

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 MARCH 2023**

(ORIGINALLY ISSUED IN TURKISH)

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY – 31 MARCH 2023**

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LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 MARCH 2023

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

	Notes	31 March 2023	Audited 31 December 2022
ASSETS			
Current assets		1,044,193	1,084,727
Cash and cash equivalents	4	250,853	229,151
Financial investments	5	404,211	411,131
Trade receivables		292,663	387,441
- Trade receivables from third parties	8	290,502	386,374
- Trade receivables from related parties	28	2,161	1,067
Other receivables		69	245
- Other receivables from third parties	9	69	245
Inventories	10	9,218	8,350
Derivative instruments	29	-	1,962
Prepaid expenses	17	45,275	27,765
Other current assets	9	41,904	18,682
Non-current assets		1,676,825	1,582,131
Other receivables		1,396	1,247
- Other receivables from related parties	28	1,396	1,247
Financial investments	5	346,156	383,471
Right-of-use assets	13	22,861	20,244
Property, plant and equipment	11	72,957	46,514
Intangible assets		1,219,579	1,102,811
- Goodwill	14	456,183	436,915
- Other intangible assets	12	763,396	665,896
Prepaid expenses	17	1,057	2,508
Deferred tax asset	26	10,977	24,313
Other non-current assets		1,842	1,023
Total assets		2,721,018	2,666,858

These consolidated financial statements have been approved by Board of Directors on 9 May 2023 and signed on its behalf by Buğra Koyuncu, Logo Group Chief Executive Officer and Gülnur Anlaş, Logo Group, Chief Financial Officer.

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

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 MARCH 2023

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

	Notes	31 March 2023	Audited 31 December 2022
LIABILITIES			
Current liabilities		1,128,686	1,185,507
Short-term borrowings	7	28,231	21,362
Short-term portion of long-term borrowings	7	41,701	39,836
Trade payables		119,885	143,813
- Trade payables to third parties	8	119,885	143,813
Employee benefit payables	16	118,929	213,588
Other payables		273,779	295,270
- Other payables to third parties	9	273,754	295,266
- Other payables to related parties		25	4
Contract liabilities	17	484,410	462,877
Current income tax liabilities	26	56,958	3,659
Other current liabilities		4,793	5,102
Non-current liabilities		308,634	282,526
Long-term borrowings	7	201,283	192,450
Other payables		6,901	6,901
- Other payables to third parties	9	6,901	6,901
Long-term provisions		83,134	67,880
- Provisions for employee benefits	16	83,134	67,880
Deferred tax liabilities	26	17,316	15,295
EQUITY			
Equity attributable to equity holders of the parent		1,145,020	1,090,109
Paid-in share capital	18	100,000	100,000
Adjustment differences to share capital	18	2,991	2,991
Restricted reserves appropriated from profit		29,382	29,382
Put option revaluation fund			
related with non-controlling interests		(225,551)	(225,551)
Treasury shares (-)	18	(25,335)	(25,335)
Reserves for treasury shares	18	25,335	25,335
Other accumulated comprehensive expenses that will not be reclassified to profit or loss		29,108	28,375
- Loss on remeasurement of defined benefit plans		(22,978)	(19,492)
- Gain from investments in equity instruments		52,086	47,867
Other accumulated comprehensive income that will be reclassified to profit or loss		258,319	266,104
- Foreign currency translation differences		276,708	282,482
- Cost of hedging reserves		(6,435)	(6,015)
- Fair value losses on financial assets at fair value through other comprehensive income		(11,954)	(10,363)
Retained earnings		888,808	473,136
Net profit for the period		61,963	415,672
Non-controlling interests		138,678	108,716
Total equity		1,283,698	1,198,825
Total liabilities and equity		2,721,018	2,666,858

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

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE PERIODS ENDED 1 JANUARY - 31 MARCH 2023 AND 2022

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

PROFIT OR LOSS	Notes	1 January - 31 March 2023	1 January - 31 March 2022
Revenue	20	452,084	269,131
Cost of sales (-)	20	(97,948)	(60,597)
Gross profit		354,136	208,534
General administrative expenses (-)	21	(47,769)	(32,176)
Marketing expenses (-)	21	(89,153)	(34,261)
Research and development expenses (-)	21	(114,948)	(54,912)
Other operating income	22	7,586	5,721
Other operating expenses (-)	22	(4,559)	(6,633)
Operating profit		105,293	86,273
Income from investing activities	23	21,265	12,590
Operating profit before financial income		126,558	98,863
Financial income	24	34,060	46,488
Financial expenses (-)	25	(27,066)	(39,885)
Profit before tax		133,552	105,466
Taxation on income/expense			
Current tax expense	26	(57,077)	(1,451)
Deferred tax (expense)/income	26	(15,313)	(10,206)
Net profit for the period		61,162	93,809
Net profit attributable to:			
Non-controlling interests		(801)	1,210
Equity holders of the parent		61,963	92,599
		61,162	93,809
Earnings per share (Full TL)	27	0.64	0.96

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

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.**CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED 1 JANUARY - 31 MARCH 2023 AND 2022**

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

OTHER COMPREHENSIVE INCOME	Notes	1 January - 31 March 2023	1 January - 31 March 2022
Net profit for the period		61,162	93,809
Items that will be reclassified to profit or loss		22,978	24,609
Foreign currency translation differences		24,989	25,338
Hedge loss		(420)	(729)
Fair value difference losses on financial assets through other comprehensive income		(1,989)	-
Tax effect	26	398	-
Items that will not be reclassified to profit or loss		733	4,979
Revaluation losses of defined benefits plans	16	(3,820)	-
Gain from investments in equity instruments		4,219	4,979
Tax effect	26	334	-
Other comprehensive income		23,711	29,588
Total comprehensive income		84,873	123,397
Total comprehensive income attributable to:			
Non-controlling interest		29,962	6,278
Equity holders of the parent		54,911	117,119
		84,873	123,397

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

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIODS 1 JANUARY - 31 MARCH 2023 AND 2022

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

	Paid-in capital	Share capital adjustment differences	Treasury shares	Reserves for treasury shares	Losses on hedging shares (**)	Restricted reserves appropriated from profit	Gain and losses on remeasurement of defined benefit plans (*)	Gain from investments in equity instruments (*)	Gains (Losses) on Assets at FVTOCI (**)	Foreign currency translation differences (**)	Prior years' profit	Net profit for the profit	Put option valuation fund for non-controlling interests	Equity attributable to the parent	Non-controlling interests	Total equity
Balances as of 1 January 2022	100,000	2,991	(9,782)	9,782	(7,176)	7,196	(10,562)	15,466	-	179,421	332,943	264,650	(125,686)	759,243	74,262	833,505
Transfers to prior years' profit	-	-	-	-	-	-	-	-	-	-	249,097	(264,650)	-	(15,553)	-	(15,553)
Decrease due to share ratio changes that do not result in loss of control in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(6,942)	(6,942)	-	(6,942)
Sales of treasury shares	-	-	(15,553)	15,553	-	-	-	-	-	-	-	-	-	-	-	-
Net profit for the period	-	-	-	-	-	-	-	-	-	-	-	92,599	-	92,599	1,210	93,809
Other comprehensive income	-	-	-	-	(729)	-	-	4,979	-	20,270	-	-	-	24,520	5,068	29,588
Balances as of 31 March 2022	100,000	2,991	(25,335)	25,335	(7,905)	7,196	(10,562)	20,445	-	199,691	582,040	92,599	(132,628)	853,867	80,540	934,407
Balances as of 1 January 2023	100,000	2,991	(25,335)	25,335	(6,015)	29,382	(19,492)	47,867	(10,363)	282,482	473,136	415,672	(225,551)	1,090,109	108,716	1,198,825
Transfers to prior years' profit	-	-	-	-	-	-	-	-	-	-	415,672	(415,672)	-	-	-	-
Net profit for the period	-	-	-	-	-	-	-	-	-	-	-	61,963	-	61,963	(801)	61,162
Other comprehensive income	-	-	-	-	(420)	-	(3,486)	4,219	(1,591)	(5,774)	-	-	-	(7,052)	30,763	23,711
Balances as of 31 March 2023	100,000	2,991	(25,335)	25,335	(6,435)	29,382	(22,978)	52,086	(11,954)	276,708	888,808	61,963	(225,551)	1,145,020	138,678	1,283,698

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

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

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

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIODS ENDED 1 JANUARY - 31 MARCH 2023 AND 2022

