,111)	-	(244,062,933)
Other operating income	5,047,719	11,669,130	-	16,716,849
Other operating expenses	(2,851,381)	(618,400)	-	(3,469,781)
Income from investing activities	2,173,298	-	-	2,173,298
Finance income	41,133,193	586,413	-	41,719,606
Finance expenses	(12,073,802)	(4,313,026)	-	(16,386,828)
Depreciation and amortization expenses	(37,464,919)	(19,255,618)	-	(56,720,537)
Tax expense	(15,018,970)	(6,979,333)	-	(21,998,303)
Net profit/(loss) for the period	146,687,877	18,050,298	-	164,738,175
Adjusted EBITDA	165,742,739	36,961,132	-	202,703,871
Purchase of property, plant and equipment and intangible assets	55,950,660	30,598,056	-	86,548,716

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

30 September 2021	Consolidated
Adjusted EBITDA	202,703,871
Depreciation and amortization expenses	(56,720,537)
Income from investing activities	2,173,298
Other operating income	16,716,849
Other operating expenses	(3,469,781)
Finance income	41,719,606
Finance expenses	(16,386,828)
Profit before tax	186,736,478

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NOTE 4 – CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents as of 30 September 2022 and 31 December 2021 are presented below:

	30 September 2022	31 December 2021
Cash	36,939	47,602
Bank	226,634,670	177,256,899
- Time deposit	194,766,642	135,599,840
- Demand deposit	31,868,028	41,657,059
Credit card slip receivables	29,695,129	73,254,820
Liquid fund (*)	6,755,156	8,719,596
Checks received	-	111,143
	263,121,894	259,390,060

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

NOTE 5 - FINANCIAL INVESTMENTS

Short-term financial investments

	30 September 2022	31 December 2021
- Time deposit more than 3 months (**)	-	45,252,556
- Financial assets at fair value through profit or loss	54,816,623	71,966,045
- Assets related to fair value in other comprehensive income (***)	69,003,964	56,714,663
	123,820,587	173,933,264

(**) The average maturity for time deposits is 180 days.

(***) 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 denominated in US Dollars and Turkish Lira.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 30 SEPTEMBER 2022

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NOTE 5 - FINANCIAL INVESTMENTS (cont'd)

Long-term financial investments

Financial assets recognized at fair value

Details of non-current financial investments as of 30 September 2022 and 31 December 2021 are as follows:

	30 September 2022	31 December 2021
Logo Ventures Girişim Sermayesi Yatırım Fonu (“Logo Ventures I”) (*)	9,092,884	6,393,202
Logo Ventures Girişim Sermayesi Yatırım Fonu (“Logo Ventures II”) (*)	71,615,427	29,842,754
İnterpro Yayınıncılık Araştırma ve Organizasyon Hizmetleri A.Ş. (“İnterpro”) (**)	80,653	80,653
Dokuz Eylül Teknoloji Geliştirme Bölgesi A.Ş. (“Dokuz Eylül”) (**)	50,000	50,000
Payer Yazılım Sanayi ve Ticaret A.Ş. (***)	2,952,120	-
	83,791,084	36,366,609

- (*) As of 30 September 2022, Logo Ventures has been evaluated as an asset at fair value through other comprehensive income and the difference between its fair value and cost amounting to TL 19,730,289 has been accounted for in other comprehensive income. The company has pledged USD 11,200,000 to İstanbul Portföy Yönetimi A.Ş. Logo Ventures II Girişim Sermayesi Yatırım Fonu and paid USD 2,240,000 in 2021 and USD 1,680,000 on 7 April 2022.
- (**) İnterpro and Dokuz Eylül are reflected in the consolidated financial statements at cost as of 30 September 2022 and 31 December 2021, as their fair value is not significant.
- (***) As of 10 May 2022, 10% of the shares of Payer Yazılım Sanayi ve Ticaret A.Ş. has been acquired. Since its fair value is not significant, it is reflected in the consolidated financial statements at cost.

	30 September 2022	31 December 2021
- Assets at fair value through other comprehensive income (****)	213,102,288	121,201,542

- (****) 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 denominated in US Dollars and Turkish Lira.

Other long-term financial investments:

	30 September 2022	31 December 2021
Other long-term financial investments (*****)	43,822,464	26,339,866

- (*****) The Group's joint venture consists of the convertible debt instruments issued by Logo Infosoft, when the relevant amounts are included in equity the ownership ratio of the Group is 81.21%. 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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NOTE 6 - INVESTMENTS ACCOUNTED BY THE EQUITY METHOD

Summarized financial information on investments accounted for using the equity method are as follows:

Summary balance-sheet information

Logo Infosoft	30 September 2022	31 December 2021
Cash and cash equivalents	4,689,909	2,857,570
Other current assets	10,924,908	6,961,115
Other non-current assets	749,160	812,300
Total assets	16,363,977	10,630,985
Other current liabilities	26,237,056	17,086,651
Other non-current liabilities	89,711,300	55,200,944
Total liabilities	115,948,356	72,287,595
Net liabilities/assets	(99,584,379)	(61,656,610)

Summary income statement information

Logo Infosoft	30 September 2022	30 September 2021
Income	1,705,205	1,187,174
Expenses (-)	(20,148,650)	(8,214,988)
Net loss for the period	(18,443,445)	(7,027,814)
Ownership ratio of the Group	50.00%	50.00%
Group’s share (*)	(9,221,723)	(3,513,907)
Unrecognized losses	9,221,723	3,513,907

(*) Logo Infosoft’s portion of the Group’s share of loss amounting to TL 9,221,723 has not been accounted because Logo Infosoft’s carrying amount has been zero. As of 30 September 2022, the total loss to the Group’s share but not recorded is TL 25,727,752.

NOTE 7 – BORROWINGS

Details of borrowings as of 30 September 2022 and 31 December 2021 is as follows:

Short-term borrowings:	30 September 2022	31 December 2021
Short-term bank loans	24,191,322	56,570,055
Lease liabilities	6,334,873	7,428,142
Credit card payables	538,539	789,715
	31,064,734	64,787,912

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 7 – BORROWINGS (cont’d)

Short-term portions of long-term borrowings:	30 September 2022	31 December 2021
Short-term portions of long-term bank loans	34,809,489	28,576,257
Lease liabilities	1,450,360	479,598
	36,259,849	29,055,855

Total short-term borrowings	67,324,583	93,843,767
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Long-term borrowings:	30 September 2022	31 December 2021
Long-term bank loans	177,382,214	159,907,035
Lease liabilities	12,437,766	12,672,124
	189,819,980	172,579,159

	30 September 2022		
	Weighted average annual interest rate (%)	Original amount	TL equivalent
Short-term borrowings:			
Bank loans - EUR – unsecured	Euribor 1+2.40%	1,331,227	24,191,322
Lease liabilities - Euro	Euribor 3+3.5%	214,068	3,890,095
Lease liabilities - TL	12% - 25%	2,444,778	2,444,778
Credit card payables – TL	-	538,539	538,539
			31,064,734

Short-term portion of long-term borrowings:			
Bank borrowings - EUR – secured	Euribor+ 2.45%-2.50%	1,915,535	34,809,489
Lease liabilities – EUR	-	79,812	1,450,360
			36,259,849

Long-term borrowings:			
Bank borrowings - EUR - secured	Euribor+ 2.45%-2.50%	9,761,185	177,382,214
Lease liabilities - EUR		486,829	8,846,750
Lease liabilities - TL		3,591,016	3,591,016
			189,819,980

