logo

30 YIL YEARS

2013 ANNUAL REPORT

CONTENTS

Founded in 1984 and celebrating its 30th anniversary, LOGO is the largest software company in Turkey.

Providing services for a wide range of industries including retail, distribution, production, tourism, technology and marine, LOGO is ready for today as of yesterday. **Today, LOGO continues its efforts for developing solutions for the coming decades.**

COMPANY OVERVIEW

As Turkey’s largest software company, we continue our growth by providing services for various industries.

CORPORATE PROFILE

LOGO aims to provide solutions to companies for their structuring along with contemporary management principles, while increasing their efficiency and profitability by managing processes in line with international standards. Services such as enterprise resource management designed for different scales, industrial software, business intelligence and e-state applications are examples to these solutions.

Having entered the industry in 1984 by developing application software for personal computers, LOGO is one of the largest software companies in Turkey. It is the innovative leader in the Turkish software industry with various solutions, services and innovations. As the fastest growing company in the industry with more than 900 dealers and extensive network of distribution channels, LOGO currently provides services for more than 1,300,000 users in more than 170,000 companies. LOGO's products its products are customized in several languages, business practices and legislations of numerous countries in Europe, Middle East, Africa and Asia to meet the users needs, through authorized business partners or fully authorized distributors.

LOGO has put the knowledge and experience it has acquired in virtue of its strategic investments across foreign markets, and has taken considerable steps towards taking part among the major players in markets with a high growth potential.

Identifying itself as "The Efficiency Company", LOGO provides solutions to companies for their structuring along contemporary management principles, while increasing their efficiency and profitability by managing processes in line with international standards. Enterprise resource management designed for different scales, industrial software, business intelligence and e-state applications are examples to these solutions.

BUSINESS MODEL GROWING THROUGH STRONG CAPITAL STRUCTURE

Apart from its entrepreneurial and solid position, LOGO continues to add value to its stakeholders with its international identity. The company became public in May 2000 and was the first information technology company to be publicly trading on the stock exchange in Turkey.

Throughout its experience of 30 years in the software industry, LOGO has continued to invest in new business models and technologies. In 2011, LOGO acquired the entire share capital of Coretech, a prominent software company with its software as a service (SaaS) applications on the internet. In the same year, LOGO acquired majority shares of WorldBI, a Business Intelligence software company. In 2013 all of the remaining shares of WorldBI were acquired by LOGO, providing the company with a substantial market share in the Business Intelligence market in addition to Internet and mobile based technologies. The acquisition of Netsis in September 2013, a prominent player in the industry, enhanced the competitive position of LOGO in the Turkish market.

LOGO obtained a stronger capital structure as a result of EAS Solutions S.A.R.L's acquisition of 34.60% of its shares, a company 100% owned by Mediterra Capital Partners I, LP.

Apart from its entrepreneurial and solid position, LOGO continues to add value to its stakeholders with its international identity. The company went public in May 2000 and became the first information technology company publicly trading on the stock exchange in Turkey. The shares of LOGO are traded on Borsa Istanbul since 2000 with LOGO ticker in the indices BIST All (XUTUM), BIST Information Technology (XBLSM) and BIST Technology (XUTEK).

LOGO is also listed in the Corporate Governance Index (XKURY), which consists of the companies compliant with the Principles of Corporate Governance.

COMMERCIAL TITLE	LOGO YAZILIM SAN. VE TİC. A.Ş.
Trade Registration Number	12750
Headquarter	Gebze Organize Sanayi Bölgesi Şahabettin Bilgisu Cad. No: 609 Gebze-Kocaeli **T.** +90 262 679 80 00 **F.** +90 262 679 82 92
Liaison Office	**Istanbul Sales Office** Kayışdağı Mah. Atilla Cad. No: 1 Yılmaz İş Merkezi Ataşehir Istanbul **T.** +90 262 679 80 09 **F.** +90 216 645 08 07 **Ankara Sales Office and R&D Center** Cyberpark Cyberplaza C Blok 3. Kat No: 328 Ankara **T.** +90 312 265 04 00 **F.** +90 312 265 05 75 **Izmir Sales Office** Şair Eşref Bulvarı Montrö İş Merkezi No:35/1 Kat: 3 Daire: 402 Montrö 35210 Izmir **T.** +90 232 441 87 87 **F.** +90 232 441 87 90 **LOGO BUSINESS SOFTWARE GMBH** Mainzer Landstrasse 27-31 60329 Frankfurt am Main **T.** +49 69 27 40 155 37 **F.** +49 69 27 40 15 172 **E.** info@logo-bs.de
Website	www.logo.com.tr

LOGO SOLUTIONS

LOGO offers a wide range of products in the countries, it operates in, including SME Solutions, ERP Solutions, Vertical Solutions, Industrial Solutions, Integration Products, HR Solutions, Business Intelligence Solutions and Mobile Solutions. Solutions developed by LOGO together with the companies included in the LOGO ecosystem are as follows:

LOGO

SME Solutions
- Start
- Financial Advisor (Mali Müşavir) Plus
- Go Plus

ERP Solutions
- Tiger Plus
- Tiger Enterprise
- j-guar

HR Solutions
- Bordro Plus
- j-guar HR

Business Intelligence and Reporting Solutions
- Navigator Smart
- BI Basic
- BI Pro

e-State Solutions
- e-State
- e-invoice

B2B, B2C Applications
- Connect B2B
- Connect Bank

Other Solutions
- Performance based Budget
- LOGO Keys
- Vertical and Sectoral Solutions

CORETECH
- Diva Online Business Management System
- Retail management System
- Exclusive Projects

www.netsis.com.tr

NETSİS

SME Solutions
- Netsis Entegre

ERP Solutions
- Netsis Standard
- Netsis Enterprise

HR Solutions
- NetİKS

Cloud Solutions
- Netlite
- Entegre

e-State Solutions
- e-Book
- e-Invoice

B2B, B2C Applications
- B2B

Other Solutions
- NetFlow
- Web-NetPOS
- Net-CRM

VISION – MISSION AND PRINCIPLES

On its 30th anniversary, LOGO increased its corporate governance rating from 8.60 in 2012 to 8.91 in 2013

OUR MISSION

Our mission is to help entrepreneurs' and SMEs global success by contributing to increase their productivity, employment and welfare in order to serve our country and humanity.

OUR VISION

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

PRINCIPLES

Efficiency

Our products and services are focusing on improving productivity in companies of our customers. We offer information technology solutions and services to ensure and increase the efficiency and profitability of the companies taking into account company specific features and contemporary management techniques.

Customer Satisfaction

Customers' absolute satisfaction comes first at LOGO. Therefore we ensure that our products are of high quality, and we adopt "Total Quality Management" as a management philosophy. When determining our policies, it is our main principle to pursue the preferences and standards of the market and establish a sincere and long lasting relationship with our customers.

Research and Development

We believe that effective research and development is the main component of being competitive in today's ever changing conditions. We allocate a major part of our resources to research and development in order to create new products, improve our existing products and be attuned with the technology and platforms for better service.

Profitability

It is our main responsibility to our employees, customers and for the society to use our resources efficiently, and become a profitable and productive company.

Social Responsibility

We are committed to the idea that technology is a liberating instrument by means of providing better life conditions and must be developed by respecting the human and the environment. Our company carries out its activities and operations with a sense of responsibility towards the public and the world and demonstrates constructive approaches to social problems.

Business Ethics

We believe in and stick to the principles of market economy. We place importance on fairness, integrity, transparency and consistency in our relationship with customers, business partners and competitors. We are committed to the general business ethics, principles and laws in our activities.

Employee Satisfaction

LOGO believes that products and services of good quality can only be produced by qualified and satisfied employees. Therefore, we place great importance on continuous training and improvement of our employees. Our purpose is to achieve a high level of income, a quality work environment, participative management and job security for our employees, who will hopefully turn out to be satisfied, productive and socially beneficial.

Equal Opportunity

We pursue the equality of opportunity principle in employment process and we make our evaluations based on our knowledge and experiences only. We assess success by productivity in accordance with corporate purposes.

30 YEARS OF LOGO

1984
- Established

1986
- LOGO Commercial System was launched.
- DOS was launched.

1988
- LOGO Modular System (LMS) was launched.

1991
- Multibase-C was launched.

1992
- LOGO Gold was launched.

1993
- LOGO Great Effort (Alınteri) was launched.

1999
- LOGO ERP (Unity & HR) was launched.

2000
- LOGO Investment Holding was established.
- The company started to trade publicly
- LOGO Product Development Center was established in GOSB Technopark within a 11,000 m^2 closed area.

2001
- LOGO Business Software - Germany was established.

2003
- Technological cooperation agreement was signed with IBM.

2004
- e-products were launched.
- Supply Chain Execution was launched.

2005
- Tiger was launched.

2006
- Unity on Demand was launched.

2007
- Sales office in Dubai was established.
- GO was launched.

2008
- Start was launched.

2010
- GO Plus was launched.
- Tiger Plus was launched.
- Tiger Enterprise was launched.

2011
- Coretech was acquired.
- Majority shares of World BI were acquired.
- LOGO BI was launched.

2012
- J-guar was launched.
- LOGO Mobile was launched.
- LOGO Store was launched.
- LOGO e-Defter was launched.
- LOGO e-Invoice was launched.

2013
- Mediterra Capital Partners acquired 34.60% shares of LOGO.
- Netsis was acquired

LOOKING AT THE FUTURE

A BRIGHT FUTURE AWAITS THE TURKISH SOFTWARE MARKET, WHERE WE HAVE A HIGH POTENTIAL

We operate in a country aiming to become one of the largest 10 economies in the world within 10 years. Despite being the 16th largest economy in the world, the current level of maturity of the Turkish software industry is as low as underdeveloped countries. This clearly reveals the great opportunities offered by the Turkish software industry, which inevitably would keep up with the economic growth. We continue our efforts to increas our share in the domestic market, as well as in the national markets of the countries within our region.

Turkish Information Technology Market

Hardware **79.3%**
IT Services **13.2%**
Software **7.5%**

HIGH PERFORMANCE AIMING TO GENERATE SUSTAINABLE INCOME

Starting with 2009, we reached a Compound Annual Growth Rate of 50%. In 2013, we increased our total sales by 53% compared to the previous year and reached TL 70.7 million in total sales revenue. In addition to generating sustainable income, our regular income increased by 136% and reached TL 16.7 million. In virtue of our efficient business model, we kept the increase in our operating expenses at 27% and increased our net profit by 79% to TL 19.3 million.

Total Sales: **TL 70.7 million**
EBITDA: **TL 27.1 million**
Net Income: **TL 19.3 million**

NOT LEADERSHIP BUT PERMANENT LEADERSHIP MATTERS

We are the largest Turkish company in the application software market. Nearly 500,000 SMEs with sales up to TL 100 million in total, which are the driving forces of the national economy, are both our main customers and our ideal partners. We run together towards the goals of our country for 2023. In the coming years we will increase and sustain our collaboration with the SMEs, which have lead us to leadership and sustain our efforts to become an efficient player and permanent leader in the regional geography.

Market leader in the EAS market in terms of number of customers

CORPORATE GOVERNANCE MEANS "THE FUTURE" FOR US!

As the first publicly traded software company in Turkey, transparency and accountability is an absolute must for us. With a Corporate Governance Rating of 8.91, we are listed both in the BIST Corporate Governance Index and World Corporate Governance Index (WCGI), which comprises 150 countries. The "Women Empowered Board Awards" we received from Sabancı University underlines the importance we have been giving in the participation of women in management for many years.

Initial Public Offering: **2000**
Free Float Rate: **30.8%**
CG Rating: **8.91**

STRONG INTERNATIONAL COLLABORATIONS

Last year, was a milestone for us in terms of international collaborations. We are planning to expand both our customer base and product portfolio with the long-term financing support we received from the IFC in the amount of TL 20 million. With the partnership agreement we entered into with EAS Solutions SARL, a subsidiary of Mediterra Capital Partners. We also took advantage of inorganic growth opportunities by acquiring Netsis, a prominent player in the Turkish software industry, which provided us with a substantial market share.

MEDITERRA PRIVATE EQUITY

IFC International Finance Corporation World Bank Group

NETSiS
www.netsis.com.tr

FINANCIAL HIGHLIGHTS

Sales Revenue
TL 70.7 mio

Operating Profit
TL 20.4 mio

Operating Profit
Margin **29%**

EBITDA
TL 27.1 mio

EBITDA Margin
38%

Net Profit
TL 19.3 mio

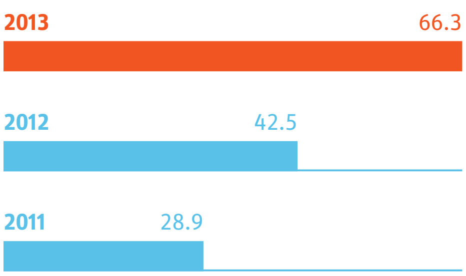
Net Profit Margin
27%

	2013	2012	2011
Gross Profit	**62.2**	44.4	30.1
Operating Profit	**20.4**	12.5	3.6
Financial Income	**0.9**	0.3	0.5
Financial Expenses	**(2.2)**	(2.0)	(0.8)
Net Income Before Tax	**19.2**	10.9	3.1
Net Income	**19.3**	11.0	3.1
Earnings per Share	**7.71**	4.30	1.25
TOTAL ASSETS	**124.7**	62.9	49.7
Current Assets	**73.5**	31.1	18.4
Non-Current Assets	**51.2**	31.8	31.3
Current Liabilities	**39.2**	14.0	8.7
Non-Current Liabilities	**26.5**	6.5	6.8
Equity	**59.1**	42.5	34.2
Paid-in Capital	**25.0**	25.0	25.0

Current Ratio	**1.88**	0.079	2.11
Total Liabilities /Equity	**1.11**	1.55	0.45
Equity/ Total Assets	**0.47**	0.68	0.69

FINANCIAL HIGHLIGHTS (MILLION TL)

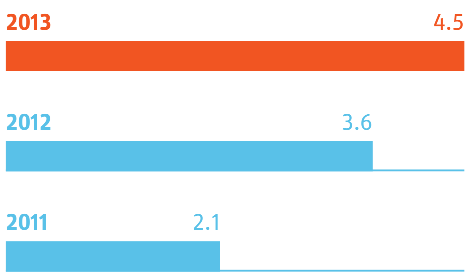
DOMESTIC SALES REVENUE



56%

Domestic sales was up by 56% and reached TL 66.3 million in 2013.

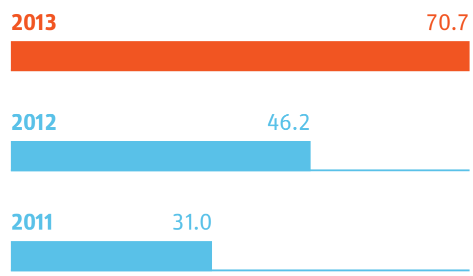
INTERNATIONAL SALES REVENUE



24%

International sales revenue increased by 24% and reached TL 4.5 million in 2013.

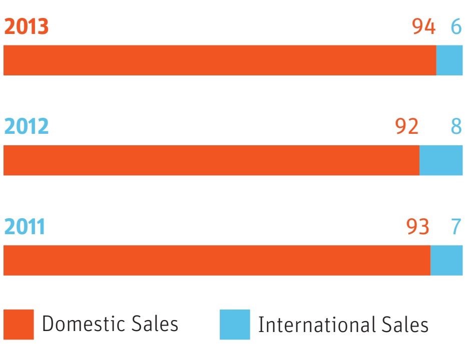
TOTAL SALES REVENUE



53%

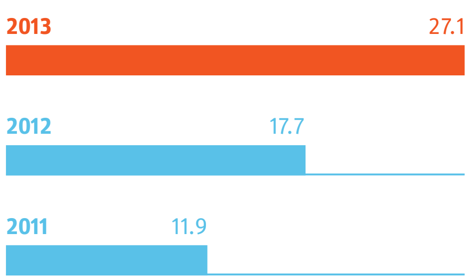
Total sales revenue rose by 53% to TL 70.7 million in 2013.

SALES BREAKDOWN (%)



The share of international markets and domestic markets in total sales were 6% and 94% respectively.

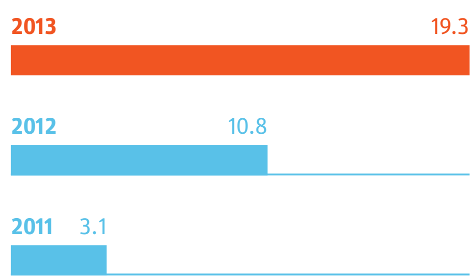
EBITDA



53%

LOGO posted a strong EBITDA growth of 53% and reached TL 27.1 million in 2013.

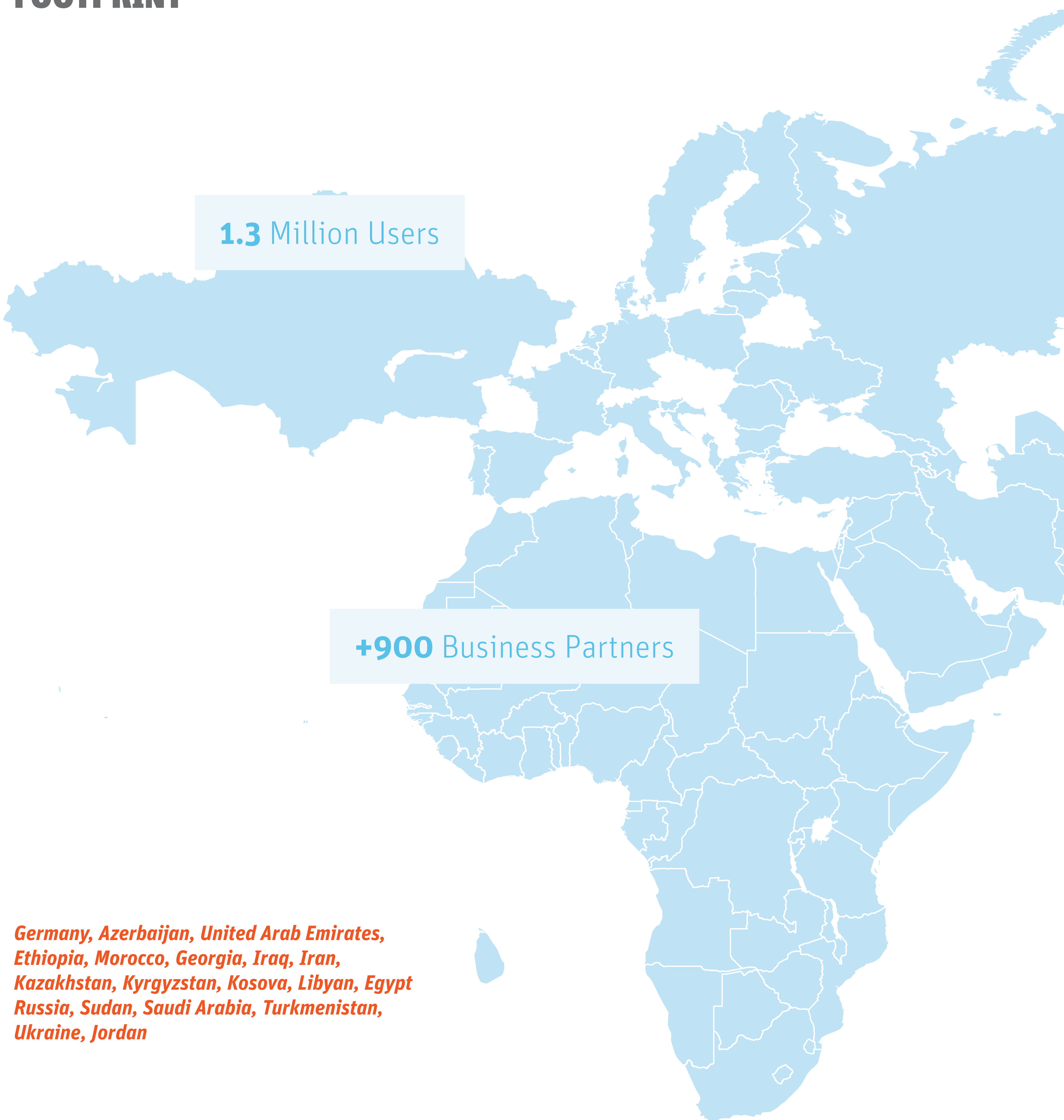
NET PROFIT



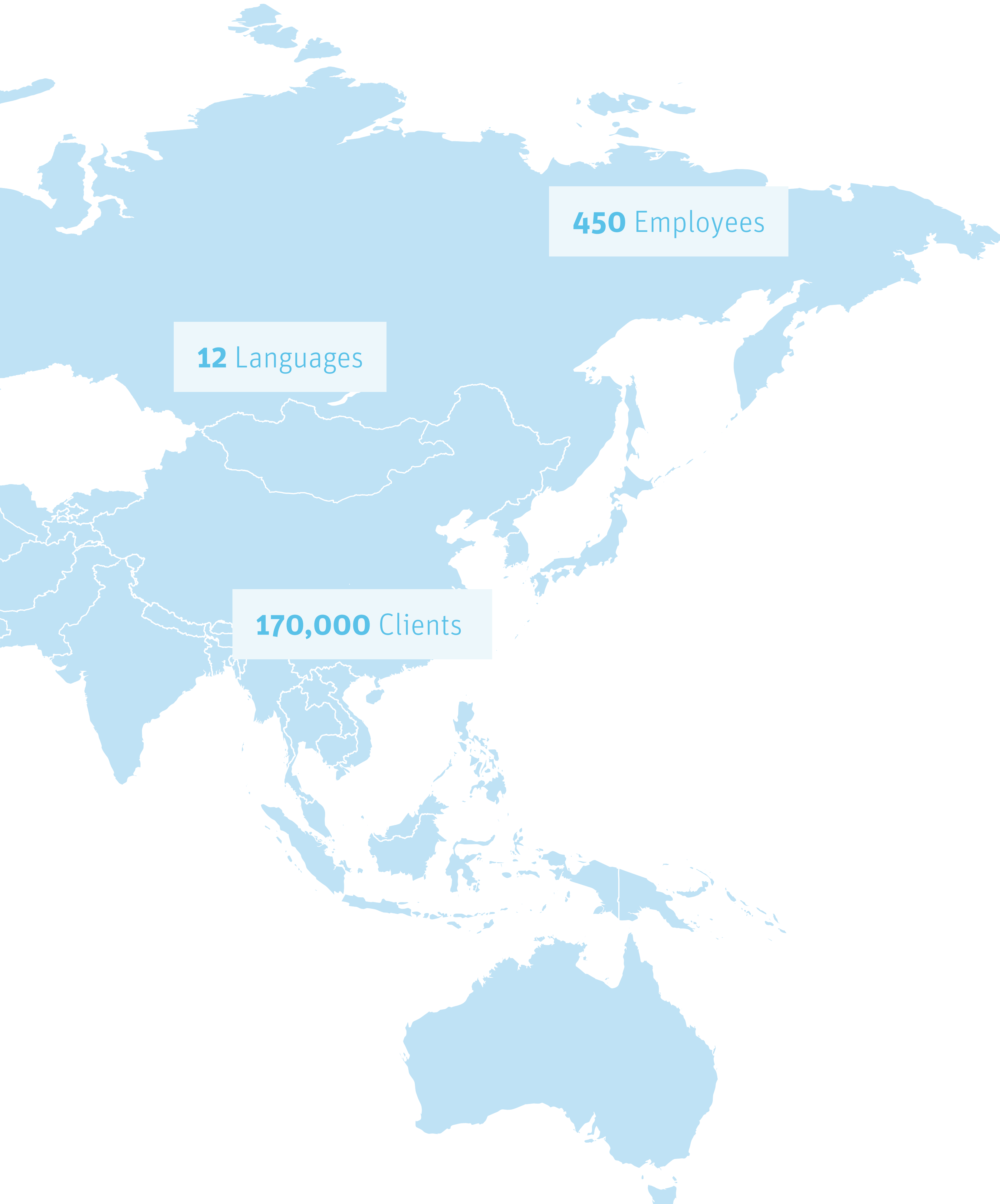
79%

Bottom-line was up by 79% and reached TL 19.3 million in 2013.

GEOGRAPHIC FOOTPRINT



Germany, Azerbaijan, United Arab Emirates, Ethiopia, Morocco, Georgia, Iraq, Iran, Kazakhstan, Kyrgyzstan, Kosova, Libyan, Egypt Russia, Sudan, Saudi Arabia, Turkmenistan, Ukraine, Jordan


450 Employees
12 Languages
170,000 Clients

SHARE PERFORMANCE

Within the last year, LOGO outperformed XUTUM, XUTEK and XBLSM indices and the market value increased to TL 112.5 million.

Initial Public Offering	May 2000
Ticker	LOGO
ISIN Code	TRALOGOW91U2
Registered Capital	-
Paid-in Capital	TL 25 million
Lowest Share Price	TL 3.88
Highest Share Price	TL 5.54
Average Share Price	TL 4.69
Share Price (December 31, 2013)	TL 4.51
Market Value (December 31, 2013)	TL 112.5 million

SHARE PERFORMANCE OF LOGO YAZILIM

SHAREHOLDING STRUCTURE

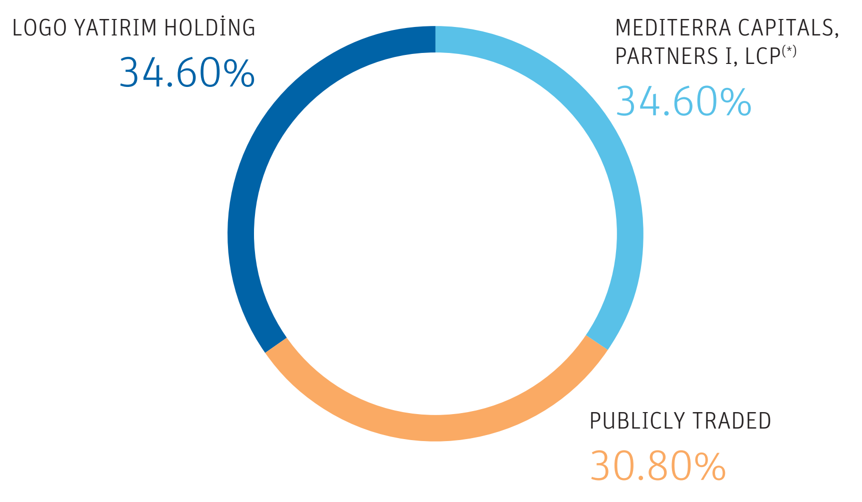
While celebrating its 30th anniversary, LOGO provided added-value to its business partners and shareholders by developing collaboration with EAS Solutions S.a.r.l, a subsidiary of Mediterra Capital Partners private equity fund and acquiring Netsis, one of the most valuable companies in the Turkish software market.

The company's paid-in capital is 25 million TL which is divided into 2,500,000,000 units of shares with a value of 1 kurus (one kurus) each. As of December 31, 2013, the capital of the company is classified as 33,000 TL corresponding to 3,300,000 units of shares Group A registered shares and 24,967,000 TL corresponding to 2,496,700,000 units of shares Group B bearer shares. Half plus one of the board members shall be elected from among the candidates nominated by the Group A shareholders.

The capital of the company amounts to 25 million TL and is classified as Class A and Class B shares as follows:

CLASS	NOMINAL VALUE PER SHARE	REGISTERED/BEARER	TOTAL NOMINAL VALUE
A	1 kurus	Registered	33,000
B	1 kurus	Registered	24.967.000

SHAREHOLDING STRUCTURE



(*) EAS S.a.r.l is a wholly owned subsidiary of Mediterra Capital Partners.

