ANNUAL REPORT 2017

CONTENT

Turkey's largest independent software company Logo provides companies a platform, which enhances both added value and efficiency, thanks to a solution-oriented approach based on synthesizing various user experiences.

Solutions and services offered by Logo contribute to the digital transformation by providing guidance and creating value to the sector and the customers alike.

GENERAL OVERVIEW

Logo features among Turkey's 100 most precious companies. The synergy of our innovative and solution-oriented approach guarantees sustainable growth and success through solutions, services, and innovations we provide in the field of technology and software.

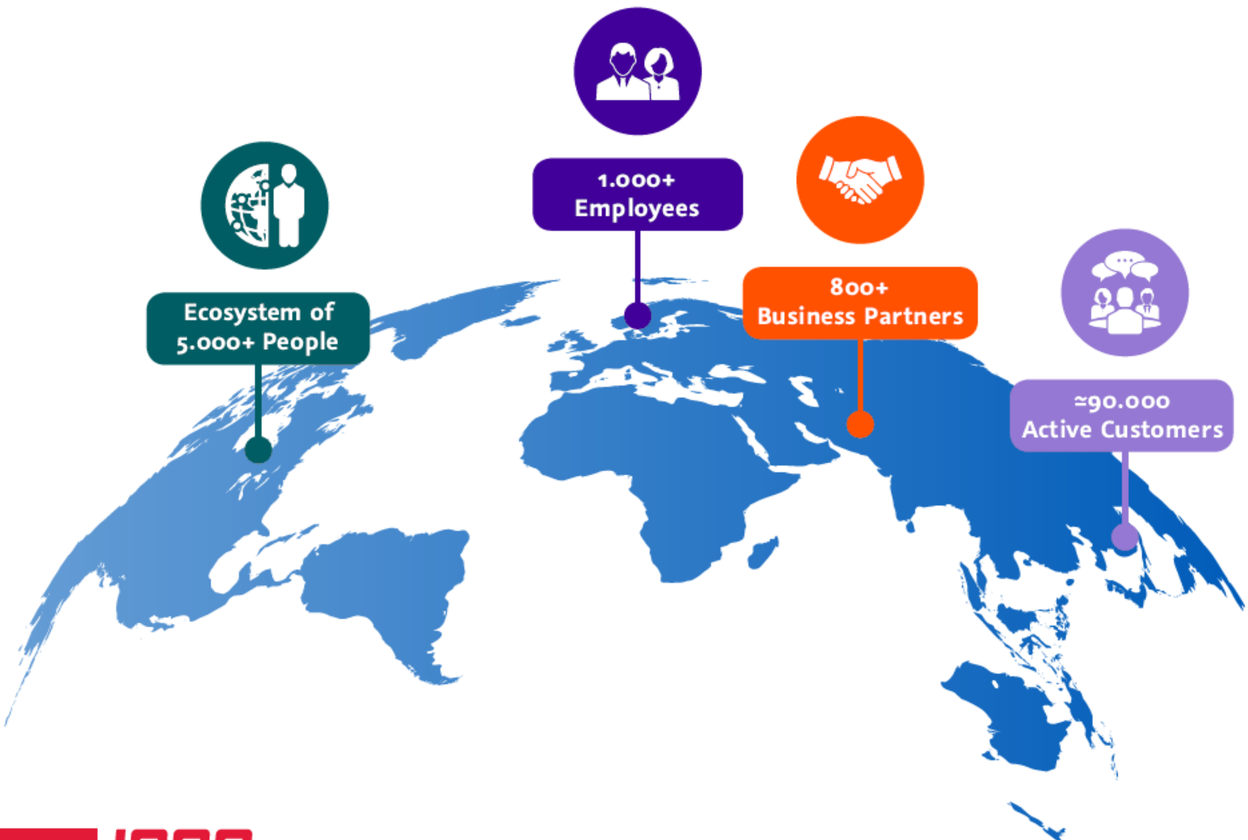
CORPORATE PROFILE

Logo serves the country and humanity by contributing towards the increase of production, employment, and prosperity through supporting entrepreneurs and SMEs in their achievements in global markets. We envision an economic model that can sustainably play an important role in global free markets along with entrepreneurial culture, creativity, innovation, high added value, and employment.

Logo has been constantly developing corporate software focusing on the increase of productivity and profitability of companies for 34 years, and has adopted a fair, transparent and modern management approach. More than 1,000 employees, 800 business partners and 200,000 companies have joined along in this journey of growth, thereby creating a solid foundation for sustainable success.

Logo provides application software solutions to businesses of different scale, from micro business to large corporations. Logo has long been the industry leader in terms of the number of customers, and offers an array of solutions including Enterprise Resource Planning along with numerous complementary products such as Customer Relationship Management, Human Resources Management, Workflow/Process Management, Supply Chain Management and Business Analytics. Logo boasts a huge and dynamic ecosystem, which encompasses users, academicians, students and sector professionals.

Since its foundation in 1984 until today, for a great deal of its 34 years long course, Logo has been acknowledged as the market leader. The company takes pride in transferring the know-how and experience accumulated in Turkey towards international markets through strategic investments. Taking considerable steps towards becoming a prominent player in markets with high growth potential, Logo has continued its resilient growth with an average annual revenue growth rate of 41% during the last five years.



LOGO IN NUMBERS

4.581	New customers
85	New business partners
17.288	New users

85	Trainings to business partners
1.565	Training participants
1.728	Training hours
1.347	Certified participants
121	Universities and vocational schools offering courses via Logo ERP products

1.051	Employees
41%	Ratio of women employees

386	Employees in product test teams
8.141	Hours dedicated to product tests
1.376	New Features added to ERP products

NEW JOINT VENTURES AND ACQUISITIONS TOWARDS THE PATH OF BECOMING A REGIONAL POWER

Logo continues to create value for its stakeholders with the identity of an international corporation. In 2017, Logo deepened global field operations by emphasizing the integration of Total Soft and introducing InfoSoft in India. Additionally, Logo Ventures, who supports venture companies operating in the technology field with high growth potential, and Logo KOBİ Digital Services, who develops user-friendly mobile solutions for micro and small businesses, were founded.

Throughout its experience of over 30 years in the software industry, Logo has remained committed to investing in new business models and technologies. In 2011, we acquired the entire share capital of **Coretech**, a leading technology company providing software as a service (SaaS) applications.

In the same year, Logo acquired the majority shares of WorldBI, a Business Intelligence software company, and by the end of 2013, the transfer of all of the remaining WorldBI shares to Logo was completed. This investment has provided us 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, Logo Elektronik (eLogo) was acquired. eLogo has a product and service portfolio facilitating the transition to e-Government applications in the fastest and easiest way. B2B and B2C invoice services of eLogo include e-Invoice, e-Archive, e-Ledger, e-Reconciliation, and e-Dispatch products. We carried on with strategic acquisitions also in 2015. In January, Logo acquired the majority shares of Intermat and completed this acquisition by taking over all of the remaining shares of the company in July 2015. Intermat develops software products and is particularly known for its CRM solutions. In June 2015, Logo acquired Sempa, which offers Supply Chain Management solutions and in September 2015, Vardar, a software company specializing in business process management.

2016 has been a remarkable year for Logo, for it accomplished the first international strategic investment in addition to organic growth. In September 2016, Logo has acquired the entire outstanding share capital of Total Soft, one of the leading companies of enterprise applications software company in Romania for 30.3 million Euro. Total Soft has the high growth potential in the promising Romania market. Besides Total Soft gives Logo the opportunity to reach European countries since 30% of the company's sales comes from export to Europe.

In December 2016, Logo took yet another important step abroad. Logo Infosoft, a joint venture with GSF, was established in India, to offer SaaS solutions in the Indian SME market. Another joint venture was established in Turkey in 2016 when eLogo and FIT Solutions became equal partners to establish FIGO, a trade information platform. FIGO aims to provide Turkish companies with access to value added services such as risk evaluation, insurance, financing and collections with the ultimate goal of expediting their business operations.

Significant steps were taken in 2017, which will be a cornerstone in the innovation roadmap of Logo by offering additional value to our vision. Logo Ventures, was founded in the second half of 2017 with a 10 million TL investment objective as Turkey's first ever corporate venture capital fund. Logo has 20% stake in Logo Ventures.

Logo Ventures invested 1.2 million dollars in Vispera, which develops technology that focuses on image recognition for retail companies. Logo Ventures will carry on to support entrepreneurs for realization and empowerment of new ideas.

One of the key initiatives of Logo in 2017 was the establishment of Logo SME Digital Services, which made life easier for entrepreneurs, who develop user-friendly mobile solutions for micro and small businesses. The company aims to develop micro-services as a cloud-based software and will offer its ready-to-use information services through web-based and mobile technologies.

The services to be offered by Logo SME Digital Services will provide solutions that institutions and individuals use frequently in daily life, especially on mobile devices.

INVESTMENT in ROMANIA TOWARDS THE PATH OF BECOMING A REGIONAL POWER

Established in 1994, Total Soft is one of the most important providers of business software systems (ERP, HCM, CRM, DM and BI) in Central Europe.

Total Soft is the preferred ERP solutions provider in Romania and one of the top 10 global providers of software solutions for the leasing industry. Total Soft's top products, Charisma ERP, Charisma HCM and Charisma CRM, are market leader products in Romania, with relevant references in 9 industries: financial services, retail, distribution, production, construction, agriculture, energy, medical and services.

Currently, Total Soft has a team of 440 software specialists and projects in 46 countries on 4 continents. In 2017, re-structuring and re-organization continued throughout the year and overall operations are improved. Project deliverables transferred from 2016 were decreased successfully to manageable levels and the product development targets were met.

Total Soft took new strategic steps in further penetrating international financial markets with its Charisma leasing solutions by opening a representative office in the Frankfurt area. The new Frankfurt office, situated in the heart of Europe's financial markets, plays a significant role in further promoting and implementing Charisma, especially in European countries.

Total Soft gives the ability to generate significant cross-synergies from introducing Logo's SME know-how and technology leadership to an underpenetrated Romanian SME market

The acquisition of Total Soft is Logo's largest investment and one of the most important steps towards becoming a regional power.

INVESTMENT in INDIA TOWARDS THE PATH OF BECOMING A REGIONAL POWER

Logo Infosoft, established in India in 2016, helps organisations, especially SMEs, improve their core operations through innovative use of technology. Logo Infosoft is the Indian affiliate of Logo, one of leading independent software vendors in Europe, recognized for leadership position in SME and eGov Solutions. Products include its GST ready ERP branded "Jugnu" and mobile-friendly "Vyapari".

Logo Infosoft's ecosystem expanded in 2017 with 12 reselling/solution partners and a major distributor signing up. The Leadership team is in place with CEO, COO, and Heads of Sales, Presales/Solutions and Marketing. Together with Sales and Presales/Solutions team, there are 20 people in India.

Logo Infosoft's flagship product "Jugnu", which fully automates operations of an SME is the fully GST compliant India specific version of J-guar, and was launched in August 2017. Logo Jugnu is well positioned to become the new backbone of companies, covering financial accounting, inventory management, procurement and sales and distribution operations. Logo Jugnu's mobile version is branded "Vyapari". Logo's e-Reconciliation engine, the flagship of the eGov solutions, does invoice matching at scale. Additionally, "Logo Vira" helps to manage daily operations of field sales teams and distributors.

Further to GST going live in 2017, the number of registered companies in India has gone up from 7 mn to 10 mn. The Government is expected to roll out eReconciliation (invoice matching with counter parties) and eWayBills in 2018. These regulatory changes are expected to drive digital transformation for large enterprises and digitisation of SMEs.

With increasing momentum towards a Digital India, and the transition to the Goods and Services Tax(GST) regime, organisations and their distribution networks demand a scalable technology backbone which they can trust, and Logo brings in decades of experience to accelerate operational efficiency which meet the regulatory and compliance needs.

THE EVER EXPANDING SOLUTIONS FAMILY OF LOGO

Turkey's innovative software brand Logo provides companies with a platform, where they enhance the value add and productivity thanks to our solution-oriented approach based on a synthesis of different user experiences.

Logo provides services to almost 90 thousand active clients who operate in a plethora of vertical sectors such as manufacturing, retail, sales and distribution, tourism, food, clothing, maritime, machinery 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 customers with competitive advantage in global markets.

In recent years, the prime focus of the software industry has been set on hybrid solutions, which support a variety of systems and are compatible with each other. Logo supports the e-Transformation process multi-dimensionally thanks to the development of a broad product inventory by using cutting-edge technologies. As a result of its R&D activity, in 2017 Logo expanded its e-Transformation solutions portfolio with the launch of e-Dispatch and e-Prescription features.

Logo boasts an extended service network and know-how along with a solutions spectrum. The latter includes Logo's current products specifically designed to meet the ever-changing trends and user needs, and is enriched with new products designed in accordance with cutting-edge technologies and innovations, and expanded with acquisitions.

Thus, it makes a significant contribution to the Turkish economy.

Logo offers more than 60 products and more than 1,000 solutions provided by more than 800 business partners. As the leader of Turkey's software industry Logo offers a broad product inventory as presented below thanks to its M&A activity of recent years:

THE EVER EXPANDING SOLUTIONS FAMILY OF LOGO

ERP SOLUTIONS
- *J-GUAR 3*
- *TIGER WINGS*
- *TIGER 3 ENTERPRISE*
- *TIGER 3*
- *NETSIS WINGS*
- *NETSİS 3 ENTERPRISE*
- *NETSİS 3 STANDARD*

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

HR SOLUTIONS
- *J-GUAR 3 HR*
- *TIGER 3 HR*
- *BORDRO PLUS*
- *NETSİS 3 HR*
- *NETSİS 3 BORDRO*

CRM SOLUTIONS
- *LOGO CRM*

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

BUSINESS INTELLIGENCE SOLUTIONS
- *LOGO MIND INSIGHT*
- *LOGO MIND NAVIGATOR*
- *LOGO MIND BUDGET*

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

RETAIL CLOUD SOLUTIONS
- *LOGO DİVA POS*
- *LOGO DİVA SERVICE*
- *LOGO DİVA CHANNEL*
- *LOGO DİVA SHOP*

INDUSTRY SPECIFIC SOLUTIONS

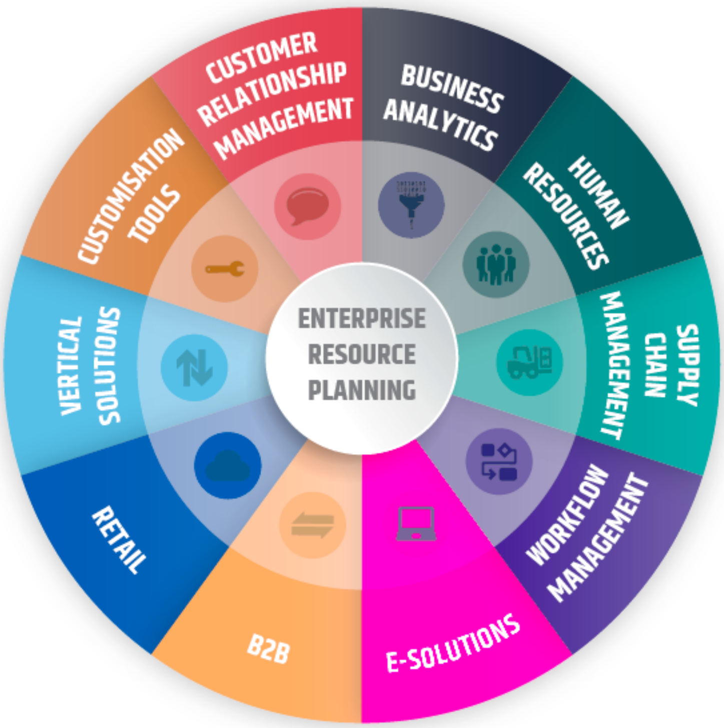
WORKFLOW MANAGEMENT SOLUTIONS
- *LOGO FLOW*

INTEGRATION SOLUTIONS
- *NETSIS B2B*
- *TURKCELL SERVICES*

e-SOLUTIONS
- *E-FATURA (E-INVOICE)*
- *E-DEFTER (E-LEDGER)*
- *E-ARŞİV (E-ARCHIVE)*
- *E-MUTABAKAT (E-RECONCILIATION)*
- *E-İRSALİYE (E-DISPATCH)*
- *LOGO CONNECT BANKA*
- *LOGO CONNECT FDA*
- *LOGO CONNECT B2B*
- *GO GARANTİ*
- *E-EKSTRE*

TOTAL SOFT PRODUCTS
- *LOGO CHARISMA ERP*
- *LOGO CHARISMA HCM*
- *LOGO CHARISMA ANALIZER*
- *LOGO MEDICAL SOFTWARE*
- *LOGO CHARISMA MOBILE SOLUTIONS*
- *LOGO E-BUSSINESS SOLUTIONS*
- *LOGO CHARISMA APPILICATIONS IN CLOUD*
- *LOGO CHARISMA BUSINESS APPLICATIONS*

LOGO INFOSOFT PRODUCTS
- *LOGO JUGNU - ERP*
- *LOGO VIRA - DNMS*
- *LOGO E-RECONCILIATION*
- *LOGO VYAPARI*



MISSION, VISION AND PRINCIPLES

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.

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.

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. 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, while keeping a close and intimate contact with our customers.

Research and Development

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

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 technological developments should respect both the human and the environment. We act with a sense of responsibility towards the society and the world and maintain a constructive approach to social problems.

Business Ethics

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

Employee Happiness

Logo believes 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, occupational safety and health, participative management and job security.

Equal Opportunity

Logo is committed to the principle of equal opportunity in recruitment and evaluates candidates based on only their knowledge and experience. We also assess performance solely in terms of productivity in line with company objectives. As an acknowledgment of our adherence to this principle we have been ranked in the Top-100 of Capital Magazine's annual list of Women's Employment Friendly Companies.

MILESTONES OF LOGO OVER 34 YEARS

Recording a 41% CAGR in the last five years Logo profoundly contributes to digital transformation.

1984
- Establishment

1986
- Launch of Logo Commercial Systems
- Launch of DOS

1988
- Launch of Logo Modular System (LMS)

1991
- Launch of Multibase-C

1992
- Launch of Logo Gold

1993
- Launch of Logo Alınteri (Great Effort)

1999
- Launch of Logo ERP (Unity & HR)

2000
- Establishment of Logo Investment Holding
- IPO of the shares of Logo
- 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
- Launch of e-Products
- Launch of Supply Chain Management

2005
- Launch of Tiger

2006
- Launching of Unity on Demand

2007
- Establishment of Dubai Sales Office
- Launch of GO

2008
- Launch of Start

2010
- Launch of GO Plus
- Launch of Tiger Plus
- Launch of Tiger Enterprise

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

2012
- Launch of j-guar
- Launch of Logo Mobile
- Launch of Logo Store
- Launch of Logo e-Ledger
- Launch of Logo e-Invoice

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

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

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

2016
- Launch of 3 series products
- Acquisition of Romania–based Total Soft
- Establishment of Logo Infosoft (Logo Infosoft Business Technology Private Limited) software company in India together with GSF Software Labs LLC.
- Establishment of commercial information platform FİGO together with FIT Solutions
- Free float ratio increased from 25% to 61% with sale to qualified investors

2017
- Establishment of Logo SME Digital Services
- Launch of Logo Wings Products
- Launch of e-İrsaliye (e-Dispatch)
- Establishment of Logo Ventures Private Equity Investment Fund

LOOKING TOWARDS THE FUTURE

LOGO AIMS TO BECOME A REGIONAL POWER

Among the emerging markets, Turkey is considered one of the most remarkable one. In addition, its digital growth acceleration ranks among the highest performances. Especially in recent years, it has become a role model for "Emerging Countries" thanks to the best practices applied in the banking, logistics and e-Commerce sectors. Logo was established in a country with broad local knowledge and experience, which is targeting to become one of the world's top 10 economies within 10 years.

We continue our efforts to create value through our potential by increasing our market share in

Turkey and taking a larger part in the global markets. Logo is the largest company in the application software market of Turkey in terms of the number of customers and will sustain its leading position in this field.

Turkish Information Technology Market*
Hardware 78%
IT Services 13%
Software 9%
****Source: IDC***

SOLID STEPS TOWARDS A GLOBAL PATH

In order to further solidify its global success, Logo establishes joint ventures and conducts acquisitions strategy in Romania and India, known as the global intersection points of the global software market. We intend to increase our competitive power in the Asian and European markets by deepening our operations in these countries.

TRANSFORMATION INTO A CUSTOMER ORIENTED SERVICE COMPANY

Defining users needs and expectations in advance and offering innovative solutions rest at the core of Logo's business objective. The synthesis of different user experiences has been defined as the main axis principle, which transcends all of Logo's business processes with a solution-oriented approach with empathy to the customer's approach.

MAINTAINING SUSTAINABLE GROWTH

Logo achieved revenue CAGR of 41% during the last five years. In 2017, our total sales increased by 35% compared to the previous year and reached 256 million TL. EBITDA margin equaled to 32% whereas the net profit margin reached 20%.

Total Sales: 256.2 million TL
EBITDA: 82.6 million TL
Net Income: 50.8 million TL

CREATING A FAIR, ACCOUNTABLE AND RESPONSIBLE ECOSYSTEM

Fairness, transparency, accountability, and responsibility are essential principles for Logo since its establishment. We have been included in the Corporate Governance Index in 2009 and continue to be traded in the index with a corporate governance rating of 9.08. We take part both in BIST Corporate Governance Index and World Corporate Governance Index (WCGI) covering 150 countries. Logo continues its operations, as one of the leaders in the employment of women managers in line with our corporate structure based on contemporary management principles.

Initial Public Offering: 2000
Free Float Rate: 61.3%
Corporate Governance Rating: 9.08

ADOPTING CORPORATE GOVERNANCE AS A SUSTAINABLE PHILOSOPHY

Logo voluntarily applied to be included in the list of companies to be evaluated in the context of BIST Sustainability Index, putting an emphasis on the economic, social and environmental elements of corporate governance. As a result of these evaluations, Logo has been included in the BIST Sustainability Index, which comprises 44 companies with the highest performance on corporate sustainability, as of 1 November 2017.

THE FIRST-EVER SOFTWARE COMPANY TO ESPOUSE THE PRINCIPLE OF TRANSPARENCY

Logo was the first-ever software company in Turkey, which went public in May 2000. The company continues to create value for its stakeholders with an international corporate identity. Logo shares are traded in the following indices at Borsa Istanbul with the ticker "Logo": BIST All (XUTUM), BIST Informatics (XBLSM) and BIST Technology (XUTEK). Also, since November 2015 Logo is traded on the Star or Main Market Segment pursuant to the new market structure of Borsa Istanbul. Logo is also traded at the Corporate Governance Index (XKURY), an index, which includes companies that implement the principles of corporate governance principles.