Total borrowings			257,144,563
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NOTE 7 - BORROWINGS (cont’d)

	31 December 2021		
	Weighted average annual interest rate (%)	Original amount	TL equivalent
Short-term borrowings:			
Bank borrowings - TL - unsecured		14,445,980	14,445,980
Bank borrowings - RON - unsecured	Rabor+1 2.40%	13,894,998	42,124,075
Credit card payables - TL	-	789,715	789,715
Lease liabilities - EUR	Euribor 3+3.5%	287,187	4,332,705
Lease liabilities - TL	12% - 25%	3,095,437	3,095,437
			64,787,912
Short-term portion of long-term borrowings:			
Bank borrowings - EUR -secured	Euribor+ 2.45%-2.50%	1,894,136	28,576,257
Lease liabilities - EUR	-	31,789	479,598
			29,055,855
Long-term borrowings:			
Bank borrowings - EUR – secured	Euribor+ 2.45%-2.50%	10,599,206	159,907,035
Lease liabilities - EUR		572,531	8,637,603
Lease liabilities - TL		4,034,521	4,034,521
			172,579,159
Total borrowings			266,422,926

The redemption schedules of long-term borrowings as of 30 September 2022 and 31 December 2021 are as follows:

	30 September 2022	31 December 2021
To be paid within 1-2 years	41,532,796	33,752,173
To be paid within 2-5 years	108,432,425	91,963,257
To be paid in more than 5-10 years	39,854,759	46,863,729
	189,819,980	172,579,159

	Net book value		Fair value	
	30 September 2022	31 December 2021	30 September 2022	31 December 2021
Bank loans	236,383,025	245,053,347	253,890,528	261,760,215
	236,383,025	245,053,347	253,890,528	261,760,215

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

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NOTE 8 - TRADE RECEIVABLES AND PAYABLES

The details of trade receivables and payables as of 30 September 2022 and 31 December 2021 are as follows:

Short-term trade receivables:	30 September 2022	31 December 2021
Trade receivables	293,561,866	223,258,593
Credit card receivables	44,172,014	144,589,559
Cheques and notes receivables	3,314,904	5,500,294
Less: Provision for doubtful receivables	(23,115,542)	(19,587,252)
Less: Unearned finance income from futures sales	(8,422,218)	(20,930,323)
	309,511,024	332,830,871

As of 30 September 2022, the average turnover rate of receivable is 78 days (31 December 2021: 116 days) and the average turnover rate is 52 days (31 December 2021: 59 days) excluding credit card receivables. The discount rate applied for non-due receivables is 15.71% (31 December 2021: 15.73%).

As of 30 September 2022, trade receivables amounting to TL 43,164,392 (31 December 2021: TL 16,911,490) are not considered as doubtful receivables although they are overdue. The maturity analysis of these receivables is as follows:

	30 September 2022	31 December 2021
Up to 1 month	13,431,297	8,561,844
1-3 months	20,638,663	3,691,138
More than 3 months	9,094,432	4,658,508
	43,164,392	16,911,490

As of 30 September 2022, TL 22,941,574 of overdue receivables consist of trade receivables of Total Soft (31 December 2021: TL 9,276,761). Group manages its receivables in accordance with credit risk management policies which is explained in Note 30.

The movement of provision for doubtful receivables for the periods ended 30 September 2022 and 2021 are as follows:

	2022	2021
As of 1 January	19,587,252	32,509,022
Provisions made during the period	2,151,499	2,813,208
Provisions released	(1,248,377)	(19,320,766)
Foreign currency translation difference	2,625,168	3,255,605
As of 30 September	23,115,542	19,257,069

Trade payables to third parties:	30 September 2022	31 December 2021
Trade payables	94,096,996	78,941,832

As of 30 September 2022, the average debt payment period is 86 days (31 December 2021: 115 days).

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NOTE 8 - TRADE RECEIVABLES AND PAYABLES (cont’d)

As of 30 September 2022 and 31 December 2021, the Group’s exposure to credit risks by financial instrument types is as follows:

30 September 2022	<u>Trade receivables</u>		<u>Other receivables</u>				
	<u>Related party</u>	<u>Other</u>	<u>Related party</u>	<u>Other</u>	<u>Deposits in Banks</u>	<u>Derivative Instruments</u>	<u>Other</u>
The maximum of credit risk exposure as of reporting date (A+B+C)	970,839	309,511,024	13,026,605	69,121	263,084,955	414,975	420,713,959
- Amount of risk covered by guarantees (*)	-	428,049	-	-	-	-	-
A. Net carrying value of not past due and not impaired financial assets	970,839	266,346,632	13,026,605	69,121	263,084,955	414,975	420,713,959
B. Net carrying value of past due but not impaired financial assets	-	43,164,392	-	-	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-	-	-
C. Net carrying value of impaired assets	-	-	-	-	-	-	-
Past due (gross carrying value)	-	23,115,542	-	-	-	-	-
Impairment (-)	-	(23,115,542)	-	-	-	-	-
Amount of risk covered by guarantees	-	-	-	-	-	-	-

(*) Guarantees include securities, mortgages and letters of guarantee.

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NOTE 8 - TRADE RECEIVABLES AND PAYABLES (cont’d)

31 December 2021	<u>Trade receivables</u>		<u>Other receivables</u>		Deposits in Banks	Derivative Instruments	Other
	Related party	Other	Related party	Other			
The maximum of credit risk exposure as of reporting date (A+B+C)	838,803	332,830,871	9,044,507	130,036	259,231,315	7,563,396	331,501,415
- Amount of risk covered by guarantees (*)	-	428,049	-	-	-	-	-
A. Net carrying value of not past due and not impaired financial assets	838,803	315,919,381	9,044,507	130,036	259,231,315	7,563,396	331,501,415
B. Net carrying value of past due but not impaired financial assets	-	16,911,490	-	-	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-	-	-
C. Net carrying value of impaired assets	-	-	-	-	-	-	-
Past due (gross carrying value)	-	19,587,252	-	-	-	-	-
Impairment (-)	-	(19,587,252)	-	-	-	-	-
Amount of risk covered by guarantees	-	-	-	-	-	-	-

(*) Guarantees include securities, mortgages and letters of guarantee.

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

NOTE 9 - OTHER RECEIVABLES, PAYABLES AND OTHER ASSETS

Short-term other receivables from third parties:

	30 September 2022	31 December 2021
Deposits and guarantees given	69,121	130,036
	69,121	130,036

Short-term other payables to third parties:

	30 September 2022	31 December 2021
Put option liability - ABS (*)	181,555,577	119,647,741
Other taxes payable	53,576,123	39,043,422
Other payables to third parties	275,100	868,416
	235,406,800	159,559,579

Long-term other payables to third parties:

	30 September 2022	31 December 2021
Put option liability (**)	5,263,308	6,038,202
Other payables	615,244	615,244
	5,878,552	6,653,446

(*) With the share transfer agreement signed on 19 July 2018, the Group has purchased ABS and 49% of ABS FS, of which ABS is fully owned. As a result of these purchases, there is a put option given 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 as of 30 September 2022, a put option liability amounting to TL 181,555,577 has been accounted in the “other short-term payables to third parties” account.

(**) As a result of the acquisition of Peoplise, there is a put option given to minority shareholders by Logo Yazılım for the 12% Peoplise shares. Due to the put option given in the consolidated financial statements as of 30 September 2022, a put option liability amounting to TL 5,263,308 has been accounted in the “other long-term payables to third parties” account.