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

	Notes	Current Period 1 January - 31 March 2023	Prior Period 1 January - 31 March 2022
A. Cash flows generated from operating activities		74,411	137,293
Profit for the period		61,162	93,809
Adjustments to reconcile profit for the period		94,806	24,867
Adjustments related to depreciation and amortization expenses	11, 12, 13	39,501	26,422
Adjustments related to provisions for employment termination benefits	16	15,124	7,798
Adjustments related to interest expenses	25	22,625	9,322
Adjustments related to interest income	23,24	(27,371)	(19,060)
Adjustments related to fair value losses (gains) of derivative financial instruments		1,962	(26,164)
Adjustment related to impairment/(reversal of) on receivables	8	(846)	(40)
Other adjustments to reconcile the profit/(loss)		(28,579)	14,932
Adjustments related to tax expense	26	72,390	11,657
Changes in working capital		(73,445)	27,992
Adjustments related to (increase)/decrease in inventories		(868)	470
Adjustments related to decrease in trade receivables		100,445	134,508
Adjustments related to decrease in trade payables		(25,203)	(17,684)
Increase in other assets related to operations		(43,418)	(20,623)
Decrease in other payables related to operations		(104,401)	(68,679)
Cash flows generated from operating activities		82,523	146,668
Tax payments	26	(3,778)	(8,487)
Payments related to provision for employee benefits	16	(4,334)	(888)
Cash outflows for purchases of property, plant and equipment and intangible assets	11, 12	(141,142)	(55,644)
Cash inflows for the acquisition of debt instruments or shares of other entities or funds		46,469	-
Cash outflows for the acquisition of debt instruments or shares of other entities or funds		-	(19,375)
Proceeds from sale of property and equipment and intangible assets		26	23
Cash outflows from share purchase or capital increase in associates and joint ventures		-	(4,505)
Interest received		27,371	19,060
B. Cash flows from investing activities		(67,276)	(60,441)
Repayments of loans	32	(2,801)	(18,075)
Cash inflows from loans	32	19,082	-
Interest paid		(22,075)	(8,766)
Cash outflows from the acquisition of own shares of entity		-	(15,553)
Cash outflows related to debt payments arising from lease agreements	32	(3,250)	(2,383)
C. Cash flows from financing activities		(9,044)	(44,777)
Net increase in cash and cash equivalent before the effects of foreign currency translation differences (A+B+C)		(1,909)	32,075
D. Effects of currency translation differences on cash and cash equivalents		23,611	22,386
Net increase in cash and cash equivalents (A+B+C+D)		21,702	54,461
E. Cash and cash equivalents at the beginning of the period	4	229,151	259,390
Cash and cash equivalents at the end of the period (A+B+C+D+E)	4	250,853	313,851

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

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 MARCH 2023

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

NOTE 1 - ORGANIZATION AND OPERATIONS OF THE GROUP

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

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

As of 31 March 2023, the average number of the personnel of the Group is 1,505 (31 December 2022: 1,408).

The address of the registered office of the Company is as follows:

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

As of 31 March 2023, 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 operations of subsidiaries and joint ventures of Logo Yazılım (together referred to as “the Group”) are as follows.

Subsidiaries	Country of operation	Field of activity
Total Soft S.A. (“Total Soft”)	Romania	Software development and marketing
Logo Financial Solutions GmbH (“Logo GmbH”)	Germany	Software development and marketing
Logo Business Solutions FZ-LLC (“Logo FFC-LLC”)	United Arab Emirates	Software marketing
Architected Business Solutions SRL (“ABS”)	Romania	Software development and marketing
ABS Financial Services SRL (“ABS FS”)	Romania	Software development and marketing
ELBA HR İnsan Kaynakları Eğitim ve Danışmanlık A.Ş. (“Peoplise”)	Turkey	Software programming and informatics
Logo Bilişim Hizmetleri A.Ş. (“Logo Bilişim”) (*)	Turkey	
Joint venture	Country of operation	Field of activity
Logo Infosoft Business Technology Private Limited (“Logo Infosoft”)	India	Software development and marketing

(*) It was established on 29 November 2022, it has not been operational yet.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 MARCH 2023

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

NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Financial Reporting Standards Applied

The accompanying consolidated financial statements of the Group have been prepared in accordance 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, in compliance with the international standards, Turkish Accounting Standards/Turkish Financial Reporting Standards (“TAS/IFRS”) promulgated by the Public Oversight Accounting and Auditing Standards Authority (“POA”) and related supplements and interpretations. TAS/IFRS are updated in harmony with the changes and updates in International Financial and Accounting Standards (“IFRS”) by the communiqués.

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

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

2.1.2 Financial Statements of Subsidiaries Operating in Foreign Countries

The financial statements of subsidiaries operating in foreign countries are adjusted to TAS/IFRS published by the POA for the purpose of fair presentation with necessary adjustments and classifications. Subsidiaries’ assets and liabilities of the related foreign subsidiaries 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. Exchange differences arising from the translation of the opening net assets and differences between the average and balance sheet dates are included in the “foreign currency translation difference” under the shareholders’ equity.

2.1.3 Basis of Consolidation

The condensed consolidated financial statements prepared in accordance with the principles of consolidated financial statements for the year ended 31 December 2022 include the accounts of Logo Yazılım and its subsidiaries. The table below sets out the subsidiaries of Logo Yazılım and ownership interests held by the Company at 31 March 2023 and 31 December 2022:

Subsidiaries	31 March 2023 (%)	31 December 2022 (%)
Total Soft	80.00	80.00
Logo GmbH	100.00	100.00
ABS	80.00	80.00
ABS FS (*)	39.20	39.20
Peoplise	88.00	88.00
Logo Bilişim	100.00	100.00

(*) In 2018, the Company acquired 100% of the shares of Architected Business Solutions SRL and indirectly owns 49% of the shares of Nexia ABS Financial Services SRL. Pursuant to the parent agreement, all risks and gains (including gains, losses and net asset rights) related to Nexia's shares have been transferred to the Company. After the acquisition explained in Note 9, 20% of Total Soft's shares were transferred to Avramos Holding Ltd. In accordance with the agreement, the Company takes all decisions regarding the subsidiary. Therefore, the Company has control over the subsidiary and can be fully consolidated without accounting for non-controlling interests.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 MARCH 2023

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

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

2.1.3 Basis of Consolidation (cont’d)

<u>Joint venture</u>	<u>31 March 2023 (%)</u>	<u>31 December 2022 (%)</u>
Logo Infosoft (*)	50.00	50.00

(*) On 1 January 2018, the Company has joint control of Logo Infosoft based on the contract made with GSF Software Labs LLC. After this date, Logo Infosoft was evaluated as a joint venture in the consolidated financial statements and accounted for as an investment valued by the equity method.

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 ventures

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

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

2.1.4 Functional and Presentation Currency

The financial position and operating results of the Group are prepared in TL, which is the currency of the main economic environment in which Logo Yazılım operates (“functional currency”) and the presentation currency for the consolidated financial statements.

Functional currency of subsidiaries operating in Romania is Romanian Leu (“RON”). Functional currency of Logo Infosoft is Indian rupee (“INR”). Financial information of each entity included in consolidation are measured using the currency of the primary economic environment in which these entities operate, normally under their local currencies. The financial statements of subsidiaries operating in foreign countries have been prepared in accordance with the laws and regulations applicable in the country in which they operate, in the currency of that country, and assets and liabilities for each statement of financial position presented are translated to TL at closing exchange rates at the statement of financial position date. Income and expenses are translated to TL at monthly average exchange rates. Foreign currency differences resulting from the use of closing and monthly average rates are followed in the foreign currency translation differences account under shareholders' equity and other comprehensive income.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 MARCH 2023**

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

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

2.1.5 Comparative Information and Restatement of Prior Period Financial Statements

The Group's condensed consolidated financial statements have been prepared comparatively with the prior period in order to allow determination of the financial position and performance trends. Reclassifications can be made in comparative information in order to conform with the presentation of the current period financial statements. In the current year, the Group had reclassified certain comparative balances in order to conform to current year's presentation.

2.2 Going Concern

The companies 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 going concern of the Group's operations and concluded that the Group has sufficient resources to continue its activities in the near future.

2.3 New and Amended Turkish Financial Reporting Standards

a) Amendments that are mandatorily effective from 2023

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>

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.

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.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 MARCH 2023**

(Amounts expressed in thousand Turkish Liras ("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)

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.

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 TFRS 4	<i>Extension of the Temporary Exemption from Applying TFRS 9</i>
Amendments to TAS 1	<i>Classification of Liabilities as Current or Non-Current</i>
Amendments to TFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to TAS 1	<i>Non-current Liabilities with Covenants</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 2024 for insurance and reinsurance and pension companies.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 MARCH 2023**

(Amounts expressed in thousand Turkish Liras ("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)

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 insurance and reinsurance and pension companies would be required to apply TFRS 9 for annual periods beginning on or after 1 January 2024 with the deferral of the effective date of TFRS 17.

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 2024 and earlier application is permitted.

Amendments to TFRS 16 *Lease Liability in a Sale and Leaseback*

Amendments to TFRS 16 clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in TFRS 15 to be accounted for as a sale.

Amendments are effective from annual reporting periods beginning on or after 1 January 2024.