FINANCIAL HIGHLIGHTS

(MILLION TL)	2017	2016
Net Sales	**256,2**	190,4
Gross Profit	**244,1**	185,6
Operating Profit	**59,8**	51,1
Financial Income	**2,8**	4,0
Financial Expenses	**(8,6)**	(3,8)
Net Income Before Tax	**52,9**	51,2
Net Income	**50,8**	45,3
Earnings per Share (1,000 shares at 0.01 TL nominal value)	**20,3**	18,1

(MILLION TL)	2017	2016
Total Assets	**383,2**	327,5
Current Assets	**162,2**	139,5
Fixed Assets	**221,0**	188,0
Current Liabilities	**115,0**	148,8
Long-Term Liabilities	**58,9**	14,6
Equity	**208,5**	160,8
Paid-In Capital	**25,0**	25,0
Current Ratio	**1,41**	0,94
Total Liabilities / Equity	**0,83**	1,00
Equity / Total Assets	**0,55**	0,50

Sales revenue
256,2 million TL

Operating Profit Margin
23%

EBITDA
82,6 million TL

EBITDA Margin
32%

FINANCIAL HIGHLIGHTS

Financial indicators (million TL)	DOMESTIC SALES	INTERNATIONAL SALES	TOTAL SALES
2017	177,2	79,0	256,2
2016	159,8	30,6	190,4
Growth	11%	158%	35%
	In 2017, Logo's domestic sales went up by 11% and reached 177.2 million TL.	In 2017, international sales revenue increased by 158% and reached 79 million TL.	In 2017, Logo's total revenue increased by 35% and reached to 256.2 million TL.

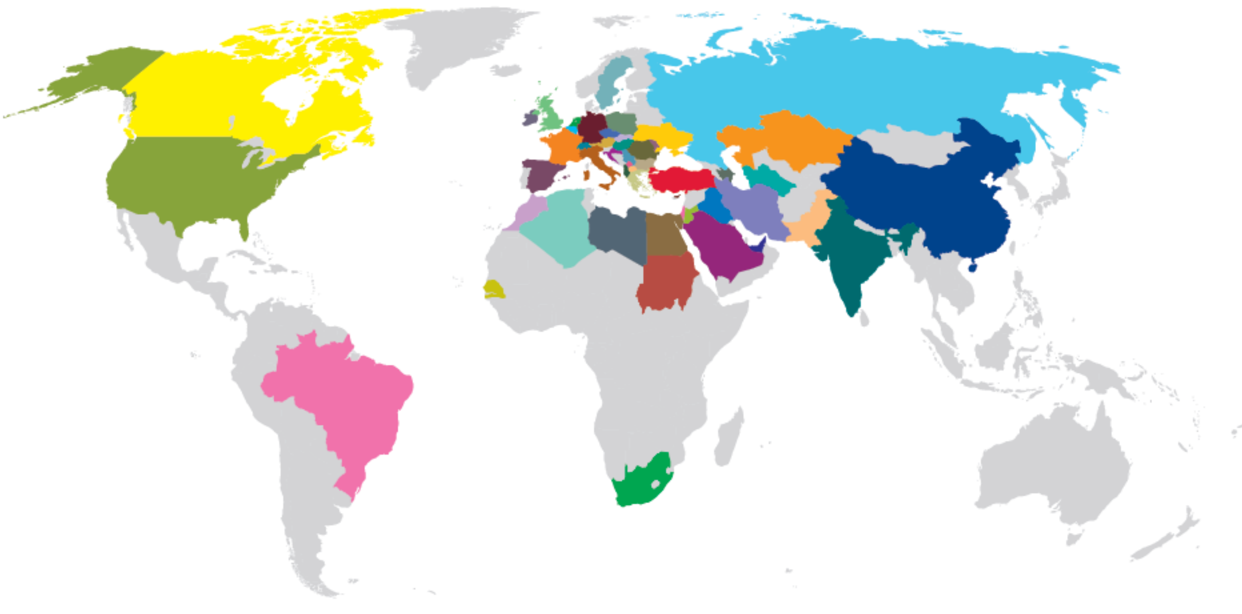
	GEOGRAPHICAL BREAKDOWN OF SALES		EBITDA (million TL)	NET PROFIT (million TL)
	Domestic Sales	International Sales		
2017	69%	31%	82,6	50,8
2016	84%	16%	86,1	45,3
2015	96%	4%	53,7	39,9

69%
In 2017, thanks to the acquisition of Total Soft, the international markets accounted for 31% of total sales, whereas Turkey sales accounted for 69%.

32%
Logo's EBITDA in 2017 was 82,6 million TL and EBITDA margin was 32%.

20%
Net profit reached 50.8 million TL creating a net profit margin of 20%.

LOGO'S GEOGRAPHIC FOOTPRINT



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- Moldova
- Morocco
- Netherlands
- Pakistan
- Polonia
- Romania
- Russia
- Saudi Arabia
- Senegal
- Serbia
- Slovakia
- South Africa
- Spain
- Sudan
- Sweden
- Switzerland
- Turkmenistan
- Ukraine
- United Arab Emirates
- United Kingdom
- United States Of America

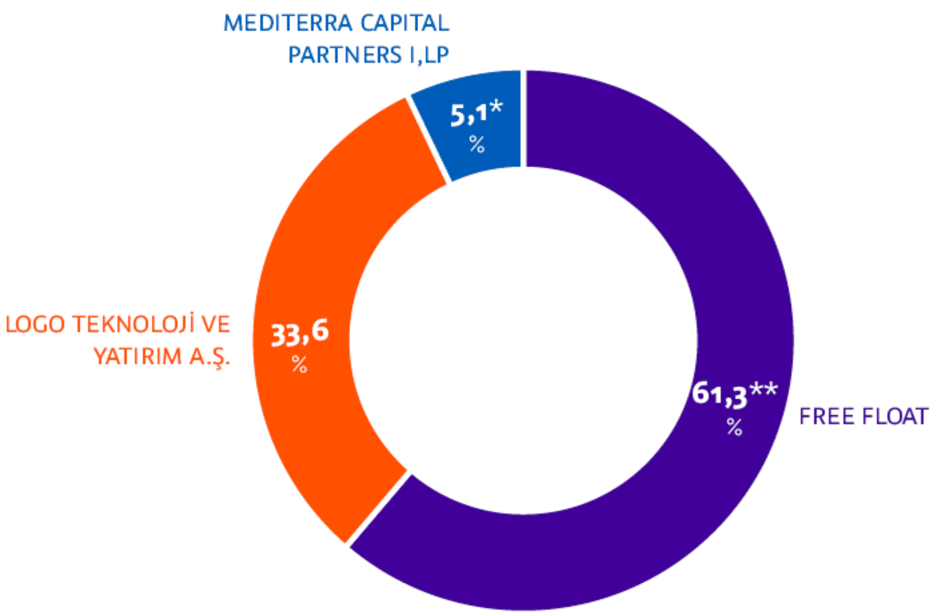
CAPITAL AND SHAREHOLDING STRUCTURE

Logo's 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, 2017, capital of the company consists of 3.3 million units of Group A registered shares corresponding to 33,000 TL and 2,496,700,000 units of Group B bearer shares corresponding to 24,967,000 TL.

Half plus one of the board members and the chairperson of the board 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:

SHARE CLASS	REGISTERED / BEARER	UNITS
A	Registered	33.000
B	Bearer	24.967.000



(*) consists of EAS S.A.R.L (4.96%) and others
(**) Treasury shares (2.77%) included

M. TUĞRUL TEKBULUT
Chairman

CHAIRMAN'S LETTER

Dear Logo Shareholders,

As Logo we have left behind yet another year with full of success. We play a pioneering role in information technologies by shaping the application software industry and developing new solutions with our own technology derived from our strong R&D effort. We keep growing in a trustworthy ecosystem thanks to corporate governance and transparency deployed by Logo. We are proud to be in a position to create value for our investors as a reliable and competent partner since our initial public opening in 2000.

The successful digitalization process in Turkey, particularly in the fields of banking, logistics and e-Government applications, and globally competitive know-how accumulated in our country have rendered us as a role model among developing countries. Logo's dynamic working culture has been molded by our country's way of doing business. Thus, we are competent to offer functional, rapid and flexible solutions that can meet the needs and expectations of a user in the digital world.

Having set out as a small start-up 34 years ago, Logo is now a valuable brand that guides companies through more than 60 solutions and with more than 1,000 employees in 6 cities and 4 countries.

We have created an ecosystem 3-4 times the size of Logo financial statement figures and provided training and employment opportunities to thousands of people. We play a tremendous role for thousands of our stakeholders to uplift their business management processes to the international level and increase their productivity and profitability.

We maintain our efforts to develop and transform both Logo brand and our leadership in the Eastern European markets. We have established Logo Financial Solutions in Germany in order to offer the financial products of Total Soft, our subsidiary that is among the leading companies in the Romanian market, into the global market. We remain confident that this investment of ours in the EU financial capital, Frankfurt, will have a significant contribution towards this end. Within the context of this strategy, we have started discussions to acquire Architected Business Solutions (ABS), a company specialized in digital transformation and management consultancy in Romania and merge it with Total Soft.

In India, which is considered as the global crossroads of the software field, we enhanced our investments to become a market and services center at the same time. We work on solid foundations in order to sustain our regional success in global rivalry. We shall create new synergies via supporting innovative ventures with our newly established Logo Ventures Private Equity Investment Fund in 2017.

From the very beginning of our company, we have embraced "holistic innovation " approach as our corporate culture and now, we witness the inevitable positive results. We continue our endeavor to contribute towards the global technology transformation.

Our "zero mistakes" target in the production-measurement-improvement cycle ensures satisfaction within our entire ecosystem and enables us to keep providing impeccable and high-quality service, whose existence will only be felt by missing. As Logo, our aim is to meet the needs and expectations of the users in the smoothest way possible before they have even expressed them and offering a quality of service that they can't even notice the existence and only experience the perfection.

We are proud to see that over a span of 30 years, we have been a dynamic and harmonious company with our management structure, corporate values, developed technologies and employees. I sincerely thank to each and every one who has contributed to Logo's progress so far; our shareholders, our business partners, our company managers and our employees and finally our users that preferred Logo products. I salute everyone who is part of the Logo Family and wishing that we will be able to walk together for many more successful years to come.

Sincerely yours,

CEO'S LETTER

Dear Logo Shareholders and Members of Logo family,

2017 was a year of economic and political influences on both global and regional level. Despite all these challenges, as Logo we were able to continue our mission in the era of digital transformation thanks to the solid foundation we have been building since 1984.

We have been developing solutions for many different sectors in accordance with the legal processes and practices also compatible with new technologies.

In rapidly changing IT sector, the key success factor is to create values that will contribute to technological transformation while being innovative and agile. As Logo, we are mentoring companies for the new digital era with our solutions that create proactive management with its accurate, real-time and multi-dimensional data.

The solutions we have developed in accordance with global trends and in line with the changes and transformations in the technology field explain explicitly why companies choose us since our foundation.

In 2017, we have expanded our ecosystem by adding over 4,500 new customers and 85 new business partners. We prioritize customer satisfaction at a high level, furthermore we give utmost importance to strong communication within our ecosystem. In order to create different opportunities, we gather with our customers regularly to get their feedback. Hence, we become a result-oriented company who harmonizes different opinions, developing empathy towards customers and dedicated to create ideas merging user experience accordingly.

As Turkey's largest independent software provider, we continued to pursue our successful performance in 2017. We maintained double-digit growth in all product sales and increased our revenue by 35% compared to the previous year and reached 256.2 million TL. Logo recorded a net profit of 50.8 million TL for the period, with 12% increase compared to last year.

Furthermore, 2017 was a year that we expanded our global operations by introducing our new partnership to Indian market and focusing on the integration of Total Soft, Logo's wholly owned subsidiary based in Romania.

We have also established Logo Ventures, a Private Equity Investment Fund, in 2017 to support technology related ventures at incubation stage demonstrating high growth potential. Vispera was the first venture that Logo Ventures invested in with $1.2 million.

We believe that supporting production with R&D and design-based innovation is the key for global success.

Ever-growing competition of our times necessitates more focus on innovation not just from technology companies, but from all businesses as well. We have sustained our efforts to develop innovative solutions and allocate a significant resources and income to R&D. In the past year, together with the R&D expenditure of Total Soft in Romania, we have raised our R&D expenditures up to 45% of our invoiced revenue. Thanks to our corporate governance and sustainability performance, we have been included into the Sustainability and Corporate Governance Indeces of Borsa Istanbul. As of March 2017, we were included in the FTSE Russell Index, also used as a benchmark by many global stock exchange funds.

We have achieved a sustainable growth performance as a consequence of our shared purposes and a common understanding with our shareholders, business partners and employees. . We are a huge ecosystem with over 5,000 people which serves as a solution partner for all types and sizes of companies

Our devoted work in this dynamic and competitive field inspire us to look forward to the future with hope and confidence. We will keep up working and winning side by side as a purpose driven company.

We would like to express our sincere gratitude to all of our stakeholders, shareholders, business partners, Logo employers, and Logo users who contributed to the 34 year- process during which Logo Software evolved from a start-up into a global technology company.

Sincerely yours,

M. BUĞRA KOYUNCU
Chief Executive Officer

[redacted]

OPERATIONAL REVIEW

Effective communication and stakeholder relationship management gradually become more important. Logo plays a critical role in terms of incorporating the experiences, opinions, and feedback from all stakeholders in its ecosystem into its operational processes. The most effective way to lead the trends, habits and digital transformation is the capability of healthy communication and empathy. Running and managing a diverse range of systems in an integrative way constitute the key to successfully support them. Logo strengthens the communication network within its ecosystem in order to achieve operational excellence. Putting customer satisfaction processes at its core, Logo updates its solution set in line with the regulations and rapid technological changes by synthesizing different user experiences.

FROM LOCAL TO GLOBAL WITH HIGH STANDARD PRODUCTS AND SERVICES

Creating value through contributions to the digital transformation, Logo develops its products and services in line with technological innovations, in order to meet the needs of the business world.

Diversity and differentiation brought by technology necessitate a complex management style. A wide range of options is offered from desktop solutions to cloud service models or from outsourcing to mobile technologies. It has become a necessity now to adapt these multi-channel and multi-party constructions to businesses in the form of an integrated solution. Cloud and SaaS are still important agenda items. E-transformation becomes a paradigm shift. The Internet of Things (IoT) and Industry 4.0 will pave the way to groundbreaking changes in the manufacturing industry. Turkey occupies an important position in this value system. 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 governability in a trusted manner.

In light of the foregoing developments, Logo continues to invest in complementary solutions to ERP applications such as Business Intelligence, CRM, Budget, and Human Resources, Supply Chain Management. We put a lot of effort to change our sales composition by increasing sales revenues of these products.

Offering products and solutions in all segments of the enterprise software market, Logo makes investments to transfer 34 years of know-how and experience in Turkey to the global markets.

In addition to investments in Romania and India, Logo provides services and solutions to users in other countries as well, through a strong sales and marketing network established with business partners.

Logo creates added value for customers with more than 60 products, 800 business partners, and 1,000 integrated solutions, which constitute its ecosystem. This extensive and diverse ecosystem gives confidence to users, while cost-effective, fast and flexible solutions lead to a higher productivity of Logo customers' business processes. One of our most important strengths is offering a product variety that addresses all kinds of customer requirements thanks to our vast ecosystem.

Logo keeps its long-established project management experience up-to-date through constantly developing and improving project methodologies. Customers benefit from our consulting services not only in their digital transformation but also in terms of organizational transformation. ERP projects, which lead to process re-engineering and business models compatible with the future, also allow increased productivity and render all processes measurable.

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 addressing specific 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 operational and management software solutions in Asia, Europe, America, and Africa together with its strong solution partners such as Microsoft and Turkcell.

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

Diva

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 all processes at their sales and service channels in order to maintain a standard service quality in all points of sale.

Introducing the SaaS model for the first time in Turkey, Diva runs fully over the Internet with all modules including Purchasing, Storage, Logistics, Accounting, Retail Operations and After Sales Services. Without any installation requirement, 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 Diva completely on the Internet helps to eliminate any software, and hardware investment costs, as well as operating costs. Furthermore, the central customer database system of Diva allows for responsive and complete customer services, as well as detailed and quick analyses.

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 the day.

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

Integrated with Logo ERP products 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 title 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% up to 27.8%. In December 2011, Logo obtained Teknoloji Yatırım's 32.2% shares in WorldBI at no cost and increased its shares to 60% to become the major shareholder. Renamed as LogoBI Yazılım Sanayi ve Ticaret A.Ş. in April 2012, the company holds a strong position in domestic and international business intelligence markets. Easy to use in highly visual mobile and fixed media environments, LogoBI products hold an even stronger position in today's business intelligence market thanks to strong marketing capabilities, widespread distribution network and service network of Logo. In December 2013, Logo acquired the remaining 40% shares of LogoBI, which is now a fully owned subsidiary.

Business Intelligence Solutions provide a competitive advantage in global markets particularly to medium sized companies by transforming data into information and thus, qualifying for faster and more accurate 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. With the acquisition of Netsis, Logo achieved both a larger market share and a greater influence in the market, eventually positioned in the second place in the Turkish application software market.

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 goes beyond just 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-Ledger, Netsis is the pioneer of the Cloud IT Model.

MERGERS AND ACQUISITIONS THAT CREATE ADDED VALUE

eLOGO

Founded in 2008, Logo Elektronik Ticari Hizmetleri A.Ş. (eLogo) provides enterprise software, B2B and B2C services.

e-Government and eLogo

In the process of transformation to electronic invoice in Turkey, eLogo develops applications and services that will allow Logo customers and users of ERP solutions to implement e-Invoice with the method of their choice. eLogo is one of the 74 firms, which has obtained special integration permission from the Revenue Administration.

The adaptors developed by eLogo are flexible enough to allow the end users to choose their desired service provider. In the context of special integration, these adaptors are compatible not only with the eLogo solution but also with the other special integration service providers. End-users are able to choose their service provider without any limitation.

Diyalogo

DiyoLogo was established to bring SMEs together on a single platform and integrating them in a virtual environment.

DiyaLogo operates in the following areas:

- **Interoperability:** Solutions and database services designed for the safe flow of information and documents among banks, governmental agencies, logistics firms and other commercial enterprises through Logo's Enterprise Resource Planning software applications such as Tiger 3 and Tiger 3 Enterprise.
- **e-Business/e-Commerce:** Effective use of information technologies and the Internet (diyaLogo.com) for finding new customers, suppliers and business partners.
- **Business Process Outsourcing:** Provides services and solutions regarding enterprise customer relationship management and other processes, creates and updates the customer database.

INTERMAT

Logo acquired 50.1% of the shares of Intermat on January 5, 2015, under the Share Purchase and Option Agreement signed on the same day, and the remaining of 49.9% on July 28, 2015. Intermat has a significant market share, particularly with its CRM solutions. Intermat solutions can be adapted to the needs of different industries, provide a competitive advantage to its users and operate compatibly 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 offers high added value solutions in different areas such as logistics, barcode, mobile sales and production management in line with advanced technology features.

VARDAR

On September 8, 2015, Logo acquired the entire share capital of Vardar Software, which provides software services on business processes.

MERGERS AND ACQUISITIONS THAT CREATE ADDED VALUE

TOTAL SOFT

Total Soft SA, one of the largest independent software producer in Romania, joined Logo in September 2016 as a result of an acquisition of its entire share capital for a consideration of 30.3 million Euros. Established in 1994, Total Soft SA operates in the enterprise application software segment mainly in Romania and promises a high growth potential in the international arena with its financial services solutions.

Total Soft develops and delivers business software solutions under Charisma brand umbrella, and structures its flagship product Charisma ERP as a universal solution with specialized industry based modules.

Financial services constitute the firm's prominent industry, which has successfully evolved internationally with implementations mainly for multinational groups which are leaders in their industries.

In addition to the leasing industry, Total Soft has a leading position in Romania with its human resources and payroll software solutions.

The company offers full-fledged ERP solutions for vertical integration needs of various industries including construction, manufacturing, services, distribution, and retail. As important players in different industries choose Total Soft solutions, these valuable references drive the sales of the company.

LOGO INFOSOFT

Established on December 8, 2016, Logo Infosoft Business Technology Private Limited (Logo Infosoft) operates in the field of software development and marketing.

Logo owns 66.6% of the outstanding shares of Logo Infosoft, which was founded under a partnership agreement with GSF Software Labs LLC.

This investment brings us the opportunity to carry our experience in customization and SMEs to India's software market, which is expected to record a CAGR of 10.6% between 2015 and 2019 according to IDC's forecasts.

FİGO

FIGO, an equal joint venture between eLogo and FIT Solutions, was founded on October 10, 2016, as a commercial information platform to enable companies in Turkey access value added services such as risk evaluation, insurance, finance, and collection.

VENTURES THAT CREATE ADDED VALUE

Logo SME Digital Services

Logo KOBİ Dijital Hizmetler A.Ş. (Logo SME Digital Services) was founded on September 12, 2017, as a wholly-owned subsidiary of Logo. The company aims to develop cloud-based software and micro-services for new initiatives, small companies, and individual consultants. Logo SME will let individuals and small companies access information technology services through web-based and mobile technologies. The company will offer solutions to companies and individuals with a focus on the mobile platform, for it will become an indispensable part of their daily lives.

Logo Ventures Private Equity Investment Fund

Founded on October 4, 2017, 20% of the shares of Logo Ventures is owned by Logo. Actus Asset Management A.Ş. Logo Ventures Private Equity Investment Fund manages private equity investments of Logo, by conducting high-risk venture capital investments in the form of debt, equity or combination of both or by similar means in promising technology companies, which do not have a proven technology or business model yet during their incubation period. Accordingly, the fund aims to create long-term value by ensuring these companies to reach their growth targets through strategic support in addition to financial investment. Supporting initiatives with technological sophistication, particularly in the B2B area, by means of 7-digit financial investments, as well as the exchange of strategic contributions in terms of governance, will play a valuable role in closing a major gap in the ecosystem.

Actus Asset Management A.Ş. Logo Ventures Private Equity Investment Fund is established in the form of a Corporate Venture Capital Fund, which is common in the developed capital markets. Logo Yazılım, Logo Teknoloji and other leading investors of Turkey are among the founders of the fund. It is expected that the contemplated Corporate Venture Capital Fund will pave the way for the entrepreneurs in the country and encourage the increase of innovation and R&D investments.