Other current assets:

	30 September 2022	31 December 2021
Prepaid taxes	6,018,254	3,126,495
Business advances	2,579,851	1,093,920
Personnel advances	1,974,924	405,754
Deferred VAT	1,928,689	293,516
Other	12,975,359	968,155
	25,477,077	5,887,840

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NOTE 10 - INVENTORIES

	30 September 2022	31 December 2021
Trade goods	4,285,996	4,843,411
Raw materials and equipment	735,813	1,065,623
Other	16,483	20,101
	5,038,292	5,929,135

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2022	Additions	Disposals	Foreign currency translation differences	30 September 2022
Cost:					
Machinery, plant and equipment	24,827,407	2,755,707	(191,515)	5,003,979	32,395,578
Motor vehicles	6,432,202	1,828,062	-	(218,673)	8,041,591
Furniture and fixtures	7,677,136	431,948	(348)	403,666	8,512,402
Leasehold improvements	28,126,172	848,393	-	146,315	29,120,880
	67,062,917	5,864,110	(191,863)	5,335,287	78,070,451
Accumulated depreciation:					
Machinery, plant and equipment	19,666,197	2,400,740	(54,245)	2,931,015	24,943,707
Motor vehicles	6,255,281	188,869	-	1,224,514	7,668,664
Furniture and fixtures	6,002,701	310,361	(348)	277,986	6,590,700
Leasehold improvements	14,172,534	932,536	-	127,441	15,232,511
	46,096,713	3,832,506	(54,593)	4,560,956	54,435,582
Net book value	20,966,204				23,634,869

	1 January 2021	Additions	Disposals	Foreign currency translation differences	30 September 2021
Cost:					
Machinery, plant and equipment	16,734,912	1,288,630	(861,993)	1,182,000	18,343,549
Motor vehicles	4,120,764	55,069	-	493,204	4,669,037
Furniture and fixtures	6,967,484	166,642	(75,217)	145,890	7,204,799
Leasehold improvements	26,033,420	1,311,508	-	56,125	27,401,053
	53,856,580	2,821,849	(937,210)	1,877,219	57,618,438
Accumulated depreciation:					
Machinery, plant and equipment	13,145,024	1,105,062	(640,723)	1,022,436	14,631,799
Motor vehicles	3,828,381	189,260	-	466,177	4,483,818
Furniture and fixtures	5,357,150	269,699	(75,183)	99,367	5,651,033
Leasehold improvements	12,179,703	1,409,384	-	46,352	13,635,439
	34,510,258	2,973,405	(715,906)	1,634,332	38,402,089
Net book value	19,346,322				19,216,349

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NOTE 12 - INTANGIBLE ASSETS

	1 January 2022	Additions	Disposals	Foreign currency translation differences	30 September 2022
Cost:					
Development costs	628,923,522	169,720,466	-	59,763,915	858,407,903
Advanced technology	22,583,464	-	-	1,626,618	24,210,082
Customer relations	96,310,187	-	-	16,247,216	112,557,403
Non-compete agreement	2,747,778	-	-	-	2,747,778
Other intangible assets	28,478,376	1,208,840	-	6,657,156	36,344,372
	779,043,327	170,929,306	-	84,294,905	1,034,267,538
Accumulated depreciation:					
Development costs	274,779,183	66,222,522	-	15,710,268	356,711,973
Advanced technology	18,111,064	615,848	-	1,617,876	20,344,788
Customer relations	35,112,846	5,831,226	-	5,181,424	46,125,496
Non-compete agreement	2,747,778	-	-	-	2,747,778
Other intangible assets	16,340,017	2,005,083	-	5,312,829	23,657,929
	347,090,888	74,674,679	-	27,822,397	449,587,964
Net book value	431,952,439				584,679,574

TL 168,295,840 of the total additions to development costs for the interim period ended 30 September 2022 (30 September 2021: TL 78,843,365) consist of capitalized personnel costs.

TL 67,015,050 (30 September 2021: TL 49,992,620), TL 1,891,488 (30 September 2021: TL 2,143,685), TL 15,242,842 (30 September 2021: TL 3,942,949) and TL 1,410,544 (30 September 2021: TL 641,283) of the depreciation and amortization expenses related to property, plant and equipment, intangible assets, and right-of-use assets as of 30 September 2022 have been accounted for research and development expenses, marketing expenses, general administrative expenses and cost of sales, respectively (Note 21 and 22).

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NOTE 12 - INTANGIBLE ASSETS (cont’d)

	1 January 2021	Additions	Disposals	Foreign currency translation differences	30 September 2021
Cost:					
Development costs	400,376,247	79,399,359	-	17,723,782	497,499,388
Advanced technology	19,413,827	-	-	623,948	20,037,775
Customer relations	64,650,780	-	-	6,232,208	70,882,988
Non-compete agreement	2,747,778	-	-	-	2,747,778
Other intangible assets	14,280,023	4,327,508	-	1,254,788	19,862,319
	501,468,655	83,726,867	-	25,834,726	611,030,248
Accumulated amortization:					
Development costs	185,286,066	41,640,988	-	5,317,159	232,244,213
Advanced technology	14,052,336	684,440	-	620,595	15,357,371
Customer relations	20,701,616	3,986,493	-	1,541,844	26,229,953
Non-compete agreement	2,747,778	-	-	-	2,747,778
Other intangible assets	11,182,967	1,144,634	-	536,940	12,864,541
	233,970,763	47,456,555	-	8,016,538	289,443,856
Net book value	267,497,892				321,586,392

NOTE 13 - RIGHT-OF-USE ASSETS

	1 January 2022	Additions	Disposals	Foreign currency translation differences	30 September 2022
Cost:					
Motor vehicles	14,513,231	-	-	508,462	15,021,693
Office	26,120,009	2,229,031	-	3,765,195	32,114,235
	40,633,240	2,229,031	-	4,273,657	47,135,928
Accumulated depreciation:					
Motor vehicles	11,433,212	2,135,304	-	461,334	14,029,850
Office	11,503,595	4,917,435	-	1,671,557	18,092,587
	22,936,807	7,052,739	-	2,132,891	32,122,437
Net book value	17,696,433				15,013,491

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NOTE 13 - RIGHT-OF-USE ASSETS (cont’d)

	1 January 2021	Additions	Disposals	Foreign currency translation differences	30 September 2021
Cost:					
Motor vehicles	12,618,514	785,244	-	195,039	13,598,797
Office	17,521,821	3,252,267	(289,016)	1,703,316	22,188,388
	30,140,335	4,037,511	(289,016)	1,898,355	35,787,185
Accumulated depreciation:					
Motor vehicles	7,020,425	2,759,811	-	132,947	9,913,183
Office	5,409,511	3,530,766	-	485,930	9,426,207
	12,429,936	6,290,577	-	618,877	19,339,390
Net book value	17,710,399				16,447,795

NOTE 14 – GOODWILL

	30 September 2022	31 December 2021
Total Soft	286,706,786	238,490,927
Total Soft (ABS)	90,008,422	74,871,625
Netsis	5,892,252	5,892,252
Peoplise	3,676,872	3,676,872
Total Soft (Nexia)	3,315,926	2,758,283
Other	1,586,400	1,586,400
	391,186,658	327,276,359

Movement table of goodwill for the interim periods ended 30 September 2022 and 2021 is as follows:

	2022	2021
As of 1 January	327,276,359	202,740,417
Foreign currency translation difference	63,910,299	24,515,108
As of 30 September	391,186,658	227,255,525

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.

