ANNUAL REPORT | 2016

CONTENTS

TURKEY'S LEADING SOFTWARE BRAND, LOGO OFFERS ITS CUSTOMERS NOT ONLY SOFTWARE SOLUTIONS BUT ALSO A PLATFORM THAT MEETS THEIR REQUIREMENTS AND INCREASES THE ADDED VALUE AND PROFITABILITY OF THEIR BUSINESSES. WITH THE PLETHORA OF SOLUTIONS IT OFFERS, LOGO SHAPES COMPANIES' CHANGE DURING THEIR DIGITAL TRANSFORMATION PROCESS BY ENSURING FLEXIBILITY AND GOVERNABILITY.

OVERVIEW

By virtue of its solid growth, its success, and its dynamic structure, which enables quick adaptation in line with current trends in the sector; and thanks to its solutions, services and innovations in the fields of technology and software, Logo is among the top 50 fastest growing companies in the industry within Turkey.

CORPORATE
PROFILE

Logo Yazılım= "Efficiency Company". Logo is the innovative pioneer in the ERP market, boasting almost 90 thousand active users and hundred partnerships in every corner of the country, investing and exporting abroad, demonstrating an open to the public identity.

Logo produces efficiency solutions of a wide spectrum for both SMEs and large enterprises, customized for different sizes in a plethora of sectors such as enterprise resources management, sector-oriented software, business intelligence, supply chain, work flow management, human resources and client relationship management, and e-government applications among others.

Logo develops application software solutions for businesses of different scale, from micro business to large corporations, keeping SMEs at the core of its operations. Since its foundation, Logo introduces to the market solutions in line with new technologies and compatible with the Turkish legislation and the business model process. With its solutions, services and innovations Logo has become the innovative pioneer of Turkey's software industry. Logo boasts a huge and dynamic ecosystem, which encompasses solution makers, service providers, Logo users, academicians, students and sector professionals.

Since its foundation in 1984 till today, for a great deal of its 32 years long course, Logo has been acknowledged as the market leader in the industry. Through its strategic investments, Logo has proudly managed to transfer its know-how and experience, which has accumulated within Turkey towards international markets. Taken considerable steps towards becoming a prominent player in markets with high growth potential, Logo has continued its resilient growth with a revenue CAGR of 44% during the last five years.

NEW PARTNERSHIPS AND ACQUISITIONS TOWARDS THE PATH OF BECOMING A REGIONAL POWER

Logo is committed to create value for its stakeholders via its international corporate identity among others. During 2016, Logo has remained true to this spirit by entering the European market with the acquisition of the Romania-based Total Soft; and by benefiting from the excellent opportunities presented in an attractive market such as India by becoming partners with Logo Infosoft.

Throughout its experience of over 30 years in the software industry, Logo has remained committed to invest 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 the majority shares of WorldBI, a Business Intelligence software company, and by the end of 2013 the acquisition of all of the remaining WorldBI shares has been successfully completed. This investment has 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.

In 2014, the company acquired Logo Elektronik (e-Logo), 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 25% market share.

2015 became a year during which we carried on in the acquisition orbit aiming 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.

In the course of the same year 2015, Logo completed two new acquisitions of the supply chain solutions focused Sempa in June and of the work process management software specialized Vardar in September.

2016 has been a remarkable year for Logo, as it accomplished its first strategic investment abroad in additional to organic growth.

In September, Logo has acquired all outstanding share capital of Total Soft, one of the leader companies of enterprise applications software in Romania, in return for €30,3mn. Notwithstanding the opportunities of the Romanian market, which possess a great potential with its future growth prospects, Total Soft offers Logo a gateway to Europe when the fact that more than 30% of the company's sales are exports to European countries is considered.

Logo's expansion abroad being the prime focus in 2016, Logo completed yet another partnership this time in India. Together with GSF, Logo founded Logo Infosoft. Founded in December, the company targets to offer its SaaS model at the service of small and medium sized companes in India.

Furthermore, in 2016 e-logo and FIT Solutions became 50-50% equal partners and founded FIGO, a trade information platform. FIGO aims at providing companies with access to added value services such as risk valuation, insurance, financing, and collections with the ultimate goal of expediting their business operations in Turkey.

AN EVEN GREATER
FREE-FLOAT RATE

Going public in May 2000, Logo is the first-ever information technology company to be listed on the stock exchange in Turkey. During 2016, with its free-float rate stretching up to 61% Logo has become a stock preferred by global institutional investors.

Logo remains committed to add value to its stakeholders with its international corporate identity. By going public in May 2000, Logo became the first-ever information technology company to be listed on the stock exchange in Turkey. Since 2000, the shares of the company are traded on Borsa Istanbul 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. The company is also one of the members of Corporate Governance Index (XKURY), which includes companies, which follow the Principles of Corporate Governance. As Logo has been included voluntarily to the List of Companies Subject to Assessment for BIST Sustainability Index, its next goal is to become a member of the BIST Sustainability Index during the period of November 2017-October 2018 along with other 43 companies, which showcase high performance on corporate sustainability. Among the BIST-100 companies, Logo became the company with the fourth highest free-float rate, since its rate increased from 25% to 61% thanks to the share sale to qualified investors by the end of October 2016. During the transaction, Logo's shares have been included into more than 40 institutional investors' portfolios and at the same time, more that 85% of its shares has been sold to international investors. Logo Business Solutions attracted investment from the world's most respected funds; and by being included into the FTSE Russel Emerging Europe Index in March 2017, Logo has cemented its status vis-à-vis international investors.

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.

Logo Business Solutions provides its services to almost 90 thousand active clients who operate in a plethora of vertical sectors such as production, retail, sales and distribution, tourism, food, clothing, maritime, machine and automotive spare parts, packaging, cement-glass-steel, furniture, telecommunication and textile. Boasting a vast production, distribution and service network, Logo offers custom-made solutions to companies, which operate in all of the above sectors. This allows Logo to provide its customers competitive advantage in globalized markets. In recent years, from the software industry point of view, the prime focus has been gathered on hybrid solutions, which support a variety of systems and are compatible with each other. Logo Business Solutions supports the transition process in a multi dimensional manner thanks to the development of a broad range of products by using cutting edge technologies as the vehicle towards this end. As a result of its R&D activity, in 2016 Logo introduced to the market the 3 Series j-guar, a user-friendly and easy-to-use App-in-App technology providing a whole new experience, along with Tiger, and Netsis ERP products and new web-based and mobile solutions with Logo's current products, cutting-edge technology and innovations which work on in order to meet the ever changing trends and user needs, along with its broad product range enriched by a series of acquisitions, by and large, Logo plays a prominent role in the Turkish software industry with its variety of solutions, services and knowledge accumulation. Logo offers more than 30 product families, more than 60 products; and approximately 1.300 solutions provided by more than 800 business partners. The broad product family of Logo expanded with the joining of Turkey's leading software developers and as a result of its recent M&A activity is presented below:

ERP SOLUTIONS
- J-GUAR 3
- TIGER 3 ENTERPRISE
- TIGER 3
- NETSİS 3 ENTERPRISE
- NETSİS 3 STANDARD

SME SOLUTIONS
- GO 3
- NETSİS 3 ENTEGRE
- MALİ MÜŞAVİR PLUS (CPA PLUS)
- START

HR SOLUTIONS
- J-GUAR 3 HR
- TIGER 3 HR
- BORDRO PLUS (PAYROLL PLUS)
- NETSİS 3 HR
- NETSİS 3 BORDRO (NETSIS 3 PAYROLL)

CRM SOLUTIONS
- LOGO CRM

PROJECT SOLUTIONS
- TREASURY MANAGEMENT
- B2B SYSTEMS
- DATA COLLECTION AND REPORTING

BUSINESS INTELLIGENCE SOLUTIONS
- LOGO MIND INFORMER
- LOGO MIND INSIGHT
- LOGO MIND NAVIGATOR
- LOGO MIND BUDGET
- LOGO MIND DIGGER

SUPPLY CHAIN MANAGEMENT SOLUTIONS
- LOGO OCEAN
- LOGO NEON
- LOGO MOBILE SALES

RETAIL CLOUD SOLUTIONS
- DİVA POS
- DİVA SERVICE

INDUSTRY SPECIFIC SOLUTIONS

WORK FLOW MANAGEMENT SOLUTIONS
- LOGO FLOW

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

MOBILE SOLUTIONS
- LOGO MOBILE

E-GOVERNMENT SOLUTIONS
- E-DEFTER (E-LEDGER)
- E-FATURA (E-INVOICE)
- E-ARŞİV (E-ARCHIVE)
- E-MUTABAKAT (E-RECONCILIATION)

TOTALSOFT PRODUCTS
- CHARISMA ERP
- CHARISMA HCM
- CHARISMA ANALIZER
- MEDICAL SOFTWARE
- CHARISMA MOBILE SOLUTIONS
- E-BUSSINESS SOLUTIONS
- CHARISMA APPILICATIONS IN CLOUD
- CHARISMA BUSINESS APPLICATIONS

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 the absolute customer satisfaction and the feedback received from our customers. It is of the utmost importance for us that our products are of 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 by maintaining a customer experience oriented product development strategy.

Research and Development

We believe that efficient research and development is the main component of being competitive in today's ever-changing business environment. That is why we consider R&D not a mere department among others, but rather our company's culture. 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 remaining focused on our target to always ameliorate our services to our clients.

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. 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. We have received the 2016 edition of the "Respect to the People Award" annually organized by Kariyer.net as an acknowledgement to our adherence to this principle with success.

LOGO'S MILESTONES COVERING MORE THAN 30 YEARS

While recording a 44% revenue CAGR in the last 5 years, Logo has accomplished 8 acquisitions and 2 partnership deals. In September 2016, Logo has showed more resolve towards the path of becoming a considerable regional power by acquiring the Romania-based Total Soft.

1984
- Establishment of the company

1986
- Introduction of Logo Commercial Systems
- Introduction of DOS

1988
- Introduction of Logo Modular System (LMS)

1991
- Introduction of Multibase-C

1992
- Introduction of Logo Gold

1993
- Introduction of Logo Alınteri (Great Effort)

1999
- Introduction of Logo ERP (Unity & HR)

2000
- Establishment of Logo Investment Holding
- Initial public offering of the shares of the company
- Establishment of Logo Product Development Center in GOSB Technopark with an 11,000 square meter in-door area

2001
- Establishment of Logo Business Software in Germany

2003
- Technological cooperation agreement with IBM

2004
- Introduction of e-products
- Introduction of Supply Chain Execution

2005
- Introduction of Tiger

2006
- Launching of Unity on Demand

2007
- Establishment of Dubai Sales Office
- Introduction of GO

2008
- Introduction of Start

2010
- Introduction of GO Plus
- Introduction of Tiger Plus
- Introduction of Tiger Enterprise

2011
- Acquisition of Coretech
- Acquisition of the majority shares of World BI
- Introduction of Logo BI

2012
- Introduction of j-guar
- Introduction of Logo Mobile
- Introduction of Logo Store
- Introduction of Logo e-Defter
- Introduction of Logo e-Invoice

2013
- Acquisition by Mediterra Capital Partners of 34.60% of the shares of Logo
- Acquisition of Netsis

2014
- Celebration of our 30th anniversary
- Acquisition of Logo Elektronik (e-Logo)
- Letter of Intent for the acquisition of the shares of Intermat Bilişim

2015
- Acquisition of Intermat
- Acquisitions of Sempa
- Acquisitions of Vardar

2016
- Introduction of 3 series products
- Acquisition of Romania - based Total Soft
- Establishment of Logo Infosoft software company in India together with GSF Software Labs, LLC.
- Establishment of commercial information platform FİGO together with FIT Solutions
- Free float increased from 25% to 61% along with the share sale to qualified investors

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 78%
IT Services 13%
Software 9%

*Source: IDC

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. Logo will continue to be the market leader in the EAS market in terms of the number of customers.

SOLID PERFORMANCE TO GENERATE SUSTAINABLE REVENUES

We achieved a 44% revenue CAGR during the last five years. In 2016, our total sales increased by 48% compared to the previous year and reached 190 million TL. Thanks to our efficient business model, we managed to have a controlled growth in operating expenses, providing a 60% increase in EBITDA and a 14% increase in our net income despite one-off expenses.

Total Sales: 190.4 million TL
EBITDA: 86.1 million TL
Net Income: 45.3 million TL

CORPORATE GOVERNANCE MEANS "THE FUTURE" FOR US!

As the first and only listed software company in Turkey, fairness, transparency, accountability and responsibility 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 9.12.

Logo continues its operations, as one of the leaders in female employment in line with our corporate structure based on contemporary management principles.

Initial Public Offering: 2000
Free Float Rate: 61.3%
Corporate Governance Rating Score: 9.12

FINANCIAL HIGHLIGHTS

(MILLION TL)	2016	2015
Net Sales	190.4	128.8
Gross Profit	185.6	125.5
Operating Profit	51.1	39.9
Financial Income	4.0	2.7
Financial Expenses	(3.8)	(2.9)
Net Income Before Tax	51.2	40.0
Net Income / (Loss)	45.3	39.9
Earnings per Share	18.1	16.0
(MILLION TL)		
Total Assets	327.5	202.3
Current Assets	139.5	124.5
Non-Current Assets	188.0	77.8
Current Liabilities	148.8	83.5
Non-Current Liabilities	14.6	8.6
Equities	160.8	108.5
Paid-in Capital	25.0	25.0
Current Ratio	0.94	1.49
Total Liabilities/ Equities	1.00	0.83
Equities/ Total Assets	0.50	0.55

Sales Revenue
190.4 million TL

Operating Income
51.1 million TL

Operating Profit Margin
27%

EBITDA
86.1 million TL

EBITDA Margin
45%

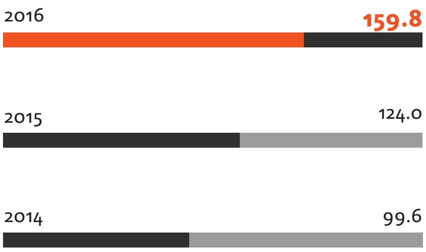
Net Profit
45.3 million TL

Net Profit Margin
24%

FINANCIAL
HIGHLIGHTS

FINANCIAL INDICATORS (MILLION TL)

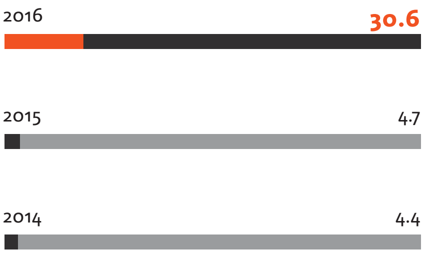
TURKEY SALES



29%

In 2016, Logo Business Solutions' Turkey sales went up by 29% and reached 159.8 million TL.

INTERNATIONAL SALES



545%

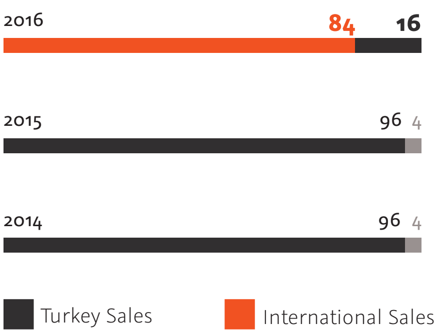
In 2016, international sales revenue increased by 545% and reached 30.6 million TL.

TOTAL SALES

48%

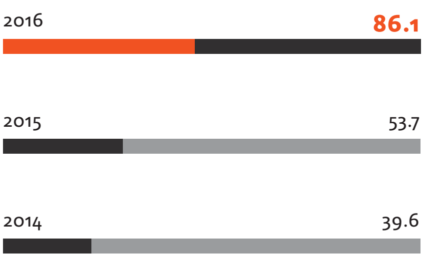
In 2016, Logo Business Solutions' total sales revenue rose by 48% to reach 190.4 million TL.

GEOGRAPHICAL BREAKDOWN OF SALES (%)



In 2016, thanks to the acquisition of Total Soft, the international markets accounted for 16% of total sales, whereas Turkey sales accounted for 84%.

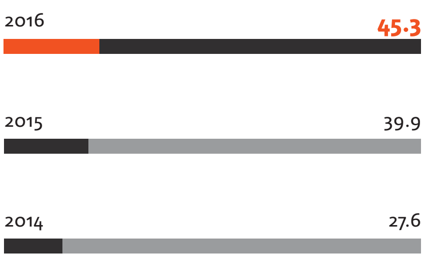
EBITDA



60%

In 2016, Logo recorded a strong EBITDA growth with 60% to reach 86.1 million TL by demonstrating a high performance.

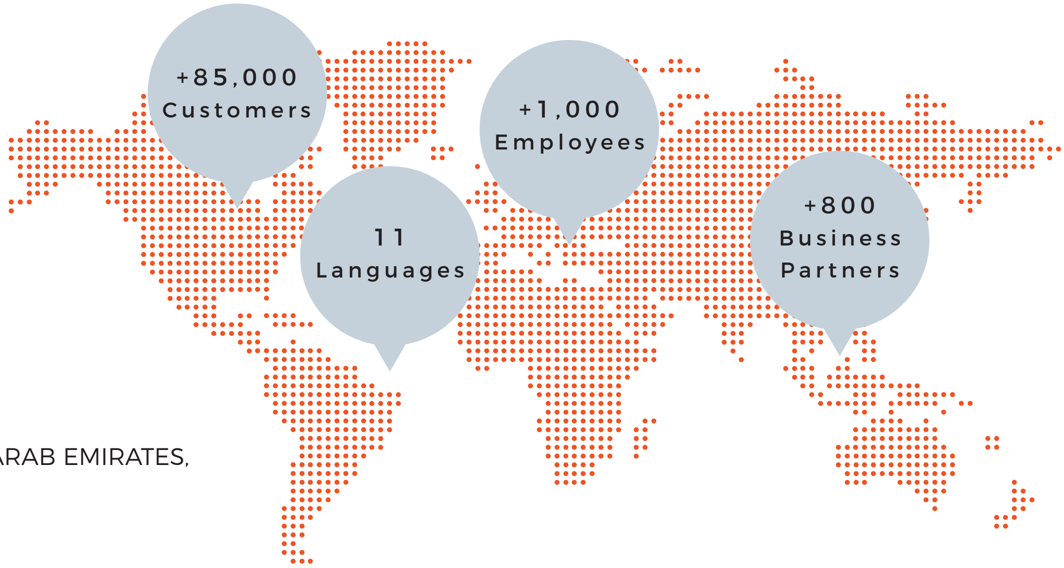
NET PROFIT



14%

In 2016, despite one-off expenses the net profit totaled 45.3 million following a 14% increase thanks to successful sales performance.