The resource commitment by the investors totals 10 million Turkish liras. The size of the fund has the potential to grow larger in the upcoming periods. The investors may also establish new private equity investment funds.

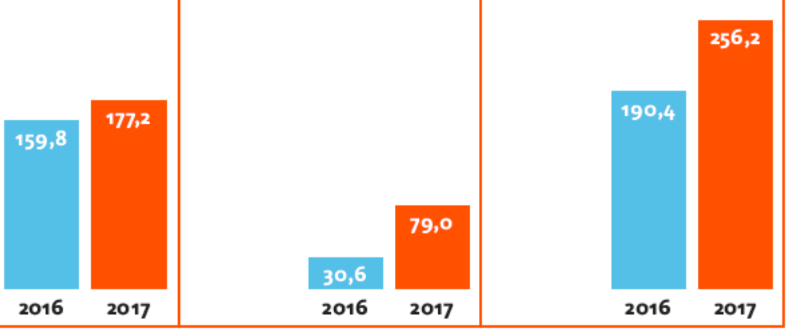
The target companies will be determined according to various criteria such as the potential for growth and development of value-added products, the readiness for an improved corporate governance profile and operational development, and the potential to create a strong brand value.

LEADING PLAYER IN A GEOGRAPHY OFFERING UNRIVALED OPPORTUNITIES

Operating with the objective of becoming a regional leader, Logo constantly improves its existing abilities, pursuant to the importance given to digital transformation and information technology sectors.

FINANCIAL INDICATORS

	Domestic Sales	International Sales	Total Sales
2017	177,2	79,0	256,2
2016	159,8	30,6	190,4
Growth	**11%**	**158%**	**35%**



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 shepherd this opportunity. In 2017, nearly 5,000 new customers joined Logo.

Companies rapidly adapting themselves to changes supported by legislative regulations benefit from time-saving, increased productivity and improved security in addition to cost savings. Domestic sales of Logo reached 177.2 million TL in 2017 corresponding to an increase of 11%.

Logo carried the momentum gained in 2016 via its international expansion to 2017 as well. International sales in 2017 increased by 158% including Total Soft based in Romania and Logo Infosoft based in India. Accordingly, international markets constituted 31% of total sales of Logo, which reached 256.2 million TL in 2017 corresponding to an increase of 35%. Thus, successful sales performance reflected on net profit as a 12% increase. In 2017, the net profit realized at 50.8 million TL.

EVER-GROWING CHANNEL STRUCTURE OF LOGO

Logo's most significant competitive advantage is our expanded, well-informed, trained and experienced distribution network. Logo has the widest sales and distribution network in the Turkish software market and operates also in the Central Asian and Middle Eastern markets.

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.

Expansion of our portfolio with Netsis group, Logo achieved a wide product range in the ERP industry. The status of Logo business partners is determined based on the existing product segments. Business partnership model consists of the following:

- Authorized dealers serving SME segment with Start, GO 3, Public Accountant Plus
- Authorized Competency Centers serving Corporate Segment with J-guar 3, Tiger 3, Tiger 3 Enterprise products
- Solution Partners developing applications based on Logo technologies
- Authorized Training Centers providing occupational training for Logo products

The business partners serving with Start, GO 3, Public Accountant Plus products are modeled as Authorized Dealers, Select Authorized Dealers, and Elite Authorized Dealers, whereas Logo business partners serving with J-guar 3, Tiger 3, Tiger 3 Enterprise are modeled as Elite and Premier statutes.

Differentiated business partners based on product segments are also classified under different levels, which 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 are allowed to sell Netsis 3 Integrated, Netsis 3 Standard and Netsis 3 Enterprise solutions depending on the level of 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 into the SME Segment, and Netsis 3 Standard and Netsis 3 Enterprise in the Corporate Segment.

In addition to the main packages and additional client access licenses under GO 3, Tiger 3, Netsis and J-guar 3 product families, Business Intelligence (Logo Mind Insight, Logo Mind Navigator and Logo Mind Budget), Supply Chain Management (Logo Ocean, Logo Neon and Logo Mobile Sales), Work Flow Management (Logo Flow), Human Resources Management (J-guar 3 HR, Tiger HR, Payroll Plus, Netsis HR and Netsis 3 Payroll) and CRM (Logo CRM) are offered in the Complementary Solutions category.

The Channel Management model with its product-group specific specialization offers the opportunity to bring together different prospective customers with the vast Logo product inventory. A functional business partnership structure focusing on horizontal product groups lays the foundations of a selected specialized business partner model. In the context of Channel Development activities, potential business partners are evaluated through a detailed assessment process based on a number of criteria including the market potential in their city or town, number of business partners in the region, sales capacity, number of certificates held, customer satisfaction, project resources, and the customer portfolio. Following the evaluation process, the candidates complete a series of training requirements and are accepted to the candidate business partnership program in line with sales targets. Upon completion of this process, which takes approximately a 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 operational principles of Logo.

STRONG SALES MODEL INCREASING SALES AND MARKETING EFFICIENCY

Logo has integrated all of its project and support processes under the same umbrella since 2015, has been constantly improving its proactive sales model, which in its turn enhances the communication within the Logo ecosystem. As a result, customer satisfaction and productivity increase, while the feedback turns into precise benefit. For each product, we create campaigns and strategies supporting each other, aiming to expand each segment simultaneously.

Logo's Channel Management modeling which arranges its specialization on the basis of product groups manages to bring together the ever-expanding array of solutions and the plethora of prospective customers just at the right spot. Carrying out corporate projects together with multiple business partners triggers the transformation of the project into a cooperation model itself. The standardization of corporate project management and process quality in our system along with the joint appearance of Logo and its business partners before the prospective customers has a two-tiered impact: it both helped us gain greater customer trust and also made our business partners feel more confident. This support to the projects of our business partners enables them to better adapt themselves to recently launched products which need to be promoted and relay their products to the customer potential. Thus, our customers are provided with new solutions in an expedited manner. Logo's approach to projects has been further enhanced with the "Project Status Tracking" application run by our CRM team since October 2017. The more companies joining the Logo ecosystem, the richer its product portfolio becomes. This provides Logo with an excellent opportunity to directly reach more companies in the market. Business partners who operate in a target-based system are able to prepare their annual planning more efficiently and deliver their feedback regarding the campaign needs more promptly. In addition, a tailor-made targeting system, customized to the type of business partner and group and type of product, facilitates controlled growth by enabling the business partner to outperform its potential during each target period. The target-turnover intensity at the end of the year has been balanced throughout the year as a result of the adoption, at the beginning of 2017, of the targeting system on a quarterly basis.

Sales specialists closely monitor the progress of the business partners affiliated to them, direct and help them develop according to the periodic strategies of the company. Additionally, the sales experts along with their affiliated business partners pay more visits to the customers. This strategy clearly improves the satisfaction of current customers and accelerates the pace of turning a customer potential into a sale.

Logo which boosted its complementary solution margins in 2017 enables its business partners to generate more revenue from solutions. The business partner sales revenue model has been revamped thanks to the Start products; thus encouraging new customer acquisition. Logo aims to update the status of its existing LEM (Logo Enterprise Membership) customers. Towards this end, it provides extra margins to the suppliers and designs special offers for the customers.

In 2017 as well, Logo presents extra special offers for the customers and solution/business partners, which participate in industry fairs with their own solutions. Also, Logo offers competitive prices and special offers within the scope of its partnership with industrial areas. In addition, during the meetings with entrepreneurs, who have received KOSGEB (Small and Medium Enterprises Development Organization) support, presentations are being planned for Logo's approach to SMEs and its products.

Logo organizes specialized training aiming to support our business partners' development in order to optimize how they present our products to the customers. The "Education on Campus Project" adapted by Logo Academy to the Netsis product family in 2016, continued in an even more comprehensive manner in 2017, with training for both Logo and Netsis product families. Thus, new hires of our business partners benefited from applicable technical training delivered by Logo's team of experts. Participants who meet the criterion of at least 90% attendance and pass the test administered by the end of the program, received an official certificate issued by Logo. All partners have completed working on updating the certificate and therefore the product information. Since April 2016, a certificate requirement has been introduced in order to allow business partners to access the Support Center.

Data deduplication work for business partners' and customers' current accounts was initiated in June 2016 by CRM teams and was completed in October 2017 after having updated all information and edited data entries.

In 2017, Logo further strengthened product specific communication. Logo is meeting with stakeholders from various sectors within the scope of the Success Stories Project in order to listen to the insights of the customers, their product experience, their needs and the benefits Logo solutions provide them with. In order for stakeholders to be inspired by different industries and firms and to manage their businesses more efficiently, the shared success stories are either recorded on video or written down. The functional benefits of the products, the added value, and productivity they provide to the companies are described especially in the digital media at different communication channels and.

Logo develops collaborations and different models with a plethora of institutions and companies. Within this scope, Logo runs promotional campaigns with Organized Industrial Zones and Commercial and Industrial Chambers such as GOSB (Gebze Organized Industrial Zone), GGOSB (Gebze Güzeller Organized Industrial Zone), GEPOSB (Gebze Plastic Manufacturers Organized Industry Zone), BTSO (Bursa Chamber of Industry and Commerce) and Çorlu TSO (Çorlu Chamber of Industry and Commerce).

Thanks to Logo's well-trained and experienced distribution network, a Functional Business Partnership System has been created that serves the purposes of bringing together the right customer with the right solution, increasing the product-specific customer satisfaction and profitability.

Thanks to its certified and experienced project practitioners in the field of CRM, HR, Supply Chain Management and Business Analytics, the client's issues are treated with the required expertise. This system not only contributes added value to the ecosystem in its entirety but also propels growth.

Products and innovations brought to the market

The launch of Tiger Wings and Netsis Wings ERP solutions that allows users to manage their business through a web browser was launched in March 2017. Developed on the Logo 3 platform and thanks to the HTML 5 layer, Netsis Wings runs via the Internet browser, independent of the operating system used by the client. With user interfaces specifically designed for touch on tablet screens, users can keep the whole process under control since they have access to data via mobile devices anywhere and anytime. In addition, users can acquire Tiger Wings and Netsis Wings solutions at an annual user specific price, according to an annual subscription model, which requires an activation fee to be received only once and only in the first year. Thus, instead of buying once a license at a certain cost, they use a constantly up-to-date and legitimate product.

As of 1 January 2017, public and private sector employees who have not completed the age of 45 are included by their employers in the automatic enrollment system, regardless of their existing private pension contracts. Starting from January 2018, companies with 50-99 employees will also be included in the system; thus all companies with 50 or more employees will be involved. Logo has developed an **Automatic Enrollment System (AES) Module**, which integrates with payroll solutions to reduce the workload of human resources professionals and to support faultless management of processes within the scope of the legislation that entered into force. Thanks to the module, employers can easily and accurately communicate the data that needs to be transferred to the relevant private pension company. The AEM module is integrated with AvivaSA, Anadolu Life & Pension, and Allianz Life & Pension companies. In line with the incoming requests, we continue our efforts so that we integrate our AEM with other private pension companies as well.

In accordance with the October 2, 2017, announcement made by the Turkish Ministry of Labor and Social Security, as of January 1, 2018, workplace doctors are required to abandon the paper signed prescription system and start using the e-Prescription system instead. Logo has developed **e-Prescription** packages that integrate with the existing Logo solutions currently in use by its customers.

According to the notification draft issued by the Revenue Department on July 25, 2017, in order to regularly monitor the movements of goods in the digital environment; according to the 5th clause of Article 230 of the Tax Procedures Law No: 213, the "delivery dispatch" document currently being issued in paper, as of January 1, 2018, is to be issued, delivered to the buyer, saved and submitted as an e-Document in the digital environment.

In this context, all Logo/Netsis **e-Dispatch** integrations are completed. The e-Delivery Dispatch, which is not a new type of document, has the same legal qualifications as the "dispatch order" in paper format.

eLogo has renewed its website and Logo to provide better and higher quality service. The new website of eLogo aims to provide the fastest and easiest access to the information sought while introducing a brand new user experience with its newly developed interface and dynamic and rich content.

Logo took part in **Billentis**' 2017 edition of "Market Report" study, considered the largest international research report on e-Billing. The report contains e-Billing market-related details on existing standards and changing dynamics, as well as information about international e-Billing providers, including Logo.

Customer Relations and Loyalty Management in 2017

We have provided information on solutions during meetings with companies from different industries as part of our efforts to optimize the experience of companies who have recently joined the Logo family.

New customers have been informed about the services they are entitled to along with their purchase of a Logo product license. We have paid "thank you" visits to the customers who upgrade the Logo products they have been using in order to meet their needs and continue with us. Starting from October, we started project status follow up meetings with customers who have purchased complementary solutions. These efforts aim at increasing the satisfaction during the process from product installation to experience measurement.

We have briefed our customers whose LEM has expired on the LEM Service Packages which enable the products to benefit from legislative amendments, developments, and debugger versions.

Requests for products and services from customers to our call center via e-mail, telephone or Logo's corporate web page have been taken into consideration.

The solution-oriented process for the reported problems was followed up with the related units and concluded. A new system has been devised for tracking all notifications. The switch to this system is expected during the first quarter of 2018.

Product satisfaction survey was conducted with Logo customers using Supply Chain Solutions, Human Resources Solutions, Business Analytics Solutions and Workflow Solutions. The analysis report, which was prepared at the end of the survey, was properly shared with all related departments and senior management.

We have visited our customers in order to update their information on our database and we have successfully completed the update process.

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.

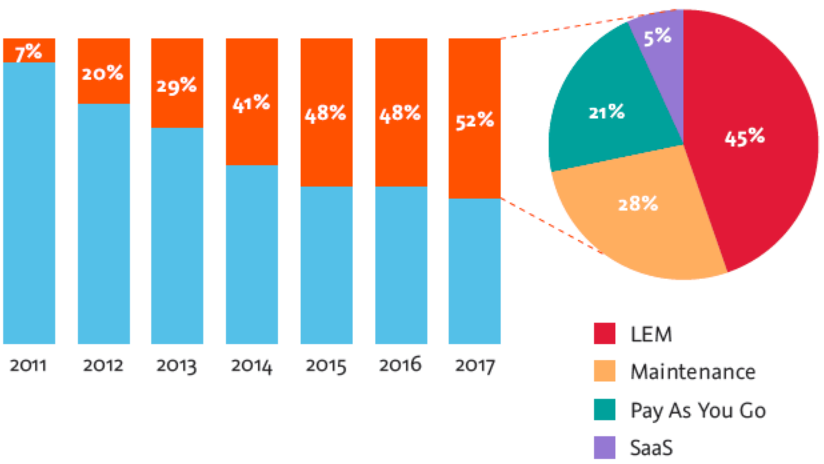
Sales, product development, and support processes are regularly monitored, measured and compared for continuous improvement in the three Main Value Chains: SME, Corporate and New Generation Solutions. In the processes that are carried out in chime with the philosophy of the agile product development, 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 2017, Logo's sales revenue increased by 35% and EBITDA totaled 82.6 million TL. Net profit reached 50.8 million TL corresponding to a 12% increase. As a token of the importance paid to R&D, Logo has reserved 45% of its total revenues to it, including the R&D activities in Romania and India.

LEM (Logo Enterprise Membership) program provides customer loyalty and stable revenues, while Diva, the first-ever SaaS solution in Turkey, holds a strong position in the cloud technology market. The special integrator service revenue was another category that continued to grow, thanks to a significant market share provided by eLogo.

BREAKDOWN OF RECURRING REVENUES



THE OPERATIONAL EXCELLENCE AS THE MAIN BUILDING UNIT OF LOGO OF THE FUTURE

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. The feedback from business partners, who closely monitor the market, 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, the large groups, companies, and individuals with big capital should recognize the added value and opportunities in the software industry and engage in more investment in this field. It becomes clear that what is important is not Turkey's growth but her growth with added value.

Logo 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 2017, Logo invested 45% of its total sales revenue in R&D, taking into account Total Soft's R&D expenditures as well. This ratio is considerably high, even in comparison with Logo's global competitors and proves our 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. By integrating these products into its own platforms, Logo improves their productivity, makes them more compatible with our standards in terms of interface and includes them in the company's production line of higher quality. This holds a very important place within Logo's R&D activities. All these investments contribute to a great extent towards our sustainable growth.

All of the desktop product families (developed with Delphi) have been designed with an as common as possible infrastructure. The customer-focused approach was demonstrated and field studies were carried out under "User Experience" and the results were reflected in the products as a new interface work.

The Logo Flow product, developed with .NET, has been integrated with all Logo products, so workflow support has been added to the products. With the development work carried out within the scope of the Logo Flow product, it was made possible for stakeholders to develop processes without any coding knowledge.

In 2017, the J-guar 3 and PaaS integration took a serious lead as a result of the R&D activities conducted in J-guar 3. The AWS-compatible and high-performance operation of J-guar 3 contributes to improvement and convergence to SaaS model.

A cloud-based backup solution which has been developed in order to ensure uninterrupted service and data security for Logo and Netsis product families has been rendered more powerful thanks to its integration with Microsoft Azure.

Within the scope of the PAAS project, the development of the micro-services required by ERP applications has been completed. Only the work for SaaS Payroll application that uses these services is still in progress.

CUSTOMER ORIENTED PRODUCTS SUPPORTED BY R&D

In accordance with the general policy of Logo quality management systems are constantly improved and developed.

QUALITY MANAGEMENT SYSTEMS

ISO 27001 Information Security Management System Policy*

Logo 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 kinds of data belonging to the company and its customers, the use and protection of the applications and systems where these data are created, processed and stored are treated in accordance with the mentioned principles.

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 constantly 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 adversary conditions. Devoted to the above, we aim for the continuation of our operations by paying the utmost respect to both the safety of the products and services and the safety and health of employees and stakeholders.

Therefore, the business continuity plan is employed in order to be capable of providing a continuous service of high quality to the clients, to gain new customers, to ensure the welfare of clients, solution partners, and the employees alike, 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.

ISO 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 constant review of our Service Management Objectives.

ISO 10002 Customer Satisfaction Management System

The aim of Logo is to evaluate the requests and notifications received from the customers by taking into consideration the legal regulations, to convert them into customer satisfaction and to continuously improve by measuring its effectiveness. Logo undertakes to treat negative feedback from customers in a customer-oriented manner in accordance with the Customer Satisfaction Principles.

Customer Satisfaction Principles

- Be open to customers' requests and negative statements
- Resolve all claims and negative notices in a transparent, fast and trustworthy manner
- Examine the negative feedback from customers in a careful, fair and impartial manner whatever the level of the issue and the importance; to offer a solution and/or solution alternatives as a result of the examination
- Establish communication channels with all interested parties, provide information flow and traceability
- Ensure that customer problems are solved quickly and correctly, by prioritizing business partner training
- Provide customer-focused solutions by learning customer expectations and recommendations by conducting product and service satisfaction measurement activities
- Determine opportunities for improvements in products, services, systems, and processes in line with demands and suggestions from customers and employees
- Ensure the continuity of improvement by making regular surveillance studies to determine the areas of improvement and increase the efficiency, in order not to repeat the dissatisfaction
- Protect information about customers in accordance with the Information Security Policy
- Ensure that decisions made regarding customer requests and the process are clearly traceable, determining the activities required for improvement
- Create channels to ensure that customers get an answer in the fastest way possible and their requests and feedback are promptly received.

TS 13149 Software Industry Service Center Qualification Certificate

Logo meets all structural specifications, and management, technical equipment, and employees related general rules required by workplaces which provide software services according to TS13149 certificate.

*These quality management systems are managed separately for Logo and Logo Elektronik.

BASIS OF SUSTAINABLE GROWTH

The philosophy of human resources management is to gain new talents to keep the sustainable growth of Logo and to maintain and continuously improve the qualified workforce.

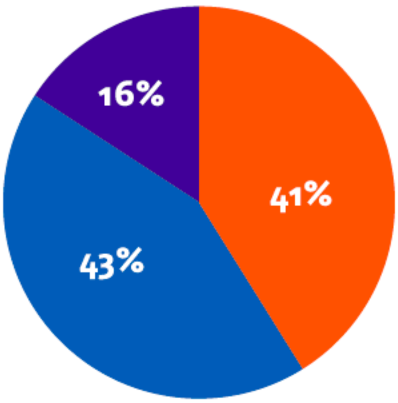
Knowledge sharing and agility are integral parts of Logo culture. Ideas and suggestions from employees are carefully assessed in order to protect the transparency and mutual interaction based environment. At the end of each quarter, the Chief Executive Officer meets with all of the employees to update them and share the current financial information and business processes of Logo. The sense of belonging is constantly supported by the feedback system, which facilitates the introduction of ideas and suggestions through in-house sharing, the food commission, and initiatives like "Suggest Your Friend" and the Occupational Health and Safety Committee.

ORGANIZATION

We continued to grow in 2017 through acquisitions. By the end of the year, the total number of employees globally reached 1,051.

BREAKDOWN OF EMPLOYEES

Of our employees in Turkey



- 43% work in the Product and Technology Development,
- 16% in Management, Financial Affairs, Human Resources, IT and Business Processes,
- 41% in Sales, Marketing, Project Support Departments

65% of employees are 0-5 years; 14% for 6-10 years; 18% to 11-20 years; 3% have 21+ years of seniority.

18% of employees hold a masters degree, 73% an undergraduate degree and 9% is a high school and equivalent or equivalent graduate.

As of the end of 2017, the average age equaled to 34.

41% of employees are female and 59% is male.

Engineers account for 42% of employees.

74% are Generation Y, 25% are Generation X and 1% is "baby boomer".

COMPETENCE-DRIVEN MOTIVATION

Knowledge transfer among our employees is an integral part of Logo culture. Ideas and suggestions of the employees are thoroughly evaluated, in order to preserve our transparent and interactive climate. The Open Door Policy, the "I have an Idea" corner on the intranet, which allows employees to share their suggestions easily, the Food Commission, practices such as "Suggest Your Friend" and Health and Safety Committee support the exchange within the organization.

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 in the right position. Competency-based interviews are conducted with suitable candidates according to job specifications and job descriptions. Interviews are supported with tests to measure cognitive abilities and foreign language skills as well as competency inventories based on EQ/IQ or personality inventories. All these tools allow us to appoint the right candidate to the right position. Logo is an equal opportunity employer. Accordingly, the company does not make evaluations based on gender, nationality, religion, ethnicity or marital status.

In 2017, the human resources team attended the career days of our numerous universities to present the internship and career opportunities to students who are about to start their careers. Thanks to gamification, these days turned out to be colorful and fun. We presented Logo collection products as a gift to the students, who have been placed in the competition. We have received approximately internship applications from 600 students during the career days, 13% of whom started their internship at our company. 16% of these students started to work at Logo after the internship period.