Amendments to TAS 1 *Non-current Liabilities with Covenants*

Amendments to TAS 1 clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

Amendments are effective from annual reporting periods beginning on or after 1 January 2024.

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

2.4 Changes in Accounting Policies

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

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

2.5 Summary of Significant Accounting Policies

The interim condensed consolidated financial statements for the three months period ended 31 March 2023 have been prepared in accordance with TAS 34. In addition, the significant accounting policies used in preparing the condensed interim consolidated financial statements for the period ended 31 March 2023 are consistent with the accounting policies disclosed in the consolidated financial statements as at 31 December 2022. Accordingly, the condensed consolidated interim financial statements should be evaluated with the consolidated financial statements for the year ended 31 December 2022. The Group has disclosed its accounting policies for the first time in Note 2.4.

2.6 Significant Accounting Estimates and Assumptions

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

Provision for doubtful receivables

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

Useful lives of intangible assets

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

Revenue recognition

The Group records software license revenue and special software development project revenues based on the completion level of contract activities as of the balance sheet date. Completion level is found by dividing the estimated total service rendered as of the balance sheet date by the total contractually required service.

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

2.6 Significant Accounting Estimates and Assumptions (cont'd)

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

Research expenses 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, products, processes or systems before the start of commercial production or use and the costs incurred for these activities are capitalized by the Group. The Management determines the cost of employees to be capitalized taking into account time spent by each employee on research and development activities. The costs of employees relating to research are expensed as incurred.

Goodwill impairment test

The Group tests the goodwill amount for impairment every year or in shorter periods in case of impairment. The recoverable amounts of cash generating units have been determined based on fair value calculations less costs to sell. The details of the estimates and assumptions used are explained in Note 14.

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") are used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Adjusted EBITDA is calculated by the Company by adding depreciation expense and amortization to the net amount of sales income, cost of sales, operating expenses (excluding other income and expenses from operating activities).

31 March 2023	Turkey	Romania	Segmental eliminations	Consolidated
Segment assets	1,632,093	1,089,971	(1,046)	2,721,018
Segment liabilities	919,285	519,081	(1,046)	1,437,320
Goodwill	11,155	445,028	-	456,183
Property, plant and equipment and intangible assets	403,098	433,255	-	836,353
Right-of-use assets	7,557	15,304	-	22,861

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NOTE 3 - SEGMENT REPORTING (cont'd)

31 March 2023	Turkey	Romania	Segmental eliminations	Consolidated
Revenue	300,555	151,529	-	452,084
Cost of sales	(10,257)	(87,691)	-	(97,948)
Operating expenses	(191,937)	(59,933)	-	(251,870)
Other income from operating activities	5,143	2,443	-	7,586
Other expenses from operating activities	(4,054)	(505)	-	(4,559)
Income from investing activities	21,265	-	-	21,265
Finance income	32,302	1,758	-	34,060
Finance expenses	(23,280)	(3,786)	-	(27,066)
Depreciation and amortization expenses	(23,097)	(16,404)	-	(39,501)
Tax expense	(68,030)	(4,360)	-	(72,390)
Net profit/(loss) for the period	61,707	(545)	-	61,162
Adjusted EBITDA	121,458	20,309	-	141,767
Purchase of property, plant and equipment and intangible assets	109,530	31,612	-	141,142

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

31 March 2023	Consolidated
Adjusted EBITDA	141,767
Depreciation and amortization expenses	(39,501)
Income from investing activities	21,265
Other income from operating activities	7,586
Other expenses from operating activities	(4,559)
Finance income	34,060
Finance expenses	(27,066)
Profit before tax	133,552

31 December 2022	Turkey	Romania	Segmental eliminations	Consolidated
Segment assets	1,646,926	1,019,932	-	2,666,858
Segment liabilities	994,967	473,066	-	1,468,033
Goodwill	11,155	425,760	-	436,915
Property, plant and equipment and intangible assets	315,445	396,965	-	712,410
Right-of-use assets	4,223	16,021	-	20,244

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NOTE 3 - SEGMENT REPORTING (cont'd)

31 March 2022	Turkey	Romania	Segmental eliminations	Consolidated
Revenue	174,269	94,862	-	269,131
Cost of sales	(7,302)	(53,295)	-	(60,597)
Operating expenses	(88,099)	(33,250)	-	(121,349)
Other income from operating activities	5,635	86	-	5,721
Other expenses from operating activities	(6,293)	(340)	-	(6,633)
Income from investing activities	12,590	-	-	12,590
Finance income	46,350	138	-	46,488
Finance expenses	(37,930)	(1,955)	-	(39,885)
Depreciation and amortization expenses	(14,402)	(12,020)	-	(26,422)
Tax expense	(11,460)	(197)	-	(11,657)
Net profit/(loss) for the period	87,759	6,050	-	93,809
Adjusted EBITDA	93,270	20,337	-	113,607
Purchase of property, plant and equipment and intangible assets	36,360	19,284	-	55,644

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

31 March 2022	Consolidated
Adjusted EBITDA	113,607
Depreciation and amortization expenses	(26,422)
Income from investing activities	12,590
Other income from operating activities	5,721
Other expenses from operating activities	(6,633)
Finance income	46,488
Finance expenses	(39,885)
Profit before tax	105,466

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 MARCH 2023

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NOTE 4 - CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents as of 31 March 2023 and 31 December 2021 are as follows:

	31 March 2023	31 December 2022
Cash	54	37
Bank		
- Time deposit	193,940	156,487
- Demand deposit	41,828	50,888
Credit cards slip receivables	10,294	5,286
Liquid funds (*)	4,737	16,453
	250,853	229,151

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

NOTE 5 - FINANCIAL INVESTMENTS

Short-term financial investments

	31 March 2023	31 December 2022
- <i>Financial assets at fair value through profit or loss</i>	154,154	113,780
- <i>Financial assets at fair value through other comprehensive income (*)</i>	250,057	297,351
	404,211	411,131

(*) Private sector bonds consist of highly liquid financial investments that are easily convertible into cash, do not bear the risk of significant value changes. Bonds are denominated in US Dollars.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 MARCH 2023

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NOTE 5 - FINANCIAL INVESTMENTS (cont'd)

Long-term financial investments

Financial assets at fair value through other comprehensive income

The analysis of non-current financial investments as of 31 March 2023 and 31 December 2022 is as follows:

	31 March 2023	31 December 2022
Logo Ventures Girişim Sermayesi		
Yatırım Fonu ("Logo Ventures I") (*)	9.882	9.659
Logo Ventures Girişim Sermayesi		
Yatırım Fonu ("Logo Ventures II") (*)	87.746	83.750
İnterpro Yayıncılık Araştırma ve Organizasyon Hizmetleri A.Ş. ("Interpro")	81	81
Figo Ticari Bilgi ve Uygulama Platformu A.Ş. (**)	37.210	37.210
Payer Yazılım Sanayi ve Ticaret A.Ş. (**)	2.952	2.952
Dokuz Eylül Teknoloji Geliştirme Bölgesi A.Ş. ("Dokuz Eylül")	50	50
	137.921	133.702

- (*) As of 31 March 2023, Logo Ventures has been recognized as the asset fair value and difference is reflected to other comprehensive income and TL 4,219 (31 March 2022: TL 4,979) difference between its fair value and the cost value is accounted in other comprehensive income. İnterpro and Dokuz Eylül is reflected to consolidated financial statements with their cost value since their fair value is not significant as of 31 March 2023 and 31 December 2022. The Company has committed USD 11,200 to, İstanbul Portföy Yönetimi AŞ. Logo Ventures II Venture Capital Management Fund. A total of USD 3,920 has been paid, of which USD 1,680 was paid in 2022 and USD 2,240 was paid in 2021.
- (**) Payer Yazılım Sanayi ve Ticaret A.Ş. and Figo Ticari Bilgi ve Uygulama Platformu A.Ş., in which the Group has 10% and 4.02% shares, respectively, as of 31 March 2023, are considered as assets at fair value through other comprehensive income and the difference between the fair value and the cost value is insignificant, so they are considered equal.

	31 March 2023	31 December 2022
- Assets at fair value through other comprehensive income (***)	156,105	204,247

- (***) Private sector bonds consist of highly liquid financial investments that are easily convertible into cash, do not bear the risk of significant value changes. Bonds are denominated in US Dollars.