MESSAGE FROM THE CHAIRMAN

We believe that the future of the Turkish economy depends on SMEs. With a focus on growth, SMEs will enhance their information technology infrastructure, where LOGO serves as a stepping-stone for them. As Turkey grows, LOGO will keep on growing as well.

DEAR LOGO SHAREHOLDERS,

As an enterprise founded in Turkey 30 years ago in a young industry such as the information technology, we are very well aware of the importance of sustainable growth. Therefore, we are proud of sustaining our steady growth also in 2013, which has been continuing for nearly 4 years now.

Ranked right after the largest 1,000 Turkish companies, more than 500,000 SMEs constitute 60% of the economy with a turnover of up to TL 100 million each. Aiming to "grow with the SMEs" LOGO is specialized in the fields responding to their requirements.

We believe that the economic future of Turkey depends on SMEs. With a focus on growth, SMEs will enhance their information technology infrastructure, where LOGO serves as a stepping-stone for them. As Turkey grows, LOGO will keep on growing as well.

However, countries like Turkey first need to accumulate capital so that companies may be able to grow on their own. This indicates the significance of private equity funds for companies. In this perspective, I am very happy to state that we have made substantial efforts to carry our company into the future and opened a very important door for growth.

Addressing the needs of SMEs, LOGO is the largest software company in Turkey. This has started to be recognized also in the region, which poses great opportunities in the software industry. Starting from 2013 we headed in a new direction to exploit this potential. LOGO aims to grow by taking the advantage of any domestic or international, organic or inorganic growth opportunity to be a "national champion" in the information technology industry.

One step behind our 30^{th} anniversary, we left behind a year which was a milestone in the history of LOGO. In 2013, we entered into a collaboration agreement with EAS Solutions SARL, a subsidiary of private equity fund Mediterra Capital Partners. We headed out into a brand new road with Mediterra, which has faith in our history and believes in our future.

Together with Mediterra's support, we acquired the shares of Netsis, a prominent player in the industry, which was a very important initiative. We joined our forces to work together in the development of our country through technology. As the first publicly traded information technology company in Turkey, our next target is to list the shares of LOGO in NASDAQ within 5 years.

Another achievement in 2013 was to become one of the five companies to win the first "Women Empowered Board Awards" granted by Sabancı University Corporate Governance Forum. We achieved this by not restraining ourselves by seeking talent in only half of the society as a principle. With our corporate structure complying with contemporary management principles, we will continue to be one of the leading companies in Turkey providing employment for women executives.

Founded as an entrepreneurial company, LOGO became in years a transparent company run by the principles of corporate governance. While accomplishing this, we relied on the faith we have in ourselves and tried to always carry our efforts forward. This is because Corporate Governance means "the future" for us. Our increasing performance in this field secures the sustainability of our corporate presence.

Before we celebrate our 30^{th} anniversary, our Corporate Governance Rating, which was 8.60 in 2012, rose to 8.91 as of December 2013. In addition to taking place among the top-tier in BIST Corporate Governance Index, we are also ranked within the first group in the World Corporate Governance Index (WCGI), which comprises 150 countries. Our corporate governance rating score is proving the improvements we made last year.

The problems of the Turkish software market have not changed much since we started out 30 years ago. The business world still does not show enough interest in the software market. While the hardware market in the world is equal to software in size, it is nearly 5 times larger than the software market in Turkey. As a country, from now on we need to pass on to information economy. For this reason, we have entered into new initiatives. While SMEs are growing, we want to turn LOGO into a technology platform for Turkey and the surrounding region, and become the regional power emerging from Turkey in the field of business applications.

In recent years, the world has been passing through an important change. 2013 was an unusual year not only for LOGO, but also for our country, by opening doors for change and optimistic look into the future.

I would like to thank you all for your contributions to our company until now. Wishing to design the future together...

Kind regards,

M. TUĞRUL TEKBULUT

MESSAGE FROM THE CEO

Reflections of rapid and extraordinary developments in the field of information technologies in recent years have been more visible in business life. We acknowledge innovation as the key factor for technology investments, increasing efficiency of internal processes and providing cost advantages in the long-run.

DEAR LOGO SHAREHOLDERS AND MEMBERS OF THE LOGO FAMILY,

As the effects of the economic crisis continued throughout the world in 2013, the Turkish economy also experienced fluctuations. Indeed the previous year has been an extraordinary period throughout the world and in Turkey due to economic and political developments.

For the last 4 years including 2013, LOGO has been the fastest and steadiest growing application software development company in the Turkish market. Sustaining our effectiveness in recent years, we displayed a sales and profitability performance exceeding our targets. In line with our strategy to generate sustainable income, the share of periodic sales in our total revenue increased to 24% in 2013 from 15%. International sales revenue reached 6% of our total sales, and operating expenses were up by 46% as opposed to 53% sales growth.

While preparing to celebrate its 30th anniversary, LOGO accomplished value-added investments for its business partners and shareholders by acquiring Netsis, a prominent company in the Turkish software industry, in addition to its cooperation with EAS Solutions SARL, a subsidiary of Mediterra Capital Partners.

Reflections of rapid and extraordinary developments in the field of information technologies in recent years have been more visible in business life. In an environment where competition is ever increasing, we always take into account the fact that not only technology companies, but all companies must focus more on innovation. We acknowledge innovation as the key factor for technology investments, increasing efficiency of internal processes and providing cost advantages in the long-run.

We witnessed the reflection of these developments in the e-transformation process together with the regulations entered into force by the Revenue Administration. At LOGO we placed utmost importance on e-Invoice and e-bookkeeping projects. We have become the choice of many companies in result of the pioneering services we offered in this area. Through the e-state applications we offer, we aimed to ease the transition to the e-invoice and e-bookkeeping. The two solutions we introduced allowed companies to choose the most convenient method for them. E-invoice portal solution and e-invoice integration have become two of the most preferred products by many of our business partners.

Ranking in the second place in the market following the global leader, and as the leader in the SME market, LOGO has reached more than 1.3 million users in 170,000 companies since it was established.

By providing education, employment and productivity opportunities to thousands of people, LOGO generates an ecosystem market approximately 3 to 4 times of the size of its financial statements. We help thousands of stakeholders, with whom we have been cooperating with for 30 years now in adopting the contemporary management principles, managing their processes in line with international standards and increasing their efficiency and profitability.

Following the full integration of Netsis into the LOGO system, we will continue to further increase our performance in domestic and international markets. Thanks to the shared wisdom we will create based on the values of these two institutions, we will make serious contributions to all companies in Turkey and particularly to the SMEs. LOGO will enhance its high performance in the domestic market with expanding into international markets in the upcoming period. In 2014, with the contributions of our employees, business partners and investors, we will transform the opportunities in front of us into success and together we will become stronger.

Looking back at 30 years of success and growth in a relatively new industry in Turkey and realizing that this success would not be possible for every company, I sincerely express my gratitude to our employees business partners, customers and shareholders; everyone who is a part of the LOGO Family. Wishing to walk together for many more 30 years.

Kind regards,

MEHMET BUĞRA KOYUNCU

OPERATIONAL OVERVIEW

Together with our business partners, we offer a variety of products that meet all requirements of our customers.

LOCAL EXPERIENCE, PRODUCTS AND SERVICES WITH WORLD STANDARDS

Apart from Turkey, the Central Asian and Middle Eastern markets in which LOGO operates are playing a significant role in the historical transformation. As the companies in Turkey and the neighboring countries start to obtain a larger share in the world economy, the expansion of business applications software, in which LOGO is the strongest local player, is constantly increasing.

The commercial achievement of LOGO is based on the customer-oriented solutions it has developed based on local requirements with its experience of 30 years in the software market. By comprehending operational processes of its customers that provide them with competitive advantage, LOGO accumulated an extensive knowledge on local business applications. Not starting out from universally applied recipes which are not attuned for local needs, LOGO develops products and services of world standards with extensive knowledge on local business applications. Adding value to its users by offering product and service alternatives meeting diverse needs of micro-enterprises, SMEs and corporations, LOGO offers a wide variety of products and services to its customers through widespread distribution channels.

LOGO reaches more than 1.3 million users in 170,000 companies through its strong sales and marketing network it has formed together with its business partners in the countries it operates in, including Germany, Azerbaijan, United Arab Emirates, Ethiopia, Morocco, Georgia, Iraq, Iran, Kazakhstan, Kyrgyzstan, Kosovo, Libya, Egypt, Russia, Sudan, Saudi Arabia, Turkmenistan, Ukraine, Pakistan and Jordan; and more than 900 business partners and nearly 1,000 integrated solutions in its ecosystem add value to LOGO customers. While the prevalence and variety of the ecosystem gives confidence to the users, cost-effective, fast and flexible solutions bring efficiency to business processes of LOGO customers. A major strength of LOGO is offering a product variety meeting different requirements of customers thanks to an extensive ecosystem.

The growing role of developing countries in the economic activities throughout the world offers unrivaled opportunities in the geography, in which LOGO operates. Apart from Turkey, the Central Asian and Middle Eastern markets in which LOGO operates are playing a significant role in this historical transformation. As the companies in Turkey and the neighboring countries start to obtain a larger share in the world economy, the expansion of business applications software, in which LOGO is the strongest local player, constantly increases.

The level of maturity in the Turkish software industry is as low as in underdeveloped countries, while the country ranks 16th in terms of Gross Domestic Product (GDP) with purchasing power parity. According to 2013 report by the International Data Corporation (IDC) the share of the software market in total IT expenditures in Turkey is around 7.5%, whereas software and hardware expenditures are almost equal in North America and Europe. Meanwhile, business applications constitute only 10% of total software expenditures in Turkey. This situation clearly reveals the great opportunities posed by the software industry, which inevitably would keep up with the economic development of Turkey.

Ranking first in the Turkish software industry in terms of the number of customers and second behind the largest global player in terms of turnover, LOGO is well prepared to exploit these great opportunities in the market. Fully concentrated on increasing the penetration of software in total IT expenditures, LOGO also makes best use of its competitive advantage in order to increase its share in the growing market.

Increasing its total market share and solution portfolio by organic growth and acquisitions, LOGO reinforced its strong position in the Turkish market by acquiring Coretech and LOGOBI in 2011 and Netsis in 2013, a prominent player in the Turkish software industry. As the leading local player in the Turkish software industry, LOGO aims to repeat its organic growth and value added acquisitions in the international markets in order to become a regional leader.

VALUE ADDED MERGERS AND ACQUISITIONS

coretech

In markets where competition is rapidly increasing, the primary objective of companies is maintaining profitability and efficiency at the highest level while managing the sales and distribution channels efficiently. Sustaining its domestic and international operations since 2011 as a part of LOGO, the largest software company in Turkey, Coretech provides business solutions meeting the needs of companies by combining its expertise on information technologies and its experience in business processes.

Founded in 1995, Coretech is a prominent technology company with its software as a service application (SaaS). The company operates in the fields of Business Management Systems, Sales & Distribution, Logistics Systems, Decision Support Systems, CRM, e-Commerce, Business Intelligence, Mobile Applications and Corporate Portals. Coretech develops business solutions meeting operational requirements, in addition to supporting executives in decision making processes with reporting systems.

Coretech develops operational and administrative software solutions in Asia, Europe, America and Africa together with its strong solution partners including Microsoft, Turkcell and Oracle.

The specialist project team of Coretech develops business solutions domestically and internationally to meet different needs of companies, including Reporting, Business Intelligence, Field Data Collection and Treasury Management.

AN INNOVATIVE SERVICE MODEL: “DIVA”

Leading the way in the industry in 2004 with Diva Online Business Management System, Coretech has allowed companies to timely respond to the requirements and requests of their customers, as well as giving them a chance to centrally control the sales and distribution channels in order to provide the same service quality in all points of sale.

Introducing the Software as a Service model (SaaS) for the first time in Turkey, Diva allows instant access to information without installation. Running fully over the internet with all modules including Purchasing, Storage, Logistics, Accounting, Retail Transactions and After Sales Services, Diva delivers instant data to all company units including branches, dealers, stores, services, customer services, and websites. Diva is prepared to run fully on the Internet to be fully compatible with the dynamics of the retail industry, while eliminating software and hardware investment costs as well as operating costs. This allows fast and complete customer services, as detailed analysis are made rapidly on the central customer database system.

Offering an innovative service model, Diva’s operating principle is focused completely on customer satisfaction and the most economical solution. Operating in line with the principle of “prompt information flow independent from time and space”, Diva also offers mobile application alternatives. These alternatives are constantly developed according to current requirements.
Diva comprises many applications such as merchandising, online sales, service operations management, dealer integration, e-commerce and management reporting. Companies get the edge on their competitors in knowing their customers through the “Common Customer Database” formed by gathering customer records from all applications in a single location.

Working in integration with LOGO’s ERP products (such as GO Plus, Tiger Plus, Tiger Enterprise and j-guar); Diva provides an uninterrupted information flow between headquarters and points of sale.

VALUE ADDED MERGERS AND ACQUISITIONS

LOGO_BI

In 2006, LOGO Investment Holding acquired 22% of the shares of WorldBI Yazılım Sanayi ve Ticaret A.Ş. ("WorldBI"), which was founded in 1997 with the name of Bistek to operate in the Business Intelligence industry. In 2007, Teknoloji Yatırım A.Ş., formerly known as TTGV, the only technology investment fund in Turkey, acquired 32.2% of WorldBI and in the same year LOGO Investment Holding increased its shares from 22% to 27.8%. In December 2011, 32.2% shares of WorldBI that were held by Teknoloji Yatırım A.Ş. were transferred to LOGO increasing its shares to 60% as the major shareholder of WorldBI. In April 2012, the company was renamed as LOGOBI Yazılım Sanayi ve Ticaret A.Ş. ("LOGOBI"). Together with LOGO's marketing capabilities, widespread distribution and service network, LOGOBI enhanced the position of its in mobile and fixed media products, which are highly visual and user-friendly. As a result of the acquisition of the remaining 40% shares, LOGOBI has become a wholly-owned subsidiary.

Allowing tactical decisions to be taken rapidly and accurately by transforming data into information, Business Intelligence Solutions provide competitive advantage in global markets especially for medium sized companies. Through these solutions, a proactive management opportunity is provided for companies by using consolidated, accurate, real time and multidimensional data. LOGOBI offers strong solutions through its integration with LOGO products in offering tools, which help data management, integration, analysis and utilization with its extensive experience in Business Intelligence Solutions.

NETSiS

www.netsis.com.tr

In September 2013, LOGO acquired the entire outstanding share capital of Netsis, the second largest local company in the Turkish software industry, for a consideration of TL 24.7 million in total with a price of TL 210.21 per share. Netsis acquisition allowed LOGO to increase both its market share and penetration. According to IDC Turkey Enterprise Application Software Market 2012 report, LOGO's total market share reached 20% together with Netsis and the company ranked in the second place in the Turkish application software market following the global leader SAP.

Offering comprehensive and diverse solutions with a wide range of products, the two pioneer companies in the application software market, LOGO and Netsis, provide services primarily in the fields of Enterprise Resource Planning (ERP), Customer Relationship Management (CRM) and Supply Chain Management (SCM) in addition to Channel Management, Production Planning, Financial Management, Human Resources (HR), Technology and Infrastructure. Interpreting technological opportunities in a way of serving to customers to increase their efficiency, Netsis carries out R&D and innovation projects most of which are supported by the Scientific and Technological Research Council of Turkey (TUBİTAK), backed up with the academic knowledge of universities including Dokuz Eylül, Ege and METU. Apart from leading the way in the industry with firsts in business applications such as e-signature and e-bookkeeping, Netsis has also pioneered the cloud technology model.

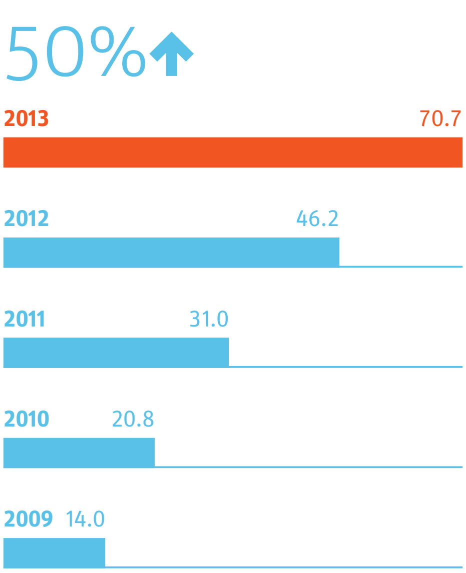
Holding a widespread service network and fully equipped consultants throughout Turkey, Netsis has placed its R&D plant in Izmir High Technology Institute in Urla. The export map of Netsis covers Azerbaijan, Belarus, Iraq, Iran, Egypt, Uzbekistan, Russia, Sudan and Ukraine.

Pioneering in fields like Green IT, training, R&D and lean management approach, Netsis has established collaborations with various NGOs for providing equal education opportunity to different segments of the society as well as sensitive subjects such as environment and saving.

THE LEADING PLAYER IN A GEOGRAPHY OFFERING UNRIVALED OPPORTUNITIES

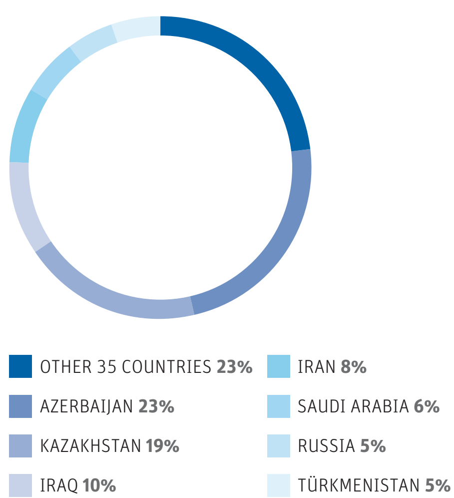
International markets, which constituted 6.4% of the total sales as of the end of 2013, are of utmost importance for LOGO's short and midterm plans. As the market leader in Azerbaijan, which constitutes 23% of its international sales, LOGO is launching significant projects also in other countries in Central Asia and the Middle East.

TOTAL SALES GROWTH (CAGR %)
(MILLION TL)



In 2013, LOGO continued to grow both in Turkey and international markets. Having a compound annual growth rate of 50% since 2009, LOGO's total sales revenue reached TL 70.7 million with an increase of 53% compared to the previous year. While domestic sales revenue took a major part in total revenue with an increase of 56%, international sales revenue reached TL 4.5 million with an increase of 25% compared to the end of 2012.

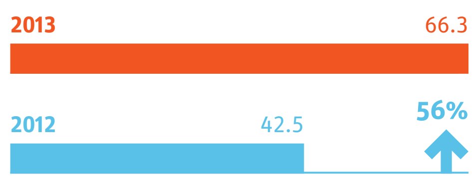
INTERNATIONAL SALES BREAKDOWN (2013)



International markets, which constitute 6.4% of the total sales as of the end of 2013, are of utmost importance for LOGO's short and midterm plans. As the market leader in Azerbaijan, which constitutes 23% of its international sales, LOGO is launching significant projects also in other countries in Central Asia and the Middle East. Enterprise Resource Planning (ERP) projects completed in different countries including Turkmenistan, Iraq, Jordan and Saudi Arabia constitute considerable investments made for the future of LOGO. We continue to enhance our position in the software market in order to become the regional leader through international investments promising a rapid growth in sales and profitability following a long adaptation process.

SALES REVENUE DEVELOPMENT IN 2013

DOMESTIC SALES REVENUE (%)



INTERNATIONAL SALES REVENUE (%)

TOTAL SALES REVENUE (%)

Throughout 2013, LOGO increased its efforts in the digital field in order to establish faster and more efficient communication with its users, potential users, and business partners.

LOGO SIGNATURE UNDER DIGITAL TRANSFORMATION

Integration Products developed by LOGO provides significant contributions for the infrastructures of companies in the adaptation process to digital transformation in Turkey. The e-bookkeeping application allowed "Journal" and "General Ledger" documents to be issued in line with the standards set forth by the Revenue Administration and submitted easily to the Revenue Administration electronically.

Providing secure and fast circulation, the e-invoice application allows the issuing, transferring, storing and submitting of invoices electronically with the same legal rights of a paper invoice as per the legal framework. The e-invoice application is offered in three alternative form including File Transfer Solution, Revenue Administration Integration Solution and Special Integrator Service.

Parallel to the developments in the field of e-transformation, digital marketing becomes more popular and web-based programs proliferate in public institutions. LOGO's efforts in these fields are welcomed by users. Since August 2013, search engine ads and social media content comprising legal amendments and practices pertaining to e-state applications are being announced on LOGO e-transformation website.

Throughout 2013, LOGO intensified its efforts in the digital area in order to be able to establish faster and more efficient communication with its users, potential users and business partners. The company continued to actively use the digital channel for updating information and facilitating accessibility, as well as following operations such as product upgrades and cross selling more easily.

GROWING TOGETHER WITH OUR BUSINESS PARTNERS

A widespread, well-informed, trained and experienced distribution network is among LOGO's competitive advantages. Providing services to 1.3 million users with its products localized in 12 different languages in Central Asian and Middle Eastern markets in addition to its local market, LOGO has the most widespread sales and distribution network in Turkey.

A widespread, well-informed, trained and experienced distribution network is among LOGO's competitive advantages. Providing services to 1.3 million users with its products localized in 12 different languages in Central Asian and Middle Eastern markets in addition to its home market, LOGO has the most widespread sales and distribution network in Turkey. Market leadership in terms of number of customers, the investments made in R&D activities and extensive experience in sales and marketing allows LOGO to attract qualified business partners in a very wide region.

The business partnership model comprises Authorized Dealers serving the SME segment, Competency Centers serving the corporate segment, Solution Partners developing applications based on LOGO technologies and Authorized Training Centers providing professional training for LOGO products. SME and Corporate Business Partners are classified in different levels, which bring different responsibilities and advantages. Levels are determined according to the years spent in the previous status, number of certified personnel, turnover targets and growth potential.

The companies assessed for business partnership go through a required training program and are accepted as candidates according to their turnover targets, after being put through a detailed assessment in terms of various criteria such as the market potential in their region, number of business partners, number of certificates, sales capacity, customer satisfaction, project resources and customer portfolio. Following the evaluation process of six months to one year, successful candidates are accepted to the LOGO ecosystem, based on their performance in terms of new customer acquisition, turnover targets, customer satisfaction and compliance with LOGO principles.

SMEs

AUTHORİSED DEALERS

- GO Authorised Dealers
- GO Select Authorised Dealers
- GO Elite Authorised Dealers

CORPORATE

COMPETENCY CENTERS

- Tiger Elite
- Competency Centers
- Tiger Premier
- Competency Centers

OTHER

- LOGO Solution Partners
- Authorized Training Centers

INCREASING SALES AND MARKETING ACTIVITIES WITH THE NEW SALES MODEL

LOGO introduced user certificate in order to enhance communication with existing customers. In the context of the collaboration with SmartPro, free training on LOGO products was provided to our customers' employees.

The sales and marketing model developed by LOGO due to a market experience of 30 years is based on a "win-win" strategy established with business partners. Through the Business Partner Based Micro Targeting system introduced in 2012 at Channel Management, companies' potential as per their product range and product types are considered in order to increase possibility of closing the sale. Challenging targets are set by taking into account the sales track record in previous years and the potential of the region, where the business partner operates. Accordingly, the Business Partner Based Micro Targeting system helps business partners obtain the maximum outcome without falling behind. Thus, LOGO wins together with its business partners, while they achieve their targets and increase their sales.

Sales specialists and business partners assess the previous period quarterly and develop strategies for the new period. General assessment and target reconciliation meetings are held annually. Sustainable development of business partners is a key factor for customer satisfaction. In order to achieve this objective, LOGO enhances its sales and distribution network as well as contributing to the development of its business partners. Increasing the performance of business partners and giving them the edge on their competitors through special trainings designed by LOGO Academy on various subjects including technical competencies, sales, marketing, business development and customer satisfaction.

IN THE FIELD FOR UNRIVALED CUSTOMER EXPERIENCE

Promotion and Loyalty Management

LOGO regards increasing loyalty and providing its customers with positive experiences as the key element of its sales and marketing operations. In this context, just like every year, also in 2013 a "Welcome Call" was made to 6,600 users who recently joined the LOGO family and who upgraded their LOGO products to a higher level product group. Satisfaction surveys were conducted via phone calls and via e-mail in different segments including Tiger Enterprise, Tiger Plus, GO Plus and Start. International customers were also included in the satisfaction survey study via e-mail. In addition to satisfaction survey, "Welcome" e-mails were also sent. As a result of this correspondence, customer suggestions and feedback on the purchasing and usage process were collected and corrective actions were taken.

Additionally, NPS score, which measures the loyalty that exists between a provider and a consumer, is closely monitored and suggested improvements are carried out. In order to enhance the productivity of existing users, user certificate was introduced. In the context of the collaboration with SmartPro, free training on LOGO products was provided to employees of our customers.

Business partners, who are members of LOGO ecosystem, can directly share their suggestions for products and services with our headquarters while carrying out their operations under technical support guarantee of LOGO. Business partners are provided with the right to use LOGO products freely, which they are authorized to sell. A sales and marketing communication calendar was prepared for 2014 to increase customer satisfaction.

Updating Customer Information and Upsell Works

In order to keep customer information up-to-date, the database was reviewed and an e-mail system was installed to business partners for updating their international customer data. Users of discontinued LOGO products were called and 6,500 users were contacted to inform them particularly on GO products.

Gaining New Customers

In order to increase the number of customers and expand the use of LOGO products, 1,406 companies, which are customers of competitor products, were contacted in 2013. 1,908 companies operating in the Organized Industrial Zone, which are members of the Chamber of Commerce, were reached through one-on-one meetings. A total of 300,000 companies were e-mailed to promote LOGO products and services.

In 2013, initiatives for new customer gains continued in different cities including Ankara, Gaziantep, Kayseri, Bursa, Eskişehir, Trabzon and Konya within the scope of the prospect creation project. Additionally, in cooperation with sales teams, improvements were implemented by reviewing the opportunity generation and customer follow-up processes.

While sustaining their operations under technical guarantee of LOGO, business partners find the opportunity to share their suggestions on products and services directly with the headquarters. Business partners are provided with the right to use LOGO products freely, which they are authorized to sell. They also access sales and marketing materials, communicate with prospects and reach a wide information network over the LOGOSPHERE system.

VALUE CHAIN BASED APPROACH

PROJECTS

	OPEN SYSTEM		WINDOWS PLATFORM	
	NEW	CLOSED	NEW	CLOSED
2009	194	244	2,645	461
2010	313	212	1,046	410
2011	394	297	1,295	402
2012	678	514	914	342
2013	941	817	802	365

LOGO's main business strategy is meeting the expectations of the customers and users with highest quality standards. Having placed Operational Excellence into the core of its corporate culture, LOGO has structured its business processes accordingly. Combining the lean organizational structure with the philosophy of developing agile products, the value chain approach allows meeting customer expectations at the highest level.

Functional organization was replaced with a structure that groups together products developed over a common source code together. Work steps related to the same product are identified as a phase in the value chain and infrastructure operations supporting the same are determined. This allowed the transition to a lean organizational structure, where each added value created for the customer is carried out on a single workflow from the beginning to delivery to the customer and LOGO team controling the entire process.

