ANNUAL REPORT 2012

LOGO

BUSINESS SOLUTIONS

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MESSAGE FROM THE CHAIRMAN

M. TUĞRUL TEKBULUT

Chairman of the Board

Dear LOGO Shareholders,

We have completed another consecutive year of fast-paced growth. Since 2009 we have grown 2.5 times while increasing our profitability. We are proud to be Turkey's leading local business applications software company and the region's leading business applications software company.

This steady growth and progress demonstrates that we have kept all the promises we made to you over the years. LOGO will stick to its promises to create value and serve its customers, partners, and country, as well as the people in the region where it operates.

We have a tremendous growth opportunity ahead of us. The software industry's share of the Turkish economy is still too low compared to that in developed countries. To become more competitive and integrated with the global economy, Turkey must make greater investments in the software industry and increase softwares' share in the economy. We expect this long-awaited progress in the software market in the coming years, in line with the steady growth of the country. Ranked among the top of the R&D tables and dominating the leading position for years in terms of R&D intensity (ratio of R&D expenditures to sales), LOGO Business Solutions is the best positioned of any Turkey-based software companies to benefit from the opportunities raised by these positive economic developments.

The steady growth of LOGO in recent years has attracted the attention of customers and business partners as well as strategic, financial, and portfolio investors from all around the world. Turkey's growth and development despite the long-lasting global recession has also contributed to the attractiveness of LOGO. Taking advantage of this opportunity, we have recently partnered with the UK-based Mediterra Private Equity Fund. The valuation of our company in this transaction was calculated much higher than our market value on the Istanbul Stock Exchange (Borsa Istanbul) demonstrating the trust in and the potential of our company.

LOGO's next goal is to become a globally recognized "national champion," strongly competing against international business applications software companies and racing to the top in Turkey and the surrounding region. We believe we are well prepared and have all the necessary resources to realize this goal, which will significantly benefit our customers, employees, business partners, and the economies of both our country and the region.

We appreciate your trust and remain committed to work in order to deserve it Yours sincerely,

[redacted]

M. Tuğrul Tekbulut

MESSAGE FROM THE CEO

M. BUĞRA KOYUNCU
Chief Executive Officer

Dear LOGO Shareholders and Members of the LOGO Family,

Despite the unfavorable, volatile atmosphere in the global economy and the slowdown in the growth of the Turkish economy, 2012 was a year of expansion and productivity for LOGO, building upon the fast-paced growth starting in 2011. In 2012 we repeated 2011's revenue growth of 49% and achieved an increase in net income on an annual basis of 242%, due to operational efficiency and productivity initiatives.

Following on these strong results, we will continue to aim for double-digit growth in the upcoming five years through concrete steps; a transparent, open, and participative management approach; and the motivation and energy to reach our goals. This not only indicates financial achievement, but also reveals that LOGO is going through a major transformation and development process.

As a result of the management and organizational changes we have made in recent years, reinterpreting methods such as "lean management" and "agile production," LOGO has become a flexible organization well-adapted to our domestic market. In 2012 we have already seen the results of this change in the way we do business, in the products and services we are offering, and in our relationships with our customers and business partners. In the coming years, we will observe the positive outcomes of this change.

As a result of the global crisis, countries around the world started revisiting their economic policies, and private companies, particularly those in the finance industry, reviewed their perceptions of growth, risk management, and productivity. New approaches to old problems, alternative models and solutions were proposed and discussed. Throughout this process, we are witnessing the fast-paced rise of developing economies along with sustainability issues in developed economies.

We are in an era in which large, organized and inflexible structures with strictly defined rules and processes can lose market share when challenged by relatively small, dynamic, and flexible organizations with advanced adaptive capabilities. Competition and growth require agile, flexible, and lean organizations. This is exactly what developed economies and the companies based in them have failed to do. Parallel to this, there is a rising need for timely and optimum solutions provided by business applications software that companies use to run and monitor their processes. In that respect, LOGO stands out. We have been developing solutions customized for our market for almost three decades now, implementing them rapidly and easily, consulting with business partners all around the country, and optimizing our customers' cost-benefit balance. LOGO's growth in recent years is rooted in its differentiation and competitive advantage, which users have appreciated.

Looking at Turkey's economy from a broader time frame, we can see a stable atmosphere and continuous growth despite the negative effects of the global crisis and periodic fluctuations. The contribution of small and medium-sized enterprises (SMEs) and new entrepreneurs is continuously increasing, given the SME-dominated capital structure of the Turkish economy. As well-educated managers from a younger generation are taking over in the workplace and firms started investing more in information technologies to keep up with global

MESSAGE FROM THE CEO

trends. As a market leader committed to the mission of supporting SMEs in their achievements, LOGO has taken the largest share of this growing pie.

Turkey has ambitious goals looking forward over the next 10 years, to 2023. While competition is becoming ever more fierce among countries and global companies, Turkey can achieve these goals only through the successful growth of SMEs. This means more innovation and more work for these SMEs to expand their businesses and maintain their competitiveness. The information technology industry has a unique responsibility to contribute to economic growth. From its base in Turkey, LOGO has the product portfolio, software development process, engineering, and technology to compete in the global markets due to its investment in R&D and innovation.

We will continue to invest in international markets in the upcoming years and work towards increasing our market share in the region with innovative and competitive solutions.

LOGO expanded its product portfolio in 2012. We have focused on mobile applications, a growing trend in information technology, by introducing LOGO Mobile, which is developed for our company's ecosystem and users. After our acquisition of Coretech in 2011, we brought cloud solution DIVA into our product familyand have completed its integration with other LOGO products. In order to strengthen DIVA's leading position as a productive and competitive cloud product, we are planning to make additional investments this year to enlarge the set of solutions offered. We have gained new corporate customers in the development/construction and distribution industries as reputable references with our new-generation business management solution j-guar, developed with Java. We expect the number of corporate projects to increase this year and account for a larger share of our total sales.

In 2012, we also increased our (the) investment in our brand and customer satisfaction. We have increased by 50% the number of our solution partners, which develops third-party software, integrations, and vertical solutions for the market. This came as a result of promotional activities, such as Logosphere Solution Days and Solution Partner Seminars in Istanbul, Ankara, and Izmir for promoting and growing the LOGO ecosystem. We will continue to increase the number of our solution partners to keep going forward.

We have the largest distribution network in our sector due to our valued business partners, who are the key stakeholders in our success and essential members of the LOGO family. In order to support our business partners' development and allow the LOGO ecosystem to set the standard not only in Turkey but also in the wider region, we implemented planned channel development activities throughout 2012. We have established channel development departments under Corporate and SME product lines. Additionally, we have established a new department to standardize solutions developed only by LOGO Solution Partners and to introduce them to the market by including them in our product and price lists. As a result, we have been able to introduce numerous vertically and functionally complementary solutions. We have established new models to assist the firms developing these solutions access the market more easily and to support their growth.

Looking back on 2012, we see a year of high growth, proving that we are on the right track and justifying our plans to achieve our strategic goals. We expect an outstanding growth period for the software industry, both in Turkey and the region. LOGO will work on maintaining its leading position in the industry with our innovations, business model, and sustainable steady growth.

I extend my most sincere gratitude to all employees, business and solution partners, customers, and each member of the LOGO family who helped us reach where we are today.

Yours sincerely,

[redacted]

Mehmet Buğra Koyuncu

BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE

BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE

M. TUĞRUL TEKBULUT

Chairman of the Board

M. Tuğrul Tekbulut is a founding partner of LOGO. He graduated from Boğaziçi University - Department of Electrical Engineering in 1980 and received his master's degree in 1983 from the same department. In addition to holding the Chairmanship of LOGO, he is also a Board Member of the Turkish Informatics Foundation.

T. MÜGE PERİ

Vice Chairwoman of the Board

Müge Peri graduated from Yıldız Technical University - Department of Chemical Engineering in 1980. She then worked as a Quality Control Manager and Production Planning Supervisor in the metal industry. After starting her information technology career in 1987, she joined LOGO as a Sales Representative in 1989. In 1992 she became Assistant General Manager of Operations, and in 1997 she took the role of Assistant General Manager of Quality and Human Resources. In 2004 she became a Member of the Board and Chief Operating Officer, and since 2008 she has held the position of Vice Chairwoman of the Board.

BELKIS ALPERGUN

Independent Member of the Board

Belkıs Alpergun graduated from Boğaziçi University - Business Department in 1982. She began working for Pamukbank in 1987 as a Department Manager, and after holding managerial positions in various departments she became the General Manager of Pamuk Factoring in 1996. She also took an active role in the Board of the Factoring Association. In 2005, she became Coface Sigorta's Country Manager for Turkey. Since 2006, she has been the General Manager and a Board member of Coface Sigorta.

FAİK BURHANOĞLU

Independent Member of the Board

Faik Burhanoğlu received his master's degree in Electrical Engineering from Boğaziçi University. He started his career as a Research Assistant at Istanbul Technical University, then worked as an R&D Engineer for Netaş. He started his information technology career at Apple in 1981, then worked for the Commodore computer company. In 1982, he started his own software company, Mikrobahçe. In 1994, he became the Manager of Acer's Turkey office, then was General Manager for Lenovo between 2008 and 2011. Since October 2011, he has worked as a consultant to information technology companies.

BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE

Yusuf Önder EREN

Independent Member of the Board

Yusuf Önder Eren graduated from Boğaziçi University - Department of Economics in 1975. He started his career at Arthur Andersen, where he worked until 1979. He then worked as General Manager at Beymen, and between 1985 and 1991 headed the financial management department at Akın Tekstil. In 1991 he started a family business and acted as CEO until 2004. Since 2004, he has been a Board Member at Karel and CEO of Süperlit.

M. BUĞRA KOYUNCU

Chief Executive Officer, Member of the Board

M. Buğra Koyuncu graduated from Istanbul Technical University - Control and Computer Engineering Department in 1994. He joined LOGO in 1993 as a System Analyst and then worked as a Project Manager and Product Development Manager; in March 2004, he became the General Manager. He has been Chief Executive Officer of LOGO since October 2011.

GÜLNUR ANLAŞ

Chief Financial Officer, Member of the Board

Gülnur Anlaş graduated from the Business Department of Middle East Technical University - School of Administrative Sciences. In 1989 she received her MBA from Texas Tech University, and in 1991 she completed her master's degree in economics at the University of Delaware. She started her career at Interbank in 1984 as an Assistant Auditor. She handled numerous project development and financing transactions in corporate finance at Chemical Bank and Westdeutsche Landesbank. Between 2001 and 2005, she worked at Teba Group as Vice President in charge of finance. She has been Chief Financial Officer of LOGO since 2006. On January 1, 2012, she became Vice Chairwoman of the Executive Committee.

BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE

AKIN SERTCAN

Executive Committee Member, SME Products

Akın Sertcan graduated from Izmir 9 Eylul University - Department of Computer Programming. He started his information technology career in 1989 as a Sales Representative. He joined LOGO in 1996 as a Sales Channel Manager Responsible for the Aegean region. In 2008, he was appointed Regional Manager for the Aegean region. Since January 1, 2012, he has been the Executive Committee Member in charge of SME products.

ARSLAN ARSLAN

Executive Committee Member, Infrastructure

Arslan Arslan graduated from Middle East Technical University - Department of Computer Engineering in 1996. He is one of the founding partners of Özgün Yazılım Software Company, a LOGO solutions partner. In 1999, he received his master's degree in computer engineering from Middle East Technical University. In 1998, he joined LOGO as an R&D Software Engineer. Between 2000 and 2005 he worked on R&D projects at LOGO's Frankfurt office. He returned to Turkey in 2005 to work as R&D group manager at LOGO's Ankara office, then was appointed as Director of Infrastructure and Tools in 2006. Since January 1, 2012, he has been a Member of the Executive Committee in charge of Infrastructure.

AYHAN İNAL

Executive Committee Member, Product Development

Ayhan Inal graduated from Yıldız Technical University - Department of Mechanical Engineering in 1991. In 1989, he joined LOGO's product development department. He has worked as a Software Development Specialist, Product Development Manager, and Product Development Adviser. Since January 1, 2012, he has been a Member of the Executive Committee in charge of Product Development.

BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE

ESRA AKAR

Executive Committee Member, Human Resources and Operations

Esra Akar graduated from Istanbul Technical University Department of Chemical Engineering in 1989. She completed her master's degree in Operations Management at Istanbul University - School of Business. After working for a short time in R&D in the chemical industry, she joined LOGO in 1993 as a Support Analyst. She has worked as a Call Center Manager, Product Support Manager, Implementation Adviser, Project and Coordination Manager, Project Manager, and After-Sales Services team member. In 2009, she became a Supply Chain Manager Responsible for the order, development, and delivery departments. In July 2010, she became the Operations Director. Since January 1, 2012, she has been a Member of the Executive Committee Responsible for Human Resources and Operations.

FATMA TARPİNOF

Executive Committee Member, Marketing and Corporate Communications

Fatma Tarpinof graduated from Istanbul University School of Business - Department of Business Administration in English in 1995. In 1996, she received training in the UK in the field of marketing and corporate communications. She started her career in marketing in 1996 and worked as Product Manager at various companies. She joined LOGO in 1998 as a Product Manager in charge of services. She later became the Communications Manager and Marketing and Corporate Communications Manager. Since January 1, 2012, she has been a Member of the Executive Committee Responsible for Marketing and Corporate Communications.

HAKAN ALPASLAN

Executive Committee Member, Corporate Products

Hakan Alpaslan graduated from Anadolu University - Department of Economics in 1988 and received his MBA degree from the University of North Texas School of Business. He joined LOGO in 1994 and became the Anatolian region's Sales Channel Manager in 1996. In 2008 he was appointed the Regional Manager for Anatolia. Since January 1, 2012, he has been a Member of the Executive Committee Responsible for Corporate Products.

BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE

UĞUR NURİ SİPAHİ

Executive Committee Member, Next Generation Business Solutions

Uğur Nuri Sipahi graduated from Boğaziçi University – Department of Industrial Engineering in 1993 and received his master's degree in industrial engineering from Marmara University in 1997. Between 1995 and 1997, He worked in the automotive suppliers industry, specializing in quality management. He joined LOGO in 1997 as a System Analyst and worked at various levels in the product development department for 10 years. He was a Business Solutions Adviser from 2007 to 2009 and Product Manager from 2009 to 2012. Since January 1, 2012, he has been a Member of the Executive Committee Responsible for Next Generation Business Solutions.

Terms of Office for Chairman and Members of the Boards and Auditors

Chairman of the Board	M. Tuğrul TEKBULUT	April 12, 2012	-	July 15, 2013
Vice Chairwoman of the Board	T. Müge PERİ	April 12, 2012	-	June 21, 2013
Board Member	M. Buğra KOYUNCU	April 12, 2012	-	June 18, 2013
Board Member	Gülnur ANLAŞ	April 12, 2012	-	June 21, 2013
Independent Board Member	Faik BURHANOĞLU	April 12, 2012	-	June 21, 2013
Independent Board Member	Belkıs ALPERGUN	April 12, 2012	-	July 15, 2013
Independent Board Member	Y. Önder EREN	April 12, 2012	-	July 15, 2013
Board Member	S. Leyla TEKBULUT	18 Haziran 2013	-	July 15, 2013
Board Member	Murat ERKURT	21 Haziran 2013	-	July 15, 2013
Auditor	Macide OLAM			
Audit Committee				
Chairwoman	Belkıs ALPERGUN			
Member	Y. Önder EREN			

ABOUT LOGO

ABOUT LOGO

Our Vision:

LOGO imagines an economic model in globalized free markets, which is sustainably dominated by SMEs with their entrepreneurship, creativity, innovativeness, high added value, and employment potential.

Our Mission:

LOGO serves our country and the world, working for increasing production and enhancing employment and welfare through assisting SMEs in their achievements in global markets.

LOGO is the largest independent software group in Turkey. Established to develop engineering software for personal computers in 1984, LOGO has evolved into an information-oriented, high-tech business.

Since its foundation, LOGO has been a leader, pulling the Turkish software industry forward through innovations in solutions, services, and business processes. LOGO went public in 2000, becoming the first-ever listed information technology company in Turkey. With its 1.3 million users working at 170,000 companies, LOGO is not only the leader in Turkey but also a worldwide-recognized software company in the field of business applications.

Business Solutions for Today and Tomorrow...

LOGO defines itself as a "productivity company," and its core principle is to develop solutions improving productivity and profitability, allowing companies to structure themselves in line with modern management techniques and to manage their processes to international standards. These include solutions and services such as enterprise resource management designed for various sizes, industrial solutions, supply and demand chain automation, business process design consulting, and business intelligence solutions.

Our products and services are localized for different languages, business practices, and legal regulations of numerous countries in Europe, the Middle East, Africa, and Asia, rendered by fully authorized local business partners. With the goal of becoming a global brand, LOGO is now operating in 41 countries.

Leader in Technology and R&D

Investing in R&D and excellence in software and providing high-quality solutions are core principles for LOGO, because we believe that technology and R&D investments are the core of long-term growth. Adopting the vision of "continuous innovation," LOGO is one of the leading companies in Turkey in terms of R&D rankings:

According to TurkishTime Reports about R&D Avtivities conducted by LOGO:

Ranking	Category	Ranking	Category	Source
1	IT industry	12	Overall	TurkishTime 2010
1	IT industry	14	Overall	TurkishTime 2009
1	IT industry	13	Overall	TurkishTime 2008

LOGO's products and services have had numerous achievements both locally and internationally and have won various awards. LOGO was a recipient of the IBM Innovative Open Architecture Solutions Award for its Java product (what year), and in 2009 the company won the Technology Award at the 8th Technology Congress organized by the Scientific and Technological Research Council of Turkey, the Turkish Industrialists' and Businessmen's Association, and Technology Development Foundation of Turkey.

Continuing to invest in different business models and technologies in the software industry with experience of more than 25 years, LOGO has recently completed two significant transactions. In November 2011, we acquired Coretech, a leading technology company which offers its software as a service (SaaS) online. Coretech has a significant place in LOGO's future vision of expanding Internet and mobile-based technologies. In December 2011, LOGO acquired the majority of the shares of WorldBI, a business intelligence software development company, extending its product line with innovative products. With WorldBI's high visual quality and user friendliness at mobile and stable platforms, we are aiming to capture a significant share of both the local and international business intelligence markets, using the advanced marketing capabilities and wide distribution and service network of LOGO.

ABOUT LOGO

History

1984	ESTABLISHED
1986	LOGO COMMERCIAL SYSTEM
1988	LOGO MODULAR SYSTEM (LMS)
1991	MULTIBASE-C
1992	LOGO GOLD
1999	LOGO ERP (Unity & HR)
2004	E-PRODUCTS, SUPPLY CHAIN EXECUTION
2005	TIGER
2006	UNITY ON DEMAND
2007	GO
2008	START
2010	GO PLUS, TIGER PLUS, TIGER ENTERPRISE
2012	j-guar

1984
Established

1986
Business Applications – DOS

1996
Business Applications – Windows

2000
The first IT and software company listed on the Istanbul Stock Exchange
Relocation to a new 11,000-square-meter facility at the GOSB Technopark

2005
Innovative Open Architecture Award - IBM

2006
İBusiness Applications - Java

2009
Innovative Technology Award - The Scientific and Technological Research Council of Turkey,
Turkish Industrialists' and Businessmen's Association,
and Technology Development Foundation of Turkey

2011
Acquisition of Coretech
Acquisition of majority of the shares of World BI

HUMAN RESOURCES

HUMAN RESOURCES

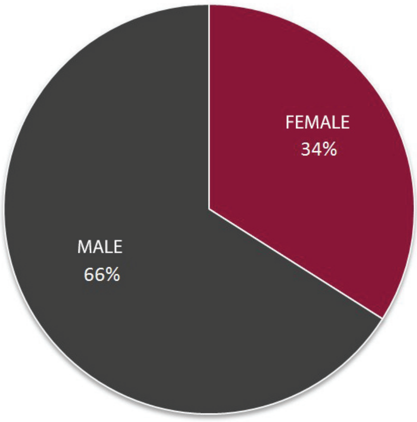
LOGO's highly qualified and well-trained staff is the driving force behind our success.

