

#### Global overview

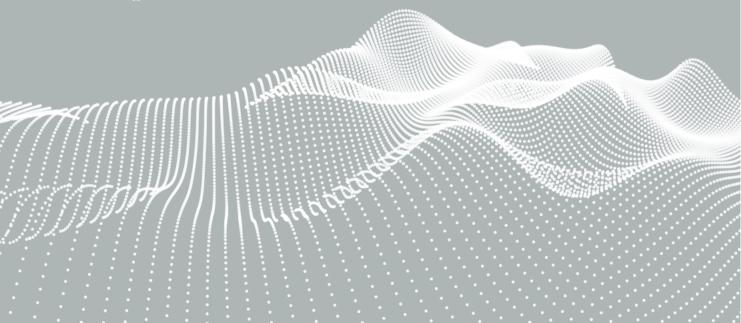
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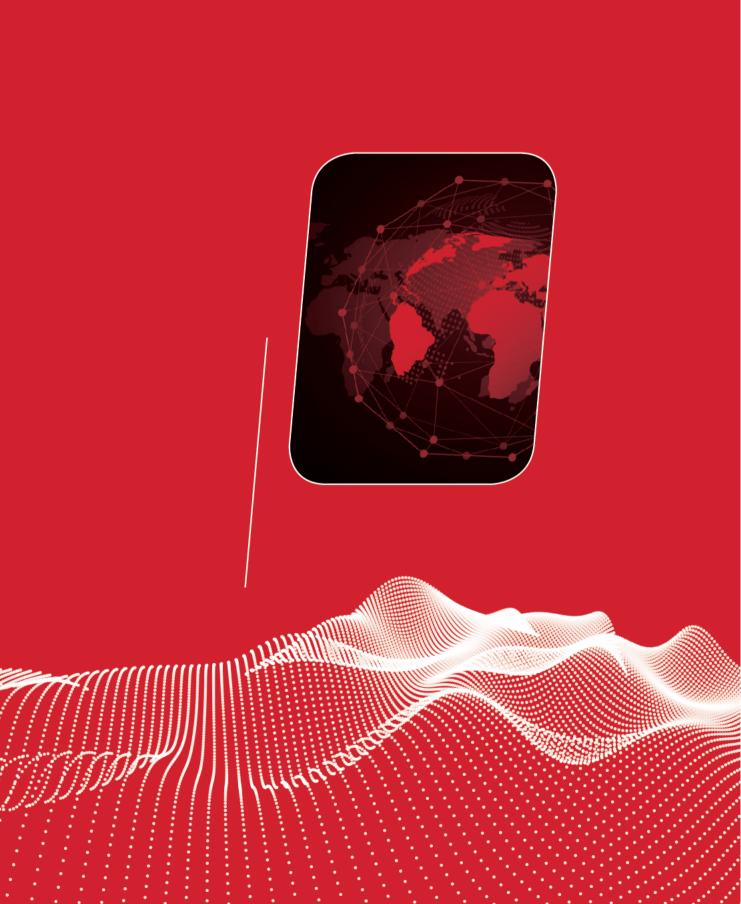
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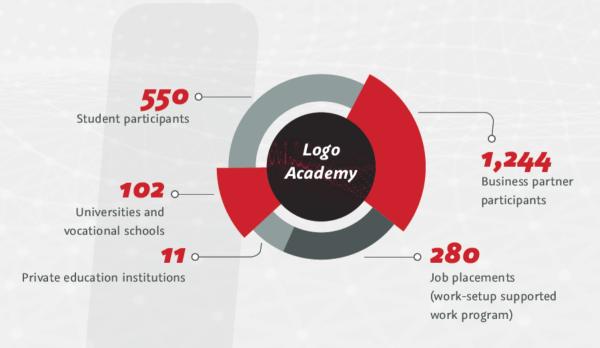


## Logo overview









## Corporate profile

Logo is coding the future together with its customers, business partners, employees, investors and all stakeholders as a company contributing to the sustainable success of its customers with its products and services that appeal to all companies from micro size to enterprise level. It creates value for its customers with passion and agility.

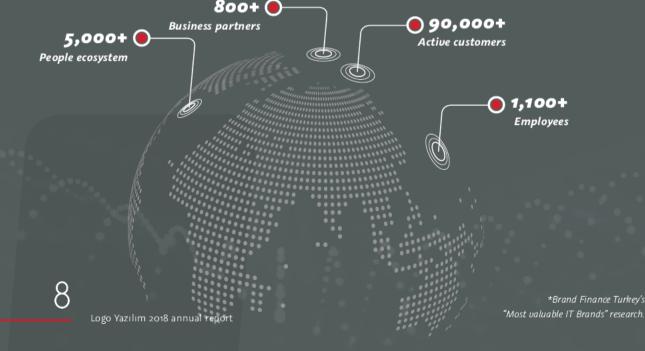
Turkey's largest public software company and most valuable information technology brand\* Logo, operates in software sector as one of the leading companies since its establishment in 1984. Logo offers application software to enterprises ranging in size from micro companies to large scale corporations., who increased innovation and creativity in its products and services, lays the foundation for sustainable success by accompanying more than 200,000 companies so far on their journey of growth, with about 1,200 its employees and more than 800 business partners in 4 different countries at 7 different locations.

In addition to the Enterprise Resource Planning solutions, there are many complementary solutions such as Customer Relationship Management, Human Resources Management, Workflow Management, Warehouse Management, Business Analytics Solutions and Retail Solutions. Having taken the lead in the ERP sector in terms of number of customers for many years, Logo has a large and dynamic ecosystem that extends from partners to Logo users, from academicians to students and industry professionals. Along with the power stemming from this ecosystem, and

believing in the dreams of its customers, sharing the same goals and working diligently to fulfill them, Logo carries out its business with the vision of coding Turkey's future together.

Since its foundation, Logo has been the innovative leader of this sector with the innovations it brought with its products, services, and business processes; more importantly with the added value it created in the digital transformation. Logo has invested in different businesses and technologies, and in recent years has made great leaps and revenue growth due to organic and inorganic growth. 66% of the Logo, which has adopted a fair and transparent management approach, is open to the public. The company became first ever software company in Turkey, which went public in 2000.

Logo completed a significant portion of its 35 year long history as the market leader in the industry, and after a series of strategic investments aiming at transferring abroad the know how and experience gained in Turkey, it continues on the path towards becoming a regional player. Logo has been pursuing its firm growth with 35% revenue CAGR (compound annual growth rate) in the last 5 years.



## Vision & mission & principles

#### Vision

Coding the future together.

#### Mission

We create value for our customers with passion and agility.

#### **Principles**

#### Productivity

Logo's products and services focus on improving the productivity of customers' organizations. The company offers information technology tools, solutions and services to ensure and increase the efficiency and profitability of the companies taking into account company specific features and modern management techniques.

#### Customer satisfaction

Logo's priority is the absolute customer satisfaction. It is of utmost importance for Logo that its products and services are of high quality. Committed to Total Quality Management as a management philosophy Logo's main principle is to determine its policies according to market preferences and standards, while keeping a close contact with its 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. Logo allocates the largest part of its resources to research and development in order to create new products, improve the capacity of its existing products and incorporate the ever changing technology and platforms.

#### Profitability

Logo perceives being a profitable and a productive company and using its resources efficiently as an integral part of its responsibilities towards its employees, customers and the society.

#### Social responsibility

Logo advocates the idea that technology should be developed with a respectful manner towards humans and the environment. Logo's actions are infused with a sense of responsibility towards the society and the world, and maintain a constructive approach to social problems.

#### Business ethics

Logo believes in the principles of market economy and acts accordingly. The company is committed to the principles of fairness, integrity, transparency, and consistency in its relationship with its customers, business partners and competitors and complies with the law and business ethics in all its dealings.

#### Employee happiness

Logo believes that products and services of good quality can only be produced by qualified and happy employees. Therefore, Logo places great importance on continuous training of its employees. The company aims to have happy, productive and socially beneficial employees by providing them a good income level, a high class work environment, occupational safety and health, and participatory management.

#### **Equal opportunity**

Logo is committed to the principles of equal opportunity in recruitment and evaluates candidates based solely on their knowledge and experience. Logo assesses performance only in terms of productivity in line with company objectives. As an acknowledgment of its adherence to this principle, Logo has been ranked in the Top 100 of Capital Magazine's annual list of Women Friendly Companies.

## Chairman's letter



Dear Logo Shareholders and Members of the Logo Family,

In 2018, we maintained our solid growth performance same as in recent years. We started our journey as a small initiative and continue today as an international enterprise that operates in accordance with the corporate governance principles, transparency, high business ethics and professionalism that create value for our investors and customers, as well as other internal and external stakeholders.

Since we started our operations in 1984, it has been a period of unprecedented changes and transformations in the history of the world. The driving force of this change has been the substantial transformation of the information technology industry and the subsequent digitalizationthat eventually affected all business fields, products and processes. One needs to factor in change as an integral part of the strategic plan in order to remain successful in an industry characterized by rapid changes.

Our visionary attitude leading the change and the transformation in the information technology area is an outcome of our strategic transformation perspective. Our company DNA preserves the fundamentals of our foundation: entrepreneurship and innovation. Thanks to this, we have eventually evolved into a high tech group, which created eLogo and Logo SME Digital Services as intrapreneurial initiatives.

Concrete practices in business processes are required in order to put the transformation in practice. We introduce radical changes in the way we do business with the aim of adapting ourselves to the market conditions in the best way, uncovering the opportunities and internalizing the new conditions. Our strongest asset in that respect is our R&D approach, planned at three different time horizons including short, mid and long-term goals. Also in 2018, as part of the Horizon 1, we have constantly improved our products in order to strengthen their user-friendliness.

As a company guiding institutions in terms of their strategic transformation, we improve our internal processes in addition to those of our customers in the area of digitalization, which is the driving force behind the strategic transformation. The digital transformation is a recondite concept that changes the production mentality and brings radical changes to the way people do business. In our era, those companies that effectively use the new tools brought by big data, machine learning, artificial intelligence and Internet of Things, that know their customers in the best possible way and that are agile and fast in increasing customer satisfaction with customized products and services, will succeed. In this period, Logo continued working on preparing itself and its customers for this

Globalization is another important aspect of change and transformation process. It is inevitable to expand our target group focus to cover the entire globe in a world where everything is technology-based and within our reach. This point of view enabled us to evolve today into a brand that operates in 4 countries and 7 cities with its 1,200 employees and more than 60 solutions guiding clients in their digital transformation process.

What really increases our brand equity each and every day are the principles of corporate governance embedded in our business processes. Thanks to our uncompromising approach to these principles, we continue being traded on the BIST Corporate Governance index with rating score of 9.11.

This wind of change affects everything from our playground to the way we do business, and we preserve the essence of our cultural code but transform it to adapt to the new conditions. Pursuant to transparency and corporate governance principles, we develop our processes and policies, in line with our growth performance. While progressing to become an innovative world leader, we are evolving into an organization, where finance, human and talent management, brand management and platform technologies are centralized in a global structure.

We pay utmost attention to create a shared vision in order to become a truly successful international company and take important steps towards this goal. While shaping our management processes with our group company Logo Total Soft, the leading player in the Romanian market, we adopt an approach based on the strong ties between the two countries and capitalize on the synergies between them.

We are proud of the level we have reached in our journey of 35 years full of transformation and changes. I would like to extend my gratitude to everyone, who has been contributing to this process including our shareholders, business partners, employees, companies and their employees who use Logo, in a word to everyone who has been in contact and has forged a bond with Logo. It is my wish that we stay together during our journey of success in the upcoming years as well.

Sincerely yours,

M. Tuğrul Tekbulut Chairman of the Board



### CEO's letter

### Dear Logo Shareholders and Members of the Logo Family,

While leaving behind a year of challenging economic and political developments on a global and regional scale, as Logo we kept progressing thanks to our performance to become a regional powerhouse with a successful and solid foundation based on the vision of coding the future together with all our stakeholders.

In 2018, we worked together with our customers with passion and agility in order to create value, and we maintained our leadership position by increasing the innovation and creativity in our products and services. Since 1984, we have been working with all our might to deliver a better experience to our customers and all the stakeholders involved in our ecosystem fully aware of our responsibilities as Turkey's most valuable IT brand

In 2018, an additional 4,332 customers were included into the ever-growing Logo ecosystem, while the total number of customers exceeded 15,000, for whom Logo acts as their solution partner through eLogo in the digital transformation process. Our increasing efforts to develop all of our products and processes with a focus on customer satisfaction have been prominent. We have made significant progress in developing our software projects in a more agile and appropriate way to meet the needs of customers through the agility approach as the most recent trend in software engineering based on teamwork, listening to the customer and being open to change. Our inspiration was the lean management philosophy when developing the LAPIS (Logo Agile Process Improvement System) to reach this end. We defined our working system as a software factory. In this factory, we have been developing to constantly improve our products and services with a production line mentality towards a zero defect goal.

Another important theme during the year has been our marketing and communications activities within our operations in Turkey that were designed around the main theme of "coding the future together". This made the advantage of being a 100% local software company

in an era of rapid fluctuations in the economy more visible to our customers.

As the propelling and innovative leader of the software sector in Turkey, we continued our successful financial performance in 2018 with a similar momentum. We increased our sales by 25% to 321.1 million TL. Our EBITDA increased by 23%, while our net profit increased by 33% to reach 677 million TL.

We achieved growth in revenues from the acquisitions and joint ventures we have made in recent years towards becoming a regional powerhouse as Turkey's international software brand. The TL revenues of Romania-based Total Soft, which we acquired in 2016, increased by 44% compared to last year. The share of our Romanian operations in our consolidated revenues totaled 34%. Our new customer acquisitions continued in 2018 for Logo Jugnu, Logo Vira and Logo Vyapari solutions, which we developed specifically for India and which are compatible with India's new tax system.

In 2018, we carried out our second investment under Logo Ventures Venture Capital Fund that was established in 2017 to support technology start-up companies in the incubation period. Logo Ventures provided USD 500,000 support to V-Count, a company that owns hardware that collects data in physical areas and a cloud-based business intelligence platform that can analyze this data instantaneously, and which conducts people counting queue analysis and density analysis. V-Count exports its high technology to more than 90 countries.

As a company achieved to reach the level it has dreamed of in the Turkish market and took important steps towards becoming a regional powerhouse, importance that we ascribe to R&D is one of our greatest strengths. Superior user experience and high performance constitute as our main guidelines in developing products in line with the global technological trends. In 2018, we continued investing 30% of our revenues to R&D, developing solutions that will carry our customers forward, and investing in the future and in new technologies.

In the upcoming period, we will maintain our contribution to the growth of the companies for which we act as a solution



partner, for our industry and for the economy of our country with an ecosystem of more than 5,000 people, and we will remain in the path towards new objectives.

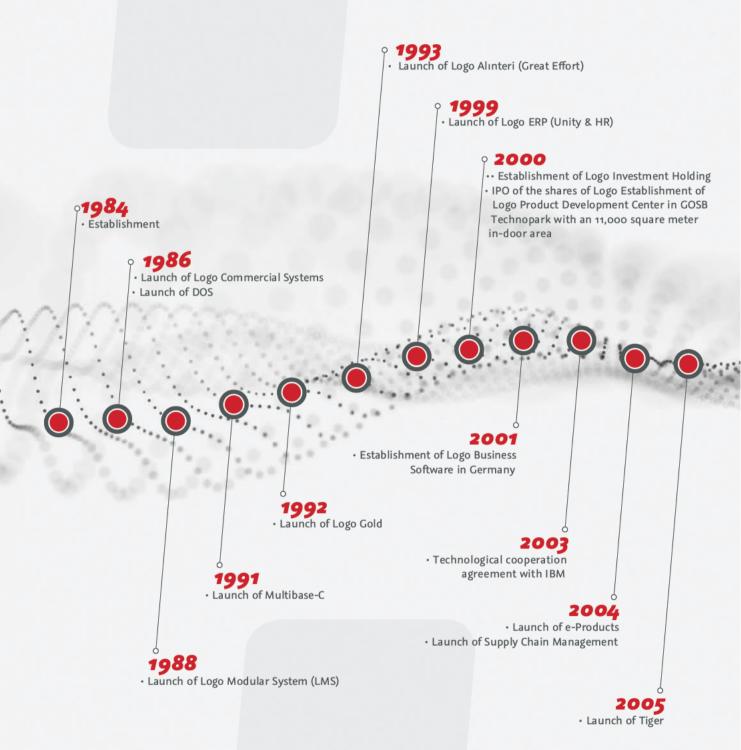
As Logo, we have become a high technology group consisting of companies focused on information technologies on a global scale. I sincerely thank our shareholders, solution partners, Logo employees and users who have contributed to this process.

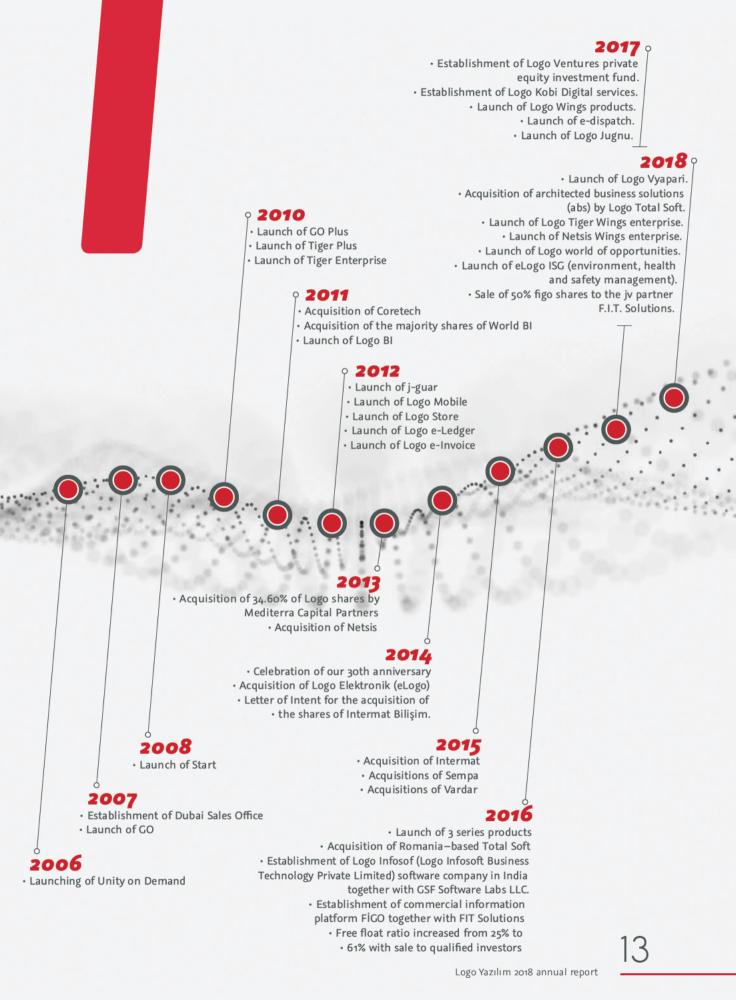
Sincerely yours,

M.Buğra Koyuncu Chief Executive Officer



## **Milestones of Logo**





## Logo's awards and achievements

Over its 35 years, Logo has always remained committed to improving its customers' experience and efficiency with the help of its products. In 2018, as a result of its work in the industry, it has received **13 awards** in 6 different award programs.

### Turkey's Most Valuable IT Brand

According to Brand Finance
Turkey's "Most Valuable Brands"
research, Logo was elected as
"Turkey's Most Valuable IT Brand",
and also ranked 67th in the list of
"Turkey's Most Valuable Brands".

Logo has been enjoying a leadership position in the software industry, in terms of number of ERP customers, for a long time. According to "Most Valuable Brands - Turkey 100" list prepared by Brand Finance, an independent international brand evaluation organization, Logo has consolidated its leadership in the IT category as well. It has been ranked as Turkey's largest publicly-held software provider. Logo also climbed up to the 67th position from 72nd in the general ranking.

### Deloitte Technology Fast 50

- Deloitte Technology
   Fast 50 Ranking
- Deloitte Technology
   Fast 50 Big Stars Award

In Deloitte Technology Fast 50 Turkey Program, which has been running since 2006, Logo was awarded in the "Big Stars" category, thanks to its growth rate over the last four years, in the "Big League", which includes technology companies with revenues of more than 50 million euros during the 2017 fiscal year. Logo has been also ranked i second place in Technology Fast 50 Turkey 2018 edition.

### Top 500 IT Company Research

- ERP software category winner of the year
- Turkey-based manufacturer service category winner (eLogo)
- Turkey-based manufacturer service award
- · R&D investment award of the year
- Kocaeli companies winner

This year's edition of the Top 500 IT Companies Survey, one of the comprehensive researches in the field of IT in Turkey, was held with the motto "Business World Grows with the IT Wind".

Logo received the first prize in the "ERP Software" and "E-Ledger, E-Invoice, E-Archive Applications" software sub-categories and Logo emerged as one of the companies with remarkable number of awards.

Further to the first prize at "Kocaeli Companies" sub-category of IT 500 Plus, Logo was also the winner of both the "R&D Investment" and the "Turkey-based Manufacturer Service" awards, which are considered the most significant awards of this year's "Special Awards for Contribution to Turkey".

# R&D 250 - Companies with the Highest R&D Spending in Turkey

- Leader company according to the ratio of R&D spending to total revenue
- 13th among Turkey's Top 250 companies in R&D spending

According to the study "Turkey's Top 250 Companies in R&D Expenditures" prepared by Turkishtime, Turkey's largest independent software company Logo allocated the biggest portion of its turnover to R&D in the list of companies. By allocating 40% of the total turnover to R&D expenditures in 2017, Logo ranked first in the survey.

Compared to last year's list of the "Companies with the Highest R&D Expenditures", Logo ranked 13th leaving behind giant companies. According to the previous year's research, Logo has climbed up 4 places and ranked 13th from last year's 17th.

# TIM 500 Service Exports Awards

- · 3<sup>rd</sup> in the software and IT services category
- Large scale enterprise category jury grand prize

In TIM-500 Service Exports Awards held by Turkey Exporters Assembly (TIM), Logo won the third prize in the category of software and information technology services.

Lastly, Logo won the "Large Scale Enterprise Category Grand Prize", which is the most prestigious award granted by the jury within the scope of the 2018 Industry Performance Evaluation Organization of the Kocaeli Chamber of Industry.

# Financial highlights

Million TL	2018	2017
Net sales	321.1	256.2
Gross profit	257.1	204.0
Operating profit	64.3	59.8
Financial income	12.6	2.8
Financial expenses	(11.2)	(8.6)
Net income before tax	68.4	52.9
Net income	67.7	50.8
Earnings per share (1,000 shares at 0.01 TL nominal value)	27.1	20.3
Million TL	2018	2017
Total assets	563.2	383.2
Current assets	227.5	162.2
Fixed assets	335.7	221.0
Current liabilities	131.9	115.0
Long Term liabilities	112.6	58.9
Equity	318.6	209.3
Paid in capital	25.0	25.0
Current ratio	1.72	1.41

Sales revenue
321.1 million TL

Operating profit margin **20%** 

Equity / Total assets

EBITDA
101.3 million TL

EBITDA margin
32%

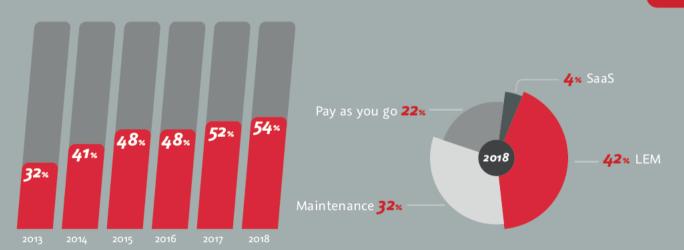
### **Financial indicators**

Million TL	Domestic sales	International sales	Total sales
2018	206,5	114,6	321,1
2017	177,2	79,0	256,2
2016	159,8	30,6	190,4
2015	124,0	4,7	128,8



	Geographical breakdown of sales			<b>NET PROFIT</b> (million TL)
	Domestic Sales	International Sales		
2018	64%	36%	101,3	67,7
2017	69%	31%	82,6	67.7 50,8
2016	84%	16%	86,1	45,3
2015	96%	4%	53,7	39,9

## **Recurring revenues**



# Logo's geographical footprint



Albania
Austria
Azerbaijan
Belarus
Britain
Bulgaria
Croatia
Cyprus
Czech Republic
Egypt
Germany
Greece

Hungary
India
Iranian
Iraq
Kazakhistan
Kosovo
Luxembourg
Macedonia
Moldava
Poland
Qatar
Russia

Serbia
Slovenia
South Africa
Sudan
Switzerland
Turkey
Ukraine
United Arab
Emirates
United States of
America
Uzbekistan

## Family of solutions

#### **ERP** solutions

- · Logo j-Platform
- · Logo Tiger Wings
- · Logo Tiger 3 Enterprise
- Logo Tiger 3Logo Netsis Wings
- · Logo Netsis 3 Enterprise
- Logo Netsis 3 StandardLogo Tiger Wings Enterprise
- · Logo Netsis Wings Enterprise

#### **KOBİ** solutions

- · Logo GO 3
- · Logo Netsis 3 Entegre
- · Logo Mali Müşavir Plus
- · Logo Start

#### **Human resources** solutions

- · Logo J-HR
- · Logo Tiger 3 HR
- Logo Bordro Plus
- · Logo Netsis 3 HR
- · Logo Netsis 3 Bordro

#### **CRM** solutions

· Logo CRM

#### **Project solutions**

- · Treasury Management
- B2B Systems
- · Data Collection and Reporting

#### **Business analytics** solutions

- · Logo Mind Insight
- · Logo Mind Navigator
- · Logo Mind Budget

#### Warehouse management system

- · Logo Ocean
- · Logo Neon

#### Field sales management solutions

· Logo Mobile Sales

#### **Retail solutions**

- · Logo Diva Pos
- · Logo Diva Service
- · Logo Diva Channel
- · Logo Diva Shop

#### Industry specific solutions

#### Work flow management solutions

· Logo Flow

#### Integrated solutions

· Turkcell Services

#### e-Solutions

- · e-Invoice
- · e-Ledger
- e-Archive
- · e-Reconciliation
- · e-Dispatch
- · Logo Connect Banka
- · Logo Connect FDA
- · Logo Connect B2B
- · Go Garanti
- · e-Bank Statement
- · e-Production Receipt

#### Logo 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



# R&D and innovation lie at the core of sustainable success

Logo offers customer-needs-oriented innovative products and services by paying close attention to the technological developments to distinguish itself from competition as an IT company. In a similar vein, Logo is a firm believer that the most important source for product development and sustainable solutions is R&D and innovation power. It organizes its R&D activities in accordance with the three "Horizons", which are classified as short, medium and long term.