Long-term other financial investments:

	31 March 2023	31 December 2022
Long-term other financial investment (****)	52.130	45.522

- (****) 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 83%. The Group has not considered the related investment for trading purposes and has recognized the fair value changes in the other comprehensive income statement in accordance with the accounting policies explained in Note 2.5.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 MARCH 2023

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NOTE 6 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

Summary of balance sheet

Logo Infosoft	31 March 2023	31 December 2022
Cash and cash equivalents	6,740	5,256
Other current assets	11,759	11,687
Other non-current assets	812	720
Total assets	19,311	17,663
Other current liabilities	6,584	5,766
Other non-current liabilities	106,271	96,313
Total liabilities	112,855	102,079
Net liabilities	(93,544)	(84,416)

Summarized information on income statement

Logo Infosoft	31 March 2023	31 March 2022
Income	37	247
Expenses (-)	(6,127)	(6,045)
Net loss for the period	(6,090)	(5,798)
Group's ownership rate	% 50,00	% 50,00
Group's share	(3,045)	(2,899)
Unrecognized losses (*)	3,045	2,899
Share of losses of investment under equity method	-	-

(*) As of 31 March 2023, the total loss of the Group's share but not recorded is TL 19,551.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 MARCH 2023

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NOTE 7 – BORROWINGS

Details of financial borrowings as of 31 March 2023 and 31 December 2022 is as follows:

Short-term borrowings:	31 March 2023	31 December 2022
Short-term bank loans	17,913	12,680
Lease liabilities	9,686	7,691
Credit card payables	632	991
	28,231	21,362
Short-term portion of long-term borrowings:		
Short-term portion of long-term bank loans	39,997	38,251
Lease liabilities	1,704	1,585
	41,701	39,836
Total short-term borrowings	69,932	61,198
Long-term borrowings:	31 March 2023	31 December 2022
Long-term bank loans	183,816	175,796
Lease liabilities	17,467	16,654
Total long-term borrowings	201,283	192,450

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NOTE 7 – BORROWINGS (cont'd)

31 March 2023			
	Weighted average annual interest rate (%)	Original amount	TL equivalent
Short-term borrowings:			
Bank loans - EUR - unsecured	Euribor+2.40%	858	17,913
Credit card payables – TL		632	632
Lease liabilities - EUR	Euribor 3+3.5%	268	5,595
Lease liabilities - TL	12% - 25%	4,091	4,091
			28,231
Short-term portion of long-term borrowings:			
Bank loans - EUR - secured	Euribor+ 2.45%-2.50%	1,915	39,997
Lease liabilities - EUR		82	1,704
			41,701
Long-term borrowings:			
Bank loans - EUR – secured	Euribor+ 2.45%-2.50%	8,803	183,816
Lease liabilities - EUR		606	12,656
Lease liabilities – TL		4,811	4,811
			201,283
Total borrowings			271,215
31 December 2022			
	Weighted average annual interest rate (%)	Original amount	TL equivalent
Short-term portions of long-term borrowings:			
Bank loans - EUR - secured	Euribor+ 2.45%-2.50%	1,915	38,251
Lease liabilities - EUR		79	1,585
			39,836
Long-term borrowings:			
Bank loans - EUR - secured	Euribor+ 2.45%-2.50%	8,803	175,796
Lease liabilities - EUR		673	13,444
Lease liabilities - TL		3,210	3,210
			192,450
Total borrowings			253,648

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 MARCH 2023

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NOTE 7 – BORROWINGS (cont'd)

The redemption schedules of long-term borrowings as of 31 March 2023 and 31 December 2022 are as follows:

	31 March 2023	31 December 2022
To be paid within 1 - 2 years	88,965	84,583
To be paid within 2 - 5 years	86,024	83,406
To be paid in more than 5 years	26,294	24,461
	201,283	192,450

	<u>Net book value</u>		<u>Fair value</u>	
	31 March 2023	31 December 2022	31 March 2023	31 December 2022
Bank loans	241,726	226,727	258,780	243,037
	241,726	226,727	258,780	243,037

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

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

The details of trade receivables and payables as of 31 March 2023 and 31 December 2022 are as follows:

Short-term trade receivables:	31 March 2023	31 December 2022
Buyers	305,858	410,637
Cheques and notes receivable	4,201	3,527
Less: Provision for doubtful receivables	(21,667)	(21,743)
Less: Unearned finance income arising from credit sales	2,110	(6,047)
	290,502	386,374

As of 31 March 2023, the average turnover of the trade receivables is 64 days (31 December 2022: 73 days), excluding the credit card receivables, the turnover day is 56 days. The discount rate applied to the undue receivables is 23% (31 December 2022: 18%).

As of 31 March 2023, TL 58,099 of trade receivables (31 December 2022: TL 34,464) were past due but not impaired. The aging analysis of these trade receivables is as follows:

	31 March 2023	31 December 2022
Up to 1 month	37,975	17,543
1 - 3 months	13,159	12,142
More than 3 months	6,965	4,779
	58,099	34,464

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 MARCH 2023

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

As of 31 March 2023, TL 27,930 of overdue receivables consist of trade receivables of Total Soft (31 December 2022: TL 21,078). The Group manages its receivables in accordance with credit risk management policies which is explained in Note 29.

The movement of provision for doubtful receivables for the periods ended 31 March 2023 and 2022 are as follows:

	2023	2022
As of 1 January	21,743	19,587
Provisions for the period	2,031	447
Released provisions	(2,877)	(488)
Foreign currency translation difference	770	1,134
As of 31 March	21,667	20,680

Trade payables to third parties:	31 March 2023	31 December 2022
Trade payables	119,885	143,813

As of 31 March 2023, the average debt payment period is 90 days (31 December 2022: 93 days).

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

The table below shows the maximum exposure of the Group to credit risk as of 31 March 2023 and 31 December 2022:

31 March 2023	<u>Trade receivables</u>		<u>Other receivables</u>		Bank	Derivative Instruments	Other
	Related party	Other	Related party	Other			
The maximum of credit risk exposure as of reporting date	2,161	290,502	1,396	69	250,799	-	698,237
<i>- Amount of risk covered by guarantees</i>	-	428	-	-	-	-	-
Net carrying value of not past due not impaired financial assets	2,161	232,403	1,396	69	250,799	-	698,237
Net carrying value of past due but not impaired financial assets	-	58,099	-	-	-	-	-
<i>Amount of risk covered by guarantees</i>	-	-	-	-	-	-	-
Net carrying value of impaired assets	-	-	-	-	-	-	-
<i>Past due (gross carrying value)</i>	-	21,667	-	-	-	-	-
<i>Impairment (-)</i>	-	(21,667)	-	-	-	-	-
<i>Amount of risk covered by guarantees</i>	-	-	-	-	-	-	-

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

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

31 December 2022	<u>Trade receivables</u>		<u>Other receivables</u>		Bank	Derivative Instruments	Other
	Related party	Other	Related party	Other			
The maximum of credit risk exposure as of reporting date	1,067	386,374	1,247	245	229,114	1,962	749,080
- Amount of risk covered by guarantees	-	428	-	-	-	-	-
Net carrying value of not past due not impaired financial assets	1,067	351,910	1,247	245	229,114	1,962	749,080
Net carrying value of past due but not impaired financial assets	-	34,464	-	-	-	-	-
Amount of risk covered by guarantees	-	-	-	-	-	-	-
Net carrying value of impaired assets	-	-	-	-	-	-	-
Past due (gross carrying value)	-	21,743	-	-	-	-	-
Impairment (-)	-	(21,743)	-	-	-	-	-
Amount of risk covered by guarantees	-	-	-	-	-	-	-

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

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 MARCH 2023

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NOTE 9 – OTHER RECEIVABLES, PAYABLES AND OTHER ASSETS

Other short-term receivables from third parties:

	31 March 2023	31 December 2022
Deposits and guarantees given	69	69
Income accruals	-	176
	69	245

Other short-term payables to third parties:

	31 March 2023	31 December 2022
Put option liability - ABS (*)	219,265	219,265
Other taxes payable	54,214	75,726
Other payables to third parties	275	275
	273,754	295,266

Other long-term payables to third parties:

	31 March 2023	31 December 2022
Put option liability - Peoplise (**)	6,286	6,286
Other	615	615
	6,901	6,901

(*) With the share transfer agreement signed on 19 July 2018, the Group acquired ABS shares and ABS-FS shares which are fully owned by ABS. As a result of these acquisitions, there is a put option granted to Avramos Holding Ltd by Logo Yazılım for the 20% Total Soft shares transferred to Avramos Holding Ltd. The Company and Avramos Holding Ltd. revised the partnership agreement in 2022 as if Avramos Holding Ltd. exercises the share sale option before 22 May 2023, it will be deemed to have exercised this right with the financial conditions before the end of the first quarter of 2022. Therefore, Total Soft's 2021 financial statements have been taken into account in the calculation of put option liability as of 31 March 2023.

(**) As a result of Peoplise's acquisitions, there is a put option granted to the shareholders by Logo Yazılım for 12% of the shares owned by the minority shareholders.