Human resource profile as of the end of 2012:

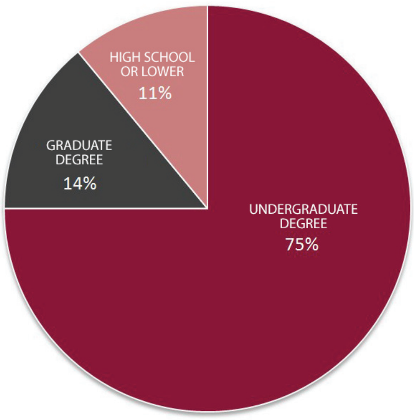
Number of Employees: 249

Average Age: 33

Gender Distribution: 34% Female, 66% Male



Level of Education: 75% Undergraduate degree, 14% Graduate degree, 11% High School or lower



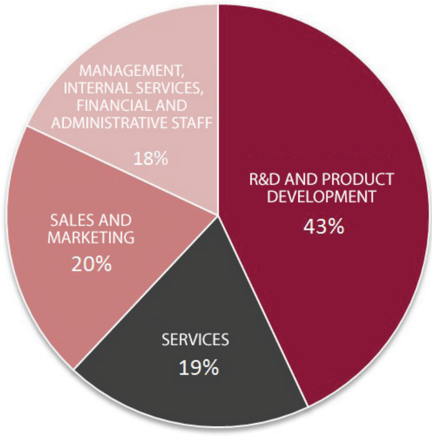
Following the acquisition of Coretech in November 2011 and World BI in March 2012, the total number of employees increased to 249. Departmental distribution of our work-force:

43% R&D and Product Development

19% Services

20% Sales and Marketing

18% Management, Internal Services, Financial, and Administrative Staff



Employee Turnover Rate by the end of 2012: 3%

R&D projects are carried out at the GOSB Gebze Organized Industry Zone Technopark and Bilkent Cyberpark.

LOGO reviews and updates its organization systems and processes continuously in line with the philosophies of lean management and agility. As a result of the reorganization implemented at the beginning of 2012, we have established a flexible and lean organization structure based on product lines.

Our management philosophy is based on shared vision and mission, goal congruency, and empowerment. In line with this philosophy, LOGO's HR department forms teams of successful and dynamic people to focus on sustainable growth.

In addition to recent college graduates—the company has a presence at universities' career days—LOGO also recruits experienced software professionals. Each new hire goes through an orientation program that includes training on the corporate culture, internal procedures, and HR practices. Particularly during the first few months of work, the HR department remains in close contact with new hires.

All employees have access to HR policy and practices, which are available on LOGO's Intranet.

LOGO has a job ranking, seniority, and compensation system covering all employees. Periodic wage increases are based on current market conditions.

LOGO employees are afforded first priority in filling vacancies. Open positions are announced on the LOGO Intranet.

HUMAN RESOURCES

The Board of Directors is formed of five members, two of which are elected as independent members. The Board's responsibilities include defining the vision, mission, main philosophy, and values of the company; formulating long-term strategy and goals, developing new business; making investment and growth decisions, monitoring top management performance in achieving goals; approving and controlling budgets, and monitoring the organization.

ENVIRONMENTAL AWARENESS AND SUSTAINABLE LIFE INITIATIVES AT LOGO

1. LOGO continued this year to focus even more strongly on the environment and sustainability planning. Employment and the settled area in the Development Center have been expanded while carrying out environmentally sensitive policies:

2. We have replaced our inefficient Uninterruptible Power Supply (UPS) system with solar-energy-supported transformers. We have minimized losses in our power distribution system and support the system with photovoltaic solar panels of 20kW power generation capacity. Thanks to this first-of-its-kind solution introduced in 2010, which saves 30 tons of carbon dioxide emissions annually; we have prevented the emission of 60 tons of carbon dioxide to date.

3. We are saving approximately 1500 kilowatt-hours of energy annually due to virtualization of our server infrastructure.

4. We have disposed of obsolete computers through a waste management company specializing in recycling of electronic devices and recycled more than 365 kg of electronic equipment.

5. We have donated some computers in our inventory to schools around Gebze and all around the country.

6. In September 2010, we changed the development technology of all of our products to allow online installation and eliminated the use of packaging, paper, nylon, and CD equipment. In doing so, we saved 640 trees annually and prevented overload of waste disposal sites.

7. We saved approximately 50 trees in 2011 by recycling more than 3 tons of paper collected in the plastic box/paper disposal areas located in our facilities in GOSB Technopark. We have also set up battery disposal bins.

8. We have consumed 20% less energy for lighting on an annual basis through a photocell lighting system device in various indoor locations in our GOSB Technopark building, which is designed to make maximum use of the daylight. In our luminous building, which provides a greenhouse effect, we have grown flowers and lemons in the indoor gardens and created a more pleasant working environment.

9. We have accomplished 10% water savings on an annual basis due to equipment mounted on taps to decrease the water flow.

10. We have saved significant amounts of paper by communicating online with our dealers and customers.

11. We have inserted a "please consider environment before printing this e-mail" message in our outgoing e-mails.

12. As members of a company aiming to be the leader in all areas, we have contributed to our natural and social environments with the aforementioned practices.

OPERATIONAL INDUSTRY AND COMPANY'S POSITION

An Overview of the Turkish IT Market and Applications Software Market

The Turkish IT market grew by 7.8% in 2011 to reach $9.12 billion. The hardware segment constitutes 79.4% of the market, whereas the software segment and IT services account for 7.9% and 12.7%, respectively.

In 2012, the IT market was expected to grow by 8.4% and reach a total size of $9.51 billion. The market is projected to reach a total size of $12.73 billion in the upcoming five-year period with a cumulative annual growth rate of 7.7%. The software segment is expected to grow with a cumulative annual growth rate of 12.3% in the same period of time. Gross domestic product is the main driving force behind the expansion of the market. According to Turkstat, with an 8.5% GDP growth in 2011, Turkey was one of the fastest growing economies in the world. This positive climate encouraged companies to increase IT spending in their budgets. The private sector grew, particularly in the finance, telecoms, and manufacturing industries, and significant investments in these fields triggered the growth of the IT industry. Additionally, the public services, media and publishing, retail, and wholesale industries supported the expansion of the IT market. This growth was particularly rooted in domestic consumption and private-sector investment.

In recent years, the Turkish government has been emphasizing IT investments in the context of mid-term and long-term plans. The government has already initiated the e-transformation process, which aims to bring together citizens with public and private institutions. Additionally, R&D, innovation, and information and communications technologies have been included in the steps taken towards the 2023 vision carried out by the Scientific and Technological Research Council of Turkey. Recently enacted regulations and legislative changes have also directly affected the use of information technology.

Environmental conditions such as general stagnation in the Turkish economy, Europe's economic uncertainty, foreign exchange rates, unemployment, and the current account deficit are among the factors inhibiting the development of the market. Particularly in the software market, the persistent continuity of piracy is one of the most significant obstructive factors in terms of market growth. According to a software piracy study released by the Business Software Alliance (BSA) and IDC, piracy reached 62% in 2011, which caused a loss of 526 million dollars for the Turkish economy. Reducing the rate of use without license will give rise to positive economic developments, while providing additional returns for information technology and distribution services.

Turkish Information Technology Market (Thousands of USD)*

				% Change	
	2010	**2011**	**2012**	**2010/2011**	**2011/2012**
IT Hardware	3.291.327	3.945.035	4.700.000	19.9	19.1
Software	1.690.686	1.853.414	2.100.000	9.6	13.3
Services	2.350.367	2.476.881	2.650.000	5.4	7.0
Consumables	265.092	290.490	320.000	9.6	10.2
Information Technologies	**7.597.472**	**8.565.820**	**9.770.000**	**12.7**	**14.1**
Telecoms Hardware	2.608.972	3.364.541	3.700.000	29.0	10.0
Bearer Services	18.361.895	17.202.003	17.400.000	-6.3	1.2
Communications Technologies	**20.970.867**	**20.566.544**	**21.100.000**	**-1.9**	**2.6**
TOTAL	**28.568.339**	**29.132.364**	**30.870.000**	**2.0**	**6.0**

*Interpromedya Research Group projections

OPERATIONAL INDUSTRY AND COMPANY'S POSITION

An Overview of the Software Market

The Enterprise Application Software (EAS) market in Turkey grew by 16.6% in dollar terms in 2011 to reach $138.91 million, according to IDC statistics. Enterprise Resource Management (ERM), which grew by 36.5$ to reach $60.73 million, accounts for the largest share in 2011 EAS revenues with 43.7% of the market; business analytics (BA) ranked in second place with 17.6%, followed by Customer Relationship Management (CRM) with 16.1%, Supply Chain Management (SCM) with 13.2%, and Operations and Manufacturing Applications (OMA) with 9.4%.

The ERM segment, containing financial accounting applications, human resources applications, order management, and supply modules, is expected to dominate the market in the following years, due to the tendency of Turkish companies to integrate accounting and finance modules. The business analytics (BA) segment grew by 34.3% in 2011 to reach $24.4 million. For optimization and efficient analysis purposes, the size of BA investments is expected to surge in line with the increasing volume of the digital data. In 2011, the CRM segment reached $22.3 million with a growth rate of 34.2%. As customer intelligence becomes central for achieving competitive advantage and revenue growth, companies will increase their CRM investments. The SCM segment grew by 24.6% to reach $18.35 million, and the OMA segment reached $13.12 million.

LOGO Business Solutions maintained its leading position in the SME segment and in terms of the number of customers. In terms of 2011 sales revenue, the company was ranked in the top three, along with its two global competitors.

IDC Turkey forecasts a growth rate of 11.6% in the EAS market for 2012. The market is projected to reach a total size of $246.54 million in the upcoming five-year period with a cumulative annual growth rate of 12.3%.

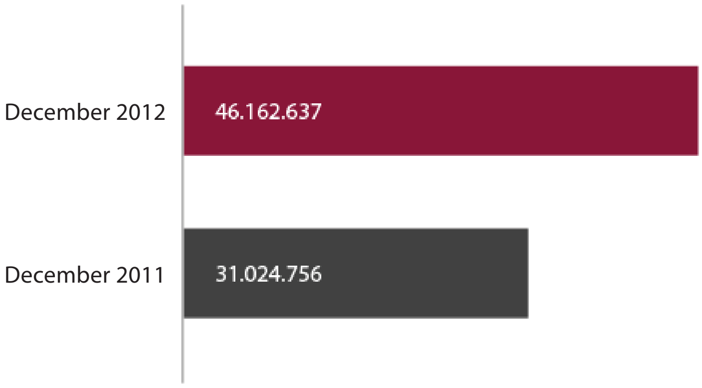
Sources:

- IDC 2012
- Interpro IT 500, 2011
- Gartner (forecasts)

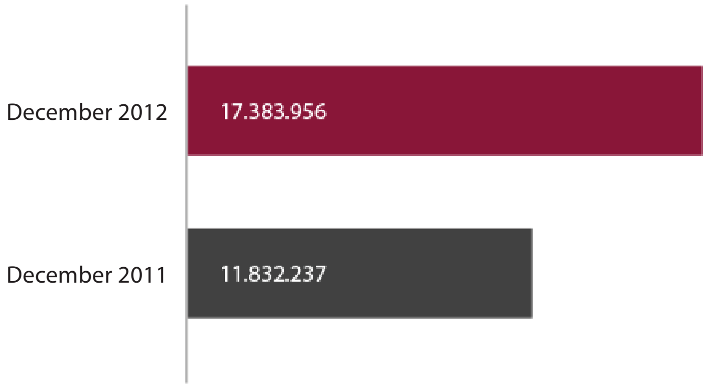
FINANCIAL RESULTS

FINANCIAL RESULTS

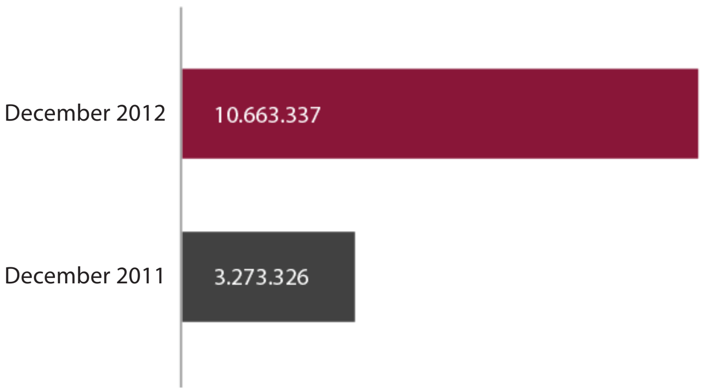
NET SALES



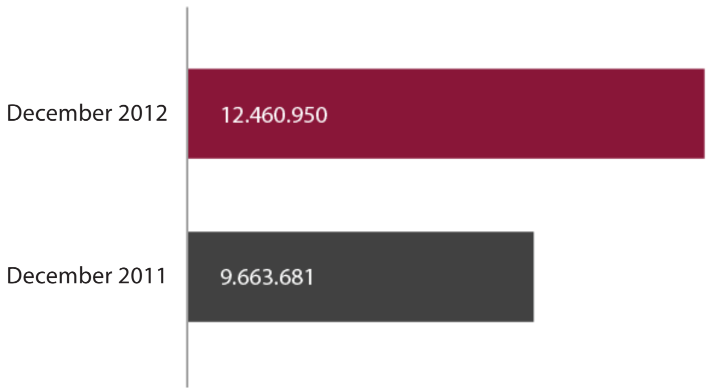
EBITDA



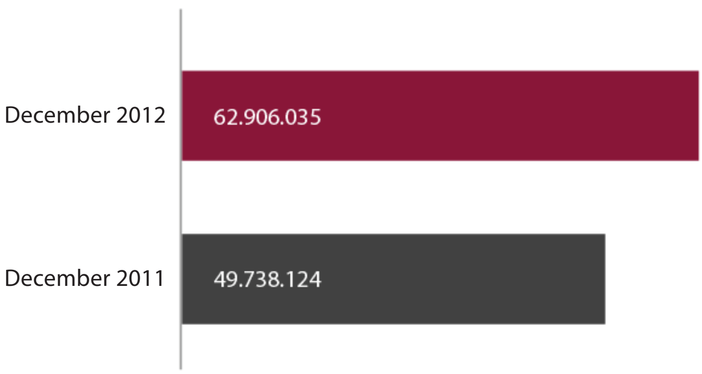
NET INCOME



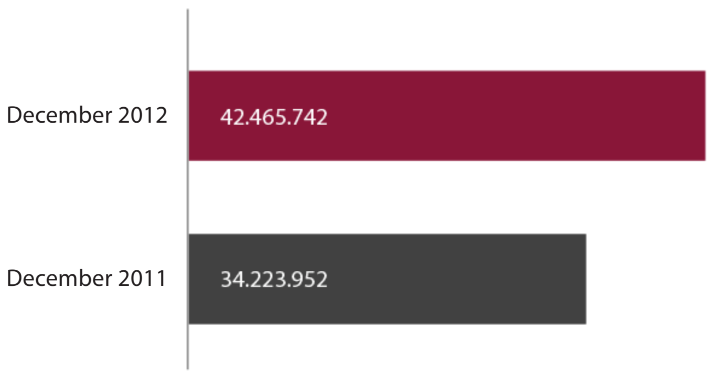
WORKING CAPITAL



TOTAL ASSETS



TOTAL EQUITY



FINANCIAL RESULTS

Record Growth in Sales and Profitability

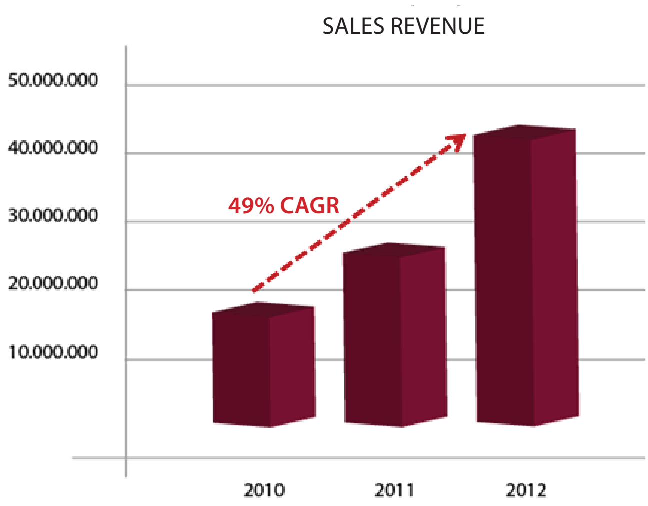
LOGO has increased its revenues by 49% every year in the past three years and accomplished record-breaking steady growth with high profitability.

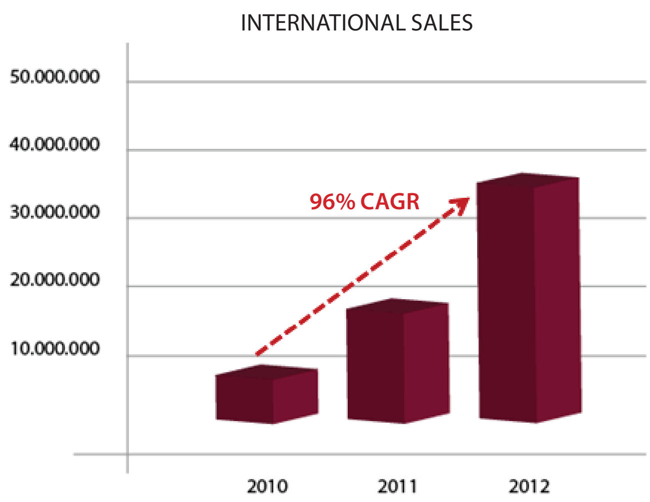
TL	2012	2011	2010
INCOME STATEMENT			
Net Sales	46.162.637	31.024.756	20.757.121
Gross Profit	44.411.299	30.133.495	19.865.747
Profit / Loss from Operations	11.610.869	6.634.469	-295.178
Operating Profit / Loss	11.943.470	3.588.671	-561.719
EBITDA	17.383.954	11.832.237	4.979.076
Net Income / Loss	10.663.335	3.124.998	-421.190
BALANCE SHEET			
Current Assets	31.069.738	18.408.891	12.095.384
Cash & Cash Eq. and Fin'l Investments	10.316.506	5.369.064	5.187.717
Tangible Assets (net)	13.540.217	13.187.228	12.702.903
Intangible Assets (net)	15.832.958	13.705.903	10.043.303
Total Assets	62.906.035	49.738.124	37.289.412
Total Liabilities	20.440.292	15.514.172	5.913.656
Net Debt	-3.031.762	643.131	-4.456.606
Total Equity	42.465.743	34.223.952	31.375.756
CASH FLOW			
Cash From Operating Activities	12.919.058	4.530.245	2.256.866
Cash Used in Investing Activities	-4.964.758	-6.162.029	-2.608.415
Cash From (Used in) Financing Activities	-3.240.439	1.843.647	76.071
Net Cash	4.713.863	211.863	-275.478
SHARE PRICE INFORMATION			
Year - End Share Price	3,69	1,51	2,36
Price/Earning Ratio	8,65	12,08	--
Year-end Market Value	92.250.000	37.750.000	59.000.000
HEADCOUNT	249	221	164

FINANCIAL RESULTS

Sales Revenue

- In 2012, consolidated net sales grew by 49% to reach 46,162,637 TL.
- International sales were up by 71% to reach 3,619,898 TL.
- The share of international markets in total revenue reached 8%.
- Sustainable revenue items such as Software as a Service (SaaS), pay-as-you-go, LOGO Enterprise Membership (LEM) and maintenance agreements accounted for 18.5% of total sales.