Since customer oriented R&D and innovation remain the epicenter of its corporate culture, Logo channels the most important part of its human resources and revenues into the development of superior products for its customers by using new generation technologies. In 2018, the R&D spending constituted 30% of the total revenues and a \$99 million resource was allocated to investments and spending in R&D.

Logo is on the way to becoming an innovative international leader, and thus taking important steps in this regard on a global scale. First of all, it carries on with its endeavors to transform into an organization where the finance, talent management, brand management and platform technologies are centralized. This international organization is molded in a two tier shape: the strategic groups create a cluster on a central level and the tactical groups on a regional level. The functional part of the products is locally developed and managed. The non functional technology is strategically developed at the center.

Logo manages its R&D budget in the three tiered "Horizon" system. Horizon 1 includes improvements in order to demonstrate good performance in the current year. These include the developments and improvements related to current products required by customers, business partners and in house referrals. 60% of the R&D budget and energy is channeled towards Horizon 1 direction. The medium and long term R&D activities of the company are treated under Horizon 2 and Horizon 3. Horizon 2 covers new products in chime with the industry requirements and developments on the new products in a time span of 1,5 2 years. Horizon 3 consists of innovation and R&D studies in the field of cloud, big data and machine learning, which are the focus of digital transformation. These take up approximately 30% and 10% of the R&D budget, respectively.

Logo Agile Process Improvement System (LAPIS) is one of the most important tools for innovation and execution of R&D strategy. Developed as a result of lean manufacturing philosophy, LAPIS is an agile software development methodology that continually improves itself, adapts quickly to innovations, and focuses on teamwork and customer needs with its dynamic and flexible structure. Logo is working to spread this methodology as a process to other companies. It distributes the roles and responsibilities within the organization according to LAPIS and uses common tools such as Jira, Confluence, and Git in LAPIS processes.

In order to create a common work and product development culture, cross company focused teams are formed. Hackathons are organized, for they contribute to both the shared culture and the innovation capacity.

Logo incorporates new companies through mergers and acquisitions, and transfers these companies' know how and experiences in the field of technology. It identifies the components that can be shared in the software architecture of different companies and within the scope of R&D studies; and adapts these companies' products to its own standards in a way to provide more efficient and high quality results.

A brand new era in user experience with the 3 series products

One of the most fundamental goals of Logo in 2018 was the creation of a common user experience in all the Logo products that were developed both in Logo and in the acquired companies. In this context, first the user interface was changed. A Logo specific, modern graphic language was created for a consistent design. Logo Netsis products were included in this process despite them



being included in different software architecture. Thus, the integration of all product groups was ensured. The National Team, a common software architecture group, consisting of Logo employees was created.

After the graphic language was in place, the work on improving the user experience started. Through feedback from all stakeholders, a user experience compatible with the developments in web and mobile technologies was created. An approach has been developed inspired by apps, which enable easy use of technology for large audiences. Logo's unique user experience, embodied in 3 series, was shaped by this approach.

Based on the insight that ERP software is very large and requires so much time and effort to learn all its features, Logo has reached the understanding that it is enough for the users to learn and apply solely the features required for their own role, and it has adopted the "App in App" concept which increases the ease of use. App clusters were created for specific roles within the business in order to help users learn about the products within the context of their specific roles. The same approach was adopted for the mobile applications of the products.

The user experience processes have been integrated into LAPIS and the user experience has been developed for product discovery and feature discovery.

In 2018, led by the vision of expanding the capacity in new technological areas by following the global digital trends and technological developments, and creating solutions with authentic and innovative approaches by identifying the thematic digital transformation needs in terms of the services offered by Logo, the software architecture department realized the following projects:

• "The development of eco PaaS software ecosystem platform for cloud based ERP application project" was completed. Thus, a joint infrastructure, consisting of 28 micro services required for the cloud transformation of the solutions developed by Logo and its stakeholders was made available.

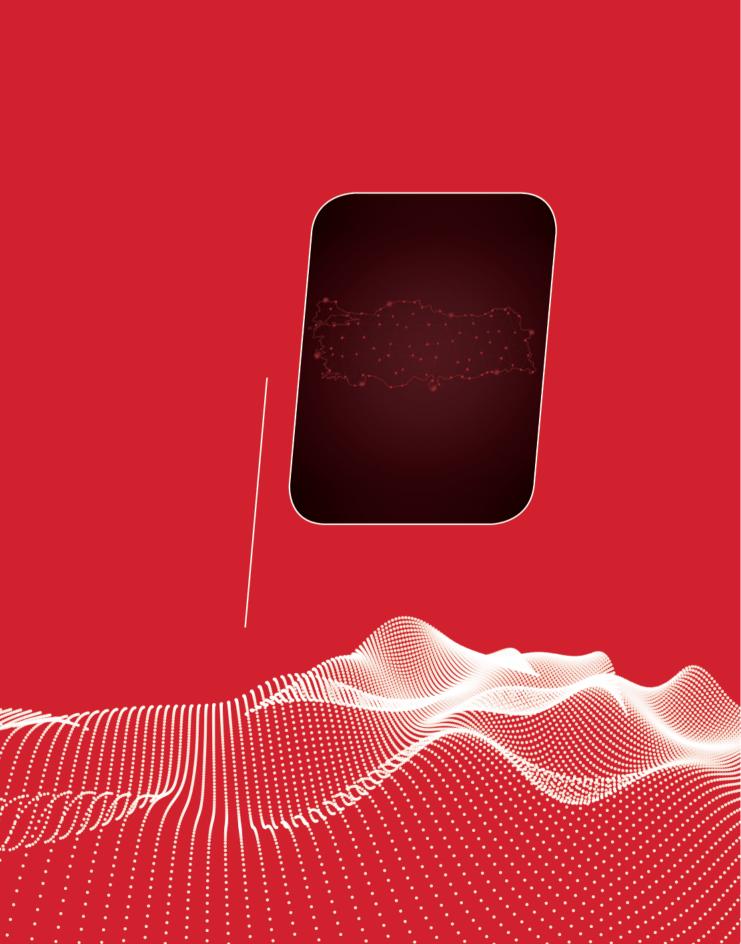
- "Logo İşbaşı" was launched by using PaaS infrastructure. A cloud based bookkeeping program for micro enterprises was launched. Logo İşbaşı supports micro SMEs and companies that want to grow by adopting e commerce with technology and cloud computing services.
- Logo Vyapari project was launched with Logo j Platform supported with PaaS services launched on India AWS. It was developed as a commercial application for micro enterprises in India to support their e transformation processes. The project, which was powered by the merger of PaaS and Logo j Platform, laid in a sense the foundations of the Logo j Platform's SaaS transformation.
- "Logo.us a special machine learning platform project for corporate business applications" was launched with the support of The Scientific and Technological Research Council of Turkey (TUBITAK). With this project, Logo aims to render traditional software development processes aware of machine learning, internalizing large data processing and machine learning specializations. At the same time, it is aimed to improve business processes by using valuable data in corporate business practices, to offer value added products and services for different industries and business functions and to increase international competitiveness.

#### Cooperation Convergence of operating processes

Total Soft, one of the most preferred ERP solution providers in Romania, joined Logo in 2016. Since then, intensive efforts are made in order to align and integrate its basic business processes with the parent company. Important steps towards this direction were taken in 2018 as well.

In 2018 Logo Total Soft's activities focused on modernization of the IT infrastructure and enhancing the security and efficiency standards of the information systems infrastructure with the aim of updating and integrating applications used in the management and monitorization of business processes, and building a social intranet infrastructure for internal use and consolidation of project score card data.





# Product development for continuous progress



Logo advances its current product portfolio in accordance with the customer needs, new trends and technological developments in order to achieve a strong performance with its current products within the scope of Horizon 1, which is the first pillar of its "Three-View Horizon". Logo puts forward developments and improvements in accordance with the recommendations from Logo's customers, business partners and from within the company. 60% of the R&D budget and efforts is channelled towards the Horizon 1 work.

In 2018, the Product Development team developed 4,058 new features, while Logo introduced many new products and solutions to make life easier for businesses:

- Wings solutions, which offer users with the opportunity to quickly and easily access the information they need, and follow their work independent of time and place, have brought many innovations. Tiger Wings Enterprise and Logo Netsis Wings Enterprise, providing the ability to use the existing solutions on the web, were launched.
- Logo Mind Insight Mailing Module, where reports prepared at specified times are automatically sent to e mail addresses that can be grouped under specific titles, has become available with version 1.28.
- The eLogo ISG (Environment, Health, and Safety Management) solution that ensures end to end management of environment, health, and safety processes in accordance with the legal regulations became available. eLogo ISG, approved by the Ministry of Labor and Social Security as an integrator is available for users in both Cloud and On Premise options.
- Logo Docs platform's content was enriched and enables the increased usage by end users and the business partners was ensured. Detailed information about new features added to the products with each new version can be accessed through webinars on the platform.

## Agility to meet customer needs

LAPIS, an output of the lean production philosophy and a work system powered by Logo's long years of global experience, provides customers the agile services they need.

For 34 years, Logo has been developing enterprise application solutions to increase the productivity and profitability of companies. With these solutions, Logo develops its business processes and contributes to the development of the industry. The first step for the design of LAPIS (Logo Agile Process Improvement System) were taken in 2008 in parallel with the changing customer needs stemming from the acceleration and spread of the Internet use and inspired by the lean production philosophy,. This system enabled the creation of a process, which covers all stages of the software development journey, including the company's capacity planning, project management, and quality and productivity measurements among others.

LAPIS, which was introduced in 2014 with the announcement of its first declaration, is an agile software development methodology that focuses on teamwork and customer needs with its dynamic and flexible structure, and it is continuously improving and rapidly adapting to new developments. Improvements to product specifications provide customers with the agility they need in line with the version calendar.

The LAPIS process produces output with short loops through feedback from customers and minimizes

the risks in project development thanks to continuous feedback. In this way, the service quality is always kept at the highest level and the projects gain a more agile character.

The LAPIS process allows a software project to be processed like a production line by turning it into a product or service. In this sense, Logo considers itself as a software factory, where the majority of employees works in the R&D field, inspects and constantly improves its products and services to achieve the level of zero defect. In this software factory, all products and services constitute a business field. Costs and revenues are planned, and forward looking investment plans are made for greater efficiency.

Logo's various products catering to different needs, is easily accessible through the same system thanks to their common infrastructure and interface.

The basis of LAPIS is the cycles specific to each product, which is considered as the pulse of Logo. The new version of each product is being launched during these cycles. At this pace, 271 versions were released in 2018. In these versions, the number of new features developed solely by the Product Development team totalled 4,058.

#### LAPIS in the curriculum

As a result of the cooperation between Logo, one of the leading companies of the application software sector in Turkey, and Başkent University Computer Engineering Department, the LAPIS software development process and methodology is offered as an applied course in the curriculum of the department. Students implement LAPIS methodology for project development activities carried out in the Software Engineering courses.

As a part of the three year protocol signed with Başkent University, Logo will also

support the certificate programs at the continuous education centre and participate in joint projects, in addition to activities such as R&D studies, research conferences, focus group studies, workshops, and academic activities such as seminars, conferences and congresses.

In the first applied course offered by Logo Process Managers in the Computer Engineering course, the students developed a web based software product for a mock up company using Logo LAPIS.

# Most widespread sales and distribution network in the industry



As the market leader in the ERP sector in terms of number of customers, Logo has an ever-growing channel structure in a very wide region, thanks to its qualified business partners, its R&D investments, vast sales and marketing experience. This widespread, knowledgeable and experienced distribution network is one of Logo's most important competitive advantages.

Logo provide services to enterprises through its extensive sales and distribution network in Turkey and also in the Middle East and the Caspian region.

Logo partnership model enables the definition of the business partners' status according to the segments of the current products. This model consists of:

- Authorized Dealers, which provide their services by using the Logo Start, GO 3, and CPA Plus products in the SME segment,
- Competency Centers, which provide their services by using the Logo j Platform, Tiger 3 and Tiger 3 Enterprise products in the corporate segment,
- Solution Partners, which develop applications by using Logo technologies,
- Authorized Training Centers, which provide professional training by using Logo products

Logo Partners providing services for Logo Start, GO 3, CPA Plus products are defined as Authorized Dealers, Select Authorized Dealers, and Elite Authorized Dealer. Logo Partners, serving with Logo j Platform, Logo Tiger 3 and Tiger 3 Enterprise products are differentiated with Elite status and Premier status.

The business partners are classified according to the product segments and they have different responsibilities and advantages. The business partners in the same segment are categorized in terms of the time spent in previous status, number of certified employees, turnover target and growth potential.

The partnership structure in the Logo Netsis product family is organized in two categories: Corporate Solution Partners and Solution Partners, which also have Authorized Dealers reporting to them. In the existing channel structure, the Corporate Solution Partners, the Solution Partners and the Authorized Dealers undertake the sales of Logo Netsis 3 Integrated and Logo Netsis 3 Standard products, as well as Logo Netsis 3 Enterprise according to their certification. The Partnership status is classified based on the business volume (target size), financial status and the number of certified employees.

Logo Netsis product groups involve Logo Netsis 3 Integrated available in the SME segment and Logo Netsis 3 Standard and Logo Netsis 3 Enterprise products available in the corporate segment.

The Channel Management model specialized in different product groups allow each potential customer to meet Logo's expanding range of solutions at the right spot. Conducting corporate projects with multiple business partners transforms projects into a collaborative model. The system standardizing the Enterprise Project

Management and process quality enables Logo and its business partners to approach potential customers together. This further enhances customer trust and business partner confidence. Business partners with the support of project approach adapts easily to newly released products and promote the products to their potential customers with greater ease. This allows customers to meet new solutions faster.

In 2018, Logo implemented additional campaigns supporting customers and solution/business partners that participated in the industry exhibitions with their own solutions. As a part of this cooperation, campaigns were conducted in cooperation with organized industrial zones.

Logo strengthened its product related communication in 2018 as well. The Success Stories Project brought together stakeholders from various industries to witness Logo customers' product experiences, needs, insights and the benefits of the Logo solutions. This information sharing was recorded in video and written format for the stakeholders to be inspired by different industries and companies, in order to manage their businesses more efficiently.

#### Business and channel development

The firms that are evaluated as business partner candidates within the scope of the "Channel Development" are subject to a detailed evaluation in terms of market potential in the relevant city and district, number of partners, sales capacity, certificates, customer satisfaction, project resources and customer portfolio. Once the evaluation and the required trainings are completed, the candidate is accepted into the partnership process in accordance with the turnover targets. At the end of this process of approximately 1 year, the successful candidates in terms of new customer acquisition, realization of turnover targets, customer satisfaction and compliance with Logo's working principles are included into the Logo ecosystem.

In 2018, the channel development department underwent a restructuring process and continued to take significant steps in terms of digital transformation and technology utilization by carrying out its activities with a redefined business definition thanks to the incorporation of Vertical Solutions and Solution Partnerships.

Significant strategic collaborations were signed during the year. Infoteks Cash Register POS was integrated with Logo Start and GO3 products. The aim of the project was to introduce SMEs that have not started the digitalization process yet.

#### Customer satisfaction in international markets

Logo has started to focus more on new product development activities in the international markets. The company has taken the first steps towards the specific needs of the markets in the Caspian Region as a result of the analysis of the International Helpline (INT Helpdesk) records received from international partners regarding new products.

In 2018, studies were carried out to increase the language alternatives in the products in order to provide Logo users in different markets with the required product support in their mother tongue. There has been a focus on the revision and improvement of the existing applications in Arabic, Russian and Azerbaijani languages. Rapid localization works were carried out in pilot countries, i.e., Azerbaijan, Egypt and Iraq.

The Online Support Service that makes the support team more accessible in all markets has been further enhanced by Logo, which puts an effort to increase the multilingual support teams in line with regional needs.

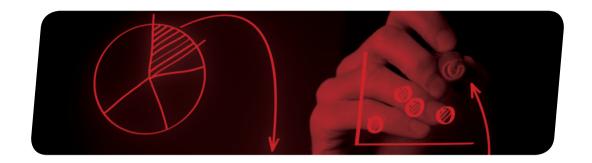
Logo advances its operations beyond Turkey and moves towards becoming a regional powerhouse. The company started to prepare the infrastructure in order to offer its webinars in English, which constitute an important part of training activities for customers.

## New dealership structure in international markets

Sales activities of functional and vertical product groups such as Doc Place, Mobile Sales and Neon have started in some of the markets abroad as identified as per customers' needs. Customized LEM Campaigns were organized for customers abroad to ensure customer loyalty. In addition, infrastructure works for regional franchises in these markets were completed.

There was an increased effort in channel development activities to tap the growth potential.

## Logo solutions for functional requirements



The "Functional Product Management" department was established in 2018 with the aim of extending the Logo functional products and establishing a business partnership structure in this field.

During the organizational transformation process in 2018, the Human Resources Management, Warehouse Management System, Field Sales Management, Customer Relationship Management and Business Analytics Solutions sales teams, which are positioned as functional products, have been brought under one roof: "Functional Products Sales Team". The main responsibility of the "Functional Products Sales Team" is to promote the use of functional products and to form "Functional Business Partners".

The sales teams of the Customer Relations Management (Logo Logo CRM), Warehouse Management System (Logo Ocean and Neon), Field Sales Management (Logo Mobile Sales), Human Resources (Logo j HR, Logo Tiger HR, Logo Logo Netsis HR), and Business Analytics (Logo Mind Insight, Logo Mind Budget) products have been restructured in order to boost penetration.

The "Functional Business Partner" positioning, which was implemented for the first time last year for the functional products to have expert business partners in the channel, was transferred to the Functional Sales Team management. The Product Owner, Marketing Specialist and Sales Specialist of the product line related to the Functional Partners, which are determined according to different criteria for each product line, met periodically throughout the year and exchanged views on product development, sales and marketing.

As a result of the new structure, it is aimed to provide solutions within Logo to the functional requirements that arise due to the ever changing technology and to enable the customers to work with Logo's ERP systems along with expert partners inside an integrated structure by using the knowledge and experience gained in the ERP product line.

## Special services for strategic customers

Established in 2018, Strategic Customer Management department aims to provide customers with a brand experience which they have never had before and to create new sales opportunities.

Strategic Customer Management department was established under the Channel and Sales Operations to serve strategic customers identified across Turkey according to specific criteria.

This new department aims to increase customer satisfaction by analyzing all the processes of its customers. A flawless customer experience by offering customized solutions constitutes its operating philosophy.

To this end, the department works hard to increase customer satisfaction by listening to customers through regular visits and helping to solve potential problems, while organizing product based promotional meetings and special activities for strategic customers at customers' site. After these meetings and events, the opportunities presented to the customers are transformed into sales via the active business partner in charge of the relevant customer.

As a result of the activities to date, the list of strategic customers selected according to specific criteria among the existing Logo customers constantly expands. In 2018, Strategic Customer Management Department was active in 14 different industries and in 11 provinces.

The Strategic Customer Management has signed new business partnerships by organizing the Board of Advisors event with the participation of professional management and product consultants for Logo and other developers. This meeting provided a platform to present significant information about Logo products and to develop new work models for ERP and Functional Product consultants in relation to new projects

to be developed for Logo products. The Strategic Customer Management department, which conducts direct relationship management with Logo customers, also carries out the coordination and necessary activities for the use of internal Logo CRM.

## Activities that support digitalization of customers

The Strategic Customer Management department contributes to the digitalization of every targeted customer in parallel with the innovative, creative and high value added economic model envisioned by Logo. In this context, a Central Integration Management System Project was developed specifically for a strategic Logo Tiger Wings customer with 300 users and the project started with the Logo Special Projects Department. The project was developed in order to ensure data communication between Logo Tiger system and the customer's information systems, to manage all integration requirements from a single point, and to create a system, where certain assumptions are configurable and expandable.

Another area of activity of the department is to create new references by resolving customer dissatisfaction. In this area a sample project was conducted for a Logo J HR customer with 12,000 employees. All the problems experienced by the customer were identified and solved by the support and software teams to ensure customer satisfaction.

Meetings were organized with another strategic customer to exchange ideas on how to digitalize their processes with Logo products.

# Investing in the future of the industry: Logo Academy

Founded in 2012 with the aim of providing qualified human resources to the IT sector, Logo Academy provided trainings to 1,884 people in 2018, including university, high school and vocational school students, Logo business partners and customers.

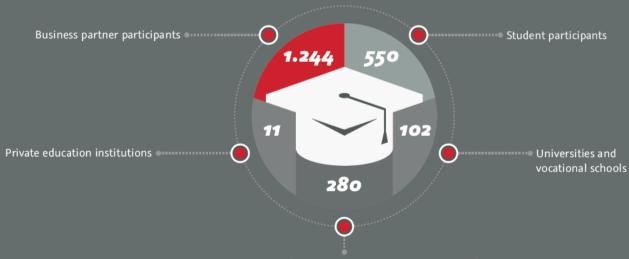
Since its inception, the number of people trained by Logo Academy has approached 4,000. More than 2,000 students of the Academy had the opportunity to work in various positions in the IT sector. As of 2018, the number of certificated specialists of Logo products has reached 6,730 people.

The corporate and individual trainings offered by Logo Academy are provided by experienced and expert staff in the training centers in various provinces as well as the Logo Academy classes at Logo Gebze campus. The Academy also cooperates with various universities, vocational schools and private education institutions and supports the IŞKUR (Turkish Employment Agency) Qualified Informatics Training Program project backed by the Ministry of Labor. In 2018, within the framework of academic collaborations and training centers, the number of course centers, universities and vocational colleges that offered lectures with Logo ERP products has increased.

Increased training support for business partners and customers

Logo offers special trainings to support the development of its business partners in order to provide the customers with the best possible solutions. The "On Campus Education Project", which was adapted to the Logo Netsis product family by Logo Academy in 2016, continued in 2018 for all products.

Thus, the new recruits of the business partners have passed the technical and practical training processes provided by the expert staff of Logo. The trainees who fulfilled the attendance requirement of 90% of and succeeded in the test at the end of the program received the official Logo certificate.



Job placements (work-setup supported work program)

# Value oriented product management and marketing

Logo attaches great importance to promoting its products, in order to provide companies competitive advantages in local and global markets, to increase awareness in its products and solutions, to offer its services to more people and explain the functional benefits, which will enable them to manage their processes from end-to-end by using Logo products.

In 2018, Logo continued its efforts to support the development of new products and to deliver both new and existing products to target audiences in the most efficient manner. For this purpose, comprehensive marketing plans have been developed on the topics ranging from market research and analysis to competitor analysis, from budget management to advertising. Simultaneously, product meetings and seminars were organized in order to explain the products to the existing customers and prospects in the most accurate way and support each company to find the product according to their own needs.

Every step in the process such as pricing, licensing and trademark registration has been completed in relation to the re launch of existing products such as Logo Logo j Platform and Logo j HR or the launch of new products such as Logo Tiger Wings Enterprise, Logo Logo Netsis Wings Enterprise and Logo ISG (Environment, Health, and Safety Management). After the customers start using a Logo product, materials highlighting their success

stories regarding Logo's contribution to their achievements have been prepared. Version update documents, campaign management, opportunity follow up and collaborations, customer and partner satisfaction surveys were used to track the product's reflections on the consumer, which were then communicated with the product development unit. In 2018, Logo operated with the aim of providing excellence in product life cycle. The company recorded progress on the reinforcement of its leader position in the market and increasing its cross sales by analyzing the market and the competition in competently. Logo worked with different stakeholders to explore opportunities for branding and collaboration in order to create satisfied and loyal customers.

Logo aimed to represent an inspiring model for other companies by creating reference success stories from various industries and fields such as Mopaş, Whirlpool, Köfteci Yusuf, Namet, English Home, Günevdoğu Cam. MuratBey Peynirleri.



#### A new step in encouraging customer loyalty: Logo World of Opportunities

Logo World of Opportunities was launched in 2018 as a platform of privileges and loyalty programs that offers special discounts and campaigns in accordance with the agreements made with various brands for Logo and eLogo customers. The website logofirsatlardunyasi com offers special opportunities and deals in cooperation with different brands.

#### Collaborations with business associations

In 2018, Logo entered into cooperation with business associations and IT industry players to reach more companies. The Confederation of Turkish Tradesmen and Craftsmen (TESK), the Bursa Chamber of Commerce and Industry (BCCI) and the Lüleburgaz Chamber of Commerce and Industry (LTSO) have launched special Logo product campaigns for their members. Microsoft Azure solution and Logo Tiger Wings ERP solutions were presented together for those companies which prefer to manage their business on a cloud based ERP product in a safe and uninterrunted manner on web

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# Focus on constantly increasing customer satisfaction



Logo increases its customer satisfaction supporting the approach that customer loyalty is the value that makes a difference in the constantly developing and changing global world.