In 2017, we hired approximately 100 employees and on average we closed a vacancy in 39 days with a suitable candidate.

Approximately 20% of newly hired employees have been recruited through our "Suggest Your Friend" practice.

In 2017, the employee turnover has been 14%.

COMPENSATION SYSTEM

The compensation system at Logo is determined with respect to fair market value, sector data, and our existing salary structure. All positions are graded by taking into account their contribution to achieving company objectives, and the job size according to responsibility and risk area. We use an internationally recognized compensation management system and analyze the market and industry data annually to implement a fair and competitive remuneration policy.

As a part of the compensation management system, we continuously improve employee benefits considering the needs of the day, employee expectations and satisfaction.

PERFORMANCE MANAGEMENT SYSTEM

We implement a performance management system, which is based on targets, competencies, and development, in order to increase individual employee performance, thereby contributing to the overall performance of the company. Logo Force Performance Management System supports high-performance culture through Management by Objectives, effective communication between employees and managers, mutual feedback and reconciliation. Employees are offered a process based on their individual performance, which relates to their long-term career path.

The system has been designed in a transparent and fair way. The company's main objectives and strategies, as well as supporting goals, are shared with employees. The performance management process is implemented on an annual basis.

Employees who stand out thanks to their high performance are rewarded. Another outcome of the process is the identification of an employee's training and development needs.

Remaining true to the "the right targeting, the right size, and the right outcome bring success" approach, the human resources team organizes SMART goal-setting workshops for managers who wish to attend.

Interim evaluations are carried out periodically in order to evaluate progress towards the objectives and define training needs. Consequently, one of the most significant elements of the process, the feedback phase is completed and results of the interim evaluations are monitored by the human resources team through employee surveys.

In addition to the evaluation of achievements, competency evaluations focusing on the areas to be improved are also conducted within the LogoForce process. We further monitor the progress through various web-based, mobile-based articles, books, and video, which are integrated with the performance system.

COMPETENCE-DRIVEN MOTIVATION

CAREER MANAGEMENT

Our career management system has been established on the principle of monitoring and improving professional knowledge and competencies.

We at Logo believe in the value of positioning the right human resource at the right place and that mid-range career planning are crucial for the sustainable performance of both our employees and the company in general. Accordingly, increasing the awareness among employees and make them develop a sense of ownership and plan their own career path constitute the core principles of our career planning and development process.

We continued developing the system in 2017 as well and to a certain degree, we have introduced new elements too. We identified a set of rules for vertical and horizontal career moves and presented them to our employees.

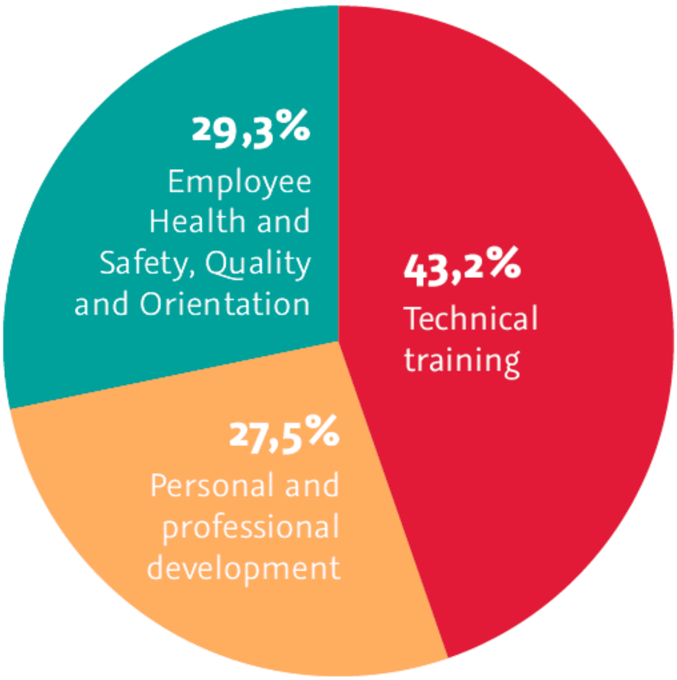
Simultaneously, we have kickstarted our efforts to establish a talent pool and succession/critical box practice. As a part of the career management process, rotation has been launched in Romania and India offices.

TRAINING MANAGEMENT

In 2017, our human resource team, encompassing employee development as its core mission, introduced the e-Learning project LogoEdu, with the aim of making human resources more accessible and independent of time and space. With LogoEdu, a wide variety of training sessions were provided using contents that were produced specially for Logo or offered in the platform's training catalog. In line with the needs analysis, in the course 2017, 32 different training courses were offered to 678 registered users via LogoEdu.

The journey of development of Logo people was not limited to only online training but also involved classroom training as well. In 2017, managerial development took precedence at Logo. The managers were put into various evaluation center applications. Leadership training were organized according to the results of the evaluation center, and studies were initiated for management coaching.

In 2017, a variety of training was organized on personal and professional development, managerial and technical competencies. The process is designed based on the request of managers, observations of human resources and development areas determined in LogoForce. As a result, in 2017, nearly 15,600 hours of training were provided. Breakdown of the training sessions according to the subjects covered follows:



- All employees attended at least 1 training program.
- Training prevalence ratio (ratio of employees who attended at least 1 training day per year) reached 84%
- 33% of employees received training programs between 30 and 90 hours.

COMPETENCE-DRIVEN MOTIVATION

PROCESS DEVELOPMENT

While engineers constitute 42% of our workforce, our human resource practices are constantly developed from an engineering point of view. With this view, the feedback system, follow-up process of the applications from within through the workflow, follow-up of the approvals regarding employees completing their second and sixth months at Logo within a process flow and various follow-ups according to performance scores were developed and put into practice. A Personnel Regulation covering all human resources processes and functions was prepared and put into practice.

Documents supporting the Logo members in their professional life, such as image and clothing culture handbook, discipline regulation and ethics committee regulation were prepared and put into practice.

For employees who are new to Logo; a 3-day orientation program was introduced which covers the corporate culture, Logo products, organizational structure and management team, human resources processes, information technology processes, and work safety issues. With the orientation program called “Loading”, employee adaptation to the company is accelerated and a warm and friendly corporate climate is ensured.

Developments in the human resources processes are also integrated on the intranet, an internal communication platform, where a variety of employee data is managed. The intranet, where human resources policies and practices are transparently shared, is used as an effective communication tool.

Feedback collected from employees via post-event satisfaction surveys is evaluated for improvement of our processes.

We started to analyze employee data to provide input into our internal communication and process development.

OCCUPATIONAL HEALTH AND SAFETY

In order to provide employees with a comfortable and safe work environment, we continue to improve the environment and create workspaces that are productive and open to innovation. Logo is striving to do more in all its activities by complying with the legal regulations and standards related to Occupational Health and Safety.

Occupational Health and Safety training is given periodically, starting from the time of recruitment to ensure that employees internalize safety habits. In addition, emergency evacuation and fire/earthquake drills are carried out periodically in all offices. The compliance of our sub-contractors to Occupational Health and Safety process is also monitored.

COMPETENCE-DRIVEN MOTIVATION

SOCIAL ACTIVITIES

Numerous social activities were carried out in 2017 in order to ensure effective communication based on the values and culture of Logo.

In 2017, a number of events took place at the conference hall at Gebze. Various speakers from within and outside Logo presented informative and motivational speeches throughout the year to employees in various fields such as health, environment, motivation, psychology, and social responsibility. Motivation and loyalty activities were supported by TED Talks videos, which were included in the monthly events.

At the end of each quarter, the financial results and current developments were announced transparently by the Chief Executive Officer with the participation of employees from all offices.

The Traditional Logo Children's Festival was celebrated with the participation of all the children of the employees immediately after April 23, which in Turkey is the National Sovereignty and Children's Day on both the Gebze Campus and in İzmir. Children participated in workshops for coding and robotic work under the concept of programmable toys, part of the 21st-century thinking system.

Just like every year, at the end of 2017, we celebrated New Year in all of our offices, and employees that have completed their 5th, 10th, 15th, 20th, 25th years with Logo were awarded a plaque.

The Logo Sailing Team achieved significant success by participating in various contests throughout the year. The team won the 1st place in Istanbul Sailing Club Trophy, 2nd place in Turkey Offshore Sailing Club Trophy, the 1st place in the Bosphorus Cup, Cup Istanbul, Marmara Cup and the Admiral's Cup.

We continued LOG'extra in 2017 that involves various discounts and advantages for Logo employees and their relatives through special agreements made with companies in different sectors and new agreements were made with additional companies.

Logo employees joined corporate competitions in 2017, enjoyed bowling tournament, Dragon Fest, and soccer competitions, which were bestowed with success.

· Teams of employees from İzmir offices participated in the "Companies Competition" bowling tournament. The teams achieved good results and set the example for teamwork, and of course, had some great fun together.

· Four teams participated in the Dragon Festival's Istanbul and İzmir competitions. The teams achieved a good rating in the category they were in, for the great effort and team spirit team they exhibited. Logo won an "Honorary Award" among nearly 90 companies, which took part in the contest. Logo's music band Logoritma performed at Dragon Festival again this year.

· Two different teams represented Logo in Istanbul Lotto Company League football competition.

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

In every office, during the whole year, we have tried to keep our employees satisfied with a plethora of activities during the weekdays. As a further step to enhance the team spirit, we celebrated birthdays in our offices.

In 2017, Logo continued to stand by its employees with the Employee Support Program. Logo employees and their families have received telephone or face-to-face support from experts, for challenging situations that affect their business and personal lives, lead to loss of productivity, loss of time or decrease the quality of life.

SOCIAL RESPONSIBILITY

In 2017, together with the Red Crescent Logo people attended two blood donation events.

In the sponsorship of Logo, "April 23 Festival" packages were distributed to children in Sakarya Kaynarca Atatürk Primary School in collaboration with All Children Are Ours Association.

With the donations of Logo employees and the contribution of All Children Are Ours Association, "winter packages" consisting of clothes and shoes for children in Bilecik Cengiz Topel Primary School were distributed.

On the World Women's Day, a series of books from Turkish and international female writers were given as present to all Logo women.

We have not forgotten the Soma Mine Disaster. The winter packages prepared by the women, who had lost their relatives in the Soma mine disaster, were distributed to Logo members in all different locations.

Representatives from LÖSEV (The Foundation for Children with Leukemia) and TEMA (The Turkish Foundation for Combating Soil Erosion, for Reforestation and Protection of Natural Habitats) made presentations to Logo members and some of our employees volunteered to these NGOs.

The Hope Cafe mobile vehicle of The Foundation of Hope for Children with Cancer visited our Gebze Campus. The food prepared by the family members was sold in the vehicle and the funds raised were used for children with cancer.

Logo supported the group which was created for the care of street animals around Gebze Organized Industrial Zone and İzmir Advanced Technology Institute.

CORPORATE REVIEW

Logo stays within 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 of the Board

Mr M. Tuğrul Tekbulut is one of the founding partners of Logo. He graduated from Bosphorus University's Department of Electrical Engineering in 1980 and received his master's degree in 1983 from the same department. He received a master's degree in bioengineering from Sabancı University in 2006. He also completed 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 information technology, 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, he served as the Chairman of TÜBİSAD Informatics Industry Association. Mr. Tekbulut carries on serving as the Logo Group's Chairman.

Murat ERKURT

Deputy Chairman

Mr Murat Erkurt is the founding partner of Mediterra Capital Partners. Formerly he worked for 15 years as Managing Partner in the New York and London offices of Lehman Brothers. For 14 years out of 15, from his position within the Private Equity Division of Lehman Brothers, he was the lead deal partner for 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. A graduate from the Middle East Technical University Electrical Engineering Department, Mr. Erkurt holds an MBA from Columbia Business School, an MSc in Mathematics from Imperial College and an MSc in Electrical Engineering from Northeastern University.

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. Prior to joining Mediterra in 2011, he worked for 5 years at 320 million dollars private equity fund Bedminster Capital Management that focused on Southeastern Europe and Turkey. 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. Mr. Ayanlar, a Robert College graduate, has received his bachelor's degree in Economics and Finance from Boston University and completed the CFA program.

BOARD OF DIRECTORS

M. Cengiz ULTAV

Independent Board Member

Mr Cengiz Ultav 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 until May 2016. He continues his post as a Board Member of Vestel Ventures R&D. He worked as a UNDP consultant in Vietnam. 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.

Kutlu KAZANCI

Independent Board Member

Kutlu Kazancı graduated from Stanford University with a B.S. in Industrial Engineering with distinction in 2000. He then worked in investment banking for JPMorgan and BCP Securities in New York until 2005 and gained experience finding investors and funds for industrial, engineering, retail and technology companies in North and South America. Following a one-year assignment as a research analyst to the World Bank Jakarta, Mr. Kazancı returned to Turkey to join the founding team of Endeavor's Turkey office from 2006 to 2008. Endeavor is an international NGO that supports entrepreneurs in developing countries. Since 2009, he has been providing lean transformation services via his consulting company Endogen. In 2010, Mr. Kazancı cofounded We-decide, a Danish Turkish company that offers group innovation and decision making platforms. In 2011, he was one of the founders of Galata Angel Investment Club. In 2012, he launched Founder Institute Turkey and has been co-running it. In 2013, Mr. Kazancı joined Sabanci University Entrepreneurship Committee as director to set up and coordinate the entrepreneurship activities, including the SUCool Startup Acceleration program. In 2016, Mr. Kazancı set up UKBasecamp, a boutique consultancy and acceleration platforms for international founders to access international investors, customers and markets.

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 the 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. Between 1992 and 2001 she worked at 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 and as its Deputy CEO as of January 1, 2012.

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 for 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

Mr Arslan Arslan graduated from the Middle East Technical University - Department of Computer Engineering in 1996. He is one of the founding partners of Özgün Yazılım software company, a Logo solutions partner. He completed his master's degree in the Middle East Technical University -Department of Computer Engineering in 1999. 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. In 2005 he was appointed as R&D group manager at Logo Ankara office, prior to his appointment as the Director of Infrastructure and Tools in 2006. As of January 1, 2012, he has been serving as an executive committee member.

EXECUTIVE COMMITTEE

Başak KURAL

Executive Committee Member,
eLogo General Manager

Ms Başak Kural graduated from the Department of Industrial Engineering of the Istanbul Technical University Business Faculty in 2003. The same year, she started her career as a product manager at Beko Elektronik A.Ş. In 2007, she joined the marketing team of Turkcell Communications Services A.Ş. Then, between 2010-2014 she worked as the Avea Mobile Internet Revenues Group Director and between 2014-2017 as the Turk Telekom Group Technology and Regulation Strategies Director. In March 2017, Mrs. Kural joined the Logo Executive Committee and ever since has been working as General Director of Logo Elektronik.

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 an analyst and since then she has served in various positions as Call Center Manager, Product Manager, Implementation Advisor, Project and Coordination Manager, Project Manager and managed various pre-sales and after sales teams. 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 and Quality Representative of Management. Since January 1, 2012, she has been a member of the executive committee and Quality Representative of Management.

EXECUTIVE COMMITTEE

Tolga GÖREN

Executive Committee Member,
Support and Projects

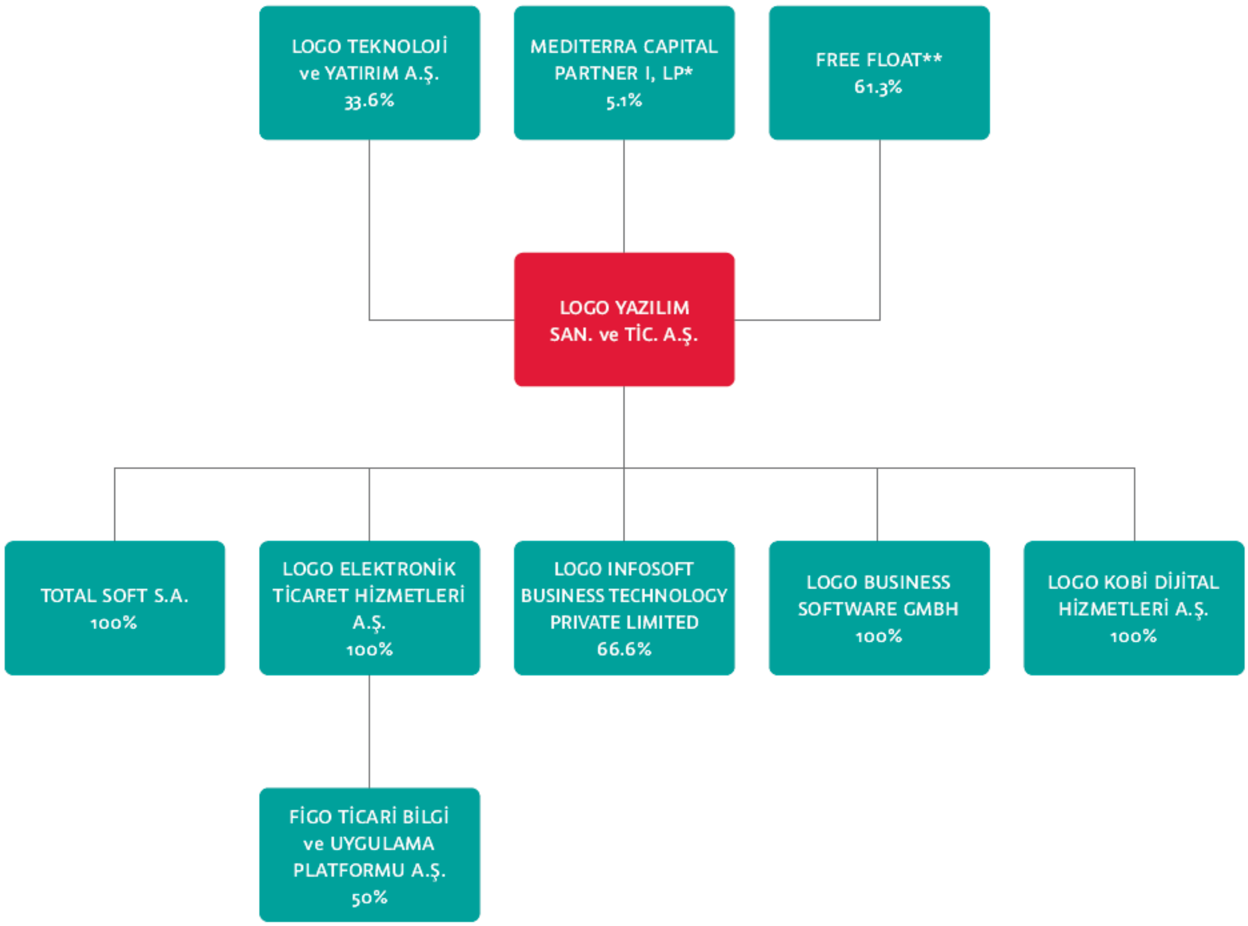
Graduated from Ege University Faculty of Science, Statistics Department in 1995, Mr Tolga Gören started his career at IDB Software during his education and joined Netsis Software in 1997 as a support analyst. He worked in different departments such as channel support and corporate sales. Mr Gören started 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. Since November 2016, he has been serving as an Executive Committee Member in charge of Support and Projects.

Uğur N. SİPAHİ

Executive Committee Member,
Information Technology and Business Processes

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

SHAREHOLDING STRUCTURE



(*) Consists of EAS S.a.r.l 4.96% and others.
(**) Including the treasury shares of 2.77%

RISK MANAGEMENT

Logo categorizes the risks that the company is exposed to as follows: stocks, debt management, technological change, competition, collections and currency fluctuations. We set the required control mechanisms in order to minimize the effects of those 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. Pursuant to evaluations of the executive team or the board of directors, the company aims to balance its capital structure by obtaining additional debt, debt repayment, 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 MANAGEMENT

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 MANAGEMENT

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 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.

OTHER RISKS

Fixed assets and liquid assets of the company are insured against any material damage. Liquid assets (cash and cheques) are inspected through monthly physical inventory. Financial controllers regularly monitor bank reconciliations. Additionally, the financial affairs department and relevant department managers perform reporting, audit and control activities on Logo j-guar 3 Enterprise Resource Management program in order to prevent any misconduct or mistake by personnel in sales prices and profitability.

CORPORATE GOVERNANCE RATING

In 2017, corporate governance rating of Logo was 9.08 out of 10.

The level of compliance 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 our corporate governance rating on December 15, 2017 and announced our rating s as 9.08 on a scale of 10.

The full report on Corporate Governance Rating issued by Saha is available on the company website www.Logo.com.tr.

Logo operates in compliance with the Principles of Corporate Governance, apart from the following matter specified in the rating report: Privilege for nominating candidates for the board of directors.

The revision in company's corporate governance rating in 2017 was made taking into consideration the company's willingness to implement the corporate governance principles as a continuous and dynamic process.

Logo received the following rating scores for each one of the four main sections:

MAIN SECTIONS	WEIGHT	SCORE
Shareholders	25%	88.44
Public Disclosure and Transparency	25%	88.96
Stakeholders	15%	96.01
Board of Directors	35%	91.67
TOTAL	**100%**	**90.83**

STATEMENT OF RESPONSIBILITY

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

DATE OF THE BOARD RESOLUTION APPROVING THE FINANCIAL STATEMENTS: 14/2/2018
RESOLUTION NUMBER: 2018/02

Consolidated Financial Statement, Comprehensive Income Statement, Cash Flow Statement and Statement of Changes in Equity ("Financial Statements") for the period of 01.01.2017 - 31.12.2017, which are prepared by our company, pursuant to the Capital Market Board's Communiqué 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 Communiqué, fairly reflect the facts about the assets, liabilities, financial condition and profit and loss of the Company together with its consolidated subsidiaries.

Kind regards,

M. Cengiz ULTAV
Member of the Audit Committee

[redacted]

Kutlu KAZANCI
Chairman of the Audit Committee

[redacted]

M. Buğra KOYUNCU
Chief Executive Officer

Gülnur ANLAŞ
Chief Financial Officer

2017 CORPORATE GOVERNANCE COMPLIANCE REPORT

STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF CORPORATE GOVERNANCE

In the period between January 1, 2017, and December 31, 2017, our company complied with the mandatory provisions of the Corporate Governance Communiqué of the Capital Market Board ("CMB") and put a considerable amount of effort to comply with the non-mandatory principles.

CORPORATE GOVERNANCE RATING

The level of compliance of LOGO with the Principles of Corporate Governance is publicly announced through our Corporate Governance Compliance Statement. Saha Corporate Governance and Credit Rating A.Ş. ("Saha Rating") completed the revision study on December 15, 2017, and announced Logo's corporate governance rating score as 9.08 on a scale of 10.