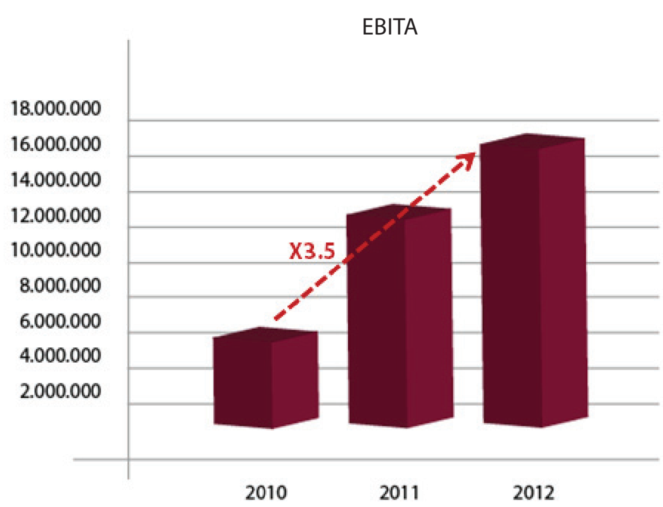


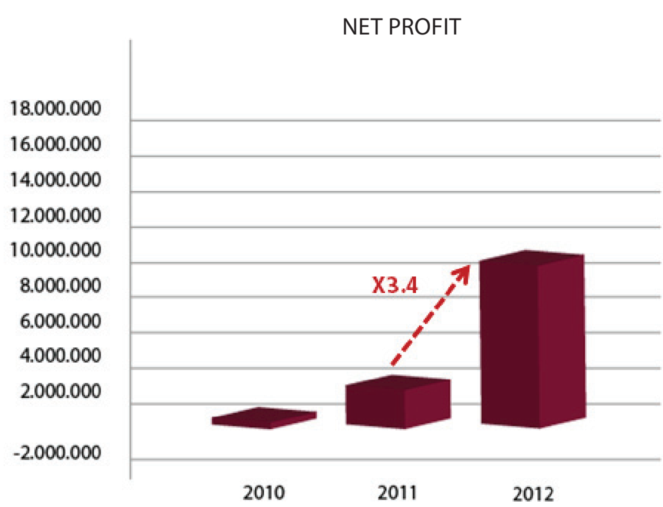


CAGR: Cumulative Annual Growth Rate

Profitability

- Despite fast-paced expansion of the company, controlled growth on the expense side strengthened profitability.
- Profit from operations increased by 75% to reach 11,610,869 TL.
- EBITDA grew by 47% to reach 17,383,954 TL, and the EBITDA margin equaled 38%.
- Net profit totaled 10,663,335 TL with an increase of 241%, while net profit margin equaled 23%.
- Operating mainly on a fixed-cost basis, LOGO is expected to maintain its high profitability in the upcoming periods thanks to the upward sales trend.





FINANCIAL RESULTS

Cash Generation and Liquidity

- In line with profitability growth, cash from operating activities increased by 185% and reached 12,919,058 TL in 2012.
- Thanks to cash generated from operating activities, LOGO maintained a strong cash position after deducting cash used in investing activities and dividend payments. Net cash by the end of 2012 was 4,713,863 TL, 92% higher than the 2011 year-end figure.
- Working capital totaled 16,159,209 TL; an increase of 67%.

Balance Sheet

- Total assets equaled 62,906,035 TL; an increase of 26%
- Total equity reached 42,465,743 TL; an increase of 24%.
- Due to strong cash generation and efficient collection process, current assets increased by 69%, cash and cash equivalents by 92%, and working capital by 67%.
- Operating with a low leverage ratio, LOGO's return on equity increased to 25% from 9%. The company completed 2012 with a stronger balance sheet.

ACTIVITIES IN THE REPORTING PERIOD

ACTIVITIES IN THE REPORTING PERIOD: R&D

Continuously increasing the diversity of its products and services, the LOGO R&D team creates value with new solutions and business models in line with the rapid developments in software technologies and the market. LOGO's Production Development Department increases its efficiency through agile product development methods and improves business processes for more efficient communication with support functions.

Recently developed projects are continuously monitored using quality metrics. Project managers/leaders, system/software engineers, and test specialists in the Product Development Department are responsible for various phases of the product life cycle.

System analysts are responsible for developing specifications for visual, functional, and data design of all products after investigating customer requirements and identification of needs.

Based on this analysis, system designers create user interfaces along with functional and data design.

Software engineers undertake LOGO coding and development of the parts assigned to them in line with interface standards.

Test specialists in the Quality Management Department test the products. They prepare test steps, test samples, and test automating coding in close contact with software engineers.

Infrastructure Development Department

The Infrastructure Development Department creates the necessary architecture and programming libraries so that products in the process of development use the most current technology available. The Department aims to ensure the use of infrastructure blocks with the products offered to the market.

Product Development Department

The Product Development Department is responsible for designing and developing the products requested by customers using technologies and tools developed by the Infrastructure Development Department. Development is conducted in line with a 5+2 weeks model (five weeks for coding, two weeks for integration and installing tests). Processes used in development projects follow the SCRUM method.

Quality Management Department

The Quality Management Department carries out scenario-based testing for each product function and interface independent from the software team. The department's responsibilities include conducting development activities aiming at automation of the test process (free of human interference to the extent possible) and delivering flawless products to customers.

Documentation Department

The Documentation Department organizes supplementary items of software by preparing reference books to help maximize the use of the product functions, user documentation, and help texts. Product documentation is carried out simultaneously with the product development process. While the technology R&D team is developing tools for efficient management of localization activities, the Documentation Department manages the preparation process of versions of the product in different languages, including, among others, German, English, Russian, and Persian.

LOGO Mobile

The LOGO Mobile business application allows monitoring of the status of a business anywhere and anytime on an iOS - or Android-based mobile device, and improves timely decision-making ability using the latest data.

Installation and use are extremely easy, and give companies access from anywhere in the world to business data including cash statements, bank balances, sales, accounts payable, accounts receivable, inventories, and sales orders.

Developed with a managerial vision

LOGO Mobile was developed based on managers' need to access requested business data rapidly without getting lost in the details.

Constant access to financial data

LOGO Mobile allows access to a company's latest data at any time and from any location.

Simple, stylish (up-to-date), and user-friendly:

LOGO Mobile was designed with simplicity and style in mind. Unnecessary details and complications were avoided so that anyone can use the product without prior training.

Easy installation and customization

Once downloaded from the Apple App Store or Google Play, LOGO Mobile is available for use with actual business data within a few minutes. The user-friendly interface allows customization so that desired data can be accessed more quickly.

Fast communication and sharing

LOGO Mobile not only allows quick access to data, but also has features designed for easy sharing via e-mail, Facebook, Skype, FaceTime, or mobile devices.

Data secured

All data received by LOGO Mobile is protected with SSL. LOGO Mobile uses the highly regarded AES 256 encryption standard to make sure data is safe.

Diva

With the acquisition of Coretech in 2011, the Diva cloud solution joined the LOGO product family. Its integration with other LOGO products was completed in 2012.

Diva allows integration with other vertical/industrial solutions and LOGO ERP products so that its users can achieve a perfect retail management system.

The cloud-based solution enables retail companies of all sizes to manage all phases of their service channels centrally, including sales and after-sales services. User data is hosted, protected, and backed up on a dedicated cloud, removing companies' need to make additional investments such as terminal or hardware expenditures. Hosted securely at a single destination, data is available for a retail channel at any time and from anywhere. For example, the entire retail channel can immediately implement a campaign defined by the central office, and the central office can monitor and report all activities at the retail channel on a real-time basis. Diva significantly reduces server, software, network hardware, energy, maintenance, and update costs and eliminates preinvestment expenditures. Users have access to the latest version without additional costs. Users pay for Diva, the first-ever SaaS solution in Turkey, through monthly payments. The SaaS model reduces costs while providing customers with the flexibility of scaling based on their requirements.

j-guar Human Resources

Integrated with LOGO's new-era business solution j-guar, j-guar HR allows efficient management of human resource processes and increases productivity.

Available at any time and from anywhere on a Web browser, j-guar HR optimizes human resources management processes with its comprehensive product features and customizable flexible structure on any platform. It reduces the workload of human resources department and leads managers in strategic decisions by presenting various analyses. With its modular structure, j-guar HRoffers a wide range of solutions, including personnel management, loan/credit management, vacation management, training and development management, selection and recruitment, performance management, career management, wage simulation, and HR self-service modules.

j-guar HR:

- is compatible with local requirements and regulations.
- can be implemented quickly.
- can be adapted to changes quickly due to its flexible architecture.

- is easy to use and requires minimum time for training and assistance.
- allows central management.
- responds fully to human resources management requirements of companies with its modular structure.
- automatically updates data due to integration of all modules, which saves time and increases process efficiency.
- supports timely reaction and decision-making with its comprehensive reporting alternatives.

LOGO e-Ledger Solution

LOGO e-Ledger is integrated with Tiger Enterprise, Tiger Plus, and GO Plus. Companies that use LOGO e-Ledger can easily make their journal and general ledger entries, which can be prepared electronically. Organized in line with Revenue Administration formatting and standards, journal and general ledger entries are submitted electronically. One of the first approved software solutions for keeping, filing and certifying books electronically, LOGO e-Ledger also helps companies to comply with international standards.

LOGO e-Ledger:

- saves paper, workforce, and time.
- eliminates the need for certification by a notary public.
- resolves archiving issues.
- accelerates auditing and managerial activities.
- allows e-records to be saved for the future in original form due to irreversibility and security of records.
- provides reports in standard form.
- reduces certification costs.
- provides efficiency with facilitated and accelerated auditing due to remote access feature.
- prepares an appropriate infrastructure for e-auditing.

LOGO e-Invoice

Since 2011, the Ministry of Finance has been introducing various legislation and expanded obligations for electronic invoicing; this includes requirements for submitting, filing, and presenting invoices electronically. Developed in this context according to the standards of the Revenue Administration, LOGO e-Invoice allows preparation of electronic invoices with the same legal force as a paper invoice. Electronic invoices allow circulation of invoices between parties securely and promptly. Invoices issued or received are manually uploaded to the server of the Revenue Administration or automatically transferred to their server through a direct connection with server integration. Ensuring the integrity and accuracy of the origin of the e-invoice with an electronic certificate and financial stamp, the LOGO e-Invoice solution provides increased security along with operational efficiency.

LOGO e-Invoice:

- saves time.
- eliminates printing, delivering, and archiving expenses.
- provides secure and consistent data communication on any platform.
- increases the quality of internal auditing and management.
- provides undeniable documents due to the financial stamp and data integrity.
- supports environmental awareness and saves paper.
- eliminates delays, misunderstandings, and user mistakes.

Kadoil

Kadoil uses Tiger Enterprise with all regional offices

At the beginning of 2013, Kadoil started to use Tiger Enterprise with all of its regional offices. Switching to Tiger Enterprise without down time after a rapid adaptation process, Kadoil is managing its sales, distribution, purchasing, and finance processes effectively:

"The software we were using before LOGO was insufficient. We were trying to carry out our business processes without a standard system. We have switched to Tiger Enterprise starting from the beginning of 2013. Our sales terms and alternatives vary largely from dealer to dealer. The sales team should have access to critical reports, including dealer sales and accounts receivables data, on an online basis. Web-based reporting feature was one of the main reasons for switching to LOGO and Tiger Enterprise. The expandable nature of Tiger Enterprise was another consideration so that we would be able to meet potential requirements in the future.

Records of thousands of lines were easily transferred to Tiger Enterprise system. We are particularly using the sales, distribution, purchasing, and finance modules. In particular (specific), the reporting of sales and distribution data greatly helped us and facilitated our job. We can now produce reports in minutes that we would have worked on for days prior to switching to Tiger Enterprise. We can easily monitor our investments with the Fixed Assets Management module. We are able to manage our banking transactions, credits, and the risk function timely and accurately with the finance module. Many software solutions do not provide the necessary support services after purchasing, but we have experienced the difference of LOGO with the high-quality services and support provided by solution partners throughout the project. Companies generally hesitate to switch from their existing business application software, but I strongly recommend LOGO to all companies, as we now feel as if we have been using Tiger Enterprise for many years. All active accounts and transfers were handled automatically. We continued our business in the new year from where we were without any down time. We would like to use LOGO products and services with other companies in our group in the near future."

Duygu BORALI
Kadooğlu Petrolcülük
Istanbul Group Accounting Manager

About Kadoil

Istanbul-based Kadoil was founded in 2000 as Kadooğlu Petrolculuk AŞ, a fuel distribution company under the Kadooğlu Group. Started in 1977, the Kadooğlu Group is one of Turkey's leading corporate groups active in the food, real estate, domestic-foreign trade, and energy fields. Kadoil provides storage services in addition to fuel products sales, import, and export. The company began making retail network and storage facility investments under the Kadoil brand around the country in 2006. Undertaking rapid and selective retailer investments with its 10 regional headquarters, Kadoil continues its activities today with almost 300 retailers. As the first step of its overseas expansion plan, the company undertook overseas investment in Iraq and initiated the operation of its station network.

Akfen Holding

We meet 100% of our needs with j-guar…

Having used LOGO solutions since 2000, Akfen Holding started to manage all its business processes with j-guar starting in 2012. Using j-guar, Akfen manages its business processes, including finance, accounting, human resources, budget management, and asset management, on the same platform:

"We have been using LOGO products since 2000 and in 2012, we switched to the j-guar system from Tiger Enterprise. We preferred j-guar mainly because its extremely easy-to-use nature, LOGO's dominant position in the industry, and its origin as a Turkish product.

At the initial stage of the project we identified our needs and expectations precisely and introduced them into the system. As at many other companies, accounting, finance, and human resources functions are priority at Akfen.

Using j-guar, we have integrated additional functions such as HR, budget management and asset management into the system that were not integrated before, and started to manage them on the same platform. We are able to prepare consolidated budget and accounting integration of 45 companies under the group. All managers and related staff members are now able to monitor and report business processes on the same platform."

Serpil DARDOĞAN

Akfen Holding Internal Audit Manager

About Akfen Holding

Having established its first company in 1976, Akfen gained holding status in 1999 and eventually became one of Turkey's top infrastructure investment holdings. Akfen Holding invests in, manages, and coordinates its subsidiaries and affiliates active in industries such as airport management and operations, construction, port operations, marine transport, water distribution and waste water services, energy, and real estate.

The holding has joint ventures with such well-renowned national and international corporate enterprises as Tepe İnşaat Sanayi A.Ş., PSA International, Souter Investments LLP, and Kardan N.V. Akfen also has a strategic cooperation agreement with the leading global hotel chain ACCOR S.A., related to the construction of Novotel and Ibis brand hotels in Turkey. Akfen is one of the top business groups in Turkey with a robust management structure, a strong human resources base, and commitment to transparency policy.

midpoint

Kasha Tourism

Having managed its business processes with LOGO since 1998, Kasha Tourism has been using GO Plus and LOGO's solution partner Omni A.Ş.'s Vectron solution in integration at locations of its Midpoint restaurant chain since 2011:

"While using GO Plus for business processes at our headquarters, we achieve fast and flawless service at our heavily populated restaurants using Vectron point of sale terminals, which run in integration with GO Plus. This allows visibility of the reports from all our restaurants at headquarters, while tracing our inventories without waste thanks to a recipe-based menu plan."

Ayhan ÇARIKÇILAR

General Manager, Midpoint

"We preferred working with them, because LOGO is a reliable company and we had no doubt that we would receive an efficient support service. In our industry, management of the procurement process is of utmost importance. With LOGO we are able to keep our purchasing, accounting, finance, and inventory management processes under control, while projecting our costs most accurately. Due to the training and support services we have received from LOGO Business Partner EDS Information Technologies, we were able to launch the product rapidly and efficiently."

Ersin GÖLCÜ

Finance Manager, Midpoint

About Kasha Tourism

Kasha Tourism established the first Midpoint restaurant in 2002 on Baghdad Street, the heart of the Anatolian part of Istanbul, with the motto of "Meeting Point for Everyone." Since then, the company has sought to provide customer satisfaction with a selection of world cuisine, a rich menu catering to various tastes, professional and fast service, attractive prices, and warm and modern ambiance. As of 2012, Midpoint has nine restaurants.

Trabzonspor (Trabzon Sports Club)

Trabzonspor improves its efficiency with Tiger Plus...

Since 2011, Trabzonspor has managed its business processes, including finance, accounting, and human resources, with LOGO Tiger Plus and integrated solutions developed by our solution partner ProDev on the LOGO platform.

ACTIVITIES IN THE REPORTING PERIOD: SUCCESS STORIES

Trabzonspor has chosen Tiger Plus as the most convenient alternative in line with its system volume and number of users. The most critical operations, including retail sales, warehouse management, and season ticket sales, are managed with Tiger Plus with integrated solutions, and sales are recorded in the system without additional need for data transfer:

> **"We have significantly improved our business efficiency since 2011, when we launched LOGO Tiger Plus and integrated solutions of LOGO's solution partner ProDev. In particular, the warehouse management system developed exclusively for us, the pro-cashier sales system used at TSClubs, and the season-ticket sales system allow us to centrally manage our business processes and transfer data to Tiger Plus for accounting consolidation. Due to the flexibility provided by LOGO and the solution-oriented approach of ProDev, we can easily and efficiently manage business operations unique to us. This allows us to deal with potential future requirements and operational needs more confidently. Many thanks to LOGO and ProDev."**
>
> **Hüseyin DAVULCUOĞLU**
> *Trabzon Sports Club*
> *Information Technologies Manager*

About Trabzonspor

Founded in 1967, Trabzonspor includes numerous companies in addition to the sports club. The corporate structure includes Trabzonspor Football Business Inc., a wholly-owned subsidiary of Trabzonspor Club Association. All football-related operations, all technical staff, and football players are a part of Trabzonspor Football Business Inc., which owns three subsidiaries: Trabzonspor Sports Investments and Commerce Inc., Trabzonspor Commercial Products Inc., and Bordo Mavi Energy Electricity Production Commerce Limited Company.

goprotein

goprotein

goprotein runs its e-commerce web-site with Tiger Enterprise…

Operating in the highly competitive e-commerce industry, goprotein has preferred Tiger Enterprise and integrated solutions since its founding to manage its business processes efficiently:

> "Openness to new developments and adaptivity to the requirements of the users easily and rapidly singles out LOGO Tiger Enterprise. This extensive flexibility is the main reason behind our decision to choose LOGO.
>
> The website administration panel is in constant communication with LOGO Tiger Enterprise via object DLL, and most parts of the website, including product specifications, are managed with LOGO.
>
> Using Tiger Enterprise, we can keep, in particular, our accounting, finance, and inventory management processes under control. All current account and purchasing data are entered into the accounting system with integration, which significantly facilitates our job and increases efficiency."
>
> **Deniz YILMAZ**
> *Manager/Partner*

About goprotein

goprotein is an e-commerce website launched on 17 May 2012 to better inform consumers about sports food and food supplements, including protein powder, amino acid, vitamins, and minerals. In addition to raising awareness and providing easy access to product ingredients and costs.

ACTIVITIES IN THE REPORTING PERIOD: PROJECT DEVELOPMENT

International

Thanks to localization technologies developed by LOGO, product versions in compliance with the local languages and regulations of various countries are quickly produced. In 2012, we have determined our strategic market as the region where Russian, Arabic, and Persian are spoken. We have agreed with business partners to carry out localization for these three languages and initiated the process. In addition to the wide geographical region where these languages are spoken, LOGO also offers products adapted both for language and regulations and ready to use in Azerbaijan, Germany, Turkmenistan, Kosovo, Ukraine, and Iraq.

LOGO has already accomplished more than 1,000 projects in international markets. Some of them include:

Azerbaijan: Azersun Holding, Akkord Constructions, trade and distribution company Veyseloglu, Gilan Holding, medical distributor Azermed, Akabe Construction, Azwirt, M-Line, Dia Holding, Buxar, Tulchinka, Mazarina, Azad, Detal Holding, Zgan Construction, and Caspian Chemicals

Iran: Behpakhsh, all Unilever distributors, Nikan Tarabar, Hamgam Shoes, Mazandaran Textile, Negin Stone, Fathi Almas, Zarkesh, Ekalp Bana

Russia: Deima Rus, Laura Design, Kale Group company Kale Export, Troy Canada, Colins, Ant Construction, Prokons

Georgia: Şişecam, HA Holding and Petrol Ofisi

Ukraine: Miroplast and UDK

Kazakhstan: Turkuaz, Aluan, Pharma (Nobel Pharma), Galaksi, Seha, Activax, MPS, Teksan, Arjan, JYKS, Hamle Biscuits (Ülker), MTG, and Kazak Türk Munay

Iraq: UB Holding, 77 Company, TPAO, Afa Construction, Ak Plastik, Unat Co., Divan Hotel, Şölen Water, TEMSA, JCM, Filli Boya, Bürosan, and Sabeel

Turkmenistan: Merdem, Elite Furniture, and Castrol

Kyrgyzstan: Ramstore

Sudan: Felamur Construction and Balans

United Arab Emirates: TAV Construction, Man Hummel, HSSG, Hakan Foods, UAE Trading, and Abu Dhabi Marine

In addition, Unilever has preferred to use LOGO at a distributor level in Iran and the Gulf and Balkan countries. TAV managed its international projects with LOGO, and ATS preferred LOGO as a standard solution for its operations in six countries in Central Asia.

