2015 ANNUAL REPORT

CONTENTS

Leaving behind 31 years in the business software industry, Logo continues to offer products and solutions in all segments of the market with a sustainable growth objective. **Logo will remain committed to its organic and inorganic growth strategy in the upcoming periods and focus on developing user-friendly, mobile and nice products in line with the global technology trends.**

OVERVIEW

As Turkey's largest software company, Logo has continued to grow by serving various industries and to transfer its know-how and experience accumulated in Turkey to the international markets.

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 their processes in line with international standards. Enterprise resource management designed for different scales, industrial software, business intelligence and e-state applications are among those solutions.

Logo, one of the largest corporate software companies in Turkey, entered the industry in 1984 by developing application software for engineering and project management. Defining itself as an “Efficiency Company”, Logo provides solutions to companies for their structuring along contemporary management principles, while increasing their efficiency and profitability by managing their processes in line with international standards.

With its solutions, services and innovations, Logo is the fastest growing company in the industry with more than 900 dealers and extensive network of distribution channels. Logo’s products are customized in several languages, business practices and legislations of numerous countries in Europe, the Middle East, Africa and Asia, and are delivered to users through authorized business partners or fully authorized distributors in the relevant market.

Logo left behind 31 years in the industry and has completed a very important part of this period as a market leader. Through its strategic investments, Logo has managed to transfer its know-how and experience that has been accumulated in Turkey to international markets. Taken considerable steps towards becoming a prominent player in markets with high growth potential, Logo has continued its strong growth with a revenue increase of close to 50% in the last five years.

BUSINESS MODEL GROWING WITH AN EVEN STRONGER CAPITAL STRUCTURE

In addition to its entrepreneurial and reliable position, Logo is committed to create value for its stakeholders with its international corporate identity. Going public in May 2000, Logo is the first-ever information technology company to be listed on the stock exchange in Turkey.

Throughout its experience over 30 years in the software industry, Logo has remained committed to investing in new business models and technologies. In 2011, Logo acquired the entire share capital of Coretech, a leading technology company providing software as a service (SaaS) applications. In the same year, the company acquired majority shares of WorldBI (renamed LogoBI), a Business Intelligence software company, and the company completed this acquisition in 2013 by taking over all of the remaining shares of LogoBI. This investment provided Logo with a substantial market share in the Business Intelligence market, in addition to the Internet and mobile-based technologies. In September 2013, the acquisition of Netsis, a prominent player in the industry, reinforced Logo's competitive position in the Turkish market. The company acquired Logo Elektronik (e-Logo) in 2014, which has a product and service portfolio facilitating transition to e-commerce in its finest, fastest and easiest way. E-Logo has e-invoice and e-archive products in addition to B2B and B2C services and the company is the market leader among the e-invoice private integrators with a 26% market share. We continued acquisition activity also in 2015 to leverage our strategy. In January, Logo acquired the majority shares of Intermat and completed this acquisition by taking over all of the remaining shares of Intermat in July. Intermat produces software products, particularly CRM (Customer Relations Management) solutions. Additionally, Logo completed two additional acquisitions, Sempa in June and Vardar in September in 2015, which offer software and hardware services.

Apart from its entrepreneurial and solid position, Logo remains committed to add value to its stakeholders with an international identity. The company went public in May 2000 as the first Turkish information technology company to be listed on the stock exchange. The shares of the company are traded on Borsa Istanbul since the year 2000 with Logo ticker in the indices BIST All (XUTUM), BIST Information Technology (XBLSM) and BIST Technology (XUTEK). Pursuant to the new market structure of Borsa İstanbul introduced in November 2015, Logo's shares now trade in the BIST Stars category. Logo has also been included in BIST 100 (XU100) index as of January 2016 and in BIST 50 (XU50) index as of April 2016. The company is also one of the members of Corporate Governance Index (XKURY), which includes companies which follow the Principles of Corporate Governance.

COMMERCIAL TITLE	LOGO YAZILIM SAN. VE TİC. A.Ş.
Trade Registration Number	12750
Head Office	Gebze Organize Sanayi Bölgesi Teknopark No:609 Gebze 41480 Kocaeli **T.** 0262 679 80 00 **F.** 0262 679 80 80
Liaison Offices	Istanbul Sales Office İçerenköy mah. Değirmenyolu sok. Gülseren Murat Üçüncü İş Merkezi No:35 Kat: 3 Ataşehir 34752 İstanbul **T.** 0 216 570 78 00 **F.** 0 216 570 78 08 Ankara Sales Office and R&D Center Cyberpark Cyberplaza C Blok 3. Kat No:328 06800 Ankara **T.** 0 312 265 04 00 **F.** 0 312 265 05 75 Izmir Sales Office Şehit Nevres Bulvarı Kızılay İş Merkezi Kat:6 Daire:602 Alsancak 35210 İzmir **T.** 0 232 441 87 87 **F.** 0 232 441 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
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EVER-EXPANDING LOGO SOLUTIONS FAMILY

Turkey's leading software brand Logo offers its customers not only software solutions but also a platform that meets their requirements and increases the value and efficiency of their business.

The complementary and customizable product family of Logo contains enterprise resource planning products, industry solutions, supply and demand chain automation, business intelligence solutions and mobile solutions specifically designed for companies of different sizes and industries, in addition to a wide range of other services and solutions.

The broad product family of Logo expanded with the joining of Turkey's leading software developers as a result of recent M&A activity is presented below:

SME SOLUTIONS
- GO 3
- NETSİS ENTEGRE
- MALİ MÜŞAVİR PLUS
- START

ERP SOLUTIONS
- J-GUAR
- TIGER ENTERPRISE
- NETSİS ENTERPRISE
- TIGER PLUS
- NETSİS STANDARD 2

SAAS SOLUTIONS
- DİVA

INTEGRATION SOLUTIONS
- LOGO NOTIFIER
- LOGO CONNECT BANKA
- LOGO CONNECT B2B
- NETSİS B2B
- LOGO CONNECT EXCEL PLUG-IN
- FDA
- LOGO MAPS
- GO GARANTİ
- TURKCELL HİZMETLERİ

HR SOLUTIONS
- TIGER HR
- J-GUAR İK
- NETSİS HR
- BORDRO PLUS

REPORTING SOLUTIONS
- NAVIGATOR SMART

MOBILE SOLUTIONS
- LOGO MOBILE

BUSINESS INTELLIGENCE SOLUTIONS
- LOGO MIND
- LOGO MIND BUDGET

PERSONAL
- LOGO KEYS

E-STATE SOLUTIONS
- E-DEFTER
- E-FATURA
- E-ARŞİV

MISSION, VISION AND PRINCIPLES

OUR MISSION

Logo serves the country and humanity by working for the success of entrepreneurs and SMEs in global markets to help increase the production, employment and welfare.

OUR VISION

Logo envisions an economic model in global free markets, where SMEs sustain a major role with their entrepreneurial culture, creativity, innovativeness, high added value and employment potential.

PRINCIPLES

Productivity

Our products and services focus 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

Our priority is absolute customer satisfaction. It is of utmost importance for us that our products are high quality and we are committed to Total Quality Management as a management philosophy. Our main principle is to determine our policies according to market preferences and standards, as well as establish a close and long-lasting relationship with our customers.

Research and Development

We believe that efficient research and development is the main component of being competitive in today's ever-changing business environment. We allocate the largest part of our resources to research and development in order to create new products, improve our existing products and correspond to new technology and platforms for better service.

Profitability

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

Social Responsibility

We are committed to the idea that technology is an instrument that provides freedom to people by means of increasing the quality of life. Technological development should always appear in concurrence with respect towards both the people and the environment. We act with a sense of responsibility towards the society and the world, and maintain a constructive approach to social problems.

Business Ethics

We support and act in compliance with the principles of market economy. We are committed to the principles of fairness, integrity, transparency and consistency in our relationship with our customers, business partners and other firms. We comply with the law and ethical principles in business in all our dealings.

Employee Happiness

We believe that products and services of good quality can only be produced by qualified and happy employees. Therefore, we place great importance on continuous training of our employees. We aim to have happy, productive and socially beneficial employees by providing them a good income, a high-class work environment, participative management and job security.

Equal Opportunity

We are committed to the principle of equal opportunity in recruitment and evaluate candidates based on only their knowledge and experience. We also conduct performance appraisal based on productivity in line with company objectives.

LOGO'S MILESTONES COVERING MORE THAN 30 YEARS

1984
- Establishment of the company

1986
- Logo Commercial Systems was introduced to users
- DOS was introduced to users.

1988
- Logo Modular System (LMS) was introduced to users.

1991
- Multibase-C was introduced to users.

1992
- Logo Gold was introduced to users.

1993
- Logo Alınteri (Great Effort) was introduced to users.

1999
- Logo ERP (Unity & HR) was introduced to users.

2000
- Logo Investment Holding was established.
- Shares of the company was offered to the public.
- Logo Product Development Center was established in GOSB Technopark with an 11,000 square meter in-door area.

2001
- Logo Business Software was established in Germany.

2003
- Technological cooperation agreement was signed with IBM.

2004
- e-Products were introduced to users.
- Supply Chain Execution was introduced to users.

2005
- Tiger was introduced to users.

2006
- Unity on Demand was launched.

2007
- Dubai Sales Office was established.
- GO was introduced to users.

2008
- Start was introduced to users.

- **2010**
- GO Plus was introduced to users.
- Tiger Plus was introduced to users.
- Tiger Enterprise was introduced to users.

2011
- Coretech was acquired.
- Majority shares of World BI were acquired.
- Logo BI was introduced to users.

2012
- j-guar was introduced to users.
- Logo Mobile was introduced to users.
- Logo Store was introduced to users.
- Logo e-Defter was introduced to users.
- Logo e-Invoice was introduced to users.

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

2014
- Logo celebrated its 30th anniversary.
- Logo Elektronik (e-Logo) was acquired.
- A Letter of Intent has been signed for the acquisition of the shares of İntermat Bilişim.

2015
- Intermat was acquired.
- Sempa and Vardar were acquired.

LOOKING AT THE FUTURE

LOGO AIMS TO BE ONE OF THE LEADING COMPANIES AT THE HIGH GROWTH POTENTIAL MARKETS

We do business in a country, which aims to become one of the 10 largest economies within the next decade. Despite the fact that Turkey is currently ranked the 18th, the level of maturity in the software industry is as low as in underdeveloped countries. This clearly indicates that the Turkish software industry offers great opportunities, as it has to keep up with the economic growth in the country. We continue our efforts to create value with our potential by increasing our market share in Turkey and taking a larger part in the markets of the surrounding region.

Turkish Information Technology Market
Hardware **80%**
IT Services **13%**
Software **7%**

WHAT REALLY MATTERS IS SUSTAINABLE GROWTH

We are the largest Turkish company in the application software market. Logo's customers include approximately 500,000 SMEs with sales between 1 million and 100 million TL. In addition to being our customers, they also share our goal: being the driving force behind the economy. Together, we pursue Turkey's goal for the year 2023. We will expand our cooperation with the SMEs, which have brought us the leadership in the market and sustain our efforts to become an effective player and permanent leader in the region.

Leader in the EAS market in terms of the number of customers.

SOLID PERFORMANCE TO GENERATE SUSTAINABLE REVENUES

We achieved a 50% CAGR starting from 2009. In 2015, our total sales increased by 24% compared to the previous year and reached 129 million TL. As a consequence of our strategy to generate sustainable revenues, recurring sales increased by 51% to reach 73 million TL. Thanks to our efficient business model, we managed to have a controlled growth in operating expenses, providing 46% increase in earnings before interest, tax, depreciation and amortization and 43% increases in our net profit, respectively.

Total Sales: **129 million TL**
EBITDA: **53.7 million TL**
Net Income: **40.2 million TL**

CORPORATE GOVERNANCE MEANS "THE FUTURE" FOR US!

As the first and only listed software company in Turkey, transparency and accountability are essential principles for Logo since its establishment. We have been included in the Corporate Governance Index in 2009 with a rating score of 8.05, which we have permanently increased since then. We take part in both BIST Corporate Governance Index and World Corporate Governance Index (WCGI) covering 150 countries, with our rating score of 9.08. As one of the leaders in female employment in line with our corporate structure based on contemporary management principles, the board of directors of Logo is governed by a strong board, which also includes women directors.

Initial Public Offering: **2000**
Free Float Rate: **25.8%**
Corporate Governance Rating Score: **9.08**

FINANCIAL HIGHLIGHTS

Sales Revenue
129 million TL

Operating Income
39.9 million TL

Operating Profit Margin **%31**

EBITDA
53.7 million TL

EBITDA Margin
%42

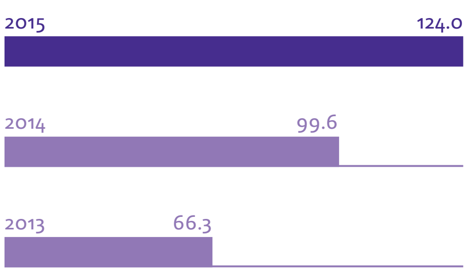
Net Profit
39.9 million TL

Net Profit Margin
%31

(MILLION TL)	2015	2014
Net Sales	128.8	104.0
Gross Profit	125.5	99.4
Operating Profit	39.9	29.9
Financial Income	2.7	1.0
Financial Expenses	(2.9)	(4.1)
Net Income Before Tax	40.0	27.2
Net Income / (Loss)	39.9	27.6
Earnings per 1,000 shares with nominal value 1 Kr each	16.0	11.0
(MILLION TL)		
Total Assets	202.3	166.1
Current Assets	124.5	104.9
Non-Current Assets	77.8	61.2
Current Liabilities	83.5	58.6
Non-Current Liabilities	8.6	19.9
Equities	108.5	86.1
Paid-in Capital	25.0	25.0
Current Ratio	1.49	1.79
Total Liabilities / Equities	0.83	0.90
Equity / Total Assets	0.55	0.53

FINANCIAL INDICATORS (MILLION TL)

DOMESTIC SALES



25%

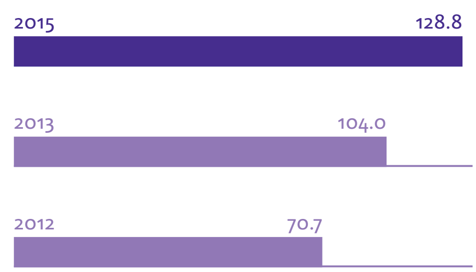
In 2015, domestic sales went up by 25% and reached 124.0 million TL.

INTERNATIONAL SALES

8%

In 2015, international sales revenue increased by 8% and reached 4.7 million TL.

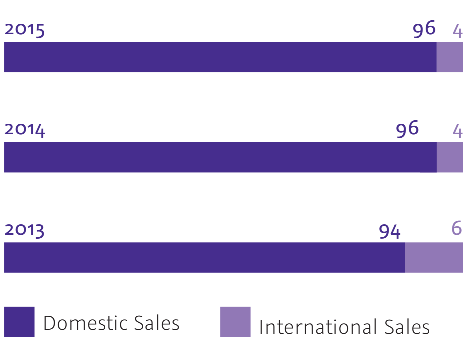
TOTAL SALES



24%

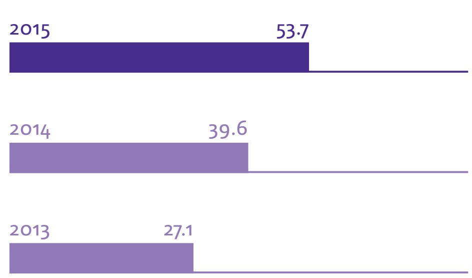
In 2015, total sales revenue rose by 24% to 128.8 million TL

GEOGRAPHICAL BREAKDOWN OF SALES (%)



International markets account for 96% of total sales, whereas domestic sales account for 4%.

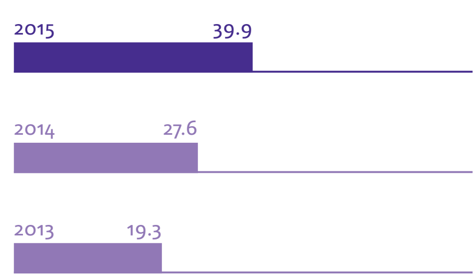
EBITDA



36%

In 2015, Logo recorded a strong EBITDA growth with 36% to reach 53.7 million TL.

NET PROFIT



45%

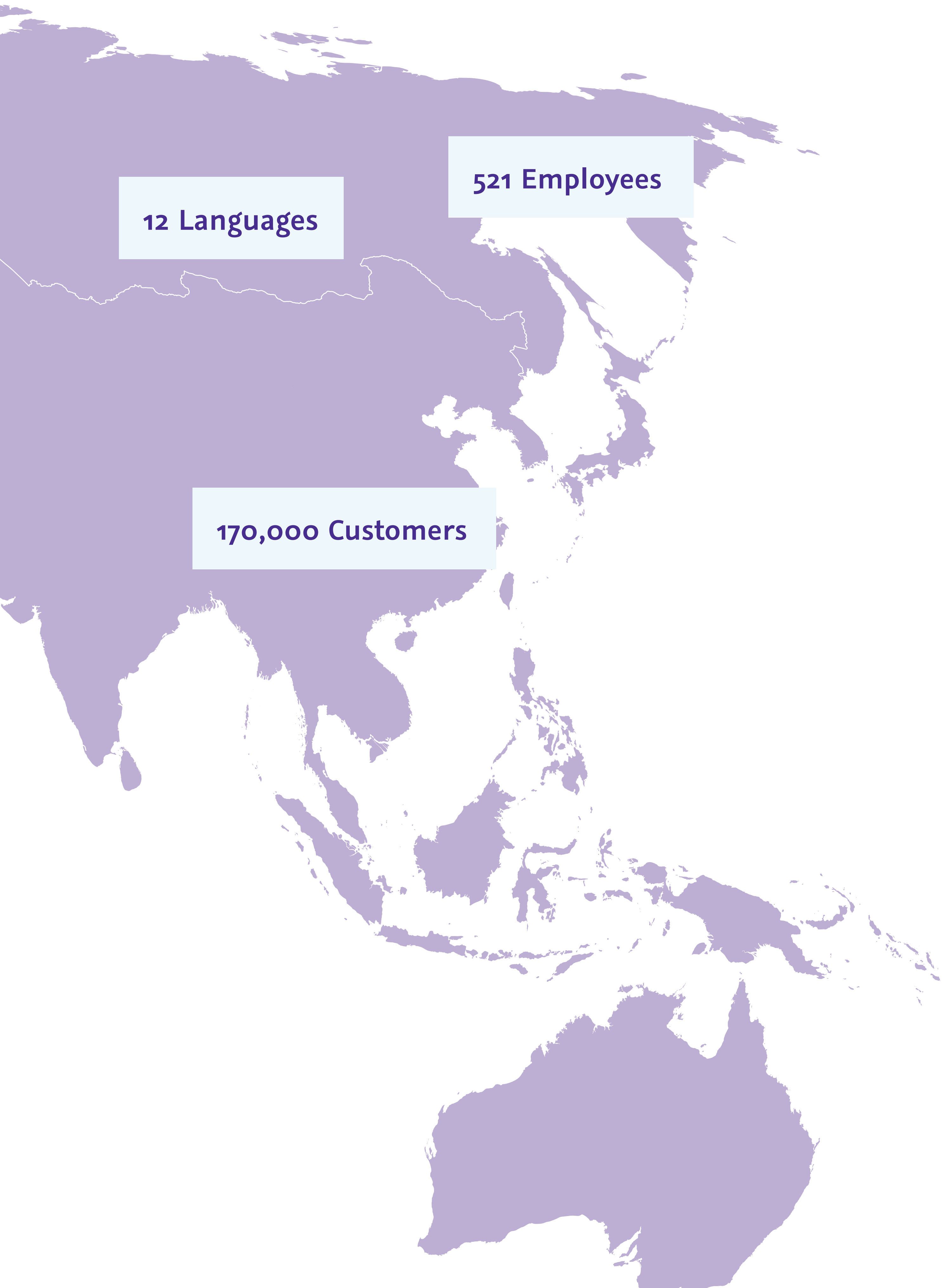
In 2015, net profit totaled 39.9 million following a 45% increase thanks to successful sales performance.

GEOGRAPHIC FOOTPRINT OF LOGO

1.3 Million Users

+900 Business Partners

Germany, Azerbaijan, The United Arab Emirates, Algeria, Morocco, Iraq, Iran, Kazakhstan, Kosovo, Libya, Egypt, Pakistan, Russia, Sudan, Saudi Arabia, Turkmenistan, Ukraine, Jordan

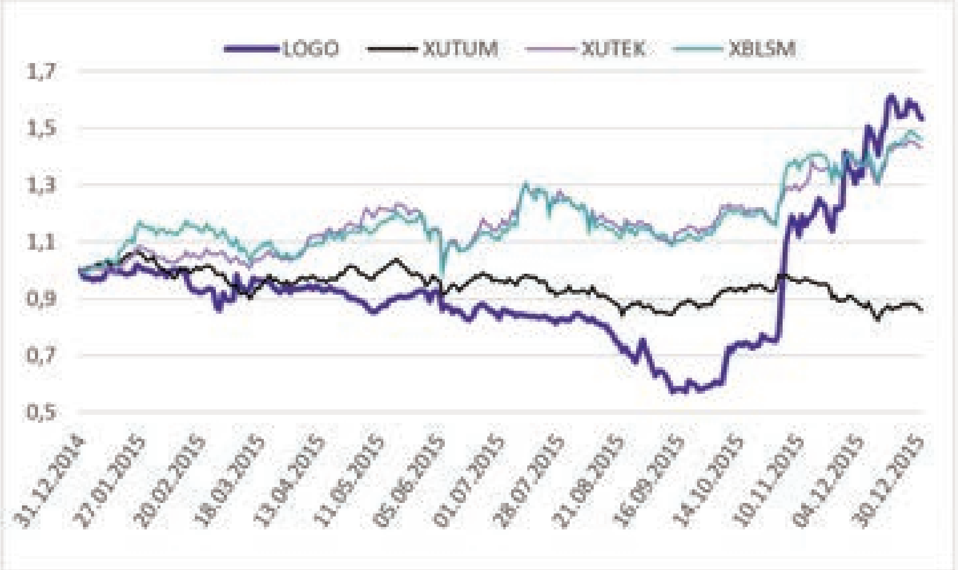

521 Employees
12 Languages
170,000 Customers

SHARE PERFORMANCE

While outperforming XUTUM, XUTEK and XBLSM indices in the last year, Logo's market cap reached to 1.07 billion TL as of December 31, 2015 indicating 53% increase compared to the same period of the previous year.