GEOGRAPHIC
FOOTPRINT OF LOGO

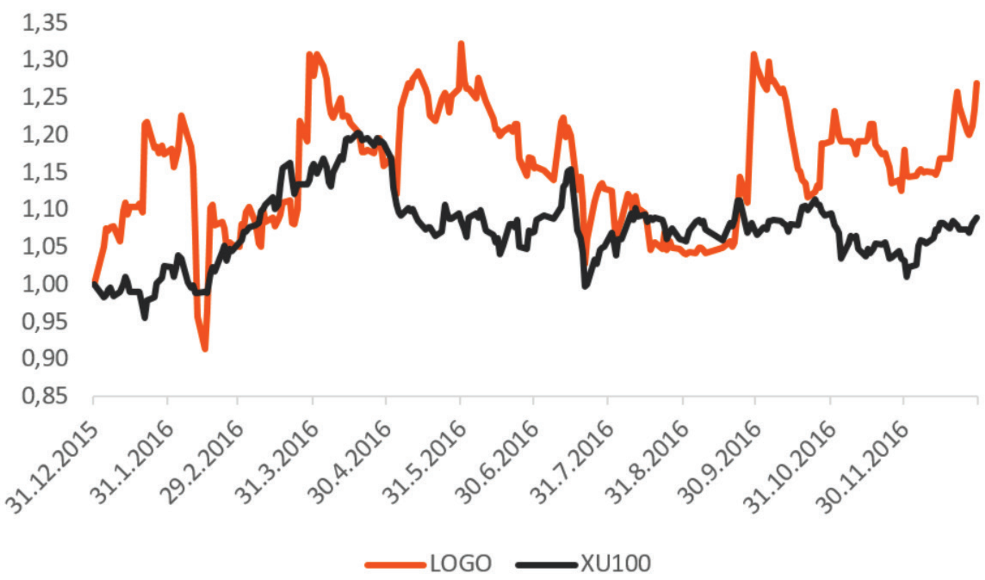


GERMANY
AZERBAIJAN
THE UNITED ARAB EMIRATES,
ALGERIA
MOROCCO
INDIA
GEORGIA
IRAQ
UNITED KINGDOM
IRAN
KAZAKHSTAN
KOSOVO
LIBYA
EGYPT
PAKISTAN
ROMANIA
RUSSIA
SUDAN
SAUDI
ARABIA
TURKMENISTAN
UKRAINE
JORDAN

SHARE
PERFORMANCE

While outperforming the BIST-100 Index by 17% in the last year, Logo's market cap reached to 1.4 billion TL as of December 30, 2016 indicating 27% increase compared to the same period of the previous year.

LOGO BUSINESS SOLUTIONS SHARE PERFORMANCE



Initial Public Offering	May 2000
Ticker	LOGO
ISIN Code	TRALOGOW91U2
Registered Capital	-
Paid-in Capital	25 Million TL
Lowest Share Price	39.12 TL
Highest Share Price	56.60 TL
Average Share Price	49.66 TL
Share Price (December 30, 2016)	54.35 TL
Market Value (December 30, 2016)	1.359 Million TL

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, 2016, 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 4,967,000 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

LOGO TEKNOLOJİ VE YATIRIM A.Ş
33.6%

MEDITERRA CAPITAL PARTNERS I,LP*
5.1%*

FREE FLOAT
61.3%**

(*) consists of EAS S.A.R.L (4.96%) and others

(**) Treasury shares (2.77%) included

CHAIRMAN'S LETTER

Dear Logo Shareholders,

As Turkey's largest independent software company, we managed to carry on our successful orbit. Looking back to 2016, and despite the current circumstances, we realise that growth-wise it took us far beyond our expectations. Both globally and locally we experienced turbulences, but the overall stocktaking of last year has been positive for Logo. As a matter of fact, we managed to set our goals even higher. Our work in product development has certainly been the most potent driving force behind this success.

The previous year, we invested more than 59 million Turkish Lira in product development and R&D operations. Logo has left its mark in the corporate business software sector for 32 years now. The secret of Logo's ranking among the 50 fastest growing technology companies in Turkey and its sustainable growth lies in its heavy investement in R&D and innovation.

Providing our customers with products and solutions which meet their needs most efficiently remain our prime focus. Pursuant to this objective, we acquired Total Soft, which is the biggest ERP solutions producer in Romania, creating yet another milestone in our year-long history. We made the biggest investment so-far in the sector by investing 30.3 million Euros in order to expand the Logo family.

We completed the foundation of Logo Business Technology Private Limited company in order to launch our products into the Indian market. According to IDC data, during the period 2015-2019 the Indian software market is expected to record a 10.6% compound annual growth rate. We aim to offer our successful experience with SMEs in Turkey to that part of the world. As a global power we are proud to enter the market of India with our own products and we firmly believe that we are very close to the days we will share our success with the Asian markets.

Logo has managed to attract the investors' attention thanks to its solid and steady growth. Our free float rate has increased to 61% from 25% following the share sale to qualified institutional investors in November 2016. More than 40 investors from North America, the UK, Europe, Middle East and Turkey have participated in our shares sale, where global investors represented more than 85% of the demand. This interest comes as a proof of the trust feelings towards Logo and clearly indicates that the investors perceive the company's potential.

As the leading company in the software industry, and in the wake of a successful year such as 2016, we are getting ready to new groundbreaking experiences regarding sales and profitability. We aspire to consolidate our leadership in the field for more and more companies choose our ever expanding solutions family. Gradually, we are getting closer to our vision to become a regional leader in the software industry with a solid global dimension.

It is our intention to add new success stories to the current ones as we do every year and to become a brand, which is in position of challenging other software companies in the global arena, is considered as an expert not only in Turkey but in the wider region as well, is known world-wide for its quality products and services, is productive, and is value creating.

We want to offer you our sincere thank you for trusting us during our endeavor to make our vision come true, and we believe that this coming year your support will continue to grow.

Kind regards,

M. TUĞRUL TEKBULUT
Chairman of the Board

CEO LETTER

Dear Logo Shareholders and
Esteemed Members of Logo Family,

We are leaving behind us a year which bore witness to the shifting conditions in our country.

We have confronted many hardships at both the political and economic tier not only in Turkey but worldwide.

The hassles of this period notwithstanding, there has been a plethora of opportunities as well for software companies like ours, operating in the information technology sector.

Such times are deemed by technology companies as a vehicle to enhance their competitiveness and efficiency.

They proceed with wise investments in the right fields pursuant to review of their current software and IT investments.

Since our foundation back in 1984, we have been experiencing a stable and sturdy growth in the fragile Turkish economy; and we have been fostering our success story together with you.

The proper interpretation of global trends along with rapid adaptation to the changes and transformations in the technology arena render us capable of reinforcing our pioneer position within the sector.

Our efficiency driven solutions are being chosen by an ever growing body of users.

As of the end of our 2016 operations, a 48% growth has been recorded with annual returns reaching 190.4 million TL. This marks our highest sales revenue ever since our foundation.

We have managed to have a 14% increase in our net profit margin currently reaching 45 million TL and recorded a 27% like-for-like growth in revenues, without the acquisition of the Romania-based Total Soft company.

We have continued to increase our R&D expenditures also this year and reserved 35% of our total revenues to R&D, which translates into 66.2 million TL.

We owe this success to our departments which work in harmony with one another in order to define the users' needs and come up with innovative solutions.

Our most valuable asset is our vast ecosystem which encompasses more than 800 business partners and 5,000 people; for it allows us to reach out in companies all over Turkey.

As a result of our robust growth, again this year, we have been designated by Deloitte as one of the 50 fastest growing companies in Turkey.

In September, our family has been expanded with the full acquisition of Total Soft, one of Romania's biggest software companies.

Total Soft's acquisition constitutes one of the series of major steps towards becoming a regional power. Furthermore, in cooperation with GSF Software Labs LLC we have completed the launch of Logo Infosoft, which will operate in India.

What is more, we proceeded with an important partnership which resulted in the launch of FİGO commercial information platform. FİGO aims at ensuring access to pioneer added value services, which in their turn facilitate companies' commercial activities in Turkey such as risk evaluation, insurance, financing and collection.

This year has been yet another year of endeavour and progress... I believe that our excitement for new projects to be realized with the vision of creativeness and innovativeness will become the driving force of our future successes.

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
Chief Executive Officer

OPERATIONAL REVIEW

From the perspective of the software industry, one cannot make reference to a single trend, paradigm or transformation, which would affect the future of the business software market. The focus must be on multiple trends simultaneously, which shall be used to create productivity. Logo Business Solutions carries on a wide range of R&D and investment activities in order to keep up with the new approach, which is called hybrid architecture. The sine qua non subject matter of the recent years is supporting multiple systems, their integrated use and management. Logo Business Solutions supports this transformation process in multiple dimensions with various products, which was developed using new technologies. We believe that the right thing to do in this period of time is to formulate a strategy with solid and rational decisions without overseeing the realities of the industry.

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.

The future became so complicated that demands us to work on different levels at the same time; we need to reach a solution either on our desktop, or via a cloud application, or by using an external source, or by following certain applications on our mobiles. This multi-channel and multi-party constructions need to exist as an integrated solution in order to be in line with the operations. Cloud and SaaS are still important agenda items.

E-transformation is a paradigm shift. Integrations and knowledge transfer are the point in question. The Internet of Things (IoT) and Industry 4.0 will pave the way to groundbreaking changes in all manufacturing industries. Turkey cannot afford to stay out of this paradigm. Once the world gets into the wind of change, Turkey must follow immediately. That is why companies need support and guidance. The solutions offered by Logo provide companies with this exact flexibility and guidance.

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, Supply Chain Management.

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 32 years to the global markets.

In addition to its investments in Romania and India in 2016, Logo provides services and solutions to its users through a strong sales and marketing network, which has been established together with business partners in other countries. More than 800 business partners and approximately 1,300 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 our vast 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.

"DİVA" 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.

MERGERS AND ACQUISITIONS THAT CREATE ADDED VALUE

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 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

MERGERS AND ACQUISITIONS THAT CREATE ADDED VALUE

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 B2C services.

e-government 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.

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.

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, Logo acquired the entire share capital of Sempa Bilgi İşlem Sanayi ve Ticaret A.Ş. 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.

MERGERS AND ACQUISITIONS THAT CREATE ADDED VALUE

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.

TOTAL SOFT

Total Soft SA, the largest Romanian independent software producer joined Logo Group starting with September 2016 through a 100% share acquisition amounting to 30 Mio Euro. Total Soft was a privately-owned company established in 1994 active in the enterprise application software mainly in Romania and with a high international growth potential based on its leasing and credit solutions.

Under Charisma brand umbrella, Total Soft developed and delivered business software solution having as its flagship Charisma ERP structured as universal ERP solution with specialized industry based modules.

The most important industry targeted is leasing and credit which successfully evolved internationally with implementations in 17 countries mainly for industry leaders multinational groups. The pipeline already committed is counting another 13 countries for the existing clients only.

In Romania, beside the leasing industry, Total Soft has a leading position in HR and payroll software solutions and has as reference the first 4 telecom leaders and 17 of of 31 banks as clients. The top player in the private health clinics, publicly traded on Bucharest Stok Exchange, choose to use full solutions provided by Total Soft for its entire business.

The company is offering a full blown ERP solutions for various verticals as constructions, production, services, distribution and retail. In all industry some of the most important players chose Total Soft solutions and these were the most valuable references in the market and drive the sales of the company.

The company is the largest independent software vendor in Romania with a very solid international footprint out of which the company intends to harvest the future growth of its business in the years to come.

The solutions validated by international players' shows the high quality of the software produced by the company for which Total Soft owns the IP rights Charisma Suite being a well-known name in Romania and emerging as a well established international compatible solution for leasing industry worldwide.

INDIA

The establishment of the Logo Infosoft Business Technology Private Limited (Logo Infosoft) to operate in the field of software development and marketing was finalized on December 8, 2016.

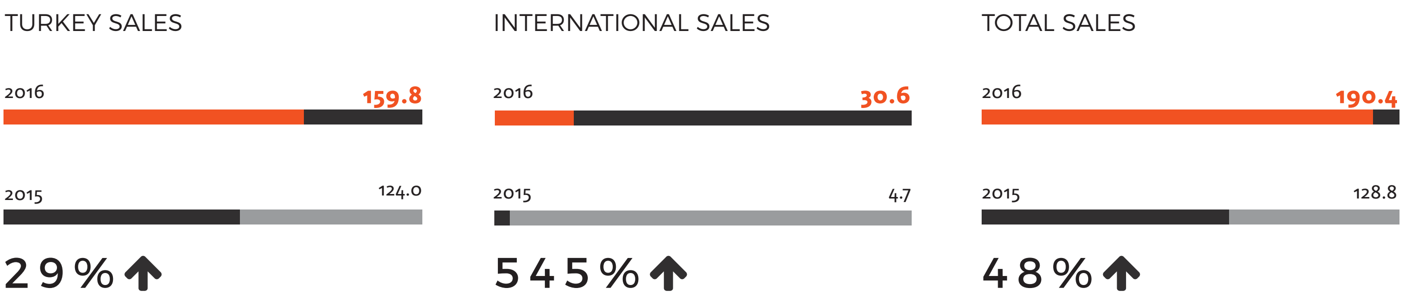
Logo holds 66.6% of Logo Infosoft, which was founded under a partnership agreement signed with GSF Software Labs LLC. This investment brings us the opportunity to carry our successful product customization and SME experience to India's software market, which is expected to record a CAGR of 10.6% CAGR in 2015-2019 according to IDC's forecasts.We aim to present our Turkish market products to the Indian market.

FIGO, a trade information platform established on October 10, 2016 through a 50%-50% partnership between e-Logo and FIT Solutions, is aiming to enable corporates in Turkey access to value added services such as risk rating, counterparty insurance, financing and collection.

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.

SALES GROWTH IN 2016



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. In 2016, close to 6 thousand new customers were added to Logo's portfolio.

During 2016, Logo has gained an excellent momentum in expanding abroad thanks to its new moves in the international arena. Pursuant the acquisition of the Romania-based Total Soft and the foundation of Logo Infosoft, in cooperation with GSF Software Labs LLC, which will operate in India, international sales grew by 545% and constituted 16% of total sales.

Logo Yazılım's total sales reached 190,4 million TL in 2016, increasing by %48. Thus, successful sales performance reflected on net profit as a 14% increase and net profit realized at 45.3 million TL.

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 close to 90 thousand active users in the Central Asian and Middle Eastern markets with a vast array of products localized in 11 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 addition to the main package and additional user packages under Go, Tiger, and Netsis product families, whose product and business partnership structure is presented above, Business Intelligence (Logo Mind Insight, Logo Mind Navigator, Logo Mind Budget, Logo Mind Digger), Supply Chain Management (Logo Ocean, Logo Neon, Logo Mobile Sales), Work Flow Management (Logo Flow), Human Resources (j-guar HR, Tiger HR, Bordro Plus, Netsis HR, Netsis 3 Bordro) and CRM (Logo CRM) are offered under the Complementary Solutions 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

In 2015, Logo has collected all sales, project and support processes under the same umbrella and constantly improved its proactive sales model to increase customer contact. As a result, customer satisfaction and productivity increased as the feedback received has been transformed to precise benefits. Consistent product campaigns and strategies are developed for all products to expand all segments at the same time.

Through its Channel Management modeling specializing in different product groups, Logo's ever-expanding array of solutions meet different prospects at the right spot. Carrying out large-scale projects together with multiple business partners triggers the transformation of project to a cooperation model. Joint presence of Logo and its business partners before prospects in our system that standardize corporate project management and process quality allowed for increased customer trust and also made our business partners feel more confident. Our business partners who experience the support of project can better adapt themselves to recently launched products, which we aim to promote. Consequently, our business partners are able to promote new products more confidently to prospects, which allows us to deliver our new products to our customers rapidly. Expanding its product range with new companies joining the eco-system, Logo enjoys the opportunity to reach more companies directly in the market. Business partners that work under a target-based system are able to prepare their annual planning more efficiently and deliver the feedback in your relation to the need of the campaign promptly. Furthermore, our targeting system customized pursuant to product category and type allows our business partners to exceed their potential in each period, thereby facilitating a controlled growth.

Sales experts closely monitor the progress of their business partners, provide guidance and improve them according to periodic strategies of the company. Evaluations made with business partners throughout the year, minimizes the risks in your relation to realization of objectives. Additionally, sales experts attend more customer visits with business partners, reach clearly improves customer satisfaction and the pace of finalizing the sale to a prospect.

Logo Academy organizes specialized trainings that support the development of our business partners to present our products to our customers in the best way. In 2016, The On-Campus Training Project, which is held for the third time is also adapted to Netsis product family. Thus, recently hired employees of our business partners benefited from applicable technical training delivered by Logo's experts. Participants with at least 90% attendance, who passed the test conducted at the end of the program received official certificate issued by Logo. Certificate and product data of all business partners never updated as of April 2016 and business partners without certificate are prevented to reach to support center.

In February 2016, business partners that sell Netsis product family were also included in the Logosphere system, which completed the structure to organize all members of the Logo ecosystem under the umbrella of Logo. All of our business partners are supported in the same terms and conditions, which allows asked to speak a common language before our customers thanks to standardized systems.

In 2016, by completion of transformation to 3- Series business application, Logo provided a brand new user experience to its customers and upgraded its solutions to a new dimension. Logo's 3-Series Business applications which are developed through new generation technologies takes user experience to the next level through role-based customizable desktop and built-in search engine, in addition to an aesthetic design of app-in-app approach.

Another new development completed by the end of 2015 and early 2016 was Logo Apps, which are small-scale applications adaptable to Logo ERP Products and available to all Logo business partners. Within this process, business partners prepare solutions to meet the

STRONG SALES MODEL INCREASING

SALES AND MARKETING EFFICIENCY

general needs of the customers, Logo reviews applications of the business partner and uploads them to the store, and finally Go3 users purchase Logo Apps, which they need.

In 2016, Complementary Solutions were expanded by the addition of Supply Chain Management, Mobile Sales, Business Analytics Solutions that work with Qlik Sense infrastructure; the Project Solutions group expanded to include Treasury Management, B2B Systems, Data Collection and Reporting category products. Workflow Management Solutions were also renewed by the addition of Logo Flow. Additionally, CRM solutions were improved in line with customer needs to incerease market penetration. Included in the e-government process in 2016, the Logo e-reconciliation solution provides the systematic basis of reconciliation between the companies. Companies which are using e-reconciliation solution are able to send emails automatically, follow-up on acceptance or rejection on the online portal even when the other party is not a user of e-reconciliation.

Logo is paying utmost attention to e-transformation, which has been expanded in 2015 and aims to inform its customers regarding the e-transformation process and adopt this as a vision, rather than a legal obligation. We organize seminars and trainigs for our business partners and customers periodically to update them regarding the recent developments in the field of e-transformation. Efficient service, compatible products and field studies allowed our business partners and customers to manage their transformation process more rapidly, effectively and reliably. The increasing number of taxpayers helped us to reach out more customers. e-reconciliation and e-invoice application to export sales, which started in 2016 proves the extent of our commitment to e-transformation.

