# Logo Yazılım Sanayi ve Ticaret A.Ş.

## Interim consolidated financial statements for the period between 1 January – 30 June 2013 together with independent auditors' review report

**(Convenience translation of a report and financial statements originally issued in Turkish (See Note 2.1.7)**

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**Independent auditor’s review report on the interim consolidated financial statements for the period of January 1 – 30 June 2013**

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

*Introduction*

We have reviewed the accompanying consolidated financial statements of Logo Yazılım Sanayi ve Ticaret A.Ş. and its Subsidiaries (altogether will be referred as “the Company”), which comprise the interim consolidated balance sheet as of 30 June 2013, the interim consolidated income statement, the interim consolidated comprehensive income statement, interim consolidated equity movement and interim consolidated cash flow statements and a summary of significant accounting policies and notes for the six months period then ended. Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with Turkish Accounting Standard (TAS) issued by the Public Oversight Accounting and Auditing Standards Authority (POA). Our responsibility is to express a conclusion on these interim financial statements based on our review.

*Scope of review*

We conducted our review in accordance with the principles and standards on the review of interim financial statements as stated in the auditing standards issued by the Capital Markets Board. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards published by Capital Markets Board. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements does not present fairly, in all material respects, the consolidated balance sheet of the Company as at 30 June 2013, and the related financial performance and cash flows for the six months period then ended in accordance with TAS 34.

*Other matter*

The consolidated financial statements of the Company prepared in accordance with financial reporting standards issued by Capital Market Board as of December 31, 2012, were audited by another audit firm whose independent auditor’s report thereon dated 4 April 2013 expressed an unqualified opinion. The consolidated financial statements of the Company prepared in accordance with financial reporting standards issued by Capital Market Board as of 30 June 2012, were reviewed by the same audit firm whose independent auditor’s review report thereon dated 2 August 2012 expressed that nothing had come to their attention that caused them to believe that the interim consolidated financial statements were not presented fairly, in all material respects, in accordance with financial reporting standards issued by Capital Market Board.

*Additional paragraph for convenience translation into English:*

As at 30 June 2013, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying interim financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

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

Ferzan Ülgen, SMMM
Engagement Partner

6 August 2013
Istanbul, Turkey

**Interim consolidated balance sheet**
**as at 30 June 2013**
**(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)**

| | Notes | Current period (Reviewed) 30 June 2013 | Prior period (Audited) 31 December 2012 (Restated) |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | **32.077.496** | 31.069.738 |
| Cash and cash equivalents | 4 | **9.609.690** | 9.833.681 |
| Financial assets | 5 | **647.197** | 482.825 |
| Trade receivables | | | |
| - Due from related parties | 25 | **46.540** | 59.699 |
| - Other trade receivables | 8 | **20.895.427** | 20.325.246 |
| Other receivables | 9 | **8.482** | 22.432 |
| Inventories | 10 | **138.347** | 145.152 |
| Prepaid expenses | 15 | **529.654** | 87.264 |
| Other current assets | 15 | **202.159** | 113.439 |
| **Non-current assets** | | **31.221.186** | 31.836.297 |
| Trade receivables | | | |
| - Other trade receivables | | **61.502** | - |
| Other receivables | | | |
| - Due from related parties | 25 | **1.500.000** | 2.000.000 |
| Financial assets | 5 | **83.153** | 83.153 |
| Associates accounted for using the equity method | 6 | **-** | - |
| Property and equipment | 11 | **13.478.923** | 13.540.217 |
| Intangible assets | 12 | **15.811.793** | 15.832.958 |
| Deferred income tax assets | 23 | **282.698** | 376.731 |
| Other non-current assets | | **3.117** | 3.238 |
| **Total assets** | | **63.298.682** | 62.906.035 |

These interim consolidated financial statements have been approved by Board of Directors on 6 August,2013 and signed on its behalf by Buğra Koyuncu, Chief Executive Officer and Gülnur Anlaş, Chief Financial Officer.

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

**Logo Yazılım Sanayi ve Ticaret A.Ş.**

**Interim consolidated balance sheet**
**as at 30 June 2013**
**(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)**

| | Notes | Current period (Reviewed) 30 June 2013 | Prior period (Audited) 31 December 2012 (Restated) |
|---|---|---|---|
| **Liabilities** | | | |
| **Current liabilities** | | **12.053.157** | 13.971.344 |
| Short-term bank borrowings | 7 | **450.139** | 899.269 |
| Short-term portion of long-term bank borrowings | 7 | **1.165.017** | 877.092 |
| Trade payables | | | |
| - Due to related parties | 25 | **620.555** | 135.045 |
| - Other trade payables | 8 | **2.122.425** | 2.257.430 |
| Employee benefit obligations | 15 | **2.106.825** | 3.729.712 |
| Other payables | 9 | **898.679** | 2.437.248 |
| Deferred revenue | 15 | **4.606.354** | 3.543.286 |
| Other current liabilities | | **83.163** | 92.262 |
| **Non-current liabilities** | | **6.549.751** | 6.468.948 |
| Long-term bank borrowings | 7 | **2.961.574** | 3.458.824 |
| Other payables | 9 | **-** | 11.570 |
| Provision for employee benefits | 14 | **2.971.831** | 2.320.922 |
| Deferred revenue | 15 | **616.346** | 677.632 |
| **Equity** | | | |
| **Equity attributable to equity holders of the parent** | | **43.032.696** | 40.855.128 |
| Share capital | 16 | **25.000.000** | 25.000.000 |
| Adjustment to share capital | 16 | **2.991.336** | 2.991.336 |
| Restricted reserves | 16 | **3.087.683** | 3.087.683 |
| Treasury shares | 16 | **(5.244.291)** | (450.493) |
| Actuarial loss/gain | | **(334.884)** | (149.394) |
| Retained earnings | | **10.375.996** | (377.830) |
| Net income for the period | | **7.156.856** | 10.753.826 |
| **Non-controlling interests** | | **1.663.078** | 1.610.615 |
| **Total equity** | | **44.695.774** | 42.465.743 |
| **Total equity and liabilities** | | **63.298.682** | 62.906.035 |