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NOTE 15 - COMMITMENTS AND CONTINGENT LIABILITIES

Guarantees received:

	Original currency	30 September 2022		31 December 2021	
		Original amount	TL equivalent	Original amount	TL equivalent
Guarantee notes	TL	368,049	368,049	368,049	368,049
Mortgages received	TL	60,000	60,000	60,000	60,000
			428,049		428,049

As of 30 September 2022 and 31 December 2021, guarantee/pledge/mortgage (“GPM”) given by the Company on behalf of its legal entity are as follows:

GPM given by the Company:

	30 September 2022				31 December 2021			
	EUR	USD	RON	TL	EUR	USD	RON	TL
A. Total amount of Guarantees provided by the Company on behalf of itself	-	826,472	-	6,977,707	-	595,340	-	7,491,930
B. Total amount of Guarantees provided on behalf of the associates accounted under full consolidation method (*)	317,852,198	-	330,391	-	267,522,735	-	196,161	-
C. Provided on behalf of third parties in order to maintain operating activities (to secure third party payables)	-	-	-	-	-	-	-	-
D. . Other Guarantees given	-	-	-	-	-	-	-	-
(i) Total amount of Guarantees given on behalf of the parent Company	-	-	-	-	-	-	-	-
(ii) Total amount of Guarantees provided on behalf of the associates which are not in the scope of B and C	-	-	-	-	-	-	-	-
(iii) Total amount of Guarantees provided on behalf of third parties which are not in the scope of C	-	-	-	-	-	-	-	-
	317,852,198	826,472	330,391	6,977,707	267,522,735	595,340	196,161	7,491,930

(*) Note 7.

The ratio of other GPMs given by the Company to the Company's equity is 0% as of 30 September 2022 (31 December 2021: 0%).

The lawsuits filed against the Group in the previous periods amount to TL 5,707,066. The Group's management does not expect any cash outflows regarding these lawsuits therefore, no provisions has been accounted in the consolidated financial statements.

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NOTE 16 - EMPLOYEE BENEFITS

Short-term payables for employee benefits:

	30 September 2022	31 December 2021
Taxes, funds and social security payables	47,659,401	24,447,943
Due to personnel	24,339,860	4,408,774
Personnel premiums	5,850,678	52,233,778
	77,849,939	81,090,495

Long-term provisions for employee benefits:

	30 September 2022	31 December 2021
Provision for unused vacation	26,583,813	20,918,670
Provision for employment termination benefits	24,462,791	16,472,610
	51,046,604	37,391,280

The movements of provision for unused vacation liability for the interim periods ended 30 September 2022 and 2021 are as follow:

	2022	2021
As of 1 January	16,472,610	6,718,424
Charge for the period	5,839,787	5,506,369
Foreign currency translation difference	2,150,394	544,250
As of 30 September	24,462,791	12,769,043

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 TL 15,371.40 for each year of service (31 December 2021: TL 8,284.51). 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.

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NOTE 16 - EMPLOYEE BENEFITS (cont’d)

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 used in the calculation of the total liability are given below. Actuarial loss/(gain) is accounted for under the “actuarial gains/(losses)”, which is calculated within the employee benefits in the statement of income:

	30 September 2022	31 December 2021
Discount rate (%)	4.45	4.45
Probability of retirement (%)	91.12	95.53

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Since the Group calculates the reserve for employment termination benefits every six months the maximum amount of TL 15,371.40 which is effective from 1 July 2022 (1 July 2021: TL 8,284.51) has been taken into consideration in the calculations.

The movements in the provision for employment termination benefits during the periods ended 30 September 2022 and 2021 are as follows:

	2022	2021
As of 1 January	20,918,670	10,000,811
Service cost	7,705,003	4,695,815
Interest cost	696,569	381,041
Actuarial loss	-	3,881,730
Compensation paid	(2,736,429)	(1,030,185)
As of 30 September	26,583,813	17,929,212

NOTE 17 - PREPAID EXPENSES AND CONTRACT LIABILITIES

Short-term prepaid expenses:	30 September 2022	31 December 2021
Prepaid expenses	16,783,371	9,770,505
	16,783,371	9,770,505
Long-term prepaid expenses:	30 September 2022	31 December 2021
Advances given	1,271,823	1,125,044
	1,271,823	1,125,044

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NOTE 17 - PREPAID EXPENSES AND CONTRACT LIABILITIES (cont’d)

Contract liabilities:

	30 September 2022	31 December 2021
Contract liabilities (*)	272,288,451	285,919,817
Advances received	5,519,835	4,977,519
	277,808,286	290,897,336

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

The details of contract liabilities as of 30 September 2022 and 31 December 2021 as follows:

	30 September 2022	31 December 2021
Pay as you go sales income	144,586,187	166,980,535
LEM sales income	84,262,749	88,822,539
Revenue from continuing projects	32,810,760	26,712,171
After-sales services revenue	10,628,755	3,404,572
	272,288,451	285,919,817

NOTE 18 – EQUITY

The Company's authorized and paid-in share capital consists of 10,000,000,000 (31 December 2021: 100,000,000,000) shares with a nominal value of 1 Kurus each. The shareholding structure of the Company as at 30 September 2022 and 31 December 2021 are as follows:

	30 September 2022	Share (%)	31 December 2021	Share (%)
Logo Teknoloji ve Yatırım A.Ş.	33,630,053	33.63	33,630,053	33.63
Publicly traded	66,369,947	66.37	66,369,947	66.37
	100,000,000	100.00	100,000,000	100.00
Capital adjustment differences	2,991,336		2,991,336	
Paid-in capital	102,991,336		102,991,336	

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NOTE 18 - EQUITY (cont'd)

The shares representing capital are categorized as group A and B. The privileges are granted to group A shares by means of half of the members of Board of Directors of the Parent Company 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. Adjustments to share capital represent the differences between the historical amounts and the amounts adjusted according to the inflation of cash contributions to share capital.

Treasury shares

As of 30 September 2022, the amount of treasury shares which is accounted in Group's equity is TL 25,335,357 (31 December 2021: TL 9,782,044).

Dividend distribution

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

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

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

The Group aims to complete the dividend payment before the last working day of the year in which dividend distribution decision is made in the General Assembly and starts the payment latest at the end of the accounting period when the General Assembly meeting is held. General Assembly or Board of Directors, if authorized by the General Assembly, can decide to distribute dividend in installments in line with CMB regulations.

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NOTE 19 - EXPENSES BY NATURE

As of 30 September 2022 and 2021, expenses are disclosed by function and the details of the expenses are summarized in Note 21 and Note 22.