LOGO's rating on the four main sections are presented below:

Main Sections	Weight	Score
Shareholders	25%	88.44
Public Disclosure and Transparency	25%	88.96
Stakeholders	15%	96.01
Board of Directors	35%	91.67
Total	100%	90.83

The full text of the corporate governance compliance report prepared by Saha Rating is available at our official website www.logo.com.tr.

SECTION II – SHAREHOLDERS

2.1. Investor Relations Department

The Investor Relations Department carries out the investor relations activities in our company and reports to the CFO.
Investor Relations contact information is as follows:

Gülnur ANLAŞ, CFO
Telephone: (0262) 6798000 (pbx) Ext : 8200
E-mail: gulnur.anlas@logo.com.tr

Canan ŞENKUT, Investor Relations Manager
Telephone: (0262) 6798000 (pbx) Ext : 8235
E-mail: canan.senkut@logo.com.tr

Doğan KARACA, Investor Relations Senior Specialist
Telephone: (0262) 6798000 (pbx) Ext : 8223
E-mail: dogan.karaca@logo.com.tr

e-mail: investor@logo.com.tr

Main duties of the Investor Relations Department are as follows:

• Ensuring that the records on communication with investors and related documents are kept in a reliable, secure and up-to-date manner.
• Responding to written information requests from the investors
• Organizing the general assembly meeting in line with the relevant regulations, the articles of association and internal policies of the company, and preparing the documents to be submitted to investors in the general assembly meeting
• Ensuring fullfillment and monitoring of the company's responsibilities in relation to the capital markets regulations, including all among others corporate governance and public disclosure.

Activities carried out by the Investor Relations Department during the reporting period are as follows:

• Information requests received from our investors through e-mail or telephone were responded pursuant to legal requirements 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, the articles of association and other by-laws of the company.
• An information document was prepared for the investors before the general assembly meeting.
• Voting results were properly recorded. 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 without any misleading content.
• Various meetings and teleconferences were held with domestic and international investors as well as potential investors.

2017 CORPORATE GOVERNANCE COMPLIANCE REPORT

2.2. EXERCISE OF THE RIGHT TO INFORMATION BY SHAREHOLDERS

Our company adopts the equal treatment of all investors as a principle in the exercise of the right to information and the right of inspection. Information, which has not been publicly disclosed previously, is not shared with investors. Information and documents 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 both via phone and in writing without discriminating any investor pursuant to the Capital Markets Regulations. Financial statements and mandatory material event disclosures to be submitted to the Capital Market Board and Borsa Istanbul under the supervision of the Capital Market Board, are presented to our shareholders on the Public Disclosure Platform and the company website.

The company's Articles of Association does not include the right to request a special auditor as an individual shareholder right. The company has not received any request in the reporting period in that respect.

2.3. GENERAL ASSEMBLY MEETING

Ordinary General Assembly Meeting

The ordinary general assembly meeting was held on April 25, 2017, at the company's headquarters, located in Gebze Organize Sanayi Bölgesi, Şahabettin Bilgisu Caddesi No: 609 Gebze/ Kocaeli. The invitation was announced together with the meeting agenda three weeks prior to the meeting on the Turkish Trade Registry Gazette dated March 28, 2017 and numbered 9293, on the Public Disclosure Platform and on the company's official website on March 23, 2017 pursuant to the procedures prescribed by the Law and the Articles of Association of the company.

The examination of the list of participants revealed that out of the 2,500,000,000 units of shares corresponding to 25 million TL capital of the company, all of the 3,300,000 units of Class A preferred shares corresponding to 33,000 TL capital were represented by proxy; 1,914,360,076.30 units of Class B shares corresponding to 19,143,600.763 TL capital were represented by proxy, and 61,833,994 units of Class B shares corresponding to 6,183,399.4 TL capital were present in person. As a result, 1,923,843,475.70 units of shares corresponding to a total of 19,238,434.757 TL capital was represented with a meeting quorum of 76.95%, satisfying the decision quorum set forth in the Articles of Association.

Investors did not propose any additional agenda item in the meeting.

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

In order to facilitate the attendance to the general assembly meetings, the venue and time of the meeting were announced 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 5 (five) members. The quorum for board resolutions (including the postponed meetings) is affirmative votes of at least 4 (four) members, without prejudice to the conditions subject to the affirmative votes of independent members as per the Capital Markets Legislation and Corporate Governance Principles and insofar as these rules are not violated. There were no transactions referred to the general assembly due to dissenting votes of the independent board members.

Other stakeholders attended the meeting as well.

An information note for the general assembly meetings, which included explanatory information on the agenda items was issued and published on the website of the company prior to the meeting. Additionally, the annual report for the reporting period, financial statements, dividend distribution proposal and the Articles of Association of the company were made available for review in the headquarters of the company.

Under a separate agenda item, the investors were informed that the company made donations in the reporting period in the amount of 103,360 TL, which remains below the upper limit determined by shareholders for 2016. The proposal to set the annual upper limit for the year for donations at 500,000 TL was approved.

Minutes of the general assembly meetings are available at the "General Assembly Notifications" link in the "For Investors" menu at our company's website and in the Central Registry Agency Public Disclosure Platform.

No conflict of interest occurred between the company including its subsidiaries and the controlling shareholders, members of the board of directors, executives with administrative responsibility or their spouses, relatives by blood and by marriage up to the second degree.

2017 CORPORATE GOVERNANCE COMPLIANCE REPORT

2.4. VOTING RIGHTS AND MINORITY RIGHTS

The Company's shares are classified into 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. Hence no subsidiary has voted in the general assembly meeting, which has a cross-shareholding relationship with the company.

The Articles of Association does not include a provision in relation to extending minority rights beyond one-twentieth of the capital or does not include the cumulative voting method in relation to the representation of minority shareholders in the board of directors.

2.5. DIVIDEND RIGHTS

There are no privileges in the Articles of Association for participation in the profit of the company. The board of directors reviews the dividend policy annually. A balanced and consistent policy with respect to the interests of the investors and the company is applied to the dividend distribution. The dividend 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 profitability of the company. Up to 55% of the distributable net profit for the period calculated in accordance with the Turkish Commercial Code and the Capital Markets Board 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 dividend amount remains below 5% of the paid-in capital, the corresponding amount in question may not be distributed and retained in the company.

Due to our dividend policy, market projections, long-term company strategy, investment policy and financial policy, on March 23, 2017, the board of directors resolved to propose to the General Assembly not to distribute dividends from the profit available for distribution in the amount of 47,043,512 TL calculated in our Consolidated Financial Statements for the reporting period between January 1, 2016 and December 31, 2016 by deducting the "tax expense" and "first contingency reserve" amounts and adding the "donation", which was issued in compliance with International Financial Reporting Standards pursuant to the Capital Markets Board Communiqué Series II:14.1 and audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

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 THE CONTENT

Available at www.logo.com.tr, the corporate website includes the information specified in the CMB 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 specified in the Principles of Corporate Governance.

SECTION IV- STAKEHOLDERS

4.1. DISCLOSURE TO STAKEHOLDERS

The Company recognizes that any person, group or institution who affects or is affected by the achievement of our objectives and the continuity of our operations have legitimate interests on the operations of the company and respects them as stakeholders. The company believes that maximization of the shareholder value requires respecting the interests of all stakeholders; thus the interests of the shareholders and stakeholders are parallel to each other. In line with this understanding, the company takes maximum care for the interests of stakeholders.

Stakeholders are invited to the meetings regarding any matter concerning them. Meetings, company website, e-mail, Public Disclosure Platform, e-Yönet website and the Central Registry Agency Disclosure Platform are used as the means of communication.

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

2017 CORPORATE GOVERNANCE COMPLIANCE REPORT

4.2. STAKEHOLDER PARTICIPATION IN MANAGEMENT

The Company develops mechanisms and models encouraging participation of stakeholders, particularly employees, in management without impeding the company's operations. The suggestions and opinions collected via surveys are integrated into the activities of our company.

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 the business processes received from various channels are taken into consideration. The employees are encouraged by management to share their creative ideas, suggestions, and requests regarding the company's operations through the intranet. Work teams, which are open to all employees, are established for business process improvement; and all improvement decisions are made based on the employees' suggestions. The company's status is reviewed periodically with the employees. Employee recommendations are received regularly and they are evaluated and implemented. Additionally, the top management holds one-on-one discussions with all employees to receive and implement their recommendations. Regular briefings are held with dealers and business partners. The customers and dealers are regularly updated through bulletins, interviews, and the Internet.

4.3. HUMAN RESOURCES POLICY

Our human resources policy is based on the principles of respect for human knowledge, objective evaluation, equal opportunity, employee participation, encouragement of development, continuous education, competency and performance-based progress. The recruitment and promotion decisions are made based on the principle of equal opportunity according to the individual performance, knowledge, and experience. No complaint of discrimination has been received to date. The company management considers the equal opportunity principle as one of the most important subject matters. The human resources department is in charge of performance and career management practices; planning, conducting, and measuring the training and development activities; carrying out the recruitment process; managing the compensation system; and improving the employee satisfaction. The job descriptions, the criteria for performance and rewards are announced to employees based on the company's human resources policy.

The employee relationships are represented at the board level. In addition, the human resources department addresses, evaluates and resolves the requests and problems of all employees in relation to their professional, personal, career and training needs.

The representatives in charge of employee affairs: 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 the generally accepted ethical principles, the code of ethics is reviewed and revised regularly as the board of directors introduces new ethical rules concerning the company and its stakeholders.

Responsibility towards the society and the world is at the center of our company's mission and we work to develop constructive approaches to the 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 the financial support provided in campaigns organized by the NGOs and charities, Logo employees are also encouraged to participate in these events in person.

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. The 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 the carbon emission. Within the framework of our sustainability initiatives, a voluntary application for inclusion to Borsa Istanbul (BIST) Sustainability Index was filed and the company was included in the index as of November 1, 2017.

2017 CORPORATE GOVERNANCE COMPLIANCE REPORT

SECTION V - BOARD OF DIRECTORS

5.1. BOARD STRUCTURE AND COMPOSITION

The Board of Directors, which consists of 6 (six) members who are elected by the General Assembly in accordance with the provisions of Turkish Commercial Code carries out the activities and administration of the company. One plus half of the members of the board are elected from among the candidates, who were nominated by the Class A shareholders. The board members may be elected for a maximum term of 3 (three) years and can be re-elected after their term is complete. If deemed necessary, the General Assembly may dismiss or replace the board members. The number, qualifications, election, nomination, terms of reference 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. M. Cengiz Ultav and Mr. Kutlu Kazancı were elected as the independent board members. The Chairman of the Board is elected from among the board members, who were nominated by the Class A shareholders.

The biographies of our board members and members of the executive committee are available on the corporate website.

In case any member of the Board of Directors is declared bankrupt, faces restriction of capacity or loses the legal conditions required for membership or qualifications set forth in the Articles of Association, his/her membership automatically terminates.

If there is a vacancy in the board for any reason, the Board of Directors temporarily elects a person, who satisfies the legal conditions for board membership and submits it to the approval in the following general assembly meeting. The 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 fails to satisfy any of the independence criteria during his/her term or resigns due to other reasons or when they are not able to serve on the board anymore, new independent members shall be appointed for the vacancy by the board of directors to meet the criteria for the minimum number of independent members in accordance with the Capital Markets Law and the Capital Markets Board's regulations.

The nominees to fill the vacancy of a board member, who was nominated by the Class A shareholders, shall be determined by all the remaining board members, who were nominated by the Class A shareholders.

The Chairman of the Corporate Governance Committee is Independent Board Member Mr. M. Cengiz Ultav.

All of the independent members fulfill the independence criteria.

Director	Title	Executive Duty (if any)	Term of Office
M. Tuğrul TEKBULUT	Chairman of the Board	Non executive	[25.04.2017] / Ongoing
Murat ERKURT	Vice Chairman of the Board	Non executive	[25.04.2017] / Ongoing
S. Leyla TEKBULUT	Board Member	Non executive	[25.04.2017] / Ongoing
Orhan AYANLAR	Board Member	Non executive	[25.04.2017] / Ongoing
M. Cengiz ULTAV	Independent Board Member	Non executive	[25.04.2017] / Ongoing
Kutlu KAZANCI	Independent Board Member	Non executive	[25.04.2017] / Ongoing

2017 CORPORATE GOVERNANCE COMPLIANCE REPORT

STATEMENTS OF INDEPENDENCE

I 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 me, 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 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,

d) 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,

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

f) 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,

g) 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,

h) 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,

i) 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,

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

M. Cengiz ULTAV

[redacted]

2017 CORPORATE GOVERNANCE COMPLIANCE REPORT

STATEMENTS OF INDEPENDENCE

I 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 me, 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 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,

d) 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,

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f) 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,

g) 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,

h) 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,

i) 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,

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

Kutlu KAZANCI

[redacted]

2017 CORPORATE GOVERNANCE COMPLIANCE REPORT

Other Duties of the Members of the Board of Directors

The board of directors is authorized to manage, represent, and bind the company, as well as make the decisions on any matter except the issues, on which the General Assembly has been exclusively authorized to resolve pursuant to the Turkish Commercial Code, the Capital Market Law, and the Articles of Association. The duties 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 invite the board of directors for a meeting with a written request made to the chairman. The agenda for the periodic or ad hoc board meetings is prepared by the board secretary in coordination with the chairman and the vice chairman of the board. The financial and legal affairs department and the executive management secretary facilitate the communication among the board members in respect of the meetings. The date and agenda of the board meetings shall be notified seven days in advance by registered letter, telex, fax or electronic mail. The board of directors meets and resolves 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 or in a place abroad.

The meeting quorum of the board of directors including the postponed meetings is established upon the attendance of at least 5 (five) members. Affirmative votes of at least four board members are required for the board to resolve (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.

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

In 2017, the board of directors has convened 30 times in total. In the reporting period, there was no dissenting vote, reasons for which were required to be recorded in the minutes, submitted to the independent auditors in writing or announced to the public.

Meeting minutes, which are considered as trade secrets shall not be disclosed to the public. However, the material issues that are resolved in the meeting are publicly announced through a material event disclosure statement. The material board resolutions are also disclosed on the company's website.

The board resolutions, which involve material transactions or related party transactions, require affirmative votes of the majority of the independent members pursuant to the Corporate Governance Communiqué II-17.1 of the Capital Markets Board.

The company has a directors and officers' liability insurance policy 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

The terms of reference of the board committees were prepared and the relevant units were assigned with the duty to follow up. The Audit Committee provided opinion to the board of directors on the appointment of the independent auditor, the audit of the financial statements and the financial situation of the company. The Corporate Governance Committee evaluated the amendments to the Articles of Association, compliance with the Principles of Corporate Governance and the investor relations activities. The Risk Committee provided opinion in the meetings of the board of directors.

The Audit Committee, the Corporate Governance Committee, and the Risk Committee provided a significant contribution to the company in terms of improving the corporate governance practices and ensuring that the financial statement is accurately and transparently prepared in compliance with the regulations. The Nomination Committee and the Remuneration Committee were also established pursuant to the CMB Principles on Corporate Governance.

The committee members are elected from among non-executive members and independent members of the board. Only independent members serve as the chairperson of the committees. Since there are two independent members, the same individuals have to serve on multiple committees. The procedures to be followed by the committees were specified in 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 to the board of directors section of the annual report and the company website.

2017 CORPORATE GOVERNANCE COMPLIANCE REPORT

TERMS OF REFERENCE OF THE COMMITTEES

AUDIT COMMITTEE
Mümin Cengiz ULTAV - Chairman
Kutlu KAZANCI - Member

Terms of Reference of The Audit Committee
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 audit and the disclosure of the financial information and the internal control system.

Authority and Scope

The Audit Committee

Takes all necessary measures to ensure that financial statements footnotes thereto and the other financial information are accurate, transparent and prepared in accordance with international accounting standards;

Investigates the independence and competencies of the independent audit firm and its staff on behalf of the Board of Directors;

Monitors the accounting system of the company, the public disclosure of financial statements, and the efficient functioning of the external audit and internal control systems;

Oversees 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;

Evaluates and resolves any complaint from within or outside the Company regarding accounting practices, the internal control system, and external auditing; and

Reviews the measures taken for compliance with the legal and internal policies of the company.

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

Structure of Audit Committee
In accordance with the Communiqué Series: II-17.1 CMB Communique on Determination and Implementation of the Principles of Corporate Governance, all members of the Audit Committee consist of independet board members.

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

Committee Meetings and Reporting
The Audit Committee shall convene at least quarterly and submit the minutes to the Board of Directors.

The Audit Committee shall produce minutes of its proceedings, which shall be signed and properly filed by the Committee members.

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 the responsible executives.

• The Committee shall review the annual report disclosed to the public and ensure the accuracy and consistency of the information included in the report.

• The Audit Committee shall review the changes in the accounting policies, internal control system and the regulations, which would materially impact the financial statements of the Company and report the same to the Board of Directors.

• The Audit Committee shall review significant accounting and reporting issues as well as legal matters, and their potential impact on the financial statements.

2017 CORPORATE GOVERNANCE COMPLIANCE REPORT

b) Independent Audit Firm

• The Audit Committee is responsible for evaluating the external audit firm to be appointed and monitoring their activities and signing of the agreement.

• The Appointment or replacement 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 monitoring of the Audit Committee.

• The Audit Committee shall review the scope and process proposed by the audit firm and informs the Board of Directors about the matters that impede the efficiency of the same.

• The Audit Committee shall assess the external auditor's independence.

• The Audit Committee shall ensure that the information regarding material issues identified by the external auditor and the recommended actions obtained and discussed in a timely manner.

• The Audit Committee shall review and approve the fees and compensation provided to the external auditor.

c) Compliance with Legal Requirements

• The Committee shall ensure that the activities of the company are conducted in accordance with the legal requirements and internal regulations, and identify procedures to be applied in case of non-compliance.

The Audit Committee shall ensure the confidential evaluation of complaints received regarding the accounting, the internal control system and the external audit.

CORPORATE GOVERNANCE COMMITTEE
M. Cengiz ULTAV - Chairman
M. Tuğrul TEKBULUT - Member
Murat ERKURT - Member
Orhan AYANLAR - Member
Canan ŞENKUT - Member

Terms of Reference
Purpose
The Corporate Governance Committee monitors whether the company follows the corporate governance principles, determine the reasons and any conflict of interest due to lack of compliance, offer remedial advice to the Board of Directors, and supervise the Investor Relations Department.

Authority and Scope
The Committee shall arrange for periodic reviews of the terms of reference and recommend changes, if needed, to the board of directors. The final decision ultimately rests with the board of directors.

The Corporate Governance Committee's responsibilities include

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

b) conducting the annual corporate governance evaluation of the board of directors and presenting a report to the approval of the board in this regard;

c) supervising the Investor Relations Department; and

d) making recommendations on the functioning and effectiveness of the board of directors and its committees;

NOMINATION COMMITTEE
M. Cengiz Ultav - Chairman
M. Tuğrul TEKBULUT - Member
Murat ERKURT - Member
Orhan AYANLAR - Member

The Nomination Committee;
a) establishes a transparent system to identify, evaluate and train appropriate nominees to the board of directors and developing related policies and strategies;

b) arranges for periodic reviews of the structure and efficiency of the board of directors and recommending changes thereto;

c) establishes and reviews the approach and practices for the evaluation of performance and career planning of the board members and the executive team.

2017 CORPORATE GOVERNANCE COMPLIANCE REPORT

REMUNERATION COMMITTEE
M. Cengiz ULTAV - Chairman
M. Tuğrul TEKBULUT - Member
Murat ERKURT - Member
Orhan AYANLAR - Member

The Remuneration Committee;
a) advises the board on the framework for remuneration of the members of the board and the executive team in line with the long-term objectives of the company;

b) determines compensation criteria for the board members and the executive team according to the company and the individual performance (Stock options and payment schedules based on the company's performance are not applied to the remuneration of the independent board members.);

c) advises the board on the compensation packages of the members of the board and the executive team based on their achievements.

Structure of Committee

a) The Committee shall be established as per the Articles of Association of the company. The Committee shall consist of at least two members.

b) The chairperson of the committee shall be appointed from among the independent board members.

c) If the committee comprises two members, both of them if more than two members the majority of them shall be appointed from among the non-executive Board members. The CEO, the general manager, and the CFO cannot be appointed to the committee.

d) The Committee may obtain a professional opinion from 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 the majority of its members and make decisions by a majority of the votes.

g) The board secretary shall also serve as the secretary of the committee.

Committee Meetings and Reporting

a) The Remuneration Committee shall convene as it is required to perform its duties.

b) The committee decisions shall be reported to the Board of Directors.

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

RISK COMMITTEE
Kutlu KAZANCI - Chairman of the Committee
S. Leyla TEKBULUT - Member of the Committee

Terms of Reference of the Risk Committee
Purpose
The Risk Committee identifies the risks that might endanger the existence, development, and continuity of the company, implements the required measures and conducts risk management related studies, and reviews the risk management systems at least once a year.

Authority and 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) integrate the risk management and internal control systems to the corporate structure and monitors their effectiveness;

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

d) arrange for a periodic review of its terms of reference and, if necessary, recommend changes to the board of directors. The final decision on approval ultimately rests with the board of directors.

2017 CORPORATE GOVERNANCE COMPLIANCE REPORT

Structure of 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 appointed from among the independent board members. The CEO or the general manager cannot be appointed to the committee.

c) The Committee may obtain professional opinions from specialist advisors if necessary.

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

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

f) The secretary of the board of directors serves 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 of its meeting to the board of directors.

b) The committee shall inform the board about the matters within its scope of responsibility.

c) The board secretary shall take minutes and file the proceedings and decisions of the committee.

The number of committee meetings held in 2017 is presented 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 faced by the company, development of actions to minimize the risks and carry out the implementation.

The internal control mechanism was constituted by the company and the effectiveness of risk management and internal control mechanism was monitored by the Risk Committee in 2017. The risk management and internal control mechanisms are effectively functioning to identify and manage existing and potential risks. The company attends the risks in two categories as operational and financial.

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

2017 CORPORATE GOVERNANCE COMPLIANCE REPORT

5.5. Strategic Objectives of Company

The board manages and represents the company by taking strategic decisions taking into account primarily the long-term interests of the company with a prudent risk management philosophy. 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 executive team and the guidance of the board of directors and translated to budget targets in numbers. The board of directors holds meetings for periodic strategic reviews and sets the periodic targets, together with the CFO.