In the area of customer relations management, Logo operates with a focus on new customer acquisition tracking, loyalty of existing customers, research on the ways to increase customer satisfaction and satisfy their demands and respond to their feedback and keep customer data up to date.

The customer acquisition and relationship management process have been carried out within the ISO 10002 Customer Satisfaction Management System certified Logosphere System and operates primarily in cooperation with the

business partners and secondly, through direct contact with customers by Logo.

Product experience and satisfaction interviews conducted to measure customer satisfaction provides Logo with a strong insight by determining customer expectations on their preferences and needs. The feedback received contributes to the development of Logo's successful corporate business practices. In 2018, 1,075 customers participated in telephone surveys in relation to ERP products.



## Customer satisfaction-oriented complaint management system

Logo's customer satisfaction policy is based on transforming customer requests and feedback into customer satisfaction and continuously improving the effectiveness by measuring the level of satisfaction, while taking into account the regulatory requirements as well. Based on this policy, the Complaint Management System application provides a clear monitoring on the solution process and the outcome regarding the negative feedback received. The system has been developed and implemented on the Logosphere platform.

The process starts when the Customer Relations Management team records the complaint received into the system. Once responsible units have handled the complaint, the process ends when the Customer Relations Management team meets the customer. The negative feedback received from customers is resolved within the complaint system in accordance with the customer satisfaction principles.

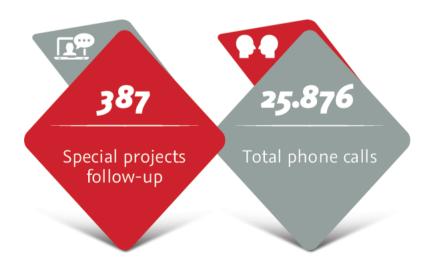
Companies that seek an enterprise application solution or need support during the digital transformation process can reach the company through Logo's call center 444 56 46 (444 LO GO) or corporate website www.logo.com.tr. These channels are also used to reach the sales team, support team, Logo Academy, investor relations, accounting and finance, and human resources departments, as well as for notifications on piracy.

### Project status monitoring in functional solutions

After the sale of a functional solution through a Logo partner, the Customer Relationship and Loyalty Management team communicates with the project manager of the customer. This process revolves around three main aims: secure process and product satisfaction of project customers using Logo Functional Solutions; ensure that the after sales services rendered by business partners are carried out in accordance with the Logo standards and guarantee that the problems encountered during the project process are handled in a way to provide customer satisfaction.

The implementation process of functional solutions, the training adaptation process, the transition to live use and the trial period are followed up by periodic calls. The aim of this method is to increase customer satisfaction at the pre usage process and usage stage.

After completing the project status follow up meeting, feedback received from the customers is communicated to the relevant departments and managers for evaluation and further actions. Accordingly, the relevant unit, e.g., project office, product support center, product manager and the sales team contacts the customer and/or the business partner.



# Operational excellence-oriented support services



The Channel Sales Support Services operates to ensure that Logo's business partners provide services to the customers in the fastest and most efficient way.

Based on the principles of information sharing, high availability and business continuity, the Channel Sales Support Services Unit prioritizes operational excellence for Logo and stakeholders. It provides support services to solve the problems encountered by both the customers and the solution partners in the field as soon as possible, by implementing the customer satisfaction oriented approach in order to enhance the customer loyalty.

In 2018, the support teams operating with these principles focused on functional product support along with the main product groups. A functional product group support structure was created in all processes. Dedicated support lines were created so that the customers and the business partners in need of assistance for a specific product group can get the fastest support by minimizing the waiting time.

The system used in the support processes was replaced with Support Center Plus, a ticket system, which aims to facilitate the process, where product related problems of customers and business partners are handled. All reports, cases attended, and survey results are managed on this application.

The success rate above 98% in the services and the surveys completed by the customers and business partners proves the achievement in this respect. Customers greatly welcomed the visits initiated by support teams this year. Additionally, customer site visits, especially those which allowed support teams to observe how applications such as advanced production planning, MRP, e government are applied in the field have been a good source for experience building.

A new method was introduced to respond the questions and problems sent to the support email addresses. Thus, the e mails can be tracked and replied in a short time. This new method helped the company to make further improvements. Initial evaluations were conducted in relation to the product feedback from customers and business partners, and the product management team was informed to keep the system up to date and take prompt actions. The customer relations team was provided with the necessary support and information in relation to the feedback received. Public Education Centers was supported with respect to product implementation related questions by the training department. Furthermore, in house training programs were organized to benefit from the project team's field experience.

121.922 Handled calls Average rating score of support survey 6.850+ Responses to support satisfaction surveys +98% Service level Logo Yazılım 2018 annual report

# Importance attributed to stakeholder's opinion

In 2018, Logo conducted research activities that focused on different areas through digital surveys and face-to-face interviews with more than 3,000 people, in order to measure the perception and satisfaction of stakeholders and understand their approach to the services provided.



In 2018, the "Corporate Reputation and Perception Survey" were conducted with more than 1,800 people including existing customers, prospective customers, internal stakeholders including business partners and employees; opinion leaders such as academicians, non-governmental organizations, vocational college professors and press members; and general public in the IT sector of Turkey and society in general including the university students. The aim of these research activities was to evaluate the reputation management performance of the company and the corporate perception of Logo in the eyes of the stakeholders.







# LEM Approach Research

In the last quarter of 2018, a research conducted to determine the LEM approaches with the aim of evaluating the expectations and the services offered within the scope of LEM and measuring the satisfaction level with respect to the support team and the satisfaction in general. For this purpose, face-to-face interviews were conducted with approximately 1,050 people, including the business partners and the customers. The research was conducted in 42 cities and 65 provinces.









In 2018, Logo conducted the "Employee Commitment Survey" in order to evaluate the employee satisfaction and expectations, as required by the importance attributed to employees and its sense of responsibility. The survey was completed with a participation rate of 92% and revealed that 88% of the employees are proud to work at Logo, while 85% would recommend Logo as an employer to others.









## Digital transformation with right project management and based on customer needs

Logo conducts special projects based on both products and services in order to meet the needs of its customers in the process of digital transformation in every possible way. The company also provides consultancy service to the business partners carrying out similar projects.

The Support and Projects Unit provides Logo customers directly with project and support services for Logo j Platform, Logo Netsis, HR and other functional products. The unit delivers training programs coordinated by Logo Academy and offers product presentations to potential customers during the pre sales period. The company also provides the business partners with support and consultancy services for similar projects with the same products.

In this context, Logo focuses on improving the project and ecosystem processes as well as creating reference projects and new service content to promote new products and technologies.

The Logo Project Methodology, which was initiated in 2016, was completed in 2018 and the first output was received. Different project phases and types were identified for the process from the pre sales to the maintenance period, within the framework of this methodology implemented in the projects carried out with the business partners. Document templates to be used for projects were created. The appropriate documents at different phases were determined on different scale according to the size of project.

Within the scope of this new methodology, projects and contracts are monitored on the Logo j Platform; internal requests from the project teams are handled by the Support Center and e mails are sent through Logo Flow to notify about the changes in the project portal. Thus, all processes related to the project become traceable; the team works with a more systematic and sustainable approach.

In 2018, Logo supported business partners for various important customers. In some cases, Logo teams provided services directly at the customers' request, and in some other cases, the project management was carried out together with the business partners.

An organization attaching importance to digital transformation of its stakeholders

Logo attaches particular importance to contributing to the digital transformation of its stakeholders and meeting their end to end needs. It develops special projects in this field and provides products and services according to the needs of customers.

In 2018, a project was executed with the aim of providing a common platform to companies in different sectors and meeting their needs by customizing sector specific developments by the company without being constrained with the general standards. The project allows Logo to provide its services to more than 300 companies of customers from a single central platform.

Logo j Platform with 500+ users has been implemented together with Logo Flow and Treasure Wizard products. The integration with software products developed by Logo or the third party software was completed through online and offline transfers. Various improvements have been made in the purchasing, sales and financial processes by using the development tool specific to Logo j Platform. Within the scope of the project, there is a plethora of modules ranging from purchasing and sales management, finance and budget management, asset and material management to e transformation, which supports the digital transformation of the customer.

In 2018, another special project carried out directly by Logo project teams was a project with a Logo j Platform customer with 250 users. The project was completed in approximately 18 months and allowed the customer to manage its import operations through an online system, process customer information spread to various dealers on a single platform, follow up and report on the import and dealer contracts, and monitor the current stock information of the dealers. Modules for the dealer training, operational efficiency and performance monitoring were developed, and approximately 100 dealers started to use them.

### An established, reliable, leading brand

With a long-standing history of 35 years, Logo is Turkey's leading brand in enterprise applications software with the confidence of having accompanied the growth journey of more than 200,000 firms as well as the countless leading approaches it introduced throughout the history of information technologies in Turkey. The company continued its leadership and strengthened its brand awareness in this field through its investments in brand communication in 2018.

The communication of Logo is built on raising awareness among companies of all sizes about the importance of confidently ushering their businesses into the future through corporate and technological contents; and explaining the contribution of Logo solutions in productivity growth across various fields during their digitalization and digital transformation journey.

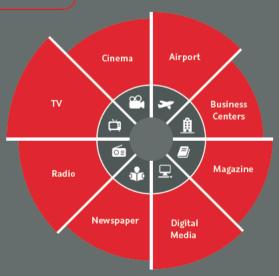
#### Coding the future together

In early 2018, a communication strategy was devised under the motto, "Coding the future together" and a yearlong, 360 degree communication plan was created. As part of the 360 degree communication approach that encompassed magazine, cinema, radio, Internet, outdoor advertising and promotional work, a media plan was drawn out with the goal of reaching out to all companies and executives that wished to invest in the future through corporate resource planning and

functional solutions and to achieve productivity growth in their respective organizations.

In the first quarter of 2018, commercials built denominator of everyone on the Logo ecosystem were created emphasizing Logo products, which have been confidently developed since 1984, to represent the distinct rhythm of each industry, tempo of companies of different sizes, and the voice of more than 1 million users accompanied by a rhythmic melody and aired across all outlets. In the last quarter of the year, again as part of the 360 degree communication investment, works were aired explaining how Logo presented more than 60 solutions based on a stable pricing policy with the power of engineers of Turkey and local production, under the main message "Developing the future" in 3 different commercials along with the messages "Invest correctly" "See the future clearly" and "Grow your business confidently".

Launch of 360 communication campaign: "Coding the future."



### Logo Blog for sectoral news and developments in world of technology

A new SME friendly blog page was published with the aim of guiding business owners, executives and IT professionals, who want to follow commercial and regulatory developments closely, and use the innovation and the latest developments to improve their business. Information and user experiences about the Logo products are posted on this website. It contains informative content on issues such as company management, software, business life, human resources, sales, and marketing. Furthermore, developments in the world of technology and sectoral news are also available at "blog.logo.com.tr".



Digital marketing

Logo increases awareness of products and solutions through digital ads and organic contents to reach its stakeholders.



#### Opinion leaders in industry

Throughout the year, Logo executives participated in 31 different events, addressing a wide range of audiences ranging from university students to SME owners in Anatolia, from capital market investors to entrepreneurs who set up a new company.

These talks have been a key contributor to Logo's leading position in the industry and its corporate brand image. The presentations included Logo's inspiring story of 35 years, which started as a small start up, and eventually became a company with a global profile, which is the leader in the digital transformation, and highlighted the importance of software in our lives and the importance of design in coding.

#### Some of the important events where Logo participated as keynote speaker are as follows:

- March 8 Anatolian IT Meetings, Başak Kural
- May 10 BTVizyon Izmir, Akın Sertcan
- June 4 Forbes IDEAS Meeting, Arslan Arslan
- October 17 Webrazzi Summit M. Tuğrul Tekbulut
- November 2 and 3 The 5th IITLC International IT Law Congress, Akın Sertcan
- November 13 ITU Marketing and Finance Summit, M. Buğra Koyuncu
- November 13 Capital Market Congress, Cahit Güvensoy
- November 15 Webrazzi Developer Summit,
   M. Buğra Koyuncu
- November 25 Mehmet Zorlu Foundation Youth Summit, M. Tuğrul Tekbulut
- December 6 The 12th Istanbul IT Congress, Akın Sertcan

#### Creating platforms to stay close to stakeholders

In 2018, a total of 69 events intended for different stakeholder groups were organized or co organized by Logo in collaboration with leading NGOs, IT and technology institutions.

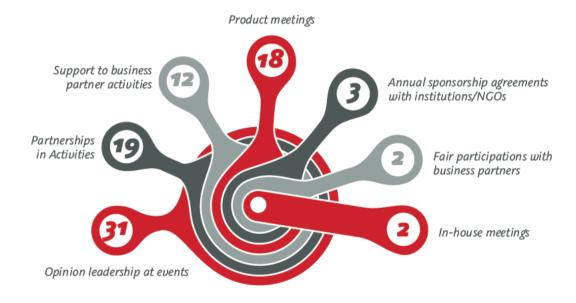
Logo found the opportunity to meet the SMEs at different events such as the "Support and Financial Opportunities provided to SMEs and Entrepreneurs" conference organized by the Turkish Small and Medium Sized Businesses, Self Employed Professionals and Managers Foundation (TOSYÖV), the "XIV SMEs Summit", and the "Istanbul SMEs and Information Congress" organized by the Informatics Association of Turkey (Türkiye Bilişim Derneği) for the first time this year.

In the IT Vision meetings held in 10 cities including Bursa, Istanbul, Gaziantep, Konya, Kayseri, Mersin, Izmir, Samsun, Eskisehir and Girne, SMEs were provided with detailed information by Logo about the world of digital transformation.

Throughout the year, Logo Software has met with young people at many events on different themes such as technology, finance, innovation and marketing at different universities including Boğaziçi University, İTÜ, Hacettepe University and Gebze High Technology University and has been a source of inspiration for young people seeking to shape their future.

More than 1,000 people participated in the Logo Business Partners meeting held in Antalya between February 16 and 18, 2018. The event was held with the theme "Beyond Listening", where rapid changes in technology, future oriented designs and digital campaigns were discussed, along with the medium term and long term strategies of Logo.

Another highlight of the year was the Marketing Meetup, held in Istanbul on April 19 with the social responsibility sponsorship of Logo. At this event, 11 gifted BILSEM students who are interested in science and technology, met the first humanoid robot Sophia.



## A transparent and sustainable approach, responsible towards society and environment



Logo strives to increase its share in the domestic market and grow in the global markets, in order to convert its potential to value as a company established in a country with vast local knowledge and experience, which aims to become one of the 10 largest economies in the world within 10 years.

Logo is the company with the most customers in the Turkish application software market. Since the first day, the company's activities have been based on the fundamental values of fairness, transparency, accountability and responsibility. Logo became the first IT company in Turkey in May 2000 to go public in line with the principle of transparency. Logo was included in the corporate governance index in 2009 and is still traded on the BIST Corporate Governance Index and the World Corporate Governance Index (WCGI) covering 150 countries, with a corporate governance rating score of 9.11. Logo, the corporate structure of which is parallel to the contemporary management principles, is one of the leading companies, which provide employment to the most women managers in Turkey.

Logo is headed towards becoming a regional powerhouse and pays utmost attention to create durable added value. Due to its role in technological transformation, the company provides solutions that create added value in many areas such as Industry 4.0 and cloud computing, thereby helping companies operate more efficiently and adapt to today's competitive conditions. It triggers sustainable transformation in both its own activities and those of the ecosystem, especially in the emerging markets. In line with this, Logo's sustainability strategy focuses on investing in the society, the environment and the future of the company and contributing to the sustainable

transformation of the ecosystem with innovative products and services.

Logo has been included in the Borsa Istanbul Sustainability Index as of November 2017 and has prepared its first sustainability report for 2017. The priority issues in sustainability reporting were determined based on the analysis of sustainability management in the software industry and business strategies. In this context, the following issues were identified: Technology and R&D Power, Digital Transformation, Customer Orientation and Satisfaction, Business Ethics, Support to the Entrepreneurship, Financial Profitability, Social Contribution, Customer Confidentiality and Data Privacy, Diversity and Equal Opportunities.

In order to increase the employees' awareness on social, economic and environmental sustainability, Logo launched its Sustainability Report with the participation of various external stakeholders as speakers.

### Logo acts with a sense of responsibility towards the society and nature

In "Turkey's Most Valuable Brands 2018" research by Brand Finance, an independent brand evaluation organization, Logo stands out as the leader of the IT industry, for carrying out its activities since its establishment with a sense of responsibility towards the society and the nature.

#### The activities in this context are as follow:

- The April 23rd Logo Children's Festival, which has been repeated for 5 years now as a company tradition, brings many creative events together from design workshops to dance events, prepared for the children of Logo employees.
- As a part of the Anatolian Scholarship project, which aims to spread qualified education on a grassroots level, two female students from Koç University are awarded the Logo Scholarship.
- Being aware of the importance of the business world's efforts in eliminating gender discrimination within society, Logo attaches special importance to providing equal opportunities and resources for its women employees and managers. Women constitute 45% of all employees and 30% of managers at Logo. The company's human resource policy aims to improve these rates.
- Established in 2006, Logo Sailing Team consists of 16 people and has exceeded far beyond a mere sponsorship activity, which eventually has become a sports club with regular investments. The team has been very successful both nationally and internationally. Logo Sailing Team constitutes a significant part of the company's support to sports and the social impact created in this field. The team managed to be included among the top 3 in 18 out of the 21 races it participated in during 2018 andattracted special attention by winning the first prize in TAYK Mat1010 Trophy and Bosphorus Cup 2018. In 2018, Logo employees who have shown interest were provided with the chance to attend a training program, and successful participants have had the chance to join the sailing team.
- In 2018, together with theAll Children Are Ours Association and begoodtome.com, Logo made the dream of 500 students of Kirimli Aslanbey Primary School located in Fatih come true by offering them a cinema experience.
- On Saturday, September 15th, Logo participated in the World Cleanup Day, one of the world's largest civil movements. On the same day along with millions of volunteers from all around the globe, Logo took part in the cleanup initiative in Istanbul's Belgrade Forest, organized in collaboration between Logo and the Let's Do It! Turkey Platform.

- Within the framework of the Tree Brotherhood Project implemented by TEMA foundation for 3 years now, approximately 14,000 children for the first time in their lives learned how to plant seeds and dig them in the soil and were exposed to nature where they had the chance to make observations. In the cities where the project was implemented, children grow their own saplings; whereas Tema created the Step by Step Children's Memorial Forests in Çanakkale and Balikesir. The memorial forest in 2018 was created with the contribution of Logo in Edirne. Logo employees formed the Corporate Running Team on the 10 km track at the 40th Vodafone Istanbul Marathon on November 11, 2018 and supported the Tree Brotherhood Project by joining this marathon along with TEMA family.
- On December 5, the World Volunteer Day, Logo visited Asim Sürücü Regional Board School located in Elazig Maden District in cooperation with All Children Are Ours Association and presented winter clothing packages to 107 students.
- In Turkey there is a need for 2 million blood units per year for emergency cases of sick and wounded people due to various reasons. Blood is a fabric that cannot be manufactured, and its sole source is a healthy donor. Being fully aware of this reality, Logo organized a blood donation campaign in 2018 during which Red Crescent Blood Donation Units were established on November 27 in Gebze Campus Education B Hall with the help of the Izmit Red Crescent Blood Center team.
- Social awareness is evident within the company and can be observed throughout the whole organization from the highest to the lowest level. The board members, managers and employees are sensitive to social problems, and most of them participate in activities in social areas and NGOs. Tuğrul Tekbulut, the founder of the company and the chairman of the board founded in collaboration with the National Education Ministry the "M. Tugrul Tekbulut Information Technology Vocational High School". Also, his investments in a plethora of startups stand out as the additional benefits on the social side provided by the company.
- Total donations for 2018 was 166.897 TL.

### A new understanding focused on employee experience

2018 was a year in which important steps were taken to nurture a new working environment and culture in Logo. The human resources management created the 'Human and Organizational Transformation' framework in order to support the happiness and self-improvement efforts of each member of the Logo family. Many activities were undertaken so far to increase the company's reputation as an employer brand.

The Logo human resources processes are managed from A to Z in a manner to attract the most qualified young and experienced professionals to the company, to invest in the continuous development of the employees, to provide equal opportunities to all employees, to offer competitive wage policies, to aim and reward high performance, and to manage all HR systems fairly and objectively.

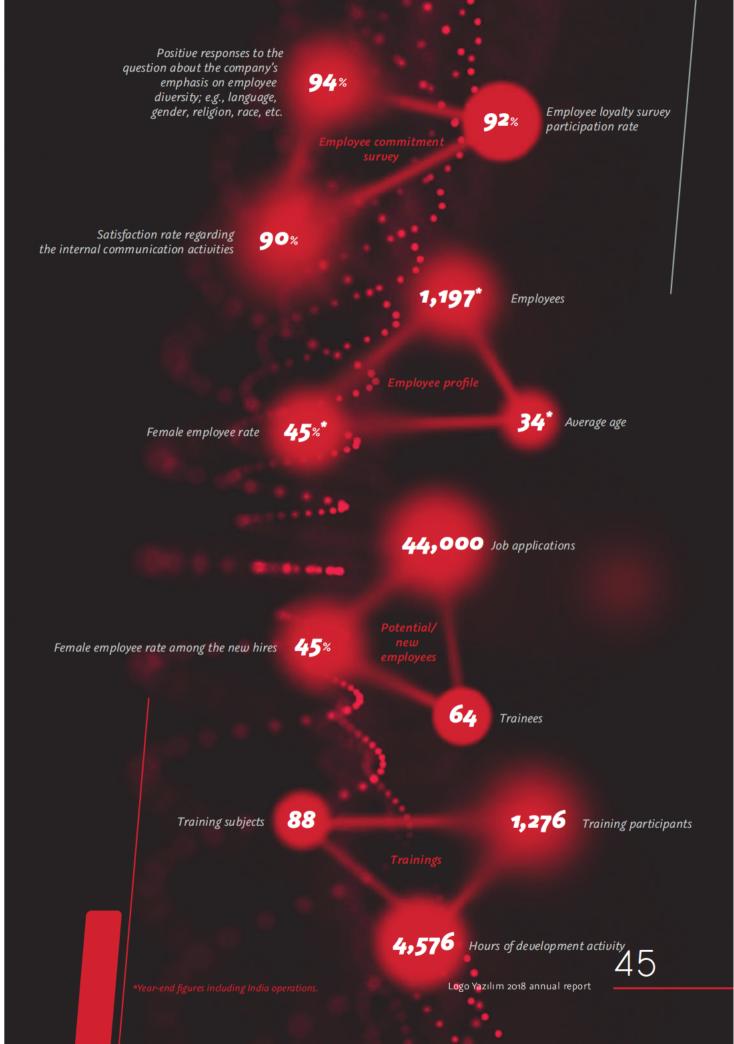
In this context, the topics focused in 2018 are as follows:

- Leadership capacity: All the top and middle managers in the organization completed the first two modules of leadership training: 'Team Leadership' and 'Strategic Agility. They will complete the third module: Leadership 'Self Leadership' in May 2019. Additionally, the 'Assessment Center' implementation was initiated for leadership roles and recruitment, and the individual development journeys of the Leaders started to be designed with them.
- **Process improvement:** Design of a company procedure and policy pool, shaping and publishing of priority procedures and policies within the company, review of the current grade structure with a career path perspective.
- **Digitalization of HR processes:** Spread of the digitalization and the use of technology by reviewing the recruitment, performance, career, and wage systems.
- Establishment of the Training & Development Catalog: Analysis of the training needs and fundamental training program design, composition of online solutions and catalog contents.
- Effective talent management: Identification of critical roles and creation of talent recruitment projects for digital roles.

In 2018, an important focus of the human resources management has been to embrace a people oriented corporate culture. In this context, it was aimed to foster a transparent culture and climate, which caters the needs, makes employees feel secure and invested in, celebrates success and at the same time, enables people to enjoy their jobs. The creation of "a single team", the development of a digital working environment, the strengthening of the diversity and inclusiveness culture through exchange and rotation programs between countries and functions, a special focus on women and youth and increased awareness on occupational health and safety constitute the other supporting pillars of the corporate climate.

In this context, the following activities were implemented:

- Starbucks "On the Go" and Tazedirekt Organic Market were launched in Gebze.
- A more sensitive internal communication has been introduced focusing on the personal needs based on life cycle. The necessary policies were published.
- "The Business World against the Domestic Violence Project" organized by Sabancı University was actively attended. On this topic training of in house trainers started.
- Scheduled to be launched in 2019, an exchange program was designed between Turkey and India for the Logo j Platform expertise.
- Collaborations focusing on "Women and youth" themes were initiated with TurkishWIN.
- Banners for occupational health and safety were prepared for use within the organization.





At the same time, the review of the infrastructure and design has been launched in order to create a digitally smart building. The efforts towards developing leaders from within Logo have been redefined around the objective of increasing the leadership capacity. The coach leadership model has been applied to serve this purpose and the first module of the leadership program was implemented. The employee satisfaction survey results were evaluated, and special efforts were made to reduce the turnover among high performing employees.

In addition, the competency revision and the potential indicators were completed for the revision of the performance evaluation system. Workshops on cascading the objectives were planned. A simplified competency set, a potential indicator set and a rating scale are available to be implemented in the new 2019 performance period.

On the employer brand side, the required definitions, the announcement of these definitions within and outside the company, the review of communication and social media standards, and the creation of action plans in accordance with the evaluation of the results of the corporate reputation and employee commitment survey, were provided.

#### Organizational transformation

In the second half of 2018, HR management was restructured as the Human and Organizational Transformation department, supported by the creation of the "Center for Excellence" and the Organizational Development and Learning and Development (L&D) functions. New departments formed within the framework of this structure:

1. Organizational Development 2. Wages,

Rewarding and Employee Relations 3. Learning and Development (L&D) 4. Administrative Affairs, Building Management, OHS. The 5th department, 'Employer Branding and Internal Communication' continued to strengthen its presence. The purpose of this re structuring was to establish the right expertise in international standards to enable us to see Employee Experience at the heart of every move.