NOTE 20 - SALES AND COST OF SALES

Revenue:

	1 January - 30 September 2022	1 July - 30 September 2022	1 January - 30 September 2021	1 July - 30 September 2021
Sales income	676,419,723	254,754,903	327,718,354	113,771,228
Service income	298,098,189	114,185,355	142,853,558	50,336,686
Retail SaaS service income	27,154,165	8,739,109	11,476,035	2,992,357
SaaS service income	26,633,663	8,405,914	9,452,043	3,663,893
Sales returns	(3,677,457)	(1,412,874)	(2,227,765)	(913,757)
Sales discounts	(5,007,804)	(1,907,855)	(3,076,305)	(823,932)

Net sales income **1,019,620,479** **382,764,552** **486,195,920** **169,026,475**

Cost of sales (237,043,409) (106,833,206) (96,149,653) (34,431,582)

Gross profit **782,577,070** **275,931,346** **390,046,267** **134,594,893**

Cost of sales:

	1 January - 30 September 2022	1 July - 30 September 2022	1 January - 30 September 2021	1 July - 30 September 2021
Service cost	220,053,056	101,258,970	89,205,014	31,708,909
Cost of transfer of financial rights	12,573,817	4,744,700	6,439,997	2,564,507
Cost of trade goods sold	4,416,536	829,536	504,642	158,166
Cost of sales	237,043,409	106,833,206	96,149,653	34,431,582

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**NOTE 21 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING EXPENSES
AND GENERAL ADMINISTRATIVE EXPENSES**

Research and development expenses:	1 January - 30 September 2022	1 July - 30 September 2022	1 January - 30 September 2021	1 July - 30 September 2021
Personnel expenses	86,129,579	37,208,478	47,185,809	20,229,440
Depreciation and amortization	67,015,050	24,163,047	49,992,620	17,061,462
Outsourced benefits and services	16,704,406	6,337,236	7,057,617	2,762,826
Consultancy expenses	6,700,898	2,819,401	2,703,760	923,465
Motor vehicles expenses	3,696,537	581,134	982,223	392,996
Travel expenses	505,041	212,835	50,128	29,124
Other	23,391,273	9,910,619	9,160,875	3,317,472
	204,142,784	81,232,750	117,133,032	44,716,785
Marketing, selling and distribution expenses:	1 January - 30 September 2022	1 July - 30 September 2022	1 January - 30 September 2021	1 July - 30 September 2021
Personnel expenses	77,235,911	36,325,940	26,560,569	7,701,970
Advertising and sales expenses	57,279,762	23,786,065	31,048,960	11,670,359
Consultancy expenses	6,160,379	1,456,098	2,687,434	807,483
Motor vehicles expenses	4,866,271	1,853,464	981,198	398,651
Outsourced benefits and services	3,634,189	1,217,474	2,265,869	799,895
Depreciation and amortization	1,891,488	602,391	2,143,685	653,047
Travel expenses	563,423	177,701	54,610	41,137
Other	2,604,017	1,094,260	2,264,989	921,220
	154,235,440	66,513,393	68,007,314	22,993,762
General administrative expenses:	1 January - 30 September 2022	1 July - 30 September 2022	1 January - 30 September 2021	1 July - 30 September 2021
Personnel expenses	74,840,624	20,831,744	42,277,148	12,371,600
Depreciation and amortization	15,242,842	5,392,927	3,942,949	1,346,962
Consultancy expenses	14,736,718	6,498,282	6,945,504	2,596,371
Motor vehicles expenses	2,879,700	1,079,763	1,357,898	531,767
Outsourced benefits and services	1,109,878	444,608	544,444	197,719
Travel expenses	704,193	215,614	198,060	87,417
Other	6,604,327	2,309,523	3,656,584	1,584,061
	116,118,282	36,772,461	58,922,587	18,715,897

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NOTE 22 - OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses

Other operating income	1 January - 30 September 2022	1 July - 30 September 2022	1 January - 30 September 2021	1 July - 30 September 2021
Foreign exchange income (*)	4,943,576	1,665,826	1,861,158	372,610
Rediscount income	492,368	(251,921)	1,287,533	646,953
Overdue interest income	347,423	60,307	717,282	258,082
Other	1,191,202	671,091	12,850,876	1,599,221
	6,974,569	2,145,303	16,716,849	2,876,866

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

Other operating expenses:	1 January - 30 September 2022	1 July - 30 September 2022	1 January - 30 September 2021	1 July - 30 September 2021
Subsidiary performance bonus	5,397,783	-	-	-
Foreign exchange expense (*)	2,779,999	948,304	988,527	343,634
Rediscount expense	1,484,851	741,227	1,158,329	488,802
Provision expenses	971,809	971,809	34,770	1,000
Other	3,785,388	1,112,558	1,288,155	723,978
	14,419,830	3,773,898	3,469,781	1,557,414

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

NOTE 23 - INCOME FROM INVESTING ACTIVITIES

	1 January - 30 September 2022	1 July - 30 September 2022	1 January - 30 September 2021	1 July - 30 September 2021
Gain on sales of securities	38,145,578	12,131,866	2,173,298	1,188,709
	38,145,578	12,131,866	2,173,298	1,188,709

NOTE 24 - FINANCE INCOME

	1 January - 30 September 2022	1 July - 30 September 2022	1 January - 30 September 2021	1 July - 30 September 2021
Foreign exchange gains	118,680,894	31,127,256	22,529,425	5,543,821
Interest income	51,051,747	23,314,393	19,190,181	6,436,482
Dividend income	41,824	41,824	-	-
	169,774,465	54,483,473	41,719,606	11,980,303

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NOTE 25 - FINANCE EXPENSES

	1 January - 30 September 2022	1 July - 30 September 2022	1 January - 30 September 2021	1 July - 30 September 2021
Foreign exchange losses	74,170,951	20,070,589	7,432,139	3,944,848
Change in share purchase liability	-	-	2,552,985	-
Interest expenses	27,358,557	8,617,869	2,671,302	1,014,186
Credit card commissions	1,705,574	742,251	1,062,912	316,738
Interest expense from leases	1,575,802	461,063	1,711,307	470,483
Interest cost of employment termination benefits	696,569	234,741	381,041	128,409
Other finance expenses	639,003	254,059	575,142	168,735
	106,146,456	30,380,572	16,386,828	6,043,399

NOTE 26 - TAX ASSETS AND LIABILITIES

	30 September 2022	30 September 2021
Current period tax expense	(34,111,164)	(16,143,361)
Deferred tax income/(expense)	(10,797,776)	(5,854,942)
Current period tax income/(expense)	(44,908,940)	(21,998,303)

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 as of 30 September 2022 and 31 December 2021 using the enacted tax rates, is as follows:

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NOTE 26 - TAX ASSETS AND LIABILITIES (cont'd)

	<u>Total temporary differences</u>		<u>Deferred tax assets/(liabilities)</u>	
	30 September 2022	31 December 2021	30 September 2022	31 December 2021
Deferred tax assets:				
Deferred tax on valuation of other financial assets	25,081,850	-	5,768,826	-
Expense provisions	14,767,110	60,599,886	2,953,422	12,119,977
Provision for employment termination benefits	11,563,049	11,707,510	2,312,610	2,341,502
Deferred income	9,099,671	10,860,031	2,092,924	2,497,807
Finance income not accrued	8,304,388	19,592,094	1,910,009	4,506,182
Provision for unused vacation	5,308,109	3,476,892	1,061,622	695,378
Provision for doubtful receivable	1,249,183	1,009,497	249,837	201,899
	75,373,360	107,245,910	16,349,250	22,362,745
Deferred tax liabilities:				
Difference between the tax base and carrying value of property equipment and intangible assets	(106,380,665)	(93,135,130)	(21,276,133)	(18,627,026)
	(106,380,665)	(93,135,130)	(21,276,133)	(18,627,026)
Deferred tax assets/(liabilities), net			(4,926,883)	3,735,719

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

Deferred tax assets	1 January - 30 September 2022	1 January - 31 December 2021
To be recovered in less than 12 months	12,975,018	19,325,865
To be recovered in more than 12 months	3,374,232	3,036,880
	16,349,250	22,362,745
Deferred tax liabilities		
To be recovered in more than 12 months	(21,276,133)	(18,627,026)
	(21,276,133)	(18,627,026)
Deferred tax assets/(liabilities), net	(4,926,883)	3,735,719

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

	2022	2021
1 January	3,735,719	3,243,734
Charged to the statement of profit or loss	(10,797,776)	(5,854,942)
Charged to the statement of other comprehensive income	5,566,671	368,316
Foreign currency translation difference	(3,431,497)	(979,577)
30 September	(4,926,883)	(3,222,469)

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NOTE 26 - TAX ASSETS AND LIABILITIES (cont'd)

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 for 2022 is 23% and for 2023 it is 20% (31 December 2021:25%, 23% for 2022 and 20% for 2023). The corporate tax rate is 16% in Romania (31 December 2021: 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.