Initial Public Offering	May 2000
Ticker	LOGO
ISIN Code	TRALOGOW91U2
Registered Capital	-
Paid-in Capital	25 million TL
Lowest Share Price	15.75 TL
Highest Share Price	48.66 TL
Average Share Price	26.11 TL
Share Price (December 31, 2015)	42.8 TL
Market Value (December 31, 2015)	1,070 million TL

LOGO BUSINESS SOLUTIONS SHARE PERFORMANCE



Pursuant to the Share Buy Back Program announced on September 21, 2015 108,136 units of shares were purchased in BIST, in order to mitigate fluctuations in the share price and benefit from the existing market conditions.

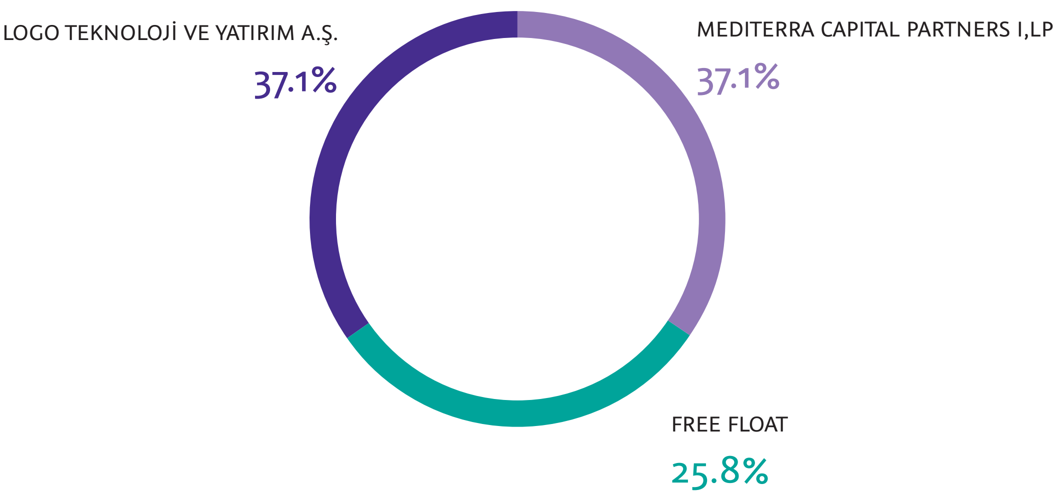
CAPITAL AND SHAREHOLDING STRUCTURE

Our paid-in capital of 25 million TL is divided into 2.5 billion units of shares with a value of 1 kurus each. As of December 31, 2015, the capital of the company consists of 3.3 million units of Group A registered shares corresponding to 33,000 TL and 2,496,700,000 units of Group B bearer shares corresponding to 24,967,000 TL. Half plus one of the board members shall be elected from among the candidates nominated by the Group A shareholders.

Breakdown of the company's capital of 25 million TL is as follows:

CLASS	NOMINAL VALUE PER SHARE	REGISTERED / BEARER	TOTAL
A	1 Kurus	Registered	33,000
B	1 Kurus	Bearer	24,967,000

SHAREHOLDING STRUCTURE



(*) consists of EAS S.A.R.L (33.81%) and other persons.

CHAIRMAN'S LETTER

DEAR LOGO SHAREHOLDERS,

We completed a very successful year, during which the much-expected breakthrough in the information technology industry has started. Upon various occasions, I have stated that Logo is one of the best-positioned companies to provide service in the e-transformation process thanks to its long history of success, its advanced technology and its strong service network composed of business partners throughout the entire country. Today I am particularly pleased to address you with the pride of having achieved, what we have promised so far.

We still have a long way ahead of us; and simultaneously a plethora of opportunities for improvement. The ratio of IT spending to national income is still at relatively low levels in comparison to the OECD average. Turkey cannot afford to remain distant from the developments in information technology considering her objective to become a modern global economy. This clearly indicates that our industry enjoys a large room for growth. Logo is the second largest software company in the Turkish Integrated Business Applications market with its ever-expanding market share. With more than 500 employees along the R&D and service centers in three cities, one should expect Logo to continue leading the way towards this development also in the future, as we are one of the R&D leaders in Turkey, constantly renewing our products and services, growing through acquiring specialized companies, serving our customers with our 900 business partners and 3,500 experts.

Throughout the projects that we have completed for our international customers, we have observed that the software applications developed in Turkey's dynamic and competitive economy sets an example for other developing countries. Logo is planning for organic and inorganic growth in the international markets as well, capitalizing on the know-how and experience accumulated in Turkey.

Since 2014, in addition to my role as the Chairman of the Board, I have been undertaking the role of Chief Technology Officer. In this capacity, I have been emphasizing the continuity of Logo's technological superiority known for years now and rapid technical integration to our processes and quality systems of the companies with different expertise and technological background.

We constantly endeavor to increase the value of our customer's investments in our products and services, while accelerating our R&D efforts to keep up with technological developments and new business models. By updating the technology of our existing products in cooperation with our business partners, we develop applications compatible with various roles and requirements in business organizations, renew product design, adapt them for mobile use and gain depth in companies with more pleasant and user-friendly features.

We invest in the cloud technology in order to enable access to IT from anywhere at anytime which is a sine qua non requirement for the future. We are developing our cloud platform to allow all companies in our ecosystem to serve the entire world on a 24/7 basis.

These developments ascertain that Logo continues to create value for its customers and investors with its strong financial position, proven growth strategy, energetic and experienced executive team, and honest and transparent management system driven by principles.

Logo Business Solutions stays in the course of becoming a Turkey-based regional software giant. We are proud for having delivered our promises to date in their entirety and we look to the future with confidence. We hope that your interest and trust in us will remain intact.

Sincerely yours,

M. TUĞRUL TEKBULUT

CEO LETTER

DEAR LOGO SHAREHOLDERS AND ESTEEMED MEMBERS OF LOGO FAMILY,

The year 2015 has been a vibrant year full of important developments in our country. Developments in Turkey have affected the local market in the same direction with the fluctuations in the global economy. Notwithstanding the challenging periods that the financial markets have gone through, I should state that the resulting climate has proven to turn in favor of the software and IT companies like us, which are dedicated in reinforcing productivity.

Logo is an established and experienced institution with a history stretching back to more than 30 years. We become stronger every day, evolve and further fortify our position in the market. It is of utmost importance to renew ourselves constantly and anticipate what is to come next; for the IT industry is characterized by rapid technological changes. We are proud to sustain an uninterrupted growth for the last five years and increase Logo's market share in this dynamic industry.

Logo ranks in the second place in the software market with a market share of 24.1%. We are proud to know that Logo is the only company, which has constantly been growing in the last five years, whereas market shares of all other companies in the business applications segment either remained at the same levels or went down.

For us in LOGO, sustainable growth is not pertinent solely to market share or revenues.. Logo Business Solutions performs exceptionally well in its area of expertise. In addition, since 2011 the company has been growing by acquiring companies that produce complementary products and services in the ERP solution set. We shall continue to integrate companies, which have a strong background and develop outstanding solutions in their own fields, thereby making inorganic contribution to the growth in our revenues.

We consider R&D investment as a component par excellence of our strategy. We firmly believe that those countries, which place great importance on R&D and software, design their education systems accordingly, provide subsidies to companies and conduct investments to grow in this field will dominate the global economy by the end of next decade. Therefore public, industrial and private sectors shall trust and invest in the local companies, as well as provide them an environment, where they will develop new products. We increased the investment in R&D related human resources from 27,792,818 TL in 2014 to 35,634,900 TL in 2015, representing a 26% growth. The total resources that we have appropriated in the R&D reached 41 million TL, corresponding to 32% of our sales. We are aiming to increase this ratio every year.

The e-transformation applications, which were an important agenda item in our country, assumed a critical role in our business processes and sales. Throughout this substantial period, during which the efficient, measurable and profitable business environment of the future is being created, Logo's responsibility was not limited to developing the right tools, but also included informing the customers about e-transformation.

In 2015, we grew our sales by 24% and 128.8 million TL in revenues. As of today, with our increased market share, we became the market leader in the SME segment and rank in the second place in our industry. We also lead our market in terms of the number of customers. Implementing a strategy, which demonstrates a clear focus on sustainable growth in the Turkish market, we continue to create added value for our customers with more than 900 business partners and over 1.000 integrated solutions.

Furthermore, for 2016 we remain committed to enhance our product variety and scope, by developing a vast array of solutions for each segment in the market. We target to increase the sales of Business Intelligence and Customer Relationship Management solutions to change the composition of our revenues. Our goals include outperforming the market growth in terms of revenues and reaching more users by training even more business partners. In accordance with the facts, we clearly envisage a significant growth opportunity for Logo in the market.

2015 has been yet another year of diligent work from our part. I address my sincere gratitude to everyone who has contributed to our achievements so far; our business partners, customers, shareholders, and all members of Logo family.

Sincerely yours,

M. BUĞRA KOYUNCU

OPERATIONAL REVIEW

Stemming from the local sources of Turkey, Logo carries the characteristics of its country of origin. Our products are affordable, ultra-flexible, rapidly adaptable and quickly customized solutions in line with the size of the company or industrial requirements. Compared to the global brands, main differences of Logo brands are to come in different sizes for different segments. We offer a vast array of solutions at different price ranges to all customers from single user companies to the SMEs, mid segment businesses and entrepreneurs. The majority of our services are delivered to customers through our business partners.

FROM LOCAL TO GLOBAL WITH HIGH STANDARD PRODUCTS AND SERVICES

Logo develops its products and services in line with technological innovations, in order to meet the needs of the business world by closely monitoring the rapidly changing and developing technologies.

Enterprise business applications provide advantage to all businesses aiming to be a part of the global economy. They ensure having a successful business model by differentiating strategies from those of the competitors. Enterprise Resources Planning still remains as the most needed segment in the business solutions market with ever-increasing investments.

Closely following the rapidly changing and developing technology, Logo develops its products and services in line with the technological innovations with the principle of providing a competitive advantage to its users.

The differentiation in the needs of companies' product and services, and rapidly changing technologies bring a different dimension to the ERP solutions. "Integration", "virtualization" and "convergence" concepts have enlarged the area of impact of the ERP solutions in the recent years.

"Cloud" and "SaaS" applications are directly related with the virtualization concept and reshape the EPR market. Running ERP services over the Internet, using "pay as you go" services, focusing on the service provided instead of license fee and maintenance costs have created a new vision for all companies.

Logo aims to expand its competitiveness in the global markets by increasing diversity and scope of its products to offer new products to its existing customers.

We put a lot of effort to change our sales composition by generating higher revenues from the complementary solutions to ERP applications such as Business Intelligence, CRM, Budget, and Human Resources.

Logo offers products and services to all segments of the enterprise software market. The company has made investments to transfer the know-how and experience it gained in Turkey over 31 years to the global markets.

Logo provides services and solutions to its users through a strong sales and marketing network, which has been established together with business partners in different countries, including Azerbaijan, Russia, United Arab Emirates, Ethiopia, Morocco, Georgia, Iraq, Iran, Kazakhstan, Kyrgyzstan, Kosovo, Libya, Egypt, Russia, Sudan, Saudi Arabia, Turkmenistan, Ukraine and Jordan. More than 900 business partners and approximately 1,000 integrated solutions developed in Logo ecosystem create added value for our customers. The extensive and diverse ecosystem of Logo gives confidence to our users, as cost-effective, fast and flexible solutions increase the productivity of the business processes of Logo customers. One of our most important strengths is offering a product variety that addresses all kinds of customer requirements thanks to an extensive ecosystem.

MERGERS AND ACQUISITIONS THAT CREATE ADDED VALUE

CORETECH

In an ever-competitive market, the main objective of companies is to manage sales and distribution channels in the most efficient way to maintain profitability and productivity at the highest level. Since 2011, Coretech pursues domestic and international operations as a part of Logo, the largest software company in Turkey, to provide business solutions that match different needs of companies, by combining its IT expertise and experience in business processes.

Founded in 1995, Coretech is one of the leading technology companies in the field of software as a service application (SaaS). The company develops Business Management Systems, Sales Distribution, and Logistics Systems, Decision Support Systems, CRM, e-Commerce, Business Intelligence, Mobile Applications and Corporate Portals. While Coretech's business solutions meet operational requirements, they also help executives in the decision-making with reporting systems.

Coretech develops operations and management software solutions in Asia, Europe, America and Africa together with its strong solution partners such as Microsoft, Turkcell and Oracle.

The specialist project team of Coretech develops local and international business solutions in accordance with different needs of companies, including Reporting, Business Intelligence, Shop Floor Data Collection and Treasury Management.

"DIVA" OFFERS AN INNOVATIVE SERVICE MODEL

Since 2004, Coretech is leading the way in the industry with Diva Online Business Management System. Diva allows companies to timely respond to the needs and requirements of their customers, and to centrally control their sales and distribution channels in order to maintain a standard 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 data without installation. Running fully over the Internet with all modules including Purchasing, Storage, Logistics, Accounting, Retail Transactions and After Sales Services, Diva provides instant access to data to all company units including branch offices, dealers, stores, technical services, customer services, and websites. Diva is designed to fully adapt especially to the dynamics of the retail industry. The fact that, users access and run the Diva solution completely over the Internet, software and hardware investment costs as well as operating costs are eliminated. Diva also allows for responsive and excellent customer services, thanks to the availability of detailed and quick analysis on a central customer database system.

Offering an innovative service model, Diva's operating principle is focused on providing complete customer satisfaction and the most economically feasible solution. Diva also provides time independent and non-spatial solutions by means of mobile application alternatives. These alternatives are constantly improved to match the needs of today.

Diva contains a vast array of applications such as merchandising, online sales, service operations management, dealer integration, e-commerce and management reporting. Companies gain competitive advantage on "know your customer" basis, thanks to "Central Customer Database" that stores customer records from all different applications in a single location.

Integrated with Logo's ERP products such as GO Plus, Tiger Plus, Tiger Enterprise and j-guar, Diva provides an uninterrupted information flow between the central office and points of sale.

LOGO BI

WorldBI Yazılım Sanayi ve Ticaret A.Ş. ("WorldBI") was founded in 1997 under the commercial name Bistek to operate in the field of Business Intelligence. In 2006, Logo Investment Holding acquired 22% of the shares of WorldBI. In 2007, Teknoloji Yatırım A.Ş., the only technology investment fund in Turkey (formerly known as TTGV), joined WorldBI with a 32.2% investment, while Logo increased its shares from 22% to 27.8%. In December 2011, Logo obtained Teknoloji Yatırım's 32.2% shares in WorldBI at no charge and increased its shares to 60% to become the major shareholder. In April 2012, the company was renamed as LogoBI Yazılım Sanayi ve Ticaret A.Ş. ("LogoBI"). Thanks to Logo's marketing capabilities, widespread distribution and service network, LogoBI obtained a strong position in domestic and international business intelligence markets. LogoBI products are easy to use in highly visual mobile and fixed media environments. In December 2013, Logo acquired the remaining 40% shares of LogoBI, which is now a wholly owned subsidiary.

Business Intelligence Solutions provide competitive advantage in global markets particularly to medium sized companies by transforming data into information and thus, qualifying for faster and more accurate expedient decisions. These solutions allow companies to implement proactive management, thanks to consolidated, accurate, real time and multidimensional data. As a result of integration with Logo products, LogoBI also offers strong solutions in terms of management, integration, analysis and utilization of knowledge with its extensive experience in Business Intelligence Solutions.

NETSİS

Netsis, the second largest local company in the Turkish software industry, joined Logo in September 2013, through a 100% acquisition for 24.7 million TL in total based on a share price of 210.21 TL. The acquisition of Netsis allowed Logo to increase both market share and its influence in the market. IDC Turkey Enterprise Application Software Market 2012 report indicates that the consolidated

MERGERS AND ACQUISITIONS THAT CREATE ADDED VALUE

market share of Logo and Netsis reached 20% following with the acquisition. As a result of the growth through Netsis acquisition, Logo reached 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, Logo and Netsis, two pioneers of the enterprise software market, 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, Technology and Infrastructure. Netsis interprets possibilities that are brought by technology in a way to help customers increase their efficiency. The company does not limit itself only to keeping up with technological innovations, and conducts continuous R&D and innovation projects, most of which are supported by the Scientific and Technological Research Council of Turkey (TUBİTAK), backed with the academic know-how of various universities including Dokuz Eylül University, Ege University and Middle East Technical University. Apart from leading the way in the industry with firsts in business applications such as e-signature and e-bookkeeping, Netsis is the pioneer of the Cloud IT Model.

Netsis has a widespread service network and fully qualified consultants all around Turkey. The company has also located an R&D plant in Izmir High Technology Institute in Urla. The export geography of Netsis covers Azerbaijan, Belarus, Iraq, Iran, Egypt, Uzbekistan, Russia, Sudan and Ukraine.

Netsis is leading the way in different areas such as Green IT, Education, R&D and Lean Management approach and cooperating with various NGOs for equal opportunity in education, environmental protection and increasing the savings.

e-LOGO

Founded in 2008, Logo Elektronik Ticari Hizmetleri A.Ş. (e-Logo) provides enterprise software, B2B and B2I services.

Diyalogo: Diyologo.com was established to bring SMEs together on a single platform and integrating them in a virtual environment.

Diyalogo operates in the following areas:

- **Interoperability:** Software services and database solutions designed for safe flow of information and documents among banks, governmental agencies, logistics and other commercial enterprises through Logo's Enterprise Resource Planning software such as Tiger Plus and Tiger Enterprise.
- **e-Business/e-Commerce:** Effective use of information technologies and the Internet (diyalogo.com and alibaba.com) for finding new customers, suppliers and business partners.
- **Business Process Outsourcing:** Providing services and solutions for institutional customer relationship management, creating and updating a customer database and other related processes.

e-State and e-Logo:

- In the process of transformation to electronic invoicing in Turkey, e-Logo will develop applications and services that will allow Logo customers and users of other ERP solutions to adapt e-Invoice through the method that they prefer. e-Logo is one of the 49 firms, which has obtained special integration permission from the Revenue Administration.

- The adaptors developed by e-Logo are flexible enough to allow the end users to choose the desired service provider. In the context of special integration, these adaptors are compatible not only with the e-Logo solution but also with the other special integration service providers.

İNTERMAT

Logo acquired 50.1% of the shares of Intermat on January 5, 2015 and the remaining of 49.9% on July 28, 2015 under the Share Purchase and Option Agreement signed on January 5, 2015. Intermat has a significant market share particularly with its CRM solutions and offers products, which are adaptable to all industries. Intermat solutions provide competitive advantage to its users and operate compatible with software products of Logo.

SEMPA

On June 18, 2015 a share transfer agreement was signed between Logo and the shareholders of Sempa for the acquisition of the entire share capital of the company by Logo. Sempa Bilgi İşlem Sanayi ve Ticaret A.Ş. provides storage, logistics, mobile sales and production management solutions. Since its establishment in 1995, Sempa has been offering high value-added solutions with advanced technology features such as logistics, barcode, mobile sales and production management.

VARDAR

The share transfer agreement for the acquisition of the shares of Vardar by Logo was signed on September 8, 2015. Vardar provides software services on business processes.

LEADING PLAYER IN A GEOGRAPHY OFFERING UNRIVALED OPPORTUNITIES

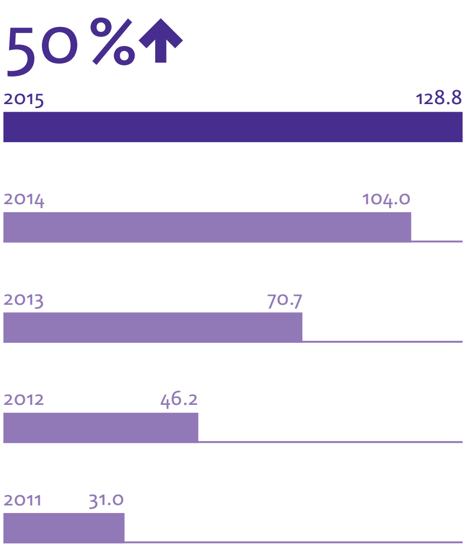
Operating with the objective of becoming a regional leader, Logo continues to improve its existing capabilities and increases its software export in line with the importance given to digital transformation and information technology sectors.

Turkey's objective of overcoming the middle-income trap and becoming a center exporting technology to the region is in direct proportion to the number of software products originated from the country. Turkey is located in an emerging region in terms of technology and has the potential to exploit this opportunity.
Domestic sales of Logo increased by 25% and reached 214 million TL in 2015, while international sales went up by 8% to reach 4.47 million TL. Thus, total sales equaled to 128.8 million TL following a 24% growth.