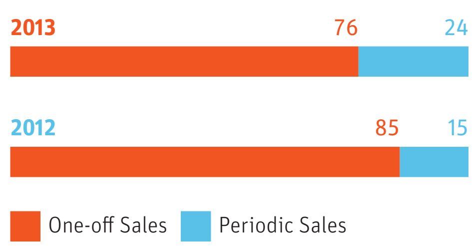
Sales, product development and support processes are regularly monitored, measured and compared for continuous improvement in three main value chains defined as SMEs, Corporate and New Generation Solutions. In the processes carried out with the philosophy of developing agile products, work steps are measured at each customer segment and a consensus is established on the issues to be resolved in the next version. This allows achieving better and faster production on a continuous basis.

The main sources of innovations at LOGO are the suggestions from employees, business partners and customers. All suggestions are recorded and analyzed regularly to drive the Operational Excellence process.

The Operational Excellence philosophy clearly displayed its effects on LOGO's financial performance through both the increase in sales revenue and the controlled increase in expenses. Despite the 53% increase in sales revenue, the share of the operating expenses as a percentage of sales revenue decreased from 70% to 58%. This proves the achievement of LOGO in respect of the objective of creating more value with fewer resources.

Another achievement in 2013 with respect to Operational Excellence was increasing the share of periodic revenue in total sales. Periodic revenue, which increased from 15% in 2012 to 24% in 2013, improved our sustainable income generation capacity. Most of this income was obtained from the New Generation Solutions value chain, which functions as an incubation center. This clearly proves the innovative identity of LOGO. As LEM (LOGO Enterprise Membership) program strengthened customer loyalty and sustainable income generation capacity, Diva, the first SaaS solution in Turkey, and Netlite secured a strong position in the cloud technology market.

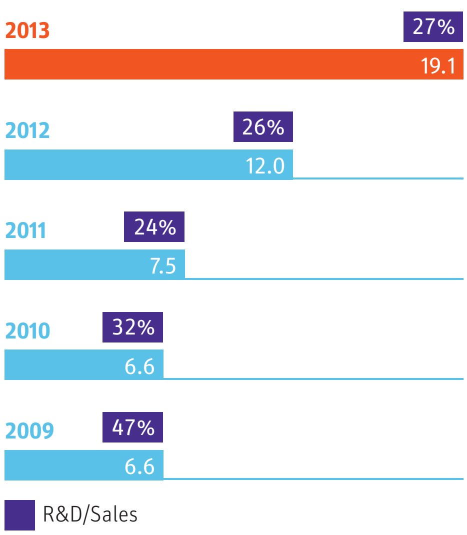
PERIODIC SALES (%)



BUILDING THE FUTURE OF LOGO WITH OPERATIONAL EXCELLENCE
LOGO creates more value for its customers and users with fewer resources and continuously improves each work step through Operational Excellence. Feedback from our employees, business partners and customers are the main source of the developments carried out for continuous improvement of the LOGO ecosystem. Improvement based on this feedback is the key element of LOGO's commercial success.

PRODUCT DEVELOPMENT PROCESS SUPPORTED BY CUSTOMER ORIENTED R&D

R&D EXPENSES AS A PERCENTAGE OF NET SALES* (MILLION TL)



** R&D Expenses + Capitalized R&D Expenses – Depreciation & Amortization*

Founded in 1984, when the foundations of free market economy were established in Turkey, LOGO contributed to the infrastructure of the big economic transformation experienced in the country with the numerous software solutions. Our flexibility and solution-oriented approach accumulated as a result of this unique experience differentiates LOGO in every step of product development including identifying customer requirements and overcoming problems encountered throughout the project. Solutions developed with optimum work force in the shortest time and with the lowest cost allow LOGO to meet customer expectations by adapting itself to the dynamics of the local market and regulations.

In order to continuously enhance its ecosystem offering a wide variety of solutions in various industries, LOGO supports its product development operations with customer oriented R&D activities, focusing on both new products and improvements related to existing products. In the annual strategy meetings employees from sales, marketing, support and R&D departments discuss and develop the R&D plans for the next year based on the analysis of competitors, need for compatibility with new technologies and developments in the industry. The R&D performance is measured considering the number of prototypes developed and the use of new structures in work products.

Maintaining its leadership in terms of the share of R&D expenses in sales, LOGO allocated TL 19.1 million to R&D activities, which corresponds to 27% of its sales. One of the most striking R&D projects of 2013 under Windows Enterprise Resource Planning, Open System and New Project categories was designing Java based programs as a 100% web-based product. This allowed Java based products to work on an internet browser without need for installation in a user-friendly manner.

Another R&D project carried out in 2013 was bringing together the reporting and data visualization infrastructures in all products. This program aims to provide log-based or interactive reports developed using modern technologies, which are compatible with all products even if their structures are different, following the decision to procure or internally develop the technology. Carried out in order to increase the efficiency of LOGO products in line with technologic developments and customer requirements and their applicability to different areas, these projects received a number of awards in various categories.

INTERNATIONAL AWARDS RECOGNIZE LOGO'S INNOVATIVENESS

Holding ISO 9001: 2008 and ISO 27001 Information Security Management System (ISMS) Certificates, LOGO received many awards for the innovative products developed in 2013. The awards received in three different categories of Euro Cloud Award 2013 prove LOGO's leadership in the application software market.

Netsis, which was acquired by LOGO in 2013, was awarded the first place in "Best Cloud Service" category with its "Netlite" solution. Diva solution that centrally controls the sales and after sales service channels in the retail industry was awarded the second place in the same category. De'Longhi Project carried out with Diva product was awarded the first place in "Cloud Service Customer" category. De'Longhi Project was ranked among the top three in the "Best Business Impact by Cloud Services" category in European contest organized in Luxembourg. Comprising LOGO's Diva solution, De'Longhi was the only project nominated from Turkey in this category.

Introducing various innovation projects in various categories as a result of successful product development operations conducted in 2013, LOGO qualified to the final under the process category in the 11th Technology Awards organized by TUBITAK, TTTGV and TUSIAD. As of the date of the present report, award assessment process is in progress.

CONTINUOUSLY GROWING AND DIVERSIFYING BUSINESS OFFERS NEW OPPORTUNITIES FOR OUR EMPLOYEES

With its employees as its main capital LOGO aims to create a competent organization with dedicated employees and to become a preferred employer. Achievement, customer and quality-oriented, innovative, and dynamic team players from diverse backgrounds with advanced problem solving abilities are hired and continuously developed in respect of these competencies. Achievement, customer and quality-oriented, innovative, and dynamic team players from diverse backgrounds with advanced problem solving abilities are hired and continuously developed in respect of these competencies.

The market leader in Turkey in terms of the number of customers, LOGO has become a regional software company providing services together with its business partners. While creating new learning opportunities for employees, this rapid growth allowed professional development of the executives leading the operations in Turkey and in the international markets. The need for meeting requirements of continuously growing and diversifying business will continue to create new opportunities for LOGO employees in the future.

LOGO perceives employees as its main capital and aims to become a preferred employer by creating a competent organization comprising highly engaged employees. Achievement, customer and quality-oriented, innovative, dynamic team players from diverse backgrounds with advanced problem solving abilities are hired and continuously developed in respect of these competencies.

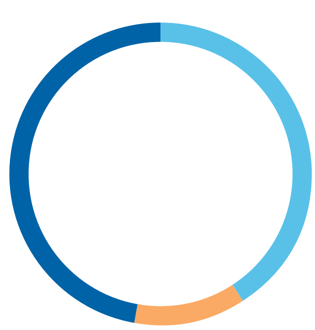
Offering solutions in various fields including cyber security, B2B, Business Intelligence and retail in addition to business applications software LOGO's skilled workforce comprises professionals with various specializations. In order to maintain and enhance this diversity, transfer within the LOGO group is encouraged. Candidates at the early stages of their careers are provided with an environment, in which they can make best use of their potential and develop their competencies. Employees at every organizational level are expected to share the mission, vision and objectives of LOGO and are organized as autonomous teams to help them use their high qualifications on their jobs. Employee participation in decision making processes and empowerment in terms of playing an active role in business processes contributes to LOGO's speed and flexibility.

EMPLOYEE BREAKDOWN

47% of LOGO employees work in the Sales, Product Support and Marketing Departments, followed by Infrastructure and Product Development (41%), and Management, Financial Affairs and Operations (12%).

In 2013, the headcount of LOGO Group increased by 15% compared to the previous year. 38% of the employees are women and 62% are men. Educational breakdown consists of employees with various degrees in engineering (40%), master's degree (15%) and bachelor's degree (74%). As of the end of 2013, the average age is 34. 37% of employees are members of Generation X, 59% Generation Y and 4% of the employees are Baby Boomers.

EMPLOYEE DIVERSIFICATION BY DEPARTMENTS

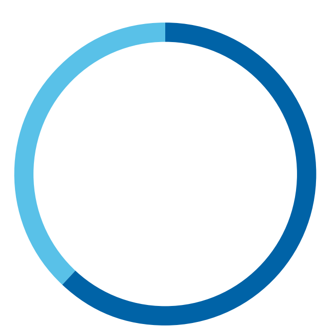


SALES, PRODUCT DEVELOPMENT AND MARKETING **47%**

INFRASTRUCTURE AND R&D **41%**

MANAGEMENT, FINANCE AND OPERATIONS **12%**

EMPLOYEE DIVERSIFICATION BY GENDER



MAN **62%** WOMAN **38%**

DEVELOPMENT OF EMPLOYEES' BASIC AND TECHNICAL COMPETENCIES

Information sharing among the employees is an integral part of the LOGO culture. In order to maintain a transparent and interactive atmosphere, ideas and suggestions received from employees are carefully evaluated. Interaction is encouraged with the open door policy as well as the "I have an Idea" corner on the intranet allowing easy submission of employee suggestions.

Information sharing and professional development activities are carried out to develop core competencies and technical qualifications of our employees in order to meet the human resource requirements of the growing organization. These activities are also a source of motivation. Employees who take on more responsibilities constitute a significant source for continuous development at LOGO.

Information sharing among the employees is an integral part of LOGO's culture. In order to maintain the transparent and interactive atmosphere, ideas and suggestions coming from the employees are carefully evaluated. Interaction is encouraged with the open door policy as well as the "Have an Idea" corner on the intranet allowing easy submission of employee suggestions.

Technical, behavioral and managerial competencies of the employees are regularly monitored and developed. In addition to professional trainings, employee development is also supported with the opportunity to take part in different projects. In 2013, a total of 7,784 man hours of training were organized both internally and externally. 98% of the employees attended at least one training during the year. 61% of these trainings were on technical subjects, 26% on personal and professional development and 13% on job security, quality and orientation.

SELECTION AND RECRUITMENT

Selection and recruitment process is carried out to find the most suitable candidate for the vacancy and placing the person to the right position based on corporate culture, company objectives and competencies specific to the position. During the selection process, competencies are specified according to the requirements of the position and the job description. Interviews are conducted with suitable candidates according to their competencies. During interviews HR department and position managers assess to what extent the candidate fit to the corporate culture and the position. LOGO is an equal opportunity employer. Candidate's gender, nationality, religion, ethnicity or marital status is not considered as a selection criteria at LOGO.

In 2013, the internship and career opportunities offered by LOGO were presented to students of 3 universities, who are preparing to start their career. 164 internship applications were received, 35 of which were part time or full time employment applications, from the students of the Computer Engineering departments of Sabancı University, Istanbul Technical University, Yıldız Technical University and Bosphorus University. A quarter of the 23 university students who did their internship at LOGO were recruited.

PERFORMANCE APPRAISAL SYSTEM

Our performance appraisal system evaluates employees in terms of business results, as well as their professional and personal development. Successful employees are compensated based on their contributions according to the outcome of performance appraisal.

The promotion from within is actively applied in LOGO Group companies. Today, almost the entire senior management team and most of the middle management team started their careers at LOGO as junior employees after their graduation. Promotion from within has become a part of our corporate culture. We regard this method as a critical factor in career planning and motivation.

Managerial ranks in LOGO Group companies are predominantly formed through promotion from within. Most of the middle and top management team comprises people who started to work years ago as new graduates. The promotion from within, which is the basis for in-house career planning, is a significant motivation factor for employees.

SOCIAL ACTIVITIES

LOGO participated in Corporate Football League organized between corporations, for the first time in 2013 with a football team formed by the employees. LOGO team got qualified to the quarter finals in its first year.

In the photography contest organized by company club LOGO Color, the employees who ranked in the first, second and third places were awarded gift certificates of various amounts. The photographs in the photography exhibition are published over the intranet throughout the year.

In 2013, LOGO's 29th anniversary was celebrated with a concert by the pool at our Gebze campus.

In 2013, 29 employees who completed their 5th, 10th, 15th and 20th year at LOGO were awarded a plaque and the 25th and 30th year awards were submitted to first recipients.

LOG'extra, which offers various discounts and advantages through special agreements made with companies in various other industries including dry cleaning, electronics, travel and insurance are offered to all LOGO employees and their relatives.

In order to help employees for healthy, productive and dynamic living and bring them together outside the business setting an agreement was made with a sports center, where the company pays 50% of the course fees. Similarly, special prices were obtained from a sports center in Alaçatı for employees who want to practice windsurf and groups were formed where employees can join by paying themselves.

CORPORATE OVERVIEW

Corporate Governance means "the future" for us. Our increasing performance in this field secures the sustainability of our corporate presence.

BOARD OF DIRECTORS

M. TUĞRUL TEKBULUT
Chairperson of the Board
M. Tuğrul Tekbulut is one of the founding partners of LOGO. He graduated from Bosphorus University's Department of Electrical Engineering in 1980 and received his master's degree in 1983 from the same department. In 1984, he established the software business under LOGO Group with his friends. He initiated the establishment of various non-governmental organizations on the subjects of informatics, innovation, entrepreneurship such as Turkish Informatics Foundation, Software Industrialists Association and participated in the innovation and entrepreneurship work groups at the Turkish Industrialists' and Businessmen's Association. In addition to LOGO, he also served as the chairperson of the board at the Turkey Informatics Industry Association between 2006 and 2009.

MURAT ERKURT
Vice-Chairperson of the Board
Murat Erkurt is the founding partner of Mediterra Capital Partners. After completing his bachelor's degree at Middle East Technical University Electrical Engineering Department, he received his master's degree at Columbia University Business School and at Imperial College Mathematics and Northeastern University Electrical Engineering departments. As managing partner at Lehman Brothers, where he worked for 15 years in New York and London offices, Erkurt took the role of partner in charge in the investment process of 12 companies in the Private Equity Fund Department during 14 years of this 15-year period. Erkurt served as a member of the board of many portfolio companies and funds in various countries and regions including the UK, Spain, Germany, Denmark, Finland, Czech Republic, Israel, Luxembourg and Guernsey.

S. LEYLA TEKBULUT
Board Member
Graduated from Istanbul Erkek Lisesi in 1976 and Bosphorus University Electrical Engineering Department in 1981, Leyla Tekbulut continued her professional career between 1981 and 1987. In 1987, she founded her own company in Medical Devices industry, which she continued until 2006. Tekbulut serves as a member of the board at the LOGO Group.

ORHAN AYANLAR
Board Member
Orhan Ayanlar is a director at Mediterra Capital Partners. He received his bachelor's degrees in Economics and Finance from Boston University and completed the CFA program. He worked at various private equity funds and investment banks between 2000 and 2006, including Iş Private Equity, Standard Ünlü Corporate Finance Department and Bear Stearns New York office in debt capital markets. Prior to joining Mediterra in 2011, he worked for 5 years at 320 million dollars private equity fund Bedminster Capital Management, which is focusing on Southeastern Europe and Turkey.

BELKIS ALPERGUN
Independent Board Member
Belkıs Alpergun graduated from Bosphorus 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. Alpergun serves as an independent board member at LOGO and does not have any relationship with related parties.

Y. ÖNDER EREN
Independent Board Member
Yusuf Önder Eren graduated from Robert College in 1971 and got his bachelor degree from Bosphorus University - Department of Economics in 1975. He started his career at Arthur Andersen in 1975, where he worked until 1979. He then worked as General Manager at Beymen between 1979 and 1981. Between 1981 and 1985, he worked as Head of Finance at Edip İplik, EDPA and other 5 group companies and took an active role in the establishment of Tekstilbank. He worked as COO in Altın Yıldız Group between 1985 and 1991. In 1991 he started a family business and acted as the Chairperson and CEO of the company until 2004. He made a significant contribution to the development of Quicksilver brand in Turkey and in the region. Mr. Eren served as the Chairperson of the Executive Board in Superlit between 2004 and 2012. Since 2004, Mr. Eren has served as Chairperson of the Board of Karel. Mr. Eren serves as an independent board member at LOGO Yazılım and does not have any relationship with related parties.

EXECUTIVE COMMITTEE

M. BUĞRA KOYUNCU
Chief Executive Officer
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
Vice Chairperson of the Executive Committee
Gülnur Anlaş graduated from the Business Department of Middle East Technical University - School of Administrative Sciences in 1984. She received her MBA from Texas Tech University in 1989, 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. She was assigned as Vice Chairperson of the Executive Committee on January 1, 2012.

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.

AKIN SERTCAN

Executive Committee Member, SME Products

Akın Sertcan graduated from Izmir 9 Eylul University - Department of Computer Programming in 1990. He started his information technology career in 1989 as a Sales Representative. He worked for several companies as sales manager and sales coordinator. 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.

UĞUR N. SİPAHİ

Executive Committee Member, Next Generation Business Solutions

Uğur Nuri Sipahi graduated from Bosphorus 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.

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 in 1991. 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.

EXECUTIVE COMMITTEE

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.

ARSLAN ARSLAN
Executive Committee Member, Infrastructure

Arslan Arslan graduated from Middle East Technical University - Department of Computer Engineering in 1996 and completed his master degree in Middle East Technical University - Department of Computer Engineering in 1999. 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.

ORGANIZATION STRUCTURE

AMENDMENT TO THE ARTICLES OF ASSOCIATION

It was unanimously resolved by the present preferred shareholders for the amendment of items 3., 4., 6., 8., 9., 10., 11., 12., 13., 14., 17., 19., 20. and cancellation of the item 18 of the Articles of Association as follows and the approval of the resolutions taken in this regard in the Ordinary Shareholders' Assembly dated July 15, 2013.

PURPOSE AND SUBJECT OF ACTIVITY

ARTICLE 3

The company's purpose and scope of activities mainly include the following:

3.1. Production, development, processing, and reproduction of the software embedded in computer hardware, operating system software, application software, database software, productivity software, multimedia software as such, and distribution of the same via any physical or electronic medium.

3.2. Teaching the use of any software that is produced, developed, imported or exported, the license of which is sold or purchased; providing and carrying out any pre-sales or after-sales service, including any kind of technical assistance, training, or technical service.

3.3. Conducting engineering, architectural, advisory, pilot studies, and project feasibility studies for any kind of computer software product, computer, information technology or electronic communication medium, Internet, or multimedia products; carrying out assistance, repair, and mounting services, and establishing technical services when necessary regarding the same; conducting system analysis and computer development services; marketing such services; and offering, promoting, and selling the same on the Internet.

Following the fulfillment of the necessary legal procedures, operating as an Internet service provider, providing and selling Internet services to end users, issuing invoice for any kind of these or providing and selling Internet hosting services to customers, issuing invoice for any kind these including, conducting e-commerce business on the Internet, and providing electronic business services to end users.

3.4. Conducting activities for any kind of publication, issuing periodic or irregular publications, and carrying out all kind of typesetting, drawing, printing, typography, and advertisement activities, provided that these are related to the purpose of the company.

3.5. Producing, exporting, importing, selling, purchasing, and marketing any kind of analog or digital hardware, computer; computer byproduct; hardware byproduct unit; information technology and automation system; home, office, or workplace communication hardware and equipment; any kind of electronic equipment and its spare parts; any kind of computer consumable, industrial electronics, computer equipment and device, laboratory material, and their spare parts, as well as accessories and consumables; analytical equipment for industrial and medical laboratories; measurement, calibration, and control equipment and device, and computerized and non-computerized electronic hardware product to be used in any kind of workplace, their byproducts and consumables.

3.6. The company can obtain any right or undertake any liability in order to pursue the aforementioned purposes, provided that they are related to its scope of activities.

3.6.1. The company can purchase or sell any kind of immovable or movable property related to its purpose and scope of activities, if deemed necessary.

3.6.2. The company can constitute any kind of right in rem or right in personam on its immovable or movable properties; it can purchase, sell, acquire, transfer, dispose or assign the same through means of barter and exchange or any other means or methods provided to legal entities by various legal regulations such as the Civil Law, Law of Obligations, Turkish Commercial Code, and the Execution and Bankruptcy Law.

3.6.3. The company can perform various transactions before the Land Registry Office, in connection with any kind of right in personam or fortified rights in personam including, among others, sale, promise to sell, registration, release, adding or removal of an annotation, allotment, unification, division, parceling, apartment sharing, or property ownership.

3.6.4. The company can establish or accept a pledge, commercial enterprise pledge, or encumbrance on its movable properties, immovable properties, rights, facilities, or the company itself; release annotations or other restrictions; give or receive in kind personal guarantees; or mortgage or collateralize real properties of the company or third parties in order to obtain its rights, collect its receivables, or continue its operations.

3.6.5. The company can rent or lease, let, construct or have a third party construct, operate, or have a third party operate movable or immovable properties; it can establish or remove the existing servitude, usufruct, superficies, promise to sell, or condominium rights on the company or its properties.

3.6.6. The company can attend any kind of local or international tender offers, participate in a tender, undertake in person, or outsource contracting projects.

3.6.7. The company can undertake various industrial and commercial activities, such as marketing, export, manufacturing, extraction, import, sale and purchase, packaging, storage, technical storage, delivery, or supply to producer and consumer fields, promotion, local or international representation, distribution, exhibition and presentation in local or international fairs, attendance to tender offers of any kind of software, commodity, and materials, which are useful for its purpose and subject of activity such as produced, consumed, used raw materials, semi products, main, assistant, scrap or waste materials, ready-made materials, compounds, tools, instruments, machines, main, assistant, or supplementary facilities.

3.6.8. The company can establish software houses and facilities inside or outside of the country; market the products and services, brands, and licenses related to its activities locally or internationally; perform export, import, and free zone activities subject to legal permissions; establish organizations or join existing ones; and provide distributorship or dealership rights to other real persons or legal persons.

3.6.9. In fulfilling the duties as required by its purpose and subject of activity, the company can participate in or partner with local or international companies established by or to be established by real persons or legal persons, provided that the nature of such a partnership would not constitute a brokerage or asset management operation; establish new companies together with the same; establish short-term or long-term consortia with local or international companies or real persons in line with legal regulations; execute joint venture agreements or agreements based on financial liability distribution; obtain a loan from any kind of bank or credit institution; and issue or obtain a pledge for the debts of its subsidiaries or real person or legal person third parties, provided that the necessary public disclosures are made to inform investors as required by the Capital Markets Board regulations.

3.6.10. The company can take over, acquire, transfer, register, sell, collateralize, lease, pledge, invest in other companies as capital or perform any kind of similar legal practice in relations to inventions, warrants, licenses, privileges, patents, copyrights, geographical signs, industrial designs, technical guidelines and certificates, trade names, brand names, operating rights and privileges or similar intellectual intangible assets which are related and useful for its activities; it can enter into any kind of know-how agreement related to its purpose and subject of activity.

3.6.11. The company can operate, establish working premises, offices, or branch offices in free zones located inside or outside of the country provided that the necessary permissions are obtained in line with the Free Zone Regulations; it can participate in the companies to be established in the free zones in order to perform the operations specified under its purpose and subject of activity.

3.6.12. The company can amend its Articles of Association in order to incorporate additional activities into its purpose and subject of activity in line with the Turkish Commercial Code and subject to the permissions of the Capital Markets Board and the Ministry of Customs and Trade.

3.6.13. The company can establish provident funds and similar social organizations with legal personality for the benefit of its employees and workers, as per Article 522 of the Turkish Commercial Code, and engage in investments to manage and operate their assets most efficiently to maintain sustainability.

3.7. Possessory liens including guarantees, sureties, warrants or encumbrances of Company's own behalf and with the benefit of third parties, shall be subject to Capital Markets Board regulations.

AMENDMENT TO THE ARTICLES OF ASSOCIATION

REGISTERED OFFICE AND BRANCH OFFICES

ARTICLE 4

The company's registered office is in the Gebze district of the Izmit city. The address of the company is: "Gebze Organize Sanayi Bölgesi, Sahabettin Bilgisu Caddesi. No.609 Gebze, KOCAELI." In case of an address change, the new address shall be registered at the Trade Registry Office, announced in the Trade Registry Gazette, and submitted to the Ministry of Customs and Trade and the Capital Markets Board. A notification to the registered and announced address shall be respected as a valid notification made to the company. Failure to register a new address within the statutory period if the company relocates from its registered and announced address shall be accounted as a reason for termination. The company can establish branch offices inside or outside of the country provided that required notifications are served to the Ministry of Customs and Trade and the Capital Markets Board.

CAPITAL

ARTICLE 6

The company's capital is 25,000,000 TL (twenty-five million Turkish liras), which is divided into 2,500,000,000 units of shares with a value of 1 kurus (one kurus) each.

The previous capital of the company was 15,939,000 TL. The 30,000 TL of the 805,000 TL forming the previous capital of the company is capital in-kind, and the capital in-kind is the paid-in capital of the Logo Yazılım Sanayi ve Ticaret Limited Şirketi, registered at the Istanbul Trade Registry Office with the registry number 224484/170044, which has changed its kind. The paid-in capital is confirmed by the Kadiköy 2nd Commercial Court of First Instance with a court decision dated 16 July 1999 and numbered 1999/1150 - Miscellaneous Decision- and an expert opinion dated 19 July 1999. The entire equity capital of the company with all assets and liabilities has been passed on to this incorporation. 5,000 TL was fully paid in cash, 506,000 TL was provided from the extraordinary reserves, 143,000 TL was provided from the revaluation surplus generated from the depreciable assets as per provisional clause No. 11 of amendment No. 2791 to the Tax Procedural Law, and the remaining 121,000 TL was generated from the public offering, in which pre-emption rights of the shareholders were restricted. 3,388,000 TL of the 4,025,000 TL of the previous share capital was generated from premiums on capital stock fund under the Share Premium Account, and 637,000 TL was generated from the revaluation surplus generated from the depreciable assets as per provisional clause No. 11 of the Amendment Law No. 2791 to the Tax Procedural Law. 9,660,000 TL of the previous capital was fully generated from the inflation adjustments on equity account. The remaining 1,449,000 TL of the previous capital generated from the capitalization of the distributable profit calculated from the financial statements for the special accounting period between 1 July 2005 and 30 June 2006.

9,061,000 TL corresponding to the capital increase was fully generated from the extraordinary reserves. This amount shall be capitalized and the shares to be issued in this amount shall be distributed to shareholders as bonus issue.

The capital of the company amounts to 25,000,000 TL and is classified as Group A and Group B shares as follows:

33,000 TL corresponding to 3,300,000 units of shares Group A registered shares, and 24,967,000 TL corresponding to 2,496,700,000 units of shares Group B bearer shares.