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

**(Convenience translation of a report and financial statements originally issued in Turkish (See Note 2.1.7))**

**Logo Yazılım Sanayi ve Ticaret A.Ş.**

**Interim consolidated income statement**
**for the period ended 30 June 2013**
**(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)**

| | | **Current period** | | Prior period | |
|---|---|---|---|---|---|
| | | **Reviewed** | | Reviewed | |
| | **Notes** | **1 January – 30 June 2013** | **1 April – 30 June 2013** | 1 January – 30 June 2012 (Restated) | 1 April – 30 June 2012 (Restated) |
| **Continuing operations** | | | | | |
| Sales | 18 | **23.984.674** | **12.058.329** | 21.624.365 | 10.973.717 |
| Cost of sales (-) | 18 | **(968.680)** | **(702.505)** | (548.788) | (308.546) |
| **Gross profit** | | **23.015.994** | **11.355.824** | 21.075.577 | 10.665.171 |
| Marketing, selling and distribution expenses (-) | 19 | **(4.275.430)** | **(2.380.837)** | (4.062.288) | (2.212.983) |
| General administration expenses (-) | 19 | **(3.595.006)** | **(1.987.632)** | (3.386.325) | (1.526.734) |
| Research and development expenses (-) | 19 | **(7.646.914)** | **(3.884.697)** | (6.899.852) | (3.255.591) |
| Other operating income | 22 | **956.044** | **645.197** | 569.090 | 477.889 |
| Other operating expenses (-) | | **(313.136)** | **118.965** | (255.871) | (172.574) |
| **Operating profit** | | **8.141.552** | **3.866.820** | 7.040.331 | 3.975.178 |
| Share of loss of associate | 6 | **-** | **-** | - | - |
| Financial income | 20 | **224.872** | **174.523** | 165.477 | 82.415 |
| Financial expenses (-) | 21 | **(1.063.072)** | **(697.554)** | (969.118) | (499.799) |
| **Income before income taxes** | | **7.303.352** | **3.343.789** | 6.236.690 | 3.557.794 |
| **Taxation on income** | | | | | |
| Current income tax charge | 23 | **-** | **23.633** | - | 27.764 |
| Deferred income tax charge | 23 | **(94.033)** | **(4.218)** | (42.465) | 81.426 |
| **Net income for the period** | | **7.209.319** | **3.363.204** | 6.194.225 | 3.666.984 |
| **Net income attributable to** | | | | | |
| Non-controlling interests | | **52.463** | **71.311** | 102.213 | 130.994 |
| Equity holders of the parent | | **7.156.856** | **3.291.893** | 6.092.012 | 3.535.990 |
| **Total** | | **7.209.319** | **3.363.204** | 6.194.225 | 3.666.984 |
| Earnings per share per thousands of shares with nominal value 1 Kr each | 24 | **2,88** | **1,35** | 2,48 | 1,47 |

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

**(Convenience translation of a report and financial statements originally issued in Turkish (See Note 2.1.7))**

**Logo Yazılım Sanayi ve Ticaret A.Ş.**

**Interim consolidated statement of other comprehensive income**
**for the period ended 30 June 2013**
**(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)**

| | | Current period | | Prior period | |
|---|---|---|---|---|---|
| | | Reviewed | | Reviewed | |
| | Notes | 1 January – 30 June 2013 | 1 April – 30 June 2013 | 1 January – 30 June 2012 (Restated) | 1 April – 30 June 2012 (Restated) |
| **Net income for the period** | | **7.209.319** | **3.363.204** | 6.194.225 | 3.666.984 |
| Actuarial loss arising from employee benefits | 14 | **(185.490)** | **(237.030)** | (213.015) | (277.433) |
| **Other comprehensive loss** | | **(185.490)** | **(237.030)** | (213.015) | (277.433) |
| **Total comprehensive income** | | **7.023.829** | **3.126.174** | 5.981.210 | 3.389.551 |
| **Total comprehensive income attributable to** | | | | | |
| Non-controlling interests | | **52.463** | **71.311** | 102.213 | 130.994 |
| Equity holders of the parent | | **6.971.366** | **3.054.863** | 5.878.997 | 3.258.557 |
| **Total** | | **7.023.829** | **3.126.174** | 5.981.210 | 3.389.551 |

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

**(Convenience translation of a report and financial statements originally issued in Turkish (See Note 2.1.7))**

**Logo Yazılım Sanayi ve Ticaret A.Ş.**

**Interim consolidated statement of changes in equity**
**for the period ended 30 June 2013**
**(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)**

| | | | | | **Other comprehensive income or loss items not to be reclassified to profit or loss in subsequent periods** | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Share capital** | **Adjustment to share capital** | **Treasury shares** | **Restricted reserves** | **Actuarial gain/ (loss) arising from employee benefits** | **Retained earnings/accumulated deficit** | **Net income/loss for the period** | **Equity attributable to equity holders of the parent** | **Non-controlling interests** | **Total equity** |
| **1 January 2012** | 25.000.000 | 2.991.336 | - | 4.037.273 | - | (929.655) | 3.124.998 | 34.223.952 | - | 34.223.952 |
| Change in accounting policy (Note 2.1.6) | - | - | - | - | 189.427 | - | (189.427) | - | | |
| 1 January 2012– as restated | 25.000.000 | 2.991.336 | | 4.037.273 | 189.427 | (929.655) | 2.935.571 | 34.223.952 | - | 34.223.952 |
| Transfer to retained earnings | - | - | - | - | - | 2.935.571 | (2.935.571) | - | - | - |
| Dividends paid | - | - | - | (949.590) | - | (2.383.746) | - | (3.333.336) | - | (3.333.336) |
| Acquisition of subsidiary (Note 3) | - | - | - | - | - | - | - | | 1.362.285 | 1.362.285 |
| Net income for the period | - | - | - | - | - | | 6.092.012 | 6.092.012 | 102.213 | 6.194.225 |
| Other comprehensive loss for the period | - | - | - | - | (213.015) | - | | (213.015) | | (213.015) |
| Total comprehensive income | - | - | - | - | (213.015) | - | 6.092.012 | 5.878.997 | 102.213 | 5.981.210 |
| **30 June 2012** | 25.000.000 | 2.991.336 | - | 3.087.683 | (23.588) | (377.830) | 6.092.012 | 36.769.613 | 1.464.498 | 38.234.111 |
| **1 January 2013** | **25.000.000** | **2.991.336** | **(450.493)** | **3.087.683** | **-** | **(188.403)** | **10.415.005** | **40.855.128** | **1.610.615** | **42.465.743** |
| Change in accounting policy (Note 2.1.6) | **-** | **-** | **-** | **-** | **(149.394)** | **(189.427)** | **338.821** | **-** | **-** | **-** |
| 1 January 2013- as restated | **25.000.000** | **2.991.336** | **(450.493)** | **3.087.683** | **(149.394)** | **(377.830)** | **10.753.826** | **40.855.128** | **1.610.615** | **42.465.743** |
| Transfer to retained earnings | **-** | **-** | **-** | **-** | **-** | **10.753.826** | **(10.753.826)** | **-** | **-** | **-** |
| Acquisition of treasury shares | **-** | **-** | **(4.793.798)** | **-** | **-** | **-** | **-** | **(4.793.798)** | **-** | **(4.793.798)** |
| Net income for the period. | **-** | **-** | **-** | **-** | **-** | | **7.156.856** | **7.156.856** | **52.463** | **7.209.319** |
| Other comprehensive loss | **-** | **-** | **-** | **-** | **(185.490)** | **-** | **-** | **(185.490)** | **-** | **(185.490)** |
| Total comprehensive income | **-** | **-** | **-** | **-** | **(185.490)** | | **7.156.856** | **6.971.366** | **52.463** | **7.023.829** |
| **30 June 2013** | **25.000.000** | **2.991.336** | **(5.244.291)** | **3.087.683** | **(334.884)** | **10.375.996** | **7.156.856** | **43.032.696** | **1.663.078** | **44.695.774** |