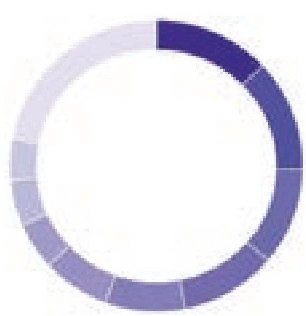
Domestic sales and international sales constituted 96% and 4% of total sales, respectively.

Information technology industry grows by over 20% annually. The products are exported to more than 70 countries. As of the end of 2015, Logo's international sales totaled 4.7 million TL with an increase of 8% compared to the same period of the previous year. We place a special emphasis on the international sales pursuant to our objective of becoming a regional leader. We operate in the Middle East, Azerbaijan, Turkic Republics, the Netherlands, Canada, Cyprus, Sudan, Turkmenistan, and Balkan countries together with approximately 30 business partners. Enterprise Resource Planning (ERP) projects that have been carried out by Logo in this geography prove our investment in the international markets and support our objective of becoming a regional leader.

TOTAL SALES CAGR (MILLION TL)

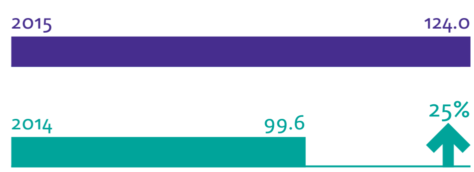


INTERNATIONAL SALES BREAKDOWN (2015)



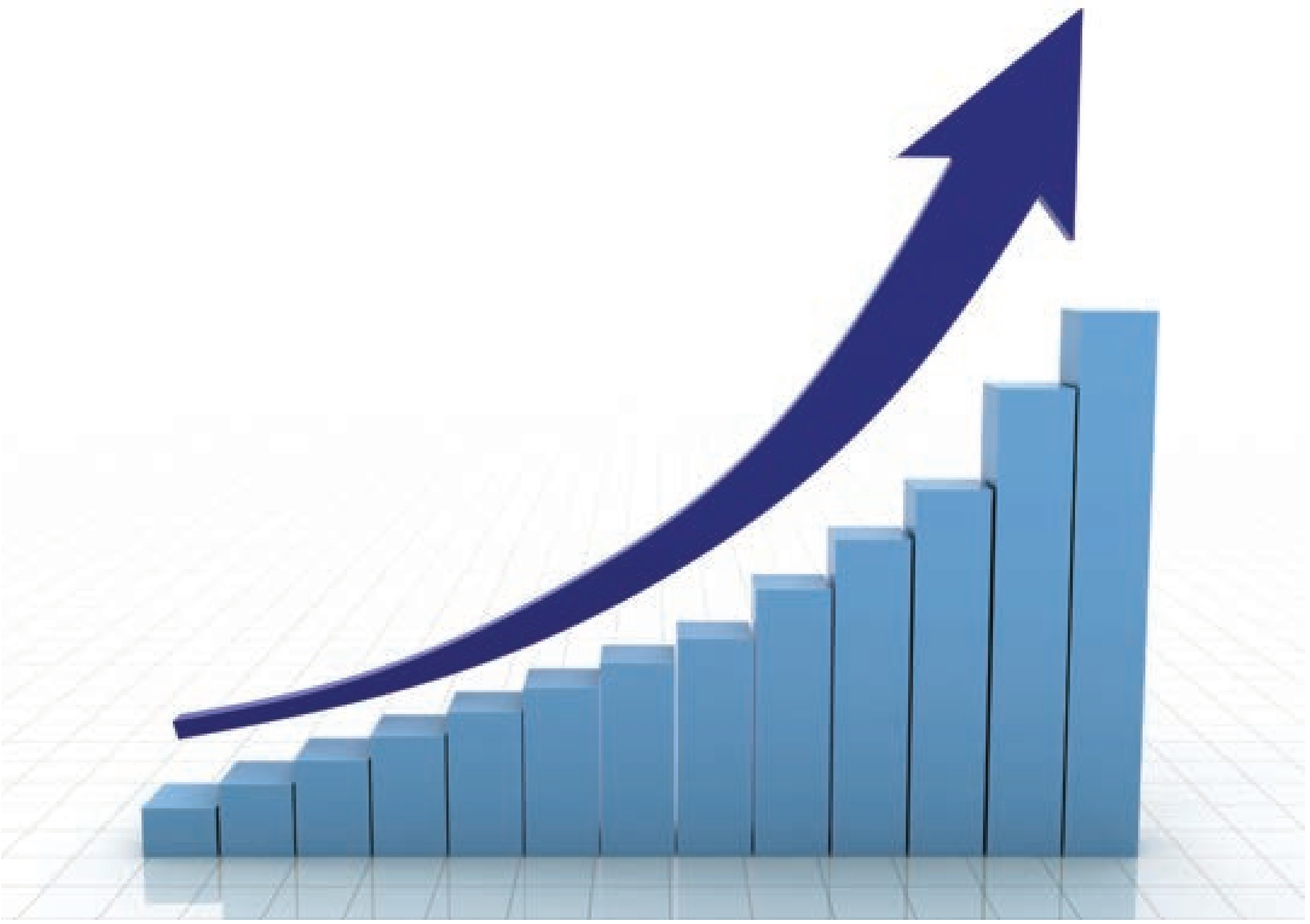
SALES GROWTH IN 2015

DOMESTIC SALES (%)



INTERNATIONAL SALES (%)

TOTAL SALES (%)



LOGO PUTS ITS MARK ON E-TRANSFORMATION

Integrating the e-Invoice helps above all creating a more modern, efficient and transparent business life. In fact the legal changes, which have been introduced in the last 30 years including the uniform chart of accounts, inflation accounting, the new Turkish Lira, e-Return, e-Declaration, and the Turkish Commercial Code (TCC) constitute the small parts of the whole picture.

The government, private sector and individuals are all involved of this change. Turkey started to make progress in this direction, which started long time ago in the world. Throughout this substantial period, in which the efficient, measurable and profitable business environment of the future is being created, Logo's responsibility is not limited to developing the right tools but also includes informing the customers about e-transformation. The transition to the e-Invoice and e-Ledger has ensured a significant paper saving, which brings environmental benefits in addition to cost advantages. Pursuant to Revenue Administration's statistics, the e-Invoice solution provides 57% cost saving for the issuer and 62% cost saving for the recipient.

Companies achieve a greater level of productivity in all their activities as a result of e-transformation. This process will not only cover companies but also their business partners, suppliers and customers over time. Shortly, e-transformation is a brand new concept, which facilitates the business life in every aspect and brings a new dimension to the services provided by the government to the citizens.

Providing a fast, practical, user-friendly and reliable e-transformation platform to its users, Logo obtained permission for e-Archives from the Revenue Administration in September 2014. This allowed us to expand our e-State products with e-Archive following e-Invoice and e-Ledger. The e-Archive allows issuing, submitting, receiving, and storing e-Invoices that have the same legal validity with a paper invoice. This solution minimizes the operational workload while saving time, workforce and money, especially for the organizations issuing high numbers of invoices.

LOGO'S EVER GROWING CHANNEL STRUCTURE

Logo's most significant competitive advantage is our expanded, well-informed, trained and experienced distribution network. We have the widest sales and distribution network in the Turkish software market. Aside from Turkey, we serve millions of users in the Central Asian and Middle Eastern markets with a vast array of products localized in 12 different languages.

Logo attracts qualified business partners in a very wide region thanks to its market leadership in terms of the number of customers, R&D investments and profound sales and marketing experience.

With the integration of Netsis' product groups into Logo's product line, Logo achieved a wide product range in the ERP industry.

Logo's business partnership model determines the status of its partners based on the existing product segments. This business model consists:

- Authorized dealers serving SME segment with Start, GO3, Tax Pro Plus
- Authorized Competency Centers serving Corporate Segment with j-guar, Tiger 3, Tiger 3 Enterprise
- Solution Partners developing applications based on Logo technologies
- Authorized Training Centers providing occupational trainings for Logo products

The business partners serving with Start, GO3, Tax Pro Plus are modeled as Authorized Dealer, Select Authorized Dealer, Elite Authorized Dealer whereas Logo business partners serving with j-guar, Tiger 3, Tiger 3 Enterprise are modeled as Elite and Premier.

Differentiated business partners based on product segments, are also classified under different levels and they have different responsibilities and advantages. The levels are determined according to the years spent in the previous status, the number of certified personnel, turnover targets and the potential for growth.

Partnership modeling in Netsis is classified as Enterprise Solution Partnership and Solution Partnership. There are also Authorized Dealers in the channel, which operate under the Enterprise Solution Partners and Solution Partners. In the current channel structure, Enterprise Solution Partners, Solution Partners and Authorized Dealers sell Netsis 3 Integrated, Netsis 3 Standard and Netsis 3 Enterprise solutions depending on their certification. The Partnership Status is classified based on the business volume (target size), financial status and the number of certified personnel.

Netsis offers Netsis 3 Integrated and Netsis 3 Standard in the Corporate Segment, and Netsis 3 Integrated in the SME Segment.

In the context of our channel development activities, potential business partners are evaluated in a detailed assessment process based on a number of criteria including the market potential, number of business partners in the region, number of certificates held, sales capacity, customer satisfaction, project resources and the customer portfolio. Following the completion of required training program, the candidates are accepted to the business partnership program in line with their turnover targets. This process takes from 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's operational principles.

STRONG SALES MODEL INCREASING SALES AND MARKETING EFFICIENCY

The "win-win" strategy established with our business partners constitutes a fundamental part of Logo's sales and marketing model, which has been developed as a result of 30 years of experience in the market. In 2015, Logo has collected all sales, project and support processes under the same umbrella based on its channel structure and developed a proactive sales model as the Channel and Sales Operations. In 2015, 74 new business partners entered to the system in addition to existing 530 business partners, while 6,500 new customers joined our existing +170,000 customers. The number of customers using vertical products increased by 40%. Throughout the year a total of 1,116 people were trained in 61 seminars organized for our business partners, while 233 people were trained in 7 seminars organized for our customer.

Through its Channel Management and Product Sales Group models, Logo reaches new potential customer groups and realizes large corporate projects in cooperation with more than one business partner. In 2015, Logo developed the A to Z project management approach and created new partnership opportunities, while providing project management services in the channel. This approach allowed Logo to standardize the project management and the quality of processes, which are run both directly by Logo and its business partners in the channel, in order to develop a common working culture. In addition, we also created new business models and opportunities to undertake larger projects together with our business partners. Logo expanded its product portfolio through new acquisitions and created a greater opportunity to reach more customers directly. The strength brought by an expanded channel, increased customer satisfaction and Micro Targeting System based on Business Partners, implemented since 2012, the likelihood to close a sale has been increased by taking into consideration the potentials based on the range and types of products. Challenging targets that are set by taking into account the sales track record in previous years and the potential in the region help business partners to achieve their maximum without falling behind. This system allows Logo to increase its sales and win together with its business partners, which constantly improve their performance.

On a quarterly basis, sales specialists and business partners assess the performance and develop strategies for the new period. Also general evaluation and target reconciliation meetings are held annually. Logo considers constant development of its business partners as a main component of customer satisfaction and contributes to business partner development, while it strengthens sales and distribution network. Special trainings designed by Logo Academy on various subjects including technical competencies, sales, marketing, business development and customer satisfaction aims to increase the performance of business partners and reinforce their strength against their competitors.

The new hires of business partners went through a technical applied training program offered by Logo experts in the context of "On Campus Training Project", which was organized for the second time in 2015. Candidates who fulfilled the 90% attendance requirement and who succeeded in the exams obtained official Logo certificates. As members of the Logo ecosystem, Logo business partners enjoy the privilege of sharing their product and service related suggestions directly with the center, in addition to operating with Logo's technical assistance. Some other privileges that are provided to business partners include the right to use authorized Logo products free of charge, access to sales and marketing materials, make contact with prospects and access to a wide information network over the LOGOSPHERE system.

Logo perceives e-Transformation applications as a vision to transform all business processes, rather than a simple legal requirement to be satisfied. We organized periodic training seminars for our business partners and customers in order to update them about the developments in the e-transformation project, with an expanded scope in 2015. Efficient operations, compatible products and field studies also allowed business partners and customers to go through a fast, effective and healthy transformation towards the e-transformation and Logo contacted additional customers as a result of the increase in the number of taxpayers.

CRM AND LOYALTY MANAGEMENT ACTIVITIES

Logo continuously increases its contribution to the business processes of its customers through new investments in different business models and technologies. Our CRM and Loyalty management team contacted 11,000 companies from our own database and other different sources (e.g., Istanbul Chamber of Commerce Top-500 list 2014, Second-500 list 2014, chambers in other cities, event invitation lists) and informed them about Enterprise Resources Management, E-state Solutions, Business Intelligence, Human Resources and CRM products.

We informed 6,500 customers about the campaigns organized during the year. In order to increase loyalty, we contacted 5,300 customers, who did not complete Lem and version upgrades and informed them about our services. This communication supported our efforts to expand our customer base and generate sustainable income. We gave welcome calls to new customers and others, who grew their business hence upgrade their products within the Logo family. Our team informed them about our services and updated their information in our database. We performed satisfaction surveys for our main product groups to measure the customer experience and received valuable feedback. Customer complaints and requests in relation to products and services were communicated with relevant units for solution and followed up for finalizing the process in a positive way. Based on the information received from our business partners, we organized and updated customer information in our database.

CREATING A VALUE CHAIN

Logo's main business strategy consists of meeting the expectations of customers and users at the highest quality standards. Logo puts Operational Excellence in the center of its corporate culture and structures business processes accordingly. Logo meets customer expectations at the highest level thanks to the "Value Chain" approach that combines lean organizational structure with the philosophy of agile products.

Instead of a functional organization, products that are developed on a common source code were grouped together, work steps that are related to the same product are identified as a phase in the value chain and relevant infrastructure operations are determined. Transition to lean organizational structure allowed each added value that is created for customers to be handled on a single workflow from the beginning until delivery and provided Logo experts with the chance to effectively control the entire process.

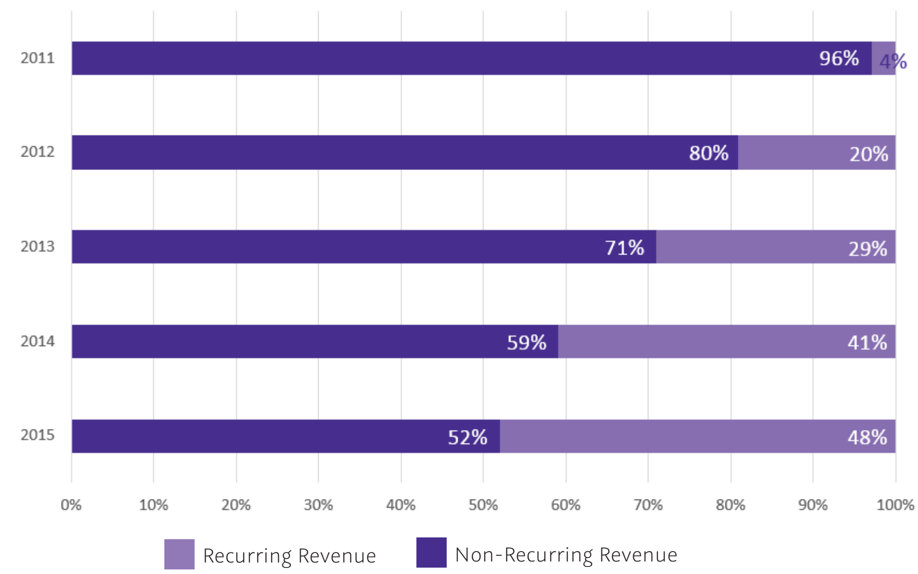
Sales, product development and support processes are regularly monitored, measured and compared for continuous improvement in the SME, Corporate and New Generation Solutions Value Chains. In the processes that are carried out with agile products philosophy, work steps are measured at each customer segment and a mutual understanding is reached on the issues to be resolved in the next version. This allows achieving better and faster production on a continuous basis.

Suggestions from employees, business partners and customers constitute the main source of innovation at Logo. Driving the Operational Excellence Process, these suggestions are recorded and statistically analyzed.

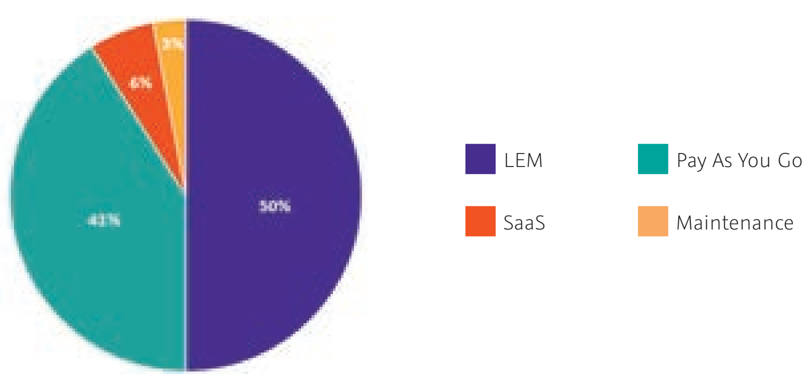
The Operational Excellence philosophy clearly revealed its effect on Logo's financial performance in terms of increased sales revenue and controlled increase in expenses. The like-for-like EBITDA margin in 2015 increased to 42% from 40% in 2014, and net profit margin was increased to 31% from 30%. This proves Logo's progress towards creating more value by using fewer resources.

Another significant achievement towards Operational Excellence was growing share of recurring revenue in total sales from 2% in 2011 to 48% in 2015. This has improved Logo's sustainable income generation capacity. As a result of Logo's innovative characteristic, a major part of this income was obtained from the New Generation Solutions Value Chain that functions as an incubation center. LEM (Logo Enterprise Membership) Program provides customer loyalty and stable revenues, while Diva, the first-ever SaaS solution in Turkey, and Netlite brought a strong position in the cloud technology market. Special integrator service revenue was another item that continued to grow, thanks to a significant market share provided by e-Logo.

RECCURING REVENUE



BREAKDOWN OF RECURRING REVENUES



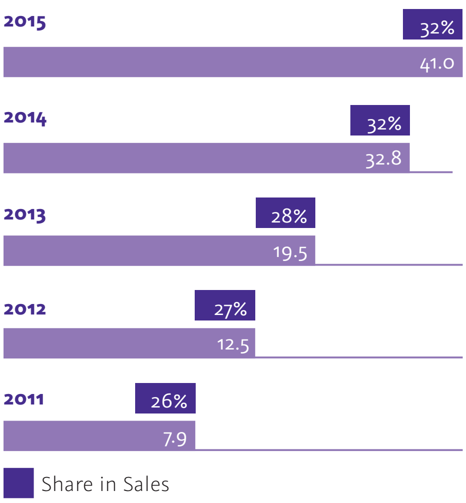
WE ARE BUILDING THE FUTURE "LOGO" WITH OPERATIONAL EXCELLENCE

Logo aims to create more value for its customers and users with fewer resources through Operational Excellence, its main production philosophy. The company focuses on performing better at each work step day by day. Feedback from business partners and customers, in addition to employees underlie the improvements towards continuous improvement of the Logo ecosystem.

Improvement activities based on this feedback is the key element of Logo's commercial success.

CUSTOMER ORIENTED PRODUCTS SUPPORTED BY R&D

SHARE OF R&D EXPENDITURES IN SALES*
(MILLION TL)



* *R&D Expenditures + Capitalized R&D Expenditures – Amortization*

Particularly in the last five years, R&D and innovation concepts gained a significant place in Turkey in the manufacturing and service industries. Among these concepts, especially technology and information technology have important shares and create major synergies. The growing promotion granted by the government, the increase in the number of R&D centers established by the companies and the improved business conduct as a result of technology are promising developments for the future of our economy.

Logo supports its product development operations with customer oriented R&D activities, in order to enhance the ecosystem on a constant basis with a variety of solutions that provide functionality in various industries. These include product oriented R&D for new product offerings and process oriented R&D for improvements in existing products. Sales, marketing, support and R&D staff attend annual strategy meetings to develop R&D plans for the upcoming period, based on competition analysis, the need for compatibility with new technologies and developments in the industry. The R&D performance is measured based on the number of prototypes and the use of new structures in work products.

In 2015, the R&D budget allocated for human resources grew by 26% and reached 35,634,900 TL. Logo allocated 41 million TL for R&D activities in total, which resulted in an R&D to sales ratio of 32%.

R&D activities are based on two product lines: Java-based and windows-based solutions. Thanks to rapid changes in the software technology and market, every project developed by Logo becomes larger than the previous one. As the diversity of our products and services increase, new value-added solutions and business models emerge.

In 2015, Logo transferred all of its applications to Platform 3. This platform has ensured the transformation of applications into design elements visually and allowed the users to reach the functions by their own viewpoints. Role-based work has become much easier with the help of multiple desktop supports and App in App.

All applications are now accessible on the Rest services, facilitating the development of mobile solutions by business partners. The plug-in architecture introduced to allow the development of any add-in into Logo's solutions in any language and in-app purchasing opportunity was enabled for these applications. Visual Studio Template was designed for Plug-in developers and released on Microsoft platform. R&D activities were run to create web-compatible desktop applications and prototypes were prepared. Within the scope of PaaS, a project proposal was submitted to Turkish Academic Network and Information Center (TUBITAK). Referee interviews were completed and the development activity has started. R&D activities were also launched in order to develop HTML5 adaptation for Java products. LogoFlow, a workflow management tool, was developed and integrated into Logo's product portfolio on the Rest services.