5.6. Financial Rights

Any rights, benefits, and remuneration provided to the board members and the executive team as well as the criteria used for specifying the same and the Remuneration Policy are announced on the company website. The Remuneration Policy applicable to the board members and the executive team, which was prepared in accordance with the Principles of Corporate Governances, was presented to the shareholders in the General Assembly meeting dated April 25, 2017, pursuant to the Capital Markets Board's regulations. The explanation was made both for the members of the board and the executive team. Only the independent members of the board receive a gross fee of 6,000 TL per month and the other board members do not receive any financial benefit for their service on the board. The company did not grant any warranty, debt or loan to any board member or executive.

ADDITIONAL INFORMATION ON OUR OPERATIONS

Other information that should be included in the annual report as per the guidelines established by The Ministry of Customs 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 2017.

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 violating the 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 Realization rate for the Company's 2017 targets was high. 2017 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 2017 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 2017.

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 2017, 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 Logo regarding 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 profitability 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, dividend in advance 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 30th 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 23, 2017, the board of directors resolved to propose to the General Assembly not to distribute dividends from the main shareholders' net profit of 47,043,512 TL calculated in our Audited Consolidated Financial Statements for the reporting period between 01.01.2016-31.12.2016, issued pursuant to the International Accounting Standards and International Financial Reporting Standards, and presented in line with the principles set forth in the relevant resolutions of CMB. The board resolved to propose to the General Assembly not to distribute dividends and to retain the profit within the company due to our dividend policy, market projections, long-term company strategy, investment and financial policies.

FINANCIAL OVERVIEW

Logo continues to create value for its stakeholders while sustaining a 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 2017 WITH 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.

A. Audit of the Consolidated Financial Statements

1. Opinion

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 statement of financial position as at 31 December 2017 and the consolidated statement of profit or loss and consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards ("TAS").

2. Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

Key audit matters	How our audit addressed the key audit matter
Revenue recognition Revenue is the most significant measurement criterion for evaluating the results of strategies implemented throughout the year and performance follow-up. The revenue of the Group mainly consists of standard software licence sales, Logo Enterprise Membership ("LEM") sales, SaaS subscription revenues, software development revenues and package upgrade revenues. We focused on this area due to the following reasons: It has important impact on more than one account on the consolidated financial statement of the Group as at 31 December 2017, Application of accounting standards for recognition of revenue are complex, Different types of revenue are recognised and they include management's estimations and assumptions. Accounting policies of the Group and the amount of revenue are disclosed in Note 2.4 and 20, respectively.	The following procedures were performed to audit of the revenue: Our audit procedures consist of understanding the internal controls and business processes on revenue recognition, including reporting on performance evaluation and controls performed by the management, analytical reviews and substantive tests. We designed our audit procedures based on each revenue types. To verify software licence and version upgrade revenues, accounting records and underlying documents were substantively tested. In addition, activation status of software licences was tested on a sample basis and we checked whether the product keys were delivered to the customers or not. LEM revenue is recognised over the duration of the contract term. LEM revenue and deferred revenue concerning LEM sales were tested by sampling method. SaaS subscription revenue consists of sales recorded and reflected to customers on a monthly basis. The accuracy of invoices issued to customers and records were tested using substantive testing procedures. The completion rate of projects was considered in recognition of special software development and project revenues. Our audit procedures on these type of revenues included reviewing agreements, testing completion rates and comparing the budgets and realized costs of the ongoing projects. We evaluated the adequacy of disclosures explained in Note 20 for TAS' requirements. As a result of our work, we had no material findings related to the revenue.

INDEPENDENT AUDITOR'S REPORT

Key audit matters	How our audit addressed the key audit matter
Impairment test of goodwill - Total Soft The carrying value of goodwill accounted for under intangible assets amounted to TRY83.294.475 in the consolidated financial statements as of 31 December 2017. In accordance with TAS, goodwill should be tested for impairment annually. TRY75,815,823 of the goodwill recognised in the Group's consolidated financial statements as at 31 December 2017 originated as a result of the acquisition of all shares of one of its subsidiaries, Total Soft, on 2 September 2016. We focused on this area due to the following reasons: Carrying value of the goodwill recognised for Total Soft acquisition in the consolidated financial statements as at 31 December 2017 is material, and valuation model were performed by an independent valuation firm, Significant judgements and estimates were used in the impairment tests (growth rate and weighted average cost of capital etc.) performed by the management, The outcome of some estimates is sensitive to changes in the market conditions and economical developments, The goodwill impairment test for Total Soft was performed for the first time. Please refer to Note 14 to the consolidated financial statements for the relevant disclosures, including the accounting policy and sensitivity analysis.	We performed the following procedures in relation to the impairment tests of goodwill: Discussed with management about their future plans and explanations based on the macroeconomical information on Romania. We inquired with independent valuation firm to understand the setup of the discounted cash flow models and underlying assumptions used. Mathematical accuracy of the model was tested. Through involvement of our internal valuation specialists, we assessed the reasonableness of key assumptions (growth rates and weighted average cost of capital rates etc.) used in the foodwill impairment test and in light of our sectoral knowledge, we determined that the rates used are within the acceptable range. We evaluated the realizability of the future cash flow and investment projections used in the goodwill impairment test in the meetings held with top management. We evaluated whether the cash flow estimations prepared for Total Soft are reasonable when compared with past financial performance results. We checked whether the significant assumptions and sensivity analysis are disclosed appropriately in the accompanying consolidated financial statements as of 31 December 2017 or not. We had no material findings related to the impairment tests of goodwill for Total Soft as a result of these procedures.

INDEPENDENT AUDITOR'S REPORT

Key audit matters	How our audit addressed the key audit matter
Test of internally generated intangible assets - Development costs TRY37.220.780 of development costs are capitalised in the consolidated financial statements of the Group as at 31 December 2017. The Group applies policies described on TAS 38, "Intangible assets", and Note 2.4 in the capitalisation of development costs. Projects for which feasibility works have been completed and which are expected to generate cash flow in the future, the Group capitalises the costs of employees working on software development activities and the costs of consultancy received for these activities. Capitalisation is done by calculating the rates based on the management and project manager's estimations and assumptions and the total work time of personnel for development activities. We defined this area as key audit matters due the calculations of the capitalisation schedules are material on financial statements and include the management's estimations.	We performed the following procedures in relation to the test of development costs: We discussed with management to understand how they meet the requirements in TAS 38, "Intangible assets". We discussed the details of the feasibility studies and future economical benefits of ongoing projects with the project managers. We checked the the project based capitalised cost details with the movement table of intangible assets. To test capitalised personnel cost on the projects, we obtained project based breakdown of personnel costs to verify capitalised personnel costs with payrolls and time sheets. We interviewed with personnel whose salaries are subject to capitalisation on a sample basis, and we understood the development activities and their roles on the projects. We understood the nature of the outsourced consultancy expenses and applied substantive testing procedures to test their accuracy.

INDEPENDENT AUDITOR'S REPORT

4. Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Group's management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TAS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

5. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Assess the internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2017 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

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

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 14 February 2018.

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

Mert Tüten, SMMM
Partner

[redacted]

İstanbul, 14 February 2018

CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017

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

	Notes	Audited 31 December 2017	Audited 31 December 2016
ASSETS			
Current asset		**162.176.702**	**139.523.661**
Cash and cash equivalents	5	51.633.614	43.507.923
Financial investments	6		279.986
Trade receivables		104.524.024	92.906.476
Trade receivables from third parties	*9*	*104.524.024*	*92.906.476*
Other receivables		700.688	147.362
Other receivables from third parties	*10*	*700.688*	*147.362*
Inventories	11	604.300	322.138
Prepaid expenses	17	2.775.530	1.946.104
Other current assets		1.938.546	413.672
Non-current assets		**220.988.786**	**188.013.329**
Other receivables		3.535.680	3.081.146
Other receivables from related parties	*28*	*3.375.068*	*2.920.534*
Other receivables from third parties	*10*	*160.612*	*160.612*
Financial investments	6	1.130.653	130.653
Investment accounted under equity method	7	558.663	737.533
Property, plant and equipment	12	19.941.705	18.977.934
Intangible assets		191.896.685	161.722.764
Goodwill	*14*	*83.294.475*	*75.386.762*
Other intangible assets	*13*	*108.602.210*	*86.336.002*
Prepaid expenses	17	3.006.485	1.786.750
Deferred tax assets	26	327.762	1.208.136
Other non current assets		591.153	368.413
Total assets		**383.165.488**	**327.536.990**

These consolidated financial statements have been approved by Board of Directors on 14 February 2018 and signed on its behalf by Buğra Koyuncu, Chief Executive Officer and Gülnur Anlaş, Executive Vice President.

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 STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017

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

	Notes	Audited 31 December 2017	Audited 31 December 2016
LIABILITIES			
Short-term liabilities		**115.034.637**	**148.823.733**
Short term borrowings	8	1.818.160	56.798.022
Short term portion of long term borrowings	8	17.466.660	6.298.768
Trade payables		*20.198.763*	*16.493.822*
Trade payables to third parties	9	20.198.763	16.493.822
Employee benefit obligations	16	8.373.167	6.457.090
Other payables		*6.892.841*	*7.198.360*
Other payables to third parties	10	6.892.841	7.198.360
Deferred revenue	17	46.336.515	40.749.291
Short term provisions		12.850.335	11.609.615
Provisions for employee benefits	*16*	*12.850.335*	*11.609.615*
Current income tax liabilities	26	531.612	1.818.901
Other current liabilities		566.584	1.399.864
Long-term liabilities		**58.855.384**	**14.555.392**
Long term borrowings	8	46.173.847	3.605.982
Other payables		*1.809.414*	*2.741.721*
Due to third parties	10	1.809.414	2.741.721
Long term provisions		8.298.563	6.315.332
Provisions for employment termination benefits	*16*	*8.298.563*	*6.315.332*
Deferred tax liabilities	26	2.573.560	1.892.357
EQUITY			
Equity attributable to equity holders of the parent		**208.508.292**	**160.802.613**
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	7.196.456	6.993.951
Treasury shares ( )	18	(4.632.563)	(4.632.563)
Reserves for treasury shares	18	4.632.563	4.632.563
Other comprehensive income and expense that will not be reclassified to profit or loss		(2.669.512)	(1.663.527)
Actuarial loss on employment termination benefits)		*(2.669.512)*	*(1.663.527)*
Other comprehensive income and expense that will be reclassified to profit or loss		12.738.172	6.899.780
Currency translation differences		*12.738.172*	*6.899.780*
Retained earnings		112.423.275	75.241.603
Net income for the year		50.828.565	45.339.470
Non-controlling interests		**767.175**	**3.355.252**
Total equity		**209.275.467**	**164.157.865**
Total liabilities		**383.165.488**	**327.536.990**

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 2017 AND 2016

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

	Notes	Audited 2017	Audited 2016
PROFIT OR LOSS			
Sales	20	256.168.914	190.374.106
Cost of sales ( )	20	(12.046.520)	(4.756.358)
Gross profit		**244.122.394**	**185.617.748**
General administrative expenses ( )	21	(31.785.508)	(18.920.847)
Marketing expenses ( )	21	(51.657.912)	(38.314.128)
Research and development expenses ( )	21	(101.997.313)	(59.368.135)
Other operating income	22	5.390.195	3.531.905
Other operating expenses ( )	22	(4.225.403)	(21.476.474)
Operating profit		**59.846.453**	**51.070.069**
Income from investing activities	23	285.885	291.293
Share of losses of investment under equity method	7	(1.407.831)	(267.981)
Operating profit before financial income/(expenses)		**58.724.507**	**51.093.381**
Financial income	24	2.758.199	3.976.529
Financial expenses ( )	25	(8.574.390)	(3.831.620
Income before taxes		**52.908.316**	**51.238.290**
Taxation on income/(expenses)			
Current income tax expense	26	(2.281.568)	(3.780.773)
Deferred tax expense	26	(871.482)	(517.365)
Profit for the year		**49.755.266**	**46.940.152**
Net income attributable to:			
Non controlling interests		(1.073.299)	1.600.682
Equity holders of the parent		50.828.565	45.339.470
		49.755.266	**46.940.152**
Earnings per share	**27**	**20,33**	**18,14**

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 2017 AND 2016

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

	Notes	Audited 2017	Audited 2016
OTHER COMPREHENSIVE INCOME			
Profit for the year		**49.755.266**	**46.940.152**
Other comprehensive income and expense that will be reclassified to profit or loss		**5.912.268**	**6.236.321**
Currency translation differences		5.912.268	6.236.321
Other comprehensive income and expense that will not be reclassified to profit or loss		(1.005.985)	18.069
Actuarial gains/(losses) arising from employee benefits	16	(1.129.795)	19.640
Tax effect	26	123.810	(1.571)
Other comprehensive income		**4.906.283**	**6.254.390**
Total comprehensive income		**54.661.549**	**53.194.542**
Other comprehensive income attributable to:			
Non controlling interest		(999.423)	1.600.682
Equity holders of the parent		55.660.972	51.593.860
		54.661.549	**53.194.542**

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 2017 AND 2016

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

						Other comprehensive income and expense that will not to be reclassified to profit or loss	Other comprehensive income and expense that will be reclassified to profit or loss					
	Paid-in share capital	Adjustment to share capital	Treasury shares	Reserves for treasury shares	Restricted reserves	Actuarial loss on employment termination benefits	Currency translation differences	Retained earnings	Net income for the year	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Balances at 1 January 2016	**25.000.000**	**2.991.336**	**(4.632.563)**	**4.632.563**	**6.993.951**	**(1.681.596)**	**-**	**35.346.813**	**39.894.790**	**108.545.294**	**1.754.570**	**110.299.864**
Transfers to retained earnings	-	-	-	-	-	-	-	39.894.790	(39.894.790)	-	-	-
Acquisition or disposal of subsidiaries (*)	-	-	-	-	-	-	663.459	-	-	663.459	-	663.459
Profit for the year	-	-	-	-	-	-	-	-	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)**	**4.632.563**	**6.993.951**	**(1.663.527)**	**6.899.780**	**75.241.603**	**45.339.470**	**160.802.613**	**3.355.252**	**164.157.865**
Balances at 1 January 2017	**25.000.000**	**2.991.336**	**(4.632.563)**	**4.632.563**	**6.993.951**	**(1.663.527)**	**6.899.780**	**75.241.603**	**45.339.470**	**160.802.613**	**3.355.252**	**164.157.865**
Transfers to retained earnings	-	-	-	-	202.505	-	-	45.136.965	(45.339.470)	-	-	-
Transactions with non-controlling interests (**)	-	-	-	-	-	-	-	(7.955.293)	-	(7.955.293)	(1.588.654)	(9.543.947)
Profit for the year	-	-	-	-	-	-	-	-	50.828.565	50.828.565	(1.073.299)	49.755.266
Other comprehensive income	-	-	-		-	(1.005.985)	5.838.392	-	-	4.832.407	73.876	4.906.283
Balances at 31 December 2017	**25.000.000**	**2.991.336**	**(4.632.563)**	**4.632.563**	**7.196.456**	**(2.669.512)**	**12.738.172**	**112.423.275**	**50.828.565**	**208.508.292**	**767.175**	**209.275.467**

(*) Notes 4.
(**) Notes 18.

The accompanying notes form an integra part of these conso idated financia 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 2017 AND 2016

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

	Notes	2017	2016
A. Cash generated from operating activities		**59.536.161**	**49.556.558**
Net profit for the year		49.755.266	46.940.152
Adjustments to reconcile profit for the year		**28.051.261**	**12.737.360**
Depreciation and amortization	12, 13	23.944.586	17.095.609
Provision for employment termination benefits	16	2.862.258	3.523.596
Interest expense	25	2.727.207	691.069
Interest income	24	(414.959)	(2.387.574)
Unallocated profits of joint ventures	6	1.407.831	267.981
Changes in doubtful receivable	9	(1.992.063)	1.982.619
Other adjustments to reconcile the profit or loss		(3.636.649)	(12.734.078)
Income tax expense	26	3.153.050	4.298.138
Changes in net working capital		**(13.659.905)**	**(7.696.720)**
Changes in inventories		(282.162)	(11.585)
Changes in trade receivables		(12.150.691)	819.909
Changes in trade payables		3.704.941	6.465.902
Other current and non current liabilities		301.025	(21.592.885)
Other current and non current assets		(5.233.018)	6.621.939
Net cash generated from operating activities		**64.146.622**	**51.980.792**
Taxes paid		(3.568.857)	(2.360.761)
Employment termination benefits paid	16	(1.041.604)	(63.473)
Purchase of property and equipment and intangible assets	12, 13	(41.851.056)	(26.027.637)
Cash used to gain control on subsidiaries		(10.000.000)	
Acquisition of subsidiary	4		(87.038.836)
Proceeds from sale of property and equipment		222.202	255.335
Contribution of increase of share capital in joint ventures	7	(2.228.961)	(1.005.514)
Interests received	24	414.959	2.387.574
B. Cash flows generated from investing activities		**(53.442.856)**	**(111.429.078)**
Repayments of borrowings		(47.984.600)	(5.764.470)
Proceeds from borrowings		51.415.957	59.266.640
Interests paid		(2.586.341)	(691.069)
C. Cash flows from financing activities		**845.016**	**52.811.101**
Net (decrease)/increase in cash and cash equivalent before the effects currency translation differences (A+B+C)		**6.938.321**	**(9.061.419)**
D. Effects of currency translation differences on cash and cash equivalents.		**1.187.370**	**1.040.306**
Net (decrease)/increase in cash and cash equivalents (A+B+C+D)		**8.125.691**	**(8.021.113)**
E. Cash and cash equivalents at beginning of the period	**5**	**43.507.923**	**51.529.036**
Cash and cash equivalents at end of the period (A+B+C+D+E)	**5**	**51.633.614**	**43.507.923**

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 2017

(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 2017 the Group has 1.041 employees (31 December 2016: 697).

The address of the registered office is as follows:

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

As of 31 December 2017, main shareholders and ultimate controlling parties of Logo Yazılım are Logo Teknoloji ve Yatırım A.Ş. and Mediterra Capital Partners LLP. They jointly control the Company. The partnership structure of the Company is explained in Note 18.

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

Subsidiary	Country of incorporation	Nature of business
Total Soft S.A. ("Total Soft")	Romania	Development and marketing of software
Logo Elektronik Ticaret Hizmetleri A.Ş. ("eLogo")	Turkey	Development and marketing of software
Logo Infosoft Business Technology Private Limited ("Logo Infosoft")	India	Development and marketing of software
Logo Business Software GmbH ("Logo Gmbh")	Germany	Development and marketing of software
Logo Business Solutions FZ LLC ("Logo FFC LLC")	United Arab Emirates	Marketing of software
Logo Kobi Dijital Hizmetler A.Ş. ("Logo Kobi")	Turkey	Development and marketing of software

Joint Venture	Country of incorporation	Nature of business
FIGO Ticari Bilgi ve Uygulama Platformu A.Ş. ("FIGO")	Turkey	Development and marketing of software

The Company's Board of Directors decided at their meeting dated on 11 September 2017 to found Logo Kobi with a capital of 8.000.000 TRY and 100% owned by Logo Yazılım. Logo Kobi aims to develop cloud-based software and service-based micro solutions for newly founded, small-sized and one-person consultancy companies. As a result, information technology services will be offered to one-person-companies and small companies through web-based and mobile technologies.

The Company founded Logo Investment S.A. ("Logo Investment") in Romania on 19 August 2016. Upon share transfer agreement signed on 2 September 2016, Logo Investment has purchased 100% of Total Soft shares. As of 30 December 2017, Logo Investment merged Total Soft with transferring all assets and liabilities of Total soft to Logo Investment. After merger transaction, company name of Logo Investment has been changed as Total Soft S.A. (Note 4).

The Company signed an agreement with F.I.T. Bilgi İşlem Sistemleri Servisleri Sanayi ve Ticaret A.Ş. on 29 July 2016 and incorporated FIGO Ticari Bilgi ve Uygulama Platformu A.Ş. ("FIGO"). The Company participates in 50% shares of FIGO. FIGO provides companies in Turkey access to value-added services like risk appraisal, insurance, financing and collection that is predicted to facilitate their business operations through Commercial Knowledge Platform.

The Company's Board of Directors resolved on 22 April 2009 to close Logo Business Solutions FZ-LLC due to the foreseen negative effects of the 2009 global crisis 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 2017, the liquidation process has been substantially completed. The Company's foreign sales and marketing activities are managed from its headquarter in Turkey.

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

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 13 June 2013 which is published on Official Gazette numbered 28676. TAS consists of the Turkish Accounting Standards, Turkish Financial Reporting Standards and related supplements and interpretations ("TAS/TFRS"). TAS/TFRS are updated in harmony with the changes and updates in International Financial and Accounting Standards ("IFRS") by the communiqués announced by the POA.

With the decision taken on 17 March 2005, CMB announced that, effective from 1 January 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

The consolidated financial statements prepared in accordance with the principles of consolidated financial statements for the year ended 31 December 2017 include the accounts for Logo Yazılım and its subsidiaries. The table below sets out the subsidiaries of Logo Yazılım and ownership interests held by the Company at 31 December 2017 and 2016:

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 2017 include the accounts for Logo Yazılım and its subsidiaries. The table below sets out the subsidiaries of Logo Yazılım and ownership interests held by the Company at 31 December 2017 and 2016:

Subsidiaries	31 December 2017 (%)	31 December 2016 (%)
Total Soft	100,00	100,00
Logo Investment		100,00
eLogo	100,00	90,58
Logo Infosoft	66,66	66,66
Logo GmbH	100,00	100,00
Logo Kobi	100,00	
Joint Venture	**31 December 2017 (%)**	**31 December 2016 (%)**
FIGO	50,00	50,00

Subsidiaries

Consolidated financial statements comprise the accounts of the Company and its subsidiaries that are prepared consistent with principles stated in consolidated financial statements belong to year end at 31 December 2017:

- Have the authority on the investee company/asset
- Being open to or entitled to variable returns from the investee company/asset, and
- Ability to use its power that may have effect on the returns

The balance sheets, income statements and other comprehensive income statements of the subsidiaries that are incorporated into consolidation is 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 deleted under consolidation.

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

2.1 Basis of presentation (Continued)

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 subsidiary or 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 Total Soft and Logo Investment is Romanian Ley ("RON"). Functional currency of Logo Infosoft is Indian Rupee ("INR"). Financial information of each entity included in consolidation are measured using the currency of the primary economic environment in which these entities operate, normally under their local currencies. 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.