LOGO International

LOGO started implementing its strategy to become an international software company 17 years ago. Today, growing markets present outstanding opportunities, and LOGO holds the competitive advantage with its leadership position.

Our international expansion strategy is mainly based on cooperating with business partners and developing strategic partnerships, which is also at the core of LOGO's business culture. In line with this strategy, LOGO builds various business partnerships in the countries where it operates. In 1994, LOGO started its activities in Germany as the center of the region including Eastern and Central Europe, and in 1997 it launched its first international office in Frankfurt. Later on, the company focused on the region to the east of Turkey. In 1997, LOGO started its initiatives in the Turkic republics, Central Asia, Iran, and the Gulf region. In 2003, the first EPR solution for Iran in the Persian language was developed. The second major step to becoming an international brand was the establishment of the Dubai office in 2007. LOGO started to realize its objective of becoming a base in Azerbaijan, Iran, the Commonwealth of Independent States, the Gulf region, and Africa.

In 2010, LOGO centralized international operations and assigned business partners in the countries where it operates to increase sales and service efficiency in the market. As of today, LOGO cooperates with 23 business partners in 17 countries.

LOGO will continue to build business partnerships with specialized, high-quality information technology companies in the region. Currently, the company is exporting softwares to 41 countries.

LOGO Channel Structure

With the largest distribution network in Turkey, LOGO has 500 business partners all around the country. LOGO delivers its products and services to end users at 170,000 companies using this channel. START, GO Plus, Tiger Plus, Tiger Enterprise, and j-guar products and services are delivered to end users only by LOGO business partners.

LOGO business partners are trained, examined, and certified for each different product group. Business partners are entitled to take periodic tests to renew their product certificates for the fields under their responsibility. Closely monitoring the changes in the IT industry, LOGO continuously develops new business models so its channel can keep up with the competitive shift. LOGO's new structure classifies its business partners based on the products they are authorized to sell. These segments are grouped under SME Products and Corporate Products. SME Products line is composed of GO Plus Certified Dealers, while the Corporate Products line includes Tiger Competency Centers. Tiger Competency Centers are classified under two categories, Premier and Elite, whereas GO Plus Certified Dealers are grouped in three categories: Elite, Select, and Certified Dealer.

In addition to maintaining existing service quality, LOGO has also launched channel development activities for channel enrichment. Business partner candidates participating in the training and evaluation process are included in the channel in the following period.

ACTIVITIES IN THE REPORTING PERIOD: SERVICES

Professional Services

In order to maintain their competitiveness under today's dynamic market conditions, companies must establish information technology systems providing solutions on a continuous basis along with management systems. These information technology systems must be implemented using the right methods. Built on know-how and experience, professional services offered by LOGO and its business partners increase user performance and productivity.

Network and Database Consulting

Network and database consulting includes technical assistance and advisory for infrastructure components on which the system runs as a whole. This allows LOGO products to run in line with general and company-specific performance criteria.

Customer Services

LOGO and its business partners provide a wide range of customer services on a 24/7 basis to promptly resolve problems with the information infrastructure and immediately respond to the needs of customers. In 2012, staff responded to 92,638 customer-service calls.

Catering to the needs of various users at different levels, from IT professionals to end users, LOGO Technical Education Centers offer training and certification for professional staff.

LOGO Academy

At the end of 2011, LOGO brought its long-established training activities, which were offered by the training unit, under the umbrella of LOGO Academy. With the founding of the Academy, new subjects have been introduced and the target audience has been expanded.

LOGO users, business partners, and LOGO Specialist candidates who want to develop their skills are offered comprehensive training programs covering LOGO solutions and various personal development topics. LOGO Academy also undertakes comprehensive partnership initiatives with educational institutions. Detailed studies are conducted in order to include LOGO products in the curriculum of vocational schools and universities. In cooperation with other institutions, LOGO aims to assist students in comprehending the technical aspects in addition to theoretical information and allow students to have practical knowledge thanks to the lectures held using LOGO products.

By the end of 2011, LOGO had introduced the online test system, and certification tests of all business partners are now done online. Tests are held in designated, monitored test centers, and results are announced immediately after.

In addition to the above activities, LOGO Academy also has been undertaking recruitment projects to address the need for qualified employees in the market. The Academy offers free training to numerous unemployed people and provides them with guaranteed recruitment opportunities after completing the training. LOGO aims to expand this project throughout the country.

ACTIVITIES IN THE REPORTING PERIOD: SALES CHANNEL

LogoSphere

LogoSphere has been offering different interfaces to LOGO and its business partners for various processes, including the Virtual Delivery System and Order System, since September 2010. In 2012, LogoSphere was enhanced to offer the following functions:

- a prospect system, in which potential sales opportunities are assigned to business partners and related activities are handled;
- a parametric proposal system for j-guar, developed for drafting project proposals;
- a test system, which includes a question bank, test component and certification component, for the product training offered to Business Partners;
- a dynamic order generation interface allowing user-based pricing adopted for specific products;
- invoice management interface for sales, made with a pay-as-you-go model; and
- transfer of interfaces used by CRM and customer service teams, such as customer, staff, and sales interfaces, from earlier systems to LogoSphere.

In addition to the above:

- New interfaces that support different campaigns, product sales, and additional features were developed to be used in business processes of LOGO and its business partners.
- New developments were made to facilitate and accelerate the use of LogoSphere by LOGO and its business partners.
- The server infrastructure and hardware features of LogoSphere were improved.

LOGO Store

The LOGO Store functions as a display window for the LOGO ecosystem. Some LOGO products and vertical solutions developed by business partners and selected third-party products and services are promoted and sold at the LOGO Store. Products and services, which predominantly include software products, are mostly delivered to customers instantly via online sales at the LOGO Store. LOGO Store's innovative and user-friendly interface was developed using the latest technology, and all necessary measures were adopted for content and integration security.

Embracing different sales models, the LOGO Store is constructed in a way to allow immediate use of products and services after purchasing. This feature has been enabled through comprehensive integration processes with our business partners and third parties, as well as instant configuration regarding sales data on the LOGO side.

Under the mainstream sales model, the license key and installation file are provided to customers immediately after online collection via credit card on a virtual POS. Under other sales models, suppliers are informed regarding the orders for products and services, which are delivered to customers by suppliers through a process controlled by LOGO. In some cases, instead of making the sales, LOGO informs suppliers of a sales opportunity upon the request of visitors.

After beginning the development in the second quarter of 2012, the LOGO Store reached a total number of 61 products and services in seven different categories offered by 14 companies by the end of that year. In addition to sales, demo versions of some products are also offered to customers for a specific period of time. Customers can also review their order history, license key, and other product details regarding their earlier purchases.

ACTIVITIES IN THE REPORTING PERIOD: EVENTS

LOGO Solution Partners

LOGO solution partners are certified companies developing integrations and adaptations with third-party products using LOGO Adaptation Tools. They improve customer loyalty to LOGO products with the products and services they offer, while helping us to win new customers with their integrated solutions.

LOGO reached 150 solution partners in total for both Java and Windows with the events organized in 2012 and increased the number of Solution Partners by 50%. New solution partners are added to the LOGO system through discussions with solution partner candidates and free solution partner training organized four times per year.

In 2012 we brought our solution partners, business partners, and customers together at various events such as LogoSphere (LOGO Solution Days), CeBIT, and vertical product demonstration meetings. This allowed our partners to present their solutions to the LOGO ecosystem. These events led to the development of new partnerships and generation of new customers.

In line with our strategic decision, we put certain limitations on the LOGO database to be able to monitor the quality of the integrations and applications developed for our products. Only authorized solution partners can run these applications, thus increasing their value and stake in the LOGO system.

Technological innovations were introduced regarding LOGO Adaptation Tools in order to improve the service quality of our solution partners.

In the last quarter of 2012, selected solution partner products were included on a Vertical Products Price List in order to promote these complementary solutions to our business partners and customers. The integrated and complementary nature of these products was improved through development, design, and pricing activities.

Sold only by certified business partners just like LOGO's own products, products developed by the solution partners gained quick acceptance due to the profit-sharing model developed among LOGO, business partners, and solution partners.

Initially started with CRM, budget, document management, e-collection, after-sales service, maintenance management, market and retail solutions, the Vertical Products practice will continue in 2013 with the addition of new products.

ACTIVITIES IN THE REPORTING PERIOD: EVENTS

LOGO Business Partners Meeting 2012

A Business Partners Meeting was held February 17–19, 2012, at Rixos Premium Hotel Belek to announce the company's 2012 targets and progress. Following the 2012 meeting, LOGO decided to repeat this meeting annually.

The business partners in the international markets were also invited to the meeting for the first time, and an additional International Business Partners Meeting was held.

Sales performance awards for 2010 and 2011 were granted to both local and international dealers.

Companies planning to cooperate with LOGO business partners participated to the meeting, hosting stands in the lobby. All LOGO business partners were invited to the meeting. A total of 452 people attended, including 18 international participants from 15 countries.

LOGO New Turkish Commercial Code Seminars

In 2012, seminars on the new Turkish Commercial Code were held in various Turkish cities, examining new legal requirements on accounting and financial reporting standards.

Organized in cooperation with PricewaterhouseCoopers, users received information regarding changes in the Commercial Code in addition to revisions in LOGO applications to comply with these changes.

Seminars were held in Istanbul, Ankara, Kayseri, Denizli, and Bursa. They aimed to assist users in terms of implementing reforms in the new code and adapt their business processes accordingly. LOGO fully supported its customers in the process of adaptation to the New Turkish Commercial Code, which brings Turkey in line with international standards.

LogoSphere 2012

LOGO's first customer event was held on May 21, 2012, at the Haliç Congress Center. The event brought together 775 IT industry professionals from all around Turkey. Presenting the solutions developed on LOGO platform to end users, the event drew high attendance. LogoSphere 2012 was sponsored by the SME magazine KOBİ Haber, monthly business and economy magazine TurkishTime, and the IT industry magazine BT Haber.

The event was held in two main parts, which included sessions on various topics including the Turkish Commercial Code, Retailing, HR, Mobile Applications, e-Government Applications, Business Intelligence, and Business Partner Solutions. LogoSphere events were also held in Konya and Izmir with similar content.

ACTIVITIES IN THE REPORTING PERIOD: EVENTS

CeBIT IT Eurasia

Held in November 29–December 2, 2012, at CNR Expo center in Yesilkoy Istanbul, CeBIT IT Eurasia was recognized as the most important information technology fair in the Eurasia region. LOGO, which participated in the event along with 14 solution partners, mainly promoted the new-era business management solution j-guar and presented mobile applications developed for Tiger Enterprise, Tiger Plus, and GO Plus. As the most prominent meeting platform for the information and communications industry, CeBIT IT Eurasia has the potential to significantly contribute to LOGO's growth strategy in the surrounding region and its business partners network.

CeBIT Solution Partners List of Participants	
1	ARYADA
2	E-ÇÖZÜM
3	SEMPA
4	ATA
5	REFLEKS
6	NETOLOJİ
7	EMA
8	KALEM YAZILIM
9	BARKOSOFT
10	AYASOF YAZILIM
11	KETS
12	İLETİŞİM
13	İNFODROM
14	İNTERMAT

GITEX 2012

In 2012 LOGO participated for the third time in GITEX Technology Week 2012, the largest technology fair in the Middle East, held in October 14–18, 2012. Bringing together 144,000 participants from 138 countries and 3,500 companies from 77 countries, GITEX Technology Week 2012 presented a significant opportunity for LOGO to promote its products and solutions.

The fair hosted various conferences and sessions on 12 subjects: software, cloud, mobile applications and content, end user products, network and security, hardware, public, search engine marketing, card technologies, digital marketing, Gulfcomm, and the international arena.

CairoICT 2012

LOGO attended the 5th Cairo ICT (Egypt Information Technology and Communications Fair), held in April 26–29, 2012, which is a significant platform for promotion of new technologies and trends in the Middle East and Africa. At the event, 500 companies from 20 different countries presented IT, telecoms, computer hardware, software, network, audiovisual technologies, satellite, and broadcasting technologies. As the only technology company attending from Turkey, LOGO presented its products and industrial solutions through its local dealer, GATEWORX, which has offices in Cairo and Alexandria.

CORPORATE GOVERNANCE COMPLIANCE REPORT

CORPORATE GOVERNANCE COMPLIANCE REPORT

STATEMENT OF COMPLIANCE TO THE PRINCIPLES OF CORPORATE GOVERNANCE

In the period from January 1, 2012 to December 31, 2012, our company complied with the criteria defined in the Principles of Corporate Governance issued by the Capital Markets Board of Turkey (CMB). The company management adopted as a principle compliance with the standards outlined in the Principles of Corporate Governance. Our Articles of Association have been amended in line with the Communiqué for Definition and Enforcement of the Principles of Corporate Governance (Serial: IV, No: 56). The company's Corporate Governance Compliance Report has been evaluated in line with these amendments, and new information has been incorporated into our annual report and corporate website.

As we publicly announced on December 22, 2009, the shares of LOGO Yazilim Sanayi ve Ticaret A.S. have been included in the Istanbul Stock Exchange (ISE) Corporate Governance Index, in line with Item IV of the Main Principles of the ISE Corporate Governance Index. LOGO's corporate governance rating score was issued by SAHA Corporate Governance and Credit Rating Services Inc. (SAHA) in 2009 and has been updated in line with the improvements and revisions made in subsequent years.

	2009	2010	2011	2012
Shareholders	7,99	8,16	8,21	8,49
Public Disclosure / Transparency	8,54	8,62	8,70	8,81
Stakeholders	8,51	8,92	9,21	9,31
Board of Directors	7,16	7,11	7,13	7,98
Total	**8,05**	**8,17**	**8,26**	**8,60**

LOGO's corporate governance rating scores are as follows:

Corporate governance rating reports for LOGO, issued by SAHA, are available at our corporate website: www.logo.com.tr.

PART I – SHAREHOLDERS

Investor Relations Unit

Shareholder-related activities of our company are carried out by the Investor Relations Unit under the Financial and Legal Affairs Department. The unit head and staff are listed below:

Gülnur Anlaş	0262 679 82 00
H. Meliha Bektaş	0262 679 82 20
Doğan Karaca	0262 679 82 23
Fax:	0262 679 82 92
E-mail:	yatirimci@logo.com.tr

The main responsibilities of the Investor Relations Unit include:

- Keeping shareholder records in a reliable, secure, and up-to-date form.
- Responding to written information requests by the shareholders, except for trade secrets and other confidential information, which are not made publicly available.
- Organizing the general assembly meeting in line with the current regulations, the Articles of Association, and other company policies.
- Preparing supporting documents for the shareholders in relation to the general assembly meeting.
- Handling and monitoring all aspects of public disclosure, including the regulation and the company's disclosure policy.
- Responding to the information requests of local and international institutions covering the company.
- Preparing the content of the investor relations section of the corporate website (www.logo.com.tr) in Turkish and English, uploading the latest data to the website in the shortest order, and assisting shareholders in having access to company information rapidly and easily through the Internet.
- Submitting announcements regarding Disclosure of Material Events to the Istanbul Stock Exchange and the CMB in line with the Communiqué Serial: VIII, No: 39.
- Observing changes in the Capital Markets Law and related regulations and presenting the revisions to the relevant company officials.
- Representing the company before the CMB, ISE, and the Central Registry Agency (MKK).

In the reporting period, two general assembly meetings, one ordinary and one extraordinary, were held and related activities have been carried out, including announcement of the meeting agenda and the resolution on dividend distribution, release of financial statements, preparation of annual reports, and timely submission of a public disclosure announcement to the ISE. In addition, the Investor Relations Unit responded to information requests received from local and international investors, both individuals and institutions, and presented the necessary information regarding the company and its operations.

Facilitating the Exercise of Shareholder Rights

The Company treats all shareholders equally with respect to the exercise of the right to obtain and analyze information. In order to extend shareholder rights to information and exercise of shareholder rights, all relevant information and documents, in addition to the financial statements, are electronically presented to shareholders both in Turkish and English.

Information requests received from the shareholders in the reporting period are responded to via telephone or in writing in line with capital markets legislation and equal treatment principle. Our financial statements and announcements regarding the Disclosure of Material Events are presented to our shareholders through the company website and the Public Disclosure Platform (KAP), which was prepared by the National Electronic and Cryptologic Research Institute (UEKAE) of the Scientific and Technological Research Council of Turkey (TÜBITAK) under the supervision of the CMB. Our company is a member of the Central Registry Agency, which was founded for dematerialization of capital market instruments. Because its publicly traded shares have been dematerialized, the company does not need to print its shares.

The company's activities are audited on periodic basis by the independent auditor PriceWaterhouseCoopers and the statutory auditors, both appointed by the general assembly. The Articles of Association do not recognize the request for assignment of a special auditor as an individual shareholder right. The company did not receive any request for the appointment of special auditors.

General Assembly Meetings

The Ordinary General Assembly meeting for 2012 activities was held on April 12, 2012, with a meeting quorum of 70.96%, and the Extraordinary General Assembly meeting was held on June 28, 2012, with a meeting quorum of 67.21%. Invitations for both meetings were announced by the Board of Directors in line with the Turkish Commercial Code, Regulation on General Assembly Meetings issued by the Ministry of Industry and Commerce, the Capital Markets Law, and the Articles of Association of the company and placed on the corporate website.

Board resolutions regarding the General Assembly meeting and resolutions and minutes of the General Assembly were submitted to the ISE in the form of Disclosure of Material Events. All General Assembly meeting minutes and the announcements of material events for the last five years are available on the corporate website. Our shareholders exercised their rights to obtain information and all questions were answered accordingly.

The Articles of Association does not include an additional clause as to material transactions such as demerger decisions. Board resolutions regarding a demerger, merger, or acquisition transaction are submitted to the General Assembly for approval. Disposal or purchase of real properties, issuance of encumbrance on company properties, execution of bank loan agreements, execution of guarantee or surety agreements, all types of general and special power of attorney and sale or acquisition of company subsidiaries are exercised jointly by two people, the chairman and vice chairman, who are vested with the first signatory authority.

The Right to Vote and Minority Rights

The company's shares are classified in two groups as Class A and Class B shares. As per the Articles of Association, a majority of the board members, the chairman, and the auditors shall be elected from among the candidates nominated by Class A shareholders. The share capital of the company does not involve any cross-shareholding. The Articles of Association have no clause regulating the right of representation of minority shareholders in management or recognizing the cumulative voting procedure.

The Right to Dividends

There is no privilege with respect to participation in the company's profits. The company's Dividend Policy is annually reviewed by the Board of Directors. The Dividend Policy is determined in a way to balance the shareholders' interests and company's interests, consistently, in line with the Principles of Corporate Governance.

The Dividend Policy has been determined as follows:

At least 20% of the company's net profits, calculated as per the Turkish Commercial Code and the Capital Markets Law, shall be distributed to shareholders in the form of a cash payment or capital increase by bonus issue, or using both methods together. The distribution will take into consideration the general economic conditions; the company's long-term investment, financing, and business plans; and the level of profitability of the company. Should the calculated dividend amount remain lower than 5% of the issued capital, this amount can be maintained within the company.

Transfer of Shares

The Company's Articles of Association do not contain any provision restricting the transfer of shares.

PART II – PUBLIC DISCLOSURE AND TRANSPARENCY

Information Policy

The Investor Relations Unit under the Financial and Legal Affairs Department is in charge of public disclosures. All information which is deemed relevant, in addition to mandatory announcements as per the regulations, is publicly announced.

Disclosure of Material Events

In 2012 the company has made 37 disclosures of material events. All disclosure requirements were fulfilled in a timely manner.

CORPORATE GOVERNANCE COMPLIANCE REPORT

Corporate Website

Available at www.logo.com.tr, the corporate website includes an investor relations section with all of the information required by the Principles of Corporate Governance. Some of this information is also available in English.

Annual Report

The annual reports are prepared to contain all of the information required by the Principles of Corporate Governance.

PART III – STAKEHOLDERS

Disclosure to Stakeholders

The company informs its stakeholders on relevant matters. The disclosure is usually made via e-mail, printed mailing, or on the corporate website. For more specific subjects, the company organizes face-to-face meetings with the relevant stakeholder groups. The contact details of relevant people are displayed on the corporate website to give stakeholders the opportunity to apply to the Audit Committee or Corporate Governance Committee with regard to any company actions violating regulations or ethical principles.