QUALITY AND INFORMATION SECURITY MANAGEMENT SYSTEMS AT LOGO

Quality Logo adopts continuous improvement as a principle in order to create quality awareness among all employees to increase and ensure continuity of customer satisfaction, and constantly improves the service quality. The company obtained ISO 9001 Quality Management System Certificate in 2001 and renewed ISO 9001:2008 Certificate in July 2014, upon completing certification renewal audit successfully.

Information Security As access to information is easier today, information security plays a major role in non-spatial relocation and protection of information. In 2013, Logo completed activities to set-up and install ISO 27001 Information Security Management System and obtained ISO 27001 Information Security Management Certificate. This certificate ensures the integrity and secured transfer of information in a confidential way from sender to receiver without distorted, altered or captured by others, in an environment that provides continuous access to information.

Also in December 2014, Logo successfully completed ISO 27001 Information Security Management System Certification Renewal Audit and renewed its certificate in order to protect intellectual assets, minimize risks that are faced by companies and provide business continuity.

BASIS OF SUSTAINABLE GROWTH

We believe that all our employees are talented people. We continuously improve our human resources processes to offer career and skill development solutions customized for each employee while creating suitable working, project and training environment to bring out employees' potential in the field they are capable. Base of our system and perspective is developed in accordance with today's requirement and needs.

Organization

We continued to grow in 2015 through acquisitions. The total number of employees reached 521 by the end of year, with an increase of 8% over the previous year.

Breakdown of Employees

47% of our employees work in the Infrastructure and Product Development Department, 10% in Management, Financial Affairs and Operations, and 43% in Sales, Product Support and Marketing Departments.

- In 2015, the headcount of Logo Group increased by 8% compared to the previous year.
- 38% of our employees is female and 62% is male. 13% of our employees holds a masters degree and 78% an undergraduate degree. Engineers account for 40% of our employees.
- As of the end of 2015, the average age equaled to 33.
- 31% are Generation X and 67% are Generation Y.

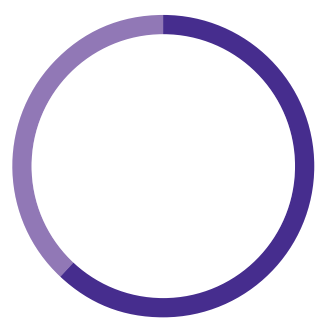
BREAKDOWN OF EMPLOYEES BY DEPARTMENTS

SALES, PRODUCT SUPPORT AND MARKETING DEPARTMENTS 43%

INFRASTRUCTURE AND PRODUCT DEVELOPMENT DEPARTMENT 47%

MANAGEMENT, FINANCIAL AFFAIRS AND OPERATIONS 10%

BREAKDOWN OF EMPLOYEES BY GENDER



MALE 62%

FEMALE 38%

COMPETENCE-DRIVEN MOTIVATION

Knowledge transfer among employees is an integral part of our culture. Ideas and suggestions of the employees are thoroughly evaluated, in order to preserve our transparent and interactive climate. Intra-organizational sharing and open door policy is also supported with the "I have an Idea" corner on the intranet, which allows employees to share their suggestions easily.

Selection and Placement

The selection and placement process at Logo aims to find the best fit for the vacancy based on our corporate culture, company objectives and job specifications, and place the person to the right position. Required competencies are determined according to job specifications and job description, and suitable candidates are interviewed competency basis in the selection process. During interviews human resources and department managers evaluate the extent to which the candidate fits to the corporate culture and the position. Logo is an equal opportunity employer. Accordingly, the company does not make evaluations based on gender, nationality, religion, ethnicity or marital status. In 2015, Logo attended career days in seven different universities to present the internship and career opportunities to students, who are about to start their careers. Approximately 500 applications were received from the students. 10% of applicants completed their internship at Logo. 78% of our interns found the opportunity to improve their skills at the infrastructure and product development departments. 20% of our interns were eventually hired. In 2015, we published 70 job advertisements. The position closing time equaled to 30 days. We implemented the project of closing the positions with the suggestions of our employees in order to provide insider sources in total personal recruitment. With this project we closed 16% of our vacancies.

Salary Management System

Logo's salary management system has been evaluated by considering salaries in the market, in the industry and our existing remuneration policy. We use an internationally recognized job assessment system and analyze market data to evaluate a fair and competitive remuneration policy in our salary management system. The key factor in our salary management system is the total value of the job performed. The values of the positions are determined by taking into account the added value of the job performed in achieving our company objectives and core responsibility area.

Performance Evaluation System

Logo Force, our performance evaluation system, is based on the high performance principle. Logo Force was developed in order to increase individual performance of our employees, thereby contributing to the overall performance of the company. Measurement is made through competence and target assessments. Logo force aims to identify the high performing employees, compensate them with performance bonus, determine areas of improvement and needs for training during their career path through performance metrics. Performance evaluations are carried out annually and employees are compensated with a performance bonus on the basis of target assessment results.

We carry out the measurement on four targets as strategic objectives: process improvement, permanence, professional and technical competence. Competence evaluations determine employees' training needs, areas of improvement, which is measured through four different competence categories including core competences, functional competences, technical competences and administrative competence.

We also implement an effective career planning process. We monitor employee performance, professional knowledge and skills, and allocate them to appropriate positions, vertically and horizontally, throughout their career. Pursuant to our career planning strategy, which is the basis of promotion in our company, 11% of our employees were transferred vertical or horizontally in 2015.

Training Management

- In 2015, in house and external trainings totaled 8,860 man-hours. While 70% of these training programs were on technical matters, 12% on personal and professional development, 18% on occupational safety, quality and orientation.
- 97% of employees attended at least one training program throughout the year.
- Training penetration ratio is 80% that is defined as employees attended at least one training day throughout the year.
- 25% of employees received 30 to 90 hours of training.

Occupational Health and Safety Coordination Committee's Activities

We place great importance to health and safety of our employees. With the principle of complying with the legislation and regulations, our Occupational Health and Safety Coordination Committee worked in cooperation with our volunteering employees in 2015 in order to identify the occupational safety standards.

Social Activities

Different activities are hosted at the conference hall in our Gebze Campus in 2015. Various speakers made several informative or motivational presentations to our employees. Motivational activities as a part of monthly activities are supported by TED Talks videos during the year. Our management team also made informative presentations in the conference hall.

Traditionally, we celebrated 23 National Sovereignty and Children's Day like a festival with the children of our employees. Several activities were organized in İzmir and Gebze Campuses for the children at different age groups. Our children took their parents' place in their offices. The pictures of our children were exhibited at the designated areas in our offices.

Traditional photography contest was organized by our company club LogoRenk. Photos entered the contest were exhibited at the foyer in Gebze Campus and in İzmir office. Employees who won the first, second and third places were awarded with gift certificates. Top 12 photos were elected to be included in LogoRenk 2016 calendar.

Just like every year, in 2015 we celebrated the New Year in all our offices, and employees that have completed their 5th, 10th, 15th, 20th, 25th year with Logo were given an award.

Logo Group received certificate of appreciation in a survey regarding the Developing Social Gender Equality in the Work Life Project that is organized by the Ministry of Labor and Social Security. Sailing Team of our employees also attended a number of competitions and events.

We continued LOG'extra in 2015 that involves various discounts and advantages for Logo employees and their relatives through special agreements made with companies in different industries and new agreements were made with additional companies.

In 2015, we participated in Corporate Bowling Tournament with our Izmir and Gebze employees. Our teams received great scores and helped the tournament to become more entertaining.

Our female employees happily wore handmade scarves, which we bought from Kader Kısmet Atölyesi, a female group producing handcraft such as stitching, knitting and embroidery.

Our traditional Ashura day added a nice flavor to our efforts, when we ate in our offices.

CORPORATE REVIEW

Logo stays the course of becoming a Turkey-bazsed regional software giant, creating value for its customers and investors with a strong financial structure, proven growth strategy, and energetic and experienced management team.

BOARD OF DIRECTORS

M. TUĞRUL TEKBULUT

Chairman

Mr. M. Tuğrul Tekbulut is one of the founding partners of Logo. He graduated from Bosporus 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 initiatives that come under the Logo Group together with his colleagues. Mr. Tekbulut also led the establishment of various civil initiatives regarding informatics, innovation and entrepreneurship. He founded TÜSİAD Entrepreneurship and Innovation Working Group and co-founded Turkish Informatics Foundation and Software Industrialists Association between 2006 and 2009. During the same period Mr. Tekbulut served as the Chairman of TÜBİSAD Informatics Industry Association.

MURAT ERKURT

Vice-Chairman

Mr. Murat Erkurt is the founding partner of Mediterra Capital Partners. He graduated from the Middle East Technical University Electrical Engineering Department. He also holds an MBA from Columbia Business School, a MSc in Mathematics from Imperial College and a MSc in Electrical Engineering from Northeastern University. Formerly Managing Director in the Private Equity Division of Lehman Brothers, where he worked for 15 years of which 14 years as a private equity investment professional in New York and London, as lead deal partner in investments in 12 companies. He served on the boards of portfolio companies and funds in various jurisdictions, including the UK, Spain, Germany, Denmark, Finland, Czech Republic, Israel, Luxemburg and Guernsey.

S. LEYLA TEKBULUT

Board Member

Graduated from Istanbul Erkek Lisesi in 1976 and Bosphorus University Electrical Engineering Department in 1981, Ms. Leyla Tekbulut continued her career as a professional manager between 1981 and 1987. In 1987, she founded her own company in Medical Devices industry, which she continued until 2006. Currently, Ms. Tekbulut serves on the board of Logo Group.

ORHAN AYANLAR

Board Member

Mr. Orhan Ayanlar is a director at Mediterra Capital Partners. He received his bachelor's degree 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 İş Private Equity, Standard Ünlü Corporate Finance Department and Bear Stearns New York Office at debt capital markets division. Prior to joining Mediterra in 2011, he worked for 5 years at 320 million dollars private equity fund Bedminster Capital Management that focused on the Southeastern Europe and Turkey.

BELKIS ALPERGUN

Independent Board Member

Following her graduation from Bosphorus University Department of Business in 1982, Ms. Belkıs Alpergun started her career in Arthur Andersen audit division. In 1987, she joined Pamukbank as a unit manager and after holding various positions in the bank, she started to serve as the general manager of Pamuk Factoring in 1996. In the same period she has also acted as an active member on the board of the Factoring Association. In 2005, she joined Coface Insurance as the country manager for Turkey and since 2006 she has been serving the company as the general manager and a board member. Since 2010 and 2011, she has been serving as an independent director on Logo's board in line with the Principles of Corporate Governance of the Capital Markets Boards without having any relationship with the company or its related parties.

Y. ÖNDER EREN

Independent Board Member

Following his graduation from Robert College in 1971, Mr. Yusuf Önder Eren received his bachelor degree from Bosphorus University Department of Economics in 1975. Between 1974 and 1979 he worked in Arthur Andersen and in 1979 he joined Beymen as the general manager where he served until 1981. Between 1981 and 1985, he served as the head of finance at Akın Textile Group in charge of financial affairs of EDPA and the other five group companies. In the same period he was also actively involved in the foundation of Tekstilbank. Between 1985 and 1991, Mr. Esen served as general manager (COO) in Altınyıldız Group. Between 1991 and 2004 he served as the chairman and CEO of his family company and provided the growth of Quiksilver brand in Turkey and the region. Between 2004 and 2012, Mr. Eren served as the CEO of Superlit. Since 2004 he has been serving as the chairperson of Karel. He has no relationship with Logo or its related parties.

EXECUTIVE COMMITTEE

M. BUĞRA KOYUNCU

Chief Executive Officer

Mr. M. Buğra Koyuncu graduated from Istanbul Technical University Department of Control and Computer Engineering Department in 1994. In 1993 he joined Logo as a system analyst. Following his service as a project manager and then as a product development manager, in 2004 he was appointed as the general manager of the company. Since October 2011, he has been serving as the Chief Executive Officer.

GÜLNUR ANLAŞ

Chief Financial Officer

Ms. Gülnur Anlaş graduated from Middle East Technical University Faculty of Administrative Sciences, Department of Business in 1984. She received her MBA degree from Texas Tech University in 1989. In 1991 she completed her master's degree in economics at the University of Delaware. In 1984, she started her career at Interbank as an assistant auditor. Then she joined Chemical Bank and Westdeutsche Landesbank respectively, where she has handled numerous project development and financing transactions in corporate finance departments. Between 2001 and 2005, she served as the vice president of financial affairs at Teba Group. Ms. Anlaş has been serving as a member of the executive board in charge of finance and legal affairs since 2006.

AKIN SERTCAN

Executive Committee Member, Sales and Channel Operations

In 1990, Mr. Akın Sertcan graduated from İzmir Dokuz Eylül University Department of Computer Programming. In 1989, he started to work in the IT industry as a sales representative and then served as a sales manager and as a sales coordinator in various companies. In 1996, he joined Logo as a sales channel manager responsible for the Aegean Region. In 2008, he was appointed as the regional manager of the Aegean Region. Since January 1, 2012, he has been serving as an executive committee member.

ARSLAN ARSLAN

Executive Committee Member, Retail Solutions

Arslan Arslan graduated from the Middle East Technical University - Department of Computer Engineering in 1996 and completed his master's degree in the 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 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, prior to his appointment as the Director of Infrastructure and Tools in 2006. Since January 1, 2012, he has been serving as an executive committee member.

CAHİT GÜVENSOY

Executive Committee Member,
General Manager of e-Logo

Cahit Güvensoy graduated from Ankara Fen Lisesi in 1986 and completed Bosphorus University Department of Computer Engineering in 1991. He started his career at Arçelik as a software engineer in 1991. As one of the co-founders of Coretech in 1995, he continued his career with various entrepreneurial initiatives and investment stories. He is one of the co-founders of B2C websites including mackolik.com, sahadan.com, sharemyfare.com. Following the acquisition of Diva, a leading SaaS software in Turkey, in 2011 by Logo, Mr. Güvensoy undertook the role of general manager of Coretech. He currently serves as the general manager of e-Logo.

ESRA AKAR

Executive Committee Member,
Human Resources and Operations

Ms. Esra Akar graduated from Istanbul Technical University Department of Chemical Engineering in 1989 and completed her master's degree from Istanbul University Faculty of Business Administration, Operations Management Department in 1991. Having worked for a while in the chemical industry on R&D, she joined Logo in 1993 as a support analyst. She has served in various positions including as a call center manager, product support manager, implementation advisor, project and coordination manager, project manager and after sales services team member. In 2009, she started to serve as the supply chain manager in charge of 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 in charge of human Resources and operations.

EXECUTIVE COMMITTEE

FATMA TARPİNOF

Executive Committee Member,
Marketing and Corporate Communications

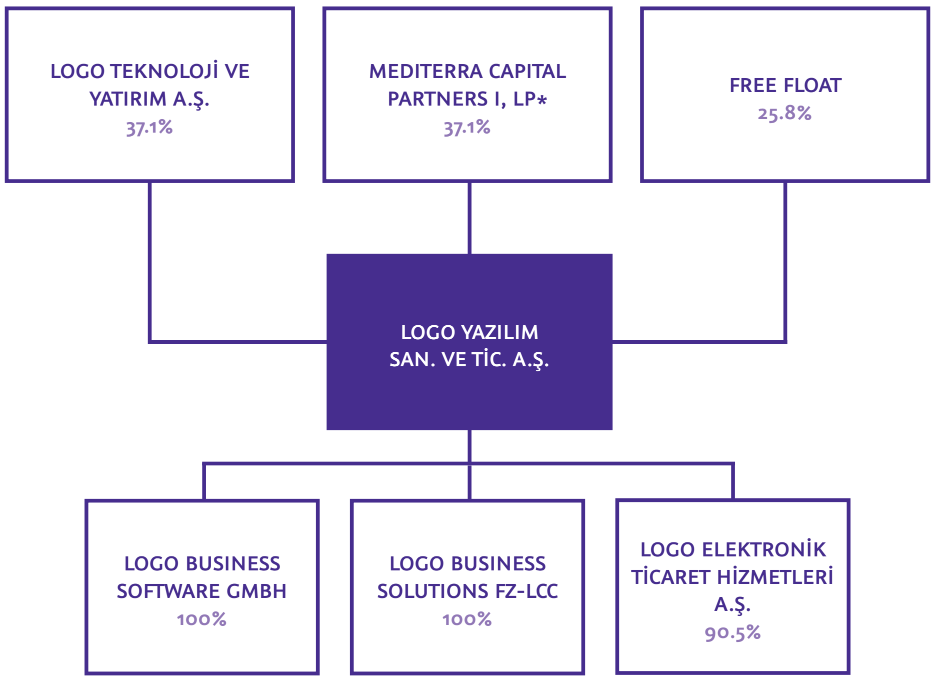
Following her graduation from Istanbul University Faculty of Business Administration in English in 1995, Ms. Fatma Tarpinof received training in the UK on marketing and corporate communications in 1996. In 1996, she started her career in marketing and served as a product manager in various companies. Towards the end of 1998, she joined Logo as a product manager in charge of services, where she then served as the communications manager and the marketing and corporate communications manager. Since January 1, 2012, she has been serving as a member of the executive committee in charge of marketing and corporate communications.

UĞUR N. SİPAHİ

Executive Committee Member,
Information Technology and Business Processes

Mr. Uğur Nuri Sipahi graduated from Bosphorus University Department of Industrial Engineering in 1993 and received his master's degree in the field of industrial engineering from Marmara University in 1997. Between 1995 and 1997, he worked in the automotive supply industry on quality management. In 1997, he joined Logo as a system analyst and has served for 10 years in the product development department at different levels. Between 2007 and 2009, he has served as a business solutions advisor and between 2009 and 2012 as a product manager. Since January 1, 2012, he has been serving as a member of the executive committee.

ORGANIZATION STRUCTURE



AMENDMENTS TO THE ARTICLES OF ASSOCIATION

There was no amendment to the Articles of Association in the reporting period.

RISK MANAGEMENT

Logo categorizes the risks that the company is exposed to as follows: stocking, debt management, technological change, competition, collections and currency fluctuations. We set the required control mechanisms in order to minimize the effects of the risks.

CAPITAL RISK

The company aims to safeguard its ability to continue as a going concern, while maintaining an optimal capital structure and matching cash and commercial receivables that are generated from operations with its financial and commercial liabilities.

Cost of capital and the risks that each asset class is exposed to are evaluated by the executive management and those that are subject to the board's decision are presented to the board of directors. In line with the evaluations of the executive team and the board of directors, the company aims to balance its capital structure by obtaining additional debt, reducing debt, paying out dividends or issuing new shares.

DEBT, COLLECTION AND CURRENCY RISKS

Foreign currency assets exceed foreign currency liabilities and the company is not exposed to a significant level of currency risk. The responsibilities of collections unit and sales and marketing unit are separated to manage the collection risk.

MARKET RISK

As a result of financial instruments among the assets, the company carries the risk of non-performance by the other party. Market risks on the company level are measured with sensitivity analysis. There was no difference in the market risk compared to the previous year. The method that is used for measuring or managing the market risk has also not changed.

CREDIT RISK

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. These risks are managed by limiting aggregate risk from any individual counterparty (excluding the related parties) and obtaining sufficient collateral where necessary. The credit risk is measured according to company policies and procedures and is shown on the balance sheet net of allocated provisions for bad debt.

LIQUIDITY RISK

Logo manages the liquidity risk by regularly monitoring the cash flow, matching maturities of financial assets and liabilities, sustaining sufficient funds and credit reserve. The management monitors the liquidity reserves of the company based on the estimated cash flow and holds sufficient cash and loan commitments to meet the short-term cash outflow.

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.

DEFAULT AND FRAUD RISK

The organization structure and the field of operations do not bear default or fraud risks in relation to the activities of the company staff.

TECHNOLOGICAL RISK

The company takes protective measures with high security standards against any attack to the Internet sites.

OTHER RISKS

Fixed assets and liquid assets of the company are insured against any material damage. Liquid assets are inspected through monthly inventory counting. Financial controllers regularly monitor bank reconciliations. Additionally, the financial affairs department and relevant department managers perform reporting, audit and control activities on "j-guar" Enterprise Resource Management program in order to prevent fraud in sales prices and profitability.

CORPORATE GOVERNANCE RATING

Saha Corporate Governance and Credit Rating A.Ş. completed the revision of Logo's corporate governance rating on December 15, 2015 and announced the rating score of 9.08 on a scale of 10.

The level of compliance of Logo with the Principles of Corporate Governance is publicly announced on our Corporate Governance Compliance Report. Saha Corporate Governance and Credit Rating A.Ş. completed the revision of Logo's corporate governance rating on December 15, 2015 and announced the rating score of 9.08 on a scale of 10. The full report on Corporate Governance Rating issued by Saha is available on the company website www.logo.com.tr

Apart from the following matters specified in the rating report, Logo operates in compliance with the Principles of Corporate Governance:

- Lack of cumulative voting in the selection of board members; and
- Privilege for nominating candidates for the board of directors are specified as main areas that require improvement. The company's corporate governance rating is revised in consideration with the importance given by Logo to corporate governance principles, its willingness to carry out the compliance as a continuous and dynamic process and improvements initiated in this direction.