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

**Logo Yazılım Sanayi ve Ticaret A.Ş.**

**Interim consolidated statement of cash flow**
**for the period ended 30 June 2013**
**(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)**

| | Notes | Current period Reviewed 30 June 2013 | Prior period Reviewed 30 June 2012 (Restated) |
|---|---|---|---|
| Income before before income tax | | **7.303.352** | 6.236.690 |
| Depreciation and amortization | 11, 12 | **2.645.472** | 3.011.440 |
| Deferred revenue | 15 | **1.001.782** | 766.827 |
| Increase in provision for employee termination benefits | 14 | **138.244** | 221.874 |
| Increase in unused vacation liability | | **339.400** | 226.685 |
| Personnel bonus accrual | 14 | **(2.008.904)** | (385.179) |
| Interest expenses | 21 | **274.350** | 136.850 |
| Interest income | 20 | **(135.475)** | (90.600) |
| Increase in provisions | | **130.441** | 218.193 |
| Other | | **-** | 35.579 |
| **Operating income before changes in working capital** | | **9.688.662** | 10.378.359 |
| Increase in trade and other receivables | 8, 9 | **(748.174)** | (561.003) |
| Increase in due from related parties | 25 | **13.159** | (18.234) |
| (Increase)/ decrease in inventories | 10 | **6.805** | (2.481) |
| Increase in other current assets | 15 | **(417.728)** | (585.310) |
| Increase in trade payables | 8 | **(135.005)** | (913.463) |
| (Decrease)/ increase in due to related parties | 25 | **485.510** | (53.032) |
| Increase/(decrease) in other payables and liabilities and employee benefits obligations | 9, 15 | **(1.173.221)** | (265.485) |
| Taxes paid | | **-** | (15.613) |
| Employee termination benefits paid/accrued | 14 | **(12.225)** | (345.191) |
| **Net cash generated from operating activities** | | **7.707.783** | 7.618.547 |
| **Investing activities:** | | | |
| Purchase of property and equipment and intangible assets | 11, 12 | **(306.032)** | (578.616) |
| Cash used in development activities | 12 | **(2.256.981)** | (1.934.179) |
| Purchase of treasury shares | | **(4.793.798)** | - |
| (Increase)/decrease in financial assets | 5 | **(164.372)** | (865.919) |
| Interest received | | **22.214** | 106.971 |
| **Net cash used in investing activities** | | **(7.498.969)** | (3.271.743) |
| **Financial activities:** | | | |
| Decrease in bank borrowings | 7 | **(1.036.634)** | (6.266) |
| Dividend paid | | **-** | (3.333.336) |
| Interest paid | | **103.829** | (233.693) |
| Decrease in due from related parties | 25 | **500.000** | - |
| **Net cash used in financing activities** | | **(432.805)** | (3.573.295) |
| Net increase/(decrease) in cash and cash equivalents | | **(223.991)** | 773.509 |
| **Cash and cash equivalents at beginning of the period** | 4 | **9.833.681** | 5.119.820 |
| **Cash and cash equivalents at end of the period** | 4 | **9.609.690** | 5.893.329 |

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

**(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)**

## 1. Organization and nature of operations

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

The Company is engaged in the development and sale of operating systems, application software, databases, multi-media and other software products.

As of 30 June 2013 the Group has 251 employees (31 December 2012: 249).

The address of the registered office is as follows:

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

The subsidiaries of Logo Yazılım and their nature of business are as follows:

| Subsidiary | Country of incorporation | Nature of business |
|---|---|---|
| Coretech Bilgi Teknolojisi Hizmetleri A.Ş. | Turkey | Development and marketing of computer software |
| Logobi Yazılım Sanayi ve Ticaret A.Ş. | Turkey | Development and marketing of computer software |
| Logo Business Software GmbH | Germany | Development and marketing of computer software |
| Logo Business Solutions FZ-LLC | United Arab Emirates | Marketing of computer software |

As per the share purchase agreement signed on 31 October 2011, the Company acquired all the shares in Coretech Bilgi Teknolojisi Hizmetleri A.Ş. ("Coretech") (Note 3). The share purchase agreement entered into force as of 28 November 2011. Coretech is a software as a service ("SaaS") company. With the SaaS marketed under the brand Diva, Coretech offers solutions in retail sales, store management and after-sale service management.

In the Board of Directors' meeting dated 8 May 2009, it was decided to acquire 27,8% shares of Worldbi Yazılım Sanayii ve Ticaret A.Ş. ("Worldbi") (former name: Logo Biz Yazılım Sanayi ve Ticaret A.Ş.), and acquire the mentioned shares from main partnership Logo Yatırım Holding A.Ş. Established in 1997, Worldbi is a software company that develops and markets business intelligence products. Worldbi's business intelligence products are supportive of the products that the Company develops and markets within the scope of its main field of activity. The company acquired 32,2% of Worldbi's shares free of charge with the share transfer agreement signed on 12 December 2011 and increased its active partnership shares to 60%. The share transfer agreement became effective as of 1 January 2012. The title of Worldbi Yazılım Sanayii ve Ticaret A.Ş. was changed as Logobi Yazılım Sanayi ve Ticaret A.Ş. ("LogoBI") on 2 April 2012.

## 1. Organization and nature of operations (continued)

In the Board of Directors' meeting dated 29 January 2007, it was decided to establish a limited liability company in Dubai Technology and Media Free Zone, United Arab Emirates. The entity was established on 27 August 2007 under the legal entity name of Logo Business Solutions FZ-LLC with the paid-in capital of 1.000.000 United Arab Emirates Drachma (TL362.036). The entity is wholly owned by Logo Yazılım. Logo Business Solutions FZ-LLC performed the Company's international marketing and selling operations until April 2009.

The Board of Directors of the Company decided on the meeting as of 22 April 2009 to execute international sale and marketing activities from the head office in Turkey and for that reason to close Logo Business Solutions FZ-LLC and to do required actions because the effects of the contraction in the domestic and international market due to the global crisis will continue in 2009 and it is predicted that the company's domestic and international sales and marketing activities will be negatively affected. As of 30 June 2013, the liquidation process has been substantially completed.

Before the establishment of Logo Business Solutions FZ-LLC, the Company's international sale and marketing activities were performed by the head office in Turkey and it is planned to perform these activities from the head office in Turkey after Logo Business Solutions FZ-LLC is closed. Therefore, the decision to close Logo Business Solutions FZ-LLC is not classified as discontinued operations in accordance with the CMB Financial Reporting Standards.

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

As stated above it has been decided on April 2009 to cease the operations of Logo Business Solutions FZ-LLC. Since the information about the geographical segments in accordance with the Group's operations consolidated financial statements and monetary materiality is not reportable for the geographical segments except Turkey as of 30 June 2013, it is not disclosed in the interim consolidated financial statements.