Stakeholder Participation in Management

The company develops mechanisms and models encouraging participation of stakeholders, particularly employees, in management without impeding company operations. Suggestions and opinions collected via surveys are reflected in our activities.

Employee participation is one of the main principles of our human resource policy. Employees are granted adequate rights and responsibilities within their teams, and suggestions regarding business processes received from various channels are taken into consideration. Employees are encouraged by management to share their creative ideas, suggestions, and requests regarding company practices on the intranet network. Teams open to the participation of all employees are established to work on business process improvement; and all improvement decisions are made based on their suggestions.

Employees are informed about company performance at regular meetings, at which their suggestions are taken, evaluated, and implemented. Additionally, top management holds one-on-one discussions with employees to receive and implement their ideas. Periodic information meetings are held with dealers and business partners. Our dealers and customers are also informed regularly through bulletins, interviews, and via the Internet.

Human Resources Policy

Our human resources policy is based on the principles of respect for human knowledge, objective evaluation, equal opportunity, employee participation, encouragement of development, continuous education, competency, and performance-based progress. Recruitment and promotions are based on the principle of equal opportunity, and decisions are made taking into consideration an individual's performance, knowledge, and experience. No complaint of discrimination has been received to date. The Human Resources Department is responsible for conducting performance and career management practices; planning, conducting, and measuring training and development activities; carrying out the recruitment process; managing the compensation system; and improving employee satisfaction. Employee relationships are represented at the board level. Human Resources Department addresses, evaluates, and resolves all employee requests regarding professional, personal, career, and training and development issues.

Employee affairs are handled by:

H. Esra Akar, Member of the Executive Committee,
Human Resources and Operations

Nebahat Erden, Human Resources Manager

Code of Ethics and Social Responsibility

The company's Code of Ethics is published on the corporate website. In addition to generally accepted ethical principles, which are also incorporated into the Code, the Board of Directors reviews and revises its ethical rules as new regulations are introduced that are relevant to the company and its stakeholders. Responsibility towards society and the world is at the center of our company's mission, and we work to develop constructive approaches to social issues. The company holds free educational seminars in vocational schools and organizes activities to help students pursue careers. We support educational programs both financially and in kind with our products. In addition to financial support provided in campaigns organized by nongovernmental organizations and charities, LOGO employees are also encouraged to participate in these events personally.

Environmental Awareness

Aiming to become the leader in all areas, LOGO is also setting the precedent with its contributions to the natural and social environment. In line with this, the company has made infrastructure investments, including solar energy supported transformers and virtual server systems, and developed new processes to eliminate paper and packaging use. Electronic, paper, battery, and plastic wastes are recycled and new tools and applications have been adopted to reduce electricity, water, and fuel consumption. We also strive to decrease carbon emissions.

PART IV – BOARD OF DIRECTORS

Board Structure, Composition, and Independent Members

Members of the Board of Directors who were elected in the General Assembly meeting of April 12, 2012, are listed below:

Name	Title / Independence	Executive Role
M. Tuğrul Tekbulut	Chairman	Non-executive
T. Müge Peri	Vice Chairwoman	Non-executive
M. Buğra Koyuncu	Member, CEO	Executive
Gülnur Anlaş	Member, CFO	Executive
Belkıs Alpergun	Member, Independent	Non-executive
Faik Burhanoğlu	Member, Independent	Non-executive
Y. Önder Eren	Member, Independent	Non-executive

The Articles of Association allow board members to assume managerial responsibilities in other companies. The majority of the board of directors is composed of non-executive members. Independent board members have submitted their declarations of independence. In case of an event hindering the independence of a board member, the Corporate Governance Committee, also undertaking the role of the Nomination Committee, shall nominate new candidates to the Board of Directors.

Terms of Reference of the Board of Directors

The Board of Directors fulfills its duties transparently, accountably, fairly and responsibly. The board establishes risk management and management information systems to minimize potential risks that would adversely affect company stakeholders, particularly shareholders.

The board meeting agenda is prepared periodically as well as according to emerging needs. In 2012, 18 board meetings were held. Communication with board members regarding the meetings is handled by the Financial and Legal Affairs Department and Secretariat of Senior Management. All meetings are held following the principle of full participation; no board member has a privileged right. In the reporting period, there were no dissenting opinion; if there were, it would be recorded in the minutes with reasonable and detailed justifications, reported to the statutory auditors, and announced to the public.

Board Qualifications

Although not defined in the Articles of Association, the minimum qualifications of board members are in compliance with the Principles of Corporate Governance as defined in Part IV items 3.1.1., 3.1.2, and 3.1.5. Current board members also meet these criteria.

Number, Structure and Independence of Board Committees

The company has established an Audit Committee to assist the Board of Directors in fulfilling its duties and responsibilities efficiently. Independent Board Members Belkıs Alpergun and Y. Önder Eren were appointed as the members of this committee. The Audit Committee carries out its responsibilities regularly in line with the capital markets regulations and the CMB Principles of Corporate Governance. As per the CMB Principles of Corporate Governance, a Corporate Governance Committee was established to monitor the company's level of compliance, carry out improvements, and make recommendations to the Board of Directors accordingly. The Corporate Governance Committee consists of independent board member Faik Burhanoğlu, who is also the committee chairman, and non-executive board member Müge Peri. The Corporate Governance Committee also undertakes the responsibilities of nomination and compensation committees, which are not established separately.

CORPORATE GOVERNANCE COMPLIANCE REPORT

Risk Management and Internal Audit Mechanism

The Audit Committee, which consists of two independent board members, monitors the functioning and efficiency of the company's accounting system, the release of financial statements, and the independent audit and internal control system.

Strategic Objectives of the Company

The Board of Directors holds regular meetings with the participation of the CFO to review company strategies and set periodic goals.

Financial Benefits

In addition to the board membership fees determined by the General Assembly, board members also receive monthly payments if they fulfill executive responsibilities in the company.

The company has neither given any loan nor credit to any board member, nor served any security or guarantee such as indemnity to the interest of any board member.

In 2012, a written compensation policy regarding remuneration of the board members and senior managers was prepared and declared to the shareholders, allowing them to comment on it in the Ordinary General Assembly meeting of April 12, 2012. The total financial benefits granted to the senior managers are disclosed in the financial statements in the "related parties" footnote. Stock options and payment schedules based on company performance are not used for remuneration of independent board members.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

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FINANCIAL STRATEMENTS AND FOOTNOTES

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONSOLIDATED BALANCE SHEETS AT AT 31 DECEMBER 2012 AND 2011

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

	Note	2012	2011
ASSETS			
Current assets		**31.069.738**	**18.408.891**
Cash and cash equivalents	4	9.833.681	5.119.820
Financial assets	5	482.825	249.244
Trade receivables			
- Due from related parties	25	59.699	5.240
- Other trade receivables	8	20.325.246	12.682.110
Other receivables	9	22.432	8.328
Inventories	10	145.152	138.396
Other current assets	15	200.703	155.753
Other current assets		**31.836.297**	**31.329.233**
Other receivables			
- Due from related parties	25	2.000.000	2.000.000
Financial assets	5	83.153	83.153
Associates accounted for			
- using the equity method	6	-	2.065.365
Property and equipment	11	13.540.217	13.187.228
Intangible assets	12	15.832.958	13.705.903
Deferred income tax assets	23	376.731	287.584
Other non-current assets		3.238	-
Total assets		**62.906.035**	**49.738.124**

These consolidated financial statements have been approved by Board of Directors on 4 April 2013 and signed on its behalf by Buğra Koyuncu, Chief Executive Officer and Gülnur Anlaş, Chief Financial Officer.

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

FINANCIAL STRATEMENTS AND FOOTNOTES

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONSOLIDATED BALANCE SHEETS AT AT 31 DECEMBER 2012 AND 2011

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

	Notes	2012	2011
LIABILITIES			
Current liabilities		**14.910.529**	**8.745.210**
Short-term bank borrowings	7	1.776.361	432.283
Trade payables			
- Due to related parties	25	135.045	247.958
- Other trade payables	8	1.914.515	1.219.742
Other payables	9	2.863.172	2.837.248
Income taxes payable	23	-	15.613
Other current liabilities	15	8.221.436	3.992.366
Non-current liabilities		**5.529.763**	**6.768.962**
Long-term bank borrowings	7	3.458.824	4.112.113
Provision for employment termination benefits	14	1.381.737	1.151.597
Other payables	9	11.570	1.505.252
Other non-current liabilities	15	677.632	-
EQUITY			
Equity		**40.855.128**	**34.223.952**
Share capital	16	25.000.000	25.000.000
Adjustment to share capital	16	2.991.336	2.991.336
Restricted reserves	16	3.087.683	4.037.273
Treasury shares	16	(450.493)	-
Retained earnings/(accumulated losses)		(188.403)	(929.655)
Net income/(loss) for the period		10.415.005	3.124.998
Non-controlling interests		**1.610.615**	**-**
Total equity		**42.465.743**	**34.223.952**
Total equity and liabilities		**62.906.035**	**49.738.124**

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

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

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

	Notes	2012	2011
Continuing operations			
Sales	18	46.162.637	31.024.756
Cost of sales (-)	18	(1.751.338)	(891.261)
Gross profit		**44.411.299**	**30.133.495**
Marketing, selling and distribution expenses (-)	19	(11.149.554)	(7.162.892)
General administrative expenses (-)	19	(7.652.121)	(6.304.385)
Research and development expenses (-)	19	(13.998.756)	(10.031.749)
Other operating income		608.853	628.543
Other operating expenses (-)	20	(276.251)	(3.674.341)
Operating profit/(loss)		**11.943.470**	**3.588.671**
Share of loss of associate	6	-	(108.650)
Financial income	21	947.843	457.582
Financial expenses (-)	22	(2.317.125)	(794.959)
Income/(loss) before income taxes		**10.574.188**	**3.142.644**
Taxation on income:			
Current income tax charge	23	-	(56.127)
Deferred income tax credit	23	89.147	38.481
Net income/(loss) for the period		**10.663.335**	**3.124.998**
Other comprehensive income/(loss), net of tax		-	-
Total comprehensive income/(loss)		**10.663.335**	**3.124.998**
Profit attributable to:			
Non-controlling interests		248.330	-
Owners of the parent		10.415.005	3.124.998
Total		**10.663.335**	**3.124.998**
Total comprehensive income attributable to:			
Non-controlling interests		248.330	-
Owners of the parent		10.415.005	3.124.998
Total		**10.663.335**	**3.124.998**
Earnings/(loss) per share per thousands of shares with nominal value 1 Kr each		4,17	1,25

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

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

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

		Attributable to owners of the parent								
				Restricted reserves						
	Share capital	Adjustment To share capital	Treasury shares	Legal reserves	Extraordinary reserves	Other reserves	Retained earnings/ (accumulated losses) and net income/(loss)	total	Non-controlling interests	Total equity
Balances at										
1 January 2011	**25.000.000**	**2.991.336**	**-**	**1.688.225**	**11.922.098**	**923.318**	**(11.149.221)**	**31.375.756**	**-**	**1.375.756**
Transfers	-	-	-	-	(10.622.736)	-	10.622.736	-	-	-
Acquisition of subsidiary (Note 3)	-	-	-	126.368	-	-	(403.170)	(276.802)	-	(276.802)
Toplam kapsamlı gelir	-	-	-	-	-	-	3.124.998	3.124.998	-	3.124.998
Balances at										
31 December 2011	**25.000.000**	**2.991.336**	**-**	**1.814.593**	**1.299.362**	**923.318**	**2.195.343**	**34.223.952**	**-**	**4.223.952**
Balances at										
1 January 2012	**25.000.000**	**2.991.336**	**-**	**1.814.593**	**1.299.362**	**923.318**	**2.195.343**	**34.223.952**	**-**	**34.223.952**
Purchase of treasury shares	-	-	(450.493)	-	-	-	-	(450.493)	-	(450.493)
Dividends paid	-	-	-	187.983	(1.137.573)	-	(2.383.746)	(3.333.336)	-	(3.333.336)
Acquisition of subsidiary (Note 3)	-	-	-	-	-	-	-	-	1.362.285	1.362.285
Total comprehensive income	-	-	-	-	-	-	10.415.005	10.415.005	248.330	10.663.335
Balances at										
31 December 2012	**25.000.000**	**2.991.336**	**(450.493)**	**2.002.576**	**161.789**	**923.318**	**10.226.602**	**40.855.128**	**1.610.615**	**42.465.743**

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

FINANCIAL STRATEMENTS AND FOOTNOTES

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR YEARS ENDED 31 DECEMBER 2012 AND 2011

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

	Notes	2012	2011
Income/(loss) before income taxes		10.574.188	3.142.644
Depreciation and amortisation	11, 12	5.773.086	5.197.768
Deferred revenue	15	2.601.868	763.187
Provision for employment termination benefits	14	777.018	258.640
Interest expense	22	597.792	54.075
Provision for doubtful receivables	20	298.558	3.686.456
Interest income	21	(823.633)	(203.990)
Negative goodwill	3	-	(305.221)
Other		246.828	576.869
Increase in trade and other receivables	8, 9	(7.955.798)	(8.885.664)
Increase in due from related parties	25	(4.459)	(28.331)
(Increase)/decrease in inventories	10	(6.756)	9.378
(Increase)/decrease in other current assets	15	(12.939)	92.918
Increase in trade payables	8	694.773	601.838
(Decrease)/ increase in due to related parties	25	(112.913)	246.744
(Increase)/decrease in other payables and other current liabilities	9, 15	833.936	(350.067)
Taxes paid		(15.613)	(40.514)
Employment termination benefits paid	14	(546.878)	(286.485)
Net cash generated from operating activities		**12.919.058**	**4.530.245**
Investing activities:			
Purchase of property and equipment and intangible assets	11, 12	(1.253.479)	(1.323.229)
Cash used in development activities	12	(3.824.535)	(2.656.060)
Purchase of treasury shares		(450.493)	-
(Increase)/decrease in financial assets	5	(233.581)	348.394
Interest received		797.330	203.990
Acquisition of subsidiary, net of cash acquired	3	-	(2.735.124)
Net cash used in investing activities		**(4.964.758)**	**(6.162.029)**
Financing activities:			
Increase in bank borrowings	7	484.231	3.843.647
Dividend paid		(3.333.336)	-
Interest paid		(391.334)	-
Increase in due from related parties	25	-	(2.000.000)
Net cash generated from financing activities		**(3.240.439)**	**1.843.647**
Net increase/(decrease) in cash and cash equivalents		4.713.863	211.863
Cash and cash equivalents at beginning of the year	4	**5.119.820**	**4.907.957**
Cash and cash equivalents at end of the year	4	**9.833.681**	**5.119.820**

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

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012 AND 2011

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

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

The Company is engaged in the development and sale of operating systems, application software, databases, multi-media and other software products.

As of 31 December 2012, the Group has 249 employees (2011: 221).

The address of the registered office is as follows:

Şahabettin Bilgisu Caddesi, No:609

Gebze Organize Sanayi Bölgesi

Gebze, Kocaeli

The subsidiaries of Logo Yazılım and their nature of business are as follows:

Subsidiary	Country of incorporation	Nature of business
Coretech Bilgi Teknolojisi Hizmetleri A.Ş.	Turkey	Development and marketing of computer software
Logobi Yazılım Sanayi ve Ticaret A.Ş.	Turkey	Development and marketing of computer software
Logo Business Software GmbH	Germany	Development and marketing of computer software
Logo Business Solutions FZ-LLC	United Arab Emirates	Marketing of computer software

As per the share purchase agreement signed on 31 October 2011, the Company acquired all the shares in Coretech Bilgi Teknolojisi Hizmetleri A.Ş. ("Coretech") (Note 3). The share purchase agreement entered into force as of 28 November 2011. Coretech is a software as a service ("SaaS") company. With the SaaS marketed under the brand Diva, Coretech offers solutions in retail sales, store management and after-sale services management.

In the Board of Directors' meeting dated 8 May 2009, it was decided to acquire 27,8% shares of Worldbi Yazılım Sanayii ve Ticaret A.Ş. ("Worldbi") (former name: Logo Biz Yazılım Sanayi ve Ticaret A.Ş.), and acquire the mentioned shares from main partnership Logo Yatırım Holding A.Ş. Established in 1997, Worldbi is a software company that develops and markets business intelligence products. Worldbi's business intelligence products are supportive of the products that the Company develops and markets within the scope of its main field of activity. The company acquired 32,2% of Worldbi's shares free of charge with the share transfer agreement signed on 12 December 2011 and increased its active partnership shares to 60%. The share transfer agreement became effective as of 1 January 2012. The title of Worldbi Yazılım Sanayii ve Ticaret A.Ş. was changed as Logobi Yazılım Sanayi ve Ticaret A.Ş. ("LogoBI") on 2 April 2012.

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

In the Board of Directors' meeting dated 29 January 2007, it was decided to establish a limited liability company in Dubai Technology and Media Free Zone, United Arab Emirates. The entity was established on 27 August 2007 under the legal entity name of Logo Business Solutions FZ-LLC with the paid-in capital of 1.000.000 United Arab Emirates Drachma (TL362.036). The entity is wholly owned by Logo Yazılım. Logo Business Solutions FZ-LLC performs the Company's international marketing and selling operations.

The Board of Directors of the Company decided on the meeting as of 22 April 2009 to execute international sale and marketing activities from the head office in Turkey and for that reason to close Logo Business Solutions FZ-LLC and to do required actions because the effects of the contraction in the domestic and international market due to the global crisis will continue in 2009 and it is predicted that the company's domestic and international sales and marketing activities will be negatively affected. As of 31 December 2012, the liquidation process has been substantially completed.

Before the establishment of Logo Business Solutions FZ-LLC, the Company's international sale and marketing activities were performed by the head office in Turkey and it is planned to perform these activities from the head office in Turkey after Logo Business Solutions FZ-LLC is closed. Therefore, the decision to close Logo Business Solutions FZ-LLC is not classified as discontinued operations in accordance with the CMB Financial Reporting Standards.

Logo Yazılım and its subsidiaries (collectively referred to as the "Group") operate in software industry. Therefore industrial segment reporting is not applicable.

As stated above it has been decided on April 2009 to cease the operations of Logo Business Solutions FZ-LLC. Since the information about the geographical segments in accordance with the Group's operations consolidated financial statements and monetary materiality is not reportable for the geographical segments except Turkey as of 31 December 2012, it is not disclosed in the consolidated financial statements.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Financial Reporting Standards

These consolidated financial statements of the Logo Yazılım have been prepared in accordance with the financial reporting standards endorsed by the Capital Markets Board of Turkey ("CMB"), ("CMB Financial Reporting Standards").

The Capital Markets Board of Turkey regulated the principles and procedures of preparation, presentation and announcement of financial statements prepared by the entities with the Communiqué No: XI-29, "Principles of Financial Reporting in Capital Markets" ("the Communiqué"). This Communiqué is effective for the annual periods starting from 1 January 2008 and supersedes the Communiqué No: XI–25 "The Financial Reporting Standards in the Capital Markets". According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards ("IAS/IFRS") endorsed by the European Union.

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

Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board ("IASB") are announced by Turkish Accounting Standards

Board ("TASB"), IAS/IFRS issued by the IASB shall be applied. Accordingly, Turkish Accounting Standards/ Turkish Financial Reporting Standards ("TAS/TFRS") issued by the TASB which are in line with the aforementioned standards shall be considered.

With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with CMB Financial Reporting Standards. The Company applied the provisions of IAS 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29") until 30 June 2005, which was the end of the Company's fiscal year. The Company ceased the application of IAS 29 on 1 July 2005 in accordance with CMB regulations.

Within the scope of CMB's Communiqué Serial XI, No:29 and its announcements clarifying this communiqué the consolidated financial statements have been prepared in accordance with the CMB's Financial Reporting Standards which are based on IAS/IFRS, as the differences of IAS/IFRS, adopted by the European, from those published by IASB have not yet been announced by TASB as of the date of these financial statements. Financial statements and accompanying notes have been presented in accordance with the format, recommended to be implemented by CMB through its announcement dated 14 April 2008 and 9 January 2009, and by including the mandatory information.

As per CMB's Communiqué Serial XI, No:29 and its announcements clarifying this communiqué enterprises are obliged to present the hedging rate of their total foreign exchange liability and total export and import amounts in the notes to the financial statements.