BOARD OF DIRECTORS AND TERM OF OFFICE

ARTICLE 8

8.1. The company's business and management shall be carried out by the Board of Directors, consisting of six members, who are to be elected by the General Assembly as per the Turkish Commercial Code. Half plus one of the board members shall be elected from among the candidates nominated by the Group A shareholders. The maximum term of office for the members of the Board of Directors is three years. The members of the Board of Directors can be reelected after the expiration of their terms of office. If deemed necessary, the general assembly may discharge or replace the members of the Board of Directors. The number, qualifications, method of election and nomination, terms of reference, duties and such of the members shall be determined in line with capital markets regulations and the Principles of Corporate Governance.

8.2. The chairman of the Board of Directors shall be elected from the candidates nominated by Group A shareholders.

8.3. If one of the members of the Board of Directors is declared bankrupt, disqualified, or fail to meet the legal conditions or qualifications specified in the Articles of Association for membership on the Board of Directors, his/her membership shall end.

8.4. If there is a vacancy on the Board of Directors for any reason, the Board of Directors shall temporarily elect an eligible member and submit to the approval of the General Assembly in its first meeting. This member shall hold his/her position until the first General Assembly meeting and if approved complete the approved term of office of his/her predecessor.

In the event of an independent board member fails to meet the independence criteria during the term of office, resigns for any other reason or cannot perform his/her duties anymore, the Board of Directors shall elect a new independent board member to meet the criterion for minimum number of independent members on the board as per the Capital Markets Law and the regulations of the Capital Markets Board.

For a vacant membership position that was nominated by the Group A shareholders, a candidate shall be mutually proposed and assigned by the existing members of the Board of Directors, who were nominated by the Group A shareholders.

AUTHORITY TO REPRESENT AND BIND THE COMPANY AND MEETINGS OF THE BOARD OF DIRECTORS

ARTICLE 9

9.1. The Board of Directors is in charge of management and external representation of the company. The authorities and limits to represent and bind the company is determined with a resolution by the Board of Directors and registered and announced in due form.

Should a legal entity be elected as a member of the board, only one real person shall be registered and announced on behalf of and together with the legal entity. The registration and announcement shall be disclosed immediately on the company website. Only the registered real person can attend to and vote at the meetings on behalf of the legal entity. The legal entity may replace the registered real person at any time.

9.2. The Board of Directors meets upon the invitation of the chairman, or the deputy chairman in the chairman's absence, when the business of the company requires. Any member of the board can call a board meeting with a written request from the chairman.

9.3. The Board of Directors convenes and makes decisions at the registered office. If deemed necessary, the chairman may invite all members of the board for a meeting at a venue other than the registered office or outside the country with prior notice.

9.4. The date, time, and agenda of the board meeting shall be notified via registered mail, telex, telefax, or electronic mail with seven days' notice.

9.5. If none of the members of the board specifically requests a meeting, board resolutions can be made via the written approval of at least four (4) members of a proposal made by a member of the Board of Directors which is on a specific matter. Board resolutions to be rendered in this form shall be valid only if the motion was delivered to all of the members of the board and none of the members requested a meeting. The written consent should not necessarily be on the same paper; but for validity all written consent must be placed in the minute book or a paper must be produced bearing the signatures of the approving members and incorporated into the minute book.

9.6. The quorum for the meetings of the Board of Directors (including the postponed meetings) is at least five (5) members. Decisions in the meetings (including the postponed meetings) are made by affirmative votes of at least four (4) members with prejudice to board resolutions, which require affirmative votes of the majority of the independent members of the board as per capital markets regulations and the Principles of Corporate Governance.

9.7. An attendance fee may be paid to the members of the board of directors as per the Turkish Commercial Code. Wages, bonuses, and premiums may be paid to the members of the Board of Directors and members of the committees for other services they provide. Stock options and a payment schedule based on company performance are not used in remuneration of independent board members. Remuneration of the Managers are determined by the Board of Directors.

9.8. Members of the Board of Directors are allowed to assume board membership duties for other companies.

9.9. The Board of Directors may establish commissions or committees from among its members and/or non-members as per the Turkish Commercial Code, Capital Markets Law, and Principles of Corporate Governance as well as for specific issues it deems necessary.

AMENDMENT TO THE ARTICLES OF ASSOCIATION

DUTIES OF BOARD OF DIRECTORS AND DELEGATION OF AUTHORITY

ARTICLE 10

10.1. The board of directors is authorized to manage, represent, and bind the company, as well as make decisions on any matter except for the issues requiring a decision of the General Assembly according to the Turkish Commercial Code, Capital Markets Law, and Articles of Association. The duties of the company's Board of Directors include running the business of the company in line with the purpose and subject of activity, keeping the books and records of the company, preparing balance sheets and annual reports, appointing or replacing the general manager and employees of the company, and performing all activities and using all powers prescribed by laws and the Articles of Association.

10.2. The Board of Directors may delegate its management rights and responsibilities fully or partially to a member or members of the board or third parties who are not board members by issuing an internal directive pursuant to Article 367/1 of the Turkish Commercial Code.

10.3. With a decision of the Board of Directors the powers of representation may be delegated to one or more executive directors or to third parties as managers with a single signatory power. However, it is essential that at least one member of the Board of Directors hold the powers of representation. Unless and until a notary-certified copy of a decision which shows the authorized signatories and the method of use of the powers of representation is duly registered and announced in the trade registry, delegation of the powers of representation is invalid. The provisions of Articles number 371, 374, and 375 of the Turkish Commercial Code are reserved.

AUDIT

ARTICLE 11

The provisions of the Turkish Commercial Code, capital markets regulations, and other relevant regulations are applicable to the audit of the company.

ISSUANCE OF DEBT CAPITAL MARKET INSTRUMENTS

ARTICLE 12

The company may issue locally or internationally secured or unsecured capital market instruments classified as debt instruments.

The General Assembly has provided the Board of Directors the authority to decide on the terms of the issue of the instruments without prejiduce to the regulations of the Capital Markets Board.

GENERAL ASSEMBLY

ARTICLE 13

13.1. The General Assembly of Shareholders meets for ordinary and extraordinary meetings in accordance with provisions of the Turkish Commercial Code and capital markets regulations.

The ordinary General Assembly meeting convenes in three months following the reporting period and at least once a year to discuss and decide on items of the agenda, which shall be prepared as per the Turkish Commercial Code and capital markets regulations.

The General Assembly holds extraordinary meetings and takes the required decisions if and when deemed necessary in the course of business of the company, in accordance with provisions of the Turkish Commercial Code and capital markets regulations.

Items that the Capital Markets Board requires to be discussed and announced to the shareholders must be included in the agenda of the general assembly regardless of the principle of commitment to the agenda.

The provisions of the Capital Markets Law, Turkish Commercial Code, and other relevant legislation shall apply to the invitation to the General Assembly.

Provisions of capital markets regulations regarding the prohibition of the share transfer for dematerialized shares are reserved.

A chairman to preside over the meeting with at least 1 (member) vote collector, and a secretary for recording the minute, shall be appointed among the shareholders or third persons. The General Assembly meetings are presided by a shareholder or non-shareholder to be elected by the General Assembly. Should the chairman of the board of directors claim, he/she shall preside over the meeting; should the deputy chairman claim, if and when the chairman does not, the deputy chairman shall preside over the meeting.

Executive members, if any, at least one member of the Board of Directors and the independent auditor must be present at the General Assembly meeting. The meeting quorum for ordinary and extraordinary general assembly meetings is achieved with the presence or representation in due form of sixty-six percent (66%) of the shares of the capital of the company with prejudice to matters requiring a higher quorum, as per the Turkish Commercial Code or capital markets regulations. This quorum principle is also applicable to all postponed meetings of the General Assembly.

The decisions are taken with sixty-six percent (%66) affirmative votes of the shares of the company's total capital which are enabled to vote at the General Assembly, except for the matters requiring a higher quorum, as per the Turkish Commercial Code or capital markets regulations.

13.2 The General Assembly convenes at the company's registered office, or at a convenient venue where the company's headquarters is located, or at a convenient venue within the provincial borders of Istanbul, Ankara, or Izmir.

13.3. Those who are entitled to participate in meetings of the General Assembly may also participate in these meetings electronically pursuant to Article 1527 of the Turkish Commercial Code. In accordance with provisions of the Regulations on Electronic General Assembly Meetings in Joint-Stock Companies, the company may either establish an electronic general assembly meeting system enabling right holders to participate and vote in general assembly meetings electronically, or purchase services from outside service providers engaged in this business. In all General Assembly meetings, pursuant to this provision of the Articles of Association, the right holders and their representatives are enabled to use their rights arising out of the said Regulations through the system established as above.

13.4. Terms of reference of the General Assembly are determined in accordance with Internal Directive of General Assembly which is approved by the assembly.

ATTENDANCE OF MINISTRY REPRESENTATIVE IN GENERAL ASSEMBLY MEETINGS

ARTICLE 14

The presence of a representative from the Ministry of Customs and Trade at General Assembly meetings is subject to Article 407 of the Turkish Commercial Code and other applicable regulations and administrative policies.

DETERMINATION AND DISTRIBUTION OF PROFIT AND DONATIONS

ARTICLE 17

17.1. The company shall follow the provisions of the Turkish Commercial Code and the Capital Markets Regulations related to profit distribution and capital reserves.

Net profit for the reporting period is equal to revenues determined at the end of the reporting period, minus all amounts required to be paid or set aside by the company, such as general expenses or various depreciation items, as well as taxes to be paid by the company as a legal entity, and is distributed as shown below and in the following order, after deduction of the losses, of previous years if any,:

General Legal Reserve Fund:

a) Five percent (5%) of the remaining balance is set aside to general legal reserve which is extracted in accordance with provisions of Article 519 of the Turkish Commercial Code, fund up to twenty percent (20%) of the issued capital:

First Dividend:
b) Out of the remaining balance, over the amount to be calculated by addition of the amount of donations and grants which are made during the year if any, a first dividend is allocated in line with the Profit Distribution Policy approved by the General Assembly and following the provisions of relevant regulations.

c) Further to the aforementioned deductions, the General Assembly is entitled to decide on distributing the dividend to the members of the Board of Directors, officers, employees, workers, or foundations established for various purposes and similar persons or institutions.

Second Dividend:
d) As for the portion of net profit of the period remaining after deduction of amounts mentioned in sub-paragraphs (a), (b) and (c) hereinabove, the General Assembly is authorized to set such portion fully or partially aside as an optional reserve fund pursuant to Article 521 of the Turkish Commercial Code.

General Legal Reserve Fund:
e) One-tenth of the amount remaining after deduction of five percent (5%) profit share from the portion decided to be allocated and distributed to shareholders and other persons eligible for profit shares is added to the general legal reserve fund pursuant to the second paragraph of Article 519 of the Turkish Commercial Code.

AMENDMENT TO THE ARTICLES OF ASSOCIATION

Unless and until the reserve funds required to be set aside as per law are fully reserved, and profit shares allocated for shareholders in this Articles of Association are fully distributed in cash and/or in the form of shares, no decision can be made to set aside other reserve funds, carry forward profits to the next year, or distribute the dividend to the members of the board, officers, employees, workers, or foundations established for various purposes and similar persons or institutions.

Profit shares are distributed equally to all shares existing as of the date of distribution, regardless of the dates of issue and acquisition of the same.

Method and timing of the profit distribution shall be decided by the General Assembly upon a proposal by the Board of Directors.

A profit distribution decision taken by the General Assembly in line with the provisions of this Articles of Association cannot be withdrawn.

17.2. Dividend Advances: The General Assembly may decide on distribution of cash advances to be limited to the relevant year. In that case, it is mandatory for the General Assembly to authorize the Board of Directors to distribute dividend advances limited to the relevant year. The capital markets regulations, communiqués of the Capital Markets Board, and the provisions of the Turkish Commercial Code shall apply to the distribution of dividend advance.

17.3. The Donations: The company can make donations without hindering its purpose and subject of activity, as regards to the provisions of the Capital Markets Board and without violation of the transfer pricing regulations of the Capital Markets Law. The General Assembly shall determine the upper limit for donations and grants, which cannot be exceeded. Donations shall be added to the distributable profit base.

BALANCE SHEETS, PROFIT AND LOSS ACCOUNTS, REPORT OF THE BOARD OF DIRECTORS AND REPORT OF THE AUDITOR

ARTICLE 19

By the end of each reporting period, the report of the Board of Directors, the auditor's report, the balance sheet and the profit-loss statement indicating the financial status of the company shall be prepared and submitted to the Ministry of Customs and Trade within one month following the General Assembly meeting.

One each copy of the report of the Board of Directors, the auditor's report, and the yearly balance sheet, together with the minutes of the General Assembly and the list of the names and shares of the shareholders who have participate to the General Assembly, shall be submitted to the representative of the Ministry of Customs and Trade which is present in the meeting or sent to the Ministry of Customs and Trade within one month after the last meeting date of the General Assembly.

The report of the Board of Directors, the auditor's report, the balance sheet, and the profit-loss statement shall be made available for review at the company's registered office and branch offices within the required time periods as per the Turkish Commercial Code and capital markets regulations.

The financial statements and reports issued in line with the requirements of the Capital Markets Board and the independent audit report, if the company is subject to independent audit, shall be submitted to the Capital Markets Board and publicly disclosed with regards to the principles and procedures specified by the Capital Markets Board.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

ARTICLE 20

The validity and implementation of the amendments in this Articles of Association with a General Assembly decision is subject to the prior consents of the Capital Markets Board and the Ministry of Customs and Trade. The amendments are valid upon ratification and registration to the Trade Registry Office in due form.

RISK MANAGEMENT

LOGO Yazılım is aware that it carries debt management, technological change, competition, collection and foreign exchange risks and has formed the control mechanisms required for minimizing the effects of these risks.

LOGO Yazılım is aware that it carries debt management, technological change, competition, collection and foreign exchange risks and has formed the control mechanisms required for minimizing the effects of these risks.

CAPITAL RISK

While sustaining its operations, the Company utilizes the debt and equity balance efficiently and manages its capital by analyzing the due dates of its receivables and its financial and commercial liabilities.

Risks associated with the cost of capital together with each capital class are assessed by the top management and those subject to a board resolution are submitted to the Board of Directors. Based on the assessment of the top management and Board of Directors, the company aims to keep its capital structure balanced by taking new loans or paying off existing debts as well as by dividend payments or issuing new shares.

DEBT, COLLECTION AND FOREIGN EXCHANGE RISKS

Foreign currency assets of the company exceed its liabilities in foreign currency, and the company is not exposed to a significant level of foreign exchange risk. The management and responsibilities of the sales and marketing department are separated against the risk of receivables not being collected.

MARKET RISK

Holding financial instruments, the company carries the risk of non-performance by the other party. Market risks encountered on company level are measured based on a sensitivity analysis. There were no changes compared to the previous year in respect of the market risk the company was exposed to in the current year or the method it uses for handling the risks or the method it uses for measuring these risks.

CREDIT RISK MANAGEMENT

Holding financial assets carries the risk of nonperformance by the other party. The company management meets these risks by limiting the average risk for each party (excluding related parties) in every agreement and taking guarantees as required. The credit risk is assessed according to company policies and is shown on the balance sheet net of allocated provisions for bad debt.

LIQUIDITY RISK MANAGEMENT

LOGO tries to manage the liquidity risk by sustaining sufficient funds and indebtedness reserve by matching the due dates of its financial assets and liabilities and by regularly monitoring the cash flow. Management monitors the liquidity reserve movements of the company according to the estimated cash flow and holds enough cash and loan commitments to meet the short-term cash outflow. In this context, the company keeps a credit limit in the amount of TL 100 million approved by banks which it may use as required.

INTEREST RATE RISK

The company utilizes its interest yielding assets in short term investment instruments in line with the principle of managing by natural measures formed by matching the due dates of its assets and liabilities sensitive to the interest rates.

DEFAULT AND FRAUD RISK

The organizational structure and operational area of the field does not carry any default and fraud risk for the operations of the company employees.

TECHNOLOGICAL RISK

Protection measures are taken comprising high security standards against any attacks directed at websites.

OTHER RISKS

All fixed assets and liquid assets of the company are insured against any material damage. The liquid assets of the company are inspected with monthly physical inventories and a financial controller audits bank reconciliations. Apart from this, in order to prevent fraud in sales prices and profits, Financial Affairs and the relevant department managers perform reporting, audit and control with the help of “j-guar” Enterprise Resource Management program of the company.

CORPORATE GOVERNANCE RATING

As a result of the revision completed on December 13, 2013 by Saha Corporate Governance and Credit Rating Inc. Corporate Governance rating of the Company was announced as 8.91 on a scale of 10.

Compliance to the corporate governance principles is disclosed to the public through a Compliance Disclosure on Corporate Governance Principles. As a result of the revision completed on December 13, 2013 by Saha Corporate Governance and Credit Rating Inc., Corporate Governance rating of the Company was specified as 8.91 on a scale of 10.

The complete Corporate Governance Rating Report issued by Saha Rating is available on the Company website www.logo.com.tr

Apart from the following matters specified in the rating report, LOGO carries out its operations in line with the Corporate Governance Principles:

- The practice of cumulative voting is not contained in the Articles of Association
- Privilege for nominating candidates for Board of Directors are specified as the primary areas, which require improvement.

Main improvements that affected the revision are:

- The Articles of Association was amended to allow the attendance of the stakeholders and media without right to speak to the General Assembly meetings. .
- Remuneration policy for the Board Members and Senior Management was published on the company website.
- The company has established mechanisms to allow stakeholders to report issues which are considered to be contrary to the regulations of the company or ethically improper to the Corporate Governance Committee and the Audit Committee.
- The Articles of Association was amended to require a board resolution with the affirmative votes of the majority of the independent members as defined in the Principles of Corporate Governance for material transactions, related party transactions and transactions in relation to issuance of guarantees, pledges, and encumbrances on behalf of the third persons.

The sub-section ratings are confirmed as follows:

SUBSECTIONS	WEIGHT	RATING
Shareholders	25%	88.01
Public Disclosure and Transparency	25%	86.45
Stakeholders	15%	90.56
Board of Directors	35%	91.22
TOTAL	**100%**	**89.12**

STATEMENT OF RESPONSIBILITY

RESPONSIBILITY STATEMENT ISSUED IN ACCORDANCE WITH COMMUNIQUE II-14.1. ON FINANCIAL REPORTING PRINCIPLES IN CAPITAL MARKETS ISSUED BY CAPITAL MARKETS BOARD

DATE OF THE RESOLUTION TAKEN BY THE BOARD OF DIRECTORS IN RESPECT OF ACCEPTANCE OF THE FINANCIAL STATEMENTS: 14.02.2014
RESOLUTION NUMBER: 2

We hereby submit for your information that together with the footnotes, the Consolidated Financial Statement, Comprehensive Income Statement, Cash Flow Statement and Statement of Changes in Shareholder's Equity ("Financial Statements") for the period January 1st 2013 - December 31st 2013 issued by our company in accordance with "Communiqué II-14.1. on Financial Reporting Principles in Capital Markets" ("Communiqué") issued by Capital Markets Board (CMB) and audited by Independent Audit Company Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst & Young Global Limited) complying with Turkish Accounting Standards/Turkish Financial Reporting Standards (TAS/TFRS) and the formats specified by CMB have been reviewed by Us,

Insofar as the information we have within our duty and responsibility area in our company, they do not contain any misleading disclosure or as of the date of disclosure they do not contain any deficiencies that may be regarded as misleading,

Insofar as the information we have within our duty and responsibility area in our company, the Financial Statements issued in accordance with the Communiqué, together with those within the scope of consolidation, do reflect honestly the facts in respect of assets, liabilities, financial situation and profit or loss of the enterprise, and we hereby declare that we are responsible for the disclosure.

Kind regards,

Belkıs ALPERGUN
Chairperson of Audit Committee

Y. Önder EREN
Member of Audit Committee

M. Buğra KOYUNCU
Chairman of the Executive Committee

Gülnur ANLAŞ
Vice Chairperson of the Executive Committee and CFO

CORPORATE GOVERNANCE COMPLIANCE REPORT

LOGO Yazılım ("The Company") complies with the compulsory provisions of Specification and Application of Corporate Governance Principles ("Corporate Governance Communiqué") of the Capital Markets Board ("CMB") and puts forth effort to comply with the discretionary provisions to a large extent in the reporting period.

The Company compliance to the corporate governance principles is disclosed to the public with the Compliance to Corporate Governance Principles Compliance Disclosure.

The Company was included in Istanbul Stock Exchange Corporate Governance Index on 23 December 2009. The Company received its first rating in 2009, which was upgraded in the following years by SAHA Corporate Governance and Credit Rating Services Inc.. As a result of the revision completed on December 13, 2013, Corporate Governance rating of the Company was specified as 8.91 on a scale of 10.

SECTION II – SHAREHOLDERS

2.1. Investor Relations

Investor relations activities of the Company are conducted by the Investor Relations Unit under the Financial and Legal Affairs Department.

Investor Relations contact information is listed below:

Gülnur ANLAŞ
Chief Financial Officer
Tel: +90 262 679 82 00
Fax: +90 262 679 82 92

The scores received by LOGO under four main sections in the scope of the rating are as follows:

MAIN SECTIONS	WEIGHT	NOT
Shareholders	25%	88.01
Public Disclosure/ Transparency	25%	86.45
Stakeholders	15%	90.56
Board of Directors	35%	91.22
TOTAL		**89.12**

H. Meliha BEKTAŞ
Accounting Manager
Tel: +90 262 679 82 20
Fax: +90 262 679 82 92

Doğan KARACA
Accounting Specialist
Tel: +90 262 679 82 23
Fax: +90 262 679 82 92
E-mail: yatirimci@logo.com.tr

Doğan Karaca holds Capital Markets Board Advanced Level License.

- The main responsibilities of the Investor Relations Unit include: Keeping all shareholder correspandence along with other records in a reliable, secure and up-to-date form.
- Responding to written information requests by the shareholders
- Organizing the general assembly meeting in line with the current regulations, the Articles of Association, and other company policies.
- Handling and monitoring all aspects of public disclosure, including the regulation and the company's disclosure policy.

Main activities carried out by the Investor Relations Unit within the reporting period are as follows:

- 27 requests for information were received from our shareholders on the phone within the reporting period. All questions received from investors were replied in accordance with regulations and the Disclosure Policy of the Company, and all information requests, excluding confidential matters or trade secrets were responded in line with the principle of equal treatment.
- General shareholders' meeting was held in accordance with the regulations, Articles of Association and internal regulations.
- An Information Document was prepared for shareholders before the General shareholders' meeting.
- Records of the voting results were kept. No shareholder has requested these records.
- Public disclosure requirements were fulfilled in accordance with the regulations and the required disclosures were announced on the Public Disclosure Platform completely, directly, clearly, sufficiently and free from deceptive expressions.
- In 2013, the Company met both shareholders and potential investors locally and internationally in numerous meetings and conferences.

2.2. Exercise of the Right to Receive Information by the Shareholders

In accordance with the relevant regulation and Disclosure Policy of the Company, all investors must be equally informed. Investors are not informed on any issue which is not previously disclosed to the public. Information and announcements that might affect the exercise of shareholders' rights are posted on the company website both in Turkish and English.

Information requests received from the shareholders in the reporting period are responded 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).

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.

2.3. General Assembly Meetings

The invitation for the General Assembly held on July 15th, 2013 at Gebze Organize Sanayi Bölgesi, Şahabettin Bilgisu Caddesi No: 609 Gebze/Kocaeli, where the headquarters of the company is located. The announcement together with the agenda was made three weeks prior to the meeting on the Turkish Trade Registry Gazette dated June 25th 2013 and numbered 8349, on the Public Disclosure Platform and the company's official website in line with the regulations and the Articles of Association of the company.

In the General Assembly out of the 2,500,000,000 shares corresponding to TL 25,000,000 capital of the company in total, all the 3,300,000 shares constituting the Class A preferred shares corresponding to TL 33,000 capital were present by proxy; 1,703,424,299.3 Class B shares corresponding to TL 17,034,242.993 capital were present by proxy and 38,944,611.6 Class B shares corresponding to TL 389,446.116 capital were present in person. As a result, 1,742,368,910.9 shares corresponding to a total of TL 17,423,689.109 capital was represented with a meeting quorum of 69.69%, satisfying the Article on decision quorum set forth in the Articles of Association.

No proposals were made by the investors in respect of the agenda.

Investors exercised their rights to ask questions in the General Assembly and all questions were answered.

In order to facilitate attendance to the General Assembly, the venue and time of the meeting was published on the Public Disclosure Platform and the website of the company.

The meeting quorum of the Board of Directors (including postponed meetings) is established upon attendance by at least 5 (five) members. The quorum for board resolutions (including postponed meetings), is affirmative votes of at least 4 (four) members, without prejudice to the conditions subject to the affirmative votes of independent members as per the Capital Markets Legislation and Corporate Governance Principles and insofar as these rules are not violated. There were no transactions referred to the General Assembly due to negative votes of board members.

No stakeholders or media representatives attended the meeting. The representative of the Corporate Governance Rating Company attended the meeting as guest.

A General Assembly Memorandum comprising explanatory information on the agenda items was issued and published on the website of the company before the meeting. Additionally, the annual report for the reporting period, financial statements, dividend distribution proposal and Articles of Association were made available for review in the headquarters of the company.

In the General Assembly under a separate agenda item in respect of the investors, donations and aids, it was disclosed that donations within the reporting period totaled TL 130,456 and a substantial portion of these donations were made as product donations in order to allow our products be actively used in various foundations and establishments. The proposal for the limit of donations to be made within a year shall be TL 250,000 was approved.

Minutes of the General Assembly meetings are published under the heading "General Assembly Announcements" in the investors section on the company website and Central Registry Agency Disclosure Platform.

There were no situations, which might raise a conflict of interest between investors in the management, board members, executives with administrative responsibilities and their spouses or kin by blood or marriage up to the second degree and the partnership and subsidiaries thereof.

2.4. 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 chairperson, and the auditors shall be elected from among the candidates nominated by Class A shareholders.

CORPORATE GOVERNANCE COMPLIANCE REPORT

The share capital of the company does not involve any cross-shareholding.

Corporate Governance Principles enables provision of minority rights to shareholders with less than 1/20 share in capital in the articles of association; articles of association of our company does not include any article broadening the extent of minority rights compared to Law.

2.5. The Right to Dividends

There are no privileges in the Articles of Association in respect of participation in the profit of the company. Dividend distribution policy is reviewed by the Board of Directors every year and a policy balanced and consistent with the interests of investors and interests of the company is applied for profit distribution in line with Corporate Governance Principles. Dividend distribution is done within legal processes and dividend distribution policy was submitted for the information of investors in the Shareholder's Assembly dated July 15th 2013. It is disclosed to the public in the Annual Report and website of the company.

The dividend distribution policy is specified by the board of directors, while taking into consideration the general economic conditions, long term investment, financing and business plans and profitability, as at least 20 of the distributable net profit for the period calculated in accordance with the Turkish Commercial Code and CMB regulations and the Articles of Association of our company shall be distributed to the partners of the company as dividends; dividend distribution may be made in cash or as capital increase by bonus issue or partly in cash and partly as capital increase by bonus issue, if the amount of the calculable dividends is less than 5% of the capital, the amount in question may be left within the partnership without being distributed, and it is disclosed to the public in the Annual Report and website of the company.

In the board meeting dated June 24th 2013 it was resolved as follows:

According to the Audited Consolidated Financial Statements for the reporting period January 1st 2012 - December 31st 2012 issued in compliance with International Accounting Standards and International Financial Reporting Standards the presentation principles of which are set forth in accordance with the relevant resolutions of CMB; it was resolved that the net distributable profit for the period in the amount of TL 9,845,728 calculated by deducting the "tax expense" and "first contingency reserve" amounts and adding the "donation" amount shall not be distributed taking into consideration the investment plans of the company and shall be kept within the company by entering into the "Retained Earnings" account.