Annual customer satisfaction surveys regarding ERP applications were also developed similary for various product groups. The feedback received from customers were evaluated together with the business partner that is responsible for that specific customer to allow for the cross-analysis of the feedback.

CRM AND LOYALTY MANAGEMENT ACTIVITIES IN 2016

The CRM and Loyalty Management Team has conducted the communication with existing customers and prospect companies, interested in solutions and services offered by Logo. Specific information has been provided about solutions, which address the needs of each company.

We have contacted the companies receiving our private integrator services, on e-invoice follow-up, unit balance and e-archive reports, and have provided support on activation of the e-invoice service.

Our products are renewed with additional features in line with technologic changes, legal developments and user requests. We have provided detailed information to our customers about LEM Contract in order to ensure they take advantage of the most up to date form of our solutions.

We have paid “thank you” visits to the users who continued to work with Logo and upgraded to a higher product group in order to meet their needs, and “welcome” visits to the ones who have recently joined the Logo family. In these visits, we have briefed our customers about the opportunities provided by Logo and have updated the CRM data in our corporate database.

We have performed satisfaction surveys for ERP and complementary solutions in order to measure the customer experience about our products and services. The survey findings were evaluated in cooperation with the responsible unit managers.

We have received product or service related requests from our customers, either through our corporate website or via phone calls. In our turn, we have got into contact with the relevant units to resolve satisfaction related problems and to follow up.

Ensuring follow-up contacts, our business partners’ notifications have been taken into account in order to update the customer data in our database.

A total of 47,819 companies have been contacted throughout the year.

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.

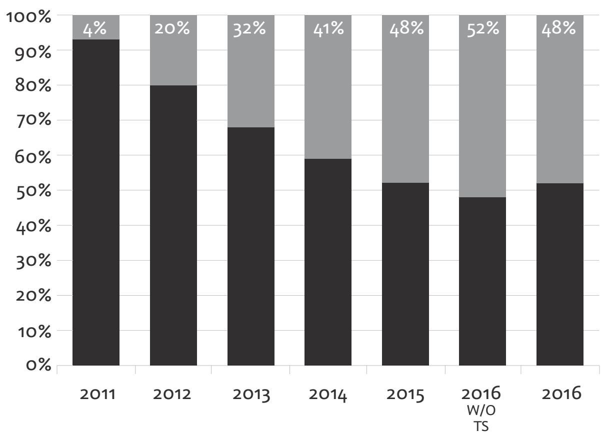
In 2016, Logo's sales revenue increased by 48% and that is the highest record ever since its foundation.

Thanks to the high profitability, EBITDA increased to 60% and totaled 86 million TL.

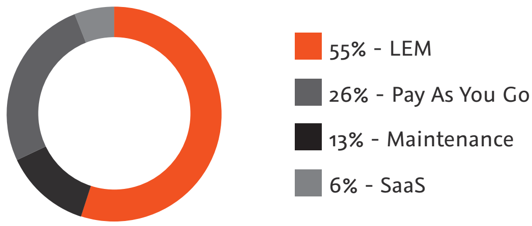
Logo, which increased its net profit by 14% in 2016, managed to record a 27% revenue growth without the inclusion of Total Soft.

Logo has reserved 35% of its total revenues to R&D as a proof of the importance it holds for R&D.

RECURRING REVENUES



BREAKDOWN OF RECURRING REVENUES



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.

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

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 ability of companies to launch new and creative products and to become a brand is directly related to the level of their R&D investments. Accordingly, large groups, companies and individuals with strong capital should recognize the value-add and opportunities in the software industry and engage in more investments in this field.

Logo Business Solutions defines as R&D, all kinds of technology, product development, quality, analysis and design processes as well as other processes related to them. Approximately 70% of our employees work in the field of R&D. Since 2011, the share of revenues invested in R&D has been constantly increasing. In 2016, Logo invested 35% of its total sales revenue in R&D, taking into account Total Soft's R&D expenditures as well. This ratio is considerably higher even from the global competitors and proves Logo's investment in the future.

Furthermore, all know-how, technology and product range of the companies, which join our group through M&A activity are transferred to Logo. Bringing these products into its own platforms, Logo improves their productivity, makes them more compatible with Logo standards in terms of interface and includes them in its own production line with higher quality.

These investments are also the basis of Logo's steady growth. The CAGR of total sales between the years 2011 and 2016 equaled to 44%. Resources generated from this exceptional successful performance are used for R&D activities within Logo and also for organic growth and acquisitions.

The infrastructures of desktop product families of Logo and Netsis (developed with Delphi) has been integrated to a large extent. Also R&D activities and conventional desktop applications related to these product families have been web-enabled.
The integration of LogoFlow developed with .NET has been completed for all Logo products so that all of our products have work flow feature. As a result of development activities in relation to LogoFlow product, adaptation support has been added to TigerHR and NetsisHR web products. (In the meantime, LogoFlow started to serve as an adaptation platform.)

As a result of R&D activities in relation to j-guar product, a significant performance increase has been achieved. j-guar operates now at a 300% higher level of performance. Due to open source projects and Java relationship, current technological developments are implemented to j-guar, which now supports SpringBoot. j-guaralso updated to support the Docker container technology and tests started in relation to India through Amazon web service. Aurora database support has also been added to j-guar

In the context of PAAS project, micro-services requested by ERP applications and SaaS Payroll application using these services started to be developed, which is still in progress.

CUSTOMER ORIENTED PRODUCTS
SUPPORTED BY R&D

QUALITY AND INFORMATION SECURITY MANAGEMENT SYSTEMS AT LOGO

ISO 27001 Information Security Management System Policy*

Logo Business Solutions takes all necessary steps in order to ensure the business continuity in all locations over the course of the Information Security Management System policy and operations, to minimize the damages and risks caused by security breaches, to secure the integrity within the company; and to protect all physical and digital data in their entirety. The information generated, processed and stored over the technology infrastructure along with the systems used for their generation, processing and storage are protected in the most appropriate way against possible threats. All sorts of data belonging to the company and its clients are used and protected in accordance with the aforementioned principles, along with the practice of their generation, processing and storage. Within the scope of ISO 27001 Information Security Management System, we organize all necessary training on the topics of information security and protection of intellectual property in order to enhance the employee awareness.

ISO 9001 Quality Management System Policy*

Following a thorough understanding of the client's needs and expectations; Logo's general policy is to develop products and provide services, which create added value to the financial management and performance and to persistently ameliorate the Quality Management System effectiveness.

ISO 22301 International Business Continuity Management Policy*

The Logo Business Continuity Policy carries on with meeting the clients' needs and expectations even under the most harsh conditions. Devoted to the above, we aim for the continuation of our operations by putting the product and services safety and the employee and stakeholders safety and health into the spotlight. Therefore, the business continuity plan is employed in order to be capable of providing a continuous high quality service to the clients, to gain new customers, to ensure the clients', the solution partners', and the employees' welfare; and to protect the interests of the shareholders/partners. The objective is to render all the necessary/critical operations functional at the minimum acceptable level by the client within the shortest time.

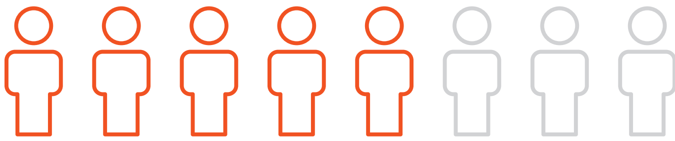
20000 Information Technology Services Management System Policy

In chime with our aims and the services we have been providing in every location of ours; the impeccable services we have promised to deliver to our clients and the constant improvement of our services, the effectiveness of the Service Management System and the Service Management Objectives we have set by constantly reviewing them.

*These quality management systems are administered separately for Logo Business Solutions and Logo Electronic companies

BASIS OF SUSTAINABLE GROWTH

We believe that all our employees are talented. 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. Our system and perspective is developed in accordance with today's requirement and needs.



ORGANIZATION

We continued to grow in 2016 through acquisitions. By the end of year, the total number of employees globally reached 1,009, 569 of which are based in our offices in Turkey.

BREAKDOWN OF EMPLOYEES

Of our employees in Turkey

- 44% work in the Product and Technology Development,
- 15% in Management, Financial Affairs, Human Resources, IT and Operations,
- 41% in Sales, Marketing, Project Support Departments
- In 2016, headcount of Logo Turkey increased by 8% compared to the previous year.
- 38% of employees are female and 62% is male.
- 12% of employees holds a masters degree, 77% an undergraduate degree, and 11% is a high school or equivalent graduate
- Engineers account for 42% of employees.
- As of the end of 2016, the average age equaled to 34.
- 33% are Generation X and 66% are Generation Y; and 1% is "baby boomer".

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. The intra-organizational sharing, an open door policy, the "I have an Idea" corner on the intranet, which allows employees to share their suggestions easily, the food committee, applications such as 'suggest your friend' and HSE board support our employees' feeling of inclusion.

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 2016, Logo attended the career days of our country's biggest universities to present the internship and career opportunities to students who are about to start their careers. These days thanks to gamification we have turned out to be colorful, fun and with many participants. We gave LOGO collection products as a gift to the students upon graduation. Furthermore, as one of the leading companies in its industry Logo attended the TUMKAF '16 activity, to which 4,187 engineering students from 133 universities participated. Almost half of our employees are engineers and our goal is to attract new engineers to work with us in Logo with these activities.

Approximately 460 applications have been received from the students. 11% of applicants have been accepted as interns at Logo.

96% of our interns found the opportunity to improve their skills at the product and technology development departments. 12% of our interns were eventually hired. We have also supported students who work part time.

In 2016, Logo Turkey published 103 job advertisements and we have received 35,000 applications. We conducted 700 personal interviews. We managed to find the proper candidates for these positions within 36 days. Approximately 1 out of 4 of the 118 newly hired employees have been recruited through recommendations from our satisfied employees. In 2016, the employee turnover ratio has been 11.6%

COMPETENCE-DRIVEN MOTIVATION

COMPENSATION SYSTEM

Logo's compensation 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 compensation system is the total size of the job performed. The values of the positions are determined by taking into account the risks and 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 target, competency, and development driven. Logo Force was developed in order to increase individual performance of our employees, thereby contributing to the overall performance of the company. Logo Force Performance Management Process has been developed on the j-guar products to meet our needs. LOGO Force process is managed in annual intervals between April 2016 and March 2017.

Logo Force aims to identify the high performing employees, compensate them with performance bonus, and determine areas of improvement and needs for training during their career path through performance metrics.

Within this scope, the definition of objectives is divided into two main strategies "Profitability" and "Efficiency and Quality Focus"; eventually, they fall within three groups "Strategy", "Stability" and "Growth". Remaining true to the "the right targeting, the right size, and the right outcome bring success" approach, we have organized workshops with full participation of the entirety of our managers in order to specify the SMART target before setting our goals.

Evaluations are carried out periodically in order to evaluate the status of the initial 6 month objectives of our employees and define the fields, which our employees need to further be trained in. Then we have completed the feedback phase, one of the most significant elements of the process. The human resources specialists monitor the results of periodic evaluations by conducting employee surveys.

Within the Logo Force process, in addition to the objectives evaluation, competency evaluations were also conducted focusing on our employees' improvement areas. We have managed to integrate various web and mobile-based tools along with books, video and articles with the existing performance system and made it available to our managers. In accordance with the competency evaluation, in addition to the in-house training, the most appropriate to their competencies, resources have been suggested to our employees.

We have started the integration of the education and performance competencies as our priority. This way, our employees monitored their needs according to the development suggestions made by their managers on the basis of their competencies. The 2016 Logo Force shall be completed by March 2017.

CARREER PLANNING

Our career planning system has been established on the principle of following and improving their professional knowledge and skills.

During the process of our employees' career planning and development, our main targets have been to enhance the employee diversification and to provide their appropriation of the procedure and their career path planning.

Within 2016, we conceptualized the project and implemented the career management procedure along with the system integration.

During the project, every department came together with their managers and defined and put into levels the technical competencies according to the department and the positions.

The level of each employee has been evaluated upon the criterion of the expected technical competencies of a certain position.

Job definition, the position and employee technical competencies and levels and information regarding the attended and/or requested trainings have been integrated into the system and presented at the disposal of the employee/manager.

The managers have commented upon the career planning during feedback meetings, where they shared the completed technical competencies evaluation with their employees.

COMPETENCE-DRIVEN MOTIVATION

TRAINING MANAGEMENT

Also in 2016, personal and professional development, management, technical and competency trainings were organized for our employees. During the process, requests from the managers, directions from the human resources specialists along with the areas to be improved per suggestion of the logo Force process are taken into consideration.

In 2016, trainings totaled 8,200 man-hours.

46% of these training programs were on technical matters,
31% on personal and professional development,
23% on occupational safety, quality and orientation.

• 74% of employees attended at least one training program.

• Training penetration ratio is 80% that is defined as employees attended at least one training day throughout the year.

• 21% of employees received 30 to 90 hours of training.

During 2016, we have started working on an e-learning procedure project in order to be able to measure remotely, and in an easily accessible and correct manner the training processes of our employees. The launch and implementation of this model shall take place within 2017.

SOCIAL ACTIVITIES

Different activities are hosted at the conference hall in our Gebze Campus in 2016. Various speakers made several informative or motivational presentations to our employees. Motivational activities as a part of monthly activities were complemented by TED Talks videos.

Traditionally, we celebrated the National Sovereignty and Children's Day on April 23 together with the children of our employees in both our İzmir and Gebze campuses along with many interesting events. Just like every year, in 2016 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.

Sailing Team of our employees also attended a number of competitions and events.

During the summer months, we organized the Logo Hacktime event for the second time. The main goal of the 2016 Hacktime was for the software development teams to design new products by using new technologies as their vehicle. In order to complete their Hacktime projects, 8 teams have worked for 4 weeks by applying their own rules and using their language and tools of preference. In the end, awards have been granted to teams upon various criteria such as the code sophistication, the project presentation, the user experience, the innovative features, and the execution of compulsory functions. We continued LOG'extra in 2016 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 2016, we participated in the Corporate Bowling Tournament with our Izmir employees. Our teams received great scores and set the example of what good team work means and created some fun memories.

Logoritma, the Logo Software band has represented us in the "From the Office to the Stage" event, where the bands of 40 companies have participated.

In 2016, we participated to the Dragon Festival contests in İstanbul and Izmir with 4 teams. In its respective category, every team achieved accolades for their group spirit and their exceptional efforts. Despite our participation for the first time, we managed to get to the finals against teams with years of participation and experience. Among the almost 90 participating companies, we have been awarded "the best brand" distinction for representing our company in the best way and for demonstrating the strongest team spirit.

During Ramadan, in all of our offices we have organized iftar meals, which proven to be very popular.

As a further step to enhance the group spirit, we have started celebrating birthdays in our offices.

In every office, during the whole year we have tried to keep our employees satisfied with a plethora of activities during the weekdays.

COMPETENCE-DRIVEN MOTIVATION

SOCIAL RESPONSIBILITY

In 2016, together with the Red Crescent we organized a blood donation event. Logo people have donated 35 blood units and 18 stem cell samples.

The event “I meet my writer” has been organized thanks to the LOGO Software sponsorship in cooperation with the “Every Child is Ours” Foundation in the Ataturk Primary School of Kaynarca in Sakarya. The children have been given as presents copies of the books signed by the writers.

Also, the “Book Tree” activity of the “every child is ours” foundation has taken place in our Gebze Campus Atrium. The Book Tree has been completed with books donated by the Logo people. 600 books have been tied to the branches of the tree. These books have been distributed to disadvantaged children all over Turkey.

The Logo people participated in the 38th Vodafone Istanbul Marathon for the sake of UNICEF aiming to make a contribution towards the education of farmer’s children.

On Women’s Day, all our women employees have been given gifts prepared by the women of the Avukma Producing Women Cooperative.

This year again, we have not forgotten the tragedy in Soma... We have distributed to the Logo family of all of our offices the winter parcels prepared by the Soma Women Workers, women who lost their close ones in the mine accident in Soma.

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 2016 in order to identify the occupational safety standards.

CORPORATE REVIEW

Logo stays the course of becoming a Turkey-based regional software giant, for it creates value for its customers and investors with a solid financial structure, proven growth strategy, as well as an 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. He received a master's degree in bioengineering from the Sabancı University in 2006.He is also a graduate of the Owner and President Management program, an executive education program offered by Harvard Business School. 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.

BOARD OF DIRECTORS

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 partner 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.

BOARD OF DIRECTORS

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.

M. Cengiz Ultav

Independent Board Member

Mr. Ultav was born in Eskişehir on February 26th, 1950. He graduated from Ankara Science High School and received his BSc and MSc degrees from the Electrical Engineering Department (Computer and Control Option) of Middle East Technical University, Ankara, Turkey. He also has a diploma from Philips International Institute, Eindhoven, Netherlands. After working in technical and administrative departments of Bimsa and Info in Turkey, and Dornier System GmbH in Germany, he served as the Assistant General Manager of NCR, Turkey and as the General Manager of Sun Microsystems, Turkey. During the same period, he offered consultancy services to major groups such as Koç, Sabancı, and Eczacıbaşı. He has been supporting Vestel Elektronik's Executive Committee since 1995 in the areas of strategic planning and investor relations and he was a Board Member of Vestel Elektronik till May 2016. He continues his post as a Board Member of Vestel Ventures ARGE. As an UNDP consultant in Vietnam, he conducted a study for the development of local electronics industry. He is the founding member of both Turkish Informatics Society (TBV) and Turkish Unix Users Group. He is also a certificated consultant of Microsoft in the area of Solution Development Discipline. Awarded by TUBİSAD with the “Lifelong Service Reward” in 2005, Mr. Ultav has been serving as the Chairman of the Executive Board of TTGV since August 2005.

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.

EXECUTIVE COMMITTEE

Akın 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.

EXECUTIVE COMMITTEE

Cahit 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
Administrative Affairs

Ms. Esra Akar graduated from Istanbul Technical University Department of Chemical Engineering in 1989 and completed her master's degree from İstanbul 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 Administrative Affairs.