Logo received the following rating scores for each main section:

MAIN SECTIONS	WEIGHT	SCORE
Shareholders	25%	90.73
Public Disclosure and Transparency	25%	85.72
Stakeholders	15%	96.00
Board of Directors	35%	92.12
AVERAGE	100%	90.76

STATEMENT OF RESPONSIBILITY

RESPONSIBILITY STATEMENT ISSUED IN ACCORDANCE WITH ITEM 9 OF THE COMMUNIQUE II-14.1 ON FINANCIAL REPORTING PRINCIPLES IN THE CAPITAL MARKET ISSUED BY THE CAPITAL MARKETS BOARD OF TURKEY

DATE OF THE BOARD RESOLUTION ON THE APPROVAL OF THE FINANCIAL STATEMENTS: 11/02/2016
RESOLUTION NUMBER: 2016/3

We hereby acknowledge we have reviewed the Consolidated Financial Statement and the footnotes, Comprehensive Income Statement, Cash Flow Statement and Statement of Changes in Shareholder's Equity ("Financial Statements") for the period between January 1, 2015 and December 31, 2015 prepared by our company in accordance with Communiqué II-14.1. on Financial Reporting Principles in Capital Markets ("Communiqué") issued by the 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) as per Turkish Accounting Standards/Turkish Financial Reporting Standards (TMS/TFRS) and the formats specified by the CMB.

• Insofar as the information we have within our duty and responsibility area in our company, the foregoing reports do not contain any misleading disclosure

• As of the date of disclosure they do not contain any deficiency 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 fairly present the facts in respect of assets, liabilities, financial status and profit or loss of the company, and we hereby declare that we are responsible for this disclosure.

Sincerely yours,

Belkıs ALPERGUN
Denetim Komitesi Başkanı

Y. Önder EREN
Denetim Komitesi Üyesi

M. Buğra KOYUNCU
İcra Kurulu Başkanı

Gülnur ANLAŞ
İcra Kurulu Başkan Yardımcısı
Mali ve Hukuki İşler

CORPORATE GOVERNANCE COMPLIANCE REPORT

STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF CORPORATE GOVERNANCE

In the period between January 1, 2015 and December 31, 2015, our company complied with the mandatory provisions of the Corporate Governance Communiqué of the Capital Markets Board ("CMB") and put a considerable amount of effort to comply with the non-mandatory principles.

CORPORATE GOVERNANCE RATING

The level of compliance of Logo with the Principles of Corporate Governance is publicly announced on our Corporate Governance Compliance Report. Saha Corporate Governance and Credit Rating A.Ş. completed the revision of Logo's corporate governance rating score on December 15, 2015 and announced the rating score of 9.08 on a scale of 10. The full report on Corporate Governance Rating issued by Saha is available on the company website www.logo.com.tr.

SECTION II – SHAREHOLDERS

2.1. Investor Relations

Investor Relations activities in our company are conducted by the Investor Relations Unit reporting to the Deputy CEO.

Investor Relations contact information is as follows:

Gülnur ANLAŞ
Deputy CEO,
Legal and Financial Affairs
T: +90 262 679 80 00 (pbx) Ext: 8200
e-Mail: gulnur.anlas@logo.com.tr

Doğan KARACA
Investor Relations Unit Manager
T: +90 262 679 80 00 (pbx) Ext: 8223
e-Mail: dogan.karaca@logo.com.tr

Bahriye ULU
Investor Relations Specialist
T: +90 262 679 80 00 (pbx) Ext: 8222
e-Mail: bahriye.ulu@logo.com.tr

e-Mail: investor@logo.com.tr

Main responsibilities of the Investor Relations Unit include:

• Ensuring that the communication records with investors and related documents are kept in a reliable, secure and up-to-date manner.
• Responding to written information requests by the investors
• Organizing the general assembly meeting in line with the existing regulations, the articles of association and internal policies of the company, and preparing the documents in relation to the general assembly meeting to be reviewed by the investors
• Ensuring the fulfillment and monitoring of the company's responsibilities in relation to the capital markets regulations, including among others Corporate Governance and Public Disclosure requirements

Activities carried out by the Investor Relations Unit in the reporting period are as follows:

• Information requests received from our investors via e-mail or telephone were responded according to legal regulations and the company's disclosure policy. All information requests, except for the confidential information and trade secrets, were responded in accordance with the principle of fairness.
• General assembly meeting was organized in accordance with the regulations, articles of association and other company regulations.
• An informative note was prepared for the investors before the general assembly meeting.
• Records of the voting results were kept. No investor 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 2015, the company met both domestic and international investors and potential investors in numerous meetings and teleconference calls.

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 issues that are 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 investors are responded via telephone or in writing without discriminating any investor, in line with the capital markets regulation and fairness principle. Financial statements and announcements regarding the Disclosure of Material Events are presented to our shareholders through the company website and the Public Disclosure Platform. The articles of association do not include the right to request a special auditor as an individual shareholder right. The company did not receive any request for appointment of a special auditor.

2.3. General Assembly Meetings

The invitation for the general assembly meeting was held on April 30, 2015 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 four weeks prior to the meeting on the Turkish Trade Registry Gazette dated April 3, 2015 and numbered 8793, on the Public Disclosure in April 1, 2015 Platform and the company's official website in line with the regulations and the articles of association of the company.

Out of the 2,500,000,000 shares corresponding to 25 million TL capital of the company the 3,300,000 Class A preferred shares corresponding to 33,000 TL capital were present by proxy; 1,931,848,299 Class B shares corresponding to 19,318,482.99 TL capital were present by proxy; 28,023,636.4 Class B shares corresponding to 280,236,364 TL capital were present in person. As a result, 1,931,848,299 shares corresponding to a total of TL 19,318,482.99 capital was represented with a meeting quorum of 78.53%, satisfying the decision quorum set forth in the articles of association.

Investors did not propose an additional item for the meeting agenda.

Investors exercised their rights to ask questions in the general assembly meeting and all questions were answered.

In order to facilitate attendance to the general assembly meeting, 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 the postponed meetings) is met with the attendance of at least five members. The quorum for board resolutions (including the postponed meetings), is affirmative votes of at least 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 dissenting votes of the board members.

A representative of the Corporate Governance Rating Agency attended the general assembly meeting as a guest.

An informative note on the general assembly meeting that presented explanatory information on the agenda items was issued and published on the website of the company prior to 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.

Investors were informed that the company made donations in the reporting period in the amount of 24,924 TL and the donated amount was under the upper limit determined for the year of 2014 in the general assembly meeting as a separate agenda item. The annual limit for donations was approved as 400,000 TL.

Minutes of the general assembly meetings are published under the heading "General Assembly Announcements" in the investors section at the company website and the Central Registry Agency Disclosure Platform. There was no conflict of interest between the company or its subsidiaries and the shareholders that control the management, members of the board of directors, executives with administrative responsibility or their spouses, relatives, relatives by marriage up to the second degree.

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, one plus half of the board members, the chairperson, and the auditors shall be elected from among the candidates nominated by Class A shareholders. The share capital of the company does not involve any cross shareholding. The articles of association do not include a provision in relation to extending minority rights beyond 5% of the shareholders or regulating cumulative voting right.

2.5. The Right to Dividends

There are no privileges in the articles of association for participation to the profit of the company. Dividend policy is reviewed by the board of directors annually in line with the principles of corporate governance. A balanced and consistent policy with respect to the interests of the investors and the company is applied for profit distribution. The dividend distribution policy is prepared by the board of directors, taking into consideration the general economic conditions, long term investment and financing policies, as well as the cash position of the company. At least 55% 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 our shareholders. Dividend distribution shall 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 dividends is less than 5% of the paid-in capital, the corresponding amount in question shall be retained in the company.

On March 31, 2015, the board of directors resolved as follows: According to Consolidated Financial Statements for the reporting period between January 1, 2014 and December 31, 2014 issued in compliance with International Accounting Standards and International Financial Reporting Standards and audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst & Young Global Limited); the net distributable profit for the period in the amount of 27,552,406 TL calculated by deducting the "tax expense" and "first contingency reserve" amounts and adding the "donation". After the deduction of legal obligations, in amount of 15,000,000 TL was decided to submit to the approval of the shareholders to be distributed as dividend as of May 26, 2015 and allocating the remaining part as extraordinary reserve.

CORPORATE GOVERNANCE COMPLIANCE REPORT

2.6. Transfer of Shares

The Company's articles of association do not contain any provision that restricts 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. A significant part 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 person, group or institution that affect or is 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 matter concerning them. Meetings, company website, e-mail, public disclosure platform and e-Yönet website and the Central Registry Agency Disclosure Platform is used as means of communication with investors.

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 taken into consideration in our company operations. 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 operations on the intranet. Teams open to the participation of all employees are established to work on business process improvement; and all improvement decisions are made based on employee suggestions. Additionally, top management holds one-on-one discussions with employees to receive and implement their ideas. Regular contact meetings are held with dealers and business partners and bulletins, interviews and the Internet is utilized to inform our dealers and customers.

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 individual performance, knowledge and experience. No complaint of discrimination has been received to date. Company management considers the equal opportunity principles as one of the most important matters.
Human Resources Department is in charge of 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 are announced to employees based on our human resources policy. Employee relationships are represented at the board level. Human Resources Department addresses, evaluates and resolves requests and problems of all employees in relation to professional, personal, career and training related needs.

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, the code of ethics is reviewed and revised regularly as the board of directors introduces new ethical rules in relation 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 to pursue a career. We support educational programs both financially and in kind with our products. In addition to financial support provided in campaigns organized by non-governmental 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 activities and management of the company are handled by the Board of Directors that consists of 6 (six) members that are selected by the general assembly in accordance with the provisions of Turkish Commercial Code. One plus half of the members of the board are selected from among the candidates that are nominated by Class A shareholders. Board members may be selected for a maximum term of 3 (three) years and can be selected again after their term is over. If it considers necessary, the general assembly may dismiss or change the board members. The number, qualifications, selection, nomination, terms of references and duties of the independent board members are determined in accordance with the capital markets regulations and the Principles of Corporate Governance. In that respect, Ms. Belkıs Alpergun and Mr. Y. Önder Eren were selected as independent board members. The Chairman of the Board is selected from among the board members that were nominated by Class A shareholders.
The biographies of our board members and members of the executive committee are available in the “Board Members and Members of The Executive Committee” 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 becomes vacant in the Board of Directors for any reason, the Board of Directors temporarily elects a person meeting the legal conditions for board membership and submits it for approval in the following general assembly meeting. Members selected in such manner shall serve until the general assembly meeting and if approved, they can complete the term of their predecessors.

If an independent board member does not satisfy any of the independence criteria during his/her term t or resign due to other reasons or when they are no more able to serve on the board, new independent members shall be appointed for vacant memberships by the board of directors to meet the minimum number of independent members in accordance with the Capital Markets Law and the Capital Markets Board’s regulations. Candidates due to the vacancy from a board member that was nominated by the Class A shareholders shall be nominated by the remaining board members that were nominated by the Class A shareholders.

Duties of the Nomination Committee are fulfilled by the Corporate Governance Committee. Chairman of Corporate Governance Committee is Mr. Y. Önder Eren, one of our independent board members.

There is no independent member at the board who does not meet the independence criteria.

STATEMENT OF INDEPENDENCE

Statement of Independence

I do declare that I am a candidate for assuming the role of an “Independent Member” on the Board of Directors of Logo Yazılım Sanayi ve Ticaret A.Ş. (Company), within the scope of the criteria stipulated in the legislations, the Articles of Association and the Capital Markets Board’s Corporate Governance Communiqué (n. II-17.1), and within this scope;

a) Within the last five years, no executive employment relation that would give important duties and responsibilities has been established between myself, my spouse, my second degree relatives by blood or by marriage and the Company and the subsidiaries of the Company, and shareholders who control the management of the Company or who have significant influence at the Company and juridical persons controlled by these shareholders; and that I neither possess more than 5% of any and all capital or voting rights or privileged shares nor have significant commercial relations,

b) Within the last five years, I have not worked as an executive manager with important duties and responsibilities or have not been a member of the Board of Directors or held shares more than 5% particularly in the companies that provide auditing, rating and consulting services for the Company (including tax audit, legal audit, internal audit), and in the companies that the Company purchase products and services from or sells products and services to within the framework of the agreements signed during the timeframe of selling/purchasing of the products and services,

c) I do have the professional training, knowledge, and experience that will help me properly carry out the tasks and duties I will assume as a result of my independent membership in the Board of Directors,

CORPORATE GOVERNANCE COMPLIANCE REPORT

ç) In accordance with the legislations, I will not be working fulltime in public institutions and organizations except working as an academician at the university after being elected as a member,

d) I am considered a resident in Turkey according to the Income Tax Law (n.193) dated 31/12/1960,

e) I do have strong ethical standards, professional standing and experience that will help me positively contribute to the activities of the Company and remain neutral in conflicts of interests between the company's shareholders, and that will help me take decisions freely by taking the rights of the stakeholders into consideration,

f) I will be able to spare sufficient time for the business of the Company to an extent that will help me pursue the activities of the Company and fulfill the requirements of my tasks and duties,

g) I have not been a member of the Board of Directors of the Company for more than six years in total within the last decade,

ğ) I have not been an independent member of the Board of Directors in the Company or in more than three of the companies controlled by the shareholders, who control the management of the Company and in more than five of the publicly traded companies in total,

h) I have not been registered and announced on behalf of the legal person elected as member of the Board of Directors.

Belkıs ALPERGUN

BOARD OF DIRECTORS	POSITION	EXECUTIVE ROLE	TERM OF SERVICE
Tuğrul TEKBULUT	Chairman	Non-executive	21.06.2013 /Ongoing
Murat ERKUT	Vice Chairman	Non-executivel	21.06.2013 /Ongoing
S. Leyla TEKBULUT	Member	Non-executive	21.06.2013 /Ongoing
Orhan AYANLAR	Member	Non-executive	21.06.2013 /Ongoing
Belkıs ALPERGUN	Independent member	Non-executive	21.06.2013 /Ongoing
Y. Önder EREN	Independent member	Non-executive	21.06.2013 /Ongoing

STATEMENT OF INDEPENDENCE

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h) I have not been registered and announced on behalf of the legal person elected as member of the Board of Directors.

Y. Önder EREN

ROLES OF THE BOARD MEMBERS IN OTHER COMPANIES

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 roles undertaken by our board members in our group companies or in other companies do not cause any conflict of interest with their board membership position.

5.2. Terms of Reference of the Board of Directors

The Board of Directors meets upon the invitation by the chairman as required. During the absence of the chairman, the invitation is to be made by the vice chairman. Any board member may call the board of directors for a meeting with a written request made to the chairman. The agenda for the board meetings is prepared by the board secretariat regularly or as required in coordination with the chairman or vice chairman. The financial and legal affairs department and the executive management secretariat facilitate communication among the board members in respect of the meetings. The date and agenda of the board meetings are notified seven 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, board members shall attend the meetings in person. All meetings are held under the principle of full attendance.

The meeting quorum for the board of directors including the postponed meetings is established upon the attendance of at least five members. Affirmative votes of at least four board members are required for board resolutions including the postponed meetings, save for and without detriment to the board resolutions that require affirmative votes of the independent board members as per the Capital Markets Regulations and the Principles of Corporate Governance.

Board members do not have the right of veto, privilege or a special voting right in case of equality of the votes. Each member of the board of directors has one vote including the chairman and no board member has a weighted voting right.

In the reporting period, there was no dissenting vote, reasons for which were required to be recorded into minutes, submitted to the independent auditors in writing or announced to the public. Meeting minutes are trade secrets and cannot be disclosed to the public. However, material issues that are resolved in the meeting shall be announced to public through a material disclosure statement. Material board resolutions are also disclosed on the company's website.

Board resolutions that involve material transactions or related party transactions require affirmative votes of majority of the independent members as per Corporate Governance Communiqué II-17.1 of the Capital Markets Board.

D&O liability insurance policy has been purchased for potential losses that might occur as a result of a fault by the board members.

5.3. Number, Structure and Independence of Board Committees

Terms of reference of the board committees were prepared and relevant units were assigned with the duty to follow up. The Audit Committee provided opinion to the board of directors on the selection of the independent auditor, auditing of the financial statements and the financial situation of the company. The Corporate Governance Committee provided recommendations on the amendments made to the articles of association, compliance to the Principles of Corporate Governance and evaluated the efficiency of investor relations related activities topics. The Risk Committee also provided opinion to the board of directors on relevant matters.

The, Audit Committee, the Corporate Governance Committee and the Risk Committee provided significant contributions to our company in terms of improving corporate governance practices and ensuring that the financial statement

CORPORATE GOVERNANCE COMPLIANCE REPORT

are accurately and transparently prepared in compliance with the regulations. A Nomination Committee and a Remuneration Committee were also established as per the Corporate Governance Communiqué.

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 2 (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. Both the Chairman and the member of the Audit Committee were appointed from among independent members. The chairpersons of other committees are also independent board members and their members were elected from among the non-executive members. Qualifications of committee members are presented in the board of directors section of the annual report and the company website.

TERMS OF REFERENCE OF THE COMMITTEES

Audit Committee

Belkıs ALPERGUN, Chairwoman
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.

AUTHORITY AND SCOPE

The Audit Committee shall

• 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;

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

• 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;

• 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;

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

• 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 three 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) Independent 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 to 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 noncompliance.
- 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, Chairman
M.Tuğrul TEKBULUT, Member
Murat ERKUT, Member
Orhan AYANLAR, Member
Doğan KARACA, 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) Authority and 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.

Nomination Committee

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

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 thereto; and

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

Remuneration Committee

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

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

CORPORATE GOVERNANCE COMPLIANCE REPORT

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 And Reporting

a) The Remuneration Committee shall convene as it is required to do so to perform its duties. Committee decisions 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 minutes book.

c) Decisions that are deemed necessary by the committee shall be submitted to the board of directors.

d) The secretary of the board of directors is responsible for preparing and keeping the reports. The secretary shall archive the meeting minutes after circulating them to the 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.

Structure of the Committee

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 and the chairperson shall be selected from among the independent board members. The CEO or the general manager cannot become a member of the committee.

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

d) The Committee members shall be determined each year at the first board meeting following the ordinary general assembly meeting.

e) The Committee shall convene with the attendance of one plus half of its members and take decisions by majority of the votes.

f) The secretary of the board of directors acts also as the secretary of the risk committee.

Committee Meetings and Reporting

a) The risk committee shall convene at least quarterly 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 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 monitored under the supervision of Risk Committee.

Risk management and internal control mechanisms are effectively operating to identify and manage existing and potential risks. Risks that are faced by the company fall under two categories as operational and financial risks. The functioning and efficiency of the company's accounting system, announcement of financial statements and the independent audit and internal control systems are monitored by the Audit Committee.

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 Benefits

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 per the Capital Markets Board's regulations, the Remuneration Policy, prepared in accordance with the Principles of Corporate Governances, for the board members and the executive team was declared to the shareholders in the General Assembly meeting of April 30, 2015. Financial benefit is provided only to the independent board members in the gross amount of 3,500 TL per month. Other board members do not receive any financial benefit from the company due to their position in the board. The company did not grant any warranty, debt or loan to any board member or executive.

ADDITIONAL INFORMATION ON OUR OPERATİONS

Other information that should be contained in the annual report as per the guidelines established by The Ministry of Custom and Trade are as follows:

Treasury shares held by the Company

As of December 31,2015 Company holds 693,131 units of treasury shares.

Private and public inspections conducted within the reporting period

The Company was not subject to any private or public inspections in 2015.

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 2015. General assembly resolutions were fulfilled.

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 the reporting period.

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 in 2015.

Information on legal actions against the Company and their potential impacts

No legal action had been taken against the Company in 2015, which has the potential to affect the Company's financial status and operations.

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. The Board of Directors annually reviews the dividend distribution policy. A balanced and consistent policy with respect to the interests of the investors and the company is applied for dividend distribution as per the Principles of Corporate Governance.

The dividend distribution policy is prepared by the board of directors, taking into consideration the general economic conditions, long term investment, financing business plans as well as the cash position of the company. Up to 55% 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 our shareholders. Dividend distribution shall 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 dividends is less than 5% of the paid-in capital, the corresponding amount in question shall be retained in the company.

According to the Articles of Association, advanced dividends can be distributed to the shareholders, if the General Assembly has authorized the Board of Directors up to a period of one year, in accordance with the Capital Market Regulations and the Turkish Commercial Code.
The distribution shall start by thirtieth (30) day following the day of general assembly resolution was taken and no later than the end of the reporting period in which the related general assembly resolution was made. The general assembly may resolve or authorize the board of directors to resolve that the dividend shall be paid in installments in line with the Capital Market regulations.

On March 13, 2015, the board of directors resolved that: According to the Audited Consolidated Financial Statements for the reporting period between January 1, 2014 and December 31, 2014 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; the net distributable profit for the period was calculated as 27,552,406 TL by deducting the “tax expense” and “first contingency reserve” amounts and adding the “donation” amount. After the deduction of legal obligations, distributing 15,000,000 TL to the shareholders as dividends as of May 26, 2015 and putting aside the remaining part as extraordinary reserve was decided to be proposed to the General Board. Accordingly, 0.0060 TL gross (0.0060 TL net) cash dividend per share, having nominal value of TL 0.01, was paid to the fully accountable taxpayers and limited taxpayers, which gain dividend through a company or permanent representative in Turkey, and 0.0060 TL gross (0.00510 TL net) cash dividend was paid to other shareholders.

FINANCIAL REVIEW

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

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN JANUARY 1 - DECEMBER 31, 2015 TOGETHER WITH INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

We have audited the accompanying consolidated balance sheet of Logo Yazılım Sanayi ve Ticaret A.Ş. (the Company) and its Subsidiaries (together will be referred to as the "Group") as at December 31, 2015 and the related consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in 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

Group's management is responsible for the preparation and fair presentation of financial statements in accordance with the Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") of Turkey 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 and/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 and standards on auditing issued by POA. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Independent audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the financial statements. The independent audit procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error and/or fraud. In making those risk assessments, the Company'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 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 Company'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 present fairly, in all material respects, the financial position of Logo Yazılım Sanayi ve Ticaret A.Ş. and its Subsidiaries as at December 31, 2015 and their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards.