2.6. Transfer of Shares

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

SECTION III- PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. Company 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.

3.2. Annual Report

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

SECTION IV- STAKEHOLDERS

4.1. Disclosure to Stakeholders

The Company defines any persons, groups or establishments affecting or being affected by achievement of its objectives and sustainment of its operations and thus having legitimate interests on the operations of the Company as its stakeholders. The Company believes that the shareholder value can only be maximized by watching over the interests of all stakeholders and that the interests of the shareholders and stakeholders run parallel to each other. The company takes maximum care for the interests of stakeholders under this philosophy.

Stakeholders are invited to the meetings regarding any matters concerning them or are informed via communication methods as required. Meetings, Company website, e-mails, Public Disclosure Platform and E-Management is used as communication methods.

The Corporate Governance Committee and the Audit Committee are responsible for the assessment of the transactions that are considered to be against the regulation or ethically inappropriate by the stakeholders. The stakeholders can submit potential complaints to the Investor Relations Unit via e-mail and/or telephone.

4.2. 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. 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.

4.3. 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. Equal opportunity is one of the issues in which company management has a great sensivity. 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. Job descriptions, performance and reward criteria as part of human resources policy are announced to the employees.

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

4.4. 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.

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.

SECTION V – BOARD OF DIRECTORS

5.1. Board Structure and Composition

The works and management of the company is executed by the Board of Directors comprising six persons elected by the Shareholder's Assembly in accordance with the provisions of Turkish Commercial Code. One more than half the members of the Board of Directors are elected from among candidates nominated by Class A shareholders. Members of the Board of Directors may be elected for a term of at most three years. Members of the Board of Directors whose term is over may be reelected. If it considers necessary, the Shareholder's Assembly may dismiss or change the members of the Board of Directors. The number, qualifications, election, nomination method, working methods, duties of the independent members to serve in the Board of Directors and similar conditions are determined in accordance with Capital Markets Legislation and Corporate Governance Principles. Accordingly, Belkıs Alpergun and Y. Önder Eren were elected as independent members of the Board of Directors. The Chairman of the Board is elected from among members of the Board of Directors nominated by Class A shareholders.

The resumes of the members of the Board of Directors and Executive Committee are included in the "Corporate Review" section of the Annual Report.

If any member of the Board of Directors is declared bankrupt, faces restriction of capacity or lose the legal conditions required for membership or qualifications set forth in the Articles of Association, the membership of such members automatically comes to an end without any processes being required. If a membership

CORPORATE GOVERNANCE COMPLIANCE REPORT

becomes vacant in the Board of Directors for any reason, the Board of Directors temporarily elects a person meeting the legal conditions for Board of Directors membership and submits it for approval in the first Shareholder's Assembly. Members elected in such manner serve until the Shareholder's Assembly where they are submitted for approval and if approved, they complete the term of their predecessor.

If independent members of the Board of Directors lose their independence before their term is over or resign due to other reasons or come to a state where they may not be able to serve, in order that the minimum number of independent members may be provided, new independent members are elected for vacant memberships by the Board of Directors in accordance with Capital Markets Law and Capital Markets Board regulations.

In place of a vacant member of the Board of Directors nominated by the Class A shareholders, the candidate jointly nominated by all the members of the Board of Directors nominated by the Class A shareholders continuing to serve is appointed.

Duties of the Nomination Committee are executed under Corporate Governance Committee. Chairmanship of Corporate Governance Committee is executed by independent member of the Board of Directors Y. Önder Eren. Because of the contributions they have made to the company and because they have worked efficiently, the Board of Directors found it appropriate that the existing independent members shall be nominated in the Shareholder's Assembly dated July 15th 2013 and submitted for the approval of the Shareholder's Assembly.

No other candidates were nominated for Corporate Governance Committee other than these candidates.

Murat Erkurt and Orhan Ayanlar replaced Talat Müge Peri and Gülnur Anlaş, who resigned from the Board of Directors on June 21st 2013. Leyla Tekbulut replaced M. Buğra Koyuncu who resigned from the Board of Directors on June 18th 2013. New members of the board shall be submitted for approval in the first General Assembly in accordance with the Turkish Commercial Code Article 363.

Corporate Governance Committee met on October 3rd 2013 in order to assess the resignation of the independent member and the election of a new independent member. Upon resignation of Faik Burhanoğlu on June 21st 2013, due to the Articles of Association allowing for the works and management of the company be executed by a Board of Directors comprising 6 members and the number of independent members required by the Communiqué on Specification and Application of Corporate Governance Principles issued by Capital Markets Board was satisfied even after the resignation in question, it was resolved that a new appointment shall not be made and the Board of Directors shall continue to serve with six members.

There are no independent members who do not meet the independence criteria. The Board of Directors does not include any executive member.

Declerations of the independent board members are as follows:

BOARD MEMBERS	TITLE	EXECUTIVE/ NON- EXECUTIVE	TERM
M. Tuğrul TEKBULUT	Chairperson	Non-Executive	12.04.2012/At Present
Murat ERKUT	Vice-Chairperson	Non-Executive	21.06.2013/ At Present
S. Leyla TEKBULUT	Member	Non-Executive	21.06.2013/ At Present
Orhan AYANLAR	Member	Non-Executive	21.06.2013/ At Present
Belkıs ALPERGUN	Independent Member	Non-Executive	12.04.2012/ At Present
Y. Önder EREN	Independent Member	Non-Executive	12.04.2012/ At Present

DECLARATION OF INDEPENDENCE

Declaration of Independence

I hereby declare that in LOGO Yazılım Sanayi ve Ticaret A.Ş.

- I have not served as a member of the Board of Directors for a period of 7 years in total,
- A direct or indirect interest relationship has not been established within the last 2 years in respect of employment, capital or trade between the company (bank) or an affiliate or subsidiary of the company (bank) or any of the companies within the group and myself, my spouse or any kin by blood or marriage up to the third degree.
- I have not been elected to the Board of Directors as a representative of a certain share group,
- I do not work and within the last 2 years, I have not served as an executive in the companies performing the audits of or serving as a

consultant for the company (bank) or executing the whole or any part of the operations or organization of the company (bank).
- Within the last 2 years I have not been employed in the establishment performing the independent audits of the company (bank) and I have not taken part in the independent audit process,
- I do not work for any company providing substantial products or services for the company (bank) and I have not served as an executive for such companies within the last 2 years,
- My spouse or anybody among my kin by blood or marriage up to the third degree is not an executive or shareholder holding more than 5% of the capital or in any event controlling the management of the company or is not effective in any executive position or under the control of the company (bank),
- I do not receive any income from the company (bank) other than membership and attendance fee for the Board of Directors.
- If I am a shareholder in result of my Board of Directors duty, I hold shares less than 1% and these shares are not preferred shares,

And thus I shall execute my Board of Directors membership in the company (bank) as an independent member.

Belkıs ALPERGUN

DECLARATİON OF INDEPENDENCE

Declaration of Independence

I hereby declare that in LOGO Yazılım Sanayi ve Ticaret A.Ş.

- I have not served as a member of the Board of Directors for a period of 7 years in total,
- A direct or indirect interest relationship has not been established within the last 2 years in respect of employment, capital or trade between the company (bank) or an affiliate or subsidiary of the company (bank) or any of the companies within the group and myself, my spouse or any kin by blood or marriage up to the third degree.
- I have not been elected to the Board of Directors as a representative of a certain share group,
- I do not work and within the last 2 years, I have not served as an executive in the companies performing the audits of or serving as a consultant for the company (bank) or executing the whole or any part of the operations or organization of the company (bank).
- Within the last 2 years I have not been employed in the establishment performing the independent audits of the company (bank) and I have not taken part in the independent audit process,
- I do not work for any company providing substantial products or services for the company (bank) and I have not served as an executive for such companies within the last 2 years,
- My spouse or anybody among my kin by blood or marriage up to the third degree is not an executive or shareholder holding more than 5% of the capital or in any event controlling the management of the company or is not effective in any executive position or under the control of the company (bank),
- I do not receive any income from the company (bank) other than membership and attendance fee for the Board of Directors.
- If I am a shareholder in result of my Board of Directors duty, I hold shares less than 1% and these shares are not preferred shares,

And thus I shall execute my Board of Directors membership in the company (bank) as an independent member.

Y. Önder EREN

OTHER DUTIES OF BOARD MEMBERS

The board of directors is authorized to manage, represent, and bind the company, as well as make decisions on any matter except for the issues requiring a decision of the General Assembly according to the Turkish Commercial Code, Capital Markets Law, and Articles of Association.

There are no conflicts of interest arising from the other duties of Board Members within the group or outside the group.

5.2. Working Principles of the Board of Directors

The Board of Directors meets upon the invitation by the Chairman of the Board as required. During the absence of the Chairman of the Board, the invitation is to be made by the Vice Chairman of the Board. Any member of the Board of Directors may call the Board of Directors for a meeting with a written request made to the Chairman of the Board. The agenda for the board meetings is prepared by the board secretariat periodically or as required. Communication of the members of the Board of Directors in respect of the meetings is facilitated by the Financial and Legal Affairs Department and Senior Management Secretary. The time and agenda of the board meetings are notified 7 days in advance by certified mail, telex, fax or electronic mail. The Board of Directors meets and takes resolutions at the headquarters of the company. If deemed necessary the Chairman may invite members for a meeting in a place other than the headquarters of the company.

In accordance with the provisions of CMB Corporate Governance Principles Section IV Article 2.17.4, it is provided that the members shall attend the Board of Directors meetings in person. All meetings are held under the principle of full attendance. The meeting quorum for the Board of Directors (including postponed meetings) is established upon attendance by at least 5 (five) members. In 2013, the Board of Directors held 21 meetings.

CORPORATE GOVERNANCE COMPLIANCE REPORT

In order that a resolution may be taken in Board of Directors meetings (including postponed meetings, without prejudice to the conditions where positive votes of independent members of the Board of Directors shall be sought in accordance with Capital Markets Legislation and Corporate Governance Principles and insofar as these rules are not violated, affirmative votes of at least 4 (four) members of the Board of Directors are required.

5.3. Number, Structure and Independence of the Committees established under the Board

Terms of Reference of the committees formed within the Board of Directors were prepared and regulations for compliance by the relevant units were provided. In 2013, 3 Corporate Governance Committee meetings and 4 Audit Committee meetings were held. In Audit Committee meetings opinions were provided for the Board of Directors in respect of selection of the independent audit company, audit of the financial statements and financial situation of the company, while in Corporate Governance Committee meetings amendments to the Articles of Association, compliance with Corporate Governance Principles and investor relations topics were assessed, and Risk Committee shared their opinions in the Board of Directors meetings.

Audit Committee assessed that Corporate Governance Committee and Committee of Early Detection of Risk made serious contributions to the company in providing Corporate Governance practices of the company be developed within the scope of the terms of reference and the financial statements be issued honestly, transparently and compliant with the legislation. Nomination Committee and Remuneration Committee were not formed, and it was stipulated that Corporate Governance Committee shall perform the duties of these committees as well.

Committee members are elected from among non-executive members and independent members of the board. Independent members serve as chairpersons of the committees. Because there are two independent members in the Board of Directors, the same independent member has to serve in more than one committee. The procedures to be followed by the committees were specified in line with the terms of reference disclosed on the website of the company and Public Disclosure Platform. The Chairman and member of the Audit Committee was appointed from among independent members while the chairmen of the other committees were elected from among independent members and members thereof were elected from among nonexecutive members of the Board of Directors. Qualifications of these persons are included in the Members of the Board of Directors sections of the Annual Report and website.

TERMS OF REFERENCE OF THE COMMITTEES

Audit Committee

Belkıs ALPERGUN Chairperson
Y. Önder EREN Member

AUDIT COMMITTEE TERMS OF REFERENCE

The Audit Committee was established with a Board of Directors resolution in accordance with the Capital Market Board's Communiqué Series X, No. 19, Article 3 in order to assist the Board of Directors in fulfilling its financial and operational duties. The Audit Committee shall supervise the execution and monitor the efficiency of the accounting system of the company, the disclosure of financial information to the public, and the internal control system.

SCOPE

The Audit Committee shall
a) take all necessary measures to ensure that financial statements are accurate, transparent, and prepared in accordance with international accounting standards. The Committee shall also declare its opinion to the Board of Directors in a documented manner upon receiving the opinion of the external audit firm;

b) review the independence and proficiency of the independent audit firm and its staff on behalf of the Board of Directors;

c) monitor the accounting system of the Company, the public disclosure of financial statements, and the efficient functioning of the external audit and internal control systems;

d) oversee the appointment of the audit firm, preparation of audit agreements, and initiation of the audit process and all activities related to the external audit process;

e) evaluate and resolve any complaint from within or outside the Company regarding accounting practices, the internal control system, and external auditing; and

f) review measures taken for adaptation to the legal and internal policies of the Company.

The Committee shall advise the Board of Directors within its scope of responsibilities. Final decisions ultimately rest with the Board.

STRUCTURE OF AUDIT COMMITTEE

The Audit Committee shall consist of at least two Board members.

If the Committee comprises two members, then both of them should be selected from among the non-executive Board members. If the Committee comprises more than two members, then the majority of them should be selected from among the non-executive Board members.

The chairperson of the Committee shall be appointed from among the independent Board members.

The Committee members shall be determined each year at the first Board meeting following the Ordinary General Assembly meeting.

COMMITTEE MEETINGS AND REPORTING

The Audit Committee shall convene at least four times per year and submit the minutes to the Board of Directors.

The Audit Committee shall produce minutes of its proceedings, which are to be signed by Committee members and archived properly.

The Committee shall inform the Board about matters within its scope of responsibility.

RESPONSIBILITIES

a) Financial Statements and Public Disclosure

- The Audit Committee shall monitor whether financial statements and their explanatory notes are prepared in accordance with the applicable accounting standards upon receiving the opinion of the external audit firm and relevant managers in charge.
- The Committee shall review the annual report disclosed to the public and oversee the accuracy and consistency of the information included in the report.
- The Audit Committee shall review the changes in accounting policies, internal control system and regulations that would materially impact the financial statements of the Company and report the same to the Board of Directors.
- The Audit Committee shall review any legal matters that could have a significant impact on the Company's financial statements.

b) External Audit Firm

- The Audit Committee is responsible for the evaluation of the external audit firm to be selected and for monitoring their activities after selection and signing of the agreement.
- Appointment or change of the external audit firm, initiation of the audit process, and review and evaluation of the audit firm's activities shall be conducted under the auspices of the Audit Committee.
- The Audit Committee shall inform the Board of Directors about matters that hinder the efficiency of the audit process in terms of scope and process, as recommended by the external auditor.
- The Audit Committee shall assess the external auditor's independence.
- The Audit Committee shall ensure that it receives information regarding material issues identified by the external auditor and their recommendations for overcoming those issues, and shall discuss them in a timely manner.
- The Audit Committee shall review and approve all fees and compensation relating to the external auditor.

C) Compliance With Legal Requirements

- The Committee shall ensure the activities of the Company are conducted in accordance with legal requirements and internal regulations and identify procedures to follow in case of non-compliance.
- The Audit Committee shall ensure the confidential evaluation of complaints received regarding accounting, the internal control system, and external auditing.

Corporate Governance Committee

Y. Önder EREN Chairperson
M.Tuğrul TEKBULUT Member
Murat ERKUT Member
Orhan AYANLAR Member

CORPORATE GOVERNANCE COMMITTEE TERMS OF REFERENCE

PURPOSE

The Corporate Governance Committee was established in order to monitor whether corporate governance principles are fully followed by the company, determine the reasons for and any conflict of interests arising from lack of compliance, offer remedial advice to the Board of Directors, and supervise the Investor Relations Unit. The Committee also carries out the duties of the Nomination and Remuneration Committees as outlined in the Principles of Corporate Governance, including identification and evaluation of candidates for Board positions and training of the members of the Board (nomination related responsibilities) and determination of compensation criteria for Board members and senior managers (remuneration-related responsibilities)

SCOPE

The Committee shall arrange for periodic reviews of its terms of reference and, if necessary, recommend any changes to the Board of Directors, with which the final decision on approval ultimately rests.

The Corporate Governance Committee's responsibilities include

a) improving corporate governance standards and facilitating internalization and implementation of the Principles of Corporate Governance within the Company;

b) conducting an annual performance assessment of the Board of Directors and presenting the report for the Board's approval;

c) supervising the Investor Relations Unit;

d) making recommendations on the functioning and effectiveness of the Board of Directors and its committees; and

e) carrying out the duties of the Nomination and Remuneration Committees as outlined in the Principles of Corporate Governance.

CORPORATE GOVERNANCE COMPLIANCE REPORT

Nomination-related responsibilities include
a) establishing a transparent system to identify, evaluate and train appropriate candidates for the Board of Directors and developing related policies and strategies;

b) arranging for periodic reviews of the structure and efficiency of the Board of Directors and recommending changes; and

c) establishing and reviewing approaches and practices for performance evaluation and career planning of Board members and senior managers.

Remuneration-related responsibilities include
a) advising the Board on the framework for remuneration of Board members and senior managers in line with the long-term objectives of the Company;

b) determining compensation criteria for Board members and senior managers according to Company and individual performance (Stock options and payment schedule based on company's performance are not used in remuneration of independent board members.); and

c) advising the Board on the compensation packages of Board members and senior managers based on their achievements.

STRUCTURE OF THE COMMITTEE
a) The Committee shall be established as per the Articles of Association of the Company. The Committee shall consist of at least two members.

b) The chairperson of the Committee shall be appointed from among the independent Board members.

c) If the Committee comprises two members, then both of them should be selected from among the non-executive Board members; if it comprises more than two members, then the majority should be selected from among the non-executive Board members. The CEO, general manager, and the CFO cannot be members of the Committee.

d) The Committee may seek professional opinions of specialist advisors if necessary.

e) The Committee members shall be determined each year at the first Board meeting following the Ordinary General Assembly meeting.

f) The Committee shall convene with the presence of a majority of its members and make decisions by majority votes.

g) The secretary of the Board shall also be the secretary of the Corporate Governance Committee.

COMMITTEE MEETINGS
a) The Corporate Governance Committee shall convene at least four times per year. At least two of these meetings (at least once every six months) must cover nomination- and remuneration-related matters, which shall be reported to the Board of Directors.

b) The secretary shall take minutes and file the proceedings and resolutions of Committee meetings.

REPORTING RESPONSIBILITIES
a) The Committee shall inform the Board of Directors about the issues within its scope of responsibility.

b) The resolutions of the committee shall be kept in the minute book.

c) The Committee may submit its resolutions to the Board of Directors if it deems it necessary.

d) The secretary shall take minutes and file the proceedings of the meetings once they are circulated to Committee members.

RISK COMMITTEE
Belkıs ALPERGUN Chairperson
S. Leyla TEKBULUT Member

RISK COMMITTEE TERMS OF REFERENCE

PURPOSE
The Risk Committee shall identify the risks that might endanger the existence, development, and continuity of the Company, implement required measures and conduct risk management–related studies, and review the risk management systems at least once a year.

SCOPE

The Risk Committee shall;
a) create effective internal control systems to determine the possibility and extent of the significant risks that would affect the Company in achieving its strategic objectives;

b) carry out duties needed to integrate risk management and internal control systems into the corporate structure of the Company;

c) carry out duties needed to measure and report risk factors through risk management and internal control system, and use the same in the decision-making process; and

d) arrange for periodic reviews of its terms of reference and, if necessary, recommend any changes to the Board of Directors, with which the final decision on approval ultimately rests.

COMPOSITION AND STRUCTURE

a) The Committee shall be established in line with the Articles of Association of the Company.

b) The Committee shall consist of at least two members. Its chairperson shall be selected from among the independent Board members. The CEO or the general manager cannot hold a position on the Committee.

c) The Committee members shall be determined each year at the first Board meeting following the Ordinary General Assembly meeting.

d) The Committee shall convene with a majority of its members and make decisions by majority votes.

e) The secretary of the Board of Directors shall also be the secretary of the Risk Committee.

COMMITTEE MEETINGS & REPORTING

a) The Committee shall convene at least four times per year and submit the minutes to the Board of Directors.

b) The Committee shall inform the Board about matters within its scope of responsibility.

c) The secretary shall take minutes and file the proceedings and resolutions of all Committee meetings.

5.4. Risk Management and Internal Control Mechanism

The purpose of risk management and internal control mechanism is to identify all existing and potential risks for the Company, development of practices for minimization of the identified risks and monitoring of such practices.

The internal control mechanism was constituted by the Company and effectiveness of risk management and internal control mechanism was followed under supervision of Committee of Early Detection of Risks in 2013. Risk management and internal control mechanism. Risk management and internal control mechanism were effectively operated by the Company to identify all existing and potential risks and to control of them. The risks were discussed under two main headings as operational risks and financial risks, faced by the Company.

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

5.5. Strategic Objectives of the Company

The board is managing and representing the company with its strategic resolutions by taking into consideration primarily the long term interests of the company, with a cautious risk management. The board aims to balance the risk, growth and return at the optimum level, while achieving the specified and publicly disclosed operational and financial performance targets. The strategic targets of the company are prepared and set in line with the suggestions of the top management and guidance of the board of directors and are attributed to the budget targets after being put in numbers. The board of directors holds strategic reviews and sets strategic target periodically, together with the executive committee member responsible for the financial and legal Affairs.

5.6. Financial Rights

Any rights, benefits and remuneration provided for Board Members and senior executives as well as the criteria used for specifying the same and the Remuneration Policy comprising the remuneration principles are announced on the Company website. As part of Capital Market Board Regulations, Remuneration Policy including the Board Members and Senior Executives was declared to the shareholders in the General Assembly meeting of July 15, 2013. Remuneration is provided for only members with independent member status in Board of Directors and a remuneration of monthly net TL 2,500 for Board of Directors membership is paid only for Independent Board Members of the Company and no remuneration is provided to other members. The Company did not grant any warranties or loans or provide loan facilities to any Board Members or managers.

ADDITIONAL INFORMATION ON THE BUSINESS

The Ministry of Custom and Trade has published the guidelines for the minimum content of the annual report to be published by listed companies. The issues should be contained within this scope of the regulation are as follows:

Treasury shares owned by the Company
As of 31 December 2013 Company holds Treasury shares detailed in its financial statements.

Private and public inspections conducted within the reporting period
The Company was not subject to any private or public inspections in 2013.

Administrative or law enforcement imposed on the Company or members of the management body due to practices contrary to provisions of the legislation
There was no administrative or law enforcement imposed on the company or members of the management organ due to practices contrary to provisions of the legislation within the accounting period.

Whether the targets specified in the past periods were achieved or not, the resolutions of the Shareholders' Assembly were accomplished or not, and if the resolutions were not accomplished; the reasons
The Company achieved the specified targets in 2013.

If the company is part of a corporate group; legal transactions performed with the parent company, a subsidiary of the parent company, on behalf of the parent company or a subsidiary of the parent company with the instruction of the parent company and any other measures taken or avoided taking on behalf of the parent company or a subsidiary of the parent company
The details of the relevant legal transactions are specified in the Annual Dependency Report to be submitted to Shareholders' Assembly.

There were no such measures taken or avoided taking within 2013

If the company is part of a corporate group; according to the terms and conditions known to them at the time a legal transaction mentioned in clause was performed or a measure was taken or avoided taking, whether in every legal transaction an appropriate substituted performance was provided or not and whether the measure taken or avoided taking caused any damage to the company or not; if the company experienced any damage whether this was compensated or not
According to the terms and conditions known by Board of Directors at the time of the legal transaction, on every legal transaction the Company provided an appropriate substituted performance.

There were no measures taken or avoided taking in a manner causing any damage to the Company.

Information on legal actions against the Company and their potential impact
No legal action had been taken against the Company in 2013, which has the potential to affect the Company's financial status and operations.

Achievement to the Company objectives set in the previous periods and compliance to the general assembly resolutions
In 2013, the Company achieved its objectives to a large extent and complied with the general assembly resolutions.

DIVIDEND DISTRIBUTION POLICY

There are no privileges in the Articles of Association of our company in respect of participation in the profit of the company. Dividend distribution policy is reviewed by the Board of Directors every year. A policy balanced and consistent between the interests of investors and interests of the company is applied for dividend distribution in line with Corporate Governance Principles. The Dividend distribution policy is specified by the Board of Directors of our company, while taking into consideration the general economic conditions, long term investment, financing and business plans and profitability, as at least 20% of the distributable net profit for the period calculated in accordance with Turkish Commercial Code and CMB regulations and the Articles of Association of our company shall be distributed to the partners of the company as dividends; dividend distribution may be made in cash or as capital increase by bonus issue or partly in cash and partly as capital increase by bonus issue, if the amount of the calculable dividends is less than 5% of the capital, the amount in question may be left within the partnership without being distributed.

FINANCIAL OVERVIEW

We continue to create value for our stakeholders while maintaining our consistent growth through new products, projects and business model.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
BETWEEN 1 JANUARY – 31 DECEMBER 2013
TOGETHER WITH INDEPENDENT

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Independent auditors' report

To the Board of Directors of Logo Yazılım Sanayi ve Ticaret A.Ş.;

Introduction

We have audited the accompanying consolidated statement of financial position of Logo Yazılım Sanayi ve Ticaret A.Ş. ("the Company") and its subsidiaries (hereinafter referred to as "the Group") as at 31 December 2013 and the related consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the financial statements

The Group's management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with the Turkish Accounting Standards ("TAS") published by the Public Oversight Accounting and Auditing Standards Authority ("POA") and for such internal controls as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to error or fraud.

Independent auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

Our independent audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the consolidated financial statements. The independent audit procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to error and/or fraud. In making those risk assessment; the Group's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design independent audit procedures that are appropriate for the circumstances in order to identify the relation between the consolidated financial statements prepared by the Group and its internal control system. Our independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Group's management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained during our independent audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of Logo Yazılım Sanayi ve Ticaret A.Ş. and its subsidiaries as at 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with the TAS (Note 2).

Reports on independent auditor responsibilities arising from other regulatory requirements

In accordance with Article 402 of the Turkish Commercial Code no. 6102, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit, additionally, no significant matter has come to our attention that causes us to believe that the Group's bookkeeping activities for the period 1 January – 31 December 2013 are not in compliance with the code and provisions of the Group's articles of association in relation to financial reporting.

Pursuant to Article 378 of Turkish Commercial Code, Board of Directors of publicly listed companies are required to form an expert committee, and to run and to develop the necessary system for the purposes of: early identification of causes that jeopardize the existence, development and continuity of the company; applying the necessary measures and remedies in this regard; and, managing the related risks. According to subparagraph 4, Article 398 of the code, the auditor is required to prepare a separate report explaining whether the Board of Directors has established the system and authorized committee stipulated under Article 378 to identify risks that threaten or may threaten the company and to provide risk management, and, if such a system exists, the report, the principles of which shall be announced by the POA, shall describe the structure of the system and the practices of the committee. This report shall be submitted to the Board of Directors along with the auditor's report. Our audit does not include evaluating the operational efficiency and adequacy of the operations carried out by the management of the Group in order to manage these risks. As of the date of our auditor's report, POA has not announced the principles of this report yet, accordingly, no separate report has been drawn up relating to it. On the other hand, the Group formed the mentioned committee on 3 October 2013 and it comprised of two members.