Other current assets:

	31 March 2023	31 December 2022
Personnel advances	16,842	2,009
Prepaid taxes	8,297	1,625
Business advances	1,720	1,565
Deferred VAT	470	725
Other	14,575	12,758
	41,904	18,682

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NOTE 10- INVENTORIES

	31 March 2023	31 December 2022
Trade goods	5,122	5,143
Raw materials and equipment	4,022	3,118
Other	74	89
	9,218	8,350

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2023	Additions	Disposals	Foreign currency translation differences	31 March 2023
Cost:					
Machinery, plant and equipment	35,681	14,674	(25)	1,202	51,532
Motor vehicles	30,709	15,344	(503)	387	45,937
Furniture and fixtures	8,781	-	-	119	8,900
Leasehold improvements	30,045	63	-	180	30,288
	105,216	30,081	(528)	1,888	136,657
Accumulated depreciation:					
Machinery, plant and equipment	27,373	1,800	(8)	855	30,020
Motor vehicles	8,834	1,912	(494)	358	10,610
Furniture and fixtures	6,825	101	-	87	7,013
Leasehold improvements	15,670	348	-	39	16,057
	58,702	4,161	(502)	1,339	63,700
Net book value	46,514				72,957

	1 January 2022	Additions	Disposals	Foreign currency translation differences	31 March 2022
Cost:					
Machinery, plant and equipment	24,828	1,793	(33)	1,311	27,899
Motor vehicles	6,432	315	-	499	7,246
Furniture and fixtures	7,677	75	-	155	7,907
Leasehold improvements	28,126	15	-	58	28,199
	67,063	2,198	(33)	2,023	71,251
Accumulated depreciation:					
Machinery, plant and equipment	19,666	626	(10)	1,130	21,412
Motor vehicles	6,255	59	-	481	6,795
Furniture and fixtures	6,003	98	-	109	6,210
Leasehold improvements	14,173	312	-	50	14,535
	46,097	1,095	(10)	1,770	48,952
Net book value	20,966				22,299

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 MARCH 2023

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NOTE 12 - INTANGIBLE ASSETS

	1 January 2023	Additions	Foreign currency translation differences	31 March 2023
Cost:				
Development costs	972,147	111,032	21,712	1,104,891
Advanced technology	25,171	-	481	25,652
Customer relations	122,145	-	4,806	126,951
Non-compete agreement	2,748	-	-	2,748
Other intangible assets	41,309	29	2,289	43,627
	1,163,520	111,061	29,288	1,303,869
Accumulated amortization:				
Development costs	395,759	29,558	7,109	432,426
Advanced technology	21,432	132	479	22,043
Customer relations	51,757	2,286	1,834	55,877
Non-compete agreement	2,748	-	-	2,748
Other intangible assets	25,928	660	791	27,379
	497,624	32,636	10,213	540,473
Net book value	665,896			763,396

Additions amounting to TL 109,632 to development costs for the interim period ended 31 March 2023 (31 March 2022: TL 52,874) consists of capitalized personnel costs.

TL 30,136 (31 March 2022: TL 20,564) of the current period's depreciation and amortization expenses has been allocated to research and development expenses, TL 1,934 (31 March 2022: TL 789) to marketing expenses, TL 6,203 (31 March 2022: TL 4,760) to general administrative expenses, and TL 1,228 (31 March 2022: TL 309) to cost of sales.

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NOTE 12 - INTANGIBLE ASSETS (cont’d)

	1 January 2022	Additions	Foreign currency translation differences	31 March 2022
Cost:				
Development costs	628,923	53,209	22,716	704,848
Advanced technology	22,584	-	642	23,226
Customer relations	96,310	-	6,424	102,734
Non-compete agreement	2,748	-	-	2,748
Other intangible assets	28,478	237	2,155	30,870
	779,043	53,446	31,937	864,426
Accumulated amortization:				
Development costs	274,779	20,233	4,013	299,025
Advanced technology	18,111	222	639	18,972
Customer relations	35,113	1,817	1,962	38,892
Non-compete agreement	2,748	-	-	2,748
Other intangible assets	16,340	699	3,740	20,779
	347,091	22,971	10,354	380,416
Net book value	431,952			484,010

NOTE 13 – RIGHT-OF-USE ASSETS

	1 January 2023	Additions	Disposals	Foreign currency translation differences	31 March 2023
Cost:					
Motor vehicles	13,907	-	-	86	13,993
Office	34,781	4,571	-	970	40,322
	48,688	4,571	-	1,056	54,315
Accumulated depreciation: (-)					
Motor vehicles	13,057	403	-	82	13,542
Office	15,387	2,301	-	224	17,912
	28,444	2,704	-	306	31,454
Net book value	20,244				22,861

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

	1 January 2022	Additions	Disposals	Foreign currency translation differences	31 March 2022
Cost:					
Motor vehicles	14,513	-	-	201	14,714
Office	26,120	2,213	-	1,486	29,819
	40,633	2,213	-	1,687	44,533
Accumulated depreciation: (-)					
Motor vehicles	11,433	818	-	175	12,426
Office	11,504	1,538	-	608	13,650
	22,937	2,356	-	783	26,076
Net book value	17,696				18,457

NOTE 14 - GOODWILL

	31 March 2023	31 December 2022
Total Soft	329,423	315,161
Total Soft (ABS)	111,794	106,954
Netsis	5,892	5,892
Peoplise	3,677	3,677
Nexia	3,811	3,645
Sempa	903	903
Vardar	346	346
Intermat	337	337
	456,183	436,915

Movement table of goodwill for the interim periods ended 31 March 2023 and 2022 are as follows:

	2023	2022
As of 1 January	436,915	327,276
Foreign currency translation differences	19,268	25,224
As of 31 March	456,183	352,500

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

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NOTE 14 – GOODWILL (cont'd)

Goodwill impairment test - Total Soft and ABS

FVLCD is determined by discounting the expected future discounted cash flows to be generated by the cash-generating unit. The below key assumptions are used in the calculation of the recoverable value of CGU as of 31 March 2023:

Goodwill impairment test has been performed by using the five years consolidated business projections of Total Soft and ABS prepared by the management between 1 January 2023 and 31 December 2027. 17.55% has been used as cumulative average growth rate the years between 2023 and 2027.

Cash flows for future periods (perpetuity) were extrapolated using a constant growth rate of 2.6% which is the expected inflation rate announced by the Central Bank of Romania.

Weighted average cost of capital rate of 18.8% has been used as after-tax discount rate in order to calculate the recoverable amount of the unit.

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

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

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

Long-term growth rate

Originally, the long-term growth rate is assumed to be 2.6%. When the rate is assumed to be as 3.6%, the recoverable amount would have been 5.58% higher than the goodwill included book value of cash generating unit including goodwill and still no impairment provision would have been required.

Discount rate

Originally, the discount rate is assumed to be 18.8%. When the rate is assumed to be as 16.3%, the recoverable amount would have been 25.75% higher than the goodwill included book value of cash generating unit including goodwill and still no impairment provision would have been required.

Goodwill impairment test - Netsis

The impairment test of goodwill related with Netsis acquisition has been performed using the cash flows for the interim period ended 31 March 2023 and current book value. As of 31 March 2023, it is noted that the current cash flows of the cash generating unit exceeds its book value. Negative cash flows are not expected from Netsis in the foreseeable future.

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NOTE 15 - COMMITMENTS AND CONTINGENT LIABILITIES

Guarantees received:

	Original currency	31 March 2023		31 December 2022	
		Original amount	TL equivalent	Original amount	TL equivalent
Guarantee notes	TL	368	368	368	368
Mortgages received	TL	60	60	60	60
		428	428	428	428

As of 31 March 2023 and 31 December 2022, guarantee/pledge/mortgage ("GPM") given by the Company on behalf of its legal entity are as follows:

GPM given by the Company:

	31 March 2023				31 December 2022			
	EUR	USD	RON	TL	EUR	USD	RON	TL
A. Total amount of GPM provided by the Company on behalf of itself	-	855	-	6,878	-	835	-	6,878
B. Total amount of GPM provided on behalf of the associates accounted under full consolidation method (*)	369,668	-	459	-	353,528	-	337	-
C. Total amount of GPM provided on behalf of third parties in order to maintain operating activities (to secure third party payables)	-	-	-	-	-	-	-	-
D. Total amount of other GPM given-	-	-	-	-	-	-	-	-
(i) Total amount of GPM given on behalf of the parent Company -	-	-	-	-	-	-	-	-
(ii) Total amount of GPM provided on behalf of other Group companies which are not in the scope of B and C	-	-	-	-	-	-	-	-
(iii) Total amount of GPM provided on behalf of third parties which are not in the scope of C	-	-	-	-	-	-	-	-
	369,668	855	459	6,878	353,528	835	337	6,878

(*) Note 7.

The ratio of other CPMs given by the Group to the equity is 0% (31 December 2022: 0%).

There are lawsuits filed against the Group in prior years amounting to TL 6,614 (2022: TL 6,614). The Group management has taken the opinion of the Group's lawyers regarding these lawsuits. A provision has been made in the consolidated financial statements amounting to TL 2,597 (31 December 2022: TL 2,485) for which a possible outflow of funds is foreseen.