EXECUTIVE COMMITTEE

Tolga Gören

Member of the Executive Committee, Support and Projects

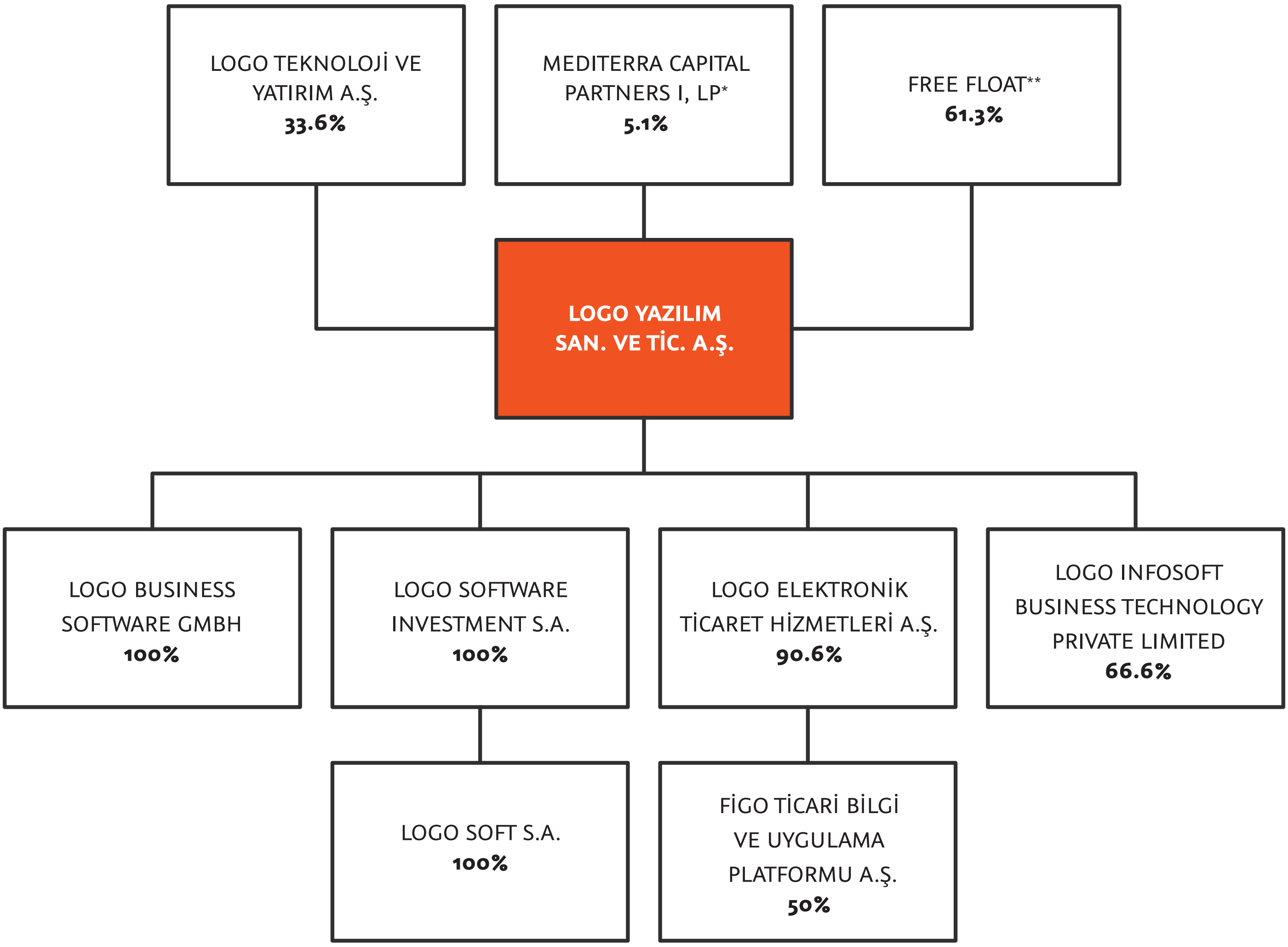
Graduated from Ege University Faculty of Science, Statistics Department in 1995, Tolga Gören started his career at IDB Software during his education and joined Netsis Software in 1997 as support analyst. He worked at different departments such as channel support and corporate sales. Mr. Gören started his management career as a Call Center Manager. Consequently, he was appointed as a Customer Relationship Manager in 2010 and as a Customer Relationship Director in 2011. In 2014, he assumed the Projects and Services Director position at Logo Business Solutions. Since November 2016, he has been serving as an Executive Committee Member in charge of Support and Projects at Logo Business Solutions.

Uğur N. Sipahi

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.

SHAREHOLDING STRUCTURE



(*) Consists of EAS S.a.r.l 4.96% and others.

(**) Including the treasury shares of 2.77%

AMENDMENTS TO THE ARTICLES OF ASSOCIATION WITHIN THE REPORTING PERIOD

In the Ordinary General Shareholders Meeting held on October 27, 2016, the first paragraph of Article 13 of our Articles of Association regarding the quorums for general assembly meetings and decisions has been amended pursuant to the Turkish Commercial Code and the Capital Market Law.

Managing directors, if any, and at least one member of the board and the independent auditor shall attend the general assembly meeting. **The meeting and decision quorums in all meetings of the General Assembly shall be governed by the provisions of the Turkish Commercial Code and the regulations of the Capital Markets Board. Quorum** for meetings and resolutions prescribed in this article shall also be applicable to postponed meetings of the General Assembly.

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

In line with the principle of natural hedges through balancing the maturities of interest rate sensitive liabilities and assets, the company's management is evaluating its interest bearing assets in short term investment instruments.

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

In 2016 Logo's corporate governance rating score reached 9.12 on a scale of 10 recording an increase in comparison to previous year's 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 on December 15, 2016 and announced the rating score of 9.12 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:

- Cumulative voting is not used 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 revision in company's corporate governance rating in 2016 was made taking into consideration the company's willingness to implement the corporate governance principles as a continuous and dynamic process and the improvements made towards this end.

Logo received the following rating scores for each main section:

MAIN SECTIONS	WEIGHT	SCORE
Shareholders	25%	90.73
Public Disclosure and Transparency	25%	88.33
Stakeholders	15%	96.00
Board of Directors	35%	91.67
AVERAGE	**100%**	**91.24**

STATEMENT OF RESPONSIBILITY

Statement of responsibility pursuant to article 9 of the capital markets board communique on principles of financial reporting in capital markets (ii-14.1)

DATE OF THE BOARD RESOLUTION APPROVING THE FINANCIAL STATEMENTS: FEBRUARY 14, 2017

RESOLUTION NUMBER: 2017/5

Consolidated Financial Statement, Comprehensive Income Statement, Cash Flow Statement and Statement of Changes in Equity ("Financial Statements") for the period of January 1 - December 31, 2016, which are prepared by our company, pursuant to the Capital Market Board's Communique on Principles of Financial Reporting in Capital Markets (II-14.1), in compliance with the Turkish Accounting Standards / Turkish Financial Reporting Standards, presented with footnotes according to the format determined by the Capital Markets Board, and independently audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (PricewaterhouseCoopers Türkiye) are attached. We declare that,

* We have examined the Financial Statements;
* Within the framework of information available in so far as our duties and responsibilities, the Financial Statements do not contain any misrepresentation of the facts on major issues, or any omission that may be construed as misleading as of the date of the disclosure;
* Within the framework of information available in so far as our duties and responsibilities, the Financial Statements, which were prepared in accordance with the Communique, fairly reflect the facts about the assets, liabilities, financial condition and profit and loss of the Company together with its consolidated subsidiaries.

Kind regards,

Y. Önder EREN Chairperson of the Audit Committee	M. Cengiz ULTAV Member of the Audit Committee	M. Buğra KOYUNCU CEO	Gülnur ANLAŞ Deputy CEO, Legal and Financial Affairs

CORPORATE GOVERNANCE
COMPLIANCE REPORT

STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF CORPORATE GOVERNANCE

In the period between January 1, 2016 and December 31, 2016, 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

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Shareholders	25%	90.73
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Stakeholders	15%	96.00
Board of Directors	35%	91.67
Total	**100%**	**91.24**

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 Department

Investor Relations activities in our company are conducted by the Investor Relations Department reporting to the CFO.

Investor Relations contact information is as follows:

Gülnur ANLAŞ, CFO
T: +90 262 679 80 00 (pbx) Ext: 8200
e-Mail: gulnur.anlas@logo.com.tr

Berna KÖKTENER, Investor Relations Manager
T: +90 262 679 80 00 (pbx) Ext: 8235
e-Mail: berna.koktener@logo.com.tr

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

e-Mail: investor@logo.com.tr

Main responsibilities of the Investor Relations Department 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 Department 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.
- The company met both domestic and international investors and potential investors in numerous meetings and teleconference calls.

CORPORATE GOVERNANCE COMPLIANCE REPORT

- Logo's free float increased from 25.3% to 61.3% via the TL 413 million fully marketed offering to qualified investors completed on October 31, 2016. Logo shares were sold to more than 40 investors and more than 85% of the shares were purchased by international institutions. The offering was marked as the first successful internationally marketed deal in Turkey since November 2014. The offering was coordinated by the Investor Relations Department.

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

Ordinary General Assembly Meeting

The ordinary shareholders' general assembly meeting was held on April 28, 2016 at Gebze Organize Sanayi Bölgesi, Şahabettin Bilgisu Caddesi No: 609 Gebze/ Kocaeli, where the headquarters of the company is located. The announcement together with the agenda was made three weeks prior to the meeting on the Turkish Trade Registry Gazette dated April 5, 2016 and numbered 9047, on the Public Disclosure in April 5, 2016 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 TL 25 million capital of the company the 3,300,000 Class A preferred shares corresponding to TL 33,000 capital were present by proxy; 20,505,960.003 Class B shares corresponding to TL 2,050,596,000.3 capital were present by proxy; 29,275,076.7 Class B shares corresponding to TL 292,750.767 capital were present in person. As a result, 2,083,170,077 shares corresponding to a total of TL 20,831,710.77 capital was represented with a meeting quorum of 83,33%, satisfying the decision quorum set forth in the articles of association.

Extraordinary General Assembly Meeting

The extraordinary shareholders' general assembly meeting was held on October 27, 2016 at Gebze Organize Sanayi Bölgesi, Şahabettin Bilgisu Caddesi No: 609 Gebze/ Kocaeli, where the headquarters of the company is located. The announcement together with the agenda was made three weeks prior to the meeting on the Turkish Trade Registry Gazette dated October 4, 2016 and numbered 9168, on the Public Disclosure in October 4, 2016 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 TL 25 million capital of the company the 3,300,000 Class A preferred shares corresponding to TL 33,000 capital were present by proxy; 2,076,237,562.3 Class B shares corresponding to TL 20,762,375.623 capital were present by proxy; 17,763,249.7 Class B shares corresponding to TL 177,632.497 capital were present in person. As a result, 2,097,300,812 shares corresponding to a total of TL 20,973,008.12 capital was represented with a meeting quorum of 83,89%, satisfying the decision quorum set forth in the articles of association.

Investors did not propose additional items for the meeting agendas in both meetings.

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

In order to facilitate attendance to the general assembly meetings, the venue and time of the meetings were 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

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are not violated. There were no transactions referred to the general assembly due to dissenting votes of the board members.

Other stakeholders participated in both meetings.

Informative notes on the general assembly meetings that presented explanatory information on the agenda items were 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 before the ordinary general assembly meeting.

In the ordinary general assembly meeting, investors were informed that the company made donations in the reporting period in the amount of TL 78,738 and the donated amount was under the upper limit determined for the year of 2015 in the general assembly meeting as a separate agenda item. The annual limit for donations was approved as TL400,000.

Minutes of the general assembly meetings are published under the heading “General Assembly Announcements” in the investors section on 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, 2016, the board of directors resolved as follows:

According to Consolidated Financial Statements for the reporting period between January 1, 2015 and December 31, 2015 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 TL 39.894.790 calculated by deducting the “tax expense” and “first contingency reserve” amounts and adding the “donation”. Taking into account market expectations, long-term company strategy and investment and financing policies, it was decided to be proposed to the General Assembly not to distribute dividends from 2016 profit.

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 and its Content

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.

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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 Department 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.

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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, Mr. Y. Önder Eren and Mr. M. Cengiz Ultav 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 on the company website.

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.

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.

Board of Directors	Position	Executive Role	Term of Service
M. Tuğrul TEKBULUT	Chairman	Non-executive	[28.04.2016] Ongoing
Murat ERKURT	Vice Chairman	Non-executive	[28.04.2016] Ongoing
S. Leyla TEKBULUT	Member	Non-executive	[28.04.2016] Ongoing
Orhan AYANLAR	Member	Non-executive	[28.04.2016] Ongoing
Y. Önder EREN	Independent Member	Non-executive	[28.04.2016] Ongoing
M. Cengiz Ultav	Independent Member	Non-executive	[28.04.2016] Ongoing

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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,

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.

Y. Önder EREN

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

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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,

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.

M. Cengiz ULTAV

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.

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.

The Board of Directors convened 19 times in 2016. 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

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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 statements 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 company website.

TERMS OF REFERENCE OF THE COMMITTEES

AUDIT COMMITTEE

Y. Önder EREN, Chairman
M. Cengiz ULTAV, Member

Terms of Reference

Purpose

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.

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Structure of The Committee

All members of the audit committee comprise of the independent members of board of directors as per Corporate Governance Communiqué II-17.1 of the Capital Markets Board.

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.

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CORPORATE GOVERNANCE COMMITTEE

Y. Önder EREN, Chairman
M. Tuğrul TEKBULUT, Member
Murat ERKURT, Member
Orhan AYANLAR, Member
Berna KÖKTENER, Member

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 Department. 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 Department;

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

NOMINATION COMMITTEE
Y. Önder EREN, Chairman
M. Tuğrul TEKBULUT, Member
Murat ERKURT, 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 ERKURT, 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

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.

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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.

Reporting Responsibilities

a) The Committee shall convene as it is required to perform its duties.
b) The decisions of the committee shall be submitted to the board of directors.
c) The secretary of the board of directors is responsible for preparing and keeping the reports and shall archive the meeting minutes after circulating them to the committee members.

RISK COMMITTEE
M. Cengiz ULTAV, Chairman
S. Leyla TEKBULUT, Member

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.

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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.

The number of committee meetings in 2016 is given below:

Audit Committee: 5

Corporate Governance Committee: 4

Nomination Committee: 1

Remuneration Committee: 1

Risk Committee: 6

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 28, 2016. Financial benefit is provided only to the independent board members in the gross amount of TL5,000 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 OPERATIONS

Additional Information on Our Operations
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:

Private and public inspections conducted within the reporting period The Company was not subject to any private or public inspections in 2016.

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 exceeded the specified targets in 2016. 2016 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 the General Shareholders' Meeting. There were no such measures taken or refrained from within the reporting period of year 2016 in favor of the controlling shareholder.

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 2016.

Information on legal actions against the Company, which would have an impact on the company's financial status or operations and their potential impact No legal action had been taken against the Company in 2016, 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 31, 2016, the board of directors resolved to propose to the General Assembly not to distribute dividends from the main shareholders' net profit of 39,894,790 TL calculated in our Audited Consolidated Financial Statements for the reporting period between January 1, 2015 and December 31, 2015, which was issued in compliance with International Accounting Standards and International Financial Reporting Standards, and presented in line with the principles set forth in the relevant resolutions of CMB, due to our dividend policy, market projections, long-term company strategy, and investment and financial policies.

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.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

Contents

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT

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

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of Logo Yazılım Sanayi ve Ticaret A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheet as at 31 December 2016 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

2. The Group's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Turkish Accounting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with Independent Auditing Standards that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority. Those standards require that ethical requirements are complied with and that the audit is planned and performed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An independent audit involves performing procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on independent auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to error or fraud. In making those risk assessments, the independent auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

4. In our opinion, the 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 31 December 2016 and their financial performance and cash flows for the year then ended in accordance with Turkish Accounting Standards.

Other matter

5. The financial statements of Logo Yazılım Sanayi ve Ticaret A.Ş. and its subsidiaries for the year ended 31 December 2015 were audited by another firm of auditors whose report, dated 11 February 2016, expressed an unmodified opinion on those statements.

Other Responsibilities Arising From Regulatory Requirements

6. In accordance with subparagraph 4 of Article 398 of the Turkish Commercial Code ("TCC") No: 6102; auditor's report on the early risk identification system and committee has been submitted to the Company's Board of Directors on 14 February 2017.

7. In accordance with subparagraph 4 of 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 1 January - 31 December 2016 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

8. In accordance with subparagraph 4 of Article 402 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Mert Tüten, SMMM
Partner

Istanbul, 14 February 2017

CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
LOGO YAZILIM SANAYİ VE TİCARET A.Ş.
CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2016

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

	Notes	Audited 31 December 2016	Audited 31 December 2015
ASSETS			
Current asset		**139.523.661**	**124.544.398**
Cash and cash equivalents	5	43.507.923	51.529.036
Financial investments	6	279.986	-
Trade receivables		92.906.476	71.945.027
- Due from related parties	*28*	*-*	*8.032*
- Due from third parties	*9*	*92.906.476*	*71.936.995*
Other receivables		147.362	10.164
- Other receivables from third parties	*10*	*147.362*	*10.164*
Inventories	11	322.138	310.553
Prepaid expenses	17	1.946.104	449.905
Other current assets		413.672	299.713
Non-current assets		**188.013.329**	**77.801.400**
Other receivables		3.081.146	1.114.561
- Other receivables from related parties	*28*	*2.920.534*	*950.000*
- Other receivables from third parties	*10*	*160.612*	*164.561*
Financial investments	6	130.653	130.653
Investments accounted for using the equity method	7	737.533	-
Property, plant and equipment	12	18.977.934	15.488.784
Intangible assets		161.722.764	58.759.039
- Goodwill	*14*	*75.386.762*	*7.478.652*
- Other intangible assets	*13*	*86.336.002*	*51.280.387*
Prepaid expense	17	1.786.750	35.727
Deferred tax assets	26	1.208.136	2.272.636
Other non-current assets		368.413	-
Total assets		**327.536.990**	**202.345.798**

These consolidated financial statements have been approved by Board of Directors on 14 February 2017 and signed on its behalf by Buğra Koyuncu, Chief Executive Officer and Gülnur Anlaş, Chief Financial Officer.

CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
LOGO YAZILIM SANAYİ VE TİCARET A.Ş.
CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2016

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

	Notes	Audited 31 December 2016	Audited 31 December 2015
LIABILITIES			
Short-term liabilities		**148.823.733**	**83.490.361**
Short-term borrowings	8	56.798.022	993.182
Short-term portion of long-term borrowings	8	6.298.768	1.092.524
Trade payables		16.493.822	10.027.920
- Trade payables to third parties	*9*	*16.493.822*	*10.027.920*
Employee benefit payables	16	6.457.090	1.252.651
Other payables		7.198.360	6.468.494
- Other payables to third parties	*10*	*7.198.360*	*6.468.494*
Deferred revenue	17	40.749.291	53.876.841
Short-term provisions		11.609.615	9.056.999
- Short-term provisions for employee benefits	*16*	*11.609.615*	*9.056.999*
Current income tax liabilities	26	1.818.901	398.889
Other current liabilities		1.399.864	322.861
Long-term liabilties		**14.555.392**	**8.555.573**
Long-term borrowings	8	3.605.982	313.019
Other payables		2.741.721	3.736.690
- Other payables to third parties	*10*	*2.741.721*	*3.736.690*
Long-term provisions		6.315.332	4.107.271
- Provisions for employment termination benefits	*16*	*6.315.332*	*4.107.271*
Deferred tax liabilities	26	1.892.357	398.593
EQUITY			
Equity attributable to equity holders of the parent		**160.802.613**	**108.545.294**
Paid-in share capital	18	25.000.000	25.000.000
Adjustment to share capital	18	2.991.336	2.991.336
Restricted reserves	18	6.993.951	6.993.951
Treasury shares (-)	18	(4.632.563)	(4.632.563)
Other comprehensive income and expense that will not to be reclassified to profit or loss		(1.663.527)	(1.681.596)
- Actuarial gain/(loss) on employment termination benefits		*(1.663.527)*	*(1.681.596)*
Other comprehensive income and expense that will to be reclassified to profit or loss		6.899.780	-
- Currency translation difference		*6.899.780*	*-*
Retained earnings		79.874.166	39.979.376
Net income for the period		45.339.470	39.894.790
Non-controlling interests		**3.355.252**	**1.754.570**
Total equity		164.157.865	110.299.864
Total liabilities		**327.536.990**	**202.345.798**

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

CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
LOGO YAZILIM SANAYİ VE TİCARET A.Ş.
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

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

PROFIT OR LOSS	Notes	Audited 31 December 2016	Audited 31 December 2015
Revenue	20	190.374.106	128.777.388
Cost of sales (-)	20	(4.756.358)	(3.254.820)
Gross profit		**185.617.748**	**125.522.568**
General administrative expenses (-)	21	(18.920.847)	(13.530.205)
Marketing expenses (-)	21	(38.314.128)	(34.685.456)
Research and development expenses (-)	21	(59.368.135)	(36.847.268)
Other operating income	22	3.531.905	2.994.570
Other operating expenses (-)	22	(21.476.474)	(3.591.600)
Operating profit		**51.070.069**	**39.862.609**
Income from investing activities	23	291.293	288.705
Share of losses of investments accounted for by the equity method	7	(267.981)	-
Operating profit before finance income/(expenses)		**51.093.381**	**40.151.314**
Finance income	24	3.976.529	2.692.993
Finance costs (-)	25	(3.831.620)	(2.856.320)
Profit before tax		**51.238.290**	**39.987.987**
Tax income/(expenses)			
Taxes on income	26	(3.780.773)	(560.664)
Deferred tax income/(expense)	26	(517.365)	790.079
Net profit for the year		**46.940.152**	**40.217.402**
Net profit attributable to:			
Non-controlling interests		1.600.682	322.612
Equity holders of the parent		45.339.470	39.894.790
		46.940.152	**40.217.402**
Earnings per share	**27**	**18,14**	**15,96**

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

CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
LOGO YAZILIM SANAYİ VE TİCARET A.Ş.
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

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

OTHER COMPREHENSIVE INCOME	Notes	Audited 31 December 2016	Audited 31 December 2015
Profit for the year		**46.940.152**	**40.217.402**
Other comprehensive income and expense that will be reclassified to profit or loss		**6.236.321**	**-**
Currency translation differences		6.236.321	-
Other comprehensive income and expense that will not be reclassified to profit or loss		**18.069**	**(859.842)**
Actuarial gain/(loss) on employment terminatin benefits	16	19.640	(935.955)
Tax effect	26	(1.571)	76.113
Other comprehensive income/(expense)		**6.254.390**	**(859.842)**
Total comprehensive income		**53.194.542**	**39.357.560**
Other comprehensive income attributable to:			
Non-controlling interest		1.600.682	322.612
Equity holders of the parent		51.593.860	39.034.948
		53.194.542	**39.357.560**

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

CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
LOGO YAZILIM SANAYİ VE TİCARET A.Ş.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

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

					Other compherensive income not to be reclassified under profit and loss	Other compherensive income to be reclassified under profit and loss					
	Paid-in share capital	Adjustments to share capital	Treasury shares	Restricted reserves	Actuarial gain/(loss) on employment termination benefits	Currency translation difference	Retained earnings	Net profit for the year	Equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Balances at 1 January 2016	**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	-	-	-	-	-	-	(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)
Balances at 31 December 2016	**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**
Transfers	-	-	-	-	-	-	39.894.790	(39.894.790)	-	-	-
Acquisition or disposal of subsidiaries (**)	-	-	-	-	-	663.459	-	-	663.459	-	663.459
Net income for the period	-	-	-	-	-	-	-	45.339.470	45.339.470	1.600.682	46.940.152
Other comprehensive income	-	-	-	-	18.069	6.236.321	-	-	6.254.390	-	6.254.390
Balances at 31 December 2016	**25.000.000**	**2.991.336**	**(4.632.563)**	**6.993.951**	**(1.663.527)**	**6.899.780**	**79.874.166**	**45.339.470**	**160.802.613**	**3.355.252**	**164.157.865**

(*) Note 18.
(**) Note 4.

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

CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
LOGO YAZILIM SANAYİ VE TİCARET A.Ş.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

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

	Notes	31 December 2016	31 December 2015
A. Cash flows from operating activities		**49.556.558**	**65.454.432**
Profit for the year		46.940.152	40.217.402
Adjustments to reconcile profit for the year		**12.737.360**	**40.569.214**
Depreciation and amortization adjustments	12, 13	17.095.609	13.246.368
Provision for employment termination benefits	16	3.523.596	4.193.540
Interest expense	25	691.069	1.349.764
Interest income	24	(2.387.574)	(1.037.909)
Undistributed profits of joint ventures	7	267.981	-
Provision for doubtful receivables	9	1.982.619	99.493
Other adjustments to reconcile profit or loss		(12.734.078)	23.067.290
Gain on sale of property and equipment	12	-	(119.917)
Tax expense/(income)	26	4.298.138	(229.415)
Changes in net working capital		**(7.696.720)**	**(13.941.641)**
(Increase)/decrease in inventories		(11.585)	206.096
Decrease in trade receivables		819.909	5.490.573
Increase in trade payables		6.465.902	2.904.252
Decrease in other current and non-current liabilities		(21.592.885)	(22.714.823)
Decrease in other current and non-current assets		6.621.939	172.261
Cash flows from operating activities		**51.980.792**	**66.844.975**
Taxes paid	26	(2.360.761)	(35.700)
Employment termination benefits paid	16	(63.473)	(1.354.843)
B. Cash flows from investing activities		**(113.816.652)**	**(24.467.390)**
Purchases of property, plant and equipment and intangible assets	12, 13	(26.027.637)	(19.111.648)
Acquisition of subsidiary	4	(87.038.836)	(5.475.659)
Proceeds from sale of property, plant and equipment and intangible assets		255.335	119.917
Capital injections to joint ventures	7	(1.005.514)	-
C. Cash flows from financing activities		**55.198.675**	**(38.097.569)**
Repayments of borrowings		(5.764.470)	(20.801.096)
Proceeds from borrowings		59.266.640	-
Purchase of treasury shares		-	(1.983.148)
Interest paid		(691.069)	(1.702.231)
Interest received		2.387.574	1.037.909
Dividend paid		-	(14.649.003)
Net (decrease)/increase in cash and cash equivalent before currency translation differences (A+B+C)		**(9.061.419)**	**2.889.473**
D. Effects of currency translation differences on cash and cash equivalents.		**1.040.306**	**-**
Net (decrease)/increase in cash and cash equivalents (A+B+C+D)		**(8.021.113)**	**2.889.473**
E. Cash and cash equivalents at beginning of the period	5	**51.529.036**	**48.639.563**
Cash and cash equivalents at end of the period (A+B+C+D+E)	5	**43.507.923**	**51.529.036**

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

CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
LOGO YAZILIM SANAYİ VE TİCARET A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 1 - ORGANIZATION AND NATURE OPERATIONS

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

The 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 31 December 2016, the average number of personnel of the Group is 697 (31 December 2015: 506).

The address of the registered office is as follows:

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

As of 31 December 2016, main shareholders are Logo Teknoloji ve Yatırım A.Ş. and Mediterra Capital Partners LLP. They jointly control the Company. The shareholding structure of the Company is disclosed in Note 18.

The nature of businesses of subsidiaries and joint ventures of Logo Yazılım (together referred to as the "Group") are as follows:

Subsidiaries	Country of incorparation	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	Software marketing
Logo Software Investment S.A. ("Logo Investment")	Romania	Investment
Total Soft S.A. ("Totalsoft")	Romania	Development and marketing of computer software
Logo Infosoft Business Technology Private Limited ("Logo Infosoft") (*)	India	Development and marketing of computer software

Joint venture	Country of incorparation	Nature of business
FIGO Ticari Bilgi ve Uygulama Platformu A.Ş. ("FIGO")	Türkiye	Development and marketing of computer software

(*) Although incorporation of Logo Infosoft was completed as of 8 December 2016, Logo Infosoft has no trading activities as of 31 December 2016. The Company owns 66,6% shares of Logo Infosoft.

CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
LOGO YAZILIM SANAYİ VE TİCARET A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 1 - ORGANIZATION AND NATURE OPERATIONS (Contunied)

The Company has founded Logo Investment in Romania at 19 August 2016. The Company owns 100% shares of Logo Investment.

Upon share purchase agreement signed at 2 September 2016, Logo Investment has purchased 100% shares of Totalsoft (Note 4).

The Company was signed an agreement with F.I.T Information Systems Services Industry and Trade Inc. at 29 July 2016 to incorporate FIGO Ticari Bilgi ve Uygulama Platformu A.Ş. ("FIGO"). The Company participates 50% shares of FIGO. FIGO, provides access to value-added services like risk assessments, insurance, finance and collection that is predicted to facilitate their business operations through Commercial Knowledge Platform.

The Company has purchased 100% shares of Vardar Eğitim Hizm. Yazılım Danışmanlık ve San. Tic. A.Ş. ("Vardar") through a share purchase agreement signed on 8 September 2015 (Note 4).

The Company has purchased 100% of Sempa shares through a share purchase agreement signed on 18 June 2015 (Notes 4).

The Company took over 50,1% of İntermat Bilişim A.Ş. ("İntermat") shares on 5 January and the remaining 49,90% on 28 July 2015 regarding the share purchase and option agreement (Note 4).

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, to acquire their assets and liabilities in entirety, has been concluded and the merge has been officially registered to the Registry of Commerce as of 28 July 2015. Pursuant to the Capital Markets Board of Turkey ("CMB") decision taken at their 17/853 numbered meeting on 3 July 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.

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 31 December 2015. Pursuant to the CMB decision taken at their 36/1656 numbered meeting on 28 December 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 22 April 2009 to liquidate 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 31 December 2016, the liquidation process has been substantially completed. The Company's foreign sales and marketing activities are managed from its headquarter in Turkey.

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NOTE 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 Reporting 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.

2.1.3 Basis of consolidation

The consolidated financial statements prepared in accordance with the principles of consolidated financial statements for the year ended 31 December 2016 include the the financial statements of Logo Yazılım and its subsidiaries. The table below sets out the subsidiaries of Logo Yazılım and ownership interests held by the Company at 31 December 2016 and 2015:

Subsidiaries	31 December 2016 (%)	31 December 2015 (%)
Logo GmbH	100,00	100,00
e-Logo	90,58	90,58
Totalsoft	100,00	-
Logo Investment	100,00	-
Logo Infosoft	66,66	-

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

2.1 Basis of presentation (Continued)

Joint Venture	31 December 2016 (%)	31 December 2015 (%)
FIGO	50,00	-

Subsidiaries

Consolidated financial statements are comprised the accounts of Logo Yazılım and its subsidiaries that are prepared consistently with principles stated in consolidated financial statements belong to year end at 31 December 2016:

- Have the authority on the investee company/asset
- Invesment company/will be open to variable returns from assets or that it is entitled to this, and
- Ability to use its power that may have effect on the returns

The balance sheets, income statements and other comprehensive income statements of the subsidiaries that are consolidated with using full consolidation method. The registered value of the investment recorded in the assets of the Company and the amount from subsidiaries' shareholder's equity corresponded to Company's share are settled net. The transactions and balances between the Company and subsidiaries are mutually eliminated under consolidation.

Joint venture

Joint venture is a joint initiative in which, the sides who have joint control in an arrangement, have rights related to net assets in this common arrangement. Joint control is the sharing of the control over an economic activity depends on the agreement. This control is supposed to exist if the decisions about the related activity can only be made by the unanimous vote of the sides who share the control.
The investments on joint ventures is recognized with using equity method as of the time after the investee turn into joint venture.

2.1.4 Presentation and functional currency

For the purpose of the consolidated financial statements, the results and financial position and cash flows of the Group are presented in thousands of Turkish Lira ("TRY"), which is the functional currency of Logo Yazılım.

Functional currency of Totalsoft and Logo Investment is Romanian Leu ("RON"). Financial information of each entity included in consolidation are measured using the currency of the primary economic environment in which these entities operate, normally under their local currencies. Assets and liabilities for each statement of financial position presented (including comparatives) are translated to TRY at exchange rates at the statement of financial position date. Income and expenses are translated to TRY at monthly average exchange rates. Foreign currency differences arising on translation are recognized in other comprehensive income as a separate component of equity.

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

2.2 Going concern

The consolidated financial statements including the accounts of the parent company and its subsidiary have been prepared assuming that the Group will continue as a going concern on the basis that the entity will be able to realize its assets and discharge its liabilities in the normal course of business.

2.3 Amendments to International Financial Reporting Standards

a. Standards, amendments and interpretations applicable as at 31 December 2016

- TFRS 14, "Regulatory deferral accounts", effective from annual periods beginning on or after 1 January 2016. TFRS 14, "Regulatory deferral accounts" permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt TFRS. However, to enhance comparability with entities that already apply TFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.

- Annual improvements 2014, effective from annual periods beginning on or after 1 January 2016. These set of amendments impacts 4 standards:

  - TFRS 5, "Non-current assets held for sale and discontinued operations" regarding methods of disposal.
  - TFRS 7, "Financial instruments: Disclosures", (with consequential amendments to TFRS 1) regarding servicing contracts.
  - TAS 19, "Employee benefits" regarding discount rates.
  - TAS 34, "Interim financial reporting" regarding disclosure of information.

- TFRS 11, "Joint arrangements" on acquisition of an interest in a joint operation, effective from annual periods beginning on or after 1 January 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

- TAS 16, "Property,plant and equipment", and TAS 41, "Agriculture", regarding bearer plants, effective from annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. It has been decided that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of TAS 16, instead of TAS 41. The produce growing on bearer plants will remain within the scope of TAS 41.

- TAS 16, "Property, plant and equipment" and TAS 38, "Intangible assets", on depreciation and amortisation, effective from annual periods beginning on or after 1 January 2016. In this amendment the it has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

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

2.3 Amendments to International Financial Reporting Standards (Continued)

- TAS 27, "Separate financial statements" on the equity method, effective from annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- TFRS 10, "Consolidated financial statements" and TAS 28, "Investments in associates and joint ventures", effective from annual periods beginning on or after 1 January 2016.These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

- TAS 1, "Presentation of financial statements" on the disclosure initiative, effective from annual periods beginning on or after 1 January 2016, these amendments are as part of the TASB initiative to improve presentation and disclosure in financial reports

b. *Standards, amendments and interpretations effective after 1 January 2017*

- TAS 7, "Statement of cash flows" on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the TASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.

- TAS 12, "Income Taxes", effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarify certain other aspects of accounting for deferred tax assets.

- TFRS 2, "Share based payments" on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in TFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

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

2.3 Amendments to International Financial Reporting Standards (Continued)

- TFRS 9, "Financial instruments", effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

- TFRS 15, "Revenue from contracts with customers", effective from annual periods beginning on or after 1 January 2018. TFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. The Group is assessing the impact of the accounting changes that will arise under TFRS 15; however, the changes are expected to have a material impact on the consolidated income statement and consolidated statement of financial position.

- TFRS 15, "Revenue from contracts with customers", effective from annual periods begining on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

- TAS 40, Investment property' relating to transfers of investment property, effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

- TFRS 9, "Financial instruments", effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

- TFRS 4, "Insurance contracts" regarding the implementation of TFRS 9, "Financial instruments", effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:

    - give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when TFRS 9 is applied before the new insurance contracts standard is issued; and

    - give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 until 2021. The entities that defer the application of TFRS 9 will continue to apply the existing financial instruments standard TAS 39.

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

2.3 Amendments to International Financial Reporting Standards (Continued)

- Annual improvements 2014-2016, effective from annual periods beginning on or after 1 January 2018. These amendments impact 3 standards:

  - TFRS 1, "First-time adoption of TFRS", regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19, and TFRS 10 effective 1 January 2018.
  - TFRS 12, "Disclosure of interests in other entities" regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.
  - TAS 28, "Investments in associates and joint ventures" regarding measuring an associate or joint venture at fair value effective 1 January 2018.

- IFRIC 22, "Foreign currency transactions and advance consideration", effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

- TFRS 16, "Leases", effective from annual periods beginning on or after 1 January 2019, This standard replaces the current guidance in TAS 17 and is a farreaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group is assessing the impact of the accounting changes that will arise under TFRS 16; however, the changes are expected to have a material impact on the consolidated income statement and consolidated statement of financial position. The Group is assessing the impact of the accounting changes that will arise under TFRS 16; however, the changes are expected to have a material impact on the consolidated income statement and consolidated statement of financial position.

The Group will evaluate the effect of the aforementioned changes within its operations and apply changes starting from effective date. It is expected that the application of the standards and the interpretations except for the ones the impacts of which were disclosed above will not have a significant effect on the consolidated financial statements of the Group.

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

2.4 Summary of significant accounting policies

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.

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 TFRS 3 on the date of acquisition.

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.

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

2.4 Summary of significant accounting policies (Continued)

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 on the dates as of 31 December.

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 and any accumulated impairment losses. Gains or losses on disposals of property and equipment are included in the related income and expense accounts, as appropriate.

The initial cost of property and equipment comprises its purchase price, including import duties and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance expenses are charged to the statement of profit or loss during the period in which they are incurred.

These capitalized costs are depreciated and charged to statement of profit or loss over the useful life of the related assets. Depreciation is calculated on a straight line basis over the estimated useful life of the assets, which are as follows:

	Useful lives
Leasehold improvements related to building	5 - 49 year
Machinery and equipment	5 year
Motor vehicles	5 year
Furniture and fixtures	3 - 15 year

Estimated useful lives are reviewed and adjusted if appropriate at the end of each reporting period.

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

2.4 Summary of significant accounting policies (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.

	Useful lives
Development costs	5 - 15 year
Technology developed	5 - 10 year
Customer relations	8 - 20 year
Agreement for restriction of competition	3 - 4 year
Other intangible assets	3 - 5 year

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.

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

2.4 Summary of significant accounting policies (Continued)

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.

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.

Leases

The Group as lessee

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

Financial leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the statement of proift or loss.

Rentals payable under operating leases are charged to the statement of profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

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

2.4 Summary of significant accounting policies (Continued)

Government incentives

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.

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.