Companies in Turkey are required to pay advance corporation tax quarterly at the rate of 23% on their corporate income for 2022. 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 Group are explained below:

In accordance with the Temporary Article added to the Technology Development Regions Law No. 4691 with Article 44 of the Law No. 5035, the income and corporate taxpayers operating in the technology development regions are exempted from income and corporate tax, exclusively for the gains from the software and R&D activities in this region, until 31 December 2028.

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NOTE 26 - TAX ASSETS AND LIABILITIES (cont'd)

Corporate tax (cont'd)

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

- a) In accordance with the investment certificates prepared for applications made before 24 April 2003 investments to be made after 1 January 2006 in the scope of the certificate regarding the investments that began in the scope of additional articles 1, 2, 3, 4, 5 and 6 of Income Tax Law No: 193 before it was repealed with the Law No, 4842 dated 9 April 2003, and
- b) Investment allowance amounts to be calculated in accordance with legislation effective at 31 December 2005 related to investments which exhibit a technical and economic and integrity and which were started prior to 1 January 2006 in the scope of Income Tax Law 193 repealed 19th article, only against the income related to the years 2006, 2007 and 2008, in accordance with the legislation at 31 December 2005 (including provisions related to tax rates).

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

NOTE 27 – EARNINGS PER SHARE

The earnings per hundred shares with nominal value of 1 Kr amounted to TL 3.66 for the interim period ended 30 September 2022 (30 September 2021: TL 1.74).

	1 January - 30 September 2022	1 January - 30 September 2021
Net profit for the period of the parent shareholders	352,839,493	168,348,234
Average number of shares outstanding during the period	9,639,230,800	9,666,168,578
Earnings per 1 TL shares	3.66	1.74

NOTE 28 - RELATED PARTY DISCLOSURES

- a) **Receivables from and payables to related parties at 30 September 2022 and 31 December 2021:**

	30 September 2022	31 December 2021
Trade receivables from related parties:		
Other	970,839	838,803
	970,839	838,803
Other receivables from related parties:		
Logo Infosoft	13,026,605	9,044,507
	13,026,605	9,044,507

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NOTE 28 - RELATED PARTY DISCLOSURES (cont’d)**b) Receivables from and payables to related parties at 30 September 2022 and 31 December 2021 (cont’d):**

Trade payables from related parties:	30 September 2022	31 December 2021
Other	869,871	838,257
	869,871	838,257

c) Services provided to related parties during the interim period ending on 30 September 2022 and 2021:

Services given to related parties	1 January - 30 September 2022	1 July - 30 September 2022	1 January - 30 September 2021	1 July - 30 September 2021
Berqnet Siber Güv.Tek.A.Ş.	1,847,109	908,035	616,110	184,704
Logo Infosoft	1,616,768	725,739	895,264	262,335
Logo Teknoloji ve Yatırım A.Ş.	55,383	28,628	21,463	9,539
	3,519,260	1,662,402	1,532,837	456,578

d) Services received from related parties during the interim periods ended 30 September 2022 and 2021:

Services received from related parties	1 January - 30 September 2022	1 July - 30 September 2022	1 January - 30 September 2021	1 July - 30 September 2021
Logo Infosoft	133,379	133,379	-	-
Berqnet Siber Güv,Tek,A.Ş.	20,054	20,054	30,189	-
Logo Teknoloji ve Yatırım A.Ş.	448	448	419	-
	153,881	153,881	30,608	-

e) Remuneration of the executive management:

	1 January - 30 September 2022	1 July - 30 September 2022	1 January - 30 September 2021	1 July - 30 September 2021
Benefits paid to executive management	21,397,755	8,784,294	11,567,990	3,988,232

During the interim periods ending on 30 September 2022 and 30 September 2021, all benefits provided to key management personnel (executive management include general manager and assistant general managers) are short-term benefits and fees. It does not include termination benefits and other payments.

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NOTE 29 – DERIVATIVE TRANSACTIONS

	30 September 2022	31 December 2021
Derivative financial assets	414,975	7,563,396
Derivative financial liabilities	1,293,909	25,307,291

Classification of derivative instruments

Derivative instruments held for speculative purposes that do not meet hedge accounting requirements are classified as “held for trading” and the fair value changes of these instruments are recognized in profit or loss. Assets related to derivative instruments that are expected to close within 12 months following the reporting date are presented as current assets and liabilities are presented as current liabilities.

Fair value measurement of derivative instruments

Information on the methods and assumptions used in determining the fair values of derivatives is explained in Note 2.

NOTE 30 - NATURE AND LEVEL 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 average risk from any individual counterparty (other than 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. Due to the dynamic nature of the underlying business the Company aims at maintaining flexibility in funding by keeping committed credit lines available. The Company management holds adequate cash and credit commitment that will meet the cash need for the immediate future in order to manage its liquidity risk. In this context, the Company has credit limit from banks amounting to over TL 100,000,000 that can be utilized whenever needed.

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NOTE 30 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)

30.1 Financial risk management (cont’d)

Liquidity risk (cont’d)

Non-derivative financial instruments	30 September 2022					
	Carrying value	Contractual cash outflow (I+II+III+IV)	Up to 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Borrowings	257,144,563	274,652,066	47,159,371	25,243,199	161,647,238	40,602,258
Trade payables						
- Trade payables to third parties	94,096,996	94,096,996	94,096,996	-	-	-
Payables related to employee benefits	77,849,939	77,849,939	77,849,939	-	-	-
Other payables						
- Other payables to third parties	241,285,352	241,285,352	235,406,800	-	5,878,552	-
Total liability	670,376,850	687,884,353	454,513,106	25,243,199	167,525,790	40,602,258
Non-derivative financial instruments	31 December 2021					
	Carrying value	Contractual cash outflow (I+II+III+IV)	Up to 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Borrowings	266,422,926	283,129,794	59,590,426	38,775,837	136,692,531	48,071,000
Trade payables						
Trade payables to third parties	78,941,832	78,941,832	78,941,832	-	-	-
Payables related to employee benefits	81,090,495	81,090,495	81,090,495	-	-	-
Other payables						
Other payables to third parties	166,213,025	166,213,025	159,559,579	-	6,653,446	-
Total liability	592,668,278	609,375,146	379,182,332	38,775,837	143,345,977	48,071,000

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NOTE 30 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)

30.1 Financial risk management (cont’d)

Liquidity risk (cont’d)

Contractual maturities	Carrying value	Contractual cash outflow (I+II+III+IV)	30 September 2022			
			Up to 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Derivative financial liabilities						
Derivative cash outflows	1,293,909	1,293,909	1,293,909	-	-	-
Contractual maturities	Carrying value	Contractual cash outflow (I+II+III+IV)	31 December 2021			
			Up to 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Derivative financial liabilities						
Derivative cash outflows	25,307,291	25,307,291	25,307,291	-	-	-

Interest rate risk

The Group management evaluates its interest-bearing assets in short-term investment instruments within the framework of the principle of management with natural precautions by balancing the maturities of its interest sensitive assets and liabilities.