NOTE 16 - EMPLOYEE BENEFITS

Short-term payables for employee benefits:

	31 March 2023	31 December 2022
Taxes, funds and social security deductions payables	81,879	83,972
Due to personnel	22,819	21,915
Personnel premiums	14,231	107,701
	118,929	213,588

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NOTE 16 - EMPLOYEE BENEFITS (cont’d)

Long-term provisions for employee benefits:

	31 March 2023	31 December 2022
Provision for employment termination benefits	42,965	39,157
Provision for unused vacation	40,169	28,723
	83,134	67,880

The movements of provision for unused vacation for the interim periods ended 31 March 2023 and 2022 are as follow:

	2023	2022
As of 1 January	28,723	16,473
Increase during the year	10,802	7,207
Foreign currency translation difference	644	878
As of 31 March	40,169	24,558

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 20 for each year of service (31 December 2022: TL 15). Provision for employment termination benefits is calculated based on the present value of the Group’s obligation to pay in the event of retirement.

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

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

	31 March 2023	31 December 2022
Discount rate (%)	3.40	3.40
Probability of voluntary leave (%)	94.80	93.86

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 20 which is effective from 1 January 2023 (1 January 2022: TL 11) has been taken into consideration in the calculations.

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NOTE 16 - EMPLOYEE BENEFITS (cont'd)

The movements of the provision for employment termination benefits for the interim periods ended 31 March 2023 and 2022 are as follows:

	2023	2022
As of 1 January	39,157	20,918
Service cost	2,354	361
Interest cost	1,968	230
Actuarial loss	3,820	-
Payments during the year	(4,334)	(888)
As of 31 March	42,965	20,621

NOTE 17 - PREPAID EXPENSES AND LIABILITIES FROM CONTRACTS WITH CUSTOMERS

Short-term prepaid expenses:	31 March 2023	31 December 2022
Prepaid expenses	45,275	27,765
	45,275	27,765
Long-term prepaid expenses:	31 March 2023	31 December 2022
Advances given	1,057	2,508
	1,057	2,508
Short-term liabilities from contracts with customers:	31 March 2023	31 December 2022
Liabilities from contracts with customers (*)	475,192	454,395
Advances received	9,218	8,482
	484,410	462,877

(*) Liabilities from contracts with customers mainly relates to LEM sales income, pay as you go sales (integrator income), after-sales services, customized software sales.

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NOTE 17 - PREPAID EXPENSES AND LIABILITIES FROM CONTRACTS WITH CUSTOMERS (cont'd)

The details of prepaid expenses as of 31 March 2023 and 31 December 2022 as follows:

	31 March 2023	31 December 2022
Pay as you go sales	255,683	236,516
LEM sales	162,576	177,150
Revenue from continuing projects	30,291	14,999
After-sales services revenue	26,642	25,730
	475,192	454,395

NOTE 18 - EQUITY

The Company's authorized and paid-in share capital consists of 100,000,000 (31 December 2022: 100,000,000) shares with a nominal value of Kr 1 each. The shareholding structure of the Company as of 31 March 2023 and 31 December 2022 is as follows:

	31 March 2023	Share rate (%)	31 December 2022	Share rate (%)
Logo Teknoloji ve Yatırım A,Ş,	33,630	33.63	33,630	33.63
Publicly traded	66,370	66.37	66,370	66.37
	100,000	100.00	100,000	100.00
Share capital adjustment differences	2,991		2,991	
Paid-in share capital	102,991		102,991	

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

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NOTE 18 – EQUITY (cont'd)

Treasury shares

As of 31 March 2023, the amount of treasury shares which is accounted in Group's equity is TL 25,335 (31 December 2022: TL 25,335).

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. The General Assembly or Board of Directors, if authorized by the General Assembly, can decide to distribute dividend in installments in line with CMB regulations.

NOTE 19 - EXPENSES BY NATURE

As of 31 March 2023 and 2022, expenses are disclosed by function and the details of the expenses are summarized in Note 21 and Note 22.

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NOTE 20 - REVENUE AND COST OF SALES

Revenue:

	1 January- 31 March 2023	1 January – 31 March 2022
Sales income	287,807	177,150
Service income	139,300	82,563
Retail Saas service income	17,768	4,969
Saas service income	12,886	7,717
Sales returns	(1,755)	(1,323)
Sales discounts	(3,922)	(1,945)
Net sales income	452,084	269,131
Cost of sales (-)	(97,948)	(60,597)
Gross profit	354,136	208,534

Cost of sales:

	1 January- 31 March 2023	1 January – 31 March 2022
Cost of services	89,471	55,106
Cost of transfer of financial rights	5,875	2,686
Cost of trade goods sold	2,602	2,805
Cost of sales (-)	97,948	60,597

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

Research and development expenses:

	1 January- 31 March 2023	1 January – 31 March 2022
Personnel expenses	60,349	21,015
Depreciation and amortization (Note 11,12,13)	30,136	20,564
Outsourced benefits and services	8,118	4,420
Consultancy expenses	3,858	1,704
Motor vehicle expenses	2,097	1,246
Travel expenses	278	52
Other	10,112	5,911
	114,948	54,912

Marketing expenses:

	1 January- 31 March 2023	1 January – 31 March 2022
Personnel expenses	51,324	17,094
Advertising and selling expenses	24,821	12,104
Consultancy expenses	4,741	1,189
Depreciation and amortization (Note 11,12,13)	1,934	789
Motor vehicle expenses	1,810	1,297
Outsourced benefits and services	1,498	1,207
Travel expenses	275	141
Other	2,750	440
	89,153	34,261

General administrative expenses:

	1 January- 31 March 2023	1 January – 31 March 2022
Personnel expenses	25,998	20,440
Consultancy expenses	8,207	3,872
Depreciation and amortization (Note 11, 12, 13)	6,203	4,760
Motor vehicle expenses	1,326	823
Outsourced benefits and services	521	317
Travel expenses	439	179
Other	5,075	1,785
	47,769	32,176

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NOTE 22 - OTHER OPERATING INCOME AND EXPENSES

Other operating income

	1 January - 31 March 2023	1 January - 31 March 2022
Foreign exchange gains (*)	2,878	1,536
Rediscount income	2,528	3,727
Overdue interest income	-	115
Other	2,180	343
	7,586	5,721

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

Other operating expenses

	1 January - 31 March 2023	1 January - 31 March 2022
Foreign exchange losses (*)	2,864	991
Rediscount expenses	318	316
Performance premium of subsidiary	-	4,505
Provision expense	-	42
Other	1,377	779
	4,559	6,633

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

NOTE 23 - INCOME FROM INVESTING ACTIVITIES

	1 January - 31 March 2023	1 January - 31 March 2022
Gain on sale of securities	21,265	12,590
	21,265	12,590

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NOTE 24 - FINANCE INCOME

	1 January - 31 March 2023	1 January – 31 March 2022
Foreign exchange gains	27,954	40,018
Interest income	6,106	6,470
	34,060	46,488

NOTE 25 - FINANCE EXPENSES

	1 January - 31 March 2023	1 January – 31 March 2022
Interest expenses	22,075	8,766
Interest cost of employment termination benefits	1,968	230
Foreign exchange losses	1,351	29,330
Interest expense from leases	550	556
Credit card commissions	159	838
Other financial expenses	963	165
	27,066	39,885

NOTE 26 - TAX ASSETS AND LIABILITIES

	31 March 2023	31 March 2022
Current period tax expense (*)	(57,077)	(1,451)
Deferred tax income	(15,313)	(10,206)
Current period tax expense	(72,390)	(11,657)

(*) Pursuant to the Law No. 7440 on the "Restructuring of Certain Receivables and Amending Certain Laws" published in the Official Gazette on 12 March 2023, by being shown in the corporate tax return for the year 2022, in accordance with the regulations in the laws, an additional tax of 10% should be calculated on the exemptions and deductions subject to deduction from corporate income and on the bases subject to reduced corporate tax, without being associated with the period income, and at the rate of 5% over the exempted earnings. As of 31 March 2023, the Company's accrued amount for the related tax in addition to the corporate tax is TL 49,463 , and the payment for the said tax will be paid in two installments in 2023.

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.