The Company maintains its books of account and prepares its statutory financial statements ("Statutory Financial Statements") in accordance with the requirements of the Capital Market Board of Turkey, the Turkish Commercial Code (the "TCC"), tax legislation, and the Uniform Chart of Accounts issued by the Ministry of Finance.

These consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the CMB Financial Reporting Standards.

2.1.2 Financial statements of subsidiaries operating in foreign countries

Financial statements of subsidiaries that are operating in foreign countries are prepared in accordance with the laws and regulations in force in the countries in which they are registered in and required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the Group's accounting policies.

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

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity (translation reserve) and the total is included in the comprehensive income/(loss).

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

2.1.3 Basis of consolidation

a) The consolidated financial statements include the accounts of the parent company, Logo Yazılım, its subsidiaries and associates on the basis set out in sections (b), (c) and (d) below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements, and are prepared in accordance with CMB Financial Reporting Standards. The result of operations of the subsidiaries are included or excluded in these consolidated financial statements subsequent to the date of acquisition or date of sale respectively.

b) Subsidiaries are companies in which the Company has the power to control the financial and operating policies for the benefit of the Company, either (a) through the power to exercise more than 50% voting rights relating to shares in the companies as a result of shares owned directly and indirectly by itself and companies whereby the Company exercises control over the voting rights of (but does not have economic benefit of) the shares held by them, or (b) although not having the power to exercise more than 50% of the voting rights, through the exercise of actual dominant influence over the financial and operating policies.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Intercompany transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated.

c) Investments in associates are accounted for by the equity method of accounting. These are entities over which the Company generally has between 20% and 50% of voting rights, or over which the Company has significant influence, but which it does not control. Unrealized gains that result from transactions between the Company and its associates are eliminated on consolidation, whereas unrealized losses are eliminated unless they do not address any impairment. Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero (unless the Company has incurred obligations or guaranteed obligations in respect of the associates) or when the Company loses its significant influence. The carrying amount of the investment at the date it ceases to be an associate is regarded as its cost on initial measurement as a financial asset.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012 AND 2011

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

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

The table below sets out the subsidiaries and associates of Logo Yazılım and shows the total interest of the Company in these companies at 31 December 2012

	Direct and indirect ownership interests by the Company (%)	Proportion of effective interest (%)
Subsidiaries:		
Coretech Bilgi Teknolojisi Hizmetleri A.Ş.	%100,00	%100,00
Logobi Yazılım Sanayi ve Ticaret A.Ş.	%60,00	%60,00
Logo Business Software GmbH	%100,00	%100,00
Associates:		
Logomotif Multimedya ve Elektronik Yayıncılık Sanayi ve Ticaret A.Ş.	-	%44,75

The balance sheets and statements of income of the subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by the Company and its subsidiaries is eliminated against the related equity. Intercompany transactions and balances between the Company and its subsidiaries are eliminated on consolidation. The cost of, and the dividends arising from, shares held by the Company in its subsidiaries are eliminated from equity and income for the period, respectively.

At the Board of Directors' meeting of Logomotif Multimedya ve Elektronik Yayıncılık Sanayi ve Ticaret A.Ş. on 12 October 2008 it has been decided on liquidation of the company and for this purpose to apply to the relevant authorities by accomplishing the required transactions. As of 31 December 2012 the liquidation process has been completed.

It has been decided at the Company's Board of Directors' meeting on 8 May 2009 to acquire 27.8% of the shares of Worldbi Yazılım Sanayii ve Ticaret A.Ş. and to purchase the shares from the parent company Logo Yatırım Holding A.Ş. for TL2.180.000. Following the acquisition of Worldbi on July 2009 it has been accounted by using equity method until 31 December 2011. (Note 6). The Company acquired 32,2% of Worldbi's shares free of charge with the share transfer agreement signed on 12 December 2011 and increased its active partnership shares to 60%. The share transfer agreement became effective as of 1 January 2012. The title of Worldbi Yazılım Sanayii ve Ticaret A.Ş. was changed as Logobi Yazılım Sanayi ve Ticaret A.Ş. ("LogoBI") on 2 April 2012.

d) Other investments in which the Company and its subsidiaries have interest below 20%, or over which the Company does not exercise a significant influence, or which are immaterial are classified as available-for-sale. Available-for-sale investments that do not have a quoted market price in active markets and whose fair value cannot be measured reliably are carried at cost less any provision for diminution in value (Note 5).

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

2.1.4 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.1.5 Use of estimates

The preparation of these consolidated financial statements based on CMB Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and operating expenses during the reporting period.

Although these estimates are based on management's best knowledge of current event and actions, actual results may differ from these estimates.

2.2 Summary of significant accounting policies

The significant accounting policies followed in the preparation of these consolidated financial statements are summarized below:

Cash and cash equivalents

The cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents consist of cash on hand, deposits at banks and highly liquid investments with maturity periods of less than three-months (Note 4).

Trading securities

Trading securities are recognized initially at cost including transaction costs incurred and subsequently measured at their fair values. Fair value gains and losses are recognized in profit or loss (Note 5).

Related parties

For the purpose of these consolidated financial statements, shareholders, associated entities, key management personnel and Board of Directors members, in each case together with their families and companies controlled or affiliated with them are considered and referred to as related parties. As a result of ordinary business operations, Company may have business relations with the related parties (Note 25).

Trade receivables and valuation allowance

Trade receivables that are created by the Company by way of providing goods or services directly to a debtor are carried at amortized cost. Trade receivables, net of unearned financial income, are measured at amortized cost, using the effective interest rate method, less the unearned financial income. Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

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

A credit risk provision for trade receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other income.

Available-for-sale financial assets

Investments intended to be held for an indefinite period of time, and which may be sold in response to needs for liquidity or changes in interest rates are classified as available-for-sale. These are included in non-current assets unless management has the expressed intention of holding the investments for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. The appropriate classification of investments is determined at the time of the purchase and re-evaluated by management on a regular basis.

All investment securities are initially recognized at cost. Transaction costs are included in the initial measurement of debt securities. Available-for-sale debt and equity investment securities are subsequently re-measured at fair value if their fair values can be reliably measured.

Other investments in which the Company has interest below 20% that do not have a quoted market price in active markets and whose fair value cannot be measured reliably are carried at cost less any provision for diminution in value.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation is provided using the straight-line method based on the estimated useful lives of the assets. The depreciation periods for property and equipment, which approximate the economic useful lives of assets concerned, are as follows.

	Useful life
Building and related leasehold improvements	5 - 49
Machinery and equipment	5
Motor vehicles	5
Furniture and fixtures	5

The useful lives of significant part of building and related leasehold improvements are 49 years.

Gains or losses on disposals of property and equipment are determined by comparing proceeds with carrying amounts and are included in operating profit.

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

Intangible assets

Intangible assets include acquired rights, development costs, software and technology, customer relationships and other identifiable rights acquired in business combinations. Intangible assets are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over a period not exceeding ten years. Intangible assets acquired in business combinations are accounted for over their fair values at the acquisition date. Where an indication of impairment exists, the carrying amount of any intangible assets is assessed and written down immediately to its recoverable amount.

Goodwill

Any excess of the cost of acquisition over the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill. The goodwill for associates is recorded in balance sheet under associates accounted for using the equity method.

In the event the amount paid in an acquisition is lower than the fair value of the acquired net assets and liabilities the difference is recognised as income.

Goodwill is tested for impairment and recorded in balance sheet after deducting the provision for impairment from the cost. The impairment of goodwill is allocated to cash-generating units. The allocation is made to the units to cash-generating units or groups of cash-generating units that are expected to profit from business combination. The impairment of goodwill cannot be cancelled. The Company tests the impairments of goodwill as of 31 December.

The profit/(loss) generated from the sale of a business includes the goodwill on the sold business.

Research and development costs

Research is defined as the original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. The expenditure on research is recognized as an expense when it is incurred.

Development is defined as the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use and an intangible asset arising from development is recognized when the following are demonstrated by the Company:

a) The technical feasibility of completing the intangible asset so that it will be available for use or sale,
b) Its intention to complete the intangible asset and use or sell it,
c) Its ability to use or sell the intangible asset,
d) How the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset,

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

e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset,

f) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development costs comprise salaries, wages and related costs of the staff working directly in development activities and other directly attributable costs. The government grants related development costs are deducted from the carrying value of associated development costs.

Government grants

Logo Yazılım benefits from research and development ("R&D") grants within the scope of the Communiqué No: 98/10 of The Scientific and Technological Research Council of Turkey ("TÜBİTAK") and Money Credit and Coordination Board related to R&D grants for its research and development projects given that such projects satisfy specific criteria with respect to the evaluation of TÜBİTAK Technology Monitoring and Evaluation Board.

The government grants are recognized when there is reasonable assurance that Logo Yazılım will comply with the conditions attaching to them and the grants will be received.

The government grants are recognized as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Accordingly, government grants are recognized as income when the related costs which they are intended to compensate were incurred. Similarly, grants related to depreciable assets are recognized as income over the periods and in the proportions in which depreciation on those assets is charged.

Financial liabilities

Financial liabilities are recognized initially at the proceeds received, net of transaction costs incurred. Financial liabilities are subsequently stated at amortised cost using the effective yield method. If the financial costs arising from financial liabilities are associated to the acquisition or construction of qualifying assets, they are included in the cost of qualifying assets. Qualifying assets are assets that take a substantial period of time to get ready for use or sale. Other borrowing costs are recorded in the income statement in the period realized.

Deferred income taxes

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

Deferred income tax assets and liabilities related to income taxes levied by the same taxation authority and deferred tax assets and deferred tax liabilities are offset accordingly (Note 23). The deferred income taxes are classified as non-current in the accompanying financial statements.

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

Revenue recognition

The Company mainly generates revenue from sale of off-the-shelf software, development of customized software, sale of Logo Enterprise Membership, sale of SaaS membership and after-sales services revenue.

Off-the-shelf software sales - licence model

Revenues on off-the-shelf software sales are recognized on an accrual basis at the time deliveries or acceptances are made, the amount of the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company, at the fair value of consideration received or receivable. Net sales represent the invoiced value less sales returns and discounts. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized as interest income on a time proportion basis that takes into account the effective yield on the asset.

On the off-the-shelf software sales, Logo Yazılım charge its customers a one-time fee and the customers are entitled to use the current release and version indefinitely. Accordingly, the Company does not have obligation following the point of sale.

Off-the-shelf software sales - pay as you go model

In the sales model where the licence rights are not transferred to customers, but usage right of the package programme is made available for a limited period of time, the revenues are accounted for on accrual basis.

Logo Enterprise Membership ("LEM") sales

Logo Enterprise Membership, 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. Enterprises which buy LEM obtain the basic maintenance and support services necessary for high performance functioning of Enterprise Resource Planning, besides receiving all the legal changes and charged version changes free of charge. LEM sales are recognized on an accrual basis over the contract period. The Company started LEM sales in August 2007. The Company applies to give the LEM as a free product with the main software products. The Company's management mentioned that collection of the sales transaction was reflected to the main software product and LEM products was sold free.

SaaS subscription income

SaaS subscription income is allocated to customers on a monthly basis. Income is invoiced and recognised as part of a periodic invoicing process and the source of income is accounted for as soon as the service is rendered.

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

Post delivery customer support

The revenues from post delivery customer support are recognized the accrual basis based on the terms of the agreements. The post delivery customer support services are mainly provided by the business partners.

Customized software development

The revenues from customized software development are recognized by reference to the stage of completion of the contract activity at the balance sheet date.

Other revenues

Other revenues earned by the Company are recognized on the following basis:

Royalty and rental income - on an accrual basis,

Interest income - on an effective yield basis,

Dividend income - when the Company’s right to receive payment is established.

Provisions

Provisions are recognized when the Company has a present legal constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are not included in financial statements and treated as contingent assets or liabilities (Note 13).

Provision for employment termination benefits

Provision for employment termination benefits represent the present value of the estimated total reserve of the future probable obligation of the Company arising from the retirement of the employees calculated in accordance with the Turkish Labor Law (Note 14).

Equity

In the restatement of shareholders’ equity items, the addition of funds formed due to hyperinflation such as revaluation value increase fund to share capital is not considered as a contribution from shareholders. Additions of legal reserves and retained earnings to share capital are considered as contributions by shareholders.

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

In the restatement of shareholders' equity items added to share capital the capital increase registry dates or the payment dates is considered. In the restatement of share premium payment dates are considered.

Ordinary shares are classified as equity. Dividends on ordinary shares are recognized by deducting from retained earnings in the period in which they are declared (Note 16).

Foreign currency transactions and balances

Transactions in foreign currencies during the period have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into Turkish Lira at the exchange rates prevailing at the balance sheet dates. Foreign exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities are recognized in the income statement.

Earnings/loss per share

Earnings/loss per share disclosed in these statements of income/loss is determined by dividing net income/loss by the weighted average number of shares that have been outstanding during the year concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, such Bonus Share issuances are regarded as issued shares. Accordingly the weighted average number of shares used in earnings per share computations is derived by giving retroactive effect to the issuances of the shares without consideration.

2.3 Recent accounting pronouncements

a) **New standards, amendments and interpretations effective for annual periods beginning on or after 1 January 2012 and adopted by the Group:**

- IFRS 7 (amendment), "Financial instruments: Disclosures on transfers of assets", is effective for annual periods beginning on or after 1 July 2011. This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. Comparative information is not needed in the first year of adoption. Earlier adoption is permitted.

- IFRS 1 (amendment), "First-time adoption of IFRS", is effective for annual periods beginning on or after 1 July 2011. These amendments include two changes to IFRS 1. The first replaces references to a fixed date of 1 January 2004 with 'the date of transition to IFRSs', thus eliminating the need for entities adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. Earlier adoption is permitted.

- - IAS 12 (amendment), "Income taxes" on deferred tax, is effective for annual periods beginning on or after 1 January 2012. This amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, "Income taxes - recovery of revalued non-depreciable assets", will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. Early adoption is permitted.

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

b) New standards, amendments and interpretations effective for annual periods beginning on or after 1 January 2012 that are not relevant for the Group's operations:

- IAS 19 (amendment), "Employee benefits", is effective for annual periods beginning on or after 1 January 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. Early adoption is permitted.

- IAS 1 (amendment), "Presentation of financial statements", regarding other comprehensive income is effective for annual periods beginning on or after 1 July 2012. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. Early adoption is permitted.

- IFRS 10, "Consolidated financial statements", is effective for annual periods beginning on or after 1 January 2013. The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. This new standard might impact the entities that a group consolidates as its subsidiaries.

- IFRS 11, "Joint arrangements", is effective for annual periods beginning on or after 1 January 2013. IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

- IFRS 12, "Disclosures of interests in other entities", is effective for annual periods beginning on or after 1 January 2013. The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

- IFRS 10, 11 and 12 on transition guidance (amendment), is effective for annual periods beginning on or after 1 January 2012. The amendment also provide additional transition relief in IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosure related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for the periods before IFRS 12 is applied.

- IFRS 13, "Fair value measurement", is effective for annual periods beginning on or after 1 January 2013. The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

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

- IAS 27 (revised), "Separate financial statements", is effective for annual periods beginning on or after 1 January 2013. The standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

- IAS 28 (revised), "Associates and joint ventures", is effective for annual periods beginning on or after 1 January 2013. The standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

- IFRS 7 (amendment), "'Financial instruments: Disclosures', on offsetting financial assets and financial liabilities", is effective for annual periods beginning on or after 1 January 2013. The amendment reflects the joint IASB and FASB requirements to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements and those that prepare US GAAP financial statements.

- IAS 32 (amendment), "'Financial instruments: Presentation', on offsetting financial assets and financial liabilities", is effective for annual periods beginning on or after 1 January 2014. The amendment updates the application guidance in IAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

- IFRS 1 (amendment), "'First time adoption', on government loans", is effective for annual periods beginning on or after 1 January 2013. The amendment addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRS. It also adds an exception to the retrospective application of IFRS, which provides the same relief to first-time adopters granted to existing preparers of IFRS financial statements when the requirement was incorporated into IAS 20 in 2008.

- Annual Improvements to IFRSs 2011 is effective for annual periods beginning on or after 1 January 2013. Amendments effect five standards: IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34.

- IFRS 9, "Financial instruments: Classification and Measurement", is effective for annual periods beginning on or after 1 January 2015. The standard addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments.

- IFRS 10, (amendment) "Consolidated Financial Statements", IFRS 12 and IAS 27 for investment entities is effective for annual periods beginning on or after 1 January 2013. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an "investment entity" definition and which display particular characteristics. Changes have also been made IFRS 12 to introduce disclosures that an investment entity needs to make.

- IFRIC 20, "Stripping costs in the production phase of a surface mine" is effective for annual periods beginning on or of 1 January 2013. This interpretation sets out the accounting for overburden waste removal (stripping) costs in the production phase of a mine.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012 AND 2011

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

NOTE 3 - BUSINESS COMBINATIONS

Coretech acquisition

Upon the signing of the share purchase agreement on 31 October 2011, the Company acquired all the shares in Coretech in return for TL5.616.249, of which the portion TL1.399.998 comprises contingent consideration. The portion TL2.550.000 of the acquisition amount was paid in cash, the portion TL1.456.251 was paid on 31 March 2012, and the remaining TL210.000 will be paid on 31 March 2013. The amortised cost of the acquisition amount equals TL5.307.021. as of 31 December 2012. The share purchase agreement entered into force as of 28 November 2012. Acquisition-related costs of TL135.089 have been included in the general administrative expenses.

As of 31 December 2012 the Company management finalised studies conducted to determine the fair value of Coretech’s identifiable assets acquired and liabilities assumed. The identifiable assets acquired and liabilities assumed were booked over their following values:

Cash and cash equivalents	91.678
Financial assets	320.378
Trade receivables	900.189
Other current assets	106.728
Property and equipment	152.738
Intangible assets - identifiable assets	5.680.885
Deferred income tax assets	55.949
Trade payables	(124.388)
Other payables	(293.200)
Other current liabilities	(666.249)
Bank borrowings	(410.393)
Provision for employment termination benefits	(202.073)
Fair value of net assets	5.612.242
Less: purchase consideration	4.146.083
Less: contingent consideration	1.160.938
Negative goodwill	**305.221**

Of the identifiable assets determined as a result of Coretech’s purchase price allocation study, the technology developed is amortised over seven years, customer relations are amortised over ten years and the agreement for restriction of competition is amortised over three years.

In accordance with the share purchase agreement, in the event the total sales of Coretech derived from licence sales and other service income reaches TL7.000.000 in the accounting year 2012, the Company will pay TL1.399.998 to the former shareholders of Coretech on 31 March 2013. In the event that total turnover does not reach TL7.000.000, the amount to be paid by the Company will gradually decrease.

As Coretech’s total revenue from license sales or project and other service in 2012 reached TL6.822.442, the Company will pay TL 1.224.999 to Coretech’s former shareholders on 31 March 2013. The amortized cost of the mentioned contingent debts is TL1.183.502 as of 31 December 2012 . (31 December 2011: TL1.160.938).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012 AND 2011

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

NOTE 3 - BUSINESS COMBINATIONS (Continued)

LogoBI acquisition

The Company acquired 32,2% of Worldbi's shares free of charge with the share purchase agreement signed on 12 December 2011 and increased its effective ownership interest to 60%. The share purchase agreement became effective as of 1 January 2012. The title of Worldbi Yazılım Sanayii ve Ticaret A.Ş. was changed as Logobi Yazılım Sanayi ve Ticaret A.Ş. ("LogoBI") on 2 April 2012.

On 30 June 2012, the company management completed its studies for determining the fair values of LogoBI's identifiable assets and acquired liabilities, which were recorded based on the below mentioned values.

Total assets	93.247
Intangible assets - identifiable assets	3.400.000
Total liabilities	(87.539)
Fair value of net assets	3.405.708
Less: the carrying value of investments in associates	2.065.365
Less::non-controlling interest	1.362.285
Goodwill	**21.942**

The goodwill arising from the acquisition was associated with the income statement, since it is not material for consolidated financial statements.

Idefinable asset advanced technology determined in consequence of LogoBI's purchase price allocation study are amortized on 10 years.