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 2017

- Amendments to 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 IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.
- Amendments 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.
- Annual improvements 2014-2016, effective from annual periods beginning on or after 1 January 2017:
    - 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. This amendment clarifies that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarized financial information.

b) Standards, amendments and interpretations effective after 1 January 2018

- 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. Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

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

2.3 Amendments to International Financial Reporting Standards (Continued)

- 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 has evaluated the effects of the amendment in TFRS 15 and noted that current applications and policies in accordance with TAS 18, "Revenue" are substantially in-line with the new standard. Therefore, the Group does not expect any significant impacts of the amendment to the Group's consolidated balance sheets.

- Amendment to TFRS 15, "Revenue from contracts with customers", effective from annual periods beginning 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.

- Amendments to 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.

- Amendment to 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.

- Amendments to 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.

- Annual improvements 2014-2016; effective from annual periods beginning on or after 1 January 2018. These amendments impact 2 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,

    - TAS 28, "Investments in associates and joint venture" regarding measuring an associate or joint venture at fair value.

- TFRIC 22, "Foreign currency transactions and advance consideration"; effective from annual periods beginning on or after 1 January 2018. This TFRIC 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.

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

2.3 Amendments to International Financial Reporting Standards (Continued)

- Amendment to TFRS 9, "Financial instruments"; effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from TAS 39.

- Amendment to TAS 28, "Investments in associates and joint venture"; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using TFRS 9.

- 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 statement of financial position.

- TFRS 17, "Insurance contracts"; effective from annual periods beginning on or after 1 January 2021. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

- TFRIC 23, "Uncertainty over income tax treatments"; effective from annual periods beginning on or after 1 January 2019. This TFRIC clarifies how the recognition and measurement requirements of TAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The TFRS IC had clarified previously that TAS 12, not TAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. TFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. TFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

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.

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.

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

2.4 Summary of significant accounting policies (Continued)

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 based on the requirements of TFRS 3 are recognized at 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. The goodwill for associates is recorded in consolidated statement of financial position under associates accounted for using the equity method.

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

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

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

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amounts of the net assets assigned to the cash-generating unit, an impairment loss is recognized. The impairment of goodwill cannot be cancelled. The Group tests the impairments of goodwill as of December 31'st.

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.

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

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

2.4 Summary of significant accounting policies (Continued)

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 Life
Leasehold improvements relating to building	5 49 years
Machinery, plant and equipment	5 years
Motor vehicles	5 years
Furniture and fixtures	3 15 years

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

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 Life
Development costs	5 15 years
Technology developed	5 10 years
Customer relations	8 20 years
Agreement for restriction of competition	3 4 years
Other intangible assets	3 5 years

Intangible assets acquired in business combinations are accounted for over their fair values at the acquisition date. Where an indication of impairment exists, the carrying amount of any intangible assets is assessed and written down immediately to its recoverable amount.

Research and development costs

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

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

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

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

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

2.4 Summary of significant accounting policies (Continued)

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

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

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 profit 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.

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 attached 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.

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

2.4 Summary of significant accounting policies (Continued)

Financial instruments

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

Financial assets and financial liabilities are recognized on the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

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

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

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

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cheques received deposits at banks and highly liquid investments with maturity periods of less than three months.

Trading securities

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

Available-for-sale financial assets

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

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

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

Trade receivables and impairment provision

Trade receivables that are created by the Group by way of providing goods or services directly to a debtor are carried at amortized cost. Short term receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

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

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.

Financial borrowings
Interest-bearing financial borrowings are initially measured at the fair value of the consideration received, less directly attributable costs and are subsequently measured at amortized cost, using the effective interest rate method. Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset which requires substantial period of time to get ready for its intended use or sale shall be capitalized over the cost of the asset. Other borrowing costs shall be recognized as an expense in the period it incurs.

Derecognition of financial assets and liabilities

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

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

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

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

Related Parties
(a) A person or a close member of that person's family is related to a reporting entity if that person:
(i) Has control or joint control over the reporting entity;
(ii) Has significant influence over the reporting entity; or
(iii) Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(i) The entity and the company are members of the same group.
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.

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

2.4 Summary of significant accounting policies (Continued)

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

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

Taxation and deferred taxes
Income tax expense comprises 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.

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

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

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

2.4 Summary of significant accounting policies (Continued)

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

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

eLogo 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. eLogo, 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 eLogo private Integrator Service manage their approval processes on web. Private Integrator Service is carried out as credit sales. Revenue recognition is made according to rates of credit usage.

Logo Enterprise Membership ("LEM") sales and version upgrade package sales
Logo Enterprise Membership is an insurance package that provides free ownership for all the charged version updates which protect enterprises against all the legal amendments and which includes new features that will contribute new values to the products throughout the year. Enterprises which buy LEM obtain the basic maintenance and support services necessary for high performance functioning of Enterprise Resource Planning, besides receiving all the legal changes and charged version changes free of charge. LEM sales are recognized on an accrual basis over the contract period. The Group gives LEM for free with the initial sale of the main software. 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 revenues from post delivery customer support are recognized on the accrual basis based on the terms of the agreements. The post delivery customer support services are mainly provided by the business partners.

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

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

Royalty and rental income - on an accrual basis,
Interest income - on an effective yield basis,
Dividend income - when the Company's right to receive payment is established

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

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

2.4 Summary of significant accounting policies (Continued)

Provision of distribution premium
The group set annual sale 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 associated with profit and loss statements.

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.

Personnel bonus provision
Provision for bonus is provided when the bonus is a legal obligation, or past practice would make the bonus a constructive obligation and the Group is able to make a reliable estimate of the obligation.

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

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.

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

2.4 Summary of significant accounting policies (Continued)

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").

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. Management monitors the Group's operations in Turkey and Romania, separately.

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.

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

2.5 Significant accounting estimates and assumptions (Continued)

Useful lives of intangible assets

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

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 fair value less cost of disposal ("FVLCD") 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 2017 has been provided with the comparative financial information of 31 December 2016 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 2017 have been provided with the comparative financial information, for the period ended 31 December 2016.

In order to comply with the presentation of consolidated interim 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 4,632,563 between "Reserves for treasury shares" and "Retained earnings" on the consolidated balance sheet of the Group prepared as of 31 December 2016.

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

NOTE 3 - SEGMENT REPORTING

The Group's Chief Operating Decision-Maker is responsible for allocating resources and assessing performance of the operating segments. Adjusted earnings before interest, tax, depreciation and amortization ("EBITDA") 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).

31 December 2017	Turkey	Romania	Other	Segmental eliminations	Consolidated
Reportable segment assets	232.200.817	151.737.093	4.315.056	(5.087.478)	383.165.488
Reportable segment liabilities	85.326.963	91.640.648	2.009.888	(5.087.478)	173.890.021
Goodwill	83.294.475				83.294.475
Property and equipment and intangible assets	87.031.485	39.852.461	1.659.969		128.543.915

2017	Turkey	Romania	Other	Segmental eliminations	Consolidated
Revenue	181.240.115	74.928.799			256.168.914
Cost of sales	(3.845.561)	(8.200.959)			(12.046.520)
Operating expense	(108.278.563)	(73.932.249)	(3.229.921)		(185.440.733)
Financial income	1.070.665	1.687.534			2.758.199
Financial expense	(3.056.986)	(5.516.417)	(987)		(8.574.390)
Depreciation and amortization	(19.135.678)	(4.677.630)	(131.278)		(23.944.586)
Investment under accounted equity income/(loss)	(1.407.831)				(1.407.831)
Tax expense	(2.491.808)	(661.242)			(3.153.050)
Profit for the period	63.141.877	(10.173.141)	(3.213.470)		49.755.266
Adjusted EBITDA	97.869.485	(11.882.039)	(3.361.199)		82.626.247
Purchase of property and equipment and intangible assets	30.321.555	9.731.717	1.797.784		41.851.056

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

2017	Consolidated
Adjusted EBITDA	82.626.247
Depreciation and amortization	(23.944.586)
Income from investing activities	285.885
Investment under accounted equity income/(loss)	(1.407.831)
Other income from operating activities	5.390.195
Other expense from operating activities	(4.225.403)
Financial income	2.758.199
Financial expense	(8.574.390)
Profit before tax	**52.908.316**

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NOTE 3 - SEGMENT REPORTING (Continued)

31 December 2016	Turkey	Romania	Segmental eliminations	Consolidated
Reportable segment assets	254.286.710	73.250.280		327.536.990
Reportable segment liabilities	86.799.234	76.579.891		163.379.125
Goodwill	75.386.762			75.386.762
Property and equipment and intangible assets	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 expense	(94.707.774)	(21.895.336)		(116.603.110)
Financial income	3.678.993	297.536		3.976.529
Financial expense	(2.260.274)	(1.571.346)		(3.831.620)
Depreciation and amortization	(15.313.474)	(1.782.135)		(17.095.609)
Investment under accounted equity income/(loss)	(267.981)			(267.981)
Tax expense	(3.626.906)	(671.232)		(4.298.138)
Profit for the period	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

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
Investment under accounted equity income/(loss)	(267.981)
Other income from operating activities	3.531.905
Other expense from operating activities	(21.476.474)
Financial income	3.976.529
Financial expense	(3.831.620)
Profit before tax	**51.238.290**

NOTE 4 - BUSINESS COMBINATION

Acquisition of Total Soft

The Group acquired 100% of Total Soft 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 Total Soft's previous shareholders.

The Group, with respect to aforementioned acquisition process, accounted for Total Soft. in accordance with TFRS 3, "Business Combination". The fair values of identifiable assets acquired and liabilities were determined based on the valuation report performed as a part of purchase price alloacation study.

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NOTE 4 - BUSINESS COMBINATION (Continued)

As of the acquisition date, TRY equivalents of RON denominated 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**

The identifiable assets determined as a result of the purchase price allocation for Total Soft acquisition are amortized over 12 years for development costs, 10 years for customer relationship ,7 to 10 years for advanced technology and 2 to 4 years for the other intangible assets.

The goodwill amount calculated is recognized in financial statements of Logo Yazılım which is the ultimate controlling party of the Group. The goodwill arising from foreign economic unit acquisition, since it is assumed as the assets of foreign economic unit, the goodwill amount of Total Soft is recognized based on the functional currency which is RON in the concept of TMS 21, "The effects of changes in foreign exchange rates". The goodwill amount calculated as of the date of acquisition is 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**

NOTE 5 - CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents as of 31 December 2017 and 31 December 2016 is as follows:

	31 December 2017	31 December 2016
Cash	22.472	21.013
Banks		
Demand deposits TRY	2.348.730	1.097.542
Demand deposits foreign currency	8.763.832	15.011.551
Time deposits TRY	8.957.092	260.000
Time deposits foreign currency		2.639.400
Credit card slip receivables	30.558.652	24.478.417
Checks received	245.582	
Blocked cash (*)	737.254	
	51.633.614	**43.507.923**

(*) Restricted cash consist of cash guarantees given by the Total Soft to its customers and the maturities are less than three months.

As of 31 December 2017, the weighted average effective annual interest rates of TRY denominated time deposits are between 11,00% and 14,00% (31 December 2016: 6,00% and 12,50%).

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NOTE 6 - FINANCIAL ASSETS

Trading securities:

The analysis of financial assets at fair value through profit and loss at 31 December 2017 and 2016 is as follows:

	31 December 2017	31 December 2016
Mutual funds		
Liquid funds		279.986

Available-for-sale equity securities:

The analysis of non-current financial assets at 31 December 2017 and 2016 is as follows:

	31 December 2017		31 December 2016	
	Share (%)	Carrying amount	Share (%)	Carrying amount
Logo Ventures Girişim Sermayesi Yatırım Fonu ("Logo Ventures")	20,00	1.000.000		
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
		1.130.653		**130.653**

Logo Ventures, İnterpro and Dokuz Eylül are assessed as available-for-sale financial asset as of 31 December 2017 and 2016. Since they do not have any quoted market price in an active market, their fair value cannot be measured reliably. Their costs are not material to the consolidated financial statements, therefore they have been carried at cost.

NOTE 7 - INVESTMENT UNDER EQUITY METHOD

Movement statements of investments under equity method within the period like below:

	2017	2016
As of 1 January	**737.533**	**-**
Participation in capital increase of joint venture	1.228.961	1.005.514
Profit/(loss) share	(1.407.831)	(267.981)
As of 31 December	**558.663**	**737.533**

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

Summary of balance sheet

FIGO	31 Aralık 2017	31 Aralık 2016
Cash and cash equivalents	212.059	704.534
Other current assets	247.509	110.344
Other non current assets	160.717	136.177
Total assets	**620.285**	**951.055**
Other short-term liabilities	**98.816**	**71.849**
Total liabilities	**98.816**	**71.849**
Net assets	**521.469**	**879.206**

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

NOTE 7 - INVESTMENT UNDER EQUITY METHOD (Continued)

Summary income statement information

Since the Group's business partnership FIGO started its operations on 10 October 2016, information related to the summary income statement does not include comparatives.

FIGO	2017
Income	65.563
Expenses ( )	(2.881.225)
Net loss for the period	**(2.815.662)**
Ownership ratio of the Group	50%
Group's share	(1.407.831)
Share of losses of investment under equity method	**(1.407.831)**

NOTE 8 - BORROWINGS

Details of borrowings as of 31 December 2017 and 31 December 2016 is as follows:

Short-term bank borrowings:	**31 December 2017**	**31 December 2016**
Short term bank borrowings	1.759.193	56.639.008
Credit card payables	58.967	159.014
	1.818.160	**56.798.022**
Short-term portion of long-term bank borrowings:		
Short term portion of long term bank borrowings	16.972.616	5.825.342
Financial leases	494.044	473.426
	17.466.660	**6.298.768**
Total short-term bank borrowings	**19.284.820**	**63.096.790**
Long-term bank borrowings:	**31 Aralık 2017**	**31 Aralık 2016**
Long term bank borrowings	45.372.436	2.948.375
Financial leases	801.411	657.607
Total long-term bank borrowings	**46.173.847**	**3.605.982**

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NOTE 8 - BORROWINGS (Continued)

	31 December 2017		
	Weighted average annual interest rate (%)	**Original amount**	**TRY equivalent**
Short-term bank borrowings:			
Bank borrowings RON unsecured		1.825.381	1.759.193
Credit cards TRY		58.967	58.967
			1.818.160
Short-term portion of long-term bank borrowings:			
Bank borrowings Euro secured	Euribor+2.25	1.802.601	8.053.667
Financial leases Euro		110.579	494.044
Bank borrowings Euro	2,50	1.996.272	8.918.949
			17.466.660
Long-term bank borrowings:			
Bank borrowings Euro secured	2,50	10.155.426	45.372.436
Financial leases Euro		179.375	801.411
			46.173.847
Total borrowings			**65.458.667**

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

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NOTE 8 - BORROWINGS (Continued)

The redemption schedules of long-term borrowings at 31 December 2017 and 31 December 2016 are as follows:

	31 December 2017	31 December 2016
To be paid within 1 2 years	18.522.125	3.251.042
To be paid within 2 5 years	27.651.722	354.940
	46.173.847	**3.605.982**

	Net book value		Fair value	
	2017	2016	2017	2016
Borrowings	64.104.245	65.412.725	68.773.430	66.082.184
	64.104.245	**65.412.725**	**68.773.430**	**66.082.184**

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

NOTE 9 - TRADE RECEIVABLES AND PAYABLES

The details of trade receivables and payables as of 31 December 2017 and 31 December 2016 are as follows:

Short-term trade receivables:	31 December 2017	31 December 2016
Trade receivables	89.591.194	87.589.858
Credit card receivables	37.701.792	25.623.742
Cheques and notes receivables	2.735.947	2.850.196
Income accruals		69.451
Less: provision for doubtful receivables	(21.628.975)	(21.095.832)
Less: unearned finance income arising from credit sales	(3.875.934)	(2.130.939)
	104.524.024	**92.906.476**

As of 31 December 2017, the average turnover of the trade receivables is 123 days (31 December 2016: 117 days), excluding the credit card receivables, the turnover day is 83 days (31 December 2016: 72 days), The discount rate applied to the unmatured receivables is 13.10% (31 December 2016: 8.82%)

As of 31 December 2017, TRY12.149.007 of trade receivables (31 December 2016: TRY16.575.792) were past due but not impaired. The aging analysis of these trade receivables is as follows:

	31 December 2017	31 December 2016
Up to 1 month	4.469.151	1.169.448
1 3 months	1.735.726	596.012
More than 3 moths	5.944.130	14.810.332
	12.149.007	**16.575.792**

As of 31 December 2017, TRY8.761.321 of over due receivables consist of trade receivables of Total Soft (31 December 2016: TRY13.004.274). Group manages its receivables in accordance with credit risk management policies which is explained in Note 30.

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NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

The movement of provision for doubtful receivables for the periods ended 31 December 2017 and 2016 are as follows:

	2017	2016
As of 1 January	**21.095.832**	**6.451.544**
Provisions for the year	1.729.080	2.126.774
Releases	(3.721.143)	(144.155)
Acquisition of subsidiary		11.528.450
Foreign currency translation difference	2.525.206	1.133.219
As of 31 December	**21.628.975**	**21.095.832**

Trade payables to third parties:	**31 Aralık 2017**	**31 Aralık 2016**
Trade payables	20.198.763	16.493.822

As of 31 December 2017, the average debt payment period is 71 days (31 December 2016: 75 days).

The table below shows the maximum exposure of the Group to credit risk as of 31 December 2017 and 31 December 2016:

	Trade receivables		Other receivables		
31 Aralık 2017	**Related party**	**Other**	**Related party**	**Other**	**Cash at bank**
The maximum of credit risk exposure at the reporting date		104.524.024	3.375.068	861.300	51.365.560
Amount of risk covered by guarantees		*582.724*			
Net carrying value of not past due and not impaired financial assets		92.375.017	3.375.068	861.300	51.365.560
Net carrying value of past due but not impaired financial assets		12.149.007			
Amount of risk covered by guarantees					
Net carrying value of impaired assets					
Past due (gross carrying value)		*21.628.975*			
Provision for impairment ( )		*(21.628.975)*			
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 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.

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

Short-term other receivables from third parties:	**31 December 2017**	**31 December 2016**
Deposits and guarantees given	389.246	147.362
Income accruals	311.442	
	700.688	**147.362**

Long-term other receivables from third parties:	**31 Aralık 2017**	**31 Aralık 2016**
Long term other receivables	160.612	160.612

Short-term other payables to third parties:	**31 Aralık 2017**	**31 Aralık 2016**
Taxes payable	6.892.841	6.865.594
Other		332.766
	6.892.841	**7.198.360**

Long-term other payables to third parties:	**31 Aralık 2017**	**31 Aralık 2016**
Long term payables for Vardar acquisition (*)	1.249.292	1.249.292
Long term payables for Intermat acquisition (*)	560.122	1.492.429
	1.809.414	**2.741.721**

(*) Consists of performance premium payments for Vardar and Intermat.

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NOTE 11 - INVENTORIES

	31 December 2017	31 December 2016
Trade goods	587.559	832.761
Raw materials and equipment	14.726	79.004
Other	2.015	9.889
Provision for impairment of inventories ( )		(599.516)
	604.300	**322.138**

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2017	Additions	Disposals	Currency translation differences	31 December 2017
Costs:					
Machinery, plant and equipment	8.040.756	1.161.334	(312.537)	191.984	9.081.537
Motor vehicles	2.462.846	218.278	(883.262)	439.429	2.237.291
Furniture and fixtures	4.781.587	685.213	(11.672)	55.325	5.510.453
Leasehold improvements	20.618.937	1.963.706		23.938	22.606.581
	35.904.126	**4.028.531**	**(1.207.471)**	**710.676**	**39.435.862**
Accumulated depreciation:					
Machinery, plant and equipment	6.033.557	1.120.930	(295.863)	55.985	6.914.609
Motor vehicles	244.408	1.005.486	(679.695)	35.287	605.486
Furniture and fixtures	3.549.714	355.823	(9.711)	15.458	3.911.284
Leasehold improvements	7.098.513	957.136		7.129	8.062.778
	16.926.192	**3.439.375**	**(985.269)**	**113.859**	**19.494.157**
Net book value	**18.977.934**				**19.941.705**

	1 January 2016	Additions	Acquisition of subsidiary	Disposals	Currency translation differences	31 December 2016
Costs:						
Machinery, plant 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, plant 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**

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. The Group has an obligation to pay, in acknowledgement of 7.843 USD of monthly rent, TRY354.996 till 1 year, TRY1.419.985 between 1-5 years and TRY6.661.281 more than 5 years for relevant land (31 December 2016: TRY331.213 till 1 year, TRY1.324.852 between 1-5 years, TRY6.546.219 more than 5 years).

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NOTE 13 - INTANGIBLE ASSETS

	1 January 2017	Additions	Currency translation differences	31 December 2017
Costs:				
Development costs	119.975.822	37.312.654	3.913.483	161.201.959
Advanced technology	15.258.917		397.645	15.656.562
Customer relations	18.274.146		1.208.301	19.482.447
Non compete agreement	2.747.778			2.747.778
Other intangible assets	7.117.018	509.871	41.782	7.668.671
	163.373.681	**37.822.525**	**5.561.211**	**206.757.417**
Accumulated Depreciation:				
Development costs	60.217.975	15.858.113	444.042	76.520.130
Advanced technology	4.555.533	1.830.849	66.438	6.452.820
Customer relations	4.862.180	2.036.372	90.026	6.988.578
Non compete agreement	2.423.648	269.241		2.692.889
Other intangible assets	4.978.343	510.636	11.811	5.500.790
	77.037.679	**20.505.211**	**612.317**	**98.155.207**
Net book value	**86.336.002**			**108.602.210**

Additions amounting to TRY37,220,780 to development costs for the year ended 31 December 2017 (2016: TRY22,889,642) consists of capitalised personnel costs.

TRY23,128,415 (2016: TRY16,402,673) of the current year's depreciation and amortization expenses has been allocated to research and development expenses, TRY388,104 (2016: TRY281,507) has been allocated to marketing expenses, TRY428,067 (2016: TRY411,429) has been allocated to general administrative expenses (Note 21).

	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**

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NOTE 14 - GOODWILL

	31 December 2017	31 December 2016
Total Soft	75.815.823	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
	83.294.475	**75.386.762**

Movement table of goodwill for the years ended 31 December 2017 and 2016 are as follows;

	2017	2016
As of 1 January	**75.386.762**	**7.478.652**
Acquisition of subsidiaries (*)		61.828.033
Currency translation difference	7.907.713	6.080.077
As of 31 December	**83.294.475**	**75.386.762**

(*) Note 4.

Goodwill is subject to impairment test every year. The recoverable amounts of cash generating units are determined based on fair value less cost of disposal ("FVLCD").