## 2. Basis of presentation of consolidated financial statements

### *2.1* Basis of presentation

#### 2.1.1 Financial reporting standards

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

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

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

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

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

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

Financial statements of subsidiaries that are operating in foreign countries are prepared in accordance with the laws and regulations in force in the countries in which they are registered in and required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the Group's accounting policies.

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity (translation reserve) and the total is included in the comprehensive income/(loss).

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

### 2.1.3 Basis of consolidation

a) The consolidated financial statements include the accounts of the parent company, Logo Yazılım, its subsidiaries and associates on the basis set out in sections (b) and (c) below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements, and are prepared in accordance with CMB Financial Reporting Standards. The result of operations of the subsidiaries are included or excluded in these consolidated financial statements subsequent to the date of acquisition or date of sale respectively.

b) As at 30 June 2013, the consolidated financial statements include the financial results of the Company and its subsidiaries listed at Note 1. Control is normally evidenced when the Company controls an investee if and only if the company has all the following; a) power over the investee b) exposure, or rights, to variable returns from its involvement with the investee and c) the ability to use its power over the investee to affect the amount of company‟s returns. The results of subsidiaries acquired during the year are included in the consolidated statements of income from the effective date of acquisition as appropriate.

**(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)**

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

c) Investments in associates are accounted for by the equity method of accounting. These are entities over which the Company generally has between 20% and 50% of voting rights, or over which the Company has significant influence, but which it does not control. Unrealized gains that result from transactions between the Company and its associates are eliminated on consolidation, whereas unrealized losses are eliminated unless they do not address any impairment. Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero (unless the Company has incurred obligations or guaranteed obligations in respect of the associates) or when the Company loses its significant influence. The carrying amount of the investment at the date it ceases to be an associate is regarded as its cost on initial measurement as a financial asset.

The table below sets out the subsidiaries and associates of Logo Yazılım and ownership interests held by the Company at 30 June 2013:

| | Direct and indirect ownership interests by the Company (%) | Proportion of effective interest (%) |
|---|---|---|
| **Subsidiaries:** | | |
| Coretech Bilgi Teknolojisi Hizmetleri A.Ş. | %100,00 | %100,00 |
| Logobi Yazılım Sanayi ve Ticaret A.Ş. | %60,00 | %60,00 |
| Logo Business Software GmbH | %100,00 | %100,00 |

The balance sheets and statements of income of the subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by the Company and its subsidiaries is eliminated against the related equity. Intercompany transactions and balances between the Company and its subsidiaries are eliminated on consolidation. The cost of, and the dividends arising from, shares held by the Company in its subsidiaries are eliminated from equity and income for the period, respectively. The shares of shareholders other than equity holders of the parent in nets assets and operating results are disclosed as "non-controlling interests" in consolidated balance sheet and statement of comprehensive income.

It has been decided at the Company's Board of Directors' meeting on 8 May 2009 to acquire 27.8% of the shares of Worldbi Yazılım Sanayii ve Ticaret A.Ş. and to purchase the shares from the parent company Logo Yatırım Holding A.Ş. for TL2.180.000. Following the acquisition of Worldbi on July 2009 it has been accounted by using equity method until 31 December 2011. (Note 6). The Company acquired 32,2% of Worldbi shares free of charge with the share transfer agreement signed on 12 December 2011 and increased its active partnership shares to 60%. The share transfer agreement became effective as of 1 January 2012. The title of Worldbi Yazılım Sanayii ve Ticaret A.Ş. was changed as Logobi Yazılım Sanayi ve Ticaret A.Ş. ("LogoBI") on 2 April 2012.

### 2.1.4 Offsetting

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

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

### 2.1.5 Use of estimates

The preparation of these consolidated financial statements based on CMB Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and operating expenses during the reporting period.

Although these estimates are based on management's best knowledge of current event and actions, actual results may differ from these estimates.

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

a) Deferred tax asset is recognised to the extent that taxable profit will be available against which the deductible temporary differences can be utilized. When taxable profit is probable, deferred tax asset is recognised for tax losses carried forward (if any) and all deductable temporary differences. For the period ended 30 June 2013, since the assumptions are adequate that the Company will have taxable profits in the foreseeable future, deferred tax asset has been recognized.

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

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

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

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

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

### 2.1.6 Comperative information and reclassifications applied to prior period financial statements

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

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

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

The reclassifications that are made at the Company's consolidated income statement for the period ended 30 June 2012 are as:

- Foreign currency exchange loss amounting to TL 25.101 and foreign currency exhange gain amounting to TL 37.762 which are relating to trade recevaibles and payables and presented under financial expense are reclassified to other operating income and other operating expense,
- Overdue interest income amounting to TL 252.197 which is presented under financial income is reclassified to other operating income,
- Rediscount expense amounting to TL 149.356 which is presented under financial expense is reclassified to other operating expense.

The accounting policies adopted in preparation of the interim consolidated financial statements as at 30 June 2013 are consistent with those of the previous financial year of 31 December 2012, except for the change in accounting standard of TAS 19 "Employee benefits" disclosed below.

In accordance with the Communiqué, the adjustments and reclassifications that are made at the Company's consolidated financial statemens as at 31 December 2012 and 30 June 2012 are as:

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

Within the scope of the amendments to TAS 19 – Employee benefits, actuarial income/losses related to employee termination benefits are recognized under equity. This practice is effective for the annual periods starting as of 1 January 2013 and has been implemented retrospectively. In its income statement, the Company has reclassified the actuarial loss amounting to TL 213.015 under other comprehensive income, which was recognized under "general administrative expense" account in the period ended 30 June 2012. The Company has reclassified the actuarial income amounting to TL 338.821 which was recognized in net income for the year in the balance sheet dated 31 December 2012 to other comprehensive income or loss items not to be reclassified to profit or loss in subsequent periods in the same balance sheet dated 31 December 2012.

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

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

As at 30 June 2013, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying interim condensed financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

### *2.2 Summary of significant accounting policies*

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

### Business combinations

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

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

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

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. This includes the separation of embedded derivatives in host contracts by the acquirer.

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

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

### Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the aggregate of the consideration transferred measured at fair value at the date of acquisition and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed at fair value in accordance with IFRS 3 on the date of acquisition. The goodwill for associates is recorded in balance sheet under associates accounted for using the equity method.

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

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

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. Impairment losses relating to goodwill cannot be reversed in future periods. The Company tests the impairments of goodwill as of 31 December.

The profit/(loss) generated from the sale of a business includes the goodwill on the sold business.

Goodwill is tested for impairment and recorded in balance sheet after deducting the provision for impairment from the cost. The impairment of goodwill is allocated to cash-generating units. The allocation is made to the units to cash-generating units or groups of cash-generating units that are expected to profit from business combination. The impairment of goodwill cannot be cancelled.