In the course of 2018, Logo renewed its competence model in this field. 50 employees from all organizational levels attended 6 workshops, which were organized across all locations. The new competence set was designed in a way to meet the changing and evolving needs of Logo.

The "Employee Loyalty Survey" was conducted for the first time in Logo in cooperation with an international consultancy company. The participation rate was 92%. The results revealed that 88% of the employees are proud to work at Logo and 85% of them states that they would recommend Logo as an employer to others.

This year signaled significant changes in the conceptual and systemic dimensions of the performance evaluation approach. For the first time each Logo employee conducted a self assessment. By becoming directly involved in the process and using the performance module, Logo employees have been eventually delivered valuable feedback, which in its turn contributed to rendering the system more user friendly and simple.

#### Selection and placement system

In Logo, the selection and placement process aim to identify and recruit the most suitable candidates based on the criteria of corporate culture, company objectives and position specific competencies. The equal opportunities principle leads the recruitment process during which, evaluations are made exclusively on the basis of past knowledge and experience; disregarding any discrimination on gender, nationality, religion, ethnic origin, marital status, or sexual orientation. In this context, during the recruitment process candidates are assessed with the General Ability Test and Personality Inventory applications. These tools are used in collaboration with experts and professional companies.

In 2018, Logo recruited new personnel to fill newly created roles and the expansion of many departments. A total of 152 people joined the Logo family throughout the year. 45% of the new recruits were women. The recruitments in Logo, eLogo, and Logo SME Digital companies were mainly focused on product development and sales teams. By the end of the year, the number of employees increased by 15% compared to the previous year.

Over the year, 58 university and 6 high school student volunteers participated on behalf of Logo on the career days of 9 universities including Boğaziçi University, İTÜ, Gebze Technical University, Ege University, Dokuz Eylül University, Bilkent University, METU, and Celal Bayar University. At these events, students had the chance to visit the Logo stands, which were established to attract young talents to the Logo family and receive information on the recruitment process and career opportunities.

During the candidate search process, vacancies were published in various recruitment portals, on the corporate website, intranet and LinkedIn social media account. During the year, 44,000 job applications were received through all these channels. Logo received the kariyer.net "Respect for Human Award" for demonstrating a 99.87% personalized response rate and an average response time of 5 days to the 43,634 applications received via kariyer.net site and successfully closing 91 job openings.

In 2018, digitalization in the selection and placement process has been prioritized, and many activities were carried out to complete the digitalization of the operational processes. Progress was made towards creating efficient systems, which facilitate the process and save time.

The necessary arrangements have been made to ensure a pleasant experience for candidates throughout the recruitment process. In this context, an online interview tool has been actively introduced. This tool enables the candidates to attend an online interview upon a professional invitation by connecting from wherever they are located at. These interviews can also be reviewed by the executives, which leads to a shorter evaluation process.

In order to render HR management more efficient so that it does not fall behind in the increasing competition, which comes hand in hand with digitalization and technological developments, all HR related processes have been revised in a way that ensures their contributing added value to the business.

With the j HR product, which is actively used in the selection and placement process, operational processes and all records are executed through this system.

#### Wages and compensation system

The Logo compensation management system is implemented within the framework of job grades independent from the person and at the same time based on a job evaluation system by taking into account the technology industry employment market. In 2018, the compensation management system was reviewed and benchmark studies with the industry practices were carried out. This process led to the formation of 4 different business families, where the roles with common features clustered together. Competitive compensation policies suitable for these job families were determined.

The parameters for the compensation management system have been expanded to include the newly created business family groups and the annual performance at the employee level and the business level. Thus, a competitive compensation policy was created according to the qualifications and the job size. The company success coefficient, the individual performance coefficient and the job grade coefficient have been incorporated into the new annual performance bonus calculation model. This new model contributed to the creation of a new transparent bonus policy, which provides internal equality.

The output of the transformation activities carried out in the HR processes was the following steps in the wage and compensation management:

- The compensation and benefits policy is based on the competencies, duties, responsibilities, training, and work experience of the employees.
- The process is updated once a year by taking into consideration the internal balance and is managed by using the internationally accepted Hay system, which makes fair and balanced market comparisons at the position level.
- Annual wage increases are prepared based on these evaluations to be valid as of January each year.
- The basis of the compensation management system is the job evaluation system.
- The job grades are defined based on the job evaluation system according to the job size, regardless of the title and the person.

Within the scope of 'wage and side benefits', the Cash Advance System in Installments was created for the needs of the paid military service and other life cycle needs. In addition, during the 21 day period, wage and side benefits are preserved. In order to ensure work and life balance, the company continuously develops more sensitive internal communication applications. As of the academic year 2018 2019, the employees who are parents are entitled to a half day off on the first day of school.

In addition, the LEAP Employee Support Program ensures that employees and their families receive reliable support from experts, 6 times a year on a face to face basis and 24/7 support call center, for any difficulties they may face in their professional and private lives. In addition to the individual interviews, expert psychologists visit the company 7 times a year and provide seminars on issues such as communication, parental behavior, motivation and anxiety for success, and answer questions of the employees.

The LEAP caters the needs in the topics of psychological counseling; medical advice;

marriage, family, child and adolescent counseling; mother and baby program; legal, financial and regulatory consultancy; training consultancy, wellness program, and concierge consultancy.

Compensation systems were revised during the HR processes digitalization, which played an instrumental role in the increase of the technology utilization rate.

#### Internal communication

The internal communication efforts revolved around the development of contemporary communication approaches and strategies, and the creation of communication channels, content and applications.

A Starbucks "On the Go" stand, which was the employees' first choice, was placed at the Gebze campus since the closest Starbucks from the campus was quite far. In the survey, which was conducted after the stand was established; the satisfaction level reached 97.5 %.

Employee oriented activities such as the 2018 Vision Meeting were carried out, which brings all the employees together and helps to strengthen their communication. In this event managers briefed the employees about the company's 2018 vision and strategies, enhancing the employee awareness on the shared objectives and new approaches for 2018.

As an employer brand, Logo managed to reach more than 1,000 students through participating in career activities. "Life" content has been created with LinkedIn for the employer brand corporate page. Logo Software Career Page has been created in Instagram, for it is the most widely used social channel among every age group. This Instagram account has become the new platform where applications and the company's internal and external activities have been shared.

### A more digital infrastructure



Logo keeps up with the scientific and technological developments in the world and reflects these developments with an innovative approach, specific to its business processes; and continues its journey of sustainable development and digital transformation with great success. In this sense, based on the principles of information security, high accessibility and business continuity, Logo pays the outmost importance on Operational Excellence for itself and its stakeholders.

The Logo Information Technologies team's efforts revolve around the aim of creating a competitive advantage to all Logo business units thanks to up to date information technologies. The team aims to provide infrastructures which ensure the digitalization in business processes required by the modern era and the market, to ensure that the expenditures in this area remain at the most affordable prices with a controlled IT budget, to offer IT services within the ITIL (Information Technology Infrastructure Library) and to spread this approach throughout the company.

The company's data and server platform also has the infrastructure to support digital transformation. In addition to the Gebze campus, Logo strengthens each year its infrastructure with over 200 virtual servers, storage areas, memory and processors thanks to its latest technologies in 3 operators and 4 data centers. It also utilizes the most up to date software and systems to improve its security and continuity infrastructure and operational efficiency.

Within the efforts to maintain compliance with GDPR (General Data Protection Regulation) and KVKK (Personal Data Protection Law), an inventory of the stored data was compiled, in addition to designing more secure and efficient data processing and storage structures.

Logo completed the "New Generation Data Center" project, which was co designed by Logo and the leading service and infrastructure providers in Turkey. The customer data hosted on Diva platform, e Logo services and Logo Logo j Platform have started being stored on 2 operators and 3 data centers, thus ensuring uninterrupted service even in case of a disaster.

The equipment currently used by all of the employees was renewed with more efficient, safer, and more environmentally friendly versions. Thus, the job performance of the employees has been increased while the energy consumption has been reduced.

At the corporate level, there were efforts to integrate the companies that joined the group with Logo and to align their business processes. While providing efficiency and high performance in the supported internal processes, solutions were developed in order to increase the digitalization level in corporate business processes. Furthermore, monitoring the data consistency and correct reporting across all platforms allowed for the minimization of possible risks. Up to date technology and methodologies were adopted in the software processes.

### **Management systems**

ISO 27001 Information Security Management System Policy

ISO 27001 Information Security Management System Policy aims to take all necessary steps in order to ensure the business continuity in all locations over the course of its operations, to minimize the damages and risks caused by security breaches, to secure the integrity within the company, to protect against possible threats the information generated, processed and stored over the technology infrastructure along with the systems used for their generation, processing and storage and protect all physical and digital data in their entirety, and to provide and constantly improve the necessary resources. Within the scope of ISO 27001 Information Security Management System, Logo organizes all necessary training programs on the topics of information security and protection of intellectual property in order to enhance the awareness of employees.



Following a thorough understanding of the client's needs and expectations; Logo's general policy is to develop services which create added value to the customers and constantly ameliorate the Quality Management System effectiveness.

ISO 10002 Customer Satisfaction Management System

Within the context of ISO 10002
Customer Satisfaction Management
System, Logo's aim is to evaluate
the requests and feedback received
from the customers by taking into
consideration the legal regulations, to
create customer satisfaction and to
continuously improve the effectiveness
of this process. Logo undertakes to
treat and solve negative feedback
from customers in a customer-oriented

manner in accordance with the Customer Satisfaction Principles.

ISO 22301
International
Business
Continuity
Management
Policy

By adopting ISO 22301 International Management Business Continuity Policy, in case of disasters or emergency situation which may occur outside of control or in case of a possible interruption, Logo aims first of all to ensure the safety of the employees and guests in all offices, to continuously meet the expectations and needs of the customers and investors, to take rapid and accurate action in the event of a possible interruption, to determine the continuity solutions in order to minimize the loss, to identify the minimum resources required after the interruption by prioritizing the services, to create job recovery strategies and to take necessary actions in order to prevent data loss by designating a business continuity team, to prevent financial losses and damage on the company's reputation by designing the post-interruption communication processes, and to continuously develop the Business Continuity Management System and to implement it after testing, by understanding its requirements.

- · 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

Customer

**Principles** 

Satisfaction

Logo meets all structural specifications, and management, technical equipment, and employee related general rules required from the companies, which provide software services according to TS13149 certificate.

ISO 20000-1
Information
Technology
Service
Management
System Policy

In relation to Logo Elektronik's ISO 2000-1 Information Technology Service Management System Policy, Logo's aim is to deliver the services it has committed to its customers in a flawless manner at all locations, to continuously monitor and improve the effectiveness of its services and Service Management System.

## The most preferred digital transformation solution partner of Turkey: eLogo



eLogo, the most preferred digital transformation solution partner of Turkey, started as an integrator and continues as an e-service company by offering industry solutions based on the needs of the market and its customers.

eLogo provides end to end solutions for the digitalization of its customers thanks to the power it has gained from over 30 years of experience in the sector, and guides the digital transformation process of companies. These solutions reduce the costs related to paper, printing, archiving, labor and distribution, decrease the operational burden of financial processes and ensure data security during the digital transformation process.

Thanks to its innovative and customer oriented approach, eLogo works with customers, and monitors their experiences on an end to end basis. Thus, the company improves its products both in terms of functional features and user friendliness.

eLogo continues its endeavors to reinforce its leadership by increasing its preferability rate and by offering value to its customers with its team that is competent in training and support and that is always in the field combining expertise and reliability of Logo with youth and dynamism.

Providing e Invoice, e Archive, e Ledger, e Dispatch and storage services approved by the Revenue Administration (GİB), eLogo provides services to companies that use the enterprise solutions of both Logo and other software firms. The services are complemented with value added services such as e Collection, e Statement, e Settlement.

Recently, e commerce constitutes one of the main focus areas of eLogo. For large scale companies with their own e commerce sites, solutions that

facilitate the billing processes and accelerate the collection processes with logopay payment system are provided. Companies that use eLogo services such as Chat and Chatbot provide a better experience for their customers.

In addition, the e commerce portal was launched in 2018, enabling micro SMEs, which do not use enterprise application solutions to easily connect to their markets, open their product cards, follow up their orders and issue their invoices on a digital platform. On this portal, users can follow their orders from a single platform and issue and track their invoices in a digital environment.

eLogo prepared the first e Dispatch, which was introduced by regulations, transferring the Delivery Note from paper to the digital platform. The companies, which adopted this application, can monitor the dispatch list between them in a digital environment. Almost half of the customers who use e Consignment in the market today are eLogo customers.

The relevant processes can be managed quickly and safely with eLogo Environment, Health and Safety Management, approved by the Ministry of Labor and Social Security, which is the new solution in product suite developed to cater the customer needs.

The e Producer Receipt solution, which was introduced in February 2018, allows the transfer of producer receipts for non taxpayer farmers to the digital environment, thus providing a significant amount of time and cost savings.

### Value Added Ventures

#### Logo KOBİ Dijital

A 100% subsidiary of Logo, Logo KOBI Dijital Hizmetler A.Ş. (SME Digital Services), was established in 2017 with the aim of developing cloud based software and service based micro services for small scale companies such as individual consultants. Logo KOBI Dijital Hizmetler delivers information technology services to companies and individuals through its web based and mobile technologies.

Logo İşbaşi introduced in 2018 was developed with the 34 year experience of Logo with the aim of increasing the efficiency of small businesses through mobile solutions. As the first and only voice commanded invoice application of Turkey, Logo İşbaşi helps issue sales invoices in seconds using the invoice templates saved in the system. This mobile application allows issuing invoices

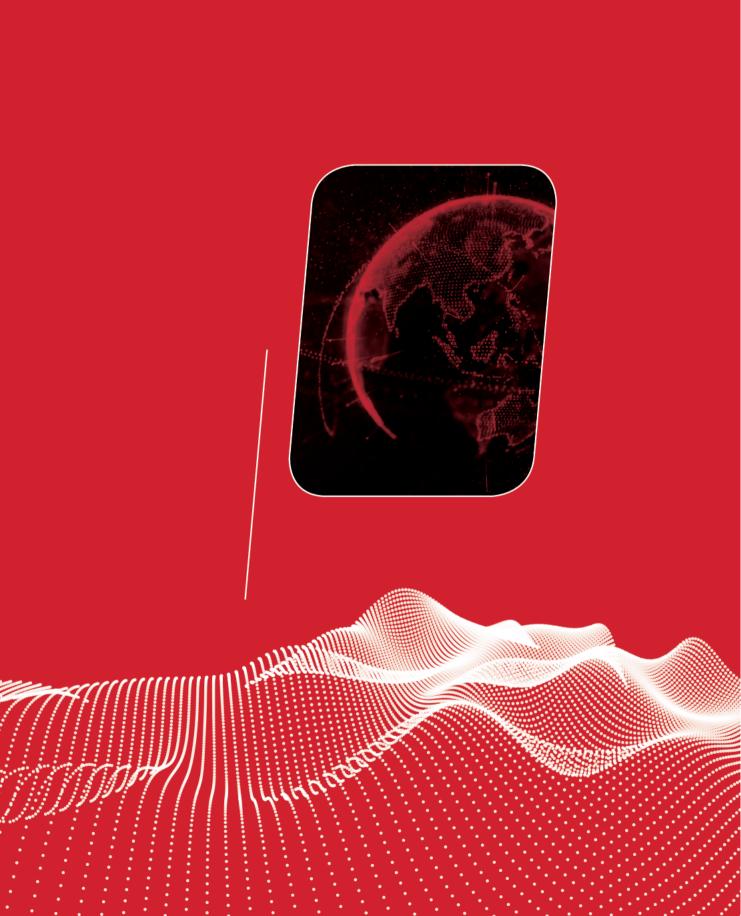
automatically through voice commands. Logo İşbasi offers features such as instant invoicing, saving, sending and printing on the internet or mobile applications. The voice invoice editing feature available on the Android and iOS platforms enables companies to act rapidly and supports their adaptation to the digital transformation. In 2018, the company added pre accounting procedures such as e invoice, payables / receivables tracking, collections, cash and bank tracking to Logo İşbaşi. In order to increase brand recognition, 4 completely free of charge micro applications were launched including VAT calculation, Motor Vehicle Tax calculation, rent income tax calculation, and monthly / annual salary calculation from net to gross and vice versa. 5 applications with voice command feature have been downloaded to more than 100,000 mobile phones and have been used more than 10,000 times per month.

#### Logo Ventures

As one of the corporate venture funds of Turkey, Logo Ventures was founded in the second half of 2017 with 20% shareholding of Logo with a 10 million TL investment. 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 that do not have a proven technology or a business model 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. In 2018, Logo Ventures invested USD 500,000 in V Count, an enterprise, which produces hardware and develops software that can be used in many sectors, from retail to exhibition management, and from airports to libraries. V Count Solutions include People counting, Heatmap analysis and Cashier queuing analysis. Logo Ventures will continue supporting entrepreneurs in order to empower them and allow different ideas to flourish.





### **Logo Total Soft**



Acquired by Logo in 2016, Total Soft operates in the enterprise application software segment in Romania and other countries such as Germany, Luxembourg, Greece, and South Africa.

The company's financial services solutions promise a high growth potential in the international arena. Logo 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, Logo 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 Logo Total Soft solutions, these valuable references drive the sales of the company.

Logo Total Soft finalized the acquisition of Architected Business Solutions

In 2018, Logo Total Soft purchased 100 % of ABS and ABS FS shares. The purchase consideration of ABS and ABS FS is 20% shareholding in Logo Total Soft. ABS provides retail consultancy, technology and outsourcing services and ABS FS provides

financial services. The combined resources are expected to provide added value to both local and international clients and further widen Logo Total Soft's business services offering to its clients. Logo's ownership at Logo Total Soft stands at 80% after ABS acquisition where owners of ABS have a 20% shareholding in the company. 2018 was a year of improved performance operationally and financially for Logo Total Soft. Re structuring efforts and R&D investments of 2017 combined with the acquisition of Architected Business Solution (ABS) contributed positively to the 2018 performance of the company. Sales increased by 44% reaching 108 million TL and EBITDA margin was realized at 11%.

#### Logo Total Soft is expanding

In 2018, Logo Total Soft successfully added new clients to its portfolio in all solutions. Charisma ERP Charisma ERP was sold to global brands as well as local players in sectors such as retail and pharmaceuticals. Charisma Human Capital Management solution was chosen by European and Romanian companies in services and transportation industries. The Human Capital Outsourcing services added to their portfolio global reputable retail brands and logistics firms. On Financial Services division, in addition to new client acquisitions, existing key clients implemented Charisma in additional countries of their operations.

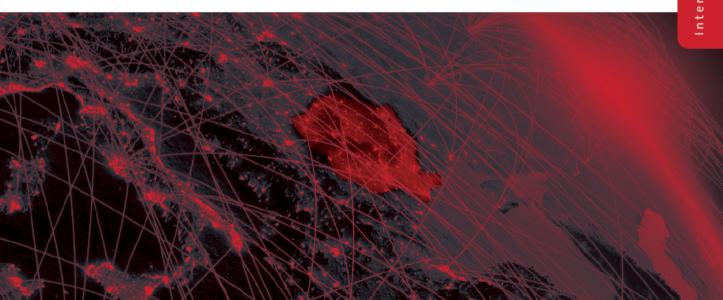
An important project with significant national impact and visibility was the one project where Logo Total Soft provided a solution for the automation of processes between the organization and the banks concerning the national financing programs "First Home" and "First car".

A project with international visibility impact was the transposition of the European Falsified Medicine Directive into Charisma. As a result, the largest Romanian pharmaceutical companies became compliant with this new Directive.

With the acquisition of ABS, Logo Total Soft concentrated on business development, business strategy and human resources over the course of 2018. Under business development, sales and marketing processes were strategically repositioned. The sales team was extended in order to meet new targets for local and international markets. New resources were allocated for ERP, HCM (HR solutions), CMS (Healthcare industry solutions), business development and sales. In addition, a new working methodology was implemented for the optimization of sales and marketing processes. A new competence model based on KPIs was also enforced in order to achieve quantitative and qualitative performance monitoring.

Within Business Strategy, strategic processes were carried out for Logo Total Soft's key verticals; Financial Solutions, Charisma Medical Solutions, Retail & Distribution and Agriculture. As a result of 7 strategic workshops with over 20 participants, 2022 roadmaps of Financial Solutions and Charisma Medical Solutions were prepared after thorough analysis of expansion potential, new business models and disruptive technologies for both verticals. Business strategy processes under retail and distribution and agriculture verticals showed priority areas for 2018 and 2019.

Organizational transformation continued in 2018 with Human Resources projects. Initiatives firstly concentrated on company's values, purpose and mission together with employee engagement. Through workshops the company ensured that clear actions exist to implement and to sustain values. Efforts on these areas comprise the backbone of all other internal projects. Three main Human Resources projects were; "walk the talk" for sharing company values, "digitalized onboarding" for tailoring new hire experience and "performance model frame" for enhancing the performance system.



### Logo Infosoft



Logo Infosoft was established in 2016 as a joint venture with GSF Software Labs LLC. Logo Infosoft helps organisations, especially SMEs, improve core operations through innovative use of technology. The product portfolio of Logo Infosoft includes its Goods and Services Tax (GST)-ready ERP branded "Jugnu" and mobile-friendly "Vyapari" solutions. These software solutions were specially custom tailored and developed by Logo.

Logo Infosoft strengthened its operations during 2018. It was honored in CIO Review India's list of 20 Most Promising ERP Solution Providers for 2018. In 2018, Logo Infosoft established wins and references across sectors such as general trading, food & beverages, pharma, FMCG, electrical goods, hydraulic components, and services.

Establishment of in house project delivery teams helped successful support for customer go lives. The company launched and implemented solutions across marque names in the SME and enterprise space at a fast pace. The company's first Jugnu ERP customer went live in four weeks. The first FMCG customer deployed their distribution management software in seven weeks.

Logo Infosoft's flagship product "Jugnu", which seamlessly automates an SME's entire operations is the fully GST compliant India specific version of J platform. Logo Jugnu is well positioned to become the new business backbone, covering financial accounting, inventory management, procurement, sales, and distribution operations.

Branded as "Vyapari", Logo Jugnu's mobile version has been a strong contender in the Goods and

Services Tax Network's (GSTN) evaluation of Billing and Accounting Software for SMEs. The detailed evaluation started in end 2017 underwent multiple rounds of shortlisting in 2018, including the panel of technology and tax experts, as well as prominent Chartered Accountants.

"Vvapari" tightly integrates with synchronizing its accounting system with the government machinery. It seamlessly consolidates data related to customers, suppliers, products and services for easy setup. The company targets leading CA firms and trade associations, banks and lending institutions, partners and academic institutions to continuously expand the ecosystem. Further to GST going live in 2017, the number of registered Indian businesses has risen from 7 million to 12 million. Even though the eWay Bill went live in 2018, the roll out of eReconciliation was postponed. These regulatory challenges continue to drive digital transformation for large enterprises and digitization of SMEs and are pathways of growth for Logo Infosoft.

Increasing momentum towards a Digital India, and the transition to the Goods and Services Tax (GST) regime translates to a business environment

that is constantly in flux. Organizations as well as their distribution networks demand a scalable technology backbone which they can trust. Logo makes its strong presence felt at this point with decades of experience in accelerating operational efficiency which meets regulatory and compliance needs.

In the interest of aligning operational requirements to market needs, operations are streamlined into two distinct lines of business:

- Projects business covering Vira and Jugnu solutions: The Projects team's core focus lay on knowledge transfer from the parent organization to become self sufficient. It successfully enabled customers towards going live.
- Cloud business covering Vypari offering: The Cloud team concentrated on establishing strategic relationships with institutions such as banks, e commerce players, regulatory bodies, trade associations, and OEM equipment (for example, mobile and POS) manufacturers. It undertook test marketing with industry leaders in 2018 and built sustainable relationships with other players.

#### Marketing & Sales operations are growing

On the marketing front, Logo Infosoft's key imperative in 2018 was to create a strong brand and product profile for Logo Infosoft in India. The action plan on this front encompassed an array of compelling as well as rewarding digital and offline marketing programs.

It was essential that Indian businesses relate to Logo Infosoft's product portfolio. An unwavering focus on the domestic SME sector's needs, along with strong emphasis on empowerment of business operations and GST readiness proved necessary to achieve this goal.

Communication objectives were to create awareness about Logo Infosoft in the Indian market and position Logo Infosoft as a global player with rich experience in implementing GST solutions.







### **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 Sabanci 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 TÜSIAD 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 TÜBISAD 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.



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 Iş 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.



### 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 Kazancı 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

In 1984, Anlaş 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. Anlas has extensive experience in restructuring, budgeting, planning, working capital management, tax, finance, strategy and corporate finance. She graduated from the Middle East Technical University Faculty of Administrative Sciences, Department of Business, and received her MBA degree from Texas Tech University and her master's degree in economics from the University of Delaware.



Akın Sertcan

Executive Committee Member, Sales and Channel Operations

In 1990, Mr Akin 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.