Other matter

The consolidated financial statements of the Company prepared in accordance with financial reporting standards issued by Capital Market Board as of December 31, 2012, were audited by another audit firm whose independent auditor's report thereon dated 4 April 2013 expressed an unqualified opinion.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Ferzan Ülgen, SMMM
Partner

14 February 2014
Istanbul

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2013
(AMOUNTS EXPRESSED IN TURKISH LIRA (“TL”), UNLESS OTHERWISE INDICATED)

	Notes	Current period (Audited) 31 December 2013	Prior period (Audited) 31 December 2012 (Restated)
Assets			
Current assets		73.533.502	31.069.738
Cash and cash equivalents	4	19.268.115	9.833.681
Financial assets	5	193.063	482.825
Trade receivables		52.831.826	20.384.945
- Due from related parties	25	30.130	59.699
- Other trade receivables	8	52.801.696	20.325.246
Other receivables	9	9.516	22.432
Inventories	10	421.521	145.152
Prepaid expenses	15	663.706	87.264
Other current assets	15	145.755	113.439
Non-current assets		51.208.773	31.836.297
Trade receivables		148.883	-
- Other trade receivables		148.883	-
Other receivables		5.724	2.000.000
- Due from related parties	25	-	2.000.000
- Other trade receivables		5.724	-
Financial assets	5	108.153	83.153
Property and equipment	11	13.629.536	13.540.217
Intangible assets		36.455.227	15.832.958
Goodwill	3	5.892.252	-
Other intangible assets	12	30.562.975	15.832.958
Prepaid expenses		34.133	-
Deferred income tax assets	23	827.117	376.731
Other non-current assets		-	3.238
Total assets		124.742.275	62.906.035

These consolidated financial statements have been approved by Board of Directors on 14 February 2014 and signed on its behalf by Buğra Koyuncu, Chief Executive Officer and Gülnur Anlaş, Chief Financial Officer.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2013
(AMOUNTS EXPRESSED IN TURKISH LIRA (“TL”), UNLESS OTHERWISE INDICATED)

	Notes	Current period (Audited) 31 December 2013	Prior period (Audited) 31 December 2012 (Restated)
Liabilities			
Current liabilities		39.164.073	13.971.344
Short-term bank borrowings	7	773.156	899.269
Short-term portion of long-term bank borrowings	7	890.714	877.092
Trade payables		10.488.466	2.392.475
- Due to related parties	25	7.276.883	135.045
- Other trade payables	8	3.211.583	2.257.430
Employee benefit obligations	15	1.996.665	1.509.292
Other payables	9	2.412.924	2.437.248
Provision for employee benefits		4.459.947	2.220.420
Deferred revenue	15	17.763.108	3.543.286
Current income tax liabilities		70.251	-
Other current liabilities		308.842	92.262
Non-current liabilities		26.452.674	6.468.948
Long-term bank borrowings	7	22.456.183	3.458.824
Other payables	9	-	11.570
Provision for employee benefits	14	3.729.789	2.320.922
Deferred revenue	15	266.702	677.632
Equity			
Equity attributable to equity holders of the parent		59.125.528	40.855.128
Share capital	16	25.000.000	25.000.000
Adjustment to share capital	16	2.991.336	2.991.336
Restricted reserves	16	3.666.269	3.087.683
Treasury shares	16	(2.649.415)	(450.493)
Actuarial (loss)/gain		(438.536)	(149.394)
Retained earnings/accumulated losses		11.275.706	(377.830)
Net income for the period		19.280.168	10.753.826
Non-controlling interests		-	1.610.615
Total equity		59.125.528	42.465.743
Total equity and liabilities		124.742.275	62.906.035

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

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED 31 DECEMBER 2013
(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED)

	Notes	Current period Audited 1 January – 31 December 2013	Prior period Audited 1 January – 31 December 2012 (Restated)
Continuing operations			
Sales	18	70.731.277	46.162.637
Cost of sales (-)	18	(8.548.962)	(1.751.338)
Gross profit		62.182.315	44.411.299
Marketing, selling and distribution expenses (-)	19	(14.930.949)	(11.149.554)
General administration expenses (-)	19	(9.271.287)	(7.313.300)
Research and development expenses (-)	19	(17.103.385)	(13.998.756)
Other operating income	22	1.368.400	1.167.922
Other operating expenses (-)	22	(1.828.114)	(635.639)
Operating profit		20.416.980	12.481.972
Income from investment activities	22	115.795	124.210
Operating profit before financial income/expenses		20.532.775	12.606.182
Financial income	20	897.126	264.564
Financial expenses (-)	21	(2.213.098)	(1.957.737)
Income before taxes		19.216.803	10.913.009
Taxation on income			
Current income tax charge	23	(145.484)	-
Deferred income tax charge	23	363.617	89.147
Net income for the period		19.434.936	11.002.156
Net income attributable to			
Non-controlling interests		154.768	248.330
Equity holders of the parent		19.280.168	10.753.826
Total		19.434.936	11.002.156
Earnings per share attributable to equity holders of the parent per thousands of shares with nominal value 1 Kr each	24	7,71	4,30

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

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2013

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED)

	Notes	Current period Audited 1 January – 31 December 2013	Prior period Audited 1 January – 31 December 2012 (Restated)
Net income for the period		19.434.936	11.002.156
Actuarial loss arising from employee benefits	14	(289.142)	(338.821)
Other comprehensive loss		(289.142)	(338.821)
Total comprehensive income		19.145.794	10.663.335
Total comprehensive income attributable to			
Non-controlling interests		154.768	248.330
Equity holders of the parent		18.991.026	10.415.005
Total		19.145.794	10.663.335

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

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2013
(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED)

	Share capital	Adjustment to share capital	Treasury shares	Restricted reserves	Other comprehensive income or loss items not to be reclassified to profit or loss in subsequent periods Actuarial gain/ (loss) arising from employee benefits	Retained earnings/ accumulated deficit	Retained earnings Net income/loss for the period	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
1 January 2012	25.000.000	2.991.336	-	4.037.273	-	(929.655)	3.124.998	34.223.952	-	34.223.952
Change in accounting policy (Note 2.1.5)	-	-	-	-	189.427	-	(189.427)	-		
1 January 2012– as restated	25.000.000	2.991.336		4.037.273	189.427	(929.655)	2.935.571	34.223.952	-	34.223.952
Transfer to retained earnings	-	-	-	-	-	2.935.571	(2.935.571)	-	-	-
Acquisition of treasury shares	-	-	(450.493)	-	-	-	-	(450.493)	-	(450.493)
Dividends paid	-	-	-	(949.590)	-	(2.383.746)	-	(3.333.336)	-	(3.333.336)
Acquisition of subsidiary (Note 3)	-	-	-	-	-	-	-	-	1.362.285	1.362.285
Net income for the period	-	-	-	-	-	-	10.753.826	10.753.826	248.330	11.002.156
Other comprehensive loss	-	-	-	-	(338.821)	-		(338.821)	-	(338.821)
Total comprehensive income	-	-	-	-	(338.821)	-	10.753.826	10.415.005	248.330	10.663.335
31 December 2012	25.000.000	2.991.336	(450.493)	3.087.683	(149.394)	(377.830)	10.753.826	40.855.128	1.610.615	42.465.743
1 January 2013	25.000.000	2.991.336	(450.493)	3.087.683	-	(188.403)	10.415.005	40.855.128	1.610.615	42.465.743
Change in accounting policy (Note 2.1.5)	-	-	-	-	(149.394)	(189.427)	338.821	-	-	-
1 January 2013- as restated	25.000.000	2.991.336	(450.493)	3.087.683	(149.394)	(377.830)	10.753.826	40.855.128	1.610.615	42.465.743
Transfer to retained earnings	-	-	-	578.586	-	10.175.240	(10.753.826)	-	-	-
Acquisition of treasury shares	-	-	(8.163.509)	-	-	-	-	(8.163.509)	-	(8.163.509)
Sales of treasury shares(*)	-	-	5.964.587	-	-	522.913	-	6.487.500	-	6.487.500
Share increase in subsidiaries (**)	-	-	-	-	-	955.383	-	955.383	(1.765.383)	(810.000)
Net income for the period	-	-	-	-	-		19.280.168	19.280.168	154.768	19.434.936
Other comprehensive loss	-	-	-	-	(289.142)	-	-	(289.142)	-	(289.142)
Total comprehensive income	-	-	-	-	(289.142)	-	19.280.168	18.991.026	154.768	19.145.794
31 December 2013	25.000.000	2.991.336	(2.649.415)	3.666.269	(438.536)	11.275.706	19.280.168	59.125.528	-	59.125.528

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

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE PERİOD ENDED 31 DECEMBER 2013
(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED)

	Notes	Current period Audited 31 December 2013	Prior period Audited 31 December 2012 (Restated)
Income before tax		19.216.803	10.913.009
Depreciation and amortization	11, 12	6.241.011	5.773.086
Deferred revenue	15	8.435.204	2.601.868
Increase in provision for employee termination benefits	14	299.146	438.197
Increase in unused vacation liability		278.884	226.685
Personnel bonus accrual	14	2.208.382	1.513.327
Interest expenses	21	982.437	597.792
Interest income	20	(318.293)	(264.564)
Change in provision for doubtful trade receivables		431.747	298.558
Other		(68.653)	246.828
Operating income before changes in working capital		37.706.668	22.344.786
Increase in trade receivables, prepaid expenses and other receivables	8, 9	(23.608.109)	(8.043.062)
Increase in due from related parties	25	29.569	(4.459)
(Decrease)/increase in inventories	10	(274.414)	(6.756)
Increase in other current/ non-current assets		24.784	74.325
Increase in trade payables	8	511.028	694.773
Increase/(decrease) in due to related parties	25	7.141.838	(112.913)
(Decrease)/increase in other payables and liabilities and employee benefits obligations		(657.305)	(906.076)
Advances received	15	884.294	-
Taxes paid		(77.922)	(15.613)
Employee termination benefits paid/accrued	14	(246.908)	(546.878)
Net cash generated from operating activities		21.433.523	13.478.127
Investing activities:			
Purchase of property and equipment and intangible assets	11, 12	(529.447)	(1.253.479)
Cash used in development activities	12	(8.276.239)	(3.824.535)
Acquisition of subsidiary, excluding cash acquired	3	(21.312.134)	-
Purchase of treasury shares		(8.163.509)	(450.493)
Cash generated from sale of treasury shares		6.487.500	-
Increase in share in subsidiaries		(810.000)	-
Decrease/(increase) in financial assets	5	277.262	(233.581)
Interest received		306.884	238.261
Cash generated from sales of property and equipment		118.163	-
Net cash used in investing activities		(31.901.520)	(5.523.827)
Financial activities:			
Increase in bank borrowings	7	19.380.786	484.231
Dividend paid		-	(3.333.336)
Interest paid		(1.478.355)	(391.334)
Decrease in due from related parties	25	2.000.000	-
Net cash generated/(used in) financing activities		19.902.431	(3.240.439)
Net increase in cash and cash equivalents		9.434.434	4.713.861
Cash and cash equivalents at beginning of the period	4	9.833.681	5.119.820
Cash and cash equivalents at end of the period	4	19.268.115	9.833.681

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

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.
NOTED TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2013
(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED)

1. Organization 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 2013 the Group has 404 employees (31 December 2012: 249).

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
Netsis Yazılım Sanayi ve Ticaret A.Ş. ("Netsis")	Turkey	Development and marketing of computer software
Coretech Bilgi Teknolojisi Hizmetleri A.Ş. ("Coretech")	Turkey	Development and marketing of computer software
Logobi Yazılım Sanayi ve Ticaret A.Ş. ("LogoBI")	Turkey	Development and marketing of computer software
Logo Business Software GmbH ("Logo GMBH")	Germany	Development and marketing of computer software
Logo Business Solutions FZ-LLC ("Logo FFC-LLC")	United Arab Emirates	Marketing of computer software

Upon the signing of the share purchase agreement on 25 July 2013, the Company acquired all the shares in Netsis in return of TL 24.699.850. All of purchase price was paid in advance. The share purchase agreement entered into force as of 19 September 2013.

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 service 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. The Company has acquired 40% of shares of LogoBI in return of TL 810.000 with the share purchase agreement signed on 26 December 2013 and became 100% owner of LogoBI.

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 performed the Company's international marketing and selling operations until April 2009.

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 2013, the liquidation process has been substantially completed.

The Company's foreign sales and marketing activities were perfomed by it's headquarter in Turkey, before establishment of Logo Business Solutions FZ-LLC and aforementioned activities are considered to be perfomed again by the Company's headquarter in Turkey after close down of Logo Business Solutions FC-LLC.

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

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2013 (CONTINUED)
(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED)

1. Organization and nature of operations (continued)

As explained above, Logo Business Solutions FZ-LLC is decided to be closed down on April 2009. Since the information about the operational segments in accordance with the Group's operations considering consolidated financial statements and monetary materiality is not reportable for the geographical segments except Turkey as of 31 December 2013, it is not disclosed in the consolidated financial statements.

2. Basis of presentation of consolidated financial statements

2.1 Basis of presentation

2.1.1 Financial reporting standards

The consolidated financial statements and disclosures have been prepared in accordance with the communiqué numbered II-14,1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board ("CMB") (hereinafter will be referred to as "the CMB Accounting Standards") on 13 June 2013 which is published on Official Gazette numbered 28676.

In accordance with article 5th of the CMB Accounting Standards, companies should apply Turkish Accounting Standards/Turkish Financial Reporting Standards and interpretations regarding these standards as adopted by the Public Oversight Accounting and Auditing Standards Authority ("POA").

Excluding the subsidiaries incorporated outside of Turkey functional currency of all entities included in consolidation is Turkish Lira ("TL") and they maintain their books of account in Turkish Lira ("TL") in accordance with Turkish Commercial Code and Tax Legislation and the Uniform Chart of Accounts issued by the Ministry of Finance.

The consolidated financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with the Accounting Standards of the POA and are presented in TL. These adjustments and reclassifications mainly consist of the accounting of Logo Enterprise Membership, pay as you go, after sales maintenance revenues, Netsis licence revenues and accounting of upgrade package revenues on accrual basis considering contract term, effect of deferred tax calculation, provision for doubtful trade receivables, the accounting of expense accruals, the effect of employee termination benefits and unused vacation pay liability calculated in accordance with TAS 19 "Employee Benefits", prorata depreciation of property and equipments and intangible assets with useful life assessed by the management, and the assessment of financial assets and liabilities in accordance with TAS 39.

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.

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 included in the other 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 associate on the basis set out in sections (b) and (c) 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 TAS/TFRS.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2013 (CONTINUED)
(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED)

2. Basis of presentation of consolidated financial statements (continued)

b) As at 31 December 2013, the consolidated financial statements include the financial results of the Company and its subsidiaries listed at Note 1. Control is normally evidenced when the Company controls an investee if and only if the company has all the following; a) power over the investee b) exposure, or rights, to variable returns from its involvement with the investee and c) the ability to use its power over the investee to affect the amount of company s returns. The results of subsidiaries acquired during the year are included in the consolidated statements of income from the effective date of acquisition as appropriate.

c) Investments in associate 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.

The table below sets out the subsidiaries and associates of Logo Yazılım and ownership interests held by the Company at 31 December 2013:

	Direct and indirect ownership interests by the Company (%)
Subsidiaries:	
Netsis Yazılım Sanayi ve Ticaret A.Ş.	100,00%
Coretech Bilgi Teknolojisi Hizmetleri A.Ş.	100,00%
Logobi Yazılım Sanayi ve Ticaret A.Ş.	100,00%
Logo Business Software GmbH	100,00%

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. The shares of shareholders other than equity holders of the parent in nets assets and operating results are disclosed as "non-controlling interests" in consolidated balance sheet and statement of comprehensive income.

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 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.

40% of LogoBI's shares owned by Teknoloji Yatırım A.Ş. has been decided to be purchased the Company's Board of Director's meeting held on 12 December 2013. The Company has purchased 40% of shares of LogoBI in return of TL 810.000 with the share purchase agreement signed on 26 December 2013 and became 100% owner of LogoBI. All purchase price was paid in advance. Share purchase agreement entered into force as of 26 December 2013.

2.1.4 Use of estimates

The preparation of these consolidated financial statements in accordance with TAS/TFRS 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.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2013 (CONTINUED)
(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED)

2. Basis of presentation of consolidated financial statements (continued)

Significant estimates used in the preparation of these consolidated financial statements and the significant judgments with the most significant effect on amounts recognized in the financial statements are as follows:

a) Deferred tax asset is recognised to the extent that taxable profit will be available against which the deductible temporary differences can be utilized. When taxable profit is probable, deferred tax asset is recognised for tax losses carried forward (if any) and all deductable temporary differences. For the period ended 31 December 2013, since the assumptions are adequate that the Company will have taxable profits in the foreseeable future, deferred tax asset has been recognized.

b) Reserve for retirement pay liability is determined by using actuarial assumptions (discount rates, future salary increases and employee turnover rates).

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

d) When allocating provision for legal risks, the probabilities of failure in the cases and the possible liabilities to be arisen in the case of failure are evaluated by the management through being counseled by legal advisors of the Company. The management determines the amount of the provisions based on their best estimates.

e) The Company's management has made certain important assumptions based on experiences of their technical personnel in determining useful economic life of the property, plant and equipment and intangible assets

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

g) Costs that are directly associated with the development of identifiable and unique software products and systems controlled by the Group are capitalized. Management determines the cost of employees to be capitalized taking into account time spent by each employee on research and development activities. The costs of employees relating to research are expensed as incurred.

2.1.5 Comperative information and adjustments applied to prior period financial statements

Based on the decision taken on 7 June 2013 by the CMB at its meeting numbered 20/670, a new illustrative financial statement and guidance to it has been issued effective from the interim periods ended after 31 March 2013, which is applicable for the companies that are subject to Communiqué on the Principles of Financial Reporting In Capital Markets. Based on these new illustrative financial statements, a number of changes made at the Company's consolidated balance sheets and consolidated comprehensive income statements.

The reclassifications that are made at the Company's consolidated balance sheet as at 31 December 2012 are as:

- Prepaid expenses amounting to TL 87.264 which is presented in other current assets is reclassified to prepaid expenses account,
- Deferred revenue and advances received which are amoutning to TL 3.084.568 and TL 458.178, respectively and which are presented under other current liabilities and deferred revenue amounting to TL 677.632 which is presented under other non-current liabilites are reclassified to deferred expense account
- Payables to personnel and personel bonus accrual amounting to TL 1.083.368 and TL 2.220.420, respectively which are presented under other current liabilities are reclassified to employee benefit obligations account,
- Taxes, witholdings and social security payables amounting to TL 425.924 which are presented under other current payables are reclassified to employee benefit obligations account,
- Current portion of long-term bank borrowings amounting to TL 899.269 which is presented under short-tem bank borrowings is reclassified to short-term portion of long-term bank borrowings,
- Expense accruals amounting to TL 342.915 which is presented under other current liabilities is reclassified to other trade payables account.

The reclassifications that are made at the Company's consolidated income statement for the period ended 31 December 2012 are as:

- Net foreign currency exchange loss amounting to TL 28.084 which is relating to trade recevaibles and payables and presented under financial expense is reclassified to other operating expense,
- Overdue interest income amounting to TL 559.069 which is presented under financial income is reclassified to other operating income,
- Rediscount expense amounting to TL 331.304 which is presented under financial expense is reclassified to other operating expense.

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2013 are consistent with those of the previous financial year of 31 December 2012, except for the change in accounting standard of TAS 19 "Employee benefits" disclosed below.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2013 (CONTINUED)
(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED)

2. Basis of presentation of consolidated financial statements (continued)

In accordance with the Communiqué, the adjustments and reclassifications that are made at the Company's consolidated financial statemens as at 31 December 2012 are as:

Within the scope of the amendments to TAS 19 – Employee benefits, actuarial income/losses related to employee termination benefits are recognized under equity. This practice is effective for the annual periods starting as of 1 January 2013 and has been implemented retrospectively. In its income statement, the Company has reclassified the actuarial loss amounting to TL 338.821 under other comprehensive income, which was recognized under "general administrative expense" account in the period ended 31 December 2012. The Company has reclassified the actuarial income amounting to TL 338.821 which was recognized in net income for the year in the balance sheet dated 31 December 2012 to other comprehensive income or loss items not to be reclassified to profit or loss in subsequent periods in the same balance sheet dated 31 December 2012.

As of 31 December 2012, vacation pay liability amounting to TL 939.185 presented in other current liabilities has been reclassified to long term provision for employee benefits due to amendments in TAS 19 "Employee Benefits" which has been effective as of 1 January 2013. According to revised TAS 19, the short term benefits provided to employees comprise the ones which are expected to be settled wholly in twelve months after the end of the reporting period. Regarding this issue, the Company's expectation is not to settle the whole vacation pay liability within twelve months after the end of the reporting period, so the related vacation pay liabilities has been reclassified as other long-term employee benefits and the necessary amendments on the previous period financial statements has been made by the Company.

2.1.6 Convenience translation into English of financial statements originally issued in Turkish:

As at 31 December 2013, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying consolidated financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

2.2 Summary of significant accounting policies

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

Business combinations

From 1 January 2010 the Group has applied revised TFRS 3 Business Combinations in accounting for business combinations. The change in accounting policy has been applied prospectively and had no effect on business combinations completed during prior periods.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquirer. The consideration transferred is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, the liabilities incurred by the Group to former owners of the entity and the equity interests issued by the Group. When the agreement with the seller includes a clause that the consideration transferred could be adjusted for future events, the acquisition-date fair value of this contingent consideration is included in the cost of the acquisition. All transaction costs incurred by the Group have been recognized in general administrative expenses. For each business combination, the Group elects whether it measures the non-controlling interest in the acquirer either at fair value or at the proportionate share of the acquirer's identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Acquisition method requires allocation of the acquisition cost to the assets acquired and liabilities assumed at their fair values on the date of acquisition. Accordingly, acquired assets and liabilities and contingent liabilities assumed are recognized at TFRS 3 fair values on the date of acquisition. Acquired company is consolidated starting from the date of acquisition.

If the fair values of the acquired identifiable assets, liabilities and contingent liabilities or cost of the acquisition are based on provisional assessment as at the balance sheet date, the Group made provisional accounting. Temporarily determined business combination accounting has to be completed within two months following the combination date and adjustment entries have to be made beginning from combination date.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the aggregate of the consideration transferred measured at fair value at the date of acquisition and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed at fair value in accordance with IFRS 3 on the date of acquisition. 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.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Whenever the carrying amount exceeds the recoverable amount, an impairment loss is recognized in the consolidated income statement.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2013 (CONTINUED)
(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED)

2. Basis of presentation of consolidated financial statements (continued)

Goodwill is tested for impairment and recorded in balance sheet after deducting the provision for impairment from the cost. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the acquisition, irrespective of whether other assets or liabilities are assigned to these units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amounts of the net assets assigned to the cash-generating unit, an impairment loss is recognized. 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.

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
Leasehold improvements relating to building	5 - 49
Machinery and equipment	5
Motor vehicles	5
Furniture and fixtures	5

The useful lives of significant part of leasehold improvements relating to building are 49 years.

Gains or losses on disposals of property and equipment are determined by comparing proceeds with carrying amounts and are included in income and expense from investment activities accounts.

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 twenty 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.

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,
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.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2013 (CONTINUED)
(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED)

2. Basis of presentation of consolidated financial statements (continued)

Impairment of assets

All assets are reviewed for impairment losses including property, plant and equipment and intangible assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. Impairment losses are recognized in the statement of income.

Impairment losses on assets can be reversed, to the extent of previously recorded impairment losses, in cases where increases in the recoverable value of the asset can be associated with events that occur subsequent to the period when the impairment loss was recorded.

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 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.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs comprise purchase cost and, where applicable and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Net realizable value is the estimated selling price in the ordinary course of business, less marketing, selling and other various expenses to be incurred in order to realize sale.

Financial instruments

Financial assets consist of cash and cash equivalents, trade receivables, financial assets, other receivables, derivative financial assets (if any) and receivable from related parties. Financial liabilities consist of bank borrowings, trade payables, due to related parties, derivative financial liabilities (if any), and other payables.

Financial assets and financial liabilities are recognized on the Group balance sheet when the Group becomes a party to the contractual provisions of the instrument.

When a financial instrument gives rise to a contractual obligation on the part of the Group to deliver cash or another financial asset or to exchange another financial instrument under conditions that are potentially unfavourable, it is classified as a financial liability. The instrument is equity instrument if, are met:

a) The instrument includes no contractual obligation to deliver cash or another financial asset to another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.

b) If the instrument will or may be settled in the Group's own equity instruments, it is a non-derivative that includes no contractual obligation for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Cash and cash equivalents

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).

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2. Basis of presentation of consolidated financial statements (continued)

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.

Trade receivables and impairment provision

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.

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 general administrative expenses.

Trade and other payables

Trade and other payables are initially measured at fair value. None interest rate bearing short term payables are measured at original invoice amount unless the effect of imputing interest is significant.

Financial borrowings

Interest-bearing financial borrowings are initially measured at the fair value of the consideration received, less directly attributable costs and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings through the amortization process, using the effective interest rate method as explained above. Other borrowing costs are recognized in income statements when incurred.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a company of similar financial assets) is derecognized where the rights to receive cash flows from the asset have expired, the Group retains the right to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a pass-through‘ arrangement or the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group‘s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated income statement.

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2. Basis of presentation of consolidated financial statements (continued)

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.

Related Parties

Parties are considered related to the Company if;

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;
(ii) has significant influence over the reporting entity; or
(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(i) The entity and the company are members of the same group.
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
(vi) The entity is controlled or jointly controlled by a person identified in (a).
(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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).

Taxation and deferred income taxes

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

Income tax expense represents the sum of the tax currently payable and deferred tax.

The current tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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 inteirm financial statements.

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2. Basis of presentation of consolidated financial statements (continued)

Revenue recognition

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

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 in first sale of license. The Company's management mentioned that collection of the sales transaction was reflected to the main software product and LEM products was sold free. The fee is charged by the Company for the renewal of LEM agreements.

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.

Post delivery customer support

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

Netsis software licence revenues

Revenues are recognized on an accrual basis at the time deliveries or acceptances are made, when the amount of revenue can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group, at the fair value of consideration received or receivable. Risks and rewards are transferred to customers, when the transfer of ownership has realized.

When acceptance is subject to installation and inspection, revenue is recognized on a percentage of completion basis. However, if the installation process is more substantial and there is more than an insignificant risk of non-acceptance, revenue recognition is delayed until the installation and inspection process are complete and customer acceptance has occurred.

Netsis charge its customers a one-time fee and the customers are entitled to use the current release and version indefinitely.

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.

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2. Basis of presentation of consolidated financial statements (continued)

Version upgrade package sales

Version upgrade package 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 version upgrade package obtain the basic maintenance and support services necessary for high perfomance functioning of the software product, besides receiving all the legal changes and charged version changes free of charge. Version upgrade package sales are recognized on an accrual basis over the contract period.

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).

Employee benefits

Payments to defined contribution retirement benefit plans are charged as an expense in the year in which the contributions relate to. Payments made to the Social Security Institution of Turkey and Turkish Republic Retirement Fund are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan. The Group pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense in the period to which the employee's service relates.