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

### Property and equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation is provided using the straight-line method based on the estimated useful lives of the assets. The depreciation periods for property and equipment, which approximate the economic useful lives of assets concerned, are as follows

| | Useful life |
|---|---|
| Building and related leasehold improvements | 5 - 49 |
| Machinery and equipment | 5 |
| Motor vehicles | 5 |
| Furniture and fixtures | 5 |

The useful lives of significant part of building and related leasehold improvements are 49 years.

Gains or losses on disposals of property and equipment are determined by comparing proceeds with carrying amounts and are included in operating income and expense accouts.

### Intangible assets

Intangible assets include acquired rights, development costs, software and technology, customer relationships and other identifiable rights acquired in business combinations. Intangible assets are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over a period not exceeding ten years. Intangible assets acquired in business combinations are accounted for over their fair values at the acquisition date. Where an indication of impairment exists, the carrying amount of any intangible assets is assessed and written down immediately to its recoverable amount.

### Research and development costs

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

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

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

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

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

### Impairment of assets

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

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

### Government grants

Logo Yazılım benefits from research and development ("R&D") grants within the scope of the Communiqué No: 98/10 of The Scientific and Technological Research Council of Turkey ("TÜBİTAK") and Money Credit and Coordination Board related to R&D grants for its research and development projects given that such projects satisfy specific criteria with respect to the evaluation of TÜBİTAK Technology Monitoring and Evaluation Board.

The government grants are recognized when there is reasonable assurance that Logo Yazılım will comply with the conditions attaching to them and the grants will be received.

The government grants are recognized as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Accordingly, government grants are when the related costs which they are intended to compensate were incurred. Similarly, grants related to depreciable assets are recognized as income over the periods and in the proportions in which depreciation on those assets is charged.

### Inventories

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

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

### Financial instruments

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

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

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

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

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

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

*Cash and cash equivalents*

The cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents consist of cash on hand, deposits at banks and highly liquid investments with maturity periods of less than three- months (Note 4).

*Trading securities*

Trading securities are recognized initially at cost including transaction costs incurred and subsequently measured at their fair values. Fair value gains and losses are recognized in profit or loss (Note 5).

*Available-for-sale financial assets*

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

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

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

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

*Trade receivables and impairment provision*

Trade receivables that are created by the Company by way of providing goods or services directly to a debtor are carried at amortized cost. Trade receivables, net of unearned financial income, are measured at amortized cost, using the effective interest rate method, less the unearned financial income. Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

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

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other income.

*Trade and other payables*

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

**Financial borrowings**

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

**Derecognition of financial assets and liabilities**

*Financial assets*

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

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

## 2. Basis of presentation of consolidated financial statements (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.

***Related Parties***

Parties are considered related to the Company if;

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

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

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

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

For the purpose of these consolidated financial statements, shareholders, associated entities, key management personnel and Board of Directors members, in each case together with their families and companies controlled or affiliated with them are considered and referred to as related parties. As a result of ordinary business operations, Company may have business relations with the related parties (Note 25).

**Taxation and deferred income taxes**

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

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

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

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

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

Deferred income tax assets and liabilities related to income taxes levied by the same taxation authority and deferred tax assets and deferred tax liabilities are offset accordingly (Note 23). The deferred income taxes are classified as non-current in the accompanying inteirm financial statements.

### Revenue recognition

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

### Off-the-shelf software sales - licence model

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

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

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

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

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

### Logo Enterprise Membership ("LEM") sales

Logo Enterprise Membership, is an insurance package that provides free ownership for all the charged version updates which protect enterprises against all the legal amendments and which includes new features that will contribute new values to the products throughout the year. Enterprises which buy LEM obtain the basic maintenance and support services necessary for high performance functioning of Enterprise Resource Planning, besides receiving all the legal changes and charged version changes free of charge. LEM sales are recognized on an accrual basis over the contract period. The Company started LEM sales in August 2007. The Company applies to give the LEM as a free product with the main software in first sale of license. The Company's management mentioned that collection of the sales transaction was reflected to the main software product and LEM products was sold free. The fee is charged by the Company for the renewal of LEM agreements.

### SaaS subscription income

SaaS subscription income is allocated to customers on a monthly basis. Income is invoiced and recognised as part of a periodic invoicing process and the source of income is accounted for as soon as the service is rendered.

### Post delivery customer support

The revenues from post delivery customer support are recognized 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 Company are recognized on the following basis:
Royalty and rental income - on an accrual basis,
Interest income - on an effective yield basis,
Dividend income - when the Company's right to receive payment is established

### Provisions

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

### Contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are not included in financial statements and treated as contingent assets or liabilities (Note 13).

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

### Long-term employee benefits

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

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

### Equity

In the restatement of shareholders' equity items, the addition of funds formed due to hyperinflation such as revaluation value increase fund to share capital is not considered as a contribution from shareholders. Additions of legal reserves and retained earnings to share capital are considered as contributions by shareholders.

In the restatement of shareholders' equity items added to share capital the capital increase registry dates or the payment dates is considered. In the restatement of share premium payment dates are considered.

Ordinary shares are classified as equity. Dividends on ordinary shares are recognized by deducting from retained earnings in the period in which they are declared (Note 16).

### Treasury shares

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

### Foreign currency transactions and balances

Transactions in foreign currencies during the period have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into Turkish Lira at the exchange rates prevailing at the balance sheet dates. Foreign exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities are recognized in the income statement.

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

**Earnings/loss per share**

Earnings/loss per share disclosed in these statements of income/loss is determined by dividing net income/loss by the weighted average number of shares that have been outstanding during the year concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, such Bonus Share issuances are regarded as issued shares. Accordingly the weighted average number of shares used in earnings per share computations is derived by giving retroactive effect to the issuances of the shares without consideration.

### *2.3* Change in accouting policies

**The new standards, amendments and interpretations**

The accounting policies adopted in preparation of the interim *consolidated* financial statements as at 30 June 2013 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2013. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

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

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

The amendment requires the disclosure of the rights of the entity relating to the offsetting of the financial instruments and some information about the related regulations (eg, collateral agreements).
New disclosures would provide users of financial statements with information that is useful in;

i) evaluating the effect or potential effect of netting arrangements on an entity's financial position and,
ii) analyzing and comparing financial statements prepared in accordance with IFRSs and other generally accepted accounting standards.

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

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

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

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

### IAS 19 Employee Benefits (Amended)

Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism, for determined benefit plans recognizing actuarial gain/(loss) under other comprehensive income and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. The Group used to recognize the actuarial gain and loss in profit and loss statement before this amendment. The retrospective effects of the amendment to recognise actuarial gain and loss in the comprehensive income statement are disclosed in Note 2.1.6. Additionally, based on the amendment in the presentation of short term employee benefits, vacation pay liability formerly presented in the short term provisions has been retrospectively reclassified to long term provisions and calculated based on actuarial method.