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



Hande Yalgın
Executive Committe Member, Chief People & Organizational
Transformation Officer

After graduating from Istanbul University Faculty of Economics' Department of Labor Economics and Industrial Relations, Ms. Hande Yalgın continued studying at Istanbul University's Human Resources program, and in later years received Coaching Training Institute's CPCC Co-Active Coach certificate. Ms. Yalgın began her career during her university years and starting in 1998, she served in various positions within HR, Organisational Transformation and Development areas of institutions such as PERYÖN, Koc Holding-Avis Rent a Car, Arkas Holding, Turkcell and Yıldız Holding. Between 2012-2018, she served as the Director of Commercial Units HR Business Partners and Director of Hiring, Talent, Education, Development, Diversity & Inclusion and Employer Brand Managementat Vodafone Turkey, respectively. Ms. Yalgın executed many organisational and cultural transformation projects during her career. Since July 2018, she has been serving as an Executive Committee Member in charge of Human and Organisational Transformation Process in group's all local and international companies.



Özgür Demirel

Executive Committee Member, Product Development

After graduating from Yıldız Technical University's Department of Geomatic Engineering in 1996, Mr. Özgür Demirel started his career at Logo in 1999. Mr. Demirel got his Masters Degree in Management Information Systems from Yeditepe University while serving as specialist within the support, project, special software projects and product development teams of Logo until 2004. He was appointed as Product Development Manager in 2004 and as Product Development Director in 2015. Since June 2018, he has been serving as an Executive Committee Member in charge of Product Development.



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. Sipahi
Executive Committee Member, Information Technology and Business Processes

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

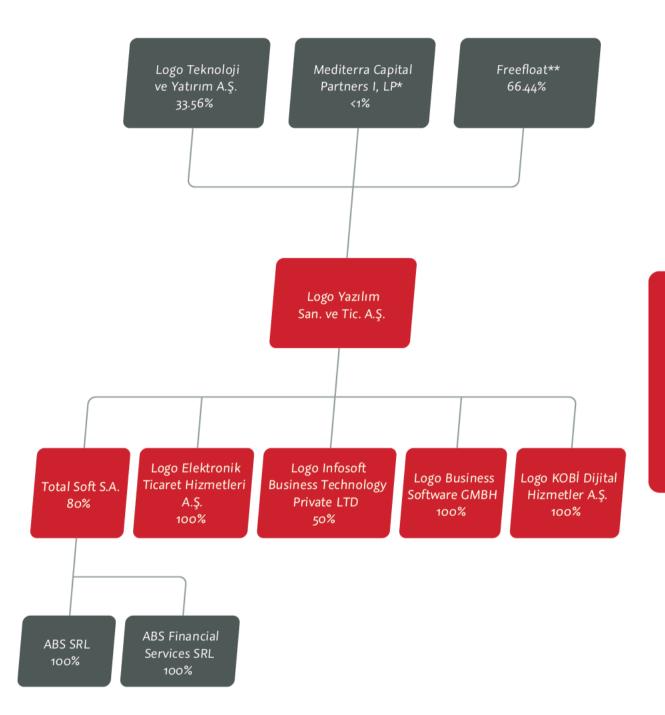
### Capital and shareholding structure



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, 2018, 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
В	Bearer	24.967.000



<sup>\*</sup> Mediterra Capital Partners I. LP's ownership decreased from 5% to below 1% in 2018. Shares consist of A group preferred shares

### Risk management

Logo categorizes the risks that the company is exposed to as follows: stocks, debt management, technological change, competition, collections and currency fluctuations. Control mechanisms required were set 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 cashand 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 Platform Enterprise Resource Management program in order to prevent any misconduct or mistake by personnel in sales prices and profitability.

# Corporate governance rating

In 2018, corporate governance rating of Logo was 9.11 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 17, 2018 and announced our rating as 9.11 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 2018 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		
Shareholders		
Public Disclosure and Transparency		
Stakeholders		
Board of Directors		
TOTAL		

Weight	
25%	ı
25%	
15%	
35%	
100%	

Score	
88,44	
89,84	
96,00	
91,92	
91,14	

# 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: 13/2/2019 Resolution number: 2019/03

Consolidated Financial Statement, Comprehensive Income Statement, Cash Flow Statement and Statement of Changes in Equity ("Financial Statements") for the period of o1.01.2018 31.12.2018, 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.

#### Sincerely,

# M. Cengiz ULTAV Member of the Audit Committee M. Buğra KOYUNCU Chief Executive Officer



# Kutlu KAZANCI Chairman of the Audit Committee Gülnur ANLAŞ Chief Financial Officer

# **Corporate governance**



# Statement of compliance with the principles of corporate governance

In the period between January 1, 2018 and December 31, 2018, Logo complied with the mandatory provisions of the Capital Markets Board (CMB) Communiqué on Corporate Governance issued in the beginning of the year 2014. At the same time the company strives to comply with the non mandatory principles to the maximum degree possible.

As part of the Company's Corporate Governance Compliance Reporting for 2018, the Corporate Governance Compliance Report (CRF) and the Corporate Governance Information Form (CGIF),

which contain the most up to date information regarding the corporate governance practices at Logo are announced at the Public Disclosure Platform (KAP) and the company website www. logo.com.tr

#### Corporate governance rating

The level of compliance of Logo with the Principles of Corporate Governance is publicly announced through Corporate Governance Compliance Statement. Saha Corporate Governance and Credit Rating A.Ş. ("Saha Rating") completed the revision study on December 17, 2018, and announced Logo's corporate governance rating score as 9.11 on a scale of 10.

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

Main Sections	Weight
Shareholders	25%
Public Disclosure and Transparency	25%
Stakeholders	15%
Board of Directors	35%
TOTAL	100%

88,44 89,84 96,00 91,92

The full text of the corporate governance compliance report prepared by Saha Rating is available at the company website  ${\bf www.logo.com.tr}$ 

### 1. Board of directors

#### 1.1 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.

Biographies of the board members and the executive team are available on the corporate website. The Chairman and CEO roles are undertaken by different persons.

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 the board members, who were nominated by the Class A shareholders.

Independent Board Member Mr. M. Cengiz Ultav serves as the Chairman of the Corporate Governance Committee.

All of the independent members fulfill the criteria for independence.

Board of Directors	Position	Executive / Non-executive	Term of Office
M. Tuğrul Tekbulut	Chairman of the Board	Executive	11.03.1986 /Ongoing
Murat Erkurt	Deputy Chairman of the Board	Non-executive	15.07.2013 / Ongoing
S. Leyla Tekbulut	Board Member	Non-executive	15.07.2013 / Ongoing
Orhan Ayanlar	Board Member	Non-executive	15.07.2013 / Ongoing
M. Cengiz Ultav	Independent Member	Non-executive	28.04.2016 / Ongoing
Kutlu Kazancı	Independent Member	Non-Executive	25.04.2017 / Ongoing

#### 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. Il 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

#### 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.

#### Kutlu KAZANCI

#### Other duties of the members of board

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 the board members in Logo Group companies and in other companies do not cause any conflict of interest with their board membership position.

#### 1.2. 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 deputy 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 deputy chairman. 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 is 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.

No board member has the right of veto, or a 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 2018, the Board of Directors has convened 17 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.

# 1.3. 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 mostly from among the 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 mostly 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.

#### Terms of reference of committees

Audit Mümin Cengiz Ultav Chairman committee Kutlu Kazancı Member

# Duties and operating principles Purpose

The Audit Committee was established with a Board of Directors resolution in accordance with the Capital Market Board's Communiqué II 17.1, in order to assist the Board of Directors in fulfilling its financial and operational duties. The Audit Committee supervises 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;

- Verifies the accuracy and transparency of financial statements, footnotes and other financial information, and their compliance with the legislation and international accounting standards, and informs the Board of Directors in writing by taking the opinion of the independent audit company.
- Investigates the independence and qualifications of the independent audit firm and its employees on behalf of the Board of Directors.

- Monitors the accounting system of the company, the public disclosure of financial statements, and the effectiveness of the independent 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, or independent audit; 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.

#### Committee structure

In accordance with the CMB Communiqué II 17.1 on Determination and Implementation of the Principles of Corporate Governance, all members of the Audit Committee shall be independent board members. The Committee members shall be determined each year at the first board meeting following the Ordinary General Assembly meeting.

#### Committee meetings and reporting

The Audit Committee shall convene at least every 3 months and submits the outcome of the meeting 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 Announcements

• 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 Audit Committee shall review the annual report disclosed to the public and ensure the accuracy and consistency of the information included in the report to the extent of its knowledge.
- 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.

#### 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 evaluate complaints received regarding the accounting system, internal control system and the external audit process, on a confidential basis

Corporate governance committee

M. Cengiz Ultav Chairman M.Tuğrul Tekbulut Member Murat Erkurt Member Orhan Ayanlar Member Canan Senkut Member

# Duties and operating principles Purpose

The Corporate Governance Committee monitors whether the company follows the corporate governance principles, determines the reasons and any conflict of interest due to non compliance, offers mitigating to the Board of Directors, and supervises 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

Nomination

M. Cengiz Ultav Chairman
M.Tuğrul Tekbuluk Member

#### The corporate governance committee;

- **a)** Improves the corporate governance principles, facilitates their adaptation and implementation within the Company;
- **b)** Conducts the annual corporate governance evaluation of the Board of Directors and presents a report to the approval of the board in this regard;
- **c)** Oversees the activities of the Investor Relations Department; and
- **d)** Makes recommendations on the functioning and effectiveness of the Board of Directors and its committees;

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.

Remuneration committee

M. Cengiz Ultav ChairmanM.Tuğrul Tekbulut Member

Murat Erkurt Member
Orhan Ayanlar Member

#### 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 achievement of the relevant criteria.

#### Structure of the committee

- **a)** The committee shall be established as per the Articles of Association of the company. The Committee shall consist of at least two members.
- **b)** The chairperson of the committee shall be appointed from among the independent board members.
- **c)** If the committee comprises two members, 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 serves also as the secretary of the Remuneration Committee.

Risk Kutlu Kazancı Chairman committee S. Leyla Tekbulut Member

#### Reporting responsibility

- **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 is responsible for taking the minutes and filing the proceedings and resolutions of the meetings.

# Duties and working principles 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;

- **a)** Establishes effective internal control systems to determine, evaluate, monitor and manage significant risks and their likelihood and magnitude, which would affect the company in achieving its objectives;
- **b)** Integrates the risk management and internal control systems to the corporate structure and monitors their effectiveness;
- c) Ensures that the company's risk management and internal control systems measures and reports on the risk factors and that these risk factors are taken into account by decision making mechanisms.
- **d)** Reviews its terms of references periodically and, if necessary, advises the board on required changes, if necessary. The ultimate responsibility with respect to the final decision rests with the board.

#### **Committee structure**

- **a)** The committee is established in accordance with the Articles of Association of the company.
- **b)** The committee consists of at least two members. The chairman of the Committee is elected from among independent directors. The CEO / General Manager cannot become a member of the Committee.
- **c)** The committee may receive opinion from independent specialists on matters that they find 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 meets at least once every three months and presents the outcome of the meeting to the Board of Directors.
- **b)** The committee ensures that the Board of Directors is informed about the issues, which are within the scope of the committee's authority and responsibility.
- **c)** The board secretary is responsible for taking the minutes and filing the proceedings and resolutions of the committee.

#### The number of committee meetings held in 2018 is presented below:

Audit Committee: 5 Corporate Governance Committee: 4 Nomination Committee: 1 Remuneration Committee: 1 Risk Committee: 6

#### 1.4 Attendance to board meetings

Board Member	Position	Number of Meetings	Attendance
M. Tuğrul Tekbulut	Chairman of the Board	17	17
Murat Erkurt	Deputy Chairman of the Board	17	17
S. Leyla Tekbulut	Board member	17	17
Orhan Ayanlar	Board member	17	17
M. Cengiz Ultav	Independent Board Member	17	17
Kutlu Kazancı	Independent Board Member	17	15

#### 1.5 Remuneration of board members and executive team

Any rights, benefits, and remuneration provided to the board members and the executive team as well as the criteria used, 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 16, 2018, pursuant to the Capital Markets Board's regulations. The information

was provided with respect to the board members and the executive team. Only the independent members of the board receive a gross fee of 6,670 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. In 2018, total payment made to the senior executives equals to 8.630.936 TL. All the benefits provided to the senior management are short term benefits.

# 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 those risks and monitoring of the implementation.

The company has established internal control systems. In 2018, the effectiveness of the risk management and internal controls was monitored under the supervision of the Risk Committee. Risk management and internal control systems are

effectively managed in identifying and managing the risks that the company faces. The risks that the Company is exposed to are analyzed in two categories as operational and financial risks.

The company's accounting system, public disclosure of the financial information, operations and effectiveness of the independent audit and internal control systems are supervised by the Audit Committee, which consists of two members, who are also members of the Board of Directors.

# 3. Legal disclosures

#### 3.1 Information on privileged shares:

The company's capital is categorized in two groups as Group A and Group B shares. In accordance with the Articles of Association, Group A shareholders are entitled to nominate one plus half of the

members of the board. The chairperson of the board is also elected from among the board members nominated by Group A shareholders.

# 3.2 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 2018, which has the potential to affect

the Company's financial status and operations

# 3.3 Regulatory changes that may affect the operations of the company:

There was no regulatory change that may affect the operations of the company.

# 4. Dividend distribution

The Articles of Association does not include any privilege in terms of participating in the company's profits. 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 shall be distributed to the shareholders. Dividend distribution shall be made in cash or as capital increase by bonus issue or partly in cash and partly as capital increase by bonus issue. If the amount of the dividends is less than 5% of the paid in capital, the corresponding amount in question shall be retained in the company.

On March 19, 2018, the Board of Directors resolved to propose to the General Assembly not to distribute dividends from the main shareholders' net profit of 49,929,767 TL, which were calculated in the financial statements for the reporting period between 01.01.2017 and 31.12.2017, by deducting the "tax expenses" and the "primary reserve" from the profits and then adding up the amount for "donations". The financial statements were prepared pursuant to the International Financial Reporting Standards pursuant to the CMB Communiqué II 14.1 and audited by PwC Independent Audit Accounting and Financial Advisory Firm. Due to market projections, long term company strategy, investment and financial policies, the board proposed to the shareholders at the General Assembly Meeting not to distribute any dividend and retain the profits within the company.

# **Corporate governance information form**

4 Sharahaldara	
1. Shareholders	
1.1. Facilitating the exercise of shareholders rights  The number of investor meetings (conference, seminar/etc.)	conferences and 107 meetings
organised by the company during the year	4 conferences and 107 meetings
1.2. Right to obtain and examine information	
The number of special audit request(s)	None
The number of special audit requests that were accepted at the General Shareholders' Meeting	None
1.3. General assembly	
Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)	https://www.kap.org.tr/tr/Bildirim/669348
Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	Yes, provided
The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9	There is no such transaction
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communique on Corporate Governance (II-17.1)	There is no such transaction
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communique on Corporate Governance (II-17.1)	There is no such transaction
The name of the section on the corporate website that demonstrates the donation policy of the company	For Investors-Corporate Governance-Policy
The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	https://www.kap.org.tr/tr/Bildirim/677325
The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	None
Identified stakeholder groups that participated in the General Shareholders' Meeting, if any	Shareholders and employees
1.4. Voting rights	
Whether the shares of the company have differential voting rights	No
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares.	-
The percentage of ownership of the largest shareholder	33,56%
1.5. Minority rights	
Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association	No
If yes, specify the relevant provision of the articles of association	-
1.6. Dividend right	
The name of the section on the corporate website that describes the dividend distribution policy	For Investors-Corporate Governance-Policy
Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend	Not to distribute dividend and keep the profit within the company as per our dividend policy approved at the General Assembly dated 16 April 2018, market expectations, long-term corporate strategy, investment and financing policies.
PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends	https://www.kap.org.tr/tr/Bildirim/677325

#### **General assembly meetings**

General Meeting Date: 16 April 2018

The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting: o

Shareholder participation rate to the General Shareholders' Meeting: 74,474%

Percentage of shares directly present at the GSM: 0,007%

Percentage of shares represented by proxy: 74,467%

Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against: General Assembly Notifications

Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them: Received no questions

The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions: item 13

The number of declarations by insiders received by the board of directors: o

The link to the related PDP general shareholder meeting notification: https://www.kap.org.tr/tr/Bildirim/669348

2. Disclosure and transparency	
2.1. Corporate website	
Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.	For Investors section
If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares.	For Investors-Corporate Governance
List of languages for which the website is available	Turkish and English
2.2. Annual report	
The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.	
a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	Board of Directors and Executive Committee - Corporate Governance
b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure	Corporate Governance
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	Corporate Governance
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation	Corporate Governance
d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	Additional information on operations
e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest	There is no such conflict of interest
f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	There is no such subsidiary
g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	Operations in Turkey-Transparent and sustainable approach and accountable towards public and environment & Employee experience focused approach

3. Stakeholders	
3.1. Corporation's policy on stakeholders	
The name of the section on the corporate website that demonstrates the employee remedy or severance policy	For Investors-Corporate Governance-Policy
The number of definitive convictions the company was subject to in relation to breach of employee rights	5
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Legal Affairs Manager/Lawyer
The contact detail of the company alert mechanism.	Hukuki İşler
3.2. Supporting the participation of the stakeholders in the corporation's management	
Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies.	For Investors-Corporate Governance-Policy
Corporate bodies where employees are actually represented	None
3.3. Human resources policy	
The role of the board on developing and ensuring that the company has a succession plan for the key management positions	Actively involved
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy.	For Investors-Corporate Governance-Policy
Whether the company provides an employee stock ownership programme	There isn't an employee stock ownership programme.
The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.	For Investors-Corporate Governance-Policy
The number of definitive convictions the company is subject to in relation to health and safety measures	0
3.5. Ethical rules and social responsibility	
The name of the section on the corporate website that demonstrates the code of ethics	For Investors-Corporate Governance-Policy
The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues.	For Investors-Sustainability-Sustainability Report
Any measures combating any kind of corruption including embezzlement and bribery	Code of Ethics

4. Board of directors-I	
4.2. Activity of the board of directors	
Date of the last board evaluation conducted	None
Whether the board evaluation was externally facilitated	No
Whether all board members released from their duties at the GSM	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	Chairman of the Board M. Tuğrul Tekbulut and Vice-Chairman of the Board Murat Erkurt are authorized to represent the company with joint signature.
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	-
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	Corporate Governance
Name of the Chairman	M. Tuğrul Tekbulut
Name of the CEO	M. Buğra Koyuncu
If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	Chairman and CEO functions are not combined.
Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	There is an insurance policy. There is no PDP disclosure.
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	For Investors-Corporate Governance-Policy
The number and ratio of female directors within the Board of Directors	1/6, 17%

#### Composition of board of directors

Name, Surname of Board Member	Whether Executive Director Or Not	Whether Independent Director Or Not	The First E ection Date To Board	Link to PDP Notification That Inc udes The Independency Dec aration	Whether the Independent Director Considered By The Nomination Committee	Whether She/He is the Director Who Ceased to Satisfy The Independence or Not	Whether The Director Has At Least 5 Years' Experience On Audit, Accounting And/Or Finance Or Not
M. Tuğrul Tekbulut	Executive	Not independent	11 March 1986	-	-	-	no
Murat Erkurt	Non- Executive	Not independent	15 July 2013	-	-	-	yes
S. Leyla Tekbulut	Non- Executive	Not independent	15 July 2013	-	-	-	no
Orhan Ayanlar	Non- Executive	Not independent	15 July 2013	-	-	-	yes
M. Cengiz Ultav	Non- Executive	Independent	28 April 2016	https://www. kap.org.tr/tr/ Bildirim/520602	Considered	not	no
Kutlu Kazancı	Non- Executive	Independent	25 April 2017	https://www. kap.org.tr/tr/ Bildirim/596768	Considered	not	yes



4. Board of directors-II	
4.4. Meeting procedures of the board of directors	
Number of physical board meetings in the reporting period (meetings in person)	17
Director average attendance rate at board meetings	98%
Whether the board uses an electronic portal to support its work or not	Yes
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	7 days
The name of the section on the corporate website that demonstrates information about the board charter	For Investors - Corporate Governance - Incorporation (Articles of Association)
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	None
4.5. Boardcommittees	
Page numbers or section names of the annual report where information about the board committees are presented.	Corporate Governance
Link(s) to the PDP announcement(s) with the board committee charters	Committee charters can be found on corporate website's For Investor-Corporate Governance-Working Principles of the Committee section. Corporate Governance Committee's working principles PDP announcement: https://www.kap.org.tr/tr/Bildirim/291245.

#### Composition of board committees-I

Names of the board committees	Name-surname of committee members	Whether committee chair or not	Whether board member or not
Audit committee	M. Cengiz Ultav	Yes	Board Member
Audit Ccommittee	Kutlu Kazancı	No	Board Member
Corporate governance committee	M. Cengiz Ultav	Yes	Board Member
Corporate governance committee	M. Tuğrul Tekbulut	No	Board Member
Corporate governance committee	Murat Erkurt	No	Board Member
Corporate governance committee	Orhan Ayanlar	No	Board Member
Corporate governance committee	Canan Şenkut	No	Not Board Member
Nomination committee	M. Cengiz Ultav	Yes	Board Member
Nomination committee	M. Tuğrul Tekbulut	No	Board Member
Nomination committee	Murat Erkurt	No	Board Member
Nomination committee	Orhan Ayanlar	No	Board Member
Committee of early detection of risk	Kutlu Kazancı	Yes	Board Member
Committee of early detection of risk	S. Leyla Tekbulut	No	Board Member
Remuneration committee	M. Cengiz Ultav	Yes	Board Member
Remuneration committee	M. Tuğrul Tekbulut	No	Board Member
Remuneration committee	Murat Erkurt	No	Board Member
Remuneration committee	Orhan Ayanlar	No	Board Member

4. Board of directors-III	
4.5. Board committees-II	
Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report - Corporate Governance
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report - Corporate Governance
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report - Corporate Governance
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report - Corporate Governance
Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report - Corporate Governance
4.6. Financial rights	
Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)	Additional information on operations
Specify the section of website where remuneration policy for executive and non-executive directors are presented.	For Investors-Corporate Governance-Policy
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)	Annual Report - Corporate Governance

#### Composition of board committees-II

Names of the board committees	The percentage of non-executive directors	The percentage of independent directors in the committee	The number of meetings held in person	The number of reports on its activities submitted to the board
Audit committee	100%	100%	5	1
Corporate governance committee	75%	25%	4	1
Nomination committee	75%	25%	1	1
Committee of early detection of risk	100%	50%	6	1
Remuneration committee	75%	25%	1	1

# Corporate governance compliance report

	Yes	Partial	No	Exempted	Not Applicable	Explanation
1.1. Facilitating the exercise of shareholder rights						
1.1.2 - Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	Х					
1.2. Right to obtain and review information						
1.2.1- Management did not enter into any transaction that would complicate the conduct of special audit.	Х					
1.3. General assembly						
1.3.2 -The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X					
1.3.7- Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.					X	
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.		X				Item included total amounts.
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.	X					
1.4. Voting rights						
1.4.1-There is no restriction preventing shareholders from exercising their shareholder rights.	Х					
1.4.2-The company does not have shares that carry privileged voting rights.	X					
1.4.3-The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.	X					
1.5. Minority rights						
1.5.1- The company pays maximum diligence to the exercise of minority rights.	Х					
1.5.2-The Articles of Association extend the use of minority rights to those who own less than one twenthieth of the outstanding shares, and expand the scope of the minority rights.			Х			There is no such item in Articles of Association.

	Yes	Partial	No	Exempted	Not Applicable	Explanation
1.6. Dividend right						
1.6.1 -The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	X					
1.6.2-The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X					
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.	Х					
1.6.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	Х					
1.7. Transfer of shares						
1.7.1 - There are no restrictions preventing shares from being transferred.	Х					
2.1. Corporate website						
2.1.1The company website includes all elements listed in Corporate Governance Principle 2.1.1.	Х					
2.1.2-The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.	X					
2.1.4 -The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.	X					
2.2. Annual report						
2.2.1-The board of directors ensures that the annual report represents a true and complete view of the company's activities.	X					
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	Х					
3.1. Corporation's policy on stakeholders						
3.1.1- The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X					
3.1.3-Policies or procedures addressing stakeholders' rights are published on the company's website.	Х					
3.1.4 - A whistleblowing programme is in place for reporting legal and ethical issues.	Х					
3.1.5-The company addresses conflicts of interest among stakeholders in a balanced manner.	X					

	V	Danitial.	N.	F	Not	Fralessation
	Yes	Partial	No	Exempted	Not Applicable	Explanation
3.2. Supporting the participation of the stakeholders in the corporation's management						
3.2.1- The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management.	X					
3.2.2- Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	X					
3.3. Human resources policy						
3.3.1- The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	Х					
3.3.2-Recruitment criteria are documented.	Х					
3.3.3- The company has a policy on human resources development, and organises trainings for employees.	X					
3.34- Meetings have been organised to inform employees on the financial status of the company, remuneration, career planning, education and health.	X					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.	X					
33.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.	X					
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X					
3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.					X	Our company does not have collective bargaining. Our company respects the freedom of association and the right of collective bargaining.
3.3.9 - A safe working environment for employees is maintained.	Х					
3.4. Relations with customers and suppliers						
34.1-The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	Х					
34.2-Customers are notified of any delays in handling their requests.	Χ					

	Yes	Partial	No	Exempted	Not Applicable	Explanation
3.4.3 - The company complied with the quality standards with respect to its products and services.	Х					
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					
3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY						
3.5.1-The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	X					
3.5.2-The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	Х					
4.1. Role of the board of directors						
4.1.1 - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X					
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	X					
4.2. Activities of the board of directors						
4.2.1-The board of directors documented its meetings and reported its activities to the shareholders.	Х					
4.2.2-Duties and authorities of the members of the board of directors are disclosed in the annual report.	X					
4.2.3-The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	Х					
4.2.4-Information on the functioning and effectiveness of the internal control system is provided in the annual report.	Х					
4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.	Х					
4.2.7 - The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them when communicating and settling disputes with shareholders.	X					
4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.	Х					

	Yes	Partial	No	Exempted	Not Applicable	Explanation
4.3. Structure of the board of directors						
4.3.9-The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.	X					
4.3.10-At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	Х					
4.4. Board meeting procedures						
4.4.1-Each board member attended the majority of the board meetings in person.	X					
4.4.2-The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.	X					
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.	X					
4.4.4-Each member of the board has one vote.	Х					
4.4.5-The board has a charter/written internal rules defining the meeting procedures of the board.	Х					
4.4.6-Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	Х					
4.4.7-There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.			X			There are no limits. Shareholders were not informed of Board members' external commitments at the General Shareholder's Meeting.
4.5. Board committees						
4.5.5-Board members serve in only one of the Board's committees.			X			Board members serve in more than one committee because there are only six Board members.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					
4-5.7-If external consultancy services are used, the independence of the provider is stated in the annual report.					X	Committees do not use external independent consultancy services.