The table showing the Group's interest rate sensitive financial instruments is as follows:

	30 September 2022	31 December 2021
<u>Fixed rate financial instruments</u>		
Financial assets	476,872,894	313,516,045
- Financial assets at amortized value	194,766,642	135,599,840
- Financial assets at fair value through other comprehensive income	282,106,252	177,916,205
Financial liabilities	44,952,860	77,939,634
<u>Floating rate financial instruments</u>		
Financial liabilities	212,191,703	188,483,292

Financial assets designated as fair value through profit or loss consists of fixed and floating interest rate bank deposits denominated in TL 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.

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NOTE 30 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)

30.1 Financial risk management (cont’d)

Foreign currency risk

The Group is exposed to exchange rate risk arising from exchange rate changes due to the translation of the amounts payable or receivable denominated in foreign currency into Turkish Lira. The exchange rate risk is monitored by analyzing the foreign exchange position.

Foreign exchange rates used to translate the Group’s assets and liabilities denominated in foreign currencies into TL as of 30 September 2022 and 31 December 2021 are as follows:

	<u>30 September 2022</u>	<u>31 December 2021</u>	<u>30 September 2022</u>	<u>31 December 2021</u>
USD	18.5187	13.3290	18.5521	13.3530
EUR	18,1395	15.0867	18.1722	15.1139
CHF	18.8888	14.5602	19.0101	14.6537

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

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NOTE 30 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)

30.1 Financial risk management (cont’d)

Currency risk (cont’d)

		Foreign Currency Position as of 30 September 2022				
		TL equivalent	USD	EUR	CHF	Other
1.	Trade receivables	23,409,733	724,601	545,809	-	90,367
2a.	Monetary financial assets (including cash, bank accounts)	317,468,867	16,823,163	326,538	-	2,526
2b.	Non-monetary financial assets	-	-	-	-	-
3.	Other	-	-	-	-	-
4.	Current assets (1+2+3)	340,878,600	17,547,764	872,347	-	92,893
5.	Trade receivables	-	-	-	-	-
6a.	Monetary financial assets	186,421,354	10,066,654	-	-	-
6b.	Non-monetary financial assets	-	-	-	-	-
7.	Other	-	-	-	-	-
8.	Non-current assets (5+6+7)	186,421,354	10,066,654	-	-	-
9.	Total assets (4+8)	527,299,954	27,614,418	872,347	-	92,893
10.	Trade payables	(1,799,294)	(66,583)	(31,072)	-	-
11.	Financial liabilities	(64,341,266)	-	(3,540,642)	-	-
12a.	Other monetary liabilities	-	-	-	-	-
12b.	Other non-monetary liabilities	-	-	-	-	-
13.	Current liabilities (10+11+12)	(66,140,560)	(66,583)	(3,571,714)	-	-
14.	Trade payables	-	-	-	-	-
15.	Financial liabilities	(186,228,964)	-	(10,248,014)	-	-
16a.	Other monetary liabilities	-	-	-	-	-
16b.	Other non-monetary liabilities	-	-	-	-	-
17.	Non-current liabilities (14+15+16)	(186,228,964)	-	(10,248,014)	-	-
18.	Total liabilities (13+17)	(252,369,524)	(66,583)	(13,819,728)	-	-
19.	Net asset/(liability) position of off-balance sheet derivative financial instruments (19a-19b)	(16,226,433)	(876,219)	-	-	-
19a.	Off-balance sheet foreign currency derivative financial assets	-	-	-	-	-
19b.	Off-balance sheet foreign currency derivative financial liabilities	16,226,433	876,219	-	-	-
20.	Net foreign assets/(liability) Position (9-18+19)	258,703,997	26,671,616	(12,947,381)	-	92,893
21.	Net foreign currency asset/(liability) Position of monetary items (=1+2a+3+5+6a-10-11-12a-14-15-16a)	274,930,430	27,547,835	(12,947,381)	-	92,893
22.	Total fair value of derivative instruments used in foreign currency hedge	(878,934)	(47,462)	-	-	-
23.	Export (*)	91,707,197	589,031	4,454,318	-	-
24.	Import	-	-	-	-	-

(*) It includes the sales made abroad by the Group from the countries in which it operates. The total amount of sales made by the Group outside of Turkey in the 30 September 2022 interim period is TL 382,343,546 (30 September 2021: TL 165.866,497).

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

NOTE 30 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)

30.1 Financial risk management (cont’d)

Currency risk (cont’d)

		Foreign Currency Position as of 31 December 2021				
		TL equivalent	USD	EUR	CHF	Other
1.	Trade receivables	20,703,842	871,559	597,080	-	78,861
2a.	Monetary financial assets (including cash, bank accounts)	210,806,008	4,626,287	7,952,577	2,003,000	2,153
2b.	Non-monetary financial assets	-	-	-	-	-
3.	Other	-	-	-	-	-
4.	Current assets (1+2+3)	231,509,850	5,497,846	8,549,657	2,003,000	81,014
5.	Trade receivables	-	-	-	-	-
6a.	Monetary financial assets	104,488,846	7,839,211	-	-	-
6b.	Non-monetary financial assets	-	-	-	-	-
7.	Other	-	-	-	-	-
8.	Non-current assets (5+6+7)	104,488,846	7,839,211	-	-	-
9.	Total assets (4+8)	335,998,696	13,337,057	8,549,657	2,003,000	81,014
10.	Trade payables	(8,831,257)	(353,451)	(273,096)	-	-
11.	Financial liabilities	(33,388,560)	-	(2,213,112)	-	-
12a.	Other monetary liabilities	-	-	-	-	-
12b.	Other non-monetary liabilities	-	-	-	-	-
13.	Current liabilities (10+11+12)	(42,219,817)	(353,451)	(2,486,208)	-	-
14.	Trade payables	-	-	-	-	-
15.	Financial liabilities	(168,544,638)	-	(11,171,737)	-	-
16a.	Other monetary liabilities	-	-	-	-	-
16b.	Other non-monetary liabilities	-	-	-	-	-
17.	Non-current liabilities (14+15+16)	(168,544,638)	-	(11,171,737)	-	-
18.	Total liabilities (13+17)	(210,764,455)	(353,451)	(13,657,945)	-	-
19.	Net asset/(liability) position of off-balance sheet derivative financial instruments (19a-19b)	(140,635,985)	500,000	(7,830,500)	(2,003,000)	-
19a.	Off-balance sheet foreign currency derivative financial assets	35,809,596	500,000	600,000	1,380,000	-
19b.	Off-balance sheet foreign currency derivative financial liabilities	176,445,581	-	8,430,500	3,383,000	-
20.	Net foreign assets/(liability) Position (9-18+19)	(15,401,744)	13,483,606	(12,938,788)	-	81,014
21.	Net foreign currency asset/(liability) Position of monetary items (=1+2a+3+5+6a-10-11-12a-14-15-16a)	125,234,241	12,983,606	(5,108,288)	2,003,000	81,014
22.	Total fair value of derivative instruments used in foreign currency hedge	(17,743,895)	(27,813)	(1,023,208)	(1,521,593)	-
23.	Export (*)	(77,193,829)	660,225	4,533,376	-	-
24.	Import	-	-	-	-	-

(*) It includes the sales made abroad by the Group from the countries in which it operates. The total amount of sales made by the Group outside of Turkey in 2021 is TL 270,999,794.