### IAS 27 Separate Financial Statements (Amended)

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

### IAS 28 Investments in Associates and Joint Ventures (Amended)

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

### IFRS 10 Consolidated Financial Statements

IFRS10, IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

### IFRS 11 Joint Arrangements

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

### IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the requirements that are related to disclosures of an entity’s interests in subsidiaries, joint arrangements, associates and structured entities. Apart from the disclosures regarding the significant issues and transactions in the interim period, disclosures according to the new standards are not applicable to interim periods so the Group did not provide this disclosure in the interim period.

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

### IFRS 13 Fair Value Measurement

The new Standard provides guidance on how to measure fair value under IFRS but does not change when an entity is required to use fair value. It is a single source of guidance under IFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. The new disclosures are only required for periods beginning after IFRS 13 is adopted. Some of the disclosures about the financial instruments mentioned above, have to be provided in the interim consolidated financial statements according to IAS 34.16 A (j). The Group has presented these disclosures in Note 27. This amendment did not have an impact on the interim consolidated financial statements of the Group.

### IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

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

### Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)

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

### Improvements to IFRSs

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

*IAS 1 Financial Statement Presentation:*

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

*IAS 16 Property, Plant and Equipment:*

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

*IAS 32 Financial Instruments: Presentation:*

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

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

*IAS 34 Interim Financial Reporting:*

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

**Standards issued but not yet effective and not early adopted**

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

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

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

**IFRS 9 Financial Instruments – Classification and measurement**

As amended in December 2011, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to IFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. This standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

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

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

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

### IFRS 10 Consolidated Financial Statements (Amendment)

IFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments. This amendment has not yet been endorsed by the EU. The Group does not expect that this amendment will have any impact on the financial position or performance of the Group.

### IFRIC Interpretation 21 Levies

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

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

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

### Amendments to IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting

In June 2013, the IASB issued amendments to IAS 39 Financial Instruments: Recognition and Measurement that provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. The Group does not expect that this amendment will have any impact on the financial position or performance of the Group.

### Resolutions promulgated by the Public Oversight Authority

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

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

### 2013-1 Financial Statement Examples and User Guide

The POA promulgated "financial statement examples and user guide" on 20 May 2012 in order to ensure the uniformity of financial statements and facilitate their audit. The financial statement examples within this framework were published to serve as an example to financial statements to be prepared by companies obliged to apply Turkish Accounting Standards, excluding financial institutions established to engage in banking, insurance, private pensions or capital market. The Group has made the related classifications stated in Note 2.1.6 in order to comply with the requirements of this regulation.

### 2013-2 Accounting of Combinations under Common Control

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

### 2013-3 Accounting of Redeemed Share Certificates

Clarification has been provided on the conditions and circumstances where the redeemed share certificates shall be recognized as a financial liability or equity based financial instruments. These resolutions are not expected to have an impact on the financial statements of the Group.

### 2013-4 Accounting of Cross Shareholding Investments

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

- i) the subsidiary holding the equity based financial instruments of the parent,
- ii) the associates or joint ventures holding the equity based financial instruments of the parent,
- iii) the parent's equity based financial instruments are held by an entity, which is accounted as an investment within the scope of TAS 38 and TFRS 9 by the parent.

These resolutions are not expected to have an impact on the financial statements of the Group.

(Amounts expressed in Turkish Lira (“TL”), unless otherwise indicated)

## 3. Business combinations

***Coretech acquisition***

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

As of 31 December 2011 the Company management finalised studies conducted to determine the fair value of Coretech's identifiable assets acquired and liabilities assumed. The identifiable assets acquired and liabilities assumed were booked over their following values:

| | |
|---|---|
| Cash and cash equivalents | 91.678 |
| Financial assets | 320.378 |
| Trade receivables | 900.189 |
| Other current assets | 106.728 |
| Property and equipment | 152.738 |
| Intangible assets - identifiable assets | 5.680.885 |
| Deferred income tax assets | 55.949 |
| Trade payables | (124.388) |
| Other payables | (293.200) |
| Other current liabilities | (666.249) |
| Bank borrowings | (410.393) |
| Provision for employee termination benefits | (202.073) |
| Fair value of net assets | 5.612.242 |
| Less: purchase consideration | 4.146.083 |
| Less: contingent consideration | 1.160.938 |
| **Negative goodwill** | **305.221** |

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

In accordance with the share purchase agreement, in the event the total sales of Coretech derived from licence sales and other service income reaches TL 7.000.000 in the accounting year 2012, the Company will pay TL 1.399.998 to the former shareholders of Coretech within 3 days as of 31 March 2013. In the event that total turnover does not reach TL 7.000.000, the amount to be paid by the Company will gradually decrease.

As Coretech's total revenue from license sales or project and other service in 2012 reached TL 6.822.442, the Company paid TL 1.224.999 to Coretech's former shareholders on 2 April 2013. The amortized cost of the mentioned contingent debts was TL1.183.502 as of 31 December 2012.

## 3. Business combinations (continued)

***LogoBI acquisition***

The Company acquired 32,2% of Worldbi's shares free of charge with the share purchase agreement signed on 12 December 2011 and increased its effective ownership interest to 60%. The share purchase agreement became effective as of 1 January 2012. The title of Worldbi Yazılım Sanayii ve Ticaret A.Ş. was changed as Logobi Yazılım Sanayi ve Ticaret A.Ş. ("LogoBI") on 2 April 2012.

On 30 June 2012, the company management completed its studies for determining the fair values of LogoBI's identifiable assets and acquired liabilities, which were recorded based mentioned on the below values.

| | |
|---|---:|
| Total assets | 93.247 |
| Intangible assets - identifiable assets | 3.400.000 |
| Total liabilities | (87.539) |
| Fair value of net assets | 3.405.708 |
| Less: carrying value of investments in associates | 2.065.365 |
| Less: non-controlling interest | 1.362.285 |
| **Goodwill** | **21.942** |

The goodwill arising from the acquisition was associated with the income statement, since it is not material for consolidated financial statements.

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

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

## 4. Cash and cash equivalents

As of 30 June 2013 and 31 December 2012, the details of cash and cash equivalents are as disclosed below:

| | **30 June 2013** | 31 December 2012 |
|---|---:|---:|
| Cash | **6.487** | 5.283 |
| Banks | | |
| - Demand deposits in Turkish Lira | **248.689** | 1.292.369 |
| - Demand deposits in foreign currency | **879.211** | 544.303 |
| - Time deposits in Turkish Lira | **4.529.225** | 5.681.340 |
| Credit card receivables | **3.946.078** | 2.310.386 |
| **Total** | **9.609.690** | 9.833.681 |

**(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)**

## 4. Cash and cash equivalents (continued)

As of 30 June 2013, the weighted average effective annual interest rates for TL time deposits are between %5,25 and %7,50 (31 December, 2012: %8,00 - %8,65). As of 30 June 2013 and 31 December 2012, the maturity of time deposits is less than three months.