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

2.4 Summary of significant accounting policies (Continued)

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

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits at banks and highly liquid investments and credit card receivables 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.

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

2.4 Summary of significant accounting policies (Continued)

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.

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.

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.

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

2.4 Summary of significant accounting policies (Continued)

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).

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

2.4 Summary of significant accounting policies (Continued)

For the purpose of these consolidated financial statements, shareholders, key management personnel, associated entities controlled by 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, the Company may have business relations with the related parties.

Income taxes

Income tax expense comprises of current and deferred taxes. Income tax expense is recognized in the statement of profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current income tax is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Current tax is calculated using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Interest and penalties assessed on income tax deficiencies are presented based on their nature.

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

2.4 Summary of significant accounting policies (Continued)

Revenue

The Group mainly generates revenue from sale of off-the-shelf softwares, sale of Logo Enterprise Membership, sale of retail cloud solutions ("SaaS") membership, after-sales services revenue development of customized softwares 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 revenue 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.

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

2.4 Summary of significant accounting policies (Continued)

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.

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 revenue 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.

Development of customized softwares

The revenue from development of customized softwares 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 interests basis,
Dividend income - when the Company's right to receive dividend 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.

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

2.4 Summary of significant accounting policies (Continued)

Provison for vendor premiums

The Group set annual targets for its distributors and distribute premiums at the end of the year according to these targets. Premiums are recognized in the period that they are realized and accounted for profit and loss when they accrued.

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

Retirement pay liability

Employment termination benefits, as required by the Turkish Labour Law, represent the estimated present value of the total reserve of the future probable obligation of the Company arising in case of the retirement of the employees. According to Turkish Labour Law and other laws applicable in Turkey, the Company is obliged to pay employment termination benefit to employees in cases of termination of employment without due cause, call for military service, retirement or death upon the completion of a minimum one year service. The provision which is allocated by using the defined benefit pension's current value is calculated by using the estimated liability method. All actuarial profits and losses are recognized in the other comprehensive income.

Provision for personnel bonus

Personnel bonus provisions comprises of the benefits provided by the Company according to the performance measures of the personnel. Personnel bonus is accounted for profit and loss on an accrual basis.

Treasury shares

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

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

2.4 Summary of significant accounting policies (Continued)

Statement of cash flows

The Group prepares consolidated statement of cash flows as an integral part of its financial statements to enable financial statement analysis about the change in its net assets, financial structure and the ability to direct cash flow amounts and timing according to evolving conditions. Cash flows during the period are classified and reported by operating, investing and financing activities in the cash flow statements.

Cash flows from operating activities represent the cash flows generated from the Group's activities.

Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (property and equipment, intangible assets and financial investments).

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

Segment reporting

The Group's operations are carried out in a single business line. There are two geographical segments which include the data used by management to make decisions on performance evaluation and source distribution. The Group's geographical segments cover operations in Turkey and Romania. These segments are managed separately since different economic conditions affect them. Their risks and yields are different based on their geographical positions. The Group's management adopted a policy of examining geographical segment results in the interim consolidated financial statements prepared in line with TFRS while evaluating the performance of segments. Net profit for the year is used to measure performance as management believes that such information is the most relevant indicator in evaluating the results of the geographical segments.

Geographical segments are reported in a manner consistent with the reporting provided to the Chief Executive Officer and board of directors of the Group ("Chief Operating Decision-Maker"). The Group's Chief Operating Decision-Maker is responsible for allocating resources and assessing performance of the operating segments. Adjusted earning before interest, tax, depreciation and amortization ("EBITDA") is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Adjusted EBITDA definition includes revenue, direct cost of revenues excluding depreciation and amortization accounted for operating expenses (except other income and expenses).

Adjusted EBITDA is not a financial measure defined by TAS/TFRS as a measurement of financial performance and may not be comparable to other similarly-titled indicators used by other companies.

For a geographical segment to be identified as a reportable segment, its revenue, including both sales to external customers and intersegment sales or transfers, should be 10% or more of the combined revenue, internal and external, of all geographical segments; its profit or loss should be 10% or more of the combined profit or loss or its assets should be 10% or more of the combined assets of all geographical segments.

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

2.4 Summary of significant accounting policies (Continued)

Geographical segments that do not meet any of the quantitative thresholds may be considered as reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the interim consolidated financial statements.

Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is equal to basic EPS because the Group does not have any convertible notes or share options granted to employees.

In Turkey, companies are allowed to raise their share capital by distributing bonus shares to shareholders from retained earnings. In computing earnings per share, such bonus share distributions are treated as issued shares. Accordingly, the retrospective effect for such share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this calculation.

2.5 Significant accounting estimates and assumptions

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

Provision for doubtful receivables

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

Useful lives of intangible assets

In accordance with the accounting policy described in Note 2.4, intangible assets are stated at historical cost less depreciation, net of any impairment charges. Depreciation on tangible assets is calculated using the straight-line method over their estimated useful lives. Useful lives depend on the best estimates of management and are reviewed in each financial period and corrected accordingly.

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

2.5 Significant accounting estimates and assumptions (Continued)

In the light of new technological develeopments, the Group reassessed the useful lives of developed softwares observing global and sectoral trends. As a result of the reassessment, softwares useful lives are determined related to their categories as 5, 7 and 15 years that will be valid as of 1 January 2016. Change in useful lives results a decrease in the amortization expenses by TRY 1.576.381 for the year ended 31 December 2016.

Revenue recognition

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.

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.

Research and development costs

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

Goodwill impairment test

Goodwill is subject to impairment test at least annually. The recoverable amounts of cash generating units are determined on value in use basis. The details of estimates and assumptions used are explained in Note 14.

2.6 Comparatives and adjustment of prior periods' financial statements

The consolidated financial statements of the Group include comparative financial information to enable the determination of the financial position and performance. The consolidated balance sheet of the Group at 31 December 2016 has been provided with the comparative financial information of 31 December 2015 and the consolidated statements of profit or loss, the consolidated statements other comprehensive income, changes in equity and cash flows for the period ended 31 December 2016 have been provided with the comparative financial information, for the period ended 31 December 2015.

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

2.6 Comparatives and adjustment of prior periods' financial statements (Continued)

In order to comply with the presentation of consolidated financial statements the current period when deemed necessary, comparative information is reclassified, and material differences are presented. Accordingly, the following reclassification was made;

- A reclassification is made amounting to TRY 950,000, between "Other receivables from third parties" and "Other receivables from related parties" on the consolidated balance sheet of the Group prepared as of 31 December 2015.

- A reclassification is made amounting to TRY 1.983.148 that arised from purchase of treasury shares which was presented in "cash flows from investing activities" in consolidated statements of cash flow as of 31 December 2015, reclassified and presented as "cash flows from financing activities".

NOTE 3 - SEGMENT REPORTING

31 December 2016	Turkey	Romania	Segmental eliminations	Consolidated
Reportable segment assets	254.286.710	73.250.280	-	327.536.990
Goodwill	75.386.762			75.386.762
Reportable segment liabilities	86.799.234	76.579.891	-	163.379.125
Property and equipment	75.849.330	29.464.606	-	105.313.936

2016	Turkey	Romania	Segmental eliminations	Consolidated
Revenue	163.020.821	27.353.285	-	190.374.106
Cost of sales (-)	(2.646.150)	(2.110.208)	-	(4.756.358)
Operating expenses	(94.707.774)	(21.895.336)	-	(116.603.110)
Finance income	3.678.993	297.536	-	3.976.529
Finance costs	(2.260.274)	(1.571.346)	-	(3.831.620)
Depreciation and amortization	(15.313.474)	(1.782.135)	-	(17.095.609)
Share of profit or loss of investments accounted for using the equity method	(267.981)	-	-	(267.981)
Tax expense	(3.626.906)	(671.232)	-	(4.298.138)
Net profit for the year	46.596.982	343.170	-	46.940.152
Adjusted EBITDA	80.980.371	5.129.876	-	86.110.247
Purchase of property and equipment and intangible assets	24.648.968	1.378.669	-	26.027.637

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NOTE 3 - SEGMENT REPORTING (Continued)

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

2016	Consolidated
Adjusted EBITDA	86.110.247
Depreciation and amortization	(17.095.609)
Income from investing activities	291.293
Share of profit or loss of investments accounted for using the equity method	(267.981)
Other operating income	3.531.905
Other operating expenses	(21.476.474)
Finance income	3.976.529
Finance costs	(3.831.620)
Profit before tax	**51.238.290**

Since the Group started its operations in Romania during 2016, the segment reporting is not presented with comparative information.

NOTE 4 - BUSINESS COMBINATION

Acquisition of Totalsoft

The Group acquired 100% of Totalsoft shares for EUR 30.246.000 through Share Purchase Agreement signed on 2 September 2016. The acquisiton process is completed after the purchase consideration has been paid in cash to the Totalsoft's previous shareholders.

The Group, with respect to aforementioned acquisition process, applied provisional acquisition accounting and accounted Intermat as a subsidiary 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 valuation report.

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

Total assets	52.153.136
Intangible assets - Development costs	15.174.676
Intangible assets - Customer relationships	5.938.034
Intangible asset - Advanced technology	2.613.900
Intangible asset - Other	196.210
Total liabilities	(36.471.916)
Fair value of net assets	39.604.040
Less: purchase consideration	101.432.073
Goodwill	**61.828.033**

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NOTE 4 - BUSINESS COMBINATION (Continued)

Identifiable assets determined based on the purchase price allocation of Totalsoft are development costs, customer relationships, advanced technology and other intangible assets amortized over the useful lives of 12, 10, 7 to 10, 2 to 4 years, respectively.

The goodwill calculated is recognized in financial statements of Logo Yazılım which is the ultimate controlling party of the Group. In accordance with TMS 21, "The effects of changes in foreign Exchange rates", goodwill arising from acquisition of foreign entities shall be accounted as a part of assets of foreign investments, thus the goodwill is accounted for using RON which is the functional currency of Totalsoft. As of acquisition date, goodwill was calculated as RON 83.517.538.

Detail of cash outflows due to purchase is as follows:

Purchase price - cash paid in 2016	101.432.073
Cash and cash equivalents - acquired	14.393.237
Cash outflow due to purchase, net	**87.038.836**

Intermat acquisition

The Company has acquired 50,1% of Intermat shares for TRY 2,000,000 through Share Purchase and Option agreement signed on 5 January 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 TRY 1,500,000 and more than 3,500,000 TRY 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 TRY 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 - cash	814.969
Purchase price - future payments (*)	1.492.429
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. In accordance with Share Transfer and Option Contract, the Group made an additional payment amounting to TRY 814.969 as of 31 December 2016.

The Group, with respect to aforementioned acquisition process, applied provisional acquisition accounting and accounted Intermat as a subsidiary 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.

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NOTE 4 - BUSINESS COMBINATION (Continued)

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**

Identifiable assets such as advanced technology and non-compete 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 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**

Sempa acquisition

The Company has acquired 100% of Sempa shares for TRY 3,000,000 through a Share Purchase Agreement signed on 18 June 2015 and has become Sempa's sole shareholder. Full purchase price was paid in advance. The Agreement entered into force as of 18 June 2015. TRY 856,631 that was paid in scope of the acquisition in the measurement period was added to purchase price

Within the framework of the Agreement signed on 18 June 2015; 50% of the positive difference between Sempa's sales revenue to be realized in 2015 sales revenue amounting to TRY 2,017,938 ("Base Performance Fee") will be paid to Sempa's previous shareholders as a "Performance Fee" which will not exceed TRY 500,000.

Purchase price - cash	3.856.631
Purchase price - future payments (*)	241.000
Total purchase price	**4.097.631**

(*) As of 31 December 2016, the Group has paid whole amount of future payments.

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NOTE 4 - BUSINESS COMBINATION (Contunied)

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**

Identifiable assets such as advanced technology, customer relations and non-compete 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 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**

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NOTE 4 - BUSINESS COMBINATION (Contunied)

Vardar acquisition

The Company has acquired 100% of Vardar shares for 604,794 TRY through a Share Purchase Agreement signed on 8 September 2015. A performance payment at a total amount of TRY 2,000,000 shall be made in scope of this Agreement consisting of TRY 1,000,000, 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 TRY 1,000,000 which occurs after the sales amount of Vardar's products exceeds TRY 1,000,000 plus VAT in sales network of Logo.

Purchase price - cash	604.794
Purchase price – cash	180.000
Purchase price - future payments (*)	1.249.292
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. In accordance with Share Transfer and Option Contract, the Group made additional payments amounting to TRY 180,000 as of 31 December 2016.

The Group, with respect to aforementioned acquisition process, applied provisional acquisition accounting and accounted Vardar as a subsidiary 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:

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**

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

Detail of cash outflows due to purchase is as follows:

Purchase price - cash paid in 2015	604.794
Cash and cash equivalents - acquired	2.401
Cash outflow due to purchase, net	**602.393**

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NOTE 5 - CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents as of 31 December 2016 and 31 December 2015 is as follows:

	31 December 2016	31 December 2015
Cash	21.013	15.700
Banks		
- Demand deposits - TRY	1.097.542	797.117
- Demand deposits - foreign currency	15.011.551	810.892
- Time deposits - TRY	260.000	18.113.439
- Time deposits - foreign currency	2.639.400	5.011.271
Credit card receivables	24.478.417	26.780.617
	43.507.923	**51.529.036**

As of 31 December 2016, the weighted average effective annual interest rates for TRY time deposits are between 6,00% and 12,50% (31 December 2015: 11,00% and 13,75%).

Cash and cash equivalents included in the consolidated statements of cash flows for the years ended 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015	31 December 2014
Cash and cash equivalents	43.507.923	51.529.036	48.639.563
	43.507.923	**51.529.036**	**48.639.563**

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NOTE 6 - FINANCIAL INVESTMENTS

Trading securities:

The analysis of financial assets at fair value through profit and loss at December 31, 2016 and 2015 is as follows:

	31 December 2016	31 December 2015
Mutual funds		
- Liquid funds	279.986	-

Available-for-sale financial assets:

The analysis of non-current financial assets at 31 December 2016 and 2015 is as follows:

	31 December 2016		31 December 2015	
	Share (%)	TRY	Share (%)	TRY
İnterpro Yayıncılık Araştırma ve Organizasyon Hizmetleri A.Ş. ("Interpro")	2.00	80.653	2.00	80.653
Dokuz Eylül Teknoloji Geliştirme Bölgesi A.Ş. ("Dokuz Eylül")	0.67	50.000	0.67	50.000
		130.653		**130.653**

Interpro and Dokuz Eylül are assessed as available-for-sale financial asset as of 31 December 2016 and 31 December 2015. Since they do not have any quoted market price in active market, their fair value can not be measured reliably. They are not material to the consolidated financial statements, thus they are carried at cost in the consolidated financial statements.

NOTE 7 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Movements of ınvestments accounted for using the equity method for the year is as follows:

	2016	2015
As of 1 January	-	-
Capital increases in joint venture	1.005.514	-
Share of profit/(loss)	(267.981)	-
As of 31 December	**737.533**	**-**

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NOTE 7 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

Balance sheet summary

Since FIGO has started to its operations in 2016, the summary of financial information is not presented with comparatives.

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

31 December 2016	**FIGO**
Cash and cash equivalents	704.534
Other current assets	110.344
Other non-current assets	136.177
Total assets	**951.055**
Other short-term liabilities	71.849
Total liabilities	**71.849**

Summary income statement information

2016	**FIGO**
Income	5.006
Expenses (-)	(540.968)
Net loss for the year	**(535.962)**
The Group's ownership rate	50%
Group's share	(267.981)
Share of losses from investments accounted for using the equity method	**(267.981)**

NOTE 8 - BORROWINGS

Details of borrowings as of 31 December 2016 and 31 December 2015 is as follows:

Short-term borrowings:	**31 December 2016**	**31 December 2015**
Short-term bank loans	56.639.008	782.893
Credit cards	159.014	210.289
	56.798.022	**993.182**

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NOTE 8 – BORROWINGS (Continued)

Current portion of long-term borrowings:

Financial leases	473.426	-
Current portion of long-term bank borrowings	5.825.342	1.092.524
	6.298.768	**1.092.524**
Total short-term bank borrowings	**63.096.790**	**2.085.706**

Long-term bank borrowings:	**31 December 2016**	**31 December 2015**
Long-term bank loans	2.948.375	313.019
Financial leases	657.607	-
Total long-term borrowings	**3.605.982**	**313.019**

		31 December 2016	
	Weighted average annual interest rate (%)	**Original amount**	**TRY equivalent**
Short-term borrowings:			
Bank loans - EUR (*) - unsecured	2,05	13.072.000	48.638.807
Bank loans- TRY - unsecured	12,40	8.000.201	8.000.201
Credit cards payables- TRY	-	159.014	159.014
			56.798.022
Current portion of long-term borrowings:			
Bank loans- EUR - secured	Euribor+2,25	1.498.499	5.512.323
Financial leases – EUR	-	127.236	473.426
Bank loans - TRY	13,68	313.019	313.019
			6.298.768
Long-term borrowings:			
Bank borrowings - EUR -secured	Euribor+2,25	801.501	2.948.375
Financial leases- EUR	-	178.767	657.607
			3.605.982
Total borrowings			**66.702.772**

(*) On 16 January 2017, as a result of the new loan agreement with the banks, short term bank loan has been refinanced by a long term loan.

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NOTE 8 - BORROWINGS (Countinued)

	31 December 2015		
	Weighted average annual interest rate (%)	Original amount	TRY equivalent
Short-term bank borrowings:			
Bank loans - TRY - unsecured	-	782.893	782.893
Credit cards	-	210.289	210.289
			993.182
Current portion of long-term bank borrowings:			
Bank loans - TRY - unsecured	%10,32 - %13,68	1.092.524	1.092.524
			1.092.524
Total short-term bank borrowings			**2.085.706**
Long-term bank borrowings:			
Bank loans – TRY - unsecured	%10,32 - %13,68	313.019	313.019
Total borrowings			**3.491.249**

The redemption schedules of long-term borrowings at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016	31 December 2015
To be paid within 1-2 years	3.251.042	313.019
To be paid within 2-5 years	354.940	-
	3.605.982	**313.019**

	Carrying amount		Fair value	
	2016	2015	2016	2015
Bank borrowings	65.412.725	2.188.436	66.082.184	2.210.833
	65.412.725	**2.188.436**	**66.082.184**	**2.210.833**

Interest rate and currency risk of the Group are explained in Note 29.

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NOTE 9 - TRADE RECEIVABLES AND PAYABLES

The details of trade receivables and payables as of 31 December 2016 and 31 December 2015 are as follows:

Short-term trade receivables:	**31 December 2016**	**31 December 2015**
Trade receivables	87.589.858	40.329.386
Credit card receivables	25.623.742	36.054.297
Cheques and notes receivables	2.850.196	4.101.042
Income accruals	69.451	646.936
Less: provision for doubtful receivables	(21.095.832)	(6.451.544)
Less: unearned finance income arising from credit sales	(2.130.939)	(2.743.122)
	92.906.476	**71.936.995**

As of 31 December 2016 the average turnover of the trade receivables is 117 days (31 December 2015: 146 days), excluding the average credit cards receivables turnover day is 72 days (31 December 2015: 89 days), the discount rate applied to the receivables is 8.82% (31 December 2015: 11.75%).