	Yes	Partial	No	Exempted	Not Applicable	Explanation
4.5.8-Minutes of all committee meetings are kept and reported to board members.	Х					
4.6. Financial rights						
4.6.1-The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.			X			There is no board performance evaluation system.
4.6.4-The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favour of them.	X					
4.6.5-The individual remuneration of board members and executives is disclosed in the annual report.			Х			Total amounts were disclosed.

# 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 2018.

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 2018 targets was high. 2018 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 2018 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 2018.

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 2018, 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 April 16, 2018, the board of directors resolved to propose to the General Assembly not to distribute dividends from the main shareholders' net profit of 49,929,767 TL calculated in our Audited Consolidated Financial Statements for the reporting period between 01.01.2017 31.12.2017, 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.







Logo Yazılım Sanayi ve Ticaret A.Ş.

Convenience Translation into English of Consolidated Financial Statements as of 31 December 2018 with Independent Auditor's Report (Originally Issued in Turkish)



# Independent auditor's report

To the General Assembly 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 2018 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 2018, 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.

#### Key audit matters

#### **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 2018,
- 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.

# How our audit addressed the key audit matter

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 requirements of TFRS 15, "Revenue from Contract with Customers".

As a result of our work, we had no material findings related to the revenue.

#### Key audit matters

#### Impairment test of goodwill

The carrying value of goodwill accounted for under intangible assets amounted to TRY136.752.195 in the consolidated financial statements as of 31 December 2018.

TRY101.214.681 of the goodwill recognised in the Group's consolidated financial statements as at 31 December 2018 originated as a result of the acquisition of Total Soft's shares in 2016 and TRY28.058.862 of the goodwill originated acquisition of ABS's shares in 2018.

In accordance with TAS, goodwill should be tested for impairment annually.

We focused on this area due to the following reasons:

- Carrying values of the goodwill recognised for Total Soft and ABS acquisitions in the consolidated financial statements as at 31 December 2018 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,

Please refer to Note 14 to the consolidated financial statements for the relevant disclosures, including the accounting policy and sensitivity analysis.

## How our audit addressed the key audit matter

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 consolidated cash flow estimations prepared for Total Soft and ABS 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 2018 or not.

We had no material findings related to the impairment tests of goodwill for Total Soft and ABS as a result of these procedures.

#### Key audit matters

## Test of internally generated intangible assets - Development costs

TRY46.974.851 of development costs are capitalised in the consolidated financial statements of the Group as at 31 December 2018. 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.

## How our audit addressed the key audit matter

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.

# 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 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.

## 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 2018 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 13 February 2019.

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

Mert Tüten, SMMM Partner İstanbul, 13 February 2019



## Logo Yazılım Sanayi ve Ticaret A.Ş.

Convenience Translation into English of Consolidated Financial Statements as of 31 December 2018 with Independent Auditor's Report (Originally Issued in Turkish)

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## Logo Yazılım Sanayi ve Ticaret A.Ş.

## Consolidated Statement of Financial Position at 31 December 2018

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

	Notes	Audited 31 December 2018	Audited 31 December 2017
ASSETS			
Current assets		227.507.326	162.176.702
Cash and cash equivalents	5	78.417.427	51.633.614
Financial investments	6	2.502.350	-
Trade receivables		137.887.595	104.524.024
- Trade receivables from third parties	9	136.480.630	104.524.024
- Trade receivables from related parties	28	1.406.965	-
Other receivables		1.583.029	700.688
- Other receivables from third parties	10	1.415.737	700.688
- Other receivables from related parties	28	167.292	_
Inventories	11	787.560	604.300
Prepaid expenses	17	2.048.483	2.775.530
Other current assets	10	4.280.882	1.938.546
Non-current assets		335.650.875	220.988.786
Other receivables		160.612	3.535.680
- Other receivables from related parties	28	100.012	3.375.068
- Other receivables from third parties	10	160.612	160.612
Financial investments	6	7.323.214	1.130.653
Investments accounted for using	Ü	7.020.21	111001000
the equity method	7	_	558.663
Property. plant and equipment	12	20.708.350	19.941.705
Intangible assets	12	301.095.882	191.896.685
- Goodwill	14	136.752.195	83.294.475
- Other intangible assets	13	164.343.687	108.602.210
Prepaid expenses	17	2.902.501	3.006.485
Deferred tax assets	26	3.172.018	327.762
Other non-current assets		288.298	591.153
			22.11200
Total assets		563.158.201	383.165.488

These consolidated financial statements have been approved by Board of Directors on 13 February 2019 and signed on its behalf by Buğra Koyuncu, Chief Executive Officer and Gülnur Anlaş, Chief Financial Officer.

## Logo Yazılım Sanayi ve Ticaret A.Ş.

## Consolidated Statement of Financial Position at 31 December 2018

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

	Notes	Audited 31 December 2018	Audited 31 December 2017
LIABILITIES			
Short-term liabilities		131.938.977	115.034.637
Short-term borrowings	8	1.925.997	1.818.160
Short-term portion of long-term borrowings	8	741.292	17.466.660
Trade payables		25.500.164	20.198.763
- Trade payables to third parties	9	25.500.164	20.198.763
Employee benefit payables	16	10.842.883	8.373.167
Other payables		10.795.713	6.892.841
- Other payables to third parties	10	10.795.713	6.892.841
Deferred revenue	17	62.213.298	46.336.515
Short-term provisions		17.515.106	12.850.335
- Provisions for employee benefits	16	17.515.106	12.850.335
Current income tax liabilities	26	1.959.386	531.612
Other current liabilities		445.138	566.584
Long-term liabilities		112.645.661	58.855.384
Long-term borrowings	8	96.808.339	46.173.847
Other payables		1.633.361	1.809.414
- Due to third parties	10	1.633.361	1.809.414
Long-term provisions		11.332.729	8.298.563
- Provisions for			
employee benefits	16	11.332.729	8.298.563
Deferred tax liabilities	26	2.871.232	2.573.560
EQUITY			
Equity attributable to equity holders of the parent		294.204.187	208.508.292
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	7.196.456
Put option revaluation fund			
related with non-controlling interests	4	(1.018.118)	-
Treasury shares (-)	18	(10.054.033)	(4.632.563)
Reserves for treasury shares	18	10.054.033	4.632.563
Other comprehensive income and expense			
that will not be reclassified to profit or loss		(3.796.067)	(2.669.512)
- Actuarial loss on			
employment termination benefits		(3.796.067)	(2.669.512)
Other comprehensive income and expense			
that will be reclassified to profit or loss		35.382.226	12.738.172
- Currency translation differences		35.382.226	12.738.172
Retained earnings		160.744.977	112.423.275
Net income for the year		67.703.377	50.828.565
Non-controlling interests		24.369.376	767.175
Total equity		318.573.563	209.275.467
Total liabilities		563.158.201	383.165.488

## Logo Yazılım Sanayi ve Ticaret A.Ş.

# Consolidated Statements of Profit or Loss for the Year Ended 31 December 2018

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

PROFIT OR LOSS		Audited 1 January -	Audited 1 January -
	Notes	31 December 2018	31 December 2017
Sales	20	321.092.099	256.168.914
Cost of sales (-)	20	(63.953.940)	(52.146.895)
Gross profit		257.138.159	204.022.019
General administrative expenses (-)	21	(45.718.868)	(31.785.508)
Marketing expenses (-)	21	(59.893.171)	(51.657.912)
Research and development expenses (-)	21	(83.306.746)	(61.896.938)
Other operating income	22	6.712.761	5.390.195
Other operating expenses (-)	22	(10.641.853)	(4.225.403)
Operating profit		64.290.282	59.846.453
Income from investing activities Share of losses of investments	23	6.243.889	285.885
accounted for by the equity method	7	(3.487.916)	(1.407.831)
Operating profit before financial income/(expenses)		67.046.255	58.724.507
Financial income	24	12.606.492	2.758.199
Financial expenses (-)	25	(11.239.814)	(8.574.390)
Income before taxes		68.412.933	52.908.316
Taxation on income/(expenses)			
Current income tax expense	26	(4.542.359)	(2.281.568)
Deferred tax expense	26	3.234.280	(871.482)
Net income for the period		67.104.854	49.755.266
Net income attributable to:			_
Non-controlling interests		(598.523)	(1.073.299)
Equity holders of the parent		67.703.377	50.828.565
		67.104.854	49.755.266
Earnings per share	27	27.08	20.33

## Logo Yazılım Sanayi ve Ticaret A.Ş.

# Consolidated Statements of Other Comprehensive for the Year Ended 31 December 2018

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

OTHER COMPREHENSIVE INCOME	Notes	Audited 1 January - 31 December 2018	Audited 1 January - 31 December 2017
Net income for the period		67.104.854	49.755.266
Other comprehensive income and expense that will be			
reclassified to profit or loss		29.488.997	5.912.268
Currency translation differences		29.488.997	5.912.268
Other comprehensive income and expense that will not be reclassified to profit or loss		(1.126.555)	(1.005.985)
Actuarial loss on			
employment termination benefits	16	(1.250.713)	(1.129.795)
Tax effect	26	124.158	123.810
Other comprehensive income		28.362.442	4.906.283
Total comprehensive income		95.467.296	54.661.549
Other comprehensive income attributable to:			
Non-controlling interest		6.246.420	(999.423)
Equity holders of the parent		89.220.876	55.660.972
		95.467.296	54.661.549

Logo Yazılım Sanayi ve Ticaret A.Ş.

# Consolidated Statements of Changes in Equity for the Year Ended 31 December 2018

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

	Paid-in share capital	Adjustment to share capital	Treasu ry shares	Reserves for treasury shares	Restricted reserves	Actuarial loss on employment termination benefits (*)	Currency translation differences (**)	Retained carnings	Net income for the year	Put option revaluation fund Net related with income non-controlling he year interests(***)	Equity attributable to equity holders of the parent	Non- controlling interests	Total
Balances at 1 January 2017	25.000.000	2.991.336	2.991.336 (4.632.563)	4.632.563	6.993.951	(1.663.527)	6.899.780	75.241.603	45.339,470	٠	160.802.613	3.355.252	164.157.865
Transfers to retained earnings					202.505		٠	45,136,965	(45,339,470)				
transactions with non-controlling interests (****) Profit for the year Other comprehensive income						(1.005.985)	5.838.392	(7.955.293)	50.828.565		(7.955.293) 50.828.565 4.832.407	(1.588.654) (1.073.299) 73.876	(9.543.947) 49.755.266 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	٠	208.508.292	767.175	209.275.467
Balances at 1 January 2018	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
Transfers to retained earnings Increase/(decrease) through changes in			٠	•	•	•	•	50.828.565	(50.828.565)		•	•	
ownership interests in subsidiaries that do not result in loss of control increase due to redemption of shares			(5.421.470)	5.421.470			٠.	2.147.432 (5.421.470)		(1.018.118)	1.129.314 (5.421.470)	18.122.956	19.252.270 (5.421.470)
I ransactors with non-conrolling interests (*****) Profit for the year Other comprehensive income						(1.126.555)	22.644.054	767.175	67.703.377		767.175 67.703.377 21.517.499	(767.175) (598.524) 6.844.943	67.104.854 28.362.442
Balances at 31 December 2018	25.000.000	2.991.336	2.991.336 (10.054.033)	10.054.033	7.196.456	(3.796.067)	35,382,226	160,744,977	67.703.377	(1.018.118)	294.204.187	24.369.376	318.573.563

Other comprehensive income and expense that will not be reclassified to profit or loss. Other comprehensive income and expense that will be reclassified to profit or loss. (\*) Other compre (\*\*) Other compre (\*\*\*) Note 4. (\*\*\*\*) Note 18. (\*\*\*\*) Note 21.3.

## Logo Yazılım Sanayi ve Ticaret A.Ş.

# Consolidated Statements of Cash Flows for the Year Ended 31 December 2018

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

	Notes	1 January - 31 December 2018	1 January - 31 December 2017
A. Cash generated from operating activities		98.844.035	58.536.161
Profit for the period		67.104.854	49.755.266
Adjustments to reconcile profit for the year		64.473.905	27.051.261
Adjustments for depreciation and amortization expenses Adjustments for provision/(reversals) for	12. 13	33.035.038	23.944.586
employment termination benefits	16	6.659.672	2.862.258
Adjustments for interest expense	25	3.147.539	2.727.207
Adjustments for interest income	24	(3.274.770)	(414.959)
Adjustments for undistributed profits of joint ventures	7	3.487.916	1.407.831
Adjustments related to the gains of the disposal of the business partnership	23	(6.069.703)	
Adjustments for provision/(reversal) for doubtful receivables	9	(6.068.703) (1.143.590)	(1.992.063)
Other adjustments to reconcile the profit or loss		27.322.724	(4.636.649)
Adjustments for tax income	26	1.308.079	3.153.050
Changes in net working capital		(28.646.145)	(13.659.905)
Increase in inventories		(183.260)	(202.162)
Increase in trade receivables		(36.933.425)	(282.162) (12.150.691)
Increase in trade payables		6.645.911	3.704.941
Increase in other payables		5.131.040	301.025
Increase in other receivables		(3.306.411)	(5.233.018)
Net cash generated from operating activities		102.932.614	63.146.622
Taxes paid		(3.114.585)	(3.568.857)
Employment termination benefits paid	16	(973.994)	(1.041.604)
Purchase of property and equipment and intangible assets	12. 13	(53.297.727)	(41.851.056)
Cash outflows for the acquisition of subsidiary		-	(10.000.000)
Cash inflows due to share sale	23	6 500 000	
or capital reduction of joint ventures  Cash outflows for the acquisition of	23	6.500.000	-
debt instruments or shares of other entities or funds	6	(5.742.561)	_
Proceeds from sale of property and equipment	-	(======)	
and intangible assets		815.096	222.202
Contribution of increase of share capital in joint ventures	7	(1.350.000)	(1.228.961)
Interests received		3.036.571	414.959
B. Cash flows from investing activities		(50.038.621)	(52.442.856)
Repayments of borrowings	31	(31.262.443)	(47.984.600)
Proceeds from borrowings	31	16.141.895	51.415.957
Interests paid		(3.147.539)	(2.586.341)
Cash outflows from the acquisition of the company's own shares	18	(5.421.470)	-
C. Cash flows from financing activities		(23.689.557)	845.016
Not increase in each and			
Net increase in cash and cash equivalent before the effects currency			
translation differences (A+B+C)		25.115.857	6.938.321
·			
D. Effects of currency translation differences on cash and cash equivalents.		1.667.956	1.187.370
E. Cash and cash equivalents at beginning of the period	5	51.633.614	43.507.923
		31.033.014	45.507.925
Cash and cash equivalents at end of the period (A+B+C+D+E)	5	78.417.427	51.633.614



## Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

(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 and multiplication of operating systems, application software, databases, software increasing productivity, multimedia software products and all types of similar software processed inside all types of computer hardware and distribution of these at all physical and electronic environment and to carry out all the services such as technical support, training and technical service activities.

As of 31 December 2018 the Group has 1,066 employees (31 December 2017: 1,041).

The address of the registered office is as follows:

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

As of 31 December 2018, 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. ("e-Logo")	Turkey	Development and marketing of software
Logo Financial Solutions GmbH ("Logo Gmbh")	Germany	Development and marketing of software
Logo Business Solutions FZ-LLC United ("Logo FFC-LLC")	Arab Emirates	Marketing of software
Logo Kobi Dijital Hizmetler A.Ş. ("Logo Kobi")	Turkey	Development and marketing of software
Architected Business Solutions SRL ("ABS") (*)	Romania	Development and marketing of software
ABS Financial Services SRL ("ABS FS") (*)	Romania	Development and marketing of software
	Country of	
Joint Venture	incorporation	Nature of business
FIGO Ticari Bilgi ve Uygulama Platformu A.Ş. ("FIGO") (**) Logo Infosoft Business	Turkey	Development and marketing of software Development and marketing
Technology Private Limited ("Logo Infosoft")	India	of software

<sup>(\*)</sup> Note 4.

<sup>(\*\*)</sup> As at 31 December 2018, the Group has transferred all its shares in FIGO, a joint venture with which it has a 50% shareholding (Note 7).

## Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

#### NOTE 1 - ORGANIZATION AND NATURE OPERATIONS (Continued)

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.

Upon share transfer agreement signed on 2 September 2016, The Company has purchased 100% of Romania based software company Total Soft's shares. On 19 July 2018 Total Soft has purchased 100% of ABS and ABS FS shares. ABS provides retail consultancy, technology and outsourcing services and ABS FS provides financial services. (Note 4).

The Company established Logo Infosoft with GSF Software Labs LLC on 8 December 2016 in India for software development and marketing operations.

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 2018, the liquidation process has been substantially completed. The Company's foreign sales and marketing activities are managed from its headquarter in Turkey.

#### 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.

## Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

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

#### 2.1 Basis of presentation (Continued)

#### 2.1.2 Financial statements of subsidiaries operating in foreign countries

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

#### 2.1.3 Basis of consolidation

The consolidated financial statements prepared in accordance with the principles of consolidated financial statements for the year ended 31 December 2018 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 2018 and 2017:

Subsidiaries	31 December 2018 (%)	31 December 2017 (%)
Total Soft (*)	80,00	100,00
e-Logo	100,00	100,00
Logo GmbH	100,00	100,00
Logo Kobi	100,00	100,00
ABS (*)	100,00	-
ABS (FS) (*)	100,00	-
Joint Venture	31 December 2018 (%)	31 December 2017 (%)
Logo Infosoft (**)	50,00	66,66
FIGO (***)	-	50,00

- (\*) Note 4
- (\*\*) As of 1 January 2018, the Company has joint control of Logo Infosoft based on the contract made with GSF Software Labs LLC on. After this date Logo Infosoft has been accounted according to equity method in the consolidated financial statements.
- (\*\*\*) Note 7.

#### Subsidiaries

Consolidated financial statements include financial statements of the Company and entities controlled by the Company's subsidiaries. Control is provided by the Company providing the following conditions:

- 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 are consolidated 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.

## Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

## 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 in joint ventures are recognized using equity method as of the date after the investees 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 Leu ("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 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. There is not any material impact on the financial position or performance of the Group related to this amendments.

Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

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

- 2.3 Amendments to International Financial Reporting Standards (Continued)
- a. Standards, amendments and interpretations applicable as at 31 December 2018 (Continued)
- TFRS 15, "Revenue from customer contracts -; Effective for annual periods beginning on or after 1 January 2018. The new standard resulting from the compliance study with the US Accepted Accounting Standards is intended to ensure that the financial reporting of the revenue and the total incomes of the financial statements are comparable across the world. Contracts with customers under the new standard have been evaluated in order to define the Group's performance obligations and revenue recording models. The Group's performance obligations are limited to the delivery of the service or the product and it has not been deemed necessary to distribute the sales prices to different performance obligations. Moreover, since the income recording model applied in previous years is in compliance with TFRS 15, this standard does not have any significant impact on the financial position or performance of the Group.
- 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.

## Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

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

- 2.3 Amendments to International Financial Reporting Standards (Continued)
- Standards, amendments and interpretations applicable as at 31 December 2018 (Continued)

**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.
- IFRIC 22, 'Foreign currency transactions and advance consideration'; effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.
- b. Standards, amendments and interpretations that are issued but not effective as at 31 December 2018:
- 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.

Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

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

- 2.3 Amendments to International Financial Reporting Standards (Continued)
- Standards, amendments and interpretations that are issued but not effective as at 31 December 2018 (Continued)
- TFRS 16, 'Leases'; effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if TFRS 15 'Revenue from Contracts with Customers' is also applied. 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.
- IFRIC 23, 'Uncertainty over income tax treatments'; effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of TAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that TAS 37, not TAS 12 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 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. IFRIC 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.
- 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.

## Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

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

## 2.3 Amendments to International Financial Reporting Standards (Continued)

## Standards, amendments and interpretations that are issued but not effective as at 31 December 2018 (Continued)

Annual improvements 2015-2017; effective from annual periods beginning on or after 1 January 2019. These improvements includes below amendments:

- TFRS 3, 'Business combinations', a company remeasures its previously held interest in a joint operation when it obtains control of the business.
- TFRS 11, 'Joint arrangements', a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- TAS 12, 'Income taxes' a company accounts for all income tax consequences of dividend payments in the same way.
- TAS 23, 'Borrowing costs' a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.
- Amendments to TAS 19, 'Employee benefits' on plan amendment, curtailment or settlement'; effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:
  - use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and
  - recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any
    reduction in a surplus, even if that surplus was not previously recognised because of the
    impact of the asset ceiling.
- Amendments to TAS 1 and TAS 8 on the definition of material; effective from Annual periods beginning on or after 1 January 2020. These amendments to TAS 1, 'Presentation of financial statements', and TAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other TFRSs:
  - use a consistent definition of materiality throughout TFRSs and the Conceptual Framework for Financial Reporting;
  - ii) clarify the explanation of the definition of material; and
  - iii) incorporate some of the guidance in TAS 1 about immaterial information.
- Amendments to TFRS 3 definition of a business; effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

## Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

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

#### 2.3 Amendments to International Financial Reporting Standards (Continued)

The Group will evaluate the effect of the aforementioned changes within its operations and apply changes starting from their effective dates. 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.

The Group will apply TFRS 16 "Leasing" ("TFRS 16") standard from 1 January 2019 which is the implementation date of TFRS 16. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. As a result, all right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

When the Standard is applied, the assets and liabilities of the Group's balance sheet will increase by the amount of right of use asset and lease liability (after deferred tax effects), respectively. The Group's net profit will decrease by the difference between the amortization of the right of use asset and the sum of the interest effect of the lease liability and the annual lease payments accounted for in accordance with the previous standard. Moreover, repayments of the principals of the lease payables will be classified as cash flows arising from financing activities, therefore the operating cash flows will increase and the financing cash flows will decrease accordingly.

After adoption of the TFRS 16 starting from 1 January 2019, it is expected approximately 15.750.000 TRY of right of use assets and lease liabilities will be recognised in the consolidated balance sheet.

#### 2.4 Changes in Accounting Policies

Accounting policy changes arising from the initial application of a new TAS / TFRS are applied retrospectively or prospectively in accordance with the transitional provisions of the TAS / TFRS. Changes to which no transition clauses are included, material changes in accounting policies or voluntary accounting errors are applied retrospectively and prior period financial statements are restated.

If changes in accounting estimates are related to only one period, they are applied both in the current period when the amendment is made and for the future periods, both in the current period and in the future. The Company has applied the new standards, amendments and interpretations effective from January 1, 2018, in accordance with the transitional provisions of the relevant standards.

The impact of the first-time adoption of these standards and the impact of first-time adoption of relevant standards is as follows:

Transition to TFRS 15 "Revenue from contracts with customers"

Group has applied TFRS 15 "Revenue from contracts with customers", by using cumulative effect method on the transition date, 1 January 2018. Considering the cumulative effect of the application of the new standard is not material, the Group has elected not to account the effects of the standard retrospectively.

## Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

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

#### 2.4 Changes in Accounting Policies (Continued)

Transition to TFRS 9 "Financial instruments"

TFRS 9 replaces TAS 39 which is financial instruments recognition and measurement standard, and the Group has chosen to recognize the as of 1 January 2018 within the framework of the transition exemption in paragraph 7.2.15 of the related standard. The cumulative impact of TFRS 9 as a result of the initial application of TFRS 9 has not been accounted for by considering the materiality level.

Changes in the classification of financial assets and liabilities under TFRS 9 are summarized below. These differences do not have an impact on the measurement of financial assets other than the financial investments account group:

Financial assets	Previous classification according to TMS 39	New classification according to TFRS 9
Cash and cash equivalents Trade receivables Financial investments	Borrowings and receivables Borrowings and receivables Financial assets available for sale	Amortized cost Amortized cost Fair value through other comprehensive income
Financial liabilities	Previous classification according to TMS 39	New classification according to TFRS 9
Borrowings	Amortized cost	Amortized cost
Financial leases	Amortized cost	Amortized cost

#### 2.5 Summary of significant accounting policies

Amortized cost

#### Financial assets

Trade payables

#### Classification and measurement

Group classified its financial assets in three categories; financial assets carried at amortized cost, financial assets carried at fair value though profit of loss, financial assets carried at fair value though other comprehensive income. Classification is performed in accordance with the business model determined based on the purpose of benefits from financial assets and expected cash flows. Management performs the classification of financial assets at the acquisition date.

### (a) Financial assets carried at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost. They are included in current assets, except for maturities more than 12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. The Group's financial assets carried at amortized cost comprise "trade receivables" and "cash and cash equivalents" in the statement of financial position. In addition, with recourse factoring receivables classified in trade receivables are classified as financial assets carried at amortized cost since collection risk for those receivables are not transferred to counterparty.

Amortized cost

## Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

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

#### 2.5 Summary of significant accounting policies (Continued)

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.

Trade receivables and impairment provision

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

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

Trade and other payables

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

## Financial borrowings

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

#### 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.

## Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

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

### 2.5 Summary of significant accounting policies (Continued)

Financial liabilities

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

#### Offsetting

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

#### Related Parties

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

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.