For defined benefit plans and other long-term employment benefits, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation and vacation liability recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for any unrecognized past service cost. There is no funding requirement for defined benefit plans. The Group recognizes actuarial gains and losses in the consolidated statement of comprehensive income (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.

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).

Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share premium. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them. Share options exercised during the reporting period are satisfied with treasury shares.

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2. Basis of presentation of consolidated financial statements (continued)

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 Change in accouting policies

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2013 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2013. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations which are effective as at 1 January 2013 are as follows:

TFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendment)

The amendment requires the disclosure of the rights of the entity relating to the offsetting of the financial instruments and some information about the related regulations (eg, collateral agreements).

New disclosures would provide users of financial statements with information that is useful in;

i) evaluating the effect or potential effect of netting arrangements on an entity's financial position and,

ii) analyzing and comparing financial statements prepared in accordance with TFRSs and other generally accepted accounting standards.

New disclosures have to be provided for all the financial instruments in the balance sheet that have been offset according to TAS 32. Such disclosures are applicable to financial instruments in the balance sheet that have not been offset according to TAS 32 but are available for offsetting according to main applicable offsetting regulations or other financial instruments that are subject to a similar agreement. The amendment affects disclosures only and did not have any impact on the consolidated financial statements of the Group.

TAS 1 Presentation of Financial Statements (Amended) – Presentation of Items of Other Comprehensive Income

The amendments to TAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendments will be applied retrospectively. The amendment affects presentation only and did not have an impact on the financial position or performance of the Group.

TAS 19 Employee Benefits (Amended)

Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism, for determined benefit plans recognizing actuarial gain/(loss) under other comprehensive income and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. The Group used to recognize the actuarial gain and loss in profit and loss statement before this amendment. The retrospective effects of the amendment to recognise actuarial gain and loss in the comprehensive income statement are disclosed in Note 2.1.5. Additionally, based on the amendment in the presentation of short term employee benefits, vacation pay liability formerly presented in the short term provisions has been retrospectively reclassified to long term provisions and calculated based on actuarial method.

TAS 27 Separate Financial Statements (Amended)

As a consequential amendment to TFRS 10 and TFRS 12, the TASB also amended TAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. This amendment did not have an impact on the financial position or performance of the Group.

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2. Basis of presentation of consolidated financial statements (continued)

TAS 28 Investments in Associates and Joint Ventures (Amended)

As a consequential amendment to TFRS 11 and TFRS 12, the TASB also amended TAS 28, which has been renamed TAS 28 Investments in Associates and Joint Ventures, to describe the application of the equity method to investments in joint ventures in addition to associates. Transitional requirement of this amendment is similar to TFRS 11. This amendment did not have an impact on the financial position or performance of the Group.

TFRS 10 Consolidated Financial Statements

TFRS10, replaces the parts of previously existing TAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment. This standard did not have an impact on the financial position or performance of the Group.

TFRS 11 Joint Arrangements

The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. This standard did not have an impact on the financial position or performance of the Group.

TFRS 12 Disclosure of Interests in Other Entities

TFRS 12 includes all of the requirements that are related to disclosures of an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The standard affects presentation only and did not have an impact on the disclosures given by the Group.

TFRS 13 Fair Value Measurement

The new Standard provides guidance on how to measure fair value under TFRS but does not change when an entity is required to use fair value. It is a single source of guidance under TFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. The new disclosures are only required for periods beginning after TFRS 13 is adopted. The Group has presented these disclosures in Note 27.

TFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

Entities are required to apply its requirements for production phase stripping costs incurred from the start of the earliest comparative period presented. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The interpretation is not applicable for the Group and did not have any impact on the financial position or performance of the Group.

Transition Guidance (Amendments to TFRS 10, TFRS 11 and TFRS 12)

The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application is defined as 'the beginning of the annual reporting period in which TFRS 10 is applied for the first time'. The assessment of whether control exists is made at 'the date of initial application' rather than at the beginning of the comparative period. If the control assessment is different between TFRS 10 and TAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons TFRS 11 and TFRS 12 has also been amended to provide transition relief. These amendments did not have an impact on the consolidated financial statements of the Group.

Improvements to TFRSs

Annual Improvements to TFRSs – 2009 – 2011 Cycle, which contains amendments to its standards, is effective for annual periods beginning on or after 1 January 2013. This project did not have an impact on the financial position or performance of the Group.

TAS 1 Financial Statement Presentation:

Clarifies the difference between voluntary additional comparative information and the minimum required comparative information.

TAS 16 Property, Plant and Equipment:

Clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory

TAS 32 Financial Instruments: Presentation:

Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with TAS 12 Income Taxes. The amendment removes existing income tax requirements from TAS 32 and requires entities to apply the requirements in TAS 12 to any income tax arising from distributions to equity holders.

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2. Basis of presentation of consolidated financial statements (continued)

TAS 34 Financial Reporting:

Clarifies the requirements in TAS 34 relating to segment information for total assets and liabilities for each reportable segment. Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment.

Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, after the new standards and interpretations become in effect.

TAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the TAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2014. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

TFRS 9 Financial Instruments – Classification and measurement

As amended in December 2011, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

TFRIC Interpretation 21 Levies

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation is effective for annual periods beginning on or after 1 January 2014, with early application permitted. Retrospective application of this interpretation is required. The amendment is not applicable for the Group and the Group does not expect that this amendment will have any impact on the financial position or performance of the Group.

Amendments to TAS 36 - (Recoverable Amount Disclosures for Non-Financial assets)

As a consequential amendment to TFRS 13 Fair Value Measurement, some of the disclosure requirements in TAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets has been modified. The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. Earlier application is permitted for periods when the entity has already applied TFRS 13. The Group does not expect that this amendment will have any impact on the financial position or performance of the Group.

Amendments to TAS 39 - Novation of Derivatives and Continuation of Hedge Accounting

Amendments to TAS 39 Financial Instruments: Recognition and Measurement, provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. The Group does not expect that this amendment will have any impact on the financial position or performance of the Group.

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

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2. Basis of presentation of consolidated financial statements (continued)

IFRS 10 Consolidated Financial Statements (Amendment)

IFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS. This amendment will not have any impact on the financial position or performance of the Group.

IFRS 9 Financial Instruments – Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 -IFRS 9 (2013)

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging relationships. The standard does not have a mandatory effective date, but it is available for application now; a new mandatory effective date will be set when the IASB completes the impairment phase of its project on the accounting for financial instruments. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

Improvements to IFRSs

In December 2013, the IASB issued two cycles of Annual Improvements to IFRSs – 2010–2012 Cycle and IFRSs – 2011–2013 Cycle. Other than the amendments that only affect the standards' Basis for Conclusions, the changes are effective 1 July 2014. Earlier application is permitted.

Annual Improvements to IFRSs – 2010–2012 Cycle

IFRS 2 Share-based Payment:

Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. The amendment is effective prospectively.

IFRS 3 Business Combinations

Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments. The amendment is effective for business combinations prospectively.

IFRS 8 Operating Segments

The changes are as follows: i) Operating segments may be combined/aggregated if they are consistent with the core principle of the standard. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

IFRS 13 Fair Value Measurement

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment to IAS 16.35(a) and IAS 38.80(a) clarifies that revaluation can be performed, as follows:
i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

IAS 24 Related Party Disclosures

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. The amendment is effective retrospectively.

Annual Improvements to IFRSs – 2011–2013 Cycle

IFRS 3 Business Combinations

The amendment clarifies that: i) Joint arrangements are outside the scope of IFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

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2. Basis of presentation of consolidated financial statements (continued)

IFRS 13 Fair Value Measurement

The portfolio exception in IFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective prospectively.

IAS 40 Investment Property

The amendment clarifies the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. The amendment is effective prospectively.

These amendments did not have an impact on the financial position or performance of the Group.

IFRS 14 - interim standard on regulatory deferral accounts.

In January 2014, the IASB issued this standard. IFRS 14 permits first-time adopter rate regulated entities to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. Existing IFRS preparers are prohibited from adopting this Standard. The Standard will be applied on a full retrospective basis and is effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The Standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Resolutions promulgated by the Public Oversight Authority

In addition to those mentioned above, the POA has promulgated the following resolutions regarding the implementation of Turkish Accounting Standards. "The financial statement examples and user guide" became immediately effective at its date of issuance; however, the other resolutions shall become effective for the annual reporting periods beginning after 31 December 2012.

2013-1 Financial Statement Examples and User Guide

The POA promulgated "financial statement examples and user guide" on 20 May 2013 in order to ensure the uniformity of financial statements and facilitate their audit. The financial statement examples within this framework were published to serve as an example to financial statements to be prepared by companies obliged to apply Turkish Accounting Standards, excluding financial institutions established to engage in banking, insurance, private pensions or capital market. The Group has made the related classifications stated in Note 2.1.6 in order to comply with the requirements of this regulation.

2013-2 Accounting of Combinations under Common Control

In accordance with the resolution it has been decided that i) combination of entities under common control should be recognized using the pooling of interest method, ii) and thus, goodwill should not be included in the financial statements and iii) while using the pooling of interest method, the financial statements should be prepared as if the combination has taken place as of the beginning of the reporting period in which the common control occurs and should be presented comparatively from the beginning of the reporting period in which the common control occurred. This resolution did not have any impact on the consolidated financial statements of the Group.

2013-3 Accounting of Redeemed Share Certificates

Clarification has been provided on the conditions and circumstances where the redeemed share certificates shall be recognized as a financial liability or equity based financial instruments. This resolution did not have any impact on the consolidated financial statements of the Group.

2013-4 Accounting of Cross Shareholding Investments

If a subsidiary of an entity holds shares of the entity then this is defined as cross shareholding investment. Accounting of this cross investment is assessed based on the type of the investment and different recognition principles adopted accordingly. With this resolution, this topic has been assessed under three main headings below and the recognition principles for each one of them has been determined.

i) the subsidiary holding the equity based financial instruments of the parent,
ii) the associates or joint ventures holding the equity based financial instruments of the parent,
iii) the parent's equity based financial instruments are held by an entity, which is accounted as an investment within the scope of TAS 39 and TFRS 9 by the parent.

This resolution did not have any impact on the consolidated financial statements of the Group.

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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 TL 5.616.249, of which the portion TL 1.399.998 comprises contingent consideration. The portion TL 2.550.000 of the acquisition amount was paid in cash and the remaining TL 1.456.251 was paid on 31 March 2012, while the rest TL 210.000 was paid on 31 March 2013. The amortised cost of the acquisition amount equals TL 5.307.021 as of 31 December 2011. The share purchase agreement entered into force as of 28 November 2011. Acquisition-related costs of TL 135.089 have been included in the general administrative expenses.

As of 31 December 2011 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 employee 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 TL 7.000.000 in the accounting year 2012, the Company will pay TL 1.399.998 to the former shareholders of Coretech within 3 days as of 31 March 2013. In the event that total turnover does not reach TL 7.000.000, 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 TL 6.822.442, the Company paid TL 1.224.999 to Coretech's former shareholders on 2 April 2013. The amortized cost of the mentioned contingent debts was TL1.183.502 as of 31 December 2012

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.

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3. Business combinations (continued)

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 mentioned on the below 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: 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.

The Group has measured the non-controlling interest in LogoBi at the proportionate share of the acquirer's identifiable net assets.

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

Netsis acquisition

Upon the signing of the share purchase agreement on 25 July 2013, the Group acquired all the shares in Netsis in return for TL 24.699.850. The total acquisition amount was paid in cash. The share purchase agreement entered into force as of 19 September 2013. Acquisition-related costs of TL 192.388 have been included in the general administrative expenses.

Referring to this acquisition, Group has applied TFRS 3 "Business Combinations" standard in accounting for business combinations of Netsis as subsidiary. As of 31 December 2013, fair values of identifiable assets and assumed identifiable liabilities acquired with the scope of business combinations are identified with draft fair value measurement report. These items are reported over the temporary amounts (on provisional basis) on the consolidated financial statements. The additions and corrections of fair values of the acquired identifiable assets, liabilities and contingent liabilities are limited to 12 months from the date of acquisition.

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3. Business combinations (continued)

The identifiable assets acquired and liabilities assumed were booked over their following values:

Cash and cash equivalents	3.387.716
Other trade receivables	9.936.670
Inventories	1.955
Prepaid expenses	114.086
Assets related to current period taxes	36.353
Other current assets	6.100
Financial investments	12.500
Other receivables	5.723
Property and equipment	452.962
Intangible assets - identifiable assets	11.851.209
Prepaid expenses	1.598
Deferred income tax assets	59.883
Other trade payables	(443.125)
Other payables	(439.318)
Current deferred revenues	(4.123.468)
Employee benefit obligations	(696.481)
Other current provisions	(220.710)
Non-current deferred revenues	(365.926)
Long-term provisions for employee termination benefits	(770.129)
Fair value of net assets	18.807.598
Less: purchase consideration	24.699.850
Goodwill	5.892.252

Of the identifiable assets determined as a result of Netsis's purchase price allocation study, the technology developed is amortised over seven years, customer relations are amortised over twenty years and the agreement for restriction of competition is amortised over two years.

Netsis's share in revenues after purchase date in the consolidated profit or loss statement for the period ended 31 December 2013 is realized as TL 6.970.508. In the same period, Netsis's contribution to the net income for the period is TL 2.706.144.

If, Netsis was included to the consolidation as of 1 January 2013, revenues would be realized as TL 88.109.801 in the Group's consolidated profit or loss statement.

Detail of cash outflows due to purchase as of 31 December 2013 is as follows:

Purchase price – cash paid in 2013	24.699.850
Cash and cash equivalents – acquired	3.387.716
Cash outlow due to purchase, net	21.312.134

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4. Cash and cash equivalents

As of 31 December 2013 and 31 December 2012, the details of cash and cash equivalents are as disclosed below:

	31 December 2013	31 December 2012
Cash	11.101	5.283
Banks		
- Demand deposits - Turkish Lira	1.488.448	1.292.369
- Demand deposits - foreign currency	981.378	544.303
- Time deposits - Turkish Lira	4.442.000	5.681.340
- Time deposits - foreign currency	960.435	-
Credit card receivables	11.384.753	2.310.386
Total	19.268.115	9.833.681

As of 31 December 2013, the weighted average effective annual interest rates for TL time deposits are between 5,25% and 9,07% (31 December 2012: 8,00% - 8,65%). As of 31 December 2013 and 31 December 2012, the maturity of time deposits is less than three months.

As of 31 December 2013 and 31 December 2012, the maturity of credit card receivables is less than three months.

As of 31 December 2013 and 31 December 2012, the cash and cash equivalents included in the consolidated statement of cash flows are as follows:

	31 December 2013	31 December 2012
Cash and cash equivalents	19.268.115	9.833.681

5. Financial assets

Trading securities

The analysis of financial assets at fair value through profit and loss at 31 December 2013 and 31 December 2012 is as follows:

	31 December 2013	31 December 2012
Mutual funds		
Liquid fund	151.985	384.975
Gold fund	41.078	97.850
Total	193.063	482.825

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5. Financial assets (continued)

The analysis of non-current financial assets at 31 December 2013 and 31 December 2012 is as follows:

	31 December 2013		31 December 2012	
	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
Dokuz Eylül Teknoloji Geliştirme Bölgesi A.Ş.	0,67	25.000	-	-
Boğaziçi Üniversitesi Teknopark	5	2.500	5	2.500
Total		108.153		83.153

At 31 December 2013 and 31 December 2012, 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 recogniton 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.

İnterpro Yayıncılık Araştırma ve Organizasyon Hizmetleri A.Ş. is assessed as available-for-sale financial asset as of 31 December 2013 and 31 December 2012. Since İnterpro Yayıncılık Araştırma ve Organizasyon Hizmetleri A.Ş. does not have any quoted market price in active market, its fair value cannot be measured reliably and since it is immaterial to the consolidated financial statements, it is carried at cost.

6.Associate accounted for using the equity method

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 and to purchase the shares from the parent company Logo Yatırım Holding A.Ş. for TL 2.180.000. The cost amounting to TL 40.565 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
Other trade receivables	100.276
Other current assets	71.209
Property and equipment	94.825
Intangible assets – advanced technology	966.072
Other trade payables	(6.637)
Other current liabilities	(46.888)
Fair value of net assets	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% ofWorldbi'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.

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6.Associate accounted for using the equity method (continued)

The movements in the carrying value of the associate during the years ended 31 December 2013 and 2012 were as follows:

	31 December 2013	31 December 2012
1 January	-	2.065.365
Business combination (Note 3)	-	(2.065.365)
31 December	-	-

7. Bank borrowings:

The analysis of borrowings at 31 December 2013 and 31 December 2012 is as follows:

Short-term bank borrowings:	31 December 2013	31 December 2012
Short-term bank borrowings	567.806	283.315
Current portion of long-term bank borrowings	890.714	877.092
Credit card payables	205.350	615.954
Total	1.663.870	1.776.361

Long-term bank borrowings:	31 December 2013	31 December 2012
Long-term bank borrowings	22.456.183	3.458.824

		31 December 2013	
	Weighted average effective interest rate p.a. (%)	Original balance	TL equivalent
Short-term bank borrowings	-	567.806	567.806
Credit card payables	-	205.350	205.350
Total short-term bank borrowings			773.156
Current portion of long-term bank borrowings			
TL denominated borrowings	11,60%-%15,84	782.031	782.031
USD denominated borrowings	-	48.830	108.683
Total current portion of long-term bank borrowings			890.714
Long- term bank borrowings:			
TL denominated borrowings	11,60%-%15,84	22.437.238	22.437.238
USD denominated borrowings	-	8.877	18.945
Total long-term bank borrowings			22.456.183

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7. Bank borrowings (continued)

A credit agreement amounting TL 20.000.000 and having 5 year term is signed between the Company and International Finance Corporation ("IFC"), an institution of World Bank on 25 October 2013.

	31 December 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 short-term bank borrowings			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 current portion of long-term bank borrowings Long- term bank borrowings:			877.092
TL denominated borrowings	12,24%-15,84%	3.353.014	3.353.014
USD denominated borrowings	-	59.358	105.810
Total long-term bank borrowings			3.458.824

The redemption schedule of long-term bank borrowings at 31 December 2013 is as follows:

	2013
1 to 2 years	6.352.311
2 to 3 years	6.447.055
3 to 4 years	5.656.817
4 to 5 years	4.000.000
Total	22.456.183

8. Trade receivables and payables

The analysis of trade receivables and payables at 31 December 2013 and 31 December 2012 is as follows:

Short-term other trade receivables:	31 December 2013	31 December 2012
Trade receivables	32.813.099	19.889.810
Credit card receivables	21.143.160	4.271.115
Cheques and notes receivables	6.857.153	1.090.310
Other trade receivables	77.032	88.142
Less: provision for doubtful receivables	(6.411.821)	(4.741.250)
Less: unearned credit finance income	(1.676.927)	(272.881)
Total	52.801.696	20.325.246

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8. Trade receivables and payables (continued)

As of 31 December 2013, trade receivables of TL 2.413.693 (31 December 2012: TL 2.826.265) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	31 December 2013	31 December 2012
Up to 1 month	231.361	1.407.801
1 to 3 months	511.231	612.480
Over 3 months	1.671.101	805.984
Total	2.413.693	2.826.265
Amount of risk covered by guarantees	-	-

Long-term other trade receivables:	31 December 2013	31 December 2012
Credit card receivables	148.883	-

Short-term trade payables:	31 December 2013	31 December 2012
Trade payables	3.211.583	2.257.430

The maximum exposure of the Company to credit risk as of 31 December 2013 and 31 December 2012 as follows:

	Trade receivables		Other receivables		
31 December 2013	Related party	Other	Related party	Other	Bank deposits
The maximum of credit risk exposed at the reporting date	30.130	52.950.579	-	15.240	19.257.014
- Amount risk covered by guarantees	-	99.400	-	-	-
Net carrying value of not past due and not impaired financial assets	30.130	50.536.886	-	15.240	19.257.014
Net carrying value of past due but not impaired financial assets	-	2.413.693	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-
Net carrying value of impaired assets	-	-	-	-	-
- Past due (gross carrying value)	-	6.411.821	-	-	-
- Provision for impairment (-)	-	(6.411.821)	-	-	-
- 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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8. Trade receivables and payables (continued)

	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	20.325.246	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	17.498.981	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.

9. Other receivables and payables

The analysis of other receivables and payables at 31 December 2013 and 31 December 2012 is as follows:

Other current receivables:	31 December 2013	31 December 2012
Deposits and guarantees given	9.516	22.432

Other current payables:	31 December 2013	31 December 2012
Taxes payable	2.412.924	1.050.860
Payable arising from Coretech acquisition – contingent consideration	-	1.183.502
Payable arising from Coretech acquisition	-	202.886
Total	2.412.924	2.437.248

Other non-current payables:	31 December 2013	31 December 2012
Restructured taxes payable	-	11.570
Total	-	11.570

Upon the signing of the share purchase agreement on 31 October 2011, the Company acquired all the shares in Coretech in return for TL 5.616.249, of which the portion TL 1.399.998 comprises contingent consideration. The portion TL 2.550.000 of the acquition amount was paid in cash and the remaining TL 1.456.251 was paid on 31 March 2012, while the rest TL 210.000 was paid on 31 March 2013. As of 31 December 2012, the amortised cost of the instalment paid on 31 March 2013 was TL 202.886 and is classified under other current payables.

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9. Other receivables and payables (continued)

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 within three days as of 31 March 2013. In the event that total revenue does not reach TL 7.000.000, 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 paid TL1.224.999 to Coretech's former shareholders on 2 April 2013. The amortized cost of the mentioned contingent debts was TL1.183.502 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 TL 168.497 was accrued in the name of the Company. Moreover, the portion TL 334.929 of tax losses to be offset was waived.

10. Inventories

The analysis of inventories at 31 December 2013 and 31 December 2012 is as follows:

	31 December 2013	31 December 2012
Trade goods	137.608	130.906
Raw materials	283.913	14.246
Total	421.521	145.152

11. Property and equipment

The movements in property and equipments and accumulated depreciation during the periods ended 31 December 2013 and 2012 were as follows:

	1 January 2013	Additions	Acquisition of Subsidiary (*)	Disposals	31 December 2013
Cost:					
Machinery and equipment	5.015.860	227.683	-	-	5.243.543
Motor vehicles	-	-	369.680	(136.282)	233.398
Furniture and fixtures	1.974.348	115.788	1.175.435	-	3.265.571
Leasehold improvements	16.158.248	11.621	1.038.928	-	17.208.797
Construction in progress	664.303	47.376	-	-	711.679
Total	23.812.759	402.468	2.584.043	(136.282)	26.662.988
Accumulated depreciation:					
Machinery and equipment	4.537.232	170.828	-	-	4.708.060
Motor vehicles	-	6.205	287.314	(86.772)	206.747
Furniture and fixtures	1.691.650	151.004	891.655	-	2.734.309
Leasehold improvements	4.043.660	388.564	952.112	-	5.384.336
Total	10.272.542	716.601	2.131.081	(86.772)	13.033.452
Net book value	13.540.217				13. 629.536

(*) See Note 3.

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11. Property and equipment (continued)

	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)	-	-
Furniture and fixtures	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

The Company leased the land; its head-office is standing on 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 2011, a pledge of TL 7.000.000 was placed on the Company's building as collateral for the loan.

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12. Intangible assets

The movements in intangible assets and related accumulated amortization during the years ended 31 December 2013 and 2012 were as follows:

	1 January 2013	Additions	Acquisition of subsidiary (*)	31 December 2013
Cost:				
Development costs	36.072.486	8.276.239	5.250.666	49.599.391
Technology developed (*)	2.074.171	-	3.361.856	5.436.027
Customer relations (*)	6.560.838	-	3.209.337	9.770.175
Agreement for restriction of competition (*)	445.876	-	1.494.181	1.940.057
Other intangible assets	833.752	126.979	3.538.633	4.499.364
Total	45.987.123	8.403.218	16.854.673	71.245.014
Accumulated amortization:				
Development costs	28.256.390	3.985.605	1.482.175	33.724.170
Technology developed	321.003	433.153	-	754.156
Customer relations	682.424	701.806	-	1.384.230
Agreement for restriction of competition	161.007	361.497	-	522.504
Other intangible assets	733.341	42.349	3.521.289	4.296.979
Total	30.154.165	5.524.410	5.003.464	40.682.039
Net book value	15.832.958			30.562.975

	1 January 2012	Additions	Acquisition of subsidiary (*)	31 December 2012
Cost:				
Development costs	32.247.951	3.824.535	-	36.072.486
Technology developed (*)	2.074.171	-	-	2.074.171
Customer relations (*)	3.160.837	-	3.400.000	6.560.837
Agreement for restriction of competition (*)	445.877	-	-	445.877
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
Technology developed	24.693	296.310	-	321.003
Customer relations	26.340	656.080	-	682.420
Agreement for restriction of competition	12.385	148.626	-	161.011
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

(*) See Note 3.

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12. Intangible assets (continued)

All additions to development costs during the years ended 31 December 2013 and 2012 includes staff costs.

TL 5.866.757 of the current period depreciation and amortization expense has been allocated to research and development expenses, TL 106.485 has been allocated to marketing, selling and distribution expenses, TL 267.769 has been allocated to general administrative expenses (31 December 2012: TL 5.341.884 to research and development expenses, TL 107.381 to marketing, selling and distribution expenses, TL 303.810 to general administrative expenses and TL 20.011 to cost of sales).

13. Commitments and contingent liabilities

Guarantees given and guarantees received at 31 December 2013 and 31 December 2012 were as follows:

Guarantees received:

		31 December 2013		31 December 2012	
	Original currency	Original amount	TL equivalent	Original currency	TL equivalent
Guarantee notes received	TL	39.400	39.400	39.400	39.400
Mortgages received	TL	60.000	60.000	120.000	120.000
Total			99.400		159.400

As of 31 December 2013 and 31 December 2012, guarantee/pledge/mortgage given by the Company on behalf of its legal entity were as follows:

Guarantee/pledge/mortgage given by the Company:

		31 December 2013		31 December 2012	
	Original currency	Original amount	TL equivalent	Original currency	TL equivalent
Total amount of guarantee/ pledge/ mortgage the Company gave on behalf of its legal entity	TL	7.510.124	7.510.124	7.496.651	7.496.651
	USD	160.539	342.638	255.183	454.889
Total			7.852.762		7.951.540

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).

A credit agreement amounting TL 20.000.000 and having 5 year term is signed between the Company and International Finance Corporation ("IFC"), an institution of World Bank on 25 October 2013. Pledge of commercial enterprise, pledge of Netsis Yazılım Sanayi ve Ticaret A.Ş.'s share and guarantee of bail of Coretech Bilgi Teknolojisi Hizmetleri A.Ş. is given as a credit warrant. There are financial ratios the Company committed in credit agreement. The Company quarterly calculates related ratios according to the data of consolidated financial statements and notifies IFC. The Company committed to Financial Debt to Tangible Net Worth Ratio of not more than 1,50; Net Debt to EBITDA Ratio of not more than 2,5; and receivables (excluding credit card receivables up to 12 months) to sales ratio of not more than 0,6 at all times on a consolidated basis.