NOTE 4 - CASH AND CASH EQUIVALENTS

The analysis of cash and cash equivalents at 31 December 2012 and 2011 is as follows:

	2012	**2011**
Cash on hand	5.283	6.078
Banks		
- Demand deposits in Turkish Lira	1.292.369	344.162
- Demand deposits in foreign currency	544.303	711.689
- Time deposits in Turkish Lira	5.681.340	2.575.658
Credit card receivables	2.310.386	1.482.233
Total	**9.833.681**	**5.119.820**

At 31 December 2012, the interest rates for Turkish Lira denominated time deposits are between 8,00% and 8,65% (2011: 8,00% and 11,65%).

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

NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

As of 31 December 2012 and 2011, cash and cash equivalents included in the consolidated statements of cash flows are as follows:

	2012	2011	2010
Cash and cash equivalents	9.833.681	5.119.820	4.907.957

NOTE 5 - FINANCIAL ASSETS

The analysis of financial assets at fair value through profit and loss at 31 December 2012 and 2011 is as follows:

	2012	2011
Mutual funds		
- Liquid funds	384.975	249.244
- Gold funds	97.850	-
Total	**482.825**	**249.244**

The analysis of non-current financial assets at 31 December 2012 and 2011 is as follows.

	2012		2011	
	Share %	Carrying Amount	Share %	Carrying Amount
Associates:				
Logomotif Multimedya ve Elektronik Yayıncılık Sanayi ve Ticaret A.Ş.	-	-	44,75	-
Available-for-sale equity securities:				
İnterpro Yayıncılık Araştırma ve Organizasyon Hizmetleri A.Ş.	2	80.653	2	80.653
Boğaziçi Üniversitesi Teknopark	5	2.500	5	2.500
Total		**83.153**		**83.153**

At 31 December 2012 and 2011, Logo Yazılım's share of losses of its associates exceeds its interest in these associates. The Company does not have any legal or constructive obligations on behalf of its associates, therefore the Company's interest is reduced to zero and recognition of further losses is discontinued.

At the Board of Directors' meeting of Logomotif Multimedya ve Elektronik Yayıncılık Sanayi ve Ticaret A.Ş. on 12 October 2008 it has been decided on liquidation of the company and for this purpose to apply to the relevant authorities by accomplishing the required transactions.

As of 31 December 2012, the liquidation process has been completed.

The equity investment in İnterpro Yayıncılık Araştırma ve Organizasyon Hizmetleri A.Ş. does not have any quoted market price in active market and its fair value cannot be measured reliably, therefore it is carried at cost.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012 AND 2011

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

NOTE 6 - ASSOCIATE ACCOUNTED FOR USING THE EQUITY METHOD

It has been decided in the company's Board of Directors' meeting on 8 May 2009 to acquire 27.8% of the shares of Worldbi and to purchase the shares from the parent company Logo Yatırım Holding A.Ş. for TL2.180.000. The cost amounting to TL40.565 related to purchase transaction has been included in purchase cost.

The company finalized the fair value exercise of acquired assets and liabilities at 31 December 2009. The identifiable assets and acquired liabilities are recorded at the values stated below:

Cash and cash equivalents	193.696
Trade receivables	100.276
Other current assets	71.209
Property and equipment	94.825
Intangible assets – advanced technology	966.072
Trade payables	(6.637)
Other current liabilities	(46.888)
Other current liabilities	1.372.553
Fair value of net assets acquired 27,8%	381.570
Less: purchase consideration	2.220.566
Goodwill	**1.838.996**

The acquisition has been accomplished on July 2009. Worldbi has been accounted for using the equity method until 31 December 2011. The company acquired 32,2% of Worldbi's shares free of charge with the share purchase agreement signed on 12 December 2011 and increased its effective ownership interest to 60%. The share purchase agreement became effective as of 1 January 2012. Worldbi was accounted by using full consolidation method as of this date. The title of Worldbi Yazılım Sanayii ve Ticaret A.Ş. was changed as Logobi Yazılım Sanayi ve Ticaret A.Ş. ("LogoBI") on 2 April 2012.

The movements in the carrying value of the associate during the year ended 31 December 2012 and 2011 were as follows:

	2012	**2011**
1 January	**2.065.365**	**2.174.015**
Business combination (Note 3)	(2.065.365)	-
Share of loss of associate	-	(108.650)
31 December	**-**	**2.065.365**

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012 AND 2011

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

NOTE 6 - ASSOCIATE ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

The summary of the associates' financial statements is as follows:

	31 December 2011	
	Total assets	**Total liabilities**
Worldbi	93.247	87.539

Sales	**1 Ocak - 31Aralık 2011**
Worldbi	191.378

Net loss for the period	**1 Ocak - 31Aralık 2011**
Worldbi	(390.826)

Worldbi's the net loss for the year ended 31 December 2011 also comprises current period amortization of advanced technology amounting to TL96.607 that was accounted for under acquisition accounting.

NOTE 7 - BORROWINGS

The analysis of borrowings at 31 December 2012 and 2011 is as follows:

Short-term bank borrowings:	**2012**	**2011**
Short-term bank borrowings	877.092	356.761
Credit card payables	615.954	75.522
Current portion of long-term bank borrowings	283.315	-
Total	**1.776.361**	**432.283**

Long-term bank borrowings:	**2012**	**2011**
Long-term bank borrowings	3.458.824	4.112.113
Total	**3.458.824**	**4.112.113**

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

NOTE 7 - BORROWINGS (Continued)

		2012	
	Weighted average effective interest rate p.a. (%)	**Original balance**	**TL equivalent**
Credit card payables	-	615.954	615.954
Short-term bank borrowings	-	283.315	283.315
Total			**899.269**
Current portion of long-term bank borrowings:			
TL denominated borrowings	%12,24-%15,84	733.876	733.876
USD denominated borrowings	-	80.341	143.216
Total short-term bank borrowings			**1.776.361**
Long-term bank borrowings:			
TL denominated borrowings	%12,24-%15,84	3.353.014	3.353.014
USD denominated borrowings	-	59.358	105.810
Total short-term bank borrowings			**3.458.824**

		2011	
	Weighted average effective interest rate p.a. (%)	**Original balance**	**TL equivalent**
Credit card payables	-	75.622	75.622
Current portion of long-term bank borrowings:			
TL denominated borrowings	%12,24-%16,20	205.838	205.838
USD denominated borrowings	-	79.900	150.923
Total short-term bank borrowings			**432.383**
Long-term bank borrowings:			
TL denominated borrowings	%12,24-%16,20	3.848.236	3.848.236
USD denominated borrowings	-	139.699	263.877
Total long-term bank borrowings			**4.112.113**

The redemption schedule of long-term bank borrowings at 31 December 2012 is as follows:

	2012
1 to 2 years	961.849
2 to 3 years	1.482.919
3 to 4 years	1.014.056
Total	**3.458.824**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012 AND 2011

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

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

The analysis of trade receivables and payables at 31 December 2012 and 2011 is as follows:

Short-term trade receivables:	**2012**	**2011**
Trade receivables	19.889.810	14.652.063
Credit card receivables	4.271.115	1.887.820
Cheques and notes receivable	1.090.310	624.979
Other trade receivables	88.142	88.142
Less: provision for doubtful receivables	(4.741.250)	(4.442.692)
Less: unearned credit finance income	(272.881)	(128.202)
Total	**20.325.246**	**12.682.110**

As of 31 December 2012, trade receivables of TL2.826.265 (2011: TL1.678.032) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2012	**2011**
Up to 1 month	1.407.801	583.309
1 to 3 months	612.480	618.413
Over 3 months	805.984	476.310
Total	**2.826.265**	**1.678.032**
Amount of risk covered by guarantees	-	-

Short-term trade payables:	**2012**	**2011**
Trade payables	1.914.515	1.219.742

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012 AND 2011

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

NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

The maximum exposure of the Company to credit risk as of 31 December 2012 and 2011 is as follows:

	Trade receivables		Other receivables		
31 December 2012	**Related party**	**Other**	**Related party**	**Other**	**Bank deposits**
The maximum of credit risk exposed at the reporting date	**59.699**	**25.339.377**	**2.000.000**	**22.432**	**9.828.398**
- Amount risk covered by guarantees	**-**	***159.400***	**-**	**-**	**-**
Net carrying value of not past due and not impaired financial assets	59.699	22.513.112	2.000.000	22.432	9.828.398
Net carrying value of past due but not impaired financial assets	-	2.826.265	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-
Net carrying value of impaired assets	-	-	-	-	-
- Past due (gross carrying value)	-	*4.741.250*	-		-
					-
- Provision for impairment (-)	-	*(4.741.250)*	-	-	-
- 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 CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012 AND 2011

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

NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

	Trade receivables		Other receivables		
31 December 2011	**Related party**	**Other**	**Related party**	**Other**	**Bank deposits**
The maximum of credit risk exposed at the reporting date	**55.240**	**17.253.004**	**2.000.000**	**8.328**	**5.113.742**
- Amount risk covered by guarantees	-	***159.400***	-	-	-
Net carrying value of not past due and not impaired financial assets	55.240	15.574.972	2.000.000	8.328	5.113.742
Net carrying value of past due but not impaired financial assets	-	1.678.032	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-
Net carrying value of impaired assets	-	-	-	-	-
- Past due (gross carrying value)	-	*4.442.692*	-		-
- Provision for impairment (-)	-	*(4.442.692)*	-	-	-
Amount of risk covered by guarantees	-	-	-	-	-

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

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

NOTE 9 - OTHER RECEIVABLES AND PAYABLES

The analysis of other receivables and payables at 31 December 2012 and 2011 is as follows:

Other current receivables:	**2012**	**2011**
Deposits and guarantees given	22.432	8.328

Other current payables:	**2012**	**2011**
Taxes, withholdings and duties payable	1.476.784	1.426.470
Payable arising from Coretech acquisition - contingent consideration	1.183.502	-
Payable arising from Coretech acquisition	202.886	1.410.778
Total	**2.863.172**	**2.837.248**

Other non-current payables:	**2012**	**2011**
Restructured taxes payable	11.570	159.009
Payable arising from Coretech acquisition - contingent consideration	-	185.305
Payable arising from Coretech acquisition	-	1.160.938
Total	**11.570**	**1.505.252**

Upon the signing of the share purchase agreement on 31 October 2011, the Company acquired all the shares in Coretech in return for TL5.616.249, of which the portion TL1.399.998 comprises contingent consideration. The portion TL2.550.000 of the acquisition amount was paid in cash and the remaining TL1.456.251 was paid on 31 March 2012, while the rest TL210.000 will be paid on 31 March 2013. As of 31 December 2012, the amortised cost of the instalment to be paid on 31 March 2013 is TL202.886 and is classified under other current payables.

In accordance with the share purchase agreement, in the event the total sales of Coretech derived from licence sales and other service income reaches TL7.000.000 in the accounting year 2012, the Company will pay TL1.399.998 to the former shareholders of Coretech on 31 March 2013. As of 31 December 2012, the amortised cost of the said contingent consideration equals TL1.160.938 is classified under other non-current payables. In the event that total revenue does not reach TL7.000.000, the amount to be paid by the Company will gradually decrease.

As Coretech's total revenue from license sales or project and other service in 2012 financial year reached TL6.822.442, the Company will pay TL1.224.999 to Coretech's former shareholders on 31 March 2013. The amortized cost of the mentioned contingent debts is TL1.183.502 and classified as other current liabilites in the accompanying financial statements. as of 31 December 2012 .

Law No. 6111 on "Restructuring of Certain Receivables and on Amending Social Security and General Health Insurance Law and Certain Other Laws and Statutory Decrees" was enacted after its approval by the Turkish Grand National Assembly on 13 February 2011 and entered into force after being issued in the Official Gazette on 25 February 2011. The enterprises can benefit from the tax base increase mechanism of the aforementioned law for the years 2006, 2007, 2008 and 2009. The companies which have filed tax base increase applications are excluded from the scope of tax inspections for the relevant taxable periods. The Company decided to benefit from the tax base increase mechanism offered in Law No. 6111 from the perspective of corporate tax. Therefore, the related tax base increase declarations were arranged and submitted to the tax office of the Company. As a result of the implementation of the law provisions for the corporate tax, an additional tax of TL168.497 was accrued in the name of the Company. Moreover, the portion TL334.929 of tax losses to be offset was waived.

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

NOTE 10 - INVENTORIES

The analysis of inventories at 31 December 2012 and 2011 is as follows:

	2012	**2011**
Trade goods	130.906	123.613
Raw materials	14.246	14.783
Total	**145.152**	**138.396**

NOTE 11 - PROPERTY AND EQUIPMENT

The movements in property and equipment and related accumulated depreciation during the years ended 31 December 2012 and 2011 were as follows:

	1 January 2012	**Additions**	**Disposals**	**Transfers**	**31 December 2012**
Cost:					
Machinery and equipment	4.784.830	265.338	(34.308)		5.015.860
Motor vehicles	20.746	-	(20.746)	-	-
Furniture and fixtures	1.784.243	193.241	(3.136)	-	1.974.348
Leasehold improvements	15.259.801	86.285	-	812.162	16.158.248
Construction in progress	1.010.269	653.231	(187.035)	(812.162)	664.303
Total	**22.859.889**	**1.198.095**	**(245.225)**	**-**	**23.812.759**
Accumulated depreciation:					
Machinery and equipment	4.409.446	137.882	(10.096)	-	4.537.232
Motor vehicles	6.639	470	(7.109)	-	-
Motor vehicles	1.587.279	107.507	(3.136)	-	1.691.650
Leasehold improvements	3.669.297	374.363	-	-	4.043.660
Total	**9.672.661**	**620.222**	**(20.341)**	**-**	**10.272.542**
Net book value	**13.187.228**				**13.540.217**

(*) See Note 3.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012 AND 2011

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

NOTE 11 - PROPERTY AND EQUIPMENT (Continued)

	1 January 2011	Additions	Disposals	Acquisition of subsidiary (*)	31 December 2011
Cost:					
Machinery and equipment	4.575.027	219.063	(9.260)	-	4.784.830
Motor vehicles	74.949	-	(74.949)	20.746	20.746
Furniture and fixtures	788.632	60.497	(1.112)	936.226	1.784.243
Leasehold improvements	14.533.599	726.202	-	-	15.259.801
Construction in progress	1.184.341	288.766	(462.838)	-	1.010.269
Total	**21.156.548**	**1.294.528**	**(548.159)**	**956.972**	**22.859.889**
Accumulated depreciation:					
Machinery and equipment	4.290.525	123.708	(4.787)	-	4.409.446
Motor vehicles	74.949	294	(74.949)	6.345	6.639
Furniture and fixtures	760.793	28.801	(204)	797.889	1.587.279
Furniture and fixtures	3.327.378	341.919	-	-	3.669.297
Total	**8.453.645**	**494.722**	**(79.940)**	**804.234**	**9.672.661**
Net book value	**12.702.903**				**13.187.228**

The Company leased the land; its head-office is standing on in Gebze Organize Sanayi Bölgesi, for a 49 year term. The costs related to the construction of the head-office building are included in leasehold improvements.

In accordance with the loan agreement signed between the Company and a financial institution ("Lender") in 2012, a pledge of TL7.000.000 was placed on the Company's building as collateral for the loan.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012 AND 2011

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

NOTE 12 - INTANGIBLE ASSETS

The movements in intangible assets and related accumulated amortization during the years ended 31 December 2012 and 2011 were as follows:

	1 January 2012	Additions	Disposals	Acquisition of subsidiary (*)	31 December 2012
Cost:					
Development costs	32.247.951	3.824.535	-	-	36.072.486
Identifiable assets	5.680.885	-	-	3.400.000	9.080.885
Other intangible assets	778.368	55.384	-	-	833.752
Total	**38.707.204**	**3.879.919**	**-**	**3.400.000**	**45.987.123**
Accumulated amortization:					
Development costs	24.237.257	4.019.133	-	-	28.256.390
Identifiable assets	63.418	1.101.016	-	-	1.164.434
Other intangible assets	700.626	32.715	-	-	733.341
Total	**25.001.301**	**5.152.864**	**-**	**-**	**30.154.165**
Net book value	**13.705.903**				**15.832.958**

	1 January 2012	Additions	Disposals	Acquisition of subsidiary (*)	31 December 2012
Cost:					
Development costs	29.591.891	2.656.060	-	-	32.247.951
Identifiable assets	-	-	-	5.680.885	5.680.885
Other intangible assets	749.667	28.701	-	-	778.368
Total	**30.341.558**	**2.684.761**	**-**	**5.680.885**	**38.707.204**
Accumulated amortization:					
Development costs	19.635.727	4.601.530	-	-	24.237.257
Identifiable assets	-	63.418	-	-	63.418
Other intangible assets	662.528	38.098	-	-	700.626
Total	**20.298.255**	**4.703.046**	**-**	**-**	**25.001.301**
Net book value	**10.043.303**				**13.705.903**

(*) See Note 3.

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NOTE 12 - INTANGIBLE ASSETS (Continued)

All additions to development costs during the years ended 31 December 2012 and 2011 included staff costs.

TL5.341.884 of the current period depreciation and amortization expense has been allocated to research and development expenses, TL107.381 has been allocated to marketing and selling expenses, TL303.810 has been allocated to general administrative expenses and TL20.011 has been allocated to cost of sales (2011: TL4.742.322 to research and development expenses, TL112.472 to marketing and selling expenses, TL326.715 to general administrative expenses and TL16.259 to cost of sales).

NOTE 13 - COMMITMENTS

Guarantees given and guarantees received, for which the management does not estimate any significant losses or liabilities at 31 December 2012 and 2011 were as follows.

Guarantees received:

		2012		2011	
	Original currency	**Original amount**	**TL equivalent**	**Original amounts**	**TL equivalent**
Guarantee notes received	TL	39.400	39.400	39.400	39.400
Mortgages received	TL	120.000	120.000	120.000	120.000
Total			**159.400**		**159.400**

As of 31 December 2012 and 2011, guarantee/pledge/mortgage given by the Company gave on behalf of its legal entity were as follows:

Guarantee/pledge/mortgage given by the Company:

		2012		2011	
	Original currency	**Original amount**	**TL equivalent**	**Original amounts**	**TL equivalent**
Total amount of guarantee/pledge/mortgage the Company gave on behalf of its legal entity	TL	7.496.651	7.496.651	8.388.834	8.388.834
	USD	255.183	454.889	329.959	623.260
	EUR	-	-	18.400	44.966
Total			**7.951.540**		**9.057.060**

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

NOTE 13 - COMMITMENTS (Continued)

Guarantee/pledge/mortgage given by the Company includes letters of guarantee issued in the name of its legal entity. There is no guarantee/pledge/mortgage given by the Company falling within the following categories:

a) Those given on behalf of subsidiaries,
b) Those given in order to assure the liabilities of third parties in the ordinary course of business,
c) Those given on behalf of parent company,
d) Those given on behalf of other group companies not falling under the scope of articles (a) and (b), and
e) Those given on behalf of third parties not falling under the scope of article (b).

NOTE 14 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

The analysis of provision for employment termination benefits at 31 December 2012 and 2011 is as follows:

	2012	**2011**
Provision for employment termination benefits	1.381.737	1.151.597

Provision for employment termination benefits is explained below.

Under Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002 there are certain transitional provisions relating to length of service prior to retirement.

The amount payable consists of one month's salary limited to a maximum of TL3.034 (2011: TL2.732) for each year of service at 31 December 2012. The liability is not funded, as there is no funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. CMB Financial Reporting Standards require that actuarial valuation methods to be developed to estimate the employee termination benefit provision. The following actuarial assumptions have been used in the calculation of the total provision:

	2012	**2011**
Discount rate	%2,50	%4,66
Turnover rate to estimate the probability of retirement	%94	%93

The principal assumption is that maximum liability of employee termination benefit 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. As the maximum liability is revised semi-annually, the maximum amount of TL3.129 (1 January 2012: TL2.805) which is effective from 1 January 2012, has been taken into consideration in calculating the provision for employment termination benefits of the Company.