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

Deferred taxes (cont'd)

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

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred tax has been provided at 31 March 2023 and 31 December 2022 using the enacted tax rates, is as follows:

	<u>Total temporary differences</u>		<u>Deferred tax assets/(liabilities)</u>	
	31 March 2023	31 December 2022	31 March 2023	31 December 2022
Deferred tax assets:				
Provisions for expenses	27,525	102,889	5,505	20,578
Provision for employment termination benefits	20,837	20,279	4,167	4,056
Deferred income	14,983	15,366	2,997	3,534
Valuation of other financial assets	14,942	11,264	2,988	2,591
Vacation provision	9,375	5,981	1,875	1,196
Finance income unaccrued	3,738	5,171	748	1,189
Provision for doubtful receivables	1,247	1,217	249	243
	92,647	162,167	18,529	33,387
Deferred tax liabilities				
Difference between the tax base and carrying value of property, plant and equipment and intangible assets	(124,340)	(121,845)	(24,868)	(24,369)
	(124,340)	(121,845)	(24,868)	(24,369)
Deferred income tax assets/(liabilities), net			(6,339)	9,018

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

Deferred tax assets	1 January - 31 March 2023	1 January - 31 December 2022
To be recovered less than 12 months	12,487	28,135
To be recovered more than 12 months	6,042	5,252
	18,529	33,387
Deferred tax liabilities		
To be recovered more than 12 months	(24,868)	(24,369)
	(24,868)	(24,369)
Deferred income tax assets/(liabilities), net	(6,339)	9,018

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

Deferred tax assets (cont'd)

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

	2023	2022
1 January	9,018	3,735
Charged to statements of profit or loss	(15,313)	(10,206)
Charged to other comprehensive income	732	-
Foreign currency translation difference	(776)	(1,470)
31 March	(6,339)	(7,941)

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 the interim period March 2023 is 20% (31 December 2022: 23%). The corporate tax rate is 16% in Romania for 2023 (31 December 2022: 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 10%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax is payable by the 17th of the second month following each calendar. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

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

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

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

Corporate Tax (cont'd)

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:

Within the scope of the Temporary Article added to the Technology Development Zones Law No. 4691 with Article 44 of the Law No. 5035, the income and corporate taxpayers operating in the technology development zones are exempted from income and corporate tax for earnings, which are exclusively from the software and R&D activities in this zone, until 31 December 2028.

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

In the interim period ending on 31 March 2023, the profit for the period was full TL 6.43 (31 March 2022: full TL 9.61) per thousand shares calculated from the nominal value of 1 Kr.

	1 January - 31 March 2023	1 January – 31 March 2022
Net income attributable to equity holders of the parent	61,963	92,599
Average number of shares for the year	9,639,900	9,639,900
Earnings per share (Full TL)	0.64	0.96

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NOTE 28 - RELATED PARTY DISCLOSURES

a) **Receivables from related parties as of 31 March 2023 and 31 December 2022:**

Trade receivables from related parties:	31 March 2023	31 December 2022
Other	2,161	1,067
	2,161	1,067

b) **Other receivables from related parties as of 31 March 2023 and 31 December 2022:**

Other receivables from related parties:	31 March 2023	31 December 2022
Logo Infosoft	1,396	1,247
	1,396	1,247

c) **Sales to related parties, services given to related parties and finance income from related parties during the periods ended 31 March 2023 and 31 March 2022:**

Services given to related parties:

	31 March 2023	31 March 2022
Logo Infosoft	1,813	353
Logo Siber	772	440
Logo Teknoloji ve Yatırım A.Ş,	9	14
	2,594	807

d) **Remuneration of the key management:**

	31 March 2023	31 March 2022
Remuneration of the key management	13,063	5,573

NOTE 29 – DERIVATIVE INSTRUMENTS

Derivative financial assets:

Derivatives that are carried at fair value:	31 March 2023	31 December 2022
- <i>Foreign swap contracts</i>	-	1,962
	-	1,962

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NOTE 29 – DERIVATIVE INSTRUMENTS (cont'd)

Derivative financial assets (cont'd)

Classification of derivative instruments

Derivative instruments that are held for speculative purposes and that do not meet hedge accounting requirements are classified as "traded" 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 aggregate risk from any individual counterparty (excluding 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 monitors the liquidity reserve movements according to the estimated cash flows. The Company management holds adequate cash and credit commitment that will meet the need cash for recent future in order to manage its liquidity risk. In this context, the Company has credit limit from banks amounting to over TL 100,000,000 that can be utilized whenever needed.

Non-derivative financial instruments	31 March 2023					
	Total contractual carrying value	Up to cash outflow (I+II+III+IV)	Between 3 months (I)	Between 3-12 months (II)	More than 1-5 years (III)	5 years (IV)
Borrowings	271,215	288,269	21,809	53,478	186,340	26,642
Trade payables						
- Trade payables to third parties	119,885	119,885	119,885	-	-	-
Payables related to employee benefits	118,929	118,929	118,929	-	-	-
Other payables						
- Other payables to third parties	280,655	280,655	273,754	-	6,901	-
Total liabilities	790,684	807,738	534,377	53,478	193,241	26,642

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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	31 December 2022					
	Total contractual carrying value	Up to cash outflow (I+II+III+IV)	Between 3 months (I)	Between 3-12 months (II)	More than 1-5 years (III)	5 years (IV)
Borrowings	253,648	269,958	16,102	50,217	178,845	24,794
Trade payables						
- Trade payables to third parties	143,813	143,813	143,813	-	-	-
Payables related to employee benefits	213,588	213,588	213,588	-	-	-
Other payables						
- Other payables to third parties	302,167	302,167	295,266	-	6,901	-
Total liabilities	913,216	929,526	668,769	50,217	185,746	24,794

Interest rate risk

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

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

	31 March 2023	31 December 2022
<u>Financial instruments with fixed interest rate</u>		
Financial assets		
- Financial assets at amortized cost	193,940	156,487
- Financial assets with fair value reflected to other comprehensive income	406,162	501,598
Financial liabilities	47,402	39,601
Put option valuation fund for non-controlling interests	225,551	225,551
<u>Financial instruments with floating interest rate</u>		
Financial assets		
- Financial assets with fair value reflected to profit/loss	4,737	16,453
- Financial assets with fair value reflected to other comprehensive income	154,154	113,780
Financial liabilities	223,813	214,047

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

30.1 Financial risk management (cont'd)

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 obtaining adequate committed funding lines from high quality lenders.

Foreign currency risk

The Group is exposed to exchange rate risk arising from exchange rate changes due to the translation of foreign currency denominated debts or creditors into Turkish Lira. The foreign currency risk is followed 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 31 March 2023 and 31 December 2022 are as follows:

	31 March 2023	31 December 2022
Assets		
USD	19,1532	18,6983
EUR	20,8450	19,9349
Liabilities		
USD	19,1878	18,7320
EUR	20,8825	19,9708

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)

		Foreign Currency Position as of 31 March 2023			
		TL equivalent	USD	EUR	Other
1.	Trade receivables	32,099	770	831	26
2a.	Monetary financial assets (cash and bank accounts included)	424,101	21,431	653	3
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
4.	Current assets (1+2+3)	456,200	22,201	1,484	29
5.	Trade receivables	-	-	-	-
6a.	Monetary financial assets	156,105	8,150	-	-
6b.	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	Non-current assets (5+6+7)	156,105	8,150	-	-
9.	Total assets (4+8)	612,305	30,351	1,484	29
10.	Trade payables	(5,692)	(123)	(154)	(119)
11.	Financial liabilities	(65,209)	-	(3,123)	-
12a.	Other monetary liabilities	-	-	-	-
12b.	Other non-monetary liabilities	-	-	-	-
13.	Current liabilities (10+11+12)	(70,901)	(123)	(3,277)	(119)
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(196,472)	-	(9,409)	-
16a.	Other monetary liabilities	-	-	-	-
16b.	Other non-monetary liabilities	-	-	-	-
17.	Non-current liabilities (14+15+16)	(196,472)	-	(9,409)	-
18.	Total liabilities (13+17)	(267,373)	(123)	(12,686)	-
19.	Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	-	-	-	-
19a.	Off-balance sheet foreign currency derivative financial assets	-	-	-	-
19b.	Off-balance sheet foreign currency derivative financial liabilities	-	-	-	-
20.	Net foreign assets/(liability) position (9-18+19)	344,932	30,228	(11,202)	29
21.	Net foreign currency asset/(liability) position of monetary items (=1+2a+3+5+6a -10-11-12a-14-15-16a)	344,932	30,228	(11,202)	(90)
22.	Fair value of derivative instruments used in foreign currency hedge	-	-	-	-
23.	Export (*)	47,403	234	2,059	-
24.	Import	-	-	-	-

(*) Includes exports from the countries in which the Group operates. The total amount of sales made by the Group outside of Turkey in the interim period of 31 March 2023 is TL 156,013 (31 March 2022: TL 98,057).