Reports on other responsibilities arising from regulatory requirements

1. Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on February 11, 2016.
2. In accordance with subparagraph 4, Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period January 1 – December 31, 2015 and financial statements are not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.
3. In accordance with subparagraph 4, Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

Ferzan Ülgen, SMMM
Partner

11 Şubat 2016
İstanbul, Türkiye

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2015

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

		Audited	Audited
		Current period	Prior period
	Notes	December 31, 2015	December 31, 2014
Assets			
Current assets		124.544.398	104.903.678
Cash and cash equivalents	4	51.529.036	48.639.563
Financial assets	5	-	67.980
Trade receivables		71.945.027	53.651.215
- Due from related parties	25	8.032	5.362
- Due from third parties	7	71.936.995	53.645.853
Other receivables		10.164	10.050
- Due from third parties	8	10.164	10.050
Inventories	9	310.553	516.649
Prepaid expenses	15	449.905	1.614.227
Other current assets	15	299.713	403.994
Non-current assets		77.801.400	61.238.916
Other receivables		1.114.561	951.364
- Due from third parties	8	1.114.561	951.364
Financial assets	5	130.653	130.653
Property and equipment	10	15.488.784	15.073.538
Intangible assets		58.759.039	43.621.108
- Goodwill	12	7.478.652	5.892.252
- Other intangible assets	11	51.280.387	37.728.856
Prepaid expenses		35.727	138.743
Deferred tax assets	23	2.272.636	1.323.510
Total assets		202.345.798	166.142.594

These consolidated financial statements have been approved by Board of Directors on February 11, 2016 and signed on its behalf by Buğra Koyuncu, Chief Executive Officer and Gülnur Anlaş, Chief Financial Officer.

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

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2015
(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED.)

	Notes	Audited Current period December 31, 2015	Audited Prior period December 31, 2014
Liabilities			
Current liabilities		83.490.361	58.630.831
Short-term financial liabilities	6	993.182	780.239
Short-term portion of long-term financial liabilities	6	1.092.524	6.350.232
Trade payables		10.027.920	6.167.018
- *Due to third parties*	7	10.027.920	6.167.018
Employee benefit obligations	15	1.252.651	5.055.560
Other payables		6.468.494	3.941.104
- *Due to third parties*	8	6.468.494	3.941.104
Provision for employee benefits	14	9.056.999	5.509.259
Deferred revenue	15	53.876.841	30.403.189
Current income tax liability	23	398.889	189.584
Other current liabilities		322.861	234.646
Non-current liabilities		8.555.573	19.937.308
Long-term financial liabilities	6	313.019	16.069.350
Other Payables		3.736.690	-
- *Due to third parties*	8	3.736.690	-
Provisions for employee benefits	14	4.107.271	3.867.958
Deferred tax liabilities	23	398.593	-
Equity			
Equity attributable to equity holders of the parent		108.545.294	86.142.497
Share capital	16	25.000.000	25.000.000
Adjustment to share capital	16	2.991.336	2.991.336
Restricted reserves	16	6.993.951	3.960.394
Treasury shares	16	(4.632.563)	(2.649.415)
Actuarial losses		(1.681.596)	(821.754)
Retained earnings		39.979.376	30.109.530
Net income for the period		39.894.790	27.552.406
Non-controlling interests		1.754.570	1.431.958
Total equity		110.299.864	87.574.455
Total equity and liabilities		202.345.798	166.142.594

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 DECEMBER 31, 2015
(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED)

	Notes	Audited Current period January 1 – December 31, 2015	Audited Prior period January 1 – December 31, 2014
Sales	18	128.777.388	104.030.635
Cost of sales (-)	18	(3.254.820)	(4.655.177)
Gross profit		125.522.568	99.375.458
Marketing, selling and distribution expenses (-)	19	(34.685.456)	(28.552.852)
General administration expenses (-)	19	(13.530.205)	(11.988.169)
Research and development expenses (-)	19	(36.847.268)	(29.270.750)
Other operating income	22	2.994.570	2.162.116
Other operating expenses (-)	22	(3.591.600)	(1.853.092)
Operating profit		39.862.609	29.872.711
Income from investment activities	22	288.705	373.070
Operating profit before financial income/expenses		40.151.314	30.245.781
Financial income	20	2.692.993	1.025.796
Financial expenses (-)	21	(2.856.320)	(4.093.253)
Income before income taxes		39.987.987	27.178.324
Taxation on income			
Current income tax charge	23	(560.664)	(189.585)
Deferred income tax charge	23	790.079	747.067
Net income for the period		40.217.402	27.735.806
Net income attributable to			
Non-controlling interests		322.612	183.400
Equity holders of the parent		39.894.790	27.552.406
		40.217.402	27.735.806
Earnings per share per thousands of shares with nominal value 1 Kr each	24	15,96	11,02

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 PERİOD ENDED DECEMBER 31, 2015
(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED)

	Notes	Audited Current period January 1 – December 31, 2015	Audited Prior period January 1 – December 31, 2014
Net income for the period		40.217.402	27.735.806
Income/expense not to be reclassified to profit or loss			
Actuarial loss arising from employee benefits	14	(935.955)	(421.760)
Tax effect	23	76.113	38.542
Other comprehensive loss		(859.842)	(383.218)
Total comprehensive income		39.357.560	27.352.588
Total comprehensive income attributable to			
Non-controlling interests		322.612	183.400
Equity holders of the parent		39.034.948	27.169.188
		39.357.560	27.352.588

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE PERIOD ENDED DECEMBER 31, 2015

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

					Other comprehensive income or loss items not to be reclassified to profit or loss in subsequent periods	Retained earnings				
	Share capital	Adjustment to share capital	Treasury shares	Restricted reserves	Actuarial gain and losses arising from employee benefits	Retained earningsı	Net income for the period	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
January 1, 2014	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
Transfer to retained earnings	-	-	-	294.125	-	18.986.043	(19.280.168)	-	-	-
Sale of shares in subsidiaries (*)	-	-	-	-	-	(298.558)	-	(298.558)	1.248.558	950.000
Share increase in subsidiaries (**)	-	-	-	-	-	-	-	-	2.060.971	2.060.971
Gain from minority shares purchase	-	-	-	-	-	146.339	-	146.339	(2.060.971)	(1.914.632)
Net income for the period	-	-	-	-	-	-	27.552.406	27.552.406	183.400	27.735.806
Other comprehensive loss	-	-	-	-	(383.218)	-	-	(383.218)	-	(383.218)
Total comprehensive income	-	-	-	-	(383.218)	-	27.552.406	27.169.188	183.400	27.352.588
December 31, 2014	25.000.000	2.991.336	(2.649.415)	3.960.394	(821.754)	30.109.530	27.552.406	86.142.497	1.431.958	87.574.455
January 1, 2015	25.000.000	2.991.336	(2.649.415)	3.960.394	(821.754)	30.109.530	27.552.406	86.142.497	1.431.958	87.574.455
Transfer to retained earnings	-	-	-	3.033.557	-	24.518.849	(27.552.406)	-	-	-
Dividends paid (Note 16)	-	-	-	-	-	(14.649.003)	-	(14.649.003)	-	(14.649.003)
Treasury shares	-	-	(1.983.148)	-	-	-	-	(1.983.148)	-	(1.983.148)
Net income for the period	-	-	-	-	-	-	39.894.790	39.894.790	322.612	40.217.402
Other comprehensive loss	-	-	-	-	(859.842)	-	-	(859.842)	-	(859.842)
Total comprehensive income	-	-	-	-	(859.842)	-	39.894.790	39.034.948	322.612	39.357.560
December 31, 2015	25.000.000	2.991.336	(4.632.563)	6.993.951	(1.681.596)	39.979.376	39.894.790	108.545.294	1.754.570	110.299.864

(*) The Group sold 9,5% shares of E-Logo in exchange of 950.000 TL on 22 October 2014 and ownership interest in E-Logo decrease to 90,5%.
(**) The Company has acquired 40% of LogoBI in exchange of TL 810.000 with share purchase agreement signed on 26 December 2013.

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

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED DECEMBER 31, 2015

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

		Audited	Audited
		Current period	Prior period
	Notes	December 31, 2015	December 31, 2014
Income before income tax		39.987.987	27.178.324
Depreciation and amortization	10, 11	13.246.368	10.060.473
Deferred revenue	15	23.067.290	12.302.393
Increase in provision for employee termination benefits	14	523.188	415.928
Increase /(Decrease) in unused vacation liability	14	122.612	(275.892)
Personnel bonus accrual	14	3.547.740	1.049.312
Interest expenses	21	1.702.231	3.411.186
Interest income	20	(1.037.909)	(897.128)
Gain from bargain purchase	22	-	(243.883)
Changes in doubtful receivable provision	7	99.493	(59.770)
Gain on sales of property plant and equipment	22	(119.917)	(37.506)
Operating income before changes in working capital		81.139.083	52.903.437
Change in trade receivables, prepaid expenses and other receivables		(16.554.775)	5.821.104
Change in inventories		206.096	(95.128)
Change in other current/ non-current assets		104.281	(1.144.023)
Change in trade payables		2.904.252	2.809.862
Change in other payables and liabilities and employee benefits obligations		(1.428.304)	(3.863.964)
Change in advances received	15	406.362	70.986
Taxes paid		(35.700)	(70.252)
Employee termination benefits paid	14	(1.354.843)	(552.162)
Net cash generated from operating activities		65.386.452	55.879.860
Investing activities:			
Purchase of property and equipment and intangible assets	10, 11	(2.119.493)	(2.388.153)
Cash used in development activities	11	(16.992.155)	(13.265.198)
Acquisition of subsidiary, excluding cash acquired	3	(5.475.659)	(6.602.145)
Change in shares in subsidiaries		-	(964.632)
Change in financial assets	5	67.980	102.583
Interest received		1.037.909	897.128
Cash obtained from sales of property and equipment		119.917	43.423
Net cash used in investing activities		(23.361.501)	(22.176.994)
Financial activities:			
Decrease in bank borrowings	6	(20.801.096)	(1.035.387)
Interest paid		(1.702.231)	(3.296.031)
Cash paid for treasury shares	16	(1.983.148)	-
Dividend paid		(14.649.003)	-
Net cash used in financing activities		(39.135.478)	(4.331.418)
Net increase in cash and cash equivalents		2.889.473	29.371.448
Cash and cash equivalents at beginning of the period	4	48.639.563	19.268.115
Cash and cash equivalents at end of the period	4	51.529.036	48.639.563

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

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2015
(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 September 30, 1999. The Company is domiciled in Turkey and operates under the Turkish Commercial Code.

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

As of December 31, 2015 the Group has 506 employees (December 31, 2014: 474).

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
Logo Elektronik Ticaret Hizmetleri A.Ş. ("e-Logo")	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

Processes relating to the Group's facilitated merger of its wholly owned subsidiaries Logobi Yazılım Sanayi ve Ticaret A.Ş, Coretech Bilgi Teknolojisi Hizmetleri A.Ş. and Netsis Yazılım Sanayi ve Ticaret A.Ş., acquiring their assets and liabilities in entirety, has been concluded and the merge has been officially registered to the Registry of Commerce as of July 28, 2015. Pursuant to the Capital Markets Board of Turkey ("CMB") decision taken at their 17/853 numbered meeting on July 3, 2015, the Turkish Code of Commerce, Capital Markets Law, Corporate Tax Law and relevant provisions of the CMB "Mergers and Divisions Communication" numbered II-23.2 the announcement made regarding the facilitated merger process has been approved by the CMB.

On February 20, 2014, the Company acquired the shares representing 80% of the capital of Logo Elektronik Ticaret Hizmetleri A.Ş. for TL 8.000.000 and the remaining 20% of shares for TL 1.914.632 on July 14, 2014 and its shareholding rate increased to 100%. On October 22, 2014, the Company sold the shares representing 9,5% of the capital of Logo Elektronik Ticaret Hizmetleri A.Ş. for TL 950.000 under a loan and share procurement agreement.

Upon the signing of the share purchase agreement on September 8, 2015, the Company acquired 100% shares of Vardar. (Note 3)

The company took over 50,1% of Intermat shares on 5 January and the remaining 49,90% on 28 July 2015 in the framework of Share Transfer and Option Contract (Note 3).

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2015 (CONTINUED)
(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED)

1. Organization and nature of operations (continued)

The Company has purchased 100% of Sempa shares through a share transfer agreement signed on September 18, 2015.

Processes relating to the Group's facilitated merger of its wholly owned subsidiaries Vardar, Sempa and Intermat acquiring their assets and liabilities in entirety, has been concluded and the merge has been officially registered to the Registry of Commerce as of December 31, 2015. Pursuant to the CMB decision taken at their 36/1656 numbered meeting on December 28, 2015, the Turkish Code of Commerce, Capital Markets Law, Corporate Tax Law and relevant provisions of the CMB "Mergers and Divisions Communication" numbered II-23.2 the announcement made regarding the facilitated merger process has been approved by the CMB.

The Company's Board of Directors resolved on April 22, 2009 to close Logo Business Solutions FZ-LLC due to the foreseen negative effects of the global crisis in 2009 on the Company's domestic and international sales and marketing activities and to execute international sales and marketing activities from the head office. As of December 31, 2015, the liquidation process has been substantially completed.

The Company's foreign sales and marketing activities are managed from its headquarter in Turkey.

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

Since the information related to the operational segments as of December 31, 2015 taking into consideration the operations' of the Group's consolidated financial statements in general and monetary significance into account is not reportable in terms of geographical segments outside of Turkey, 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 accompanying consolidated financial statements of the Group have been prepared in accordance with the Turkish Accounting Standards ("TAS") promulgated by the Public Oversight Accounting and Auditing Standards Authority ("POA") in compliance with the communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets" (the Communiqué) announced by the CMB on June 13, 2013 which is published on Official Gazette numbered 28676. TAS consists of the Turkish Accounting Standards, Turkish Financial Reporting Standards and related supplements and interpretations ("TAS/TFRS"). TAS/TFRS are updated in harmony with the changes and updates in International Financial and Accounting Standards ("IFRS") by the communiqués announced by the POA.

With the decision taken on March 17, 2005, CMB announced that, effective from January 1, 2005, the application of inflation accounting is no longer required for listed companies in Turkey. The Group's consolidated financial statements have been prepared in accordance with this decision.

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

2.1.2 Financial statements of subsidiaries operating in foreign countries

Financial statements of subsidiaries, operating in countries other than Turkey, are adjusted to TAS/TFRS for the purpose of fair presentation. Subsidiaries' assets and liabilities are translated into Turkish Lira from the foreign exchange rate at the balance sheet date and income and expenses are translated into Turkish Lira at the average foreign exchange rate. Exchange differences arising from the translation of the opening net assets and differences between the average and balance sheet dates are included in the "currency translation difference" under the shareholders' equity.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2015 (CONTINUED)
(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED)

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

2.1.3 Basis of consolidation

The consolidated financial statements prepared in accordance with the principles of consolidated financial statements for the year ended December 31, 2015 include the accounts for Logo Yazılım and its subsidiaries.

The table below sets out the subsidiaries of Logo Yazılım and ownership interests held by the Company at December 31, 2015 and 2014:

	Direct and indirect ownership İnterests by the Company (%)	
Subsidiaries:		
	December 31, 2015	**December 31, 2014**
Logo Business Software GmbH	100,0	100,0
Logo Elektronik Ticaret Hizmetleri A.Ş.	90,5	90,5
Netsis Yazılım Sanayi ve Ticaret A.Ş.	-	100,0
Coretech Bilgi Teknolojisi Hizmetleri A.Ş.	-	100,0
Logobi Yazılım Sanayi ve Ticaret A.Ş.	-	100,0

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.

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 December 31, 2015, since the assumptions are adequate that the Group will have taxable profits in the foreseeable future, deferred tax asset has been recognized.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2015 (CONTINUED)
(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED)

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

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 cases, the probabilities of failure in the cases and the possible liabilities to be arisen in the case of failure are evaluated by the Group management through being counseled by legal advisors of the Group and experts. The Group management determines the amount of the provisions based on their best estimates.

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

h) 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. Since the free of charge LEM products given the first year are given along with the currently up-to-date software, they do not bring significant updates for the user and their commercial value is lower compared to the LEM products provided in the subsequent years. Thus, related sales amounts are recognized as revenue within the transaction year.

2.2 Summary of significant accounting policies

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

Business combinations

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.

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 twelve months following the combination date and adjustment entries have to be made beginning from combination date.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2015 (CONTINUED)
(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED)

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

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 consolidated statement of financial position 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.

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 Group tests the impairments of goodwill as of December 31.

The profit and losses generated from the sale of a business include 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	3 - 15

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.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2015 (CONTINUED)
(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED)

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

Intangible assets

Intangible assets include acquired rights, development costs, software and technology, customer relationships and other identifiable rights acquired in business combinations. Intangible assets are carried at cost less accumulated amortization. These are accounted by cost of acquisition and are subjected to straight-line depreciation method with their useful lives starting from the date of acquisition.

	Years
Development costs	5
Technology developed	7 - 10
Customer relations	8 - 20
Agreement for restriction of competition	3 - 4
Other intangible assets	3 - 5

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:

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 DECEMBER 31, 2015 (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.

Gains arising from incentives for investment and research and development activities together with government grants are recognized when there is a reasonable assurance for the necessary conditions to be fulfilled and incentive to be acquired by the Group. Vested government grants related with expense or capitalization realized in previous accounting periods, are recognized in statements of profit or loss when collectible.

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’s consolidated statement of financial position 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 unfavorable, 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 unfavorable 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.

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

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

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.

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 Group 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 Group by way of providing goods or services directly to a debtor are carried at amortized cost. Short term 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 Group 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.

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. Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset which requires substantial period of time to get ready for its intended use or sale shall be capitalized over the cost of the asset. Other borrowing costs shall be recognized as an expense in the period it incurs.

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

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.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position 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

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.

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

Taxation and deferred 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. The deferred income taxes are classified as non-current in the accompanying consolidated financial statements.

Revenue recognition

The Group 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 Group, 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.

e-Logo Private Integrator service sales

Companies issuing e-invoice can exchange electronic invoice via data processing system of a private integrator having technical capability rather than using their own data processing system infrastructure. e-Logo, which has a permission of private integration from Turkish Revenue Administration, provides opportunity to its users to realize their electronic invoice exchanges with its capacity of 130.000.000 invoices processes a day and thanks to a swift and secure system working 7/24 actively. Companies getting e-Logo private Integrator Service manage their approval processes on web. Private Integrator Service is carried out as credit sales. Revenue recognition is made according to rates of credit usage.

Logo Enterprise Membership ("LEM") sales and version upgrade package 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 Group started LEM sales in August 2007. The Group applies to give the LEM as a free product with the main software in first sale of license. The Group's management mentioned that collection of the sales transaction was reflected to the main software product and LEM products was sold free. Since the free of charge LEM products given the first year are given along with the currently up-to-date software, they do not bring significant updates for the user and their commercial value is lower compared to the LEM products provided in the subsequent years. The fee is charged by the Group for the renewal of LEM agreements.

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

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.

Customized software development

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

Other revenues

Other revenues earned by the Group 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 Group 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 Group are not included in financial statements and treated as contingent assets or liabilities.

Contingent liabilities are disclosed in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote. If an outflow of resources has become probable, contingent liabilities are recognised in the financial statements. Contingent assets are not recognised in financial statements but disclosed in the notes to the financial statements where an inflow of economic benefits is probable.

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 consolidated statement of financial position 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.

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.

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2015 (CONTINUED)

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

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

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.

Foreign currency transactions

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.

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in TL, which is the functional currency of Logo and the presentation currency of the Group.

2.3 Change in accounting policies

The accounting policies applied in the preparation of the consolidated financial statements as of 1 January - 30 June 2015 are consistent with those applied in the preparation of the consolidated financial statements as of 31 December 2014, except for the new and amended TAS/TFRS standards which are valid as of 1 January 2015 and Turkey Financial Reporting Interpretations Committee's ("TFRIC") interpretations summarised below.

Standards, amendments and interpretations effective as of 1 January 2015:

- TAS 19 - Defined Benefit Plans: Employee Contributions (Amendment)
- Improvements to TFRSs - 2010 - 2012 Cycle
- Annual Improvements to TFRSs - 2011 - 2013 Cycle measurement (Amendments)

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

Standards, amendments and improvements issued but not yet effective and not early adopted:

- TFRS 9 Financial Instruments - Classification and Measurement
- TFRS 11 - Acquisition of an Interest in a Joint Operation (Amendment)
- TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to TAS 16 and TAS 38)
- TAS 16 - Property, Plant and Equipment and TAS 41 Agriculture (Amendment) - Bearer Plants
- TAS 27 - Equity Method in Separate Financial Statements - Amendments to TAS 27
- TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)
- TFRS 10, TFRS 12 and TAS 28:Investment Entities: Applying the Consolidation Exception (Amendments to TFRS 10 and TAS 28)
- TAS 1: Disclosure Initiative (Amendments to TAS 1)
- Improvements to TFRSs, 2012 - 2014 Cycle

The impacts of the new standards, amendments and improvements on the financial position and performance of the Group is being assessed.