As of 31 December 2016, trade receivables of TRY 16.575.792 (31 December 2015: TRY 3,454,145) were past due but not impaired. The aging analysis of these trade receivables is as follows:

	31 December 2016	**31 December 2015**
Up to 1 month	1.169.448	1.985.998
1-3 months	596.012	530.271
More than 3 months (*)	14.810.332	937.876
	16.575.792	**3.454.145**
Amount of risk covered by guarantees	-	604.263

(*) TRY 13.004.274 of trade receivables matured more than 3 months is comprised of trade receivables of Totalsoft. Group managed its receivables in accordance with credit risk management policies that is explained in Note 29.

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NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

The movement of provision for doubtful receivables for the years ended 31 December 2016 and 2015 are as follows:

	2016	2015
As of 1 January	**6.451.544**	**6.352.051**
Provision for the year	2.126.774	122.304
Releases	(144.155)	(22.811)
Acquisition of subsidiary	11.528.450	-
Foreign currency translation difference	1.133.219	-
As of 31 December	**21.095.832**	**6.451.544**

Trade payables to third parties:	**31 December 2016**	**31 December 2015**
Trade payables	16.493.822	10.027.920

As of 31 December 2016, the average debt payment period is 75 days (31 December 2015: 64 days).

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NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

The table below shows the maximum exposure of the Group to credit risk as of 31 December 2016 and 31 December 2015:

	Trade receivables		Other receivables		
31 December 2016	**Related party**	**Other**	**Related party**	**Other**	**Cash at bank**
The maximum of credit risk exposure at the reporting date	**-**	**92.906.476**	**2.920.534**	**307.974-**	**43.486.910**
- Amount of risk covered by guarantees	-	*659.127*	-	-	-
Net carrying value of not past due and not impaired financial assets	-	76.330.684	2.920.534	307.974	43.486.910
Net carrying value of past due but not impaired financial assets	-	16.575.792	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-
Net carrying value of impaired assets	-	-	-	-	-
- Past due (gross carrying value)	-	*21.095.832*	-	-	-
- Provision for impairment (-)	-	*(21.095.832)*	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

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

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NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

	Trade receivables		Other receivables		
31 December 2015	**Related party**	**Other**	**Related party**	**Other**	**Cash at bank**
The maximum of credit risk exposure at the reporting date	**8.032**	**71.936.995**	**950.000**	**174.725**	**51.513.336**
- Amount of risk covered by guarantees	**-**	***604.263***	**-**	**-**	**-**
Net carrying value of not past due and not impaired financial assets	8.032	68.482.850	950.000	174.725	51.513.336
Net carrying value of past due but not impaired financial assets	-	3.454.145	-	-	-
- Amount of risk covered by guarantees	-	*604.263*	-	-	-
Net carrying value of impaired assets	-	-	-	-	-
- Past due (gross carrying value)	-	*6.451.544*	-	-	-
- Provision for impairment (-)	-	*(6.451.544)*	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

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

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NOTE 10 - OTHER RECEIVABLES AND PAYABLES

Other short-term receivables from third parties:	31 December 2016	31 December 2015
Deposits and guarantees given	147.362	10.164
	147.362	**10.164**

Other long-term receivables from third parties:	31 December 2016	31 December 2015
Other long-term receivables	160.612	164.561

Short-term other payables to third parties:	31 December 2016	31 December 2015
Taxes payable	6.865.594	5.496.868
Short term payables regarding Sempa acquisition (Note 4)	-	241.000
Other	332.766	730.626
	7.198.360	**6.468.494**

Other long-term payables to third parties:	31 December 2016	31 December 2015
Long term payables regarding Intermat acquisition (Note 4)	1.492.429	2.307.398
Long term payables regarding Vardar acquisition (Note 4)	1.249.292	1.429.292
	2.741.721	**3.736.690**

NOTE 11 - INVENTORIES

	31 December 2016	31 December 2015
Trade goods	237.051	127.072
Raw materials and equipments	79.004	160.730
Other	6.083	22.751
	322.138	**310.553**

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NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2016	Additions	Acquisition of subsidiary	Disposals	Currency translation differences	31 December 2016
Costs:						
Machinery and equipment	6.606.148	968.836	441.144	(3.655)	28.283	8.040.756
Motor vehicles	55.382	177.845	2.219.408	(80.681)	90.892	2.462.846
Furniture and fixtures	3.901.241	207.767	634.631	-	37.948	4.781.587
Leasehold improvements	19.985.276	580.107	49.411	-	4.143	20.618.937
	30.548.047	**1.934.555**	**3.344.594**	**(84.336)**	**161.266**	**35.904.126**
Accumulated depreciation:						
Machinery and equipment	5.360.844	673.608	-	(1.324)	429	6.033.557
Motor vehicles	52.026	265.729	-	(80.681)	7.334	244.408
Furniture and fixtures	3.218.764	328.572	-	-	2.378	3.549.714
Leasehold improvements	6.427.629	670.884	-	-	-	7.098.513
	15.059.263	**1.938.793**	**-**	**(82.005)**	**10.141**	**16.926.192**
Net book value	**15.488.784**					**18.977.934**

	1 January 2015	Additions	Acquisition of subsidiary	Disposal	30 December 2015
Costs:					
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
	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	241.241	-	-	(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
	14.116.153	**1.199.398**	**-**	**(256.288)**	**15.059.263**
Net book value	**15.073.538**				**15.488.784**

The Group constructed its headquarter building on the land which has been leased from Gebze Organize Sanayi Bolgesi for a lease period of 49 years. The cost of this building is accounted under leasehold improvements. Monthly rent amount of the land is equal to USD 7.843 and the Group's non cancellable lease payments are, TRY 331.213 - within 1 year, TRY 1.324.852 - 1 to 5 years and TRY 6.546.219 - more tahn 5 years (31 December 2015: TRY 299.063 - within 1 year, TRY 1.196.252 – 1 to 5 years and TRY 6.209.857 – more than 5 years).

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NOTE 13 - INTANGIBLE ASSETS

	1 January 2016	Additions	Acquisition of subsidiary	Disposals	Currency translation differences	31 December 2016
Costs:						
Development costs	79.862.344	23.378.148	15.174.676	(253.004)	1.813.658	119.975.822
Advanced technology	12.460.183	-	2.613.900	-	184.834	15.258.917
Customer relations	11.852.175	-	5.938.034	-	483.937	18.274.146
Non-compete agreement	2.747.778	-	-	-	-	2.747.778
Other intangible assets	6.186.579	714.934	196.210	-	19.295	7.117.018
	113.109.059	**24.093.082**	**23.922.820**	**(253.004)**	**2.501.724**	**163.373.681**
Accumulated Depreciation:						
Development costs	48.627.617	11.561.965	-	-	28.393	60.217.975
Advanced technology	3.066.467	1.478.005	-	-	11.061	4.555.533
Customer relations	3.312.463	1.538.606	-	-	11.111	4.862.180
Non-compete agreement	2.154.407	269.241	-	-	-	2.423.648
Other intangible assets	4.667.718	308.999	-	-	1.626	4.978.343
	61.828.672	**15.156.816**	**-**	**-**	**52.191**	**77.037.679**
Net book value	**51.280.387**					**86.336.002**

Additions amounting to TRY 21.744.408 to development costs for the period between 1 January - 31 December 2016 (2015: TRY 13.265.198) consists of staff costs.

TRY 16.402.673 (2015: TRY 12.799.540) TRY 281.507 (2015: TRY 173.744) and TRY 411,429 (2015: TRY 273,084) of the depreciation and amortization expenses for the year have been accounted for research and development expenses, marketing expenses and general administrative expenses, respectively.

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NOTE 13 - INTANGIBLE ASSETS (Continued)

	1 January 2015	Additions	Acquisition of subsidiary	30 December 2015
Costs:				
Development costs	62.864.589	16.992.155	5.600	79.862.344
Advanced technology	6.449.027	-	6.011.156	12.460.183
Customer relations	11.549.175	-	303.000	11.852.175
Non-compete agreement	1.940.057	-	807.721	2.747.778
Other intangible assets	4.707.710	578.581	900.288	6.186.579
	87.510.558	**17.570.736**	**8.027.765**	**113.109.059**
Accumulated depreciation:				
Development costs	39.969.734	8.657.883	-	48.627.617
Advanced technology	1.656.068	1.410.399	-	3.066.467
Customer relations	2.328.723	983.740	-	3.312.463
Non-compete agreement	1.405.835	748.572	-	2.154.407
Other intangible assets	4.421.342	246.376	-	4.667.718
	49.781.702	**12.046.970**	**-**	**61.828.672**
Net book value	**37.728.856**			**51.280.387**

NOTE 14 - GOODWILL

	31 December 2016	31 December 2015
Totalsoft	67.908.110	-
Netsis	5.892.252	5.892.252
Sempa	903.000	903.000
Vardar	346.338	346.338
Intermat	337.062	337.062
	75.386.762	**7.478.652**

The movement of goodwill for the years ended 31 December 2016 and 2015 is as follows;

	2016	2015
As of 1 January	**7.478.652**	**5.892.252**
Acquisition of subsidiary (*)	61.828.033	1.586.400
Currency translation difference	6.080.077	-
As of 31 December	**75.386.762**	**7.478.652**

(*) Note 4.

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NOTE 14 - GOODWİLL (Continued)

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 31 December 2016:

Impariment test is not applied to the goodwill arise from Totalsoft acquisition as of 31 December 2016 due to acquisition process was completed at 2 September 2016 and no event occurred that might cause impairment and valuation report for acquisition was obtained from an independent firm.

The impairment test of goodwill arise from Netsis acquisition is applied over the cash flows end as of 31 December 2016 and on-going value

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 18% 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.

Sensivity

Recoverable value of cash generating unit is 63% 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 6%. In case of the rate has been assumed to be 5%, the recoverable amount would be 49% higher than the goodwill's book value and therefore no impairment provision is accounted for goodwill.

Discount rate

Originally, the discount rate is assumed to be 18%. In case of the rate has been assumed to be 19%, the recoverable amount would be 45% higher than the goodwill's book value and therefore no impairment provision is accounted for goodwill.

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NOTE 15 - COMMITMENTS AND CONTINGENT LIABILITIES

Guarantees received:

		31 December 2016		31 December 2015	
	Original currency	Original amount	TRY equivalent	Original amount	TRY equivalent
Guarantee notes	TRY	515.531	515.531	604.263	604.263
	USD	34.950	122.996	-	-
Mortgages	TRY	60.000	60.000	-	-
			698.527		**604.263**

As of 31 December 2016 and 31 December 2015, guarantee/pledge/mortgage ("GPM") given by the Company on behalf of its legal entity are as follows:

GPM given by the Company:

	31 December 2016			31 December 2015		
	EUR	USD	TRY	EUR	USD	TRY
A. Total amount of Guarantees provided by the Company on behalf of itself	-	556.660	1.015.620	-	240.104	7.463.800
B. Total amount of Guarantees provided on behalf of the associates accounted under full consolidation method	67.299.900	-	-	-	-	-
C. Provided on behalf of third parties in order to maintain operating activities (to secure third party payables)	-	-	-	-	-	-
D. Other Guarantees given						
(i) Total amount of Guarantees given on behalf of the parent Company	-	-	-	-	-	-
(ii) Total amount of Guarantees provided on behalf of the associates which are not in the scope of B and C	-	-	-	-	-	-
(iii)Total amount of Guarantees provided on behalf of third parties which are not in the scope of C	-	-	-	-	-	-
	67.299.900	**556.660**	**1.015.620**	**-**	**240.104**	**7.463.800**

The lawsuits filed against the Group total TRY 4.328.940 The Group's management does not expect any cash outflow regarding these lawsuits and accordingly, it has not booked any provision in these consolidated financial statements.

The Company has re-issued its corporate tax declaration with reservations for 31 December 2015 and made a payment amounting to TRY 1.081.742. The Company had pursued all legal procedures available including a settlement against the tax authorities and filed a lawsuit for cancellation of related payment. The management does not expect any liability as a result of this process.

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NOTE 16 - EMPLOYEE BENEFITS

Short - term payables for employee benefits:	**31 December 2016**	**31 December 2015**
Taxes, funds and social security payables	3.804.409	1.123.352
Due to personel	2.652.681	129.299
	6.457.090	**1.252.651**

Short - term provisions for employment benefits:	**31 December 2016**	**31 December 2015**
Provision for performance premium of personnel	11.609.615	9.056.999

Long - term provisions for employment benefits:	**31 December 2016**	**31 December 2015**
Provision for employment termination benefits	3.281.749	2.651.362
Provision for unused vacation liability	3.033.583	1.455.909
	6.315.332	**4.107.271**

The movement of provision for unused vacation liability for the periods ended 31 December 2016 and 2015 is as follow:

	2016	**2015**
As of 1 January	**1.455.909**	**1.320.896**
Increase for the period	257.480	122.612
Acquisiton of subsidiaries (*)	1.201.992	12.401
Currency translation difference	118.202	-
As of 31 December	**3.033.583**	**1.455.909**

Under the Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). The amount payable consists of one month's salary limited to a maximum of TRY 4.297,21 for each year of service at 31 December 2016 (31 December 2015: TRY 3.828,37).

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

TAS 19, "Employee Benefits" requires actuarial valuation methods to be developed to estimate the Group's obligation under the defined benefit plans. The following actuarial assumptions are used in the calculation of the total liability. Actuarial gain/(loss) is accounted under the "Funds for actuarial gain/(loss) on employee termination benefits":

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NOTE 16 - EMPLOYEE BENEFITS (Continued)

	31 December 2016	31 December 2015
Discount rate (%)	4,00	4,60
Turnover rate to estimate the probability of retirement (%)	92,00	92,00

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Since the Group calculates the reserve for employment termination benefits every nine months the maximum amount of TRY 4.426,16 which is effective from 1 January 2017 (1 January 2016: TRY : 4.092,53) has been taken into consideration in the calculations.

The movement in the provision for employment termination benefits during the periods ended 31 December 2016 and 31 December 2015 were as follows:

	2016	2015
As of 1 January	**2.651.362**	**2.547.062**
Service cost	359.006	306.688
Interest cost	354.494	216.500
Actuarial income/(loss)	(19.640)	935.955
Paid/accrued during the period	(63.473)	(1.354.843)
As of 31 December	**3.281.749**	**2.651.362**

NOTE 17 - PREPAID EXPENSES AND DEFERRED REVENUE

Short - term prepaid expenses:	**31 December 2016**	**31 December 2015**
Prepaid expenses	1.946.104	184.496
Advances given	-	265.409
	1.946.104	**449.905**

Long - term prepaid expenses:	**31 December 2016**	**31 December 2015**
Advances given	1.786.750	35.727
	1.786.750	**35.727**

Short - term deferred revenues:	**31 December 2016**	**31 December 2015**
Deferred revenue	39.322.403	52.056.481
Advances received	1.426.888	1.820.360
	40.749.291	**53.876.841**

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.

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NOTE 17 - PREPAID EXPENSES AND DEFERRED REVENUE (Continued)

The details of deferred revenues at 31 December 2016 and 31 December 2015 as follows:

	31 December 2016	31 December 2015
LEM sales	21.763.927	21.875.322
Pay as you go sales	13.226.576	25.047.506
Deferred revenue from continuing projects	3.893.029	1.701.452
After-sales services revenue	438.871	285.180
Other sales revenue	-	3.147.021
	39.322.403	**52.056.481**

NOTE 18 - EQUITY

The Company's authorized and paid-in share capital consists of 2,500,000,000 (31 December 2015: 2,500,000,000) shares with a nominal value of Kr 1 each. The shareholding structure of the Company as of 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016	Share (%)	31 December 2015	Share (%)
Logo Teknoloji ve Yatırım A.Ş. (*) (***)	8.391.013	33,56	9.275.000	37,10
Mediterra Capital Partners I. LP (**) (***)	1.279.781	5,12	9.275.000	37,10
Halka açık kısım (***)	15.329.206	61,32	6.450.000	25,80
	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**	

(*) Legal name of Logo Yatırım Holding A.Ş. has been changed to Logo Teknoloji ve Yatırım A.Ş. in 2016.
(**) Consist of EAS S.A.R.L 4,96% and other.
(***) As of 31 October 2016, after sales of shares to the qualified corporate investors the rates has been changed as Logo Teknoloji 33,56%, Mediterra Capital 5,12% and publicly traded 61.32%. Logo Yazılım's 2,77% treasury stock is included in publicly traded part.

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.

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NOTE 18 - EQUITY (Continued)

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

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

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

- if the difference is arising due to the inflation adjustment of "Paid-in Capital" and not yet been transferred to capital should be classified under the "Inflation Adjustment To Share Capital";

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

Other equity items shall be carried at the amounts calculated based on TAS/TFRS.

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

Treasury share

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

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

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NOTE 18 - EQUITY (Continued)

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

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

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

The Company's repurchased shares in accordance with Share Repurchase Programs having TRY 60.000 nominal value and constituting 0,24% of the Company's share capital have been sold to Teknoloji Yatırım A.Ş. on 26 December 2013 in exchange for each TRY 5 for each TRY 1 nominal value share amounting to a total of TRY 300.000. Gain from this transaction amounted to TRY 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 TRY 5.696.372 has been approved through Capital Markets Board article numbered 29833736-110.05.01-502 issued on 11 March 2014. Voluntary bid price has been determined as TRY 0,06 for each Group B share with TRY 0,01 nominal value (Nominal value of TRY 1 traded on the Istanbul Stock Exchange corresponding to TRY 6,00 for every 100 share units.)

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

Based on the Board of Directors decision dated 18 September 2015, regarding taking back within lower price limit of TRY 0 and upper price limit of TRY 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 108,136 share, amounted TRY 1,983,148 certificates traded in BIST on 28 September 2015.

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NOTE 18 - EQUITY (Continued)

Dividend distribution

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

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.

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.
ç) 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.

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NOTE 19 - EXPENSES BY NATURE

As of 31 December 2016 and 2015, expenses are disclosed by function and the details of the expenses are summarized in Note 21 and Note 22.