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NOTE 30 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)

The following table shows the TL 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 other equity items.

Foreign currency sensitivity

	30 September 2022			
	Profit/(Loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD against TL by 10%				
1- USD net assets/liabilities	49,387,129	(49,387,129)	-	-
2- Hedged portion from USD risks (-)	-	-	-	-
3- USD net effect (1+2)	49,387,129	(49,387,129)	-	-
Change of EUR against TL by 10%				
4- EUR net assets/liabilities	(2,155,445)	2,155,445	-	-
5- Hedged portion from EUR risks (-)	-	-	-	-
6- EUR net effect (4+5)	(2,155,445)	2,155,445	-	-
Change of CHF against TL by 10%				
7- CHF net assets/liabilities	-	-	-	-
8- Hedged portion from CHF risks (-)	-	-	-	-
9- CHF net effect (1+2)	-	-	-	-
Change of USD against RON by 10%				
10- USD net assets/liabilities	5,238	(5,238)	-	-
11- Hedged portion from USD risks (-)	-	-	-	-
12- USD net effect (7+8)	5,238	(5,238)	-	-
Change of EUR against RON by % 10				
13- EUR net assets/liabilities	(21,330,457)	21,330,457	-	-
14- Hedged portion from EUR risks (-)	-	-	-	-
15- EUR net effect (10+11)	(21,330,457)	21,330,457	-	-
	31 December 2021			
	Profit/(Loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD against TL by 10%				
1- USD net assets/liabilities	18,062,053	(18,062,053)	-	-
2- Hedged portion from USD risks (-)	-	-	-	-
3- USD net effect (1+2)	18,062,053	(18,062,053)	-	-
Change of EUR against TL by 10%				
4- EUR net assets/liabilities	145,520	(145,520)	-	-
5- Hedged portion from EUR risks (-)	-	-	-	-
6- EUR net effect (4+5)	145,520	(145,520)	-	-
Change of CHF against TL by 10%				
7- CHF net assets/liabilities	-	-	-	-
8- Hedged portion from CHF risks (-)	-	-	-	-
9- CHF net effect (1+2)	-	-	-	-
Change of USD against RON by 10%				
10- USD net assets/liabilities	(89,754)	89,754	-	-
11- Hedged portion from USD risks (-)	-	-	-	-
12- USD net effect (7+8)	(89,754)	89,754	-	-
Change of EUR against RON by % 10				
13- EUR net assets/liabilities	(19,665,880)	19,665,880	-	-
14- Hedged portion from EUR risks (-)	-	-	-	-
15- EUR net effect (10+11)	(19,665,880)	19,665,880	-	-

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NOTE 30 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)

Capital risk management

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

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

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

	30 September 2022	31 December 2021
Total borrowings	352,111,430	346,203,015
Less: Cash and cash equivalents (*)	(386,942,481)	(433,323,324)
Net debt	(34,831,051)	(87,120,309)
Total equity	1,002,167,687	759,243,142
Total capital	967,336,636	672,122,833
Debt/equity ratio	(4%)	(13%)

(*) Cash and cash equivalents, deposits with a maturity of more than 3 months, stocks and private sector bonds included in short-term financial investments are included in liquid assets.

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

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

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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 cash equivalents 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 non-current financial liabilities and other monetary liabilities is considered to approximate their respective carrying values as they have floating interests.

It is estimated that the carrying values of trade and other payables reflect 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 of 30 September 2022 is as follows:

Financial assets at fair value in the statement of financial position	Level 1	Level 2	Level 3
Financial investments (*)	336,922,875	414,975	127,613,548

(*) Note 5 and 29.

Financial liabilities at fair value in the statement of financial position	Level 1	Level 2	Level 3
Put option liability	-	1,293,909	186,818,885

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

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NOTE 31 - FINANCIAL INSTRUMENTS (cont’d)**Categories and fair values of financial instruments**

30 September 2022	Financial assets at amortized value	FVTPL	FVTOCI	Financial liabilities at amortized cost	Book value	Note
<u>Financial assets</u>						
Cash and cash equivalents	263,121,894	-	-	-	263,121,894	4
Financial assets	-	54,816,623	409,719,800	-	464,536,423	5
Trade receivables	310,481,863	-	-	-	310,481,863	8
Receivables from related parties	13,997,444	-	-	-	13,997,444	28
Derivative financial instruments	-	414,975	-	-	414,975	29
<u>Financial liabilities</u>						
Financial payables	-	-	-	257,144,563	257,144,563	7
Other payables	-	-	-	181,555,577	181,555,577	9
Trade payables	-	-	-	94,096,996	94,096,996	8
Payables to related parties	-	-	-	869,871	869,871	28
Derivative financial instruments	-	1,293,909	-	-	1,293,909	29

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NOTE 31 - FINANCIAL INSTRUMENTS (cont’d)

Categories and fair values of financial instruments (cont’d)

31 December 2021	Financial assets at amortized value	FVTPL	FVTOCI	Financial liabilities at amortized cost	Book value	Note
<u>Financial assets</u>						
Cash and cash equivalents	259,390,060	-	-	-	259,390,060	4
Financial assets	45,252,556	71,966,045	240,622,680	-	357,841,281	5
Trade receivables	333,669,674	-	-	-	333,669,674	8
Receivables from related parties	9,883,310	-	-	-	9,883,310	28
Derivative financial instruments	-	7,563,396	-	-	7,563,396	29
<u>Financial liabilities</u>						
Financial payables	-	-	-	266,422,926	266,422,926	7
Other payables	-	-	-	119,647,741	119,647,741	9
Trade payables	-	-	-	78,941,832	78,941,832	8
Payables to related parties	-	-	-	838,257	838,257	28
Derivative financial instruments	-	25,307,291	-	-	25,307,291	29

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NOTE 32 - DISCLOSURES ON THE STATEMENT OF CASH FLOW

	Bank loans and credit cards	Leases	Total
1 January 2022	245,843,062	20,579,864	266,422,926
Cash inflows	-	-	-
Cash outflows	(55,842,488)	-	(55,842,488)
Foreign currency translation differences	46,920,990	5,849,459	52,770,449
Increase in lease liabilities (TFRS 16)	-	2,229,031	2,229,031
Cash outflows from lease liabilities (TFRS 16)	-	(8,435,355)	(8,435,355)
30 September 2022	236,921,564	20,222,999	257,144,563
Cash and cash equivalents (-)			(263,121,894)
Net debt			(5,977,331)

	Bank loans and credit cards	Leases	Total
1 January 2021	132,487,669	19,813,128	152,300,797
Cash inflows	89,251,503	-	89,251,503
Cash outflows	(65,200,986)	-	(65,200,986)
Foreign currency translation differences	89,304,876	15,902,253	105,207,129
Increase in lease liabilities (TFRS 16)	-	1,530,476	1,530,476
Cash outflows from lease liabilities (TFRS 16)	-	(16,665,993)	(16,665,993)
31 December 2021	245,843,062	20,579,864	266,422,926
Cash and cash equivalents (-)			(259,390,060)
Net debt			7,032,866

NOTE 33 - EVENTS AFTER THE REPORTING PERIOD

Logo Yazılım, within the framework of its goal of investing and growing in the FinTech field, which is within the scope of its verticalization strategy, signed a share subscription agreement on 12 October 2022 for the acquisition of the shares representing 4.02% of the capital of Figo Commercial Information and Application Platform A.Ş. (Figopara) for USD 2,000,000.

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