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

New standards, amendments and interpretations that are issued by the International Accounting Standard Boards (IASB) but not issued by POA:

- Improvements to IFRSs - 2010 - 2012 Cycle (IFRS 13 - Fair Value Measurement Basis for Conclusions)
- IFRS 15 - Revenue from Contracts with Customers
- IFRS 9 - Financial Instruments - Final standard (2014)

The impacts of the new standards, amendments and improvements on the financial position and performance of the Group is being assessed

3. Business combinations

Intermat acquisition

The Company has purchased 50,1% of İntermat shares for 2.000.000 TL through Share Transfer and Option agreement signed on January 5, 2015. It is adjudicated with the Share Transfer and Option Contract concluded on the same date that the Company has the right to take over the remaining 49,9% shares in 12 months following the date of transfer at a price of not less than 1.500.000 TL and more than 3.500.000 TL and Intermat has the right to sell to the Company with same terms. 49,9% of Intermat shares were transferred to the Company on 28 July 2015 and a cost at an amount of 268.000 TL was paid during this transfer and shall net off from the additional payment amount which will determined as 50% of turnover amount which will be realized until the end of 2017.

Purchase price – cash	2.000.000
Purchase price – cash	268.000
Purchase price – future payments	2.307.398
Total purchase price	**4.575.398**

(*) Future payment amounts estimated over possible turnover amounts of Intermat until 2017 have been discounted to date and the amount of future payments is determined.

The Group, with respect to aforementioned acquisition process, applied provisional acquisition accounting and accounted Intermat as a subsidiariy in accordance with TFRS 3 "Business Combination". Fair value of identifiable liabilities and identifiable assets owned as a result of aforementioned business combination as of acquisition date is determined with the draft valuation report.

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

Total assets	539.268
Intangible assets – advanced technology	3.502.958
Intangible assets – non-compete agreement	499.151
Total liabilities	(303.041)
Fair value of net assets	4.238.336
Less: purchase consideration	4.575.398
Goodwill	337.062

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3. Business combinations (continued)

Identifiable assets such as advanced technology and non-compote agreement which were determined as a result of purchase price allocation study of Intermat are amortized over 7 years and 3 years respectively.

Detail of cash outflows due to purchase as of December, 2015 is as follows:

Purchase price – cash paid in 2015	2.268.000
Cash and cash equivalents – acquired	11.296
Cash outflow due to purchase, net	2.256.704

The share of Intermat in the sales revenue earned after the acquisition date is 1.608.193 TL in 2015 consolidated income statement. The contribution of Intermat in consolidated net profit for the same period is 637.768 TL.

If Intermat was included in consolidation starting from January 1, 2015, it would have an additional contribution to the consolidated sales revenue of the Group in 2015 at an amount of 5.000 TL.

Sempa acquisition

The Company has purchased 100% of Sempa shares for 3.000.000 TL through a share transfer agreement signed on June 18, 2015 and has become Sempa's sole shareholder. Full purchase price was paid in advance. The share transfer agreement entered into force as of June 18, 2015. 856.631 TL that was paid in scope of the acqusition in the measurement period was added to purchase price.

Within the framework of the Share Transfer agreement signed on June 18, 2015; 50% of the positive difference between Sempa's sales revenue to be realized in 2015 and the 2014 sales revenue amounting to 2.017.938 TL ("Base Performance Fee") will be paid to Sempa's previous shareholders as a "Performance Fee" which will not exceed 500.000 TL.

Purchase price – cash	3.856.631
Purchase price – future payments	241.000
Total purchase price	4.097.631

The Group, with respect to aforementioned acquisition process, applied provisional acquisition accounting and accounted Sempa as a subsidiariy in accordance with TFRS 3 "Business Combination". Fair value of identifiable liabilities and identifiable assets owned as a result of aforementioned business combination as of acquisition date is determined with the draft valuation report.

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

Total assets	1.601.189
Intangible assets – advanced technology	1.378.000
Intangible assets – customer relations	303.000
Intangible assets – non-compete agreement	267.000
Total liabilities	(354.558)
Fair value of net assets	3.194.631
Less: purchase consideration	4.097.631
Goodwill	**903.000**

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3. Business combinations (continued)

Identifiable assets such as advanced technology, customer relations and non-compote agreement, which are determined as a result of purchase price allocation study of Sempa, are amortized over 7 years, 8 years and 3 years respectively.

Detail of cash outflows due to purchase as of December 31, 2015 is as follows:

Purchase price – cash paid in 2015	3.856.631
Cash and cash equivalents – acquired	1.240.069
Cash outflow due to purchase, net	2.616.562

The share of Sempa in the sales revenue earned after the acquisition date is 1.678.600 TL in consolidated revenue statement of 2015. The effect of Sempa on consolidated net profit for the same period is 1.057.263 TL.

If Sempa was included in consolidation starting from January 1, 2015, it would have an additional contribution to the consolidated sales revenue of the Group in 2015 at an amount of 688.738 TL.

Vardar acquisition

The Company has purchased 100% of Vardar shares for 604.794 TL through a share tranfer agreement signed on September 8, 2015. A performance payment at a total amount of 2.000.000 TL shall be made in scope of this agreement consisting of 1.000.000 TL, occurring following the determination of completion of the Vardar's products improvement effectively and become in a position to be sold in sales network of LOGO and 1.000.000 TL which occurs after the sales amount of Vardar's products exceeds 1.000.000 TL plus VAT in sales network of Logo.

Purchase price – cash	604.794
Purchase price – future payments	1.429.292
Total purchase price	2.034.086

*) Performance payments which shall be made for Vardar have been discounted to date considering that the estimated dates in which the related conditions will be ensured, and the amount of future payments is determined

The Group, with respect to aforementioned acquisition process, applied provisional acquisition accounting and accounted Vardar as a subsidiariy in accordance with TFRS 3 "Business Combination". Fair value of identifiable liabilities and identifiable assets owned as a result of aforementioned business combination as of acquisition date is determined with the draft valuation report.

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

Total Assets	1.084.068
Intangible assets – advanced technology	1.130.198
Intangible assets – non-compete agreement	41.570
Total Liabilities	(568.088)
Fair value of net assets	1.687.748
Less: purchase consideration	2.034.086
Goodwill	346.338

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3. Business combinations (continued)

Identifiable assets such as advanced technology and non-compote agreemet which are determined as a result of purchase price distribution study of Sempa, are amortized over 7 years and 3 years respectively.

Detail of cash outflows due to purchase as of December 31, 2015 is as follows:

Purchase price – cash paid in 2015	604.794
Cash and cash equivalents – acquired	2.401
Cash outlow due to purchase, net	602.393

The share of Vardar in the sales revenue earned after the acquisition date is 8.800 TL in 2015 consolidated income statement. The effect of Vardar on consolidated net profit is 70.102 TL loss in the same period.

If Vardar was included in consolidation starting from January 1, 2015, it would have an additional contribution to the consolidated sales revenue of the Group in 2015 at an amount of 30.700 TL.

4. Cash and cash equivalents

	December 31, 2015	December 31, 2014
Cash	15.700	8.754
Banks		
- Demand deposits - TL	797.117	3.444.600
- Demand deposits - foreign currency	810.892	1.063.254
- Time deposits - TL	18.113.439	22.995.000
- Time deposits - foreign currency	5.011.271	1.588.880
Credit card receivables	26.780.617	19.539.075
	51.529.036	48.639.563

As of December 31, 2015, the weighted average effective annual interest rates for TL time deposits are between 11,00% and 13,75% (December 31, 2014: 8,60% and 10%). As of December 31, 2015 and 2014, the maturity of time deposits is less than three months. As of December 31, 2015 and 2014, the maturity of credit card receivables is less than three months.

As of December 31, 2015 and 2014, the cash and cash equivalents included in the consolidated statement of cash flows are as follows:

	December 31, 2015	December 31, 2014
Cash and cash equivalents	51.529.036	48.639.563

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5. Financial assets

Trading securities

The analysis of financial assets at fair value through profit and loss at December 31, 2015 and 2014 is as follows:

	December 31, 2015	December 31, 2014
Mutual funds		
- Gold fund	-	67.980
	-	67.980

The analysis of non-current financial assets at December 31, 2015 and 2014 is as follows:

	December 31, 2015		December 31, 2014	
	Share %	Carrying amount	Share %	Carrying amount
Available-for-sale equity securities:				
İnterpro Yayıncılık Araştırma ve Organizasyon Hizmetleri A.Ş.	2,00	80.653	2,00	80.653
Dokuz Eylül Teknoloji Geliştirme Bölgesi A.Ş.	0,67	50.000	0,67	50.000
		130.653		130.653

İnterpro Yayıncılık Araştırma ve Organizasyon Hizmetleri A.Ş. is assessed as available-for-sale financial asset as of December 31, 2015 and December 31, 2014. 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.

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6. Bank borrowings:

Short-term bank borrowings:	December 31, 2015	December 31, 2014
Short-term bank borrowings	782.893	665.613
Credit card payables	210.289	114.626
Current portion of long-term bank borrowings	1.092.524	6.350.232
	2.085.706	7.130.471

Long-term bank borrowings:	December 31, 2015	December 31, 2014
Long-term bank borrowings	313.019	16.069.350

			December 31, 2015
	Weighted average effective interest rate p.a. (%)	Original balance	TL equivalent
Short term bank borrowings	-	782.893	782.893
Credit card payables	-	210.289	210.289
Total short-term bank borrowings			993.182
Current portion of long-term bank borrowings			
Fixed rate loans			
TL loans	%10,32-%13,68	1.092.524	1.092.524
Total current portion of long-term bank borrowings			1.092.524
Long term bank borrowings			
Fixed rate loans			
TL loans	%10,32-%13,68	313.019	313.019
Total long-term bank borrowings			313.019

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6. Bank borrowings (continued)

			December 31, 2014
	Weighted average effective interest rate p.a. (%)	Original balance	TL equivalent
Credit card payables	-	665.613	665.613
Short-term bank borrowings	-	114.626	114.626
Total short-term bank borrowings			780.239
Current portion of long-term bank borrowings			
Floating rate loans			
TL loans	%12,96	5.460.632	5.460.632
Fixed rate loans			
TL loans	%15,84	869.012	869.012
Usd loans	-	8.879	20.588
Total current portion of long-term bank borrowings Long- term bank borrowings:			6.350.232
Long term bank borrowings:			
Floating rate loans			
TL loans	%12,96	14.666.667	14.666.667
Fixed rate loans			
TL loans	%15,84	1.402.683	1.402.683
Total long-term bank borrowings			16.069.350

(*) The whole amount regarding the loan contract having a floating rate and 5 years maturity at an amount of 20 million TL which was concluded between the Group and International Finance Corporation on 23 November 2013 was paid off as of 16 March 2015 through using break option.

The redemption schedules of long-term bank borrowings at December 31, 2015 and 2014 are as follows:

	2015	2014
1 to 2 years	313.019	6.412.533
2 to 3 years	-	5.656.817
3 to 4 years	-	4.000.000
	313.019	16.069.350

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7. Trade receivables and payables

Short-term other trade receivables:	December 31, 2015	December 31, 2014
Trade receivables	40.329.386	39.124.002
Credit card receivables	36.054.297	17.875.519
Cheques and notes receivables	4.101.042	4.148.480
Income accruals	646.936	440.565
Less: provision for doubtful receivables	(6.451.544)	(6.352.051)
Less: unearned credit finance income	(2.743.122)	(1.590.662)
	71.936.995	53.645.853

As of December 31, 2015, the average receivables turnover rate is 146 days (2014:164 days), excluding the average credit cards receivables turnover rate is 89 days (2014:102 days), the rediscount rate applied on the receivables are 11,75% (2014: 9,55%).

As of December 31, 2015, trade receivables of TL 3.454.145 (2014: TL 3.878.518) were past due but not impaired. The aging analysis of these trade receivables is as follows:

	December 31, 2015	December 31, 2014
Up to 1 month	1.985.998	1.194.847
1 to 3 months	530.271	614.652
Over 3 months	937.876	2.069.019
	3.454.145	3.878.518
Amount of risk covered by guarantees	604.263	399.400

The movement of provision for doubtful receivables for the years ended December 31, 2015 and 2014 are as follows:

	2015	2014
As of January 1	6.352.051	6.411.821
Current year additions	122.304	73.705
Provisions no longer required	(22.811)	(133.475)
December 31	6.451.544	6.352.051

Trade payables to third parties	31 Aralık 2015	31 Aralık 2014
Trade payables	10.027.920	6.167.018

As of December 31, 2015, the average debt payment period is 64 days (2014: 55 days), rediscount rate applied to the debt not overdue is 11,97% (2014: 9,55%).

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7. Trade receivables and payables (continued)

The maximum exposure of the Group to credit risk as of December 31, 2015 and 2014 as follows:

	Trade receivables		Trade receivables		
December 31, 2015	Related party	Other	Related party	Other	Bank balances and credit card receivables
The maximum of credit risk exposed at the reporting date	**8.032**	**71.936.995**	**-**	**1.124.725**	**51.513.336**
- Amount risk covered by guarantees	-	*604.263*	-	-	-
Net carrying value of not past due and not impaired financial assets					
Net carrying value of past due but not impaired financial assets	8.032	68.482.850	-	1.124.725	51.513.336
- Amount of risk covered by guarantees	-	3.454.145	-	-	-
Net carrying value of impaired assets	-	*604.263*	-	-	-
- Past due (gross carrying value)					
- Provision for impairment (-)	-	-	-	-	-
- Amount of risk covered by guarantees	-	*6.451.544*	-	-	-
- Değer düşüklüğü (-)	-	*(6.451.544)*	-	-	-
- Teminat ile güvence altına alınmış kısmı	-	-	-	-	-

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

	Trade receivables		Trade receivables		
December 31, 2014	Related party	Other	Related party	Other	Bank balances and credit card receivables
The maximum of credit risk exposed at the reporting date	5.362	53.645.853	-	961.414	48.630.809
- Amount risk covered by guarantees *Net carrying value of not past due and not impaired financial assets*	-	*399.400*	-	-	-
Net carrying value of past due but not impaired financial assets					
- Amount of risk covered by guarantees	5.362	49.767.335	-	961.414	48.630.809
Net carrying value of impaired assets					
- Past due (gross carrying value)	-	3.878.518	-	-	-
- Provision for impairment (-)	-	*399.400*	-	-	-
- Amount of risk covered by guarantees net defter değerleri	-	-	-	-	-
- Vadesi geçmiş (brüt defter değeri)	-	*6.352.051*	-	-	-
- Değer düşüklüğü (-)	-	*(6.352.051)*	-	-	-
- Teminat ile güvence altına alınmış kısmı	-	-	-	-	-

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

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8. Other receivables and payables

Other current receivables	December 31, 2015	December 31, 2014
Short term		
Deposits and guarantees given	10.164	10.050
Long Term		
Receivables arising from the sale of E-Logo shares	950.000	950.000
Other	164.561	1.364
	1.114.561	951.364

Other non-current payables	December 31, 2015	December 31, 2014
Taxes payable	5.496.868	3.941.104
Short term payables regarding Sempa acqusition (Note 3)	241.000	-
Trade payables, third parties	730.626	-
	6.468.494	3.941.104
Long term payables regarding Intermat acqusition (Note 3)	2.307.398	-
Long term payables regarding Vardar acqusition (Note 3)	1.429.292	-
	3.736.690	-

9. Inventories

	December 31, 2015	December 31, 2014
Materials	160.730	388.882
Merchandises	127.072	127.767
Other goods	22.751	-
	310.553	516.649

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10. Property and equipment

	January 1, 2015	Additions	Acquisitions	Disposals	Transfers	December 31, 2015
Cost:						
Machinery and equipment	5.866.902	753.871	-	(14.625)	-	6.606.148
Motor vehicles	244.598	-	-	(189.216)	-	55.382
Furniture and fixtures	3.619.890	260.066	73.732	(52.447)	-	3.901.241
Leasehold improvements	19.458.301	526.975	-	-	-	19.985.276
Total	29.189.691	1.540.912	73.732	(256.288)	-	30.548.047
Accumulated depreciation:						
Machinery and equipment	4.995.418	380.051	-	(14.625)	-	5.360.844
Motor vehicles	241.242	-	-	(189.216)	-	52.026
Furniture and fixtures	3.012.405	258.806	-	(52.447)	-	3.218.764
Leasehold improvements	5.867.088	560.541	-	-	-	6.427.629
Total	14.116.153	1.199.398	-	(256.288)	-	15.059.263
Net book value	15.073.538					15.488.784

	January 1, 2014	Additions	Acquisitions	Disposals	Transfers	December 31, 2014
Cost:						
Machinery and equipment	5.243.543	484.494	199.621	(60.756)	-	5.866.902
Motor vehicles	233.398	-	55.383	(44.183)	-	244.598
Furniture and fixtures	3.265.571	269.739	84.580	-	-	3.619.890
Leasehold improvements	17.208.797	292.974	75.883	-	1.880.647	19.458.301
Construction in progress	711.679	1.168.968	-	-	(1.880.647)	-
Total	26.662.988	2.216.175	415.467	(104.939)	-	29.189.691
Accumulated depreciation:						
Machinery and equipment	4.708.060	282.577	65.537	(60.756)	-	4.995.418
Motor vehicles	206.747	17.378	55.383	(38.266)	-	241.242
Furniture and fixtures	2.734.309	250.691	27.405	-	-	3.012.405
Leasehold improvements	5.384.336	434.221	48.531	-	-	5.867.088
Total	13.033.452	984.867	196.856	(99.022)	-	14.116.153
Net book value	13.629.536					15.073.538

The Group leased the land where 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 Group and a financial institution ("Lender") in 2011, a pledge of TL 7.000.000 was placed on the Group's building as collateral for the loan.

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11. Intangible assets

	January 1, 2015	Additions	Acquisition of subsidiary	December 31, 2015
Cost:				
Development costs	62.864.589	16.992.155	5.600	79.862.344
Technology developed	6.449.027	-	6.011.156	12.460.183
Customer relations	11.549.175	-	303.000	11.852.175
Agreement for restriction of competition	1.940.057	-	807.721	2.747.778
Other intangible assets	4.707.710	578.581	900.288	6.186.579
Total	87.510.558	17.570.736	8.027.765	113.109.059
Accumulated amortization:				
Development costs	39.969.734	8.657.883	-	48.627.617
Technology developed	1.656.068	1.410.399	-	3.066.467
Customer relations	2.328.723	983.740	-	3.312.463
Agreement for restriction of competition	1.405.835	748.572	-	2.154.407
Other intangible assets	4.421.342	246.376	-	4.667.718
Total	49.781.702	12.046.970	-	61.828.672
Net book value	37.728.856			51.280.387

	January 1, 2014	Additions	Acquisition of subsidiary	December 31, 2014
Cost:				
Development costs	49.599.391	13.265.198	-	62.864.589
Technology developed	5.436.027	-	1.013.000	6.449.027
Customer relations	9.770.175	-	1.779.000	11.549.175
Agreement for restriction of competition	1.940.057	-	-	1.940.057
Other intangible assets	4.499.364	171.978	36.368	4.707.710
Total	71.245.014	13.437.176	2.828.368	87.510.558
Accumulated amortization:				
Development costs	33.724.170	6.245.564	-	39.969.734
Technology developed	754.156	901.912	-	1.656.068
Customer relations	1.384.230	944.493	-	2.328.723
Agreement for restriction of competition	522.504	883.331	-	1.405.835
Other intangible assets	4.296.979	100.306	24.057	4.421.342
Total	40.682.039	9.075.606	24.057	49.781.702
Net book value	30.562.975			37.728.856

All additions to development costs during the years ended December 31, 2015 and 2014 includes personnel costs.

12.799.540 TL of the current period depreciation and amortization expense has been allocated to research and development expenses, TL 173.744 has been allocated to marketing, selling and distribution expenses, TL 273.084 has been allocated to general administrative expenses (2014: TL 9.733.911 research and development expenses, TL 97.623 to marketing and selling expense, TL 228.939 to general administrative expenses).

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12. Goodwill

	December 31, 2015	December 31, 2014
Netsis	5.892.252	5.892.252
Sempa	903.000	-
Vardar	346.338	-
İntermat	337.062	-
	7.478.652	5.892.252

	2015	2014
January 1	5.892.252	5.892.252
Acqusition during the year	1.586.400	-
December 31	7.478.652	5.892.252

Goodwill is subject to impairment test every year. The recoverable amounts of cash generating units are determined on value in use basis.

Value in use is determined by discounting the expected future cash flows to be generated by the cash-generating unit. The below key assumptions are used in the calculation of the value in use as of December 31, 2015:

The projection period for the purposes of Netsis goodwill impairment testing is taken as 5 years between January 1, 2015 and December 31, 2019.

Cash flows for further periods (perpetuity) were extrapolated using a constant growth rate of 5% which does not exceed the estimated average growth rate of economy of the country.

Weighted average cost of capital rate of 17% is used as after tax discount rate in order to calculate the recoverable amount of the unit.

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

Netsis operations as a cash generating unit and sensitivity to the changes in assumptions in impairment test

Recoverable value of cash generating unit is 20,4% above of goodwill included book value of related cash generating unit. In the calculation of the present value of future cash flows, estimations on earnings before interest tax depreciation amortization ("EBITDA"), long term growth rate and discount rates are taken into account.