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

		Foreign Currency Position as of 31 December 2022			
		TL equivalent	USD	EUR	Other
1.	Trade receivables	25,137	785	523	25
2a.	Monetary financial assets (cash and bank accounts included)	337,519	17,888	153	3
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
4.	Current assets (1+2+3)	362,656	18,673	676	28
5.	Trade receivables	-	-	-	-
6a.	Monetary financial assets	204,247	10,923	-	-
6b.	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	Non-current assets (5+6+7)	204,247	10,923	-	-
9.	Total assets (4+8)	566,903	29,596	676	28
10.	Trade payables	(7,826)	(337)	(76)	(16)
11.	Financial liabilities	(57,928)	-	(2,900)	-
12a.	Other monetary liabilities	-	-	-	-
12b.	Other non-monetary liabilities	-	-	-	-
13.	Current liabilities (10+11+12)	(65,754)	(337)	(2,976)	(16)
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(189,240)	-	(9,476)	-
16a.	Other monetary liabilities	-	-	-	-
16b.	Other non-monetary liabilities	-	-	-	-
17.	Non-current liabilities (14+15+16)	(189,240)	-	(9,476)	-
18.	Total liabilities (13+17)	(254,994)	(337)	(12,452)	-
19.	Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	-	-	-	-
19a.	Off-balance sheet foreign currency derivative financial assets	-	-	-	-
19b.	Off-balance sheet foreign currency derivative financial liabilities	-	-	-	-
20.	Net foreign assets/(liability) position (9-18+19)	311,909	29,259	(11,776)	28
21.	Net foreign currency asset/(liability) position of monetary items (=1+2a+3+5+6a -10-11-12a-14-15-16a)	311,909	29,259	(11,776)	12
22.	Fair value of derivative instruments used in foreign currency hedge	-	-	-	-
23.	Export (*)	142,704	1,000	6,221	-
24.	Import	-	-	-	-

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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 equity.

Foreign currency sensitivity

	31 March 2023			
	Profit/(Loss)		Equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
Change of USD against TL by 10%				
1- USD net assets/liabilities	57,820	(57,820)	-	-
2- Hedged portion from USD risks (-)	-	-	-	-
3- USD net effect (1+2)	57,820	(57,820)	-	-
Change of EUR against TL by 10%				
4- EUR net assets/liabilities	(691)	691	-	-
5- Hedged portion from EUR risks (-)	-	-	-	-
6- EUR net effect (4+5)	(691)	691	-	-
Change of USD against RON by 10%				
7- USD net assets/liabilities	77	(77)	-	-
8- Hedged portion from USD risks (-)	-	-	-	-
9- USD net effect (7+8)	77	(77)	-	-
Change of EUR against RON by 10%				
10- EUR net assets/liabilities	(22,658)	22,658	-	-
11- Hedged portion from EUR risks (-)	-	-	-	-
12- EUR net effect (10+11)	(22,658)	22,658	-	-

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

Foreign currency sensitivity (cont'd)

	31 December 2022			
	Profit/(Loss)		Equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
Change of USD against TL by 10%				
1- USD net assets/liabilities	54,800	(54,800)	-	-
2- Hedged portion from USD risks (-)	-	-	-	-
3- USD net effect (1+2)	54,800	(54,800)	-	-
Change of EUR against TL by 10%				
4- EUR net assets/liabilities	(1,188)	1,188	-	-
5- Hedged portion from EUR risks (-)	-	-	-	-
6- EUR net effect (4+5)	(1,188)	1,188	-	-
Change of USD against RON by 10%				
7- USD net assets/liabilities	(89)	89	-	-
8- Hedged portion from USD risks (-)	-	-	-	-
9- USD net effect (7+8)	(89)	89	-	-
Change of EUR against RON by 10%				
10- EUR net assets/liabilities	(22,288)	22,288	-	-
11- Hedged portion from EUR risks (-)	-	-	-	-
12- EUR net effect (10+11)	(22,288)	22,288	-	-

Hedging activities

The functional currency of Total Soft, the Group's subsidiary operating in Romania, is RON. In order to hedge the foreign currency translation risk arising from the conversion of Total Soft's Euro-denominated borrowings into RON, 54% of Total Soft's Euro-denominated revenues are defined as hedging instruments which is planned to generate between 2020 and 2028. The Group management considers the low risk of hedging ineffectiveness that may arise in the future due to the low hedge ratio used. For the year ended 31 March 2023, foreign exchange expense amounting to TL 420 (31 March 2022: TL 729) was accounted for in the hedge gains/losses under shareholders' equity.

Capital risk management

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

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

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

Capital risk management (cont'd)

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

	31 March 2023	31 December 2022
Total payables	391,100	397,461
Less: Cash and cash equivalents	(655,064)	(640,282)
Net debt	(263,964)	(242,821)
Total equity	1,145,020	1,090,109
Total capital	881,056	847,288
Debt/equity ratio	(30%)	(29%)

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

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

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

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NOTE 31 - FINANCIAL INSTRUMENTS

Monetary assets

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

Certain financial assets carried at cost including cash and cash equivalents are carried at cost, and their carrying values are approximately equal to their fair values due to their short-term nature.

It is assumed that the book values of trade receivables reflect their fair values with the related doubtful receivables provisions.

Monetary liabilities

It is assumed that the carrying values of financial liabilities and other monetary liabilities approximate their fair values due to the variable interest rate of long-term financial liabilities. It is anticipated that the book 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 31 March 2023 is as follows:

Financial assets at fair value through profit or loss in the statement of financial position	Level 1	Level 2	Level 3
Financial investments (*)	560,316	-	190,051

Financial assets at fair value through profit or loss in the statement of financial position	Level 1	Level 2	Level 3
Put option liabilities	-	-	225,551

(*) Note 5 and Note 29

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NOTE 31 - FINANCIAL INSTRUMENTS (cont’d)**Categories of financial instruments and their fair values****31 March 2023**

	Financial assets at amortized cost	FVTPL	FVTOCI	Financial liabilities at amortized cost	Liabilities at fair value	Carrying value	Note
<u>Financial assets</u>							
Cash and cash equivalents	250,853	-	-	-	-	250,853	4
Financial assets	-	154,154	596,213	-	-	750,367	5
Trade receivables	292,663	-	-	-	-	292,663	8
Receivables from related parties	3,557	-	-	-	-	3,557	28
<u>Financial liabilities</u>							
Financial payables	-	-	-	271,215	-	271,215	7
Other payables	-	-	-	55,104	-	55,104	9
Put option liabilities	-	-	-	-	225,551	225,551	9
Trade receivables	-	-	-	119,885	-	119,885	9
Payables to related parties	-	-	-	25	-	25	28

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NOTE 31 - FINANCIAL INSTRUMENTS (cont’d)

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

31 December 2022

	Financial assets at amortized cost	FVTPL	FVTOCI	Financial liabilities at amortized cost	Liabilities at fair value	Carrying value	Note
<u>Financial assets</u>							
Cash and cash equivalents	229,151	-	-	-	-	229,151	4
Financial assets	-	113,780	680,822	-	-	794,602	5
Trade receivables	387,441	-	-	-	-	387,441	8
Receivables from related parties	2,314	-	-	-	-	2,314	28
Derivatives instruments	-	1,962	-	-	-	1,962	29
<u>Financial liabilities</u>							
Financial payables	-	-	-	253,648	-	253,648	7
Other payables	-	-	-	76,616	-	76,616	9
Put option liabilities	-	-	-	-	225,551	225,551	9
Trade payables	-	-	-	143,813	-	143,813	9
Payables to related parties	-	-	-	4	-	4	28

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NOTE 32 – DISCLOSURES ON THE STATEMENT OF CASH FLOWS

	Bank loans and credit cards	Leases	Total
1 January 2023	227,718	25,930	253,648
Cash inflows	19,082	-	19,082
Cash outflows	(2,801)	-	(2,801)
Foreign currency translation differences	(1,641)	1,606	(35)
Increase in lease liabilities (TFRS 16)	-	4,571	4,571
Cash outflows from lease liabilities (TFRS 16)	-	(3,250)	(3,250)
31 March 2023	242,358	28,857	271,215
Cash and cash equivalents (-)			(250,853)
Net debt			20,362

	Bank loans and credit cards	Leases	Total
1 January 2022	245,844	20,579	266,423
Cash inflows	19,898	-	19,898
Cash outflows	(55,221)	-	(55,221)
Foreign currency translation differences	17,197	7,926	25,123
Increase in lease liabilities (TFRS 16)	-	8,126	8,126
Cash outflows from lease liabilities (TFRS 16)	-	(10,701)	(10,701)
31 December 2022	227,718	25,930	253,648
Cash and cash equivalents (-)			(229,151)
Net debt			24,497

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 MARCH 2023

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

NOTE 33 – EVENTS AFTER THE REPORTING PERIOD

At the meeting of the Board of Directors of Logo Yazılım, dated 28.02.2023, The net profit for the period of 01.01.2022 – 31.12.2022, which was prepared in accordance with the International Financial Reporting Standards within the framework of the provisions of the Communiqué Serial: II 14.1 of the Board of Directors and audited by DRT Independent Auditing and Certified Public Accountant Anonim Şirketi, by the company, it was proposed to the General Assembly to distribute it within the framework of the company's profit distribution policy and in accordance with the profit distribution table prepared, and the proposal was accepted at the Ordinary General Assembly dated 15 March 2023.