NOTE 20 - SALES AND COST OF SALES

	2016	2015
Revenue	166.634.986	128.647.325
Service revenue	23.773.353	1.062.011
Saas service revenue	8.192.074	6.844.044
Sales returns	(6.112.638)	(5.258.593)
Sales discounts	(2.113.669)	(2.517.399)
Net sales	**190.374.106**	**128.777.388**
Cost of sales	(4.756.358)	(3.254.820)
Gross profit	**185.617.748**	**125.522.568**

Cost of sales

	2016	2015
Cost of transfer of financial rights	4.517.323	2.976.690
Cost of trade goods sold	239.035	278.130
Cost of sales	**4.756.358**	**3.254.820**

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

Research and development expenses:

	2016	2015
Personnel	32.686.796	18.642.745
Depreciation and amortization	16.402.673	12.799.540
Consultancy	1.889.433	990.931
Motor vehicle	1.788.948	1.380.349
Outsourced benefits and services	1.136.356	911.559
Travel	936.842	531.814
Rent	829.773	406.972
Other	3.697.314	1.183.358
	59.368.135	**36.847.268**

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NOTE 21 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING EXPENSES, AND GENERAL ADMINISTRATIVE EXPENSES (Continued)

Marketing expenses:

	2016	2015
Personnel	17.184.814	12.252.544
Advertising and selling	15.090.255	18.788.813
Consultancy	1.720.462	1.028.201
Motor vehicle	1.109.028	911.542
Outsourced benefits and services	743.677	450.620
Travel	444.628	315.080
Rent	443.319	358.188
Depreciation and amortization	281.507	173.744
Other	1.296.438	406.724
	38.314.128	**34.685.456**

General administrative expenses:

	2016	2015
Personnel	11.416.255	9.092.368
Consultancy	3.852.648	2.060.485
Travel	592.543	102.811
Motor vehicle	471.319	583.986
Depreciation and amortization	411.429	273.084
Outsourced benefits and services	241.775	381.039
Rent	230.535	50.460
Other	1.704.343	985.972
	18.920.847	**13.530.205**

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NOTE 22 - OTHER OPERATING INCOME/EXPENSES

Other operating income

	2016	2015
Rediscount income	1.623.380	414.525
Foreign exchange gains (*)	1.156.131	1.070.230
Overdue interest income	392.614	628.775
Tubitak incentive income	-	219.986
Other	359.780	661.054
	3.531.905	**2.994.570**

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

Other operating expenses

	2016	2015
Provision expense	1.383.490	388.919
Rediscount expenses	712.696	1.625.221
Foreign exchange losses (*)	509.507	486.044
Other (**)	18.870.781	1.091.416
	21.476.474	**3.591.600**

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

(**) Mainly consists of the expenses incurred related to the share sales to qualified corporate investors completed as of 31 October 2016.

NOTE 23 - INCOME FROM INVESTING ACTIVITIES

	2016	2015
Gain on sale of securities	291.293	168.788
Gain on sale of property and equipment	-	119.917
	291.293	**288.705**

NOTE 24 - FINANCIAL INCOME

	2016	2015
Interest income	2.387.574	1.037.909
Foreign exchange gains	1.588.955	1.655.084
	3.976.529	**2.692.993**

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NOTE 25 - FINANCE COSTS

	2016	2015
Foreign exchange losses	1.943.329	704.191
Interest expense	691.069	1.349.764
Credit card commissions	688.264	501.782
Interest expense on provision for employment termination benefits	344.583	212.215
Other	164.375	88.368
	3.831.620	**2.856.320**

NOTE 26 - TAX ASSETS AND LIABILITIES

Deferred taxes

The Group recognizes deferred tax assets and liabilities based upon the temporary differences between financial statements as reported in accordance with TFRS and its tax base of statutory financial statements. These differences usually result in the recognition of revenue and expense items in different periods for TFRS and statutory tax purposes.

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

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NOTE 26 - TAX ASSETS AND LIABILITIES (Continued)

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred tax has been provided at 31 December 2016 and 31 December 2015 using the enacted tax rates, is as follows:

	Total temporary differences		Deferred tax assets/(liabilities)	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Deferred income tax assets:				
Expense accruals	6.614.136	6.996.235	1.322.827	1.399.247
Provision for doubtful receivables	2.233.823	1.907.335	446.765	381.467
Remeasurement of trade receivables and payables	2.109.079	3.285.230	421.816	657.046
Provision for employee termination benefits	1.564.278	1.339.430	312.856	232.971
Deferred income	686.372	2.395.500	137.274	479.100
			2.641.538	**3.149.831**
Deferred income tax liabilities:				
Difference between the tax base and carrying value of property, equipment and intangible assets	(16.335.323)	(4.800.650)	(2.998.513)	(960.129)
Other	(1.578.290)	(1.578.290)	(327.246)	(315.659)
			(3.325.759)	**(1.275.788)**
Deferred income tax (liabilities)/assets, net			**(684.221)**	**1.874.043**

The analysis for deferred tax assets and liabilities are as follow;

Defered tax assets	**2016**	**2015**
To be recovered less than 12 months	2.328.682	2.916.860
To be recovered more than 12 months	312.856	232.971
	2.641.538	**3.149.831**
Defered tax liabilities		
To be recovered less than 12 months	(3.325.759)	(1.275.788)
	(3.325.759)	**(1.275.788)**
Deferred income tax (liabilities)/assets, net	**(684.221)**	**1.874.043**

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NOTE 26 - TAX ASSETS AND LIABILITIES (Continued)

Movement of deferred tax assets/(liabilities) for the years ending 31 December 2016 and 2015 is as follows:

	2016	**2015**
As of 1 January	**1.874.043**	**1.323.510**
Acquisition of subsidiary	(1.907.054)	(315.659)
Accounted under profit or loss	(517.365)	790.079
Currency translation difference	(132.274)	-
Accounted under other comprehensive income	(1.571)	76.113
As of 31 December	**(684.221)**	**1.874.043**

Corporate tax

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

Turkish Corporate Tax Law has been amended by Law No. 5520 dated 13 June 2006. Most of the articles of this new Law No. 5520 have come into force effective from 1 January 2006. The corporate tax rate for 2016 is 20% (2015: 20%). The corporate tax rate is 16% in Romania (2015: 16%).

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

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

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government. In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate.

In 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.

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NOTE 26 - TAX ASSETS AND LIABILITIES (Continued)

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

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

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

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

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

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

The Constitutional Court abolished the provisions of Temporary Article 69 of the Income Tax Law regarding the time limitation to the investment allowance in its meeting held on 15 October 2009, and published the minutes of the relevant meeting on its website in October 2009. The decision of the Constitutional Court on the cancellation of the time limitation for investment allowance for the years 2006, 2007 and 2008 came into force with its promulgation in the Official Gazette, dated 8 January 2010, and thereby the time limitation regarding investment allowance was removed. The Company has used TRY 481.000 of total deferred investment allowance amounting to TRY 1.405.908 that can be offsetted in the future.

	2016	**2015**
Current income tax expense	3.780.773	560.664
Prepaid taxes and funds (-)	(1.961.872)	(161.775)
Current income tax liabilities	**1.818.901**	**398.889**

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NOTE 26 - TAX ASSETS AND LIABILITIES (Continued)

	2016	**2015**
Current income tax expense	(3.780.773)	(560.664)
Deferred tax expenses	(517.365)	790.079
Current income tax (expense)/income	**(4.298.138)**	**229.415**

Income tax reconciliation:	**2016**	**2015**
Profit before tax	51.238.290	39.987.987
Tax calculated at enacted tax rate in Turkey (20%)	(10.247.658)	(7.997.597)
Non-deductible expenses	(4.190.238)	(410.375)
Income not subject to tax	10.180.334	8.637.387
Tax rate difference (*)	(40.576)	-
Income tax (expense)/income	**(4.298.138)**	**229.415**

(*) The applicable tax rate in Romania is 16% as of 31 December 2016 (2015: %16).

NOTE 27 - EARNINGS/LOSS PER SHARE

The earnings per 1,000 shares with nominal value of Kr 1 amounted to TRY 18,14 for the year ended 31 December 2016 (2015: TRY 15,96).

	2016	**2015**
Net income attributable to equity holders of the parent	45.339.470	39.894.790
Average number of shares for the period	2.500.000.000	2.500.000.000
Earnings per share	**18,14**	**15,96**

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NOTE 28 - RELATED PARTY DISCLOSURES

a) Due from related parties at 31 December 2016 and 31 December 2015:

Short-term trade receivables from related parties:

	31 December 2016	31 December 2015
Logo Siber Güvenlik ve Ağ Tek. A.Ş ("Logo Siber")	-	8.032

Long-term other receivables from related parties:	31 December 2016	31 December 2015
Receivables from other shareholders	1.970.534	-
Receivables from shareholders (*)	950.000	950.000
	2.920.534	**950.000**

(*) Related balance consists of advances given for the purchases of e-Logo shares.

b) Sales to related parties, services given to related parties and financial income from related parties during the periods ended 31 December 2016 and 2015:

Services given to related parties

	2016	2015
Logo Siber	212.736	165.829
Logo Teknoloji ve Yatırım A.Ş.	27.888	4.345
	240.624	**170.174**

c) Services purchased from related parties and other transactions with related parties during the periods ended 31 December 2016 and 2015:

Services purchase from related parties

	2016	2015
Logo Teknoloji ve Yatırım A.Ş.	344.738	796
	344. 738	**796**

d) Remuneration of the executive management:

	2016	2015
Paid wages and premiums (*)	20.138.586	5.288.549

(*) Expenses described in Note 22 are included.

The remuneration of executive management (executive management includes general manager and general manager assistants) for the years ended 31 December 2016 and 2015 comprise short-term employment benefits including salary, bonuses resulted from continuos high performance of the Company and other short-term benefits. There have been no post-employment benefits, other long-term employment benefits, other termination benefits and share-based payments in the years ended 31 December 2016 and 2015.

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NOTE 29 -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 Company aims at maintaining flexibility in funding by keeping committed credit lines available. The Company management holds adequate cash and credit commitment that will meet the need cash for recent future in order to manage its liquidity risk. In this context, the Company has credit limit from banks amounting to over TRY 100.000.000 that can be utilized whenever needed.

	31 December 2016					
Non- Non-derivative financial instruments	**Carrying value**	**Contructual cash outflow (I+II+III+IV)**	**Up to 3 month (I)**	**Between 3-12 month (II)**	**Between 1-5 year (III)**	**More than 5 year (IV)**
Borrowings	66.702.772	66.971.526	54.692.259	8.673.285	3.605.982	-
Trade payables						
- Trade payables to third parties	*16.493.822*	*16.493.822*	*16.493.822*	-	-	-
Due to personel	6.457.090	6.457.090	6.457.090	-	-	
-						
Other payables						
- Other payables to third parties	*2.741.721*	*2.741.721*	*2.741.721*	-	-	-
Total liabilities	**92.395.405**	**92.664.159**	**80.384.892**	**8.673.285**	**3.605.982**	**-**

	31 December 2015					
Non- Non-derivative financial instruments	**Carrying value**	**Contructual cash outflow (I+II+III+IV)**	**Up to 3 month (I)**	**Between 3-12 month (II)**	**Between 1-5 year (III)**	**More than 5 year (IV)**
Borrrowings	2.398.725	2.595.871	1.311.327	954.431	330.113	-
Ticari borçlar						
- Trade payables to third parties	*10.027.920*	*10.027.920*	*10.027.920*	-	-	-
Due to personel	1.252.651	1.252.651	1.252.651	-	-	-
Other payables						
- Other payables to third parties	*3.736.690*	*3.736.690*	*3.736.690*	-	-	-
Total liabilties	**17.415.986**	**17.613.132**	**16.328.588**	**954.431**	**330.113**	**-**

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NOTE 29 -NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Interest rate risk

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

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

	31 December 2016	31 December 2015
Financial instruments with fixed interest rate		
Financial assets		
- Financial assets at fair value through profit or loss	2.899.400	23.124.710
Financial liabilities	66.702.771	2.398.725
Financial instruments with float interest rate		
Financial liabilities	8.460.698	-

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

Funding risk

The ability to fund the existing and prospective debt requirements is managed as necessary by obtaining adequate committed funding lines from high quality lenders.

Foreign Currency Position

The Group is exposed to foreign exchange risk arising from the ownership of foreign currency denominated assets and liabilities with sales or purchase commitments. The policy of the Group is to compare every foreign currency type for the probable sales or purchases in the future.

The Group's assets and liabilities denominated in foreign currencies at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016	31 December 2015
USD	3,5192	2,9076
EUR	3,7099	3,1776

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

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NOTE 29 -NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

	Foreign currency position as of 31 December 2016			
	TRY equivalent	**USD**	**Euro**	**Other**
1. Trade receivables	13.580.357	1.512.511	2.225.809	-
2a. Monetary financial assets, (cash, and banks accounts included))	16.822.199	961.152	3.622.524	518
2b. Non-monetary financial assets	-	-	-	-
3. Other	-	-	-	-
4. Current assets (1+2+3)	**30.402.556**	**2.473.663**	**5.848.333**	**518**
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	**-**	**-**	**-**	**-**
9. Total assets (4+8)	**30.402.556**	**2.473.663**	**5.848.333**	**518**
10. Trade payables	(1.076.878)	(117.426)	(178.881)	-
11. Financial liabilities	(54.617.944)	-	(14.772.969)	-
12a. Other monetary liabilities	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-
13. Non-current liabilities (10+11+12)	**(55.694.822)**	**(117.426)**	**(14.951.850)**	**-**
14. Trade payables	-	-	-	-
15. Financial liabilities	(3.605.981)	-	(979.600)	-
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	**(3.605.981)**	**-**	**(979.600)**	**-**
18. Total liabilities (13+17)	**(59.300.803)**	**(117.426)**	**(15.931.450)**	**-**
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a - 19b)	-	-	-	-
19a. Off-balance sheet foreign currency derivative financial assets	-	-	-	-
19b. Off-balance sheet foreign currency derivative financial liabilities	-	-	-	-
20. Net foreign assets/(liability) position (9-18+19)	**(28.898.247)**	**2.356.237**	**(10.083.117)**	**518**
21. Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	**(28.898.247)**	**2.356.237**	**(10.083.117)**	**518**
22. Fair value of derivative instruments used in foreign currency hedge	-	-	-	-
23. Export	(13.644.984)	-	-	-
24. Import	-	-	-	-

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NOTE 29 -NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

	Foreign currency position as of 31 December 2015			
	TRY equivalent	**USD**	**Euro**	**Other**
1. Trade receivables	2.494.560	745.646	102.757	-
2a. Monetary financial assets, (cash, and banks accounts included))	5.827.645	1.609.955	360.638	272
2b. Non-monetary financial assets	-	-	-	-
3. Other	2.205	-	694	-
4. Current assets (1+2+3)	**8.324.410**	**2.355.601**	**464.089**	**272**
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	**-**	**-**	**-**	**-**
9. Total assets (4+8)	**8.324.410**	**2.355.601**	**464.089**	**272**
10. Trade payables	(437.945)	(94.232)	(51.598)	-
11. Financial liabilities	-	-	-	-
12a. Other monetary liabilities	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-
13. Non-current liabilities (10+11+12)	**(437.945)**	**(94.232)**	**(51.598)**	**-**
14. Trade payables	-	-	-	-
15. Financial liabilities	-	-	-	-
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	**-**	**-**	**-**	**-**
18. Total liabilities (13+17)	**(437.945)**	**(94.232)**	**(51.598)**	**-**
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a - 19b)	-	-	-	-
19a. Off-balance sheet foreign currency derivative financial assets	-	-	-	-
19b. Off-balance sheet foreign currency derivative financial liabilities	-	-	-	-
20. Net foreign assets/(liability) position (9-18+19)	**7.886.465**	**2.261.369**	**412.491**	**272**
21. Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	**7.886.465**	**2.261.369**	**412.491**	**272**
22. Fair value of derivative instruments used in foreign currency hedge	-	-	-	-
23. Export	(4.737.111)	-	-	-
24. Import	-	-	-	-

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NOTE 29 -NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The following table shows the Group's sensitivity to a 10% change in USD and EUR. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items at the end of the period and presents effect of 10% change in foreign currency rates. The positive amount indicates increase in profit/loss before tax or equity.

Foreign currency sensitivity

	31 December 2016			
	Profit/(loss)		Equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
Change of USD against TRY by 10%				
1- USD net assets/liabilities	235.624	(235.624)	-	-
2- Hedged portion from USD risks (-)	-	-	-	-
3- USD net effect (1+2)	**235.624**	**(235.624)**	**-**	**-**
Change of EUR against TRY by 10%				
4- EUR net assets/liabilities	(1.008.312)	1.008.312	-	-
5- Hedged portion from EUR risks (-)	-	-	-	-
6- EUR net effect (4+5)	**(1.008.312)**	**1.008.312**	**-**	**-**
Change of other currencies against TRY by 10%				
7- Other currencies net assets/liabilities	52	(52)	-	-
8- Hedged portion from other currency risks (-)	-	-	-	-
9- Other currencies net effect (7+8)	**52**	**(52)**	**-**	**-**
Total (3+6+9)	**(772.636)**	**772.636**	**-**	**-**

	31 December 2015			
	Profit/(loss)		Equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
Change of USD against TRY by 10%				
1- USD net assets/liabilities	226.137	(226.137)	-	-
2- Hedged portion from USD risks (-)	-	-	-	-
3- USD net effect (1+2)	**226.137**	**(226.137)**	**-**	**-**
Change of EUR against TRY by 10%				
4- EUR net assets/liabilities	41.249	(41.249)	-	-
5- Hedged portion from EUR risks (-)	-	-	-	-
6- EUR net effect (4+5)	**41.249**	**(41.249)**	**-**	**-**
Change of other currencies against TRY by 10%				
7- Other currencies net assets/liabilities	27	(27)	-	-
8- Hedged portion from other currency risks (-)	-	-	-	-
9- Other currencies net effect (7+8)	**27**	**(27)**	**-**	**-**
Total (3+6+9)	**267.413**	**(267.413)**	**-**	**-**

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NOTE 29 -NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

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.

	31 December 2016	**31 December 2015**
Total payables	83.196.594	12.426.645
Less: Cash and cash equivalents	(43.507.923)	(51.529.036)
Net Debt	39.688.671	(39.102.391)
Total equity	160.802.613	108.545.294
Total capital	200.491.284	69.442.903
Debt/equity ratio %	**20**	**(56)**

NOTE 30 - 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, judgement is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the company could realize in a current market exchange.

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NOTE 30 - FINANCIAL INSTRUMENTS (Continued)

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

Monetary assets

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

The fair values of certain financial assets carried at cost including cash and 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.

Monetary liabilities

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

The Group classifies the fair value measurement of each class of financial instruments according to the source, using the three-level hierarchy, as follows:

Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted)

Level 2: Other valuation techniques includes direct or indirect observable inputs

Level 3: Valuation techniques does not contains observable market inputs

Fair value hierarchy table as at 31 December 2016 is as follows:

Financial assets held at fair value through profit or loss:	**Level 1**	**Level 2**	**Level 3**
Financial investments	279.986	-	-

Fair value hierarchy table as at 31 December 2015 is as follows:

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

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Commercial Title LOGO YAZILIM SAN. VE TİC. A.Ş.

Trade Registration Number 12750

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