Long term growth rate
Originally, the long term growth rate is assumed to be 5%. Had the rate been assumed to be 4%, the recoverable amount would have been 15,4% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

Discount rate
Originally, the discount rate is assumed to be 17%. Had the rate been assumed to be 18%, the recoverable amount would have been 11,7% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

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13. Commitments and contingent liabilities

Guarantees received:

	December 31, 2015			December 31, 2014	
	Original currency	Original amount	TL equivalent	Original currency	TL equivalent
Guarantee notes	TL	604.263	604.263	39.400	39.400
Mortgages	TL	-	-	360.000	360.000
			604.263		399.400

As of December 31, 2015 and 2014, guarantee/pledge/mortgage ("GPM") given by the Company on behalf of its legal entity are as follows:

GPM given by the Company:

	December 31, 2015			December 31, 2014	
	Original currency	Original amount	TL equivalent	Original currency	TL equivalent
Total amount of GPM the Company gave on behalf of its legal entity	TL	7.463.800	7.463.800	7.768.000	7.768.000
	USD	82.578	240.104	54.463	126.294
			7.703.904		7.894.294

GPM given by the Company includes letters of guarantee issued in the name of its legal entity. There is no GPM 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 Group and International Finance Corporation ("IFC"), an institution of World Bank on October 25, 2013. The Group paid off all of the relevenat five year term agreement; as of 16 March 2015 through using the break option

The lawsuits filed against to the Company amounting to 4.465.893 TL. The Group management does not expect any cash outflow regarding these lawsuits and accordingly, it has not booked any provision in the consolidated financial statements

Reports and notices, issued regarding the subjects of criticism by the tax inspectors as a result of tax inspection related to year 2012 carried out in 2015 in the Company, were declared to the Company on January 13. A total amount of 1.086.101 TL is claimed for original tax and its penalty accordingly. The company evaluates using of all of its legal rights, including negotiation, regarding the aforementioned Tax and Penalty Notices.

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14. Provision for employee benefits

a) Short term provisions for employee benefits

	December 31, 2015	December 31, 2014
Personnel bonus accrual	9.056.999	5.509.259
	9.056.999	5.509.259

b) Long term provisions for employee benefits

	December 31, 2015	December 31, 2014
Provision for employee termination benefits	2.651.362	2.547.062
Provision for unused vacation	1.455.909	1.320.896
	4.107.271	3.867.958

The movement of personnel bonus provision in the years ended December 31, 2015 and 2014 is as follow:

	2015	2014
January 1	1.320.896	1.496.506
Acquisition of subsidiary	12.401	100.282
Increase in the period, net	122.612	(275.892)
December 31	1.455.909	1.320.896

Provision for employment termination benefits is calculated as explained below.

Under Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, 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 3.828 (2014: TL 3.438) for each year of service at December 31, 2015. The liability is not funded, as there is no funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. TAS/TFRS requires 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:

	December 31, 2015	December 31, 2014
Net discount rate	4,60%	3,33%
Turnover rate to estimate the probability of retirement	92%	90%

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14. Provision for employee benefits (continued)

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 4.093 which is effective from January 1, 2016 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 December 31, 2015 and 2014 were as follows:

	2015	2014
January 1	2.547.062	2.233.283
Acquisition of subsidiary	-	28.253
Service cost	306.688	223.697
Interest cost	216.500	192.231
Actuarial loss	935.955	421.760
Paid/accrued during the period	(1.354.843)	(552.162)
December 31	2.651.362	2.547.062

The sensivity analysis of the assumption which was used for the calculation of provision for employment termination benefits as of December 31, 2015 is below:

	Net discount rate		Turnover rate related to probability of retirement	
Sensitivity level	0,5% decrease	0,5% increase	0,5% decrease	0,5% increase
Rate	%4,10	%5,10	%91,71	%92,71
Change in employee benefits liability	(70.898)	66.621	136.812	(9.071)

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

a) Prepaid expenses:

	December 31, 2015	December 31, 2014
Prepaid expenses	265.409	1.341.507
Advances given	184.496	272.720
	449.905	1.614.227

b) Other current assets:

	December 31, 2015	December 31, 2014
Prepaid taxes and funds	168.674	42.650
Job advances	71.202	89.006
Receivables from employees	22.500	23.850
Advances given to employees	14.094	22.418
Deductable value added tax	17.668	4.939
Other	5.575	221.131
	299.713	403.994

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

c) Deferred revenues

	December 31, 2015	December 31, 2014
Deferred revenues	52.056.481	28.989.191
Advances received	1.820.360	1.413.998
Deferred revenues- short term	53.876.841	30.403.189

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 details of deferred revenues at December 31, 2015 and 2014 is as follows:

Deferred revenues:	December 31, 2015	December 31, 2014
Logo enterprise membership sales	14.785.459	10.591.723
Pay as you go sales	25.047.506	8.864.211
Version upgrade package sales	7.089.863	4.896.272
Deferred revenue from continuing projects	1.701.452	2.601.393
After-sales services revenue	285.180	67.388
Other sales revenue	3.147.021	1.968.204
	52.056.481	28.989.191

d) Employee benefit obligations

	December 31, 2015	December 31, 2014
Taxes, witholdings and social security payables	1.123.352	949.526
Payable to personnel	129.299	4.106.034
	1.252.651	5.055.560

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16. Equity

The Company's authorized and paid-in share capital consists of 2.500.000.000 (2014: 2.500.000.000) shares with Kr 1 nominal each. The shareholding structure of the Company as of December 31, 2015 and 2014 are as follows:

	December 31, 2015	Share (%)	December 31, 2014	Share (%)
Logo Yatırım Holding A.Ş.	9.275.000	37,1	8.714.904	34,86
Mediterra Capital Partners I, LP (*)	9.275.000	37,1	8.714.904	34,86
Publicly owned	6.450.000	25,8	7.570.192	30,28
	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.

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.

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

In addition, in accordance with the CMB regulations effective until January 1, 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 January 1, 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 TAS/TFRS.

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

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16. Equity (continued)

Treasury Shares

Based on the Board of Directors decision dated June 26, 2012, 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 July 4, 2012 and November 5, 2012. The mentioned share certificates were accounted as treasury shares under equities.

Based on the Board of Directors decision dated April 19, 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 April 25, 2013 and June 21, 2013.

Based on the Board of Directors decision dated June 26, 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 July 10, 2013 and September 26, 2013.

Based on the Board of Directors decision dated October 3, 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 October 30, 2013 and June 30, 2013.

In accordance with Capital Markets Board's ("CMB") decision dated August 10, 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 June 26, 2012, April 19, 2013, and June 26, 2013. The repurchased shares constitute 6,44% of the Company's share capital as of September 26, 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 October 10, 2013. Gain from this transaction amounted to TL 485.890 recognized under shareholders' equity.

The Company's repurchased shares in accordance with Share Repurchase Programs having TL 60.000 nominal value and constituting 0,24% of the Company's share capital have been sold to Teknoloji Yatırım A.Ş. on December 26, 2013 in exchange for each 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.

Logo Yatırım Holding A.Ş and EAS Solutions S.a.r.l's joint application for a voluntary takeover bid of a portion of Logo Yazılım Sanayi ve Ticaret A.Ş.'s Group B shares in circulation amounting to TL 5.696.372 has been approved through Capital Markets Board article numbered 29833736-110.05.01-502 issued on March 11, 2014. Voluntary bid price has been determined as 0,06 TL for each Group B share with TL 0,01 nominal value (Nominal value of TL 1 traded on the Istanbul Stock Exchange corresponding to TL 6,00 for every 100 share units.)

Through the voluntary bid process occurring between the dates of March 14, 2014 – March 27, 2014, Logo Yatırım Holding A.Ş. and EAS Solutions S.a.r.l have purchased 132.285 units of shares for TL 793.710.

Based on the Board of Directors decision dated September 18, 2015, regarding taking back within lower price limit of TL 0 and upper price limit of TL 30 in order to decrease price fluctuations in the Company's share certificates traded in BIST and evaluate current market conditions, the Company took back 17.932 share, amounted TL 294.476 certificates traded in BIST on September 28, 2015

Dividend distribution

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

Entities distribute dividends in accordance with their dividend payment policies settled in General Assembly 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.

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16. Equity (continued)

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.

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

Dividend advance payments can be made in accordance with Turkish Commercial Code and CMB regulations provided that General Assembly authorizes the board of directors to pay dividend advance, limited to the related year, to shareholders in accordance to Articles of Incorporation.
The Group aims to complete the dividend payment before the last working day of the respective year in which dividend distribution decision is held in the General Assembly and starts to payment at least as of the end of the accounting period when the General Assembly meeting is held.

The Company aims to complete the dividend payment until the last working day of the respective year that the General Assembly meeting held and starts to make dividend distribution until the end of respective period. Dividend payment can be made by installments in accordance with the decision held by General Assembly or Board of Directors (when authorizated) in line with CMB regulations.

The Company has decided to pay gross cash dividend at an amount of 15.000.000 TL from its distributable net profit of 2014 as a result of Ordinary Meetings of the General Assembly held on 30 April 2015. Dividend payments were made on 26 May 2015 in accordance with the aforementioned decision of the General Assembly. Cash distribution at an amount of 14.649.003 TL has been completed after deducting dividend at an amount of 350.997 TL which is equivalent to treasury stocks owned by the Company.

17. Expenses by Nature

As of December 31, 2015 and 2014, expenses are disclosed by function and the details of the expenses are summarized in Note 18 and Note 19.

18. Sales and cost of sales

	January 1 - December 31, 2015	January 1 - December 31, 2014
Sales revenue	128.647.325	103.949.675
SaaS service revenue	6.844.044	4.984.021
Service revenue	1.062.011	926.631
Sales returns	(5.258.593)	(3.338.470)
Sales discounts	(2.517.399)	(2.491.222)
Net sales	128.777.388	104.030.635
Cost of sales	(3.254.820)	(4.655.177)
Gross profit	125.522.568	99.375.458

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18. Sales and cost of sales (continued)

Cost of sales

	January 1 - December 31, 2015	January 1 - December 31, 2014
Cost of transfer of financial rights	2.976.690	4.595.809
Cost of trade goods sold	278.130	59.368
	3.254.820	4.655.177

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

Marketing, selling and distribution expenses:	January 1- December 31, 2015	January 1- December 31,2014
Advertising and selling expenses	18.788.813	12.528.308
Personnel expenses	12.252.544	13.018.931
Consulting expenses	1.028.201	895.964
Motor vehicle expenses	911.542	876.278
Outsourced benefits and services	450.620	390.077
Rent expenses	358.188	47.875
Travel expenses	315.080	353.782
Depreciation and amortisation expenses	173.744	97.623
Other	406.724	344.014
	34.685.456	28.552.852

Research and development expenses:	January 1- December 31, 2015	January 1- December 31,2014
Personnel expenses	18.642.745	14.994.707
Depreciation and amortisation expenses	12.799.540	9.733.911
Motor vehicle expenses	1.380.349	1.272.524
Consulting expenses	990.931	1.183.170
Outsourced benefits and services	911.559	751.617
Travel expenses	531.814	287.694
Rent expenses	406.972	389.132
Other	1.183.358	657.995
	36.847.268	29.270.750

General administrative expenses:	January 1- December 31, 2015	January 1- December 31,2014
Personnel expenses	9.092.368	7.964.831
Consulting expenses	2.060.485	1.766.775
Motor vehicle expenses	583.986	625.313
Outsourced benefits and services	381.039	340.581
Depreciation and amortisation expenses	273.084	228.939
Travel expenses	102.811	128.672
Rent expenses	50.460	142.338
Other	985.972	790.720
	13.530.205	11.988.169

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20. Financial income

Financial income:	January 1- December 31, 2015	January 1- December 31, 2014
Foreign exchange gains	1.655.084	128.668
Interest income	1.037.909	897.128
	2.692.993	1.025.796

21. Financial expense

	January 1- December 31, 2015	January 1- December 31, 2014
Interest expense	1.349.764	3.411.186
Foreign exchange loss	704.191	-
Credit card commissions	501.782	432.994
Other financial expense	300.583	249.073
	2.856.320	4.093.253

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

Other operating income:	January 1- December 31, 2015	January 1- December 31, 2014
Foreign exchange gain (*)	1.070.230	859.422
Overdue interest income	628.775	724.853
Rediscount income	414.525	-
Tubitak incentive income	219.986	320.756
Income from reversal of provision	1.121	31.981
Other	659.933	225.104
	2.994.570	2.162.116

Other operating expenses:	January 1- December 31, 2015	January 1 December 31, 2014
Rediscount expenses	1.625.221	820.623
Foreign exchange losses (*)	486.044	710.835
Provision expense	388.919	127.329
Other	1.091.416	194.305
	3.591.600	1.853.092

Income from investment activities:	January 1- December 31, 2015	January 1- December 31, 2014
Gain on sale of financial instruments	168.788	91.680
Gain on sale of property and equipment	119.917	37.506
Gain on bargain purchase	-	243.884
	288.705	373.070

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

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23. Tax assets and liabilities

Deferred taxes

	December 31, 2015	December 31, 2014
Deferred tax assets	2.272.636	1.323.510
Deferred tax liabilities	(398.593)	-
	1.874.043	1.323.510

The Company recognizes deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under TAS/TFRS and their statutory tax financial statements. Deferred tax income assets and liabilities are measured at the enacted tax rate of 20% (2014: 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 December 31, 2015 and 2014 using the enacted tax rates, is as follows.

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Deferred income tax assets:				
Provision for doubtful receivables	1.907.335	1.807.841	381.467	361.568
Expense accruals	6.996.235	4.522.304	1.399.247	904.461
Provision for employee termination benefits	1.339.430	1.163.799	232.971	232.760
Rediscount of trade receivables and payables	3.285.230	1.903.890	657.046	380.778
Deferred income	2.395.500	2.506.616	479.100	501.323
			3.149.831	2.380.890
Deferred income tax liabilities:				
Difference between the tax base and carrying value of property and equipment and intangible assets	(4.800.650)	(5.152.763)	(960.130)	(1.030.553)
Other	(1.578.290)	(134.136)	(315.658)	(26.827)
			(1.275.788)	(1.057.380)
Deferred tax assets, net			1.874.043	1.323.510

The reconciliation of current period tax income is as follows:

	December 31, 2015	December 31, 2014
Income before tax	39.987.987	27.178.324
Tax calculated at the current enacted tax rate	(7.997.597)	(5.435.665)
Non-deductable charges	(410.375)	(1.156.035)
Exemptions on income	8.637.387	7.149.182
Taxation on income	229.415	557.482

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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 June 13, 2006. Most of the articles of this new Law No. 5520 have come into force effective from January 1, 2006. The Corporation tax rate for 2015 is 20% (2014: 20%).

Corporation tax rate is applicable on the total income of the companies after adjusting for certain non-deductable 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.

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

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

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

In accordance with 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 December 31, 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 December 31, 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 January 1, 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 December 31, 2005 related to investments which exhibit a technical and economic and integrity and which were started prior to January 1, 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 December 31, 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 October 15, 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 January 8, 2010, and thereby the time limitation regarding investment allowance was removed. The Group has deferred investment allowance amounting to TL 1.405.908 that can be offsetted in the future.

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24. Earnings/loss per share

The earnings per thousands shares with nominal value of Kr 1 amounted to TL 15,96 for the period ended December 31, 2015 (December 31, 2014: TL 11,02).

25. Related party disclosures

i) Due from and due to related parties at December 31, 2015 and 2014:

a) Due from related parties:	December 31, 2015	December 31, 2014
Logo Siber Güvenlik ve Ağ Tek. A.Ş. (**)	8.032	5.362
	8.032	5.362

ii) Sales to related parties, services given to related parties and financial income from related parties during the periods ended December 31, 2015 and 2014:

a) Services given to related parties:	December 31, 2015	December 31, 2014
Logo Siber Güvenlik ve Ağ Tek. A.Ş. (**)	165.829	167.688
Logo Yatırım Holding A.Ş. (*)	4.345	3.540
Logo Elektronik Ticaret Hizmetleri A.Ş. (***)	-	45.749
	170.174	216.977

iii) Services purchased from related parties and other transactions with related parties during the periods ended December 31, 2015 and 2014:

a) Services obtained from related parties:	December 31, 2015	December 31, 2014
Logo Elektronik Ticaret Hizmetleri A.Ş.(***)	-	596.760
Logo Yatırım Holding A.Ş. (*)	-	3.424
	-	600.184

(*) The main shareholder of the Company
(**) Other related party
(***) Received and rendered services amount before acquisition of e-Logo (20 February 2014).

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

	31 Aralık 2015	31 Aralık 2014
Remuneration of the board of directors and executive management yöneticilere ödenen ücretler	5.288.549	2.656.735

The remuneration of board of directors and executive management (executive management includes general manager (CEO) and assistant general managers) for the years ended December 31, 2015 and 2014 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 December 31, 2015 and 2014.

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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 dynamic nature of the underlying business the Group aims at maintaining flexibility in funding by keeping committed credit lines available. The Group 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 Group has credit limit from bank amounting to TL 100.000.000 that the company can utilize whenever needed.

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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.

December 31, 2015	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						
Borrowings	2.398.725	2.595.871	1.311.327	954.431	330.113	-
Trade payables						
- Other	10.027.920	10.027.920	10.027.920	-	-	-
Due to personnel	1.252.651	1.252.651	1.252.651	-	-	-
Other payables						
- Other	10.205.184	10.205.184	10.205.184	-	-	-

December 31, 2014	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						
Borrowings	23.199.821	29.420.827	3.146.565	6.853.175	19.421.087	-
Trade payables						
- Other	6.167.018	6.167.018	6.167.018	-	-	-
Due to personnel	5.055.560	5.055.560	5.055.560	-	-	-
Other payables						
- Other	3.941.104	3.941.104	3.941.104	-	-	-

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

Interest rate risk

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

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

	December 31, 2015	December 31, 2014
Financial instruments with fixed interest rate		
Financial assets		
- Carried at amortized cost	23.124.710	24.583.880
Financial liabilities	2.398.725	3.072.522
Financial instruments with floating interest rate		
Financial assets		
- Carried at amortized cost	-	67.980
Financial liabilities	-	20.127.299

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 December 31, 2014, if interest rates of bank loans with variable interest rates has strengthened by 100 base point (1%) with all other variables held constant, income before tax would have been TL 35.424 lower/ interest rates has weakened by 100 base point (1%) with all other variables held constant, income before tax would have been TL 35.797 higher (December 31, 2015: there is no interest rate risk

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 December 31, 2015 and 2014 is as follows:

	December 31, 2015	December 31, 2014
Total exports	4.737.111	4.381.975

Foreign currency risk

Foreign currency position	December 31, 2015	December 31, 2014
Assets	8.324.410	4.213.726
Liabilities	(437.945)	(232.260)
Net foreign currency position	7.886.465	3.981.466

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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

		December 31, 2015		December 31, 2014	
	Original currency	Original Amount	TL equivalent	Original amount	TL equivalent
Cash and cash equivalents	US Dollar	1.609.955	4.681.104	922.833	2.139.956
	Euro	360.638	1.145.962	108.204	305.211
	Other	272	579	268	1.021
Trade receivables and due from related parties	US Dollar	745.646	2.168.041	573.983	1.331.009
	Euro	102.757	326.519	154.013	434.423
Other receivables	Euro	694	2.205	908	2.106
Foreign currency denominated assets			8.324.410		4.213.726
Trade payables and due to related parties	Euro	51.598	163.957	36.746	103.649
	US Dollar	94.232	273.988	46.584	108.023
Borrowings	US Dollar	-	-	8.879	20.588
Foreign currency denominated liabilities			437.945		232.260

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

				December 31, 2015
		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%:				
Gain /(loss) from USD net asset	657.516	(657.516)	-	-
Secured portion from USD risk (-)	-	-	-	-
US Dollar Net Effect	657.516	(657.516)	-	-
Appreciation/(depreciation) of EUR against TL at 10%:				
Gain /(loss) from EUR net liability	131.073	(131.073)	-	-
Secured portion from EUR risk (-)	-	-	-	-
EUR Net Effect	131.073	(131.073)	-	-
Appreciation/(depreciation) of Other against TL at 10%:				
Gain /(loss) from Other net liability	58	(58)	-	-
Secured portion from Other risk (-)	-	-	-	-
Other Net Effect	58	(58)	-	-
Total Net Effect	788.647	(788.647)	-	-

				December 31, 2014
		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%:				
Gain /(loss) from USD net asset	334.235	(334.235)	-	-
Secured portion from USD risk (-)	-	-	-	-
US Dollar Net Effect	334.235	(334.235)	-	-
Appreciation/(depreciation) of EUR against TL at 10%:				
Gain /(loss) from EUR net liability	63.809	(63.809)	-	-
Secured portion from EUR risk (-)	-	-	-	-
EUR Net Effect	63.809	(63.809)	-	-
Appreciation/(depreciation) of Other against			-	
TL at 10%:			-	-
Gain/(loss) from Other net liability	102	(102)	-	-
Secured portion from Other risk (-)	-	-	-	-
Other Net Effect	102	(102)	-	-
Total Net Effect	398.147	(398.147)	-	-

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

26.2 Capital risk management

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

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

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

	December 31, 2015	December 31,2014
Total bank borrowings and trade payables	12.426.645	29.366.839
Less: Cash and cash equivalents	(51.529.036)	(48.639.563)
Net Debt	(39.102.391)	(19.272.724)
Total equity attributable to equity holders of the parent	108.545.294	86.142.497
Total capital	69.443.003	66.869.773
Gearing ratio	(56)%	(29)%

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 exists.

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

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

Financial assets

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

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

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

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27. Financial instruments (continued)

Financial liabilities

The fair value of long-term floating-rated 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 December 31, 2015 is as follows:

Financial assets at fair value through profit or loss:	Level 1	Level 2	Level 3
Financial assets	-	-	-

Fair value hierarchy table as at December 31, 2014 is as follows:

Financial assets at fair value through profit or loss:	Level 1	Level 2	Level 3
Financial assets	67.980	-	-

28. Subsequent events

None.

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