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

NOTE 14 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS (Continued)

The movements in the provision for employment termination benefits during the years ended 31 December 2012 and 2011 were as follows:

	2012	2011
1 January	**1.151.597**	**977.369**
Service cost	723.181	258.640
Interest cost	53.837	-
Acquisition of subsidiary (Note 3)	-	202.073
Paid during the period	(546.878)	(286.485)
31 December	**1.381.737**	**1.151.597**

NOTE 15 - OTHER ASSETS AND LIABILITIES

The analysis of other assets and other liabilities at 31 December 2012 and 2011 is as follows:

Other current assets:	**2012**	**2011**
Job advances	100.869	12.178
Prepaid expenses	87.264	108.386
Value Added Tax ("VAT") receivables	5.052	3.607
Personnel advances	-	15.849
Other	7.518	15.733
Total	**200.703**	**155.753**

Other current liabilities:	**2012**	**2011**
Deferred revenue	3.084.568	1.160.332
Personnel bonus accrual	2.220.420	707.093
Payable to personnel	1.083.368	3.410
Unused vacation liability	939.185	712.500
Advances received	458.718	441.025
Accrued expenses	342.915	827.548
Other	92.262	140.458
Total	**8.221.436**	**3.992.366**

Other non-current liabilities:	**2012**	**2011**
Deferred revenue	677.632	-

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012 AND 2011

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

NOTE 15 - OTHER ASSETS AND LIABILITIES (Continued)

The advances received comprise the advances received from European Union for the project of that Logo Yazılım is the lead partner of the consortium. The agreement of the project has been signed in November 2009. The efforts for the project targeting the efficient information sharing of the software programs with other software have started as of 30 June 2011.

Deferred revenue mainly relates to LEM sales revenue, Pay as you go sales, post after-sales services and rent income billed but not earned. The analysis of deferred income at 31 December 2012 and 2011 is as follows:

Deferred revenue:	**2012**	**2011**
Logo Enterprise Membership sales	3.597.292	815.171
After-sales services revenue	96.453	6.925
Rent income	68.455	205.492
Pay as you go sales	-	132.744
Total	**3.762.200**	**1.160.332**

NOTE 16 - EQUITY

The Company's authorized and paid-in share capital consists of 2.500.000.000 (2011: 2.500.000.000) shares with Kr 1 nominal each. The shareholding structure of the Company as of 31 December 2012 and 2011 are as follows.

	2012	**Share (%)**	**2011**	**Share (%)**
Logo Yatırım Holding A.Ş.	17.297.523	69,19	17.597.524	70,39
Publicly owned – free floating	7.702.477	30,81	7.402.476	29,61
Total	**25.000.000**	**100,00**	**25.000.000**	**100,00**
Adjustment to share capital	2.991.336		2.991.336	
Total paid-in share capital	**27.991.336**		**27.991.336**	

The shares representing capital are categorized as group A and B. There are privileges given to group A shares such as election of minimum of more than half of the members of the Board of Directors of the parent, chairman of the Board of Directors and auditors. Adjustment to share capital represents the restatement effect of cash contributions to share capital.

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

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

NOTE 16 - EQUITY (Continued)

The aforementioned amounts shall be classified in "Restricted Reserves" in accordance with CMB Financial Reporting Standards. The analysis of restricted reserves at 31 December 2012 and 2011 is as follows:

	2012	**2011**
Gain on sale of land and investments	2.002.576	1.814.593
Legal reserves	923.318	923.318
Extraordinary reserves	161.789	1.299.362
Total	**3.087.683**	**4.037.273**

In accordance with the CMB regulations effective until 1 January 2008, the inflation adjustment differences arising at the initial application of inflation accounting which are recorded under "accumulated losses" could be netted off from the profit to be distributed based on CMB profit distribution regulations. In addition, the aforementioned amount recorded under "accumulated losses" could be netted off with net income for the period, if any, undistributed prior period profits, and inflation adjustment differences of extraordinary reserves, legal reserves and capital, respectively.

In addition, in accordance with the CMB regulations effective until 1 January 2008, "Capital, Share Premiums, Legal Reserves, Special Reserves and Extraordinary Reserves" were recorded at their statutory carrying amounts and the inflation adjustment differences related to such accounts were recorded under "inflation adjustment differences" at the initial application of inflation accounting. "Equity inflation adjustment differences" could have been utilised only in issuing bonus shares and offsetting accumulated losses, carrying amount of extraordinary reserves could have been utilised in issuing bonus shares, cash dividend distribution and offsetting accumulated losses.

In accordance with the Communiqué No:XI-29 and related announcements of CMB, effective from 1 January 2008, "Share capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amounts. The valuation differences arised due to implementing the communique (such as inflation adjustment differences) shall be disclosed as follows:

- if the difference is arising due to the inflation adjustment of "Paid-in Capital" and not yet been transferred to capital should be classified under the "Inflation Adjustment To Share Capital";
- if the difference is due to the inflation adjustment of "Restricted Reserves" and "Share Premium" and the amount has not been utilised in dividend distribution or capital increase yet, it shall be classified under "Retained Earnings",

Other equity items shall be carried at the amounts calculated based on CMB Financial Reporting Standards.

Capital adjustment differences have no other use other than being transferred to share capital.

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

NOTE 16 - EQUITY (Continued)

On 26 June 2012, the Company Board of Directors decided to take back maximum 62.500.000 share certificates within lower price limit of TL0 and upper price limit of TL3,5 in order to decrease price fluctuations in the Company's share certificates traded in Istanbul Stock Exchange ("IMKB") and evaluate current market conditions. Within this scope, the Company took back 450.493 share certificates traded in ISE between 4 July 2012 and 5 November 2012. The mentioned share certificates were accounted as treasury shares under equities.

Dividend Distribution

In accordance with the CMB Decision No. 02/51 and dated 27 January 2011, concerning allocation basis of profit from operations of 2009, it has been decided that minimum profit distribution will not be applied for the year 2009 and in this context to distribute their profits in accordance with the CMB Communiqué No. IV-27, their articles in the establishment agreement of association and previously publicly declared profit distribution policies of the companies.

In regards to the profit distribution, in accordance with the decision of the General Assembly, the distribution can be made as cash or as bonus shares or as a combination of a certain percentage of cash and bonus shares. It is also permitted to retain this amount in the Company reserves if the first dividend amount is below 5% of the paid in/issued capital; however if the Company has increased its paid-in capital without dividend distribution in the previous year when the outstanding shares have been identified as "old" and "new", it is mandatory for companies that will make profit distribution from the net distributable profit of the previous year to make this first dividend distribution in cash.

Distributable current year income in accordance with CMB and statutory accounts for the year ended 31 December 2012 is as follows:

	According to CMB accounts	According to statutory accounts
Income before income taxes	10.574.188	11.571.727
Less: tax expense (*)	89.147	-
Net income for the year	**10.663.335**	**11.571.727**
Less: retained earnings/(accumulated losses)	(188.403)	-
Less: first legal reserves	(578.586)	(578.586)
Distributable net profit	**9.896.346**	**10.993.141**

(*) Company will sent Corporate Tax Declaration for the period 1 January – 31 December 2012 to tax authority until 26 April 2013.

NOTE 17 - EXPENSES BY NATURE

As of 31 December 2012 and 2011, expenses are disclosed by function and the analysis of the expenses is summarized in Note 18 and Note 19.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012 AND 2011

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

NOTE 18 - SALES AND COST OF SALES

The analysis of sales and cost of sales for the years ended 31 December 2012 and 2011 is as follows:

	2012	2011
Sales income	44.747.546	33.117.574
Service income	3.937.222	402.101
Sales returns	(1.386.784)	(1.939.903)
Sales discounts	(1.135.347)	(555.016)
Net sales	46.162.637	31.024.756
Cost of sales	(1.751.338)	(891.261)
Gross profit	**44.411.299**	**30.133.495**

As of 31 December 2012, service income consists of SaaS service income amounting to TL3.182.112

Cost Of Sales

The analysis of cost of sales for the years ended 31 December 2012 and 2011 is as follows:

	2012	2011
Expenses for transfer of financial rights	1.029.076	631.843
Direct labor	70.796	164.833
Depreciation and amortization expenses	20.011	16.259
Other production expenses	44.866	42.298
Total production cost	**1.164.749**	**855.233**
Cost of trade goods sold	-	4.676
Change in finished goods Change in finished goods	586.589	31.352
Cost of sales	**1.751.338**	**891.261**

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

NOTE 19 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

The analysis of research and development expenses, marketing, selling and distribution expenses and general administrative expenses for the years ended 31 December 2012 and 2011 is as follows:

Marketing, selling and distribution expenses:	**2012**	**2011**
Personnel expenses	5.245.430	3.312.902
Advertising and selling expenses	4.547.225	2.310.080
Motor vehicle expenses	427.665	314.083
Consulting expenses	277.547	553.017
Travel expenses	176.064	171.335
Depreciation and amortization expenses	107.381	112.472
Outsourced benefits and services	103.132	112.054
Rent expenses	20.736	31.562
Other	244.374	245.387
Total	**11.149.554**	**7.162.892**

Research and development expenses:	**2012**	**2011**
Depreciation and amortization expenses	7.251.237	3.905.205
Personnel expenses	5.341.884	4.742.322
Motor vehicle expenses	338.089	184.951
Outsourced benefits and services	295.449	435.039
Rent expenses	79.362	110.574
Travel expenses	68.658	78.739
Other	624.077	574.919
Total	**13.998.756**	**10.031.749**

General administrative expenses:	**2012**	**2011**
Personnel expenses	5.708.070	4.327.142
Consulting expenses	529.769	370.231
Motor vehicle expenses	464.014	403.209
Depreciation and amortization expenses	303.810	326.715
Outsourced benefits and services	183.321	130.158
Travel expenses	28.492	98.134
Rent expenses	23.663	46.900
Other	410.982	601.896
Total	**7.652.121**	**6.304.385**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012 AND 2011

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

NOTE 20 - OTHER OPERATING EXPENSES

Other operating expenses for the year ended 31 December 2011 mainly comprise trade receivables impairment expenses amounting to TL3.686.456.

NOTE 21 - FINANCIAL INCOME

The analysis of financial income for the years ended 31 December 2012 and 2011 is as follows:

Financial income:	**2012**	**2011**
Interest income	823.633	203.990
Gain on sale of financial assets	124.210	33.904
Rediscount income, net	-	219.688
Total	**947.843**	**457.582**

NOTE 22 - FINANCIAL EXPENSES

The analysis of financial expenses for the years ended 31 December 2012 and 2011 is as follows:

Financial expense:	**2012**	**2011**
Credit card commissions	(1.277.266)	(685.580)
Interest expense	(597.792)	(54.075)
Rediscount expense, net	(331.304)	-
Foreign exchange gains/(losses), net	(63.762)	(3.385)
Other financial expenses	(47.001)	(51.919)
Total	**(2.317.125)**	**(794.959)**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012 AND 2011

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NOTE 23 - CURRENT AND DEFERRED INCOME TAXES

Deferred Income Taxes

The Company recognizes deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under CMB Financial Reporting Standards and their statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for CMB Financial Reporting Standards and tax purposes. Deferred tax income assets and liabilities are measured at the enacted tax rate of 20% using the liability method on the temporary differences (2011: 20%).

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred income tax has been provided at 31 December 2012 and 2011 using the enacted tax rates, is as follows.

	Cumulative temporary difference		Deferred income tax assets/(liabilities)	
	2012	**2011**	**2012**	**2011**
Deferred income tax assets:				
Provision for doubtful receivables	1.130.806	881.432	226.161	176.286
Accrual expenses	863.500	517.093	172.700	103.419
Provision for employment termination benefits	571.874	527.899	114.375	105.579
Deferred revenue	68.455	149.586	13.691	29.918
Other	379.644	261.262	75.928	52.252
Total			**602.855**	**467.454**
Deferred income tax liabilities:				
Difference between the tax base and carrying value of property, plant and equipment and intangible assets	(1.130.623)	(899.347)	(226.124)	(179.870)
Total			**(226.124)**	**(179.870)**
Deferred income tax assets/(liabilities), net			**376.731**	**287.584**

Corporate tax

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis.

Turkish Corporate Tax Law has been amended by Law No. 5520 dated 13 June 2006. Most of the articles of this new Law No. 5520 have come into force effective from 1 January 2006. The Corporation tax rate for the fiscal years 2012 and 2011 is 20%.

NOTE 23 - CURRENT AND DEFERRED INCOME TAXES (Continued)

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

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

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax is payable by the 17th of the second month following each calendar quarter end. 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 25th of the fourth month following the close of the financial year to which they relate.

In accordance with Tax Law No: 5024 "Law Related to Changes in Tax Procedure Law, Income Tax Law and Corporate Tax Law" that was published on the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004, the income and corporate taxpayers will prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the New Turkish Lira. In accordance with the aforementioned law provisions, in order to apply inflation adjustment, cumulative inflation rate (TURKSTAT WPI) over last 36 months and 12 months must exceed 100% and 10%, respectively. Inflation adjustment has not been applied as these conditions were not fulfilled until 2004.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate.

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

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

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

DİPNOT 23 - VERGİ VARLIK VE YÜKÜMLÜLÜKLERİ (Devamı)

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

In accordance with Tax Law No: 5035 item 44, that amends "Technology Development Regions Law" No: 4691, corporate and income taxpayers operating in technology development regions are exempt from corporate and income tax until 31 December 2013.

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) 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 2011, and thereby the time limitation regarding investment allowance was removed. The company has deferred investment allowance as of TL1.405.908 that can be offsetted in the future.

The analysis of taxation on income for the years ended 31 December 2012 and 2011 is as follows:

	2012	2011
Current income tax charge	-	(56.127)
Deferred income tax credit	89.147	38.481
Income tax (charge)/credit	**89.147**	**(17.646)**

NOTE 24 - EARNINGS/LOSS PER SHARE

Earnings per 1.000 shares with nominal value of Kr 1 amounted to TL4,17 for the year ended 31 December 2012 (2011: TL1,25 losses per share).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012 AND 2011

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NOTE 25 - RELATED PARTY DISCLOSURES

i) Due from and due to related parties at 31 December 2012 and 2011:

a) Due from related parties:	2012	2011
Logo Yatırım Holding A.Ş.	2.059.699	2.048.950
Other	-	6.290
Total	**2.059.699**	**2.055.240**

b) Due to related parties:	2012	2011
Logo Elektronik Ticaret Hizmetleri A.Ş.	135.045	208.779
Worldbi	-	37.965
Due to shareholders	-	1.214
Total	**135.045**	**247.958**

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ii) Sales to related parties, services given to related parties and financial income from related parties during the years ended 31 December 2012 and 2011:

a) Services given to related parties:	2012	2011
Logo Elektronik Ticaret Hizmetleri A.Ş.	165.109	85.543
Logo Yatırım Holding A.Ş.	3.540	3.540
Logomotif Multimedya ve Elektronik Yayıncılık Sanayi ve Ticaret A.Ş.	-	1.062
Total	**168.649**	**90.145**

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DİPNOT 25 - İLİŞKİLİ TARAF AÇIKLAMALARI (Devamı)

iii) Services purchases from related parties and other transactions with related parties during the years ended 31 December 2012 and 2011:

a) **Services obtained from related parties:**	**2012**	**2011**
Logo Elektronik Ticaret Hizmetleri A.Ş.	473.150	521.537
Logo Yatırım Holding A.Ş.	7.426	6.760
Worldbi	-	50.727
Logomotif Multimedya ve Elektronik Yayıncılık Sanayi ve Ticaret A.Ş.	-	40
Total	**480.576**	**579.064**

b) Remuneration of board of directors and executive management:

	2012	**2011**
Remuneration of board of directors and executive management	1.877.344	2.212.480

The remuneration of board of directors and executive management (executive management includes general manager (CEO) and assistant general managers) for the years ended 31 December 2012 and 2011 comprise short-term employment benefits including salary, bonus and other short-term benefits. There have been no post-employment benefits, other long-term employment benefits, other termination benefits and share-based payments in the years ended 31 December 2012 and 2011.

NOTE 26 - FINANCIAL RISK MANAGEMENT

26.1 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 the aggregate risk from any individual counter party and obtaining sufficient collateral where necessary.

Liquidity risk

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

The Company management holds adequate cash and credit commitment that will meet the need for cash for recent future in order to manage its liquidity risk. In this context, the Company has credit commitments from banks amounting to TL10.750.000 that the Company can utilize whenever needed.

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

NOTE 26 - FINANCIAL RISK MANAGEMENT (Continued)

The table below shows the liquidity risk arising from financial liabilities of the Company:

31 December 2012	Carrying value	Total contractual cash outflow	Up to 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years
Non-derivative financial instruments						
Bank borrowings	5.235.185	5.235.185	354.386	1.421.975	3.458.824	-
Trade payables						
- Related party	135.045	135.045	135.045	-	-	-
- Other	1.914.515	1.914.515	1.914.515	-	-	-
Other payables						
- Related party	-	-	-	-	-	-
- Other	2.874.742	2.949.272	2.937.702	-	11.570	-

31 December 2012	Carrying value	Total contractual cash outflow	Up to 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years
Non-derivative financial instruments						
Bank borrowings	4.544.496	4.544.496	96.347	336.036	4.112.113	-
Trade payables						
- Related party	247.958	247.958	247.958	-	-	-
- Other	1.219.742	1.219.742	1.219.742	-	-	-
Other payables						
- Related party	-	-	-	-	-	-
- Other	4.342.500	4.651.728	3.092.721	-	1.559.007	-

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

NOTE 26 - FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk

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

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

	2012	**2011**
Financial instruments with fixed interest rate		
Financial assets		
- *Designated as fair value through profit or loss*	5.681.340	2.575.658
Financial liabilities	4.086.890	4.054.074
Financial instruments with floating interest rate		
Financial assets		
- *Designated as fair value through profit or loss*	482.825	249.244
Financial liabilities	-	-

Financial assets designated as fair value through profit or loss consists of fixed interest rate Turkish Lira and foreign currency denominated time deposits with maturity less than three months and liquid funds.

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.

Ratio of hedging of import/export and net foreign currency liability

TL equivalent of import and exports for the years ended 31 December 2012 and 2011 is as follows:

	2012	**2011**
Total exports	3.619.898	2.117.426
Total imports	790.896	389.274
Ratio of hedging of net foreign currency liability	-	-

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012 AND 2011

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

NOTE 26 - FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency risk

The Company's foreign currency denominated assets exceeds its foreign currency denominated liabilities. In this context, the Company is not exposed to significant foreign currency risk. The foreign currency risk of the Company at 31 December 2012 and 2011 is summarized below:

Foreign currency position:	**2012**	**2011**
Assets	2.316.110	1.508.240
Liabilities	(1.750.801)	(1.377.691)
Net foreign currency position	**565.309**	**130.549**

Turkish Lira equivalent of assets and liabilities denominated in foreign currency held by Logo Yazılım at 31 December 2012 and 2011 were as follows:

		2012		**2011**	
	Original currency	**Original amount**	**TL equivalent**	**Original amount**	**TL equivalent**
Cash and cash equivalents	USD	73.001	130.131	304.688	575.524
and marketable securities	Euro	168.950	397.320	26.657	65.144
	Other		-		72.892
Trade receivables and	USD	428.499	763.842	354.711	670.014
due from related parties	Euro	379.370	892.165	50.469	123.337
	Other		132.652		-
Other receivables	Euro	-	-	305	745
	USD	-	-	309	584
Foreign currency denominated assets			**2.316.110**		**1.508.240**
Trade payables and	Euro	501.373	1.179.078	296.052	723.491
due to related parties	USD	181.026	322.697	126.741	239.400
Bank borrowings	USD	139.699	249.026	219.599	414.800
Foreign currency denominated liabilities			**1.750.801**		**1.377.691**

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

NOTE 26 - FINANCIAL RISK MANAGEMENT (Continued)

26.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company'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 Company may pay out dividends, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company 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 balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

The gearing ratios at 31 December 2012 and 2011 were as follows:

	2012	**2011**
Total borrowings	7.284.745	6.012.196
Less: cash and cash equivalents (Note 4)	(9.833.681)	(5.119.820)
Net debt	(2.548.936)	892.376
Total equity	42.465.745	34.223.952
Total capital	39.916.809	35.116.328
Gearing ratio	**%(6)**	**%3**

NOTE 27 - FINANCIAL INSTRUMENTS

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

The estimated fair values of financial instruments have been determined by the Company, using available market information and appropriate valuation methodologies. However, judgment 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.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012 AND 2011

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

NOTE 27 - FINANCIAL INSTRUMENTS (Continued)

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.

Financial assets

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

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

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

Financial liabilities

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

NOTE 28 - EVENTS AFTER THE BALANCE SHEET DATE

As of 10 January 2013, the Company's majority shareholder Logo Yatırım Holding A.Ş. and Mediterra Capital Partners LLP started non-binding negotiations regarding the sales of a part of Company shares.

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