As of 30 June 2013 and 31 December 2012, the cash and cash equivalents included in the consolidated statement of cash flows are as follows:

| | 30 June 2013 | 31 December 2012 | 30 June 2012 | 31 December 2011 |
|---|---|---|---|---|
| Cash and cash equivalents | 9.609.690 | 9.833.681 | 5.893.329 | 5.119.820 |

## 5. Financial assets

Trading securities

The analysis of financial assets at fair value through profit and loss at 30 June 2013 and 31 December 2012 is as follows:

| | 30 June 2013 | 31 December 2012 |
|---|---|---|
| Mutual funds | | |
| - Liquid fund | 608.811 | 384.975 |
| - Gold fund | 38.386 | 97.850 |
| Total | **647.197** | **482.825** |

The analysis of non-current financial assets at 30 June 2013 and 31 December 2012 is as follows:

| | 30 June 2013 | | 31 December 2012 | |
|---|---|---|---|---|
| | Share % | Carrying amount | Share % | Carrying amount |
| **Associates:** | | | | |
| Logomotif Multimedya ve Elektronik Yayıncılık Sanayi ve Ticaret A.Ş. | - | - | 44,75 | - |
| **Available-for-sale equity securities:** | | | | |
| İnterpro Yayıncılık Araştırma ve Organizasyon Hizmetleri A.Ş. | 2 | 80.653 | 2 | 80.653 |
| Boğaziçi Üniversitesi Teknopark | 5 | 2.500 | 5 | 2.500 |
| **Total** | | **83.153** | | **83.153** |

At 30 June 2013 and 31 December 2012, Logo Yazılım's share of losses of its associates exceeds its interest in these associates. The Company does not have any legal or constructive obligations on behalf of its associates, therefore the Company's interest is reduced to zero and recogniton of further losses is discontinued.

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

## 5. Financial assets (continued)

At the Board of Directors' meeting of Logomotif Multimedya ve Elektronik Yayıncılık Sanayi ve Ticaret A.Ş. on 12 October 2008 it has been decided on liquidation of the company and for this purpose to apply to the relevant authorities by accomplishing the required transactions. As of 31 December 2012, the liquidation process has been completed.

İnterpro Yayıncılık Araştırma ve Organizasyon Hizmetleri A.Ş. is assessed as available-for-sale financial asset as of 30 June 2013 and 31 December 2012. Since İnterpro Yayıncılık Araştırma ve Organizasyon Hizmetleri A.Ş. does not have any quoted market price in active market, its fair value cannot be measured reliably and since it is immaterial to the consolidated financial statements, it is carried at cost.

## 6. Associate accounted for using the equity method

It has been decided at the company's Board of Directors' meeting on 8 May 2009 to acquire 27.8% of the shares of WorldBi and to purchase the shares from the parent company Logo Yatırım Holding A.Ş. for TL 2.180.000. The cost amounting to TL 40.565 related to purchase transaction has been included in purchase cost.

The Company finalized the fair value exercise of acquired assets and liabilities at 31 December 2009. The identifiable assets and acquired liabilities are recorded at the values stated below:

| | |
|---|---|
| Cash and cash equivalents | 193.696 |
| Other trade receivables | 100.276 |
| Other current assets | 71.209 |
| Property and equipment | 94.825 |
| Intangible assets – advanced technology | 966.072 |
| Other trade payables | (6.637) |
| Other current liabilities | (46.888) |
| Fair value of net assets | 1.372.553 |
| Fair value of net assets acquired 27,8% | 381.570 |
| Less: purchase consideration | 2.220.566 |
| **Goodwill** | **1.838.996** |

The acquisition has been accomplished on July 2009. Worldbi has been accounted for using the equity method until 31 December 2011. The company acquired 32,2% ofWorldbi's shares free of charge with the share purchase agreement signed on 12 December 2011 and increased its effective ownership interest to 60%. The share purchase agreement became effective as of 1 January 2012. Worldbi was accounted by using full consolidation method as of this date. The title of Worldbi Yazılım Sanayii ve Ticaret A.Ş. was changed as Logobi Yazılım Sanayi ve Ticaret A.Ş. ("LogoBI") on 2 April 2012.

**(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)**

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

The movements in the carrying value of the associate during the six months periods ended 30 June 2013 and 2012 were as follows:

| | 30 June 2013 | 30 June 2012 |
|---|---|---|
| **1 January** | **-** | **2.065.365** |
| Business combination (Note 3) | - | (2.065.365) |
| **30 June** | **-** | **-** |

## 7. Bank borrowings:

The analysis of borrowings at 30 June 2013 and 31 December 2012 is as follows:

| **Short-term bank borrowings:** | **30 June 2013** | **31 December 2012** |
|---|---|---|
| Current portion of long-term bank borrowings | 1.165.017 | 877.092 |
| Credit card payables | 450.139 | 615.954 |
| Short-term bank borrowings | - | 283.315 |
| **Total** | **1.615.156** | **1.776.361** |

| **Long-term bank borrowings:** | **30 June 2013** | **31 December 2012** |
|---|---|---|
| Long-term bank borrowings | 2.961.574 | 3.458.824 |

| | | **30 June 2013** | |
|---|---|---|---|
| | **Weighted average effective interest rate p.a. (%)** | **Original balance** | **TL equivalent** |
| Credit card payables | - | 450.139 | 450.139 |
| **Total short-term bank borrowings** | | | **450.139** |
| **Current portion of long-term bank borrowings** | | | |
| TL denominated borrowings | %12,24-%15,84 | 1.011.163 | 1.011.163 |
| USD denominated borrowings | - | 79.932 | 153.854 |
| **Total current portion of long-term bank borrowings** | | | **1.165.017** |
| **Long- term bank borrowings:** | | | |
| TL denominated borrowings | %12,24-%15,84 | 2.923.369 | 2.923.369 |
| USD denominated borrowings | - | 19.849 | 38.205 |
| **Total long-term bank borrowings** | | | **2.961.574** |

**(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)**

## 7. Bank borrowings (continued)

| | 31 December 2012 | | |
|---|---|---|---|
| | Weighted average effective interest rate p.a. (%) | Original balance | TL equivalent |
| Credit card payables | - | 615.954 | 615.954 |
| Short-term bank borrowings | - | 283.315 | 283.315 |
| **Total short-term bank borrowings** | | | **899.269** |
| **Current portion of long-term bank borrowings** | | | |
| TL denominated borrowings | %12,24-%15,84 | 733.876 | 733.876 |
| USD denominated borrowings | - | 80.341 | 143.216 |
| **Total current portion of long-term bank borrowings** | | | |
| **Long- term bank borrowings:** | | | **877.092** |
| TL denominated borrowings | %12,24-%15,84 | 3.353.014 | 3.353.014 |
| USD denominated borrowings | - | 59.358 | 105.810 |
| **Total long-term bank borrowings** | | | **3.458.824** |

The redemption schedule of long-term bank borrowings at 30 June 2013 is as follows:

| | **2013** |
|---|---|
| 1 to 2 years | 993.714 |
| 2 to 3 years | 1.100.088 |
| 3 to 4 years | 867.772 |
| **Total** | **2.961.574** |