Goodwill impairment test - Total Soft

FVLCD is determined by discounting the expected future discounted cash flows to be generated by the cash-generating unit. The below key assumptions are used in the calculation of the recoverable value of CGU as of 31 December 2017:

For the purpose of goodwill impairment testing, the business projections prepared by the management for the periods between 1 January 2018 and 31 December 2021. 19,5% has been used as cumulative average growth rate the years between 2018 and 2021.

Cash flows for future periods (perpetuity) were extrapolated using a constant growth rate of 2,5% which is the long-term inflation rate announced by the Central Bank of Romania.

Weighted average cost of capital rate of 13,1% has been used as after tax discount rate in order to calculate the recoverable amount of the unit.

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

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

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

Long term growth rate

Originally, the long term growth rate is assumed to be 2,5%. Has the rate been assumed to be as 2%, the recoverable amount would have been 7% higher than the goodwill included book value of cash generating unit including goodwill and still no impairment provision would have been provided for.

Discount rate

Originally, the discount rate is assumed to be 13,1%. Has the rate been assumed to be as 14,1%, the recoverable amount would have been 4% higher than the book value of cash generating unit and resulting no impairment provision would have been provided for.

Goodwill impairment test – Netsis

The impairment test of goodwill related with Netsis acquisition has been performed using the cash flows for the year ended 31 December 2017 and current book value. As of 31 December 2017, it is noted that the current cash flows of the cash generating unit exceeds its book value by 145%. Management does not expect any negative cash flows from Netsis in the foreseeable future.

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NOTE 15 - COMMITMENTS AND CONTINGENT LIABILITIES

Guarantees received:

		31 December 2017		31 December 2016	
	Original currency	**Original amount**	**TRY equivalent**	**Original amount**	**TRY equivalent**
Guarantee notes	TRY	222.724	222.724	515.531	515.531
	USD			34.950	122.996
Mortgages	TRY	360.000	360.000	60.000	60.000
			582.724		**698.527**

As of 31 December 2017 and 31 December 2016, guarantee/pledge/mortgage ("GPM") given by the Company on behalf of its legal entity are as follows:

GPM given by the Company:

	31 December 2017				31 December 2016		
	Euro	**USD**	**RON**	**TRY**	**Euro**	**USD**	**TRY**
A. Total amount of Guarantees provided by the Company on behalf of itself		292.616		409.020		556.660	1.015.620
B. Total amount of Guarantees provided on behalf of the associates accounted under full consolidation method (*)	62.970.985		61.976		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							
	62.970.985	**292.616**	**61.976**	**409.020**	**67.299.900**	**556.660**	**1.015.620**

(*) Note 8.

The lawsuits filed against the Group total TRY4.382.197 The Group's management does not expect any cash outflows regarding these lawsuits therefore, no provisions has been accounted in the consolidated financial statements.

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NOTE 16 - EMPLOYEE BENEFITS

Short - term payables for employee benefits:	**31 December 2017**	**31 December 2016**
Taxes, funds and social security payables	4.804.739	3.804.409
Due to personnel	3.568.428	2.652.681
	8.373.167	**6.457.090**

Short - term provisions for employment benefits:	**31 December 2017**	**31 December 2016**
Provision for employment benefits	12.850.335	11.609.615

Long - term provisions for employment benefits:	**31 December 2017**	**31 December 2016**
Provision for employment termination benefits	4.341.706	3.281.749
Provision for unused vacation liability	3.956.857	3.033.583
	8.298.563	**6.315.332**

The movement of provision for unused vacation liability for the years ended 31 December 2017 and 2016 is as follow:

	2017	**2016**
As of 1 January	**3.033.583**	**1.455.909**
Increase for the period	649.772	257.480
Acquisition of subsidiaries		1.201.992
Currency translation difference	273.502	118.202
As of 31 December	**3.956.857**	**3.033.583**

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 TRY5,001.76 for each year of service at 1 January 2018 (1 January 2017: TRY4,297.21).

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":

	31 December 2017	**31 December 2016**
Discount rate (%)	4,69	4,00
Turnover rate to estimate the probability of retirement (%)	93,40	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 TRY5,001.76 which is effective from 1 January 2018 (1 January 2017: TRY4,426.16) has been taken into consideration in the calculations.

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NOTE 16 - EMPLOYEE BENEFITS (Continued)

The movement in the provision for employment termination benefits during the years ended 31 December 2017 and 2016 were as follows:

	2017	2016
As of 1 January	**3.281.749**	**2.651.362**
Service cost	467.308	359.006
Interest cost	504.458	354.494
Actuarial gain/(loss)	1.129.795	(19.640)
Payments during the year	(1.041.604)	(63.473)
As of 31 December	**4.341.706**	**3.281.749**

NOTE 17 - PREPAID EXPENSES AND DEFERRED REVENUE

Short - term prepaid expenses:	**31 December 2017**	**31 December 2016**
Prepaid expenses	2.775.530	1.946.104
	2.775.530	**1.946.104**

Long - term prepaid expenses:	**31 December 2017**	**31 December 2016**
Advances given	3.006.485	1.786.750
	3.006.485	**1.786.750**

Short - term deferred revenues:	**31 December 2017**	**31 December 2016**
Deferred revenue	45.059.647	39.322.403
Advances received	1.276.868	1.426.888
	46.336.515	**40.749.291**

Deferred revenue mainly relates to LEM sales revenue, pay as you go sales, after-sales services, Netsis licence revenues and version upgrade package sales, customized software sales and Tübitak incentives billed but not earned.

The details of deferred revenues at 31 December 2017 and 31 December 2016 as follows:

	31 December 2017	**31 December 2016**
LEM sales	29.677.483	21.763.927
Pay as you go sales	10.101.004	13.226.576
Deferred revenue from continuing projects	4.268.985	3.893.029
After sales services revenue	1.012.175	438.871
	45.059.647	**39.322.403**

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NOTE 18 - EQUITY

The Company's authorized and paid-in share capital consists of 2,500,000,000 (31 December 2016: 2,500,000,000) shares with a nominal value of Kr 1 each. The shareholding structure of the Company as of 31 December 2017 and 31 December 2016 are as follows:

	31 December 2017	Share (%)	31 December 2016	Share (%)
Logo Teknoloji ve Yatırım A.Ş.	8.391.013	33,56	8.391.013	33,56
Mediterra Capital Partners I. LP (*)	1.279.781	5,12	1.279.781	5,12
Publicly traded	15.329.206	61,32	15.329.206	61,32
	25.000.000	**100**	**25.000.000**	**100,00**
Adjustment to share capital	2.991.336		2.991.336	
Total paid-in share capital	**27.991.336**		**27.991.336**	

(*) Consist of EAS S.A.R.L 4,96% and others.

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.

Treasury shares
As of 31 December 2017 the amount of treasure shares which is accounted in Group's equity is TRY4.632.563 (31 December 2016 : TRY4.632.563)

The amount and the number of shares related to the group shares that are bought back and the sales of these shares categorized by years are like below:

Year	Share	Purchase amount
2012	171.000	450.493
2013	1.711.495	8.163.509
2015	108.136	1.983.148
Total purchases	**1.990.631**	**10.597.150**

Year	Share	Sales amount	Purchase amount
2013	1.297.500	6.487.500	5.964.587
Total sales	**1.297.500**	**6.487.500**	**5.964.587**

The difference between purchase amounts and sales amounts amounting to TRY 522.913 is accounted under equity on the transaction dates.

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

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

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NOTE 18 - EQUITY (Continued)

Dividend advance payments can be made in accordance with Turkish Commercial Code and CMB regulations provided that General Assembly authorizes the Board of Directors to pay dividend advance, limited to the related year, to shareholders in accordance with the Articles of Associaton. The Group aims to complete the dividend payment before the last working day of the year in which dividend distribution decision is made in the General Assembly and starts the payment latest at the end of the accounting period when the General Assembly meeting is held. General Assembly or Board of Directors, if authorized by the General Assembly, can decide to distribute dividend in installments in line with CMB regulations.

Transactions with non-controlling interests

The Company owned 90,58% shares of eLogo and it further purchased eLogo's minority shareholder's 57 shares with a nominal value of TRY5.700 which is equal to 9,42% of total shares for
TRY 10.000.000. This transaction has been completed with the results of the valuation report prepared in accordance with international valuation standards and drafted by an independent valuation firm. Value of the shares has been calculated by using a minority share discount and results of the negotiations with ex-shareholders.

NOTE 19 - EXPENSES BY NATURE

As of 31 December 2017 and 2016, 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

	2017	2016
Revenue	188.613.937	166.634.986
Service revenue	64.531.242	23.773.353
Saas service revenue	9.148.552	8.192.074
Sales returns	(3.993.421)	(6.112.638)
Sales discounts	(2.131.396)	(2.113.669)
Net sales	**256.168.914**	**190.374.106**
Cost of sales	(12.046.520)	(4.756.358)
Gross profit	**244.122.394**	**185.617.748**

Cost of sales

	2017	2016
Cost of transfer of financial rights	11.347.277	4.517.323
Cost of trade goods sold	699.243	239.035
Cost of sales	**12.046.520**	**4.756.358**

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

Research and development expenses:

	2017	2016
Personnel expenses	59.642.886	32.686.796
Depreciation and amortization	23.128.415	16.402.673
Consultancy expenses	5.145.413	1.889.433
Motor vehicle expenses	2.632.476	1.788.948
Outsourced benefits and services	2.180.070	1.136.356
Rent expenses	2.100.921	829.773
Travel expenses	2.025.537	936.842
Other	5.141.595	3.697.314
	101.997.313	**59.368.135**

Marketing, selling and distribution expenses:

	2017	2016
Personnel expenses	21.792.939	17.184.814
Advertising and selling expenses	21.524.297	15.090.255
Consultancy expenses	2.477.703	1.720.462
Motor vehicle expenses	1.614.491	1.109.028
Outsourced benefits and services	1.085.021	743.677
Travel expenses	883.614	444.628
Rent expenses	640.571	443.319
Depreciation and amortization	388.104	281.507
Other	1.251.172	1.296.438
	51.657.912	**38.314.128**

General administrative expenses:

	2017	2016
Personnel expenses	20.925.576	11.416.255
Consultancy expenses	5.032.768	3.852.648
Travel expenses	936.246	592.543
Motor vehicle expenses	864.807	471.319
Rent expenses	779.283	230.535
Outsourced benefits and services	466.823	241.775
Depreciation and amortization	428.067	411.429
Other	2.351.938	1.704.343
	31.785.508	**18.920.847**

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NOTE 22 - OTHER OPERATING INCOME/EXPENSES

Other operating income

	2017	2016
Foreign exchange gains (*)	1.971.374	1.156.131
Overdue interest income	724.019	392.614
Rediscount income	211.188	1.623.380
Other	2.483.614	359.780
	5.390.195	**3.531.905**

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

Other operating expenses

	2017	2016
Rediscount expenses	2.105.718	712.696
Foreign exchange losses (*)	1.793.150	509.507
Provision expense	276.691	1.383.490
Other (**)	49.844	18.870.781
	4.225.403	**21.476.474**

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

(**) This arises from one off premiums paid to top management for the ongoing high performance of the Company after the share sale to qualified corporate investors that was ended at 31 October 2016.

NOTE 23 - INCOME FROM INVESTING ACTIVITIES

	2017	2016
Gain on sale of financial instruments	285.885	291.293
	285.885	**291.293**

NOTE 24 - FINANCIAL INCOME

	2017	2016
Foreign exchange gains	2.343.240	1.588.955
Interest income	414.959	2.387.574
	2.758.199	**3.976.529**

NOTE 25 - FINANCIAL EXPENSES

	2017	2016
Foreign exchange losses	3.787.523	1.943.329
Interest expense	2.727.207	691.069
Credit card commissions	1.136.898	688.264
Severance pay interest expense	504.458	344.583
Other financial expenses	418.304	164.375
	8.574.390	**3.831.620**

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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 IFRS and its tax base of statutory financial statements. These differences usually result in the recognition of revenue and expense items in different periods for IFRS 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.

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 2017 and 31 December 2016 using the enacted tax rates, is as follows:

	Total temporary differences		Deferred tax assets/ (liabilities)	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Deferred income tax assets:				
Rediscount of trade receivables and payables	3.996.713	2.109.079	799.343	421.816
Provision for expense accruals	2.914.527	6.614.136	582.905	1.322.827
Provision for employee termination benefits	2.750.543	1.564.278	550.109	312.856
Provision for doubtful receivables	2.359.687	2.233.823	471.937	446.765
Deferred income	690.145	686.372	138.029	137.274
			2.542.323	**2.641.538**
Deferred income tax liabilities:				
Difference between the tax base and carrying value of property, equipment and intangible assets	(23.940.605)	(16.335.323)	(4.788.121)	(2.998.513)
Other		(1.578.290)		(327.246)
			(4.788.121)	**(3.325.759)**
Deferred income tax assets/(liabilities), net			**(2.245.798)**	**(684.221)**

The reconciliation of current period tax expense for the periods ending 31 December 2017 and 2016 is as follows:

Deferred tax assets	**2017**	**2016**
To be recovered less than 12 months	1.767.516	2.328.682
To be recovered more than 12 months	774.807	312.856
	2.542.323	**2.641.538**
Deferred tax liabilities		
To be recovered more than 12 months	(4.788.121)	(3.325.759)
	(4.788.121)	**(3.325.759)**
Deferred income tax assets/(liabilities), net	**(2.245.798)**	**(684.221)**

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NOTE 26 - TAX ASSETS AND LIABILITIES (Continued)

Movement of deferred taxes for the periods is as follows:

	2017	2016
As of 1 January	**(684.221)**	**1.874.043**
Acquisition of subsidiary		(1.907.054)
Accounted under profit or loss	(871.482)	(517.365)
Currency translation difference	(813.905)	(132.274)
Accounted under other comprehensive income	123.810	(1.571)
As of 31 December	**(2.245.798)**	**(684.221)**

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 2017 is 20% (2016: 20%). The law regarding amendments on Certain Tax Laws was approved in the Parliament on 28 November 2017 and the Law was published in the Official Gazette on 5 December 2017. Accordingly, the corporate income tax rate for all companies will be increased from 20% to 22% for the years 2018, 2019 and 2020. The corporate tax rate is 16% in Romania (2016: 16%). The corporate tax rate is 30% in India (2016: 34,61%).

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.

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.

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NOTE 26 - TAX ASSETS AND LIABILITIES (Continued)

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.

	31 December 2017	31 December 2016
Current income tax expense	2.281.568	3.780.773
Prepaid taxes and funds ( )	(1.749.956)	(1.961.872)
Current income tax liabilities	**531.612**	**1.818.901**

	2017	2016
Current income tax expense	(2.281.568)	(3.780.773)
Deferred tax expenses	(871.482)	(517.365)
Current income tax charge	**(3.153.050)**	**(4.298.138)**

Income tax reconciliation:	**2017**	**2016**
Profit before income tax	52.908.316	51.238.290
Tax calculated at enacted tax rate in Turkey (20%)	(10.581.663)	(10.247.658)
Non deductible expenses	(5.011.065)	(4.190.238)
Income not subject to tax	13.935.601	10.180.334
Tax rate difference (*)	(70.115)	(40.576)
Accumulated loss on deferred tax assets	(1.425.808)	
Income tax expense	**(3.153.050)**	**(4.298.138)**

(*) The applicable tax rate in Romania and India are 16% and 30% as of 31 December 2017 (2016: 16% and 34,61%).

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NOTE 27 - EARNINGS/LOSS PER SHARE

The earnings per 1,000 shares with nominal value of Kr 1 amounted to TRY20,33 for the 31 December 2017 (2016: TRY18,14).

	2017	2016
Net income attributable to equity holders of the parent	50.828.565	45.339.470
Average number of shares for the period	2.500.000.000	2.500.000.000
Earnings per share	**20,33**	**18,14**

NOTE 28 - RELATED PARTY DISCLOSURES

a) Due from related parties at 31 December 2017 and 31 December 2016:

Long-term other receivables from related parties:	31 December 2017	31 December 2016
Receivables from other shareholders	3.375.068	1.970.534
Receivables from shareholders (*)		950.000
	3.375.068	**2.920.534**

(*) Related balance consists of advances given for the purchases of eLogo shares.

b) Sales to related parties, services given to related parties and financial income from related parties during the periods ended 31 December 2017 and 2016:

Services given to related parties

	2017	2016
Logo Teknoloji ve Yatırım A.Ş.	361.937	27.888
Logo Siber	359.828	212.736
	721.765	**240.624**

c) Services purchased from related parties and other transactions with related parties during the periods ended 31 December 2017 and 2016:

Services purchase from related parties

	2017	2016
Logo Teknoloji ve Yatırım A.Ş.	52.094	344.738
	52.094	**344.738**

d) Remuneration of the executive management:

	2017	2016
Paid wages and premiums (*)	6.066.064	20.138.586

(*) Payments described in Note 22 are included.

The executive management (executive management includes general manager (CEO) and assistant general managers) for the years ended 31 December 2017 and 2016 comprise short-term employment benefits including salary, bonus and other short-term benefits. There have been no post- employment benefits, other long-term employment benefits, other termination benefits and share-based payments in the years ended 31 December 2017 and 2016.

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

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 TRY100.000.000 that can be utilized whenever needed.

	31 December 2017					
Non-derivative financial instruments	**Carrying value**	**Contractual cash outflow (I+II+III+IV)**	**Up to 3 months (I)**	**Between 3-12 months (II)**	**Between 1-5 years (III)**	**More than 5 years (IV)**
Borrowings	65.458.667	71.572.424	4.657.926	16.427.732	40.576.736	9.910.030
Trade payables						
Trade payables to third parties	*20.198.763*	*20.198.763*	*20.198.763*			
Due to personnel	8.373.167	8.373.167	8.373.167			
Other Payables						
Other payables to third parties	*8.702.255*	*8.702.255*	*6.892.841*		*1.809.414*	
Total Liabilities	**102.732.852**	**108.846.609**	**40.122.697**	**16.427.732**	**42.386.150**	**9.910.030**

	31 December 2016					
Non-derivative financial instruments	**Carrying value**	**Contractual cash outflow (I+II+III+IV)**	**Up to 3 months (I)**	**Between 3-12 months (II)**	**Between 1-5 years (III)**	**More than 5 years (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 personnel	6.457.090	6.457.090	6.457.090			
Other Payables						
Other payables to third parties	*9.940.081*	*9.940.081*	*9.940.081*			
Total Liabilities	**99.593.765**	**99.862.519**	**87.583.252**	**8.673.285**	**3.605.982**	**-**

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

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 2017	31 December 2016
Financial instruments with fixed interest rate		
Financial assets		
Financial assets at fair value through profit or loss	*8.957.092*	*2.899.400*
Financial liabilities	65.458.667	66.702.772
Financial instruments with float interest rate		
Financial liabilities	8.053.667	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.

Foreign exchange rates used to translate the Group's assets and liabilities denominated in foreign currencies into TRY at 31 December 2017 and 31 December 2016 are as follows:

	31 Aralık 2017	31 Aralık 2016
USD	3,7719	3,5192
Euro	4,5155	3,7099

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

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 2017

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

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

		Foreign currency position as of 31 December 2017			
		TRY equivalent	**USD**	**Euro**	**Other**
1.	Trade receivables	8.264.904	386.244	1.507.701	
2a.	Monetary financial assets, (cash, and banks accounts included))	7.125.605	244.260	1.373.145	3.850
2b.	Non monetary financial assets				
3.	Other				
4.	**Current assets (1+2+3)**	**15.390.509**	**630.504**	**2.880.846**	**3.850**
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)**	**15.390.509**	**630.504**	**2.880.846**	**3.850**
10.	Trade payables	(747.958)	(44.097)	(128.807)	
11.	Financial liabilities	(17.466.660)		(3.909.452)	
12a.	Other monetary liabilities				
12b.	Other non monetary liabilities				
13.	**Non-current liabilities (10+11+12)**	**(18.214.618)**	**(44.097)**	**(4.038.259)**	**-**
14.	Trade payables				
15.	Financial liabilities	(46.173.847)		(10.334.801)	
16a.	Other monetary liabilities				
16b.	Other non monetary liabilities				
17.	**Non-current liabilities (14+15+16)**	**(46.173.847)**	**-**	**(10.334.801)**	**-**
18.	**Total liabilities (13+17)**	**(64.388.465)**	**(44.097)**	**(14.373.060)**	**-**
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)**	**(48.997.956)**	**586.407**	**(11.492.214)**	**3.850**
21.	**Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)**	**(48.997.956)**	**586.407**	**(11.492.214)**	**3.850**
22.	Fair value of derivative instruments used in foreign currency hedge				
23.	Export	(29.609.535)			
24.	Import				

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

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				

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

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

Foreign currency sensitivity

	31 December 2017			
	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	221.188	(221.188)		
2 Hedged portion from USD risks ( )				
3- USD net effect (1+2)	**221.188**	**(221.188)**	**-**	**-**
Change of EUR against TRY by 10%				
4 EUR net assets/liabilities	(5.189.307)	5.189.307		
5 Hedged portion from EUR risks ( )				
6- EUR net effect (4+5)	**(5.189.307)**	**5.189.307**	**-**	**-**
Change of other currencies against TRY by 10%				
7 Other currencies net assets/liabilities	385	(385)		
8 Hedged portion from other currency risks ( )				
9- Other currencies net effect (7+8)	**385**	**(385)**	**-**	**-**
Total (3+6+9)	**(4.967.734)**	**4.967.734**	**-**	**-**

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

	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	829.208	(829.208)		
2 Hedged portion from USD risks ( )				
3- USD net effect (1+2)	**829.208**	**(829.208)**	**-**	**-**
Change of EUR against TRY by 10%				
4 EUR net assets/liabilities	(3.740.737)	3.740.737		
5 Hedged portion from EUR risks ( )				
6- EUR net effect (4+5)	**(3.740.737)**	**3.740.737**	**-**	**-**
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)	**(2.911.477)**	**2.911.477**	**-**	**-**

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 2017	31 December 2016
Total payables	85.657.430	83.196.594
Less: Cash and cash equivalents	(51.633.614)	(43.507.923)
Net Debt	34.023.816	39.688.671
Total equity	208.508.292	160.802.613
Total capital	242.532.108	200.491.284
Debt/equity ratio (%)	**14%**	**20%**

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.

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 2017 is as follows:

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

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		

NOTE 31 - EVENTS AFTER BALANCE SHEET DATE

Total Soft, a subsidiary of the Company, has signed an initial agreement with Architected Business Solutions ("ABS") to buy whole shares of ABS and merge ABS with Total Soft as a part of its growth strategy. ABS is a Romania-based international consultancy firm specialized in retail, technology and outsourcing. After the acquisition and merger process is completed, it is planned that ABS shareholders will own 20% Total Soft's shares.

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