## **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.

## Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

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

#### 2.5 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.

Useful Life

Useful Life

# Convenience Translation of Consolidated Financial Statements Originally Issued in Turkish

## Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

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

## 2.5 Summary of significant accounting policies (Continued)

#### Property and equipment

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

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

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

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

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

#### 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

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

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

## Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

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

#### 2.5 Summary of significant accounting policies (Continued)

#### 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:

- 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,
- 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.

#### 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.

## Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

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

#### 2.5 Summary of significant accounting policies (Continued)

#### 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 recognized 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.

## Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

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

#### 2.5 Summary of significant accounting policies (Continued)

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.

#### 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.

## Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

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

#### 2.5 Summary of significant accounting policies (Continued)

#### 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, development of customized software and version upgrade package sales.

Off-the-shelf software sales - licence model

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

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

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

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

e-Logo Private Integrator service sales

Companies issuing e-invoice can exchange electronic invoice via data processing system of a private integrator that has the technical capability instead of using internal data processing infrastructure e-Logo is a private integrator certified by the Turkish Revenue Administration and enables its users to realize their electronic invoice exchanges with an invoice processing capacity of 130,000,000 invoices a day that works with speed and security 24 hours. Companies that use e-Logo's private Integrator Service manage their approval processes on web. Private Integrator Service is provided with a prepaid coin sale. Revenue is recognized according to rates of coin usage.

## Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

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

#### 2.5 Summary of significant accounting policies (Continued)

Logo Enterprise Membership ("LEM") sales and version upgrade package sales

Logo Enterprise Membership is an insurance package that provides free ownership for all the charged version updates which protect enterprises against all the legal amendments and which includes new features that will contribute new values to the products throughout the year. Enterprises which buy LEM obtain the basic maintenance and support services necessary for high performance functioning of Enterprise Resource Planning, besides receiving all the legal changes and charged version changes free of charge. LEM sales are recognized on an accrual basis over the contract period. The Group gives LEM for free with the initial sale of the main software. The Group's management noted that LEM products are sold free of charge in the first year and all receipts from these sales transactions are attributed to the main software product. 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. A fee is charged for the subsequent 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.

## Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

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

#### 2.5 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 recognized in the financial statements. Contingent assets are not recognized in financial statements but disclosed in the notes to the financial statements where an inflow of economic benefits is probable.

#### **Sales Option**

Potential cash payments related to the sales options held by the Group's subsidiaries are accounted for as a financial liability. The amount payable under the option is initially recognized at fair value within the borrowing framework and the amount corresponding to this amount is followed in equity. The amount recognized in the shareholders equity is recognized in the put option revaluation fund related with non-controlling interests account under the shareholders' equity of the parent company, provided that certain conditions are met. The Group recognizes changes in the subsequent periods in the other comprehensive income and expense statement.

#### **Employee benefits**

Retirement pay liability

Employment termination benefits, as required by the Turkish Labor 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 Labor 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, 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.

## Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

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

#### 2.5 Summary of significant accounting policies (Continued)

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 recognized at cost and deducted from equity. No gain or loss is recognized 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 recognized 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.

#### 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

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").

## Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

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

#### 2.5 Summary of significant accounting policies (Continued)

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.

## 2.6 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.

## Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

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

#### 2.6 Significant accounting estimates and assumptions (Continued)

Useful lives of intangible assets

In accordance with the accounting policy stated in Note 2.5, 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 license 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.

## 2.7 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 2018 has been provided with the comparative financial information of 31 December 2017 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 2018 have been provided with the comparative financial information, for the period ended 31 December 2017.

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

The Group's consolidated statement of profit or loss on 31 December 2017 contains classification of "Research and development expenses" related to Total Soft's project sales to "cost of sales" amounting to TRY 40.100.375.

## Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

(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).

	Segmental					
31 December 2018	Turkey	Romania	eliminations	Consolidated		
Reportable segment assets	408.864.406	154.383.330	(89.535)	563.158.201		
Reportable segment liabilities	110.923.038	133.751.135	(89.535)	244.584.638		
Goodwill	108.693.333	28.058.862	-	136.752.195		
Property and equipment and						
intangible asset	103.914.351	81.137.686	-	185.052.037		

			Segmental	
2018	Turkey	Romania	eliminations	Consolidated
Revenue	213.114.614	107.977.485	-	321.092.099
Cost of sales	(3.382.399)	(60.571.541)	-	(63.953.940)
Operating expense	(143.872.370)	(45.046.415)	-	(188.918.785)
Other operating income	4.559.906	2.152.855	-	6.712.761
Other operating expenses	(7.927.327)	(2.714.526)	-	(10.641.853)
Financial income	11.707.978	1.265.861	(367.347)	12.606.492
Financial expense	(5.814.076)	(5.793.085)	367.347	(11.239.814)
Depreciation and amortization	(23.374.968)	(9.660.070)	-	(33.035.038)
Share of profit or loss of	, ,	, ,		, ,
investments accounted for				
using the equity method	(3.487.916)	-	-	(3.487.916)
Tax expense	(677.477)	(630.602)	-	(1.308.079)
Net profit for the year	70.097.475	(2.992.621)	-	67.104.854
Adjusted EBITDA	89.234.813	12.019.599	-	101.254.412
Purchase of property and equipment				
and intangible assets	40.258.430	13.039.297	-	53.297.727

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

2018	Consolidated
Adjusted EBITDA	101.254.412
Depreciation and amortization	(33.035.038)
Income from investing activities	6.243.889
Share of profit or loss of	
investments accounted for	
using the equity method	(3.487.916)
Other operating income	6.712.761
Other operating expenses	(10.641.853)
Financial income	12.606.492
Financial expense	(11.239.814)
Profit hefore toy	68 412 033

## Logo Yazılım Sanayi ve Ticaret A.Ş.

## Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

## NOTE 3 - SEGMENT REPORTING (Continued)

<b>31 December 201</b> 7	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
B	181.240.115	74.928.799			256.168.914
Revenue			-	-	
Cost of sales	(3.845.561)	(48.301.334)	-	-	(52.146.895)
Operating expense	(108.278.563)	(33.831.874)	(3.229.921)	-	(145.340.358)
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	88.251.669	(2.526.779)	(3.098.643)	-	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

# Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

#### NOTE 4 - BUSINESS COMBINATION

#### Acquisition of ABS and ABS FS

The Group acquired ABS and ABS FS shares through Share Purchase Agreement signed on 19 July 2018. The purchase consideration of ABS and ABS-FS is 20% shareholding in Total Soft. Acquisition was completed on 30 October 2018 and the nominal value of 20% of Total Soft shares of 22.239.700 RON (28.709.229 TRY) was determined to be within a fair value range as of 30 October 2018. Consequently, no adjustments were made and the consideration for the operating assets of ABS and ABS FS was assumed to be equal to 22.239.700 RON (28.709.229 TRY).

The Group with respect to aforementioned acquisition process accounted for ABS and ABS FS 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 allocation study.

As of the acquisition date, TRY equivalents of RON denominated identifiable assets acquired and liabilities assumed were booked over their following values:

Total assets	663.174
Intangible assets - Customer relationships	24.060.016
Total liabilities	(24.072.823)
Fair value of net assets	650.367
Less: Purchase consideration	28.709.229

Goodwill 28.058.862

The identifiable assets determined as a result of the purchase price allocation for ABS and ABS FS acquisition are amortized over 15 years for customer relationship.

The goodwill amount calculated is recognized in the financial statements of Total Soft. The goodwill arising from foreign economic unit acquisition is recognized based on the functional currency of Total Soft which is RON within 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 21,739,035.

As a result of these acquisitions, there is a sales option given to Avramos Holding Ltd. by Logo Yazılım for the 20% Total Soft shares transferred to Avramos Holding Ltd. between 1 January 2021 and 31 December 2024. As of December 31, 2018, the Company has accounted for the liability for a put option amounting to TRY 1.018.118 in the long-term liabilities account as a result of the sales option given in the consolidated financial statements.

# Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

#### NOTE 5 - CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents as of 31 December 2018 and 31 December 2017 is as follows:

	31 December 2018	31 December 2017
Cash	36.477	22.472
Banks		
- Demand deposits - TRY	661.540	2.348.730
- Demand deposits - foreign currency	6.197.342	8.763.832
- Time deposits - TRY	19.029.482	8.957.092
- Time deposits - foreign currency	9.340.088	-
Credit card slip receivables	41.791.108	30.558.652
Checks received	260.274	245.582
Blocked cash (*)	1.101.116	737.254
	78.417.427	51.633.614

<sup>(\*)</sup> 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 2018, the weighted average effective annual interest rates of TRY denominated time deposits are between 13.75% and 25.70% (31 December 2017: 11.00% and 14.00%). As of 31December 2018, the weighted average effective annual interest rates of USD denominated time deposits are between 4.65% and 5.70% and EURO denominated time deposits are between 2.42% and 3.37%.

# NOTE 6 - FINANCIAL INVESTMENTS

Available-for-sale financial assets:

The analysis of financial assets at fair value through profit and loss at 31 December 2018 and 2017 is as follows:

31 December 2018 31 December 2017

Mutual funds

- Liquid funds 2.502.350 -

The analysis of non-current financial assets at 31 December 2018 and 2017 is as follows:

	31 December 2018		31 Decen	31 December 2017	
	Share (%)	Carrying amount	Share (%)	Carrying amount	
Logo Ventures Girişim					
Sermayesi Yatırım Fonu ("Logo Ventures")	20.00	1.450.000	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	
		1.580.653		1.130.653	

As of 31 December 2018, the fair value difference of Logo Ventures, Interpro and Dokuz Eylül, 31 December 2018 and 2017 has been evaluated in the other comprehensive income and as of 31 December 2018, the fair value of the fair value is reflected in the consolidated financial statements at cost.

# Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

#### NOTE 6 - FINANCIAL ASSETS (Continued)

Long term other financial investment:

30 December 2018 31 December 2017

Long term other financial investment (\*) 5.742.561

#### NOTE 7 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	2018	2017
As of 1 January	558.663	737.533
Effect of Logo Infosoft (*)	2.010.550	-
Participation in capital increase of joint venture	1.350.000	1.228.961
Share of profit/(loss)	(3.487.916)	(1.407.831)
Sale of Figo	(431.297)	
As of 31 December	_	558.663

<sup>(\*)</sup> Note 2.1.3.

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

Summary of balance sheet

FIGO	31 December 2018	<b>31 December 2017</b>
Cash and cash equivalents	-	212.059
Other current assets	-	247.509
Other non-current assets	-	160.717
Total assets	-	620.285
Other short-term liabilities	-	98.816
Total liabilities	-	98.816
Net assets	-	521.469

<sup>(\*)</sup> Group has transferred all its shares at FIGO corresponding to 50 % with a collection amount of 6.500.000 TRY as per share transfer agreement signed on 31 December 2018.

<sup>(\*)</sup> The Group's joint venture consists of the convertible debt instruments issued by Logo Infosoft. The Group has not considered the related investment for trading purposes and has recognized the fair value changes in the other comprehensive income statement in accordance with the accounting policies explained in Note 2.5.

# Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

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

Logo Infosoft		31 December 2018
Cash and cash equivalents		494.318
Other current assets		2.173.129
Other non-current assets		1.832.886
Total assets		4.500.333
Other short-term liabilities		3.722.651
Total liabilities		3.722.651
Net Assets		777.682
Summary of income statements		
FIGO	31 December 2018	<b>31 December 2017</b>
Income	114.725	65,563
Expenses (-)	(3.069.457)	(2.881.225)
Net loss for the period	(2.954.732)	(2.815.662)
Interest anti- of the Comm	500/	500/
Interest ratio of the Group Group's share	50% (1.477.366)	50% (1.407.831)
Group's share	(1.477.500)	(1.407.031)
Share of losses of investment under equity method	(1.477.366)	(1.407.831)
Logo Infosoft		December 2018
Income		1.055.581
Expenses (-)		(10.267.319)
()		()
Net loss for the period		(9.211.738)
Interest ratio of the Group		%50.00
Group's share		(4.605.869)
Unrecognised losses (*)		2.595.319
Share of losses of investment under equity method		(2.010.550)

<sup>(\*)</sup> Group's shares of loss for the period of Logo Infosoft amounting to TRY 2.595.319 has not been recognised, since the carrying value of Logo Infosoft declined to zero.

# Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

#### NOTE 8 - BORROWINGS

Details of borrowings as of 31 December 2018 and 2017 is as follows:

Short-term bank borrowings:	31 December 2018	<b>31 December 2017</b>
Short-term bank borrowings Credit card payables	1.788.145 137.852	1.759.193 58.967
	1.925.997	1.818.160
Short-term portion of long-term bank borrowings:		
Short-term portion of long-term bank borrowings Financial leases	- 741.292	16.972.616 494.044
	741.292	17.466.660
Total short-term bank borrowings	2.667.289	19.284.820
Long-term bank borrowings:	31 December 2018	31 December 2017
Long-term bank borrowings Financial leases	96.009.180 799.159	45.372.436 801.411
Total long-term bank borrowings	96.808.339	46.173.847
	31 December 20	18
Weighted average annual interest rate (%)	Original amount	TRY equivalent
Short-term bank borrowings:		
Bank borrowings - RON - unsecured - Credit cards- TRY -	1.788.145 137.852	1.788.145 137.852
		1.925.997
Short-term portion of long-term bank borrowings:		
Financial leases - Euro - Bank borrowings - Euro -	122.975	741.292 -
		741.292
Long-term bank borrowings:		
Bank borrowings - Euro - secured Euribor+2.50%- 2.95% Financial leases- Euro	15.927.203 132.574	96.009.180 799.159
		96.808.339
Total borrowings		99.475.628

# Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

# NOTE 8 - BORROWINGS (Continued)

		31 December 2017	
	Weighted average annual interest rate (%)	Original amount	TRY equivalent
Short-term bank borrowings:			
Bank borrowings - RON - unsecured Credit cards- TRY	- -	1.825.381 58.967	1.759.193 58.967
			1.818.160
Short-term portion of long-term bar	nk borrowings:		
Bank borrowings- Euro - secured Financial leases - Euro Bank borrowings - Euro	Euribor+2.25 - 2.50	1.802.601 110.579 1.996.272	8.053.667 494.044 8.918.949
			17.466.660
Long-term bank borrowings:			
Bank borrowings - Euro - secured Financial leases- Euro	2.50	10.155.426 179.375	45.372.436 801.411
			46.173.847
Total borrowings			65.458.667

The redemption schedules of long-term borrowings at 31 December 2018 and 2017 are as follows:

	012000000000000000000000000000000000000	
To be paid within 1-2 years	9.830.270	18.522.125
To be paid within 2-5 years	34.443.045	27.651.722
To be paid in more than 5 years	52.535.024	<u>-</u>

31 December 2018 31 December 2017

96.808.339	46.173.847

	Net book value		Fair v	value
	2018	2017	2018	2017
Borrowings	97.797.325	64.104.245	113.480.897	68.773.430
	97.797.325	64.104.245	113.480.897	68.773.430

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

# Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

#### NOTE 9 - TRADE RECEIVABLES AND PAYABLES

The details of trade receivables and payables as of 31 December 2018 and 31 December 2017 are as follows:

Short-term trade receivables:	31 December 2018	31 December 2017
Trade receivables	116.448.525	89.591.194
Credit card receivables	46.264.280	37.701.792
Cheques and notes receivables	7.738.534	2.735.947
Less: provision for doubtful receivables	(26.134.062)	(21.628.975)
Less: unearned finance income	` `	,
arising from credit sales	(7.836.647)	(3.875.934)
	136.480.630	104.524.024

As of 31 December 2018, the average turnover of the trade receivables is 123 days (31 December 2017: 123 days), excluding the credit card receivables, the turnover day is 78 days (31 December 2017: 83 days). The discount rate applied to the undue receivables is 23.48% (31 December 2017: 13.10%).

As of 31 December 2018, TRY 14.898.546 of trade receivables (31 December 2017: TRY 12.149.007) were past due but not impaired. The aging analysis of these trade receivables is as follows:

	31 December 2018	31 December 2017
Up to 1 month	4.820.403	4.469.151
1-3 months	4.032.670	1.735.726
More than 3 months	6.045.473	5.944.130
	14.898.546	12.149.007

As of 31 December 2018. TRY 11.192.815 of overdue receivables consist of trade receivables of Total Soft (31 December 2017: TRY 8.761.321). Group manages its receivables in accordance with credit risk management policies which is explained in Note 30.

The movement of provision for doubtful receivables for the periods ended 31 December 2018 and 2017 are as follows:

2018	2017
21.628.975	21.095.832
2.818.108	1.729.080
(3.961.698)	(3.721.143)
935.233	` -
4.713.444	2.525.206
26.134.062	21.628.975
	21.628.975 2.818.108 (3.961.698) 935.233 4.713.444

#### Trade payables to third parties:

	31 December 2018	31 December 2017
Trade payables	25.500.164	20.198.763

As of 31 December 2018, the average debt payment period is 80 days (31 December 2017: 71 days).

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# Convenience Translation of Consolidated Financial Statements Originally Issued in Turkish

Logo Yazılım Sanayi ve Ticaret A.Ş.

# Consolidated Statements of Changes in Equity for the Year Ended 31 December 2018

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

# NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

The table below shows the maximum exposure of the Group to credit risk as of 31 December 2018 and 31 December 2017:

	Trade receivables	seivables	Other receivables	ivables	
31 December 2018	Related party	Other	Related party	Other	Cash at bank
The maximum of credit risk exposure date	1.406.965	136.480.630	•	1.576.349	78.120.676
- Amount of risk covered by gurantees		607.724	•	•	1
Net carrying value of not past due and not impaired financial assets	1.406.965	121.582.084	•	1.576.349	78.120.676
Not norming value of need due but					
not impaired financial assets		14.898.546			
<ul> <li>Amount of risk covered by guarantees</li> </ul>			•		•
Net carrying value of impaired assets	٠	•	•	٠	•
<ul> <li>Past due (gross carrying value)</li> </ul>	•	26.134.062			
<ul> <li>Provision for impairment (-)</li> </ul>	•	(26.134.062)	•		•
<ul> <li>Amount of risk covered by guarantees</li> </ul>	•				•

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

Logo Yazılım Sanayi ve Ticaret A.Ş.

# Consolidated Statements of Changes in Equity for

the Year Ended 31 December 2018

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

# NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

	Trade receivables	eivables	Other receivables	ivables	
31 December 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 - Amount of risk covered by guarantees		12.149.007			1 1
Net carrying value of impaired assets - Past due (gross carrying value) - Provision for impairment (-) - Amount of risk covered by guarantees		21.628.975 (21.628.975)			1 1 1 1

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



# Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

#### NOTE 10 - OTHER RECEIVABLES, PAYABLES AND OTHER CURRENT ASSETS

Short-term other receivables from third parties:	31 December 2018	31 December 2017	
Income Accruals	1.407.822	311.442	
Deposits and guarantees given	7.915	389.246	
	1.415.737	700.688	
Long-term other receivables from third parties:	31 December 2018	<b>31 December 2017</b>	
Long-term other receivables	160.612	160.612	
Short-term other payables to third parties:	31 December 2018	<b>31 December 2017</b>	
Taxes payable Other	10.360.105 435.608	6.892.841	
	10.795.713	6.892.841	
Long-term other payables to third parties:	31 December 2018	31 December 2017	
Other payables	1.633.361	1.809.414	
	1.633.361	1.809.414	
Other Current Assets:	31 December 2018	31 December 2017	
Prepaid taxes Personel advances Other	2.081.115 1.481.654 718.113	972.819 671.924 293.803	
	4.280.882	1.938.546	
NOTE 11 - INVENTORIES			
	31 December 2018	31 December 2017	
Trade goods Raw materials and equipment Other	772.724 14.726 110	587.559 14.726 2.015	
	787.560	604.300	

# Logo Yazılım Sanayi ve Ticaret A.Ş.

# **Notes to The Consolidated Financial Statements for** the Year Ended 31 December 2018

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

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2018	Additions	Disposals	Currency translation differences	Addition of subsidiary (*)	Disposal of subsidiary (**)	31 December 2018
Cost:							
Lands	_	_	(160.825)	-	160.825	-	-
Buildings	-	-	(791.259)	-	791.259	-	-
Machinery. plant equipment	9.081.537	2.087.059	(69.051)	635.803	1.376.482	(168.063)	12.943.767
Motor Vehicles	2.237.291	372.844	-	681.853	112.369	-	3.404.357
Furniture and Fixtures	5.510.453	238.836	(2.922)	123.627	276.883	(230.945)	5.915.932
Leasehold improvements	22.606.581	1.816.818	(8.350)	75.517	-	(295.937)	24.194.629
	39.435.862	4.515.557	(1.032.407)	1.516.800	2.717.818	(694.945)	46.458.685
Accumulated Depreciation:							
Buildings	_	3.342	(139.939)		136.597		
Machinery, plant equipment	6.914.609	1.606.987	(68.373)	186.750	1.338.206	(6.600)	9.971.579
Motor Vehicles	605.486	1.160.448	(00.575)	208.224	112.370	(0.000)	2.086.528
Furniture and Fixtures	3.911.284	391.265	(649)	61.574	79.954	(9.516)	4.433.912
Leasehold improvements	8.062.778	1.177.858	(8.350)	37.652	-	(11.622)	9.258.316
1			(/			(,	
	19.494.157	4.339.900	(217.311)	494.200	1.667.127	(27.738)	25.750.335
Net book value	19.941.705						20.708.350
						irrency	
		1 January 2017		Dispo		islation : erences	31 December 2017
		2017	Titulion3	Dispe	SHIS CIII	cremees	2017
Costs:							
Machinery, plant and equipm	ent	8.040.756	1.161.334	(312	.537) 1	191.984	9.081.537
Motor vehicles		2.462.846	218.278	(883)	.262) 4	139.429	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 equipm	ent	6.033.557	1.120.930	(205	.863)	55.985	6.914.609
Motor vehicles	C.III	244.408		*	.695)	35.287	605.486
Furniture and fixtures		3.549.714			.711)	15.458	3.911.284
Tomation of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the st		7.000.717	355.025	()		7.100	0.040.770

Note 4 Note 7.

Net book value

Leasehold improvements

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 TRY 478.630 till 1 year, TRY 1.914.519 between 1-5 years and TRY 7.539.261 more than 5 years for relevant land (31 December 2017: TRY 354.996 till 1 year, TRY 1.419.985 between 1-5 years, TRY 6.661.281 more than 5 years).

957.136

3.439.375

(985.269)

7.098.513

16.926.192

18.977.934

8.062.778

19.494.157

19.941.705

113.859

7.129

# Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

#### NOTE 13 - INTANGIBLE ASSETS

	1 January 2018	Additions	Currency translation differences	Addition of subsidiary (*)	Disposal of subsidiary (**)	31 December 2018
Costs:						
Development costs	161.201.959	47.574.852	11.192.180	_	(1.040.579)	218.928.412
Advanced technology	15.656.562	-	852.256	-		16.508.818
Customer relations	19.482.447	-	2.505.510	24.060.016	-	46.047.973
Non-compete agreement	2.747.778	-	-	-	-	2.747.778
Other intangible assets	7.668.671	1.207.318	119.431	1.870.984	(62.260)	10.804.144
	206.757.417	48.782.170	14.669.377	25.931.000	(1.102.839)	295.037.125
Accumulated Depreciation	n:					
Development costs	76.520.130	23.720.676	1.327.384	-	(110.077)	101.458.113
Advanced technology	6.452.820	1.971.990	307.506	-		8.732.316
Customer relations	6.988.578	2.280.347	391.845	-	-	9.660.770
Non-compete agreement	2.692.889	54.889	-	-	-	2.747.778
Other intangible						
Assets	5.500.790	667.236	60.223	1.866.212		8.094.461
	98.155.207	28.695.138	2.086.958	1.866.212	(110.077)	130.693.438
Net book value	108.602.210					164.343.687

<sup>(\*)</sup> Note 4. (\*\*) Note 7.

Additions amounting to TRY 46.974.852 to development costs for the year ended 31 December 2018 (2017: TRY 37.220.780) consists of capitalised personnel costs.

TRY 31.640.078 (2017: TRY 22.615.514) of the current year's depreciation and amortization expenses has been allocated to research and development expenses, TRY 422.233 (2017: TRY 388.104) has been allocated to marketing expenses, TRY 400.837 (2017: TRY 428.067) has been allocated to general administrative expenses, TRY 571.895 (2017: TRY 512.901) has been allocated to cost of sales. (Note 21).

# Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

# NOTE 13 - INTANGIBLE ASSETS (Continued)

	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

#### NOTE 14 - GOODWILL

	31 December 2018	31 December 2017
Total Soft	101.214.681	75.815.823
Total Soft (ABS)	28.058.862	-
Netsis	5.892.252	5.892.252
Sempa	903.000	903.000
Vardar	346.338	346.338
Intermat	337.062	337.062
	136.752.195	83.294.475

Movement table of goodwill for the years ended 31 December 2018 and 2017 are as follows;

As of 31 December	136.752.195	83.294.475
Currency translation difference	25.398.858	7.907.713
Acquisition of subsidiaries (*)	28.058.862	-
As of 1 January	83.294.475	75.386.762
	2018	2017

<sup>(\*)</sup> Note 4.

# Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

#### NOTE 14 - GOODWILL (Continued)

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 and ABS

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 2018:

For the purpose of goodwill impairment testing, the six years business projections of Total Soft and ABS prepared by the management between 1 January 2018 and 31 December 2024. 14% has been used as cumulative average growth rate the years between 2018 and 2024.

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 12.8% 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 3% 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 12.8%. Has the rate been assumed to be as 13.5%, the recoverable amount would have been 3% higher than the goodwill included book value of cash generating unit including goodwill and still 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 2018 and current book value. As of 31 December 2018, it is noted that the current cash flows of the cash generating unit exceeds its book value by 157%. Management does not expect any negative cash flows from Netsis in the foreseeable future.

# Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

#### NOTE 15 - COMMITMENTS AND CONTINGENT LIABILITIES

#### Guarantees received:

		31 Decei	nber 2018	31 Decei	mber 2017
	Original	Original	TRY	Original	TRY
	currency	amount	equivalent	amount	equivalent
Guarantee notes	TRY	247.724	247.724	222.724	222.724
Mortgages	TRY	360.000	360.000	360.000	360.000
			607.724		582.724

As of 31 December 2018 and 31 December 2017, guarantee/pledge/mortgage ("GPM") given by the Company on behalf of its legal entity are as follows:

#### GPM given by the Company:

		31 Decen	ber 2018			31 Decer	nber 2017	
	Euro	USD	RON	TRY	Euro	USD	RON	TRY
A. Total amount of Guarantees provided								
by the Company on behalf of itself	-	243.978	-	1.181.997	-	292.616	-	409.020
B. Total amount of Guarantees provided on								
behalf of the associates accounted								
under full consolidation method (*)	107.348.145	-	48.117	- 62	2.970.985	-	61.976	-
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	-	-	-	-	-	-	-	-
	107.348.145	234.978	48.117	1.181.997 62	070.095	292.616	61.076	409.020
	107.340.143	434.9/0	40.11/	1.101.99/ 02	2.7/0.903	474.010	01.9/0	402.020

#### (\*) Note 8.

The lawsuits filed against the Group total TRY 4.478.758 The Group's management does not expect any cash outflows regarding these lawsuits therefore, no provisions has been accounted in the consolidated financial statements.

# Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

#### NOTE 16 - EMPLOYEE BENEFITS

Short - term payables for employee benefits:	31 December 2018	<b>31 December 2017</b>
Due to personnel	5.502.751	3.568.428
Taxes, funds and social security payables	5.340.132	4.804.739
	10.842.883	8.373.167
Short - term provisions for employment benefits:	31 December 2018	31 December 2017
Provision for employment benefits	17.515.106	12.850.335
Long - term provisions for employment benefits:	31 December 2018	31 December 2017
Provision for employment termination benefits	6.009.607	4.341.706
Provision for unused vacation liability	5.323.122	3.956.857
	11.332.729	8.298.563
The movement of provision for unused vacation liability 2017 is as follow:	y for the years ended 31	December 2018 and
2017 Is as follow.	2018	2017
As of 1 January	3.956.857	3.033.583
Increase for the period	603.719	649.772
Acquisition of subsidiaries	117.374	-
Currency translation difference	645.172	273.502
As of 31 December	5.323.122	3.956.857

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 TRY6.017,60 for each year of service at 1 January 2019 (31 December 2017: TRY5.001,76).

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":

# Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

#### NOTE 16 - EMPLOYEE BENEFITS (Continued)

	31 December 2018	31 December 2017
Discount rate (%)	5.65	4.69
Turnover rate to estimate the probability of retirement (%)	93.50	93.40

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 six months the maximum amount of TRY6.017,60 which is effective from 1 January 2019 (1 January 2018: TRY5.001,76) has been taken into consideration in the calculations.

The movement in the provision for employment termination benefits during the years ended 31 December 2018 and 2017 were as follows:

	2018	2017
As of 1 January	4.341.706	3.281.749
Service cost	706.320	467.308
Interest cost	684.863	504.458
Actuarial loss	1.250.712	1.129.795
Payments during the year	(973.994)	(1.041.604)
As of 31 December	6.009.607	4.341.706

#### NOTE 17 - PREPAID EXPENSES AND DEFERRED REVENUE

Short - term prepaid expenses:	31 December 2018	31 December 2017
Prepaid expenses	2.048.483	2.775.530
	2.048.483	2.775.530
Long - term prepaid expenses:	31 December 2018	31 December 2017
Advances given	2.902.501	3.006.485
	2.902.501	3.006.485
Short - term deferred revenues:	31 December 2018	31 December 2017
Deferred revenue	58.665.117	45.059.647
Advances received	2.740.101	1 276 969
Advances received	3.548.181	1.276.868

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

# Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

#### NOTE 17 - PREPAID EXPENSES AND DEFERRED REVENUE (Continued)

The details of deferred revenues at 31 December 2018 and 31 December 2017 as follows:

	31 December 2018	<b>31 December 2017</b>
LEM sales	39.102.529	29.677.483
Pay as you go sales	12.519.888	10.101.004
Deferred revenue from continuing projects	5.400.083	4.268.985
After-sales services revenue	1.642.617	1.012.175
	58.665.117	45.059.647

#### **NOTE 18 - EQUITY**

The Company's authorized and paid-in share capital consists of 2.500.000.000 (31 December 2017: 2.500.000.000) shares with a nominal value of Kr 1 each. The shareholding structure of the Company as of 31 December 2018 and 31 December 2017 are as follows:

	31 December 2018	Share (%)	31 December 2017	Share (%)
Logo Teknoloji ve Yatırım A.Ş.	8.391.013	33.56	8.391.013	33.56
Mediterra Capital Partners I. LP (*)	16.500	< 1.00	1.279.781	5.12
Publicly traded	16.592.487	66.44	15.329.206	61.32
	25.000.000	100.00	25.000.000	100.00
Adjustment to share capital	2.991.336		2.991.336	
Total paid-in share capital	27.991.336		27.991.336	

<sup>(\*)</sup> Consist of Group A preferred shares Mediterra Capital Partners I. LP owns.

The shares representing capital are categorized as group A and B. The A shares are preferred and allow their holders to nominate half plus one of the board members, to nominate the chairman of our board and to nominate three out of the four members of the Corporate Governance Committee. Adjustment to share capital represents the restatement effect of cash contributions to share capital.

# Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

#### NOTE 18 - EQUITY (Continued)

#### Treasury shares

As of 31 December 2018 the amount of treasury shares which is accounted in Group's equity is TRY 10.054.033 (31 December 2017: TRY 4.632.563)

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
2018	177.042	5.421.470

	Total purchases	2.167.673	16.018.620
--	-----------------	-----------	------------

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.

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 Association. 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.

# Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

#### NOTE 19 - EXPENSES BY NATURE

As of 31 December 2018 and 2017, 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

#### Sales:

	1 January -	1 January -
	<b>31 December 2018</b>	31 December 2017
Revenue	224.587.057	188.613.937
Service revenue	92.377.000	64.531.242
Saas service revenue	9.435.674	9.148.552
Sales returns	(3.136.948)	(3.993.421)
Sales discounts	(2.170.684)	(2.131.396)
Net sales	321.092.099	256.168.914
Cost of sales	(63.953.940)	(52.146.895)
Gross profit	257.138.159	204.022.019
Cost of sales:		
	1 January -	1 January -
	31 December 2018	31 December 2017
Cost of services	60.571.541	48.301.334
Cost of transfer of financial rights	3.009.481	3.596.980
Cost of trade goods sold	372.918	248.581
Cost of sales	63.953.940	52.146.895

# Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

# NOTE 21 - RESEARCH AND DEVELOPMENT EXPENSES. MARKETING EXPENSES. AND GENERAL ADMINISTRATIVE EXPENSES

#### Research and development expenses:

	1 January - 31 December 2018	1 January - 31 December 2017
Personnel expenses	37.164.661	28.355.348
Depreciation and amortization (Note 13)	31.640.078	22.615.514
Motor vehicle expenses	3.206.854	2.310.801
Outsourced benefits and services	2.668.442	1.493.235
Consultancy expenses	1.597.939	1.717.965
Rent expenses	1.583.804	921.193
Travel expenses	924.792	815.915
Other	4.520.176	3.666.967
	83.306.746	61.896.938
Marketing, selling and distribution expenses:		
· · · · · · · · · · · · · · · · · · ·	1 January -	1 January -
	<b>31 December 2018</b>	31 December 2017
Advertising and selling expenses	27.497.678	21.524.297
Personnel expenses	22.725.288	21.792.939
Consultancy expenses	2.601.541	2.477.703
Outsourced benefits and services	2.007.851	1.085.021
Motor vehicle expenses	1.822.513	1.614.491
Travel expenses	947.259	883.614
Rent expenses	944.593	640.571
Depreciation and amortization (Note 13)	422.233	388.104
Other	924.215	1.251.172
	59.893.171	51.657.912
General administrative expenses:		
	1 January -	1 January -
	<b>31 December 2018</b>	<b>31 December 2017</b>
Personnel expenses	30.760.765	20.925.576
Consultancy expenses	8.600.774	5.032.768
Motor vehicle expenses	1.212.333	864.807
Outsourced benefits and services	656.497	466.823
Travel expenses	611.996	936.246
Rent expenses	568.524	779.283
Depreciation and amortization (Note 13)	400.832	428.067
Other	2.907.147	2.351.938
	45.718.868	31.785.508

# Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

#### NOTE 22 - OTHER OPERATING INCOME AND EXPENSES

#### Other operating income

	1 January - 31 December 2018	1 January - 31 December 2017
Foreign exchange gains (*)	3.575.628	1.971.374
Rediscount income	732.546	211.188
Overdue interest income	429.546	724.019
Other	1.975.041	2.483.614
	6.712.761	5.390.195

<sup>(\*)</sup> Arising from the difference between foreign exchange differences of trade receivables and payables.

#### Other operating expenses

Other operating expenses	1 January - 31 December 2018	1 January - 31 December 2017
Rediscount expenses	4.693.260	2.105.718
Foreign exchange losses (*)	2.070.511	1.793.150
Provision expense	2.009.499	276.691
Other	1.868.583	49.844
	10.641.853	4.225.403

<sup>(\*)</sup> Arising from the difference between foreign exchange differences of trade receivables and trade payables.

#### NOTE 23 - INCOME FROM INVESTING ACTIVITIES

	1 January - 31 December 2018	1 January - 31 December 2017
Gain on joint ventures sale (*)	6.068.703	-
Gain on sale of financial instruments	175.186	285.885
	6.243.889	285.885

<sup>(\*)</sup> Group has transferred all shares of FIGO with the share transfer agreement that signed on 31 December 2018. On assignment, difference between book value of FIGO TRY 431.297 and sale value TRY 6.500.000 has been accounted as gains on joint ventures sale.

#### **NOTE 24 - FINANCIAL INCOME**

	1 January - 31 December 2018	1 January - 31 December 2017
Foreign exchange gains	9.331.722	2.343.240
Interest income	3.274.770	414.959
	12.606.492	2.758.199

# Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

#### NOTE 25 - FINANCIAL EXPENSES

	1 January - 31 December 2018	1 January - 31 December 2017
Foreign exchange losses	6.170.865	3.787.523
Interest expense	3.147.539	2.727.207
Credit card commissions	1.100.604	1.136.898
Interest expense of		
employee termination benefits	684.862	504.458
Other financial expenses	135.944	418.304
	11.239.814	8.574.390

#### NOTE 26 - TAX ASSETS AND LIABILITIES

	31 December 2018	31 December 2017
Current period tax expense	(4.542.359)	(2.281.568)
Deferred tax income/(expense)	3.234.280	(871.482)
Current period tax expense	(1.308.079)	(3.153.050)

#### Deferred taxes

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

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

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 2018 and 31 December 2017 using the enacted tax rates, is as follows:

	Total temporary differences		Deferred tax assets/(liabilities)	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Deferred income tax assets:				
Provision for expense accruals	15.934.891	2.914.527	3.186.978	582.905
Rediscount of trade receivables				
and payables	7.577.267	3.996.713	1.515.453	799.343
Provision for employee termination				
benefits	3.574.275	2.750.543	714.855	550.109
Deferred income	1.217.361	690.145	243.473	138.029
Provision for doubtful receivables	462.957	2.359.687	92.591	471.937
	28.766.751	12.711.615	5.753.350	2.542.323
Deferred income tax liabilities: Difference between the tax base and carrying value of property, equipment and				
intangible assets	(27.262.822)	(23.940.605)	(5.452.564)	(4.788.121)
	(27.262.822)	(23.940.605)	(5.452.564)	(4.788.121)
Deferred income tax assets/(liabilities) net			300.786	(2.245.798)

# Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

#### NOTE 26 - TAX ASSETS AND LIABILITIES (Continued)

The reconciliation of current period tax expense for the periods ending 31 December 2018 and 2017 are as follows:

Deferred tax assets	2018	2017
To be recovered less than 12 months	4.803.855	1.767.516
To be recovered more than 12 months	949.494	774.807
	5.753.350	2.542.323
Deferred tax liabilities		
To be recovered more than 12 months	(5.452.564)	(4.788.121)
	(5.452.564)	(4.788.121)
Deferred income tax assets/(liabilities). net	300.786	(2.245.798)
Movement of deferred taxes asset/(liabilities) for the peri	ods is as follows:	
	2018	2017
As of 1 January	(2.245.798)	(684.221)
Charged to statements of profit or loss	3.234.280	(871.482)
Charged to other comprehensive income	124.158	123.810
Currency translation difference	(811.854)	(813.905)
As of 31 December	300.786	(2.245.798)

#### 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 2018 is 22% (2017: 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 (2017: 16%).

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

# Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

#### NOTE 26 - TAX ASSETS AND LIABILITIES (Continued)

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 22% 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.

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).

# Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

#### NOTE 26 - TAX ASSETS AND LIABILITIES (Continued)

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.

	1 January - 31 December 2018	1 January - 31 December 2017
Current income tax expense	4.542.359	2.281.568
Prepaid taxes and funds (-)	(2.582.973)	(1.749.956)
Current income tax liabilities	1.959.386	531.612
	1 January - 31 December 2018	1 January - 31 December 2017
Income tax reconciliation:		
Profit before income tax	68.412.933	52.908.316
Tax calculated at		
enacted tax rate in Turkey (22%)	(15.050.845)	(10.581.663)
Non-deductible expenses	(2.667.785)	(5.011.065)
Income not subject to tax	17.045.000	13.935.601
Tax rate difference (*)	(217.611)	(70.115)
Accumulated loss on deferred tax assets	(416.838)	(1.425.808)
Income tax expense	(1.308.079)	(3.153.050)

<sup>(\*)</sup> The applicable tax rate in Romania is 16% as of 31 December 2018 (2017: 16%).

# Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

#### NOTE 27 - EARNINGS/LOSS PER SHARE

The earnings per 1,000 shares with nominal value of Kr 1 amounted to TRY 27.08 for the 31 December 2018 (2017: TRY 20.33).

	2018	2017
Net income attributable to equity holders of the parent	67.703.377	50.828.565
Average number of shares for the period	2.500.000.000	2.500.000.000
Earnings per share	27.08	20.33

#### NOTE 28 - RELATED PARTY DISCLOSURES

a) Due from related parties at 31 December 2018 and 2017:

# Long-term other receivables from related parties:

Long-term other receivables from related parties:	31 December 2018	31 December 2017
Receivables from other shareholders	-	3.375.068
	-	3.375.068
Trade receivables from related parties:		
	31 December 2018	31 December 2017
Logo Infosoft	1.406.965	
	1.406.965	

As of 31 December 2018, receivables amounting to 167.292 TRY arise from other related parties.

# b) Sales to related parties, services given to related parties and financial income from related parties during the periods ended 31 December 2018 and 2017:

#### Services given to related parties

	1.713.365	721.765
Logo Teknoloji ve Yatırım A.Ş.	26.608	361.937
Logo Infosoft	772.830	-
Logo Siber	913.927	359.828
	2018	2017

c) Services purchased from related parties and other transactions with related parties during the periods ended 31 December 2018 and 2017:

#### Services purchase from related parties

	2018	2017
Logo Siber	524.997	905.216
Logo Teknoloji ve Yatırım A.Ş.	302.632	52.094
	927 (20	057.210
	827.629	957.310

# Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

#### NOTE 28 - RELATED PARTY DISCLOSURES (Continued)

#### d) Remuneration of the executive management:

	2018	2017
Remuneration of the management	8.630.936	6.066.064

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

#### 29.1 Financial Risk Management

#### Credit Risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. These risks are managed by limiting aggregate risk from any individual counterparty and obtaining sufficient collateral where necessary

#### Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business the Company aims at maintaining flexibility in funding by keeping committed credit lines available. The Company management holds adequate cash and credit commitment that will meet the need cash for recent future in order to manage its liquidity risk. In this context, the Company has credit limit from banks amounting to over TRY100,000,000 that can be utilized whenever needed.

	31 December 2018					
		Contractual	Up to	Between	Between	More than
Non-derivative	Carrying	cash outflow	3 month	3-12 month	1-5 year	5 year
financial instruments	value	(I+II+III+IV)	(I)	(II)	(III)	(IV)
Borrowings	99 475 628	115 159 200	2.122.926	3.329.946	53.305.432	56 400 896
Trade payables						
- Trade payables to third parties	25.500.164	25.500.164	25.500.164	-	-	-
Due to personnel	10.842.883	10.842.883	10.842.883	-	-	-
Other Payables						
<ul> <li>Other payables to third parties</li> </ul>	12.429.074	12.429.074	10.795.713	-	1.633.361	
Total Liabilities	148.247.749	163.931.321	49.261.686	3.329.946	54.938.793	56.400.896

# Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

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

	31 December 2017					
Non-derivative financial instruments	Carrying value	Contractual cash outflow (I+II+III+IV)	Up to 3 month (I)	Between 3-12 month (II)	Between 1-5 year (III)	More than 5 year (IV)
Borrowings Trade payables	65.458.667	71.572.424	4.657.926	16.427.732	40.576.736	9.910.030
- Trade payables to third parties	20.198.763	20.198.763	20.198.763	-	-	-
Due to personnel Other Payables	8.373.167	8.373.167	8.373.167	-	-	-
<ul> <li>Other payables to third parties</li> </ul>	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

#### 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:

Financial instruments with fixed interest rate	31 December 2018	31 December 2017
Financial assets - Financial assets at fair value through profit or loss	28.369.570	8.957.092
Financial liabilities	3.466.448	57.405.000
Financial instruments with float interest rate		
Financial liabilities	96.009.180	8.053.667

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 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
USD	5.2609	3.7719
Euro	6.0280	4.5155

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

# Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

(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 2018			8
		TRY equivalent	USD	Euro	Other
1. 2a.	Trade receivables Monetary financial assets. (cash.	8.482.449	609.266	875.442	-
2b.	and banks accounts included) Non-monetary financial assets	14.109.725	1.521.165	1.012.453	3.965
3.	Other	<u>-</u>	-	<u> </u>	
4.	Current assets (1+2+3)	22.592.174	2.130.431	1.887.895	3.965
5. 6a.	Trade receivables Monetary financial assets	-	-	-	-
6b.	Non-monetary financial assets	_	_	_	_
7.	Other	-	-	-	
8.	Non-current assets (5+6+7)	-	-	-	_
9.	Total assets (4+8)	22.592.174	2.130.431	1.887.895	3.965
10.	Trade payables	(1.285.832)	(132.369)	(97.785)	_
11.	Financial liabilities	(741.292)	` -	(122.975)	-
12a.	Other monetary liabilities	-	-	-	-
12b.	Other non-monetary liabilities	-	-	-	-
13.	Non-current liabilities (10+11+12)	(2.027.124)	(132.369)	(220.760)	-
14.	Trade payables	(0.6,000,220)	-	- (1.6.050.777)	-
15. 16a.	Financial liabilities Other monetary liabilities	(96.808.339)	-	(16.059.777)	_
16b.	Other non-monetary liabilities	-	-	-	
17.	Non-current liabilities (14+15+16)	(96.808.339)	-	(16.059.777)	
18.	Total liabilities (13+17)	(98.835.463)	(132.369)	(16.280.537)	_
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)	(76.243.289)	1.998.062	(14.392.642)	3.965
	(9-10+19)	(70.243.269)	1.998.002	(14.392.042)	3.903
21.	Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a- 10-11-12a-14-15-16a)	(76.243.289)	1.998.062	(14.392.642)	3.965
22.	Fair value of derivative instruments used in foreign currency hedge	-	-	-	-
23.	Export (*)	(41.974.432)	_	_	_
24.	Import	-	-	-	-

<sup>(\*)</sup> Includes exports from the countries in which the Group operates. As of 2018 the Group's total sales made outside Turkey during the period is TRY 114.612.154 (2017: TRY 78.968.165).

# Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

(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. 2a.	Trade receivables Monetary financial assets. (cash.	8.264.904	386.244	1.507.701	-
2b.	and banks accounts included)	7.125.605	244.260	1.373.145	3.850
3.	Non-monetary financial assets Other	<u> </u>			
4.	Current assets (1+2+3)	15.390.509	630.504	2.880.846	3.850
5.	Trade receivables	-	-	-	-
ба. бь.	Monetary financial assets 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)	(44.097)	(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. 16b.	Other monetary liabilities 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	<u> </u>		<u> </u>	
23.	Export	(29.609.535)	-	-	-
24.	Import	-	-	-	-

# Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

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

# 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 2018			
	Pro	fit/(Loss)	Equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
Change of USD against TRY by 10%				
USD net assets/liabilities     Hedged portion from USD risks (-)	1.051.160	(1.051.160)	-	-
3- USD net effect (1+2)	1.051.160	(1.051.160)	-	-
Change of EUR against TRY by 10% 4- EUR net assets/liabilities 5- Hedged portion from EUR risks (-)	(8.675.885)	8.675.885	-	-
6- EUR net effect (4+5)	(8.675.885)	8.675.885	-	-
Change of other currencies against TRY by 10% 7- Other currencies net assets/liabilities 8- Hedged portion from other currency risks (-)	397	(397)	-	-
9- Other currencies net effect (7+8)	397	(397)	-	-
Total (3+6+9)	(7.624.328)	7.624.328	-	-

# Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

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

	31 December 2017			
	Pro	fit/(Loss)	Eq	uity
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency <u>depreciation</u>
Change of USD against TRY by 10%  1- USD net assets/liabilities  2- Hedged portion from USD risks (-)	221.188	(221.188)	-	-
3- USD net effect (1+2)	221.188	(221.188)	-	-
Change of EUR against TRY by 10% 4. EUR net assets/liabilities 5. Hedged portion from EUR risks (-)	(5.189.307)	5.189.307	- -	-
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 8- Hedged portion from other currency risks (-)	385	(385)	-	- -
9- Other currencies net effect (7+8)	385	(385)	-	-
Total (3+6+9)	(4.967.734)	4.967.734	-	-

#### 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 2018	<b>31 December 2017</b>
Total payables	124.975.792	85.657.430
Less: Cash and cash equivalents	(78.417.427)	(51.633.614)
Net Debt	46.558.365	34.023.816
Total equity	294.204.187	208.508.292
Total capital	340.762.552	242.532.108
Debt/equity ratio (%)	14%	14%

# Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

#### 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

# Logo Yazılım Sanayi ve Ticaret A.Ş.

# Notes to The Consolidated Financial Statements for the Year Ended 31 December 2018

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

# NOTE 30 - FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy table as at 31 December 2018 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 2017	is as follows:		
Financial assets held at fair value through profit or loss:	Level 1	Level 2	Level 3
Financial investments	Level 1	Level 2	Level 3

#### NOTE 31 - NET DEBT RECONCILIATION

	Loans and Credit cards	Financial leases	Total
	Credit Cards	leases	Total
1 January 2018	64.163.212	1.295.455	65.458.667
Cash inflows	16.141.895	-	16.141.895
Cash outflows	(30.583.641)	(678.802)	(31.262.443)
Currency translation differences	48.213.711	923.798	49.137.509
31 Aralık 2018	97.935.177	1.540.451	99.475.628
Cash and cash equivalents (-)			78.417.427
Net debt			21.058.201

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Commercial title	Logo Yazılım San. ve Tic	. A.Ş.			
Frade registration number	12750	. //	. 0	1	0 · · · · · · · · · · · · · · · · · · ·
lead office	Gebze Organize Sanayi I T: 0262 679 80 00 F: 0262 679 80 80	3ölgesi Şahabettin Bilgisı	ı Caddesi No: 609 Gebz	e 41400 Kocaeli Turkey	1 0
iaison offices	İstanbul sales office	Ankara sales office and R&D center	İzmir R&D center	İzmir sales office	Logo Business Software GMBH
	Değirmenyolu Sok. Gülseren Murat Üçüncü İşMerkezi No: 35 Kat: 3 İçerenköy, Ataşehir	Hacettepe Üniversitesi Teknoloji Geliştirme Bölgesi Üniversiteler Mah. 1596. Cad. No: 6	İzmir Teknoloji Geliştirme Bölgesi A3 Binası İYTE Kampüsü Gülbahçe Köyü 35430 Urla,	Şehit Nevres Bul. No: 3 Kızılay İş Merkezi Kat: 6 D: 602 Alsancak, İzmir / Turkey	Mainzer Landstrasse 27-31 60329 Frankfurt am Main
	34752 İstanbul / Turkey T : +90216 570 68 10 F : +90216 570 78 08	SAFIR C Blok Kat: 2 Ofis No: 25-26-27 Beytepe 06800 Çankaya, Ankara / Turkey T. +90312 265 04 00 F. +90312 265 05 75	izmir/ Turkey T. +90232 765 91 99 F. +90232 765 91 99	T. +90232 441 87 87 F. +90232 441 87 90	T. +49 69 27 40 155 3; F. +49 69 27 40 15 172 E. info@logo-bs.de
otal Soft	Romania head office		Austria		Germany
	Global City Business Par street, no 10, O2 buildin Ilfov, Romania Postal co T. +4021 335 17 09 F. +4021 335 17 12	g, 8th floor, Voluntari,	Am Euro Platz 2 / G, A Austria T. +43 (1) 361 361 3610 F. +43 (1) 717 28 110	-1120 Vienna,	Logo Financial Solutions GmbH Düsseldorfer Strasse 13, 65760 Eschborn
	- 1. 555 11		13 ( 7 7 7		