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14. Provision for employee benefits

a) Short term provisions for employee benefits

The detail of short term provisions in the years ended 31 December 2013 and 31 December 2012 is as follows:

	31 December 2013	31 December 2012
Personnel bonus accrual	4.459.947	2.220.420
Total	4.459.947	2.220.420

The movement of personnel bonus provision in the years ended 31 December 2013 and 31 December 2012 is as follow:

	31 December 2013	31 December 2012
1 January	2.220.420	707.093
Acquisition of subsidiary	31.145	-
Increase in the period, net	2.208.382	1.513.327
31 December 2013	4.459.947	2.220.420

b) Long term provisions for employee benefits

The analysis of provision for employment termination benefits in the years ended 31 December 2013 and 31 December 2012 is as follows:

	31 December 2013	31 December 2012
Provision for employee termination benefits	2.233.283	1.381.737
Provision for unused vacation	1.496.506	939.185
Total	3.729.789	2.320.922

The movement of unused vacation liability in the years ended 31 December 2013 and 31 December 2012 is as follow:

	31 December 2013	31 December 2012
1 January	939.185	712.500
Acquisition of subsidiary	278.437	-
Increase in the period, net	278.884	226.685
31 December 2013	1.496.506	939.185

Provision for employment termination benefits is calculated as 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 TL 3.254 (2012: TL 3.034) for each year of service at 31 December 2013. The liability is not funded, as there is no funding requirement.

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14. Provision for employee benefits (continued)

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:

	31 December 2013	31 December 2012
Net discount rate	4,48%	2,50%
Turnover rate to estimate the probability of retirement	93%	94%

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 TL 3,438 which is effective from 1 January 2014 has been taken into consideration in calculating the reserve for employment termination benefit of the Company.

The movements in the provision for employment termination benefits during the years ended 31 December 2013 and 2012 were as follows:

	31 December 2013	31 December 2012
1 January	1.381.737	1.151.597
Acquisition of subsidiary	491.692	-
Service cost	180.522	350.330
Interest cost	118.624	87.867
Actuarial loss	307.616	338.821
Paid/accrued during the period	(246.908)	(546.878)
31 December	2.233.283	1.381.737

15. Prepaid expenses, other current assets, deferred revenues and employee benefit obligations

a) Prepaid expenses:

The analysis of prepaid expenses at 31 December 2013 and 31 December 2012 is as follows:

	31 December 2013	31 December 2012
Prepaid expenses	136.762	87.264
Advances given	526.944	-
Total	663.706	87.264

b) Other current assets:

The analysis of other current assets at 31 December 2013 and 31 December 2012 is as follows:

	31 December 2013	31 December 2012
Job advances	71.548	100.869
Value Added Tax ("VAT") receivables	3.670	5.052
Personnel advances	26.475	-
Other	44.062	7.518
Total	145.755	113.439

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15. Prepaid expenses, deferred revenues and other assets and liabilities (continued)

c) Deferred revenues

The analysis of deferred revenues at 31 December 2013 and 31 December 2012 is as follows:

	31 December 2013	31 December 2012
Deferred revenues	16.420.096	3.084.568
Advances received (*)	1.343.012	458.718
Deferred revenues- short term	17.763.108	3.543.286
Deferred revenues	266.702	677.632
Deferred revenues – long term	266.702	677.632

(*) 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 softwares have started as of 30 June 2010.

Deferred revenue mainly relates to LEM sales revenue, pay as you go sales, after-sales services, Netsis licence revenues and version upgrade package sales, customized software sales and Tübitak incentives billed but not earned. The analysis of deferred revenues at 31 December 2013 and 31 December 2012 is as follows:

Deferred revenues:	31 December 2013	31 December 2012
Logo Enterprise Membership sales	7.780.432	3.597.292
Pay as you go sales	3.708.698	96.453
Version upgrade package sales	3.179.770	-
Deferred revenue from continuing projects	1.945.578	-
After-sales services revenue	72.320	68.455
Total	16.686.798	3.762.200

d) Employee benefit obligations

The analysis of employee benefit obligations at 31 December 2013 and 31 December 2012 is as follows:

	31 December 2013	31 December 2012
Payable to personnel	1.134.745	1.083.368
Taxes, witholdings and social security payables	861.920	425.924
Total	1.996.665	1.509.292

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16. Equity

The Company's authorized and paid-in share capital consists of 2.500.000.000 (2012: 2.500.000.000) shares with Kr 1 nominal each. The shareholding structure of the Company as of 31 December 2013 and 31 December 2012 are as follows:

	31 December 2013	Share (%)	31 December 2012	Share (%)
Logo Yatırım Holding A.Ş.	8.648.762	34,595	17.297.523	69,19
Mediterra Capital Partners I, LP (*)	8.648.762	34,595	-	-
Publicly owned-free floating	7.702.476	30,810	7.702.477	30,81
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	

(*) Consist of EAS S.A.R.L 33,51% and other.

A Share Transfer Agreement has been signed between Logo Yatırım Holding A.Ş., the majority shareholder of the Company and EAS Solutions SARL which is owned 100% by Mediterra Capital Partners I LP regarding the sale of 864.876.171 shares (863.226.171 shares from B Group, 1.650.000 shares from A Group) having a nominal value of 1 Krş each and a total nominal value of TL 8.648.762. The shares sold corresponds to 50% of the shares held by Logo Yatırım Holding A.Ş. and represents 34.595% of the share capital of the Company. The total share transfer price was TL 48.216.846,53 (TL 5,575 for every 100 shares) and the share transfer has been concluded. The management control of the Company is divided equally between Logo Yatırım Holding A.Ş., which currently had full control of the management and EAS Solutions SARL, which has taken over the shares. The Company is currently under the joint control of these two shareholders.

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.

The aforementioned amounts shall be classified in "Restricted Reserves" in accordance with CMB Financial Reporting Standards. The analysis of restricted reserves at 31 December 2013 and 31 December 2012 is as follows:

	31 December 2013	31 December 2012
Legal Reserves	2.581.162	2.002.576
Gain on sale of land and investments	923.318	923.318
Extraordinary reserves	161.789	161.789
Total	3.666.269	3.087.683

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.

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16. Equity (continued)

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

Treasury Shares

Based on the Board of Directors decision dated 26 June 2013, regarding taking back maximum 62.500.000 share certificates (each having TL 0.01 nominal value, constituting 2,5% of 2.500.000.000 paid in share capital) within lower price limit of TL 0 and upper price limit of TL 3,5 in order to decrease price fluctuations in the Company's share certificates traded in Istanbul Stock Exchange ("ISE") (now called as Borsa Istanbul ("BIST") and evaluate current market conditions, the Company took back 171.000 share certificates traded in ISE between 4 July 2012 and 5 November 2012. The mentioned share certificates were accounted as treasury shares under equities.

Based on the Board of Directors decision dated 19 April 2013, regarding taking back maximum 100.000.000 share certificates (each having TL 0.01 nominal value, constituting 4 % of 2.500.000.000 paid in share capital) within lower price limit of TL 0 and upper price limit of TL 5,5 in order to decrease price fluctuations in the Company's share certificates traded in BIST and evaluate current market conditions, the Company took back 967.778 share certificates traded in BIST between 25 April 2013 and 21 June 2013.

Based on the Board of Directors decision dated 26 June 2013, regarding taking back maximum 100.000.000 share certificates (each having TL 0.01 nominal value, constituting 4 % of 2.500.000.000 paid in share capital) within lower price limit of TL 0 and upper price limit of TL 5,5 in order to decrease price fluctuations in the Company's share certificates traded in BIST and evaluate current market conditions, the Company took back 471.528 share certificates traded in BIST between 10 July 2013 and 26 September 2013.

Based on the Board of Directors decision dated 3 October 2013, regarding taking back maximum 100.000.000 share certificates within lower price limit of TL 0 and upper price limit of TL 5,5 in order to decrease price fluctuations in the Company's share certificates traded in BIST and evaluate current market conditions, the Company took back 272.189 share certificates traded in BIST between 30 October 2013 and 31 December 2013.

In accordance with Capital Markets Board's ("CMB") decision dated 10 August 2011 and numbered 26/767, the Company has repurchased 1,610,306 numbers of shares in accordance with three different "Share Repurchase Programs" which were in agenda of the Board of Directors' meetings dated 26 June 2012, 19 April 2013, and 26 June 2013. The repurchased shares constitute 6,44% of the Company's share capital as of 26 September 2013 which was the end date of the 3rd program. The Company has sold a portion of these repurchased shares having TL 1.237.500 nominal value and constituting 4,95% of the Company's share capital to Murat Ihlamur in exchange for TL 5 for each TL 1 nominal value share amounting to a total of TL 6.187.000. The sales transaction is realized in the Wholesale Market of Borsa İstanbul A.Ş. (BİAŞ) on 10 October 2013. Gain from this transaction amounted to TL 485.890 is recognized under shareholders equity.

The Company's repurchased shares in accordance with Share Repurchase Programs having TL 60.000 nomial value and constituting 0,24% of the Company's share capital have been sold to Teknoloji Yatırım A.Ş. on 26 December 2013 in exchange for TL 5 for each TL 1 nominal value share amounting to a total of TL 300.000. Gain from this transaction amounted to TL 37.023 is recognized under shareholders equity.

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16. Equity (continued)

Dividend distribution

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

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on interim financial statements of the Company.

Companies should include at least the following in their profit distribution policies:

a) Whether dividends will be distributed, and if distributed, the dividend distribution rate for shareholders and for others participating in the distribution.
b) Payment type of dividend distribution.
c) Time of dividend distribution; on condition that the distribution procedures to be started at the latest of the end of the annual period in which general assembly meeting was held in which the distribution was agreed upon.
d) Whether dividend advances will be distributed, and if distributed, the related principles.

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

In dividend distribution, the Company follows a balanced and consistent policy between the benefits of the shareholders and the benefits of the Company in accordance with the Corporate Management Principles. The Board of Directors of the Company has decided; that at least 20% of the ditributable net profit for the period calculated in accordance with the TCC, CMB regulations and the main agreement should be distributed to the shareholders as dividends, taking into consideration the economic conditions, long-term investment financing and business plans as well as profitability; that the dividend to be distributed may be realized in cash or by capital increase through bonus shares or partly in cash and partly through bonus shares; that the calculable dividend amount may remain undistributed in the event that it is less than 5% of the paid-in capital; and that this dividend distribution policy should be revised annually by the Board of Directors.

The matters in the Company's existing profit distribution policy which do not comply with the Communiqué on Dividends numbered II-19.1 which took effect in 2014 will be revised and submitted to the 2013 General Assembly for approval.

The part of the accumulated losses of the companies exceeding the total of retained earnings, general legal reserves including premiums related to shares and the amounts arising from the adjustment of equity items except for capital in accordance with inflation accounting is accounted for as discount items in the calculation of net distributable profit for the period.

Total amount of current period income and other reserves in the statutory records as of 31 December 2013 that can be subject to the dividend distribution of the Company is TL 25.866.560 (31 December 2012: TL 10.993.141).

17. Expenses by Nature

As of 31 December 2013 and 2012, expenses are disclosed by function and the analysis of the expenses is summarized in Note 18 and Note 19.

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18. Sales and cost of sales

The analysis of sales and cost of sales for the periods ended 31 December 2013 and 2012 is as follows:

	1 January - 31 December 2013	1 January- 31 December 2012
Sales income	69.353.110	44.747.546
Service income	5.184.590	3.937.222
Sales returns	(2.102.480)	(1.386.784)
Sales discounts	(1.703.943)	(1.135.347)
Net sales	70.731.277	46.162.637
Cost of sales	(8.548.962)	(1.751.338)
Gros profit	62.182.315	44.411.299

For the period ended at 31 December 2013, service income consists of SaaS service income amounting to TL 4.349.566 (2012- TL 3.182.112).

Cost of sales

The analysis of cost of sales for the periods ended 31 December 2013 and 2012 is as follows:

	1 January - 31 December 2013	1 January- 31 December 2012
Expenses for transfer of financial rights	8.408.073	1.029.076
Direct labour	-	70.796
Depreciation and amortisation expenses	-	20.011
Other production expenses	-	44.866
Total production cost	8.408.073	1.164.749
Cost of trade goods sold	140.889	586.589
Cost of sales	8.548.962	1.751.338

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19. Marketing, selling and distribution expenses, research and development expenses, general administrative expenses

The analysis of research and development expenses, marketing, selling and distribution expenses and general administrative expenses for the periods ended 31 December 2013 and 2012 is as follows:

Marketing, selling and distribution expenses:	1 January- 31 December 2013	1 January- 3 1 Decembe 2012 r
Personnel expenses	7.206.246	5.245.430
Advertising and selling expenses	6.034.575	4.547.225
Motor vehicle expenses	583.858	427.665
Consulting expenses	425.471	277.547
Travel expenses	239.142	176.064
Outsourced benefits and services	158.895	103.132
Depreciation and amortisation expenses	106.485	107.381
Rent expenses	55.004	20.736
Other	121.273	244.374
Total	14.930.949	11.149.554

Research and development expenses:	1 January- 31 December 2013	1 January- 31 December 2012
Personnel expenses	8.191.977	7.251.237
Depreciation and amortisation expenses	5.866.757	5.341.884
Consulting expenses	1.234.503	-
Motor vehicle expenses	690.117	338.089
Outsourced benefits and services	460.725	295.449
Travel expenses	156.709	68.658
Rent expenses	151.148	79.362
Other	351.449	624.077
Total	17.103.385	13.998.756

	1 January 31 December 2013-	1 January 31 December 2012-
General administrative expenses:		
Personnel expenses	6.352.707	5.369.249
Consulting expenses	1.361.103	529.769
Motor vehicle expenses	484.734	464.014
Depreciation and amortisation expenses	267.769	303.810
Outsourced benefits and services	222.709	183.321
Rent expenses	48.781	23.663
Travel expenses	42.777	28.492
Other	490.707	410.982
Total	9.271.287	7.313.300

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20. Financial income

The analysis of financial income for the periods ended 31 December 2013 and 2012 is as follows:

Financial income:	1 January 31 December 2013-	1 January 31 December 2012-
Interest income	318.293	264.564
Foreign exchange gains, net	194.473	-
Other financial income	384.360	-
Total	897.126	264.564

21. Financial expense

The analysis of financial expenses for the periods ended 31 December 2013 and 2012 is as follows:

Financial expense:	1 January 31 December-2013	1 January 31 December 2012-
Credit card commissions	656.322	1.277.266
Interest expenses	982.437	597.792
Foreign exchange losses, net	-	35.678
Other financial expenses	230.103	47.001
Loan comission expenses	344.236	-
Total	2.213.098	1.957.737

22. Other operating income and expenses and income from investment activities

The analysis of other operating income for the periods ended 31 December 2013 and 2012 is as follows:

Other operating income:	1 January- 31 December 2013	1 January 31 December-2012
Overdue interest income	706.964	559.069
Foreign exchange gain	457.772	-
Income from reversal of provision	-	250.000
Other income	203.664	358.853
Total	1.368.400	1.167.922

Other operating expenses:	1 January- 31 December 2013	1 January- 31 December 2012
Rediscount expenses, net	896.330	331.304
Provision expenses	182.068	-
Foreign exchange loss	448.581	28.084
Other expenses	301.135	276.251
Total	1.828.114	635.639

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22. Other operating income and expenses and income from investment activities (continued)

Income from investment activities:	1 January- 31 December 2013	1 January- 31 December 2012
Gain from sale of property and equipment	68.653	-
Gain on sale of financial instruments	47.142	124.210
Total	115.795	124.210

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. Deferred tax income assets and liabilities are measured at the enacted tax rate of 20% (2012: 20%) using the liability method on the temporary differences.

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred tax has been provided at 31 December 2013 and 31 December 2012 using the enacted tax rates, is as follows.

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Deferred income tax assets:				
Provision for doubtful receivables	1.636.945	1.130.806	327.389	226.161
Expense accruals	2.426.599	863.500	485.320	172.700
Provision for employee termination benefits	1.117.208	571.874	223.442	114.375
Rediscount of trade receivables and payables	1.311.954	247.715	262.391	49.543
Deferred income	1.241.292	68.455	248.258	13.691
Total			1.546.800	602.855
Deferred income tax liabilities:				
Difference between the tax base and carrying value of property and equipment and intangible assets	(3.291.865)	(1.130.623)	(673.161)	(226.124)
Other	(232.607)	131.929	(46.522)	26.385
Total			(719.683)	(226.124)
Deferred income tax assets/(liabilities), net			827.117	376.731

The reconciliation of current period tax expense is as follows:

	31 December 2013	31 December 2012
Income before tax	19.216.803	10.913.009
Tax calculated at the current enacted tax rate	(3.843.361)	(2.182.602)
Income exempt from tax and non-deductible expenses	4.061.494	2.271.749
Tax income	218.133	89.147

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23. Current and deferred income taxes (continued)

Corporate tax

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

Turkish Corporate Tax Law has been amended by Law No. 5520 dated 13 June 2006. Most of the articles of this new Law No. 5520 have come into force effective from 1 January 2006. The Corporation tax rate for 2013 is 20% (2012: 20%).

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.

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

In accordance with Tax Law No: 5035 item 44, that amends "Technology Development Regions Law" No: 4691, corporate and income taxpayers operating in technology development regions are exempt from corporate and income tax until 31 December 2023.

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

a) in accordance with the investment certificates prepared for applications made before 24 April 2003, investments to be made after 1 January 2006 in the scope of the certificate regarding the investments that began in the scope of additional articles 1, 2, 3, 4, 5 and 6 of Income Tax Law No: 193 before it was repealed with the Law No, 4842 dated 9 April 2003, and

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

The Constitutional Court abolished the provisions of Temporary Article 69 of the Income Tax Law regarding the time limitation to the investment allowance in its meeting held on 15 October 2009, and published the minutes of the relevant meeting on its website in October 2009. The decision of the Constitutional Court on the cancellation of the time limitation for investment allowance for the years 2006, 2007 and 2008 came into force with its promulgation in the Official Gazette, dated 8 January 2010, and thereby the time limitation regarding investment allowance was removed. The company has deferred investment allowance amounting to TL 1.405.908 that can be offsetted in the future.

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23. Current and deferred income taxes (continued)

The analysis of taxation on income for the periods ended 31 December 2013 and 2012 is as follows:

	31 December 2013	31 December 2012
Current income tax charge	(145.484)	-
Deferred tax income	363.617	89.147
Total tax income	218.133	89.147

24. Earnings/loss per share

The earnings per 1.000 shares with nominal value of Kr 1 amounted to TL 7,71 for the period ended 31 December 2013 (31 December 2012: TL 4,30).

25. Related party disclosures

i) Due from and due to related parties at 31 December 2013 and 31 December 2012:

a) Due from related parties:	31 December 2013	31 December 2012
Current		
Tekbulut Teknoloji A.Ş. (**)	2.199	-
Logo Siber Güvenlik ve Ağ Tek. A.Ş. (**)	27.931	-
Logo Yatırım Holding A.Ş.(*)	-	59.699
Non-current		
Logo Yatırım Holding A.Ş.(*)	-	2.000.000
Total	30.130	2.059.699

b) Due to related parties:	31 December 2013	31 December 2012
Current		
Logo Yatırım Holding A.Ş.	56.912	-
Logo Elektronik Ticaret Hizmetleri A.Ş.(**)	7.219.971	135.045
Total	7.276.883	135.045

ii) Sales to related parties, services given to related parties and financial income from related parties during the periods ended 31 December 2013 and 2012:

a) Services given to related parties:	31 December 2013	31 December 2012
Logo Yatırım Holding A.Ş. (*)	457.121	3.540
Logo Siber Güvenlik ve Ağ Tek. A.Ş. (**)	51.175	-
Logo Elektronik Ticaret Hizmetleri A.Ş.(**)	260.165	165.109
Total	768.461	168.649

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25. Related party disclosures (continued)

iii) Services purchased from related parties and other transactions with related parties during the periods ended 31 December 2013 and 2012:

a) Services obtained from related parties:	31 December 2013	31 December 2012
Logo Elektronik Ticaret Hizmetleri A.Ş.(**)	8.896.176	473.150
Logo Yatırım Holding A.Ş. (*)	62.154	7.426
Total	8.958.330	480.576

(*) The main shareholder of the Company
(**) Other related party

b) Remuneration of the board of directors and executive management:

	31 December 2013	31 December 2012
Remuneration of the board of directors and executive management	2.730.852	1. 877.344

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 2013 and 2012 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 2013 and 2012.

26. Nature and extent of risks arising from financial instruments

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 aggregate risk from any individual counterparty and obtaining sufficient collateral where necessary.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynmic nature of the underlying business the Company aims at maintaining flexibilty in funding by keeping committed credit lines available. The company management holds adequate cash and credit commitment that will meet the need cash for recent future in order to manage its liquidity risk. In this context the Company has credit limit from bank amounting to TL 100.000.000 that the company can utilize whenever needed.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2013 (CONTINUED)

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26. Nature and extent of risks arising from financial instruments (continued)

The following table presents the maturity of Company's non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

31 December 2013	Carrying value	Total contractual cash outflow	Up to 3 months	Between 3 and 12 months	Between 1-5 years	Over 5 years
Non-derivative financial instruments						
Bank borrowings	24.120.053	32.330.112	926.218	1.102.081	30.301.813	-
Trade payables						
- Related Party	7.276.883	7.597.392	1.942.031	5.655.361	-	-
- Other	3.211.583	3.218.845	3.218.845	-	-	-
Other payables						
- Related Party	-	-	-	-	-	-
- Other	2.412.924	2.412.924	2.412.924	-	-	

31 December 2012	Carrying value	Total contractualcash outflow	Up to3 months	Between 3 and 12months	Between 1-5 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	2.257.430	2.257.430	2.257.430	-	-	-
Other payables						
- Related Party	-	-	-	-	-	-
- Other	2.448.818	2.448.818	2.437.248	-	11.570	-

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26. Nature and extent of risks arising from financial instruments (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:

	31 December 2013	31 December 2012
Financial instruments with fixed interest rate		
Financial assets		
- Designated at fair value through profit or loss	5.402.435	5.681.340
Financial liabilities	4.030.919	5.235.185
Financial instruments with floating interest rate		
Financial assets		
- Designated at fair value through profit or loss	193.063	482.825
Financial liabilities	20.089.134	-

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

At 31 December 2013, if interest rates of bank loans with variable interest rates has strengthened/weakened by 500 base point (5%) with all other variables held constant, income before tax would have been TL 17.721 (2012: nill) lower/ higher.

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 periods ended 31 December 2013 and 2012 is as follows:

	31 December 2013	31 December 2012
Total exports	4.481.232	3.619.898
Total imports	135.499	790.896
Ratio of hedging of net foreign currency liability	-	-

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 2013 and 31 December 2012 is summarized below.

Foreign currency position:	31 December 2013	31 December 2012
Assets	3.795.720	2.316.110
Liabilities	(1.397.087)	(1.750.801)
Net foreign currency position	2.398.633	565.309

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26. Nature and extent of risks arising from financial instruments (continued)

Turkish Lira equivalent of assets and liabilities denominated in foreign currency held by Logo Yazılım were as follows

		31 December 2013		31 December 2012	
	Original currency	Original Amount	TL equivalent	Original amount	TL equivalent
Cash and cash equivalents	USD	538.525	1.149.373	73.001	130.131
	Euro	271.566	797.453	168.950	397.320
Trade receivables and due from related parties	USD	573.983	1.225.052	428.499	763.842
	Euro	211.606	621.381	379.370	892.165
	Other	-	-	-	132.652
Other receivables	Euro	838	2.461	-	-
Foreign currency denominated assets			3. 795.720		2.316.110
	Euro	409.483	1.202.447	501.373	1.179.078
Trade payables and due to related parties	USD	31.398	67.012	181.026	322.697
Bank borrowings	USD	59.799	127.628	139.699	249.026
Foreign currency denominated liabilities			1.397.087		1.750.801

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26. Nature and extent of risks arising from financial instruments (continued)

				31 December 2013
		Profit/Loss		Equity
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Appreciation/(depreciation) of USD against TL at 10%:				
Profit/(loss) from USD net asset	217.979	(217.979)	-	-
Secured portion from USD risk (-)	-	-	-	-
USD Net Effect	217.979	(217.979)	-	-
Appreciation/(depreciation) of EUR against TL at 10%:				
Profit/(loss) from EUR net liability	21.884	(21.884)	-	-
Secured portion from EUR risk (-)	-	-	-	-
EUR Net Effect	21.884	(21.884)	-	-
Appreciation/(depreciation) of Other against TL at 10%:				
Profit/(loss) from Other net liability	-	-	-	-
Secured portion from Other risk (-)	-	-	-	-
Other Net Effect	-	-	-	-
Total Net Effect	239.863	(239.863)	-	-

				31 December 2012
		Profit/Loss		Equity
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of Foreign currency	Depreciation of foreign currency
Appreciation/(depreciation) of USD against TL at 10%:				
Profit/(loss) from USD net asset	32.225	(32.225)	-	-
Secured portion from USD risk (-)	-	-	-	-
USD Net Effect	32.225	(32.225)	-	-
Appreciation/(depreciation) of EUR against TL at 10%:				
Profit/(loss) from EUR net liability	11.041	(11.041)	-	-
Secured portion from EUR risk (-)	-	-	-	-
EUR Net Effect	11.041	(11.041)	-	-
Appreciation/(depreciation) of Other against TL at 10%:				
Profit/(loss) from Other net liability	13.265	(13.265)	-	-
Secured portion from Other risk (-)	-	-	-	-
Other Net Effect	13.265	(13.265)	-	-
Total Net Effect	56.531	(56.531)	-	-

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26. Nature and extent of risks arising from financial instruments (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.

	31 December 2013	31 December 2012
Total bank borrowings and trade payables	34.608.519	7.627.710
Less: Cash and cash equivalents (Note 4)	(19.268.115)	(9.833.681)
Net Debt	15.340.404	(2.205.971)
Total equity	59.125.528	42.465.745
Total capital	74.465.932	40.259.774
Gearing ratio	21%	(6)%

27. Financial Instruments

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

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

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

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27. Financial Instruments (continued)

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.

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

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

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

Level 3: Valuation techniques does not contains observable market inputs

Fair value hierarchy table as at 31 December 2013 is as follows:

Financial assets at fair value through profit or loss:	Level 1	Level 2	Level 3
Financial assets	-	193.063	-

Fair value hierarchy table as at 31 December 2012 is as follows:

Financial assets at fair value through profit or loss:	Level 1	Level 2	Level 3
Financial assets	-	482.825	-

28. Subsequent events

1. Indicative exchange rates of USD and EURO are set by Central Bank of Turkey as 2.2003 and 3.0062 respectively on 13 February 2014 at 15:30. As of 31 December 2013, exchange rates of USD and EURO are 2.1343 and 2.9365, respectively.

2. In the meetings of the Board of Directors held on 27 January 2014, the principal shareholders of the Company, Logo Yatırım Holding A.Ş. and EAS Solutions S.a.r.l have decided that;

A voluntary takeover bid process shall be started for the takeover at equal rates of the shares of Logo Yazılım Sanayi ve Ticaret Anonim Şirketi, in which they participate, in accordance with the provisions of the Capital Market Board's Communiqué on Takeovers numbered II-26 and an application shall be filed to the Capital Market Board within this scope,

On condition that the opinion of the Capital Market Board on convenience is received, the voluntary takeover bid price for each B group shares with a nominal value of TL 0,01 shall be determined as TL 0,0575 (TL 5,75 for every one hundred shares),

The fund to be used in payments to the investors during the voluntary takeover bid shall be determined as TL 32.754.140 and that 50% of this fund shall be supplied from the equity of Logo Yatırım Holding A.Ş. and the remaining 50% shall be supplied from the equity of EAS Solutions S.a.r.l.

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