## 8. Trade receivables and payables

The analysis of trade receivables and payables at 30 June 2013 and 31 December 2012 is as follows:

| **Short-term other trade receivables:** | **30 June 2013** | **31 December 2012** |
|---|---|---|
| Trade receivables | 18.733.192 | 19.889.810 |
| Credit card receivables | 5.414.830 | 4.271.115 |
| Cheques and notes receivables | 1.958.940 | 1.090.310 |
| Other trade receivables | 77.032 | 88.142 |
| Less: provision for doubtful receivables | (4.871.691) | (4.741.250) |
| Less: unearned credit finance income | (416.876) | (272.881) |
| **Total** | **20.895.427** | **20.325.246** |

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

## 8. Trade receivables and payables (continued)

As of 30 June 2013, trade receivables of TL 2.593.043 (31 December 2012: TL 2.826.265) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

| | 30 June 2013 | 31 December 2012 |
|---|---|---|
| Up to 1 month | 1.305.057 | 1.407.801 |
| 1 to 3 months | 560.703 | 612.480 |
| Over 3 months | 727.283 | 805.984 |
| **Total** | **2.593.043** | **2.826.265** |
| Amount of risk covered by guarantees | - | - |

| **Long-term other trade receivables:** | **30 June 2013** | **31 December 2012** |
|---|---|---|
| Credit card receivables | 61.502 | - |

| **Short-term trade payables:** | **30 June 2013** | **31 December 2012** |
|---|---|---|
| Trade payables | 2.122.425 | 2.257.430 |

**(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)**

## 8. Trade receivables and payables (continued)

The maximum exposure of the Company to credit risk as of 30 June 2013 and 31 December 2012 as follows:

| | Trade receivables | | Other receivables | | |
|---|---|---|---|---|---|
| **30 June 2013** | **Related party** | **Other** | **Related party** | **Other** | **Bank deposits** |
| **The maximum of credit risk exposed at the reporting date** | **46.540** | **20.895.427** | **1.500.000** | **69.984** | **9.603.203** |
| ***- Amount risk covered by guarantees*** | **-** | ***99.400*** | **-** | **-** | **-** |
| Net carrying value of not past due and not impaired financial assets | 46.540 | 18.302.384 | 1.500.000 | 69.984 | 9.603.203 |
| Net carrying value of past due but not impaired financial assets | - | 2.593.043 | - | - | - |
| *- Amount of risk covered by guarantees* | - | - | - | - | - |
| Net carrying value of impaired assets | - | - | - | - | - |
| *- Past due (gross carrying value)* | - | 4.871.691 | - | - | - |
| *- Provision for impairment (-)* | - | (4.871.691) | - | - | - |
| *- Amount of risk covered by guarantees* | - | - | - | - | - |

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

**(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)**

## 8. Trade receivables and payables (continued)

| | Trade receivables | | Other receivables | | |
|---|---|---|---|---|---|
| **31 December 2012** | **Related party** | **Other** | **Related party** | **Other** | **Bank deposits** |
| **The maximum of credit risk exposed at the reporting date** | **59.699** | **20.325.246** | **2.000.000** | **22.432** | **9.828.398** |
| ***- Amount risk covered by guarantees*** | **-** | ***159.400*** | **-** | **-** | **-** |
| Net carrying value of not past due and not impaired financial assets | 59.699 | 17.498.981 | 2.000.000 | 22.432 | 9.828.398 |
| Net carrying value of past due but not impaired financial assets | - | 2.826.265 | - | - | - |
| *- Amount of risk covered by guarantees* | - | - | - | - | - |
| Net carrying value of impaired assets | - | - | - | - | - |
| *- Past due (gross carrying value)* | - | *4.741.250* | - | - | - |
| *- Provision for impairment (-)* | - | *(4.741.250)* | - | - | - |
| *- Amount of risk covered by guarantees* | - | - | - | - | - |

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

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

## 9. Other receivables and payables

The analysis of other receivables and payables at 30 June 2013 and 31 December 2012 is as follows:

| **Other current receivables:** | **30 June 2013** | **31 December 2012** |
|---|---|---|
| Deposits and guarantees given | 8.482 | 22.432 |

| **Other current payables:** | **30 June 2013** | **31 December 2012** |
|---|---|---|
| Taxes payable | 898.679 | 1.050.860 |
| Payable arising from Coretech acquisition – contingent consideration | - | 1.183.502 |
| Payable arising from Coretech acquisition | - | 202.886 |
| **Total** | **898.679** | **2.437.248** |

| **Other non-current payables:** | **30 June 2013** | **31 December 2012** |
|---|---|---|
| Restructured taxes payable | - | 11.570 |
| **Total** | **-** | **11.570** |

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

In accordance with the share purchase agreement, in the event the total sales of Coretech derived from licence sales and other service income reaches TL7.000.000 in the accounting year 2012, the Company will pay TL1.399.998 to the former shareholders of Coretech within three days as of 31 March 2013. In the event that total revenue does not reach TL 7.000.000, the amount to be paid by the Company will gradually decrease.

As Coretech's total revenue from license sales or project and other service in 2012 financial year reached TL6.822.442, the Company paid TL1.224.999 to Coretech's former shareholders on 2 April 2013. The amortized cost of the mentioned contingent debts was TL1.183.502 as of 31 December 2012.

Law No. 6111 on "Restructuring of Certain Receivables and on Amending Social Security and General Health Insurance Law and Certain Other Laws and Statutory Decrees" was enacted after its approval by the Turkish Grand National Assembly on 13 February 2011 and entered into force after being issued in the Official Gazette on 25 February 2011. The enterprises can benefit from the tax base increase mechanism of the aforementioned law for the years 2006, 2007, 2008 and 2009. The companies which have filed tax base increase applications are excluded from the scope of tax inspections for the relevant taxable periods. The Company decided to benefit from the tax base increase mechanism offered in Law No. 6111 from the perspective of corporate tax. Therefore, the related tax base increase declarations were arranged and submitted to the tax office of the Company. As a result of the implementation of the law provisions for the corporate tax, an additional tax of TL 168.497 was accrued in the name of the Company. Moreover, the portion TL 334.929 of tax losses to be offset was waived.

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

## 10. Inventories

The analysis of inventories at 30 June 2013 and 31 December 2012 is as follows:

| | **30 June 2013** | **31 December 2012** |
|---|---|---|
| Trade goods | 124.100 | 130.906 |
| Raw materials | 14.247 | 14.246 |
| **Total** | **138.347** | **145.152** |

## 11. Property and equipment

The movements in property and equipment and related accumulated depreciation during the six month periods ended 30 June 2013 and 2012 were as follows:

| | **1 January 2013** | **Additions** | **30 June 2013** |
|---|---|---|---|
| **Cost:** | | | |
| Machinery and equipment | 5.015.860 | 180.619 | 5.196.479 |
| Furniture and fixtures | 1.974.348 | 37.446 | 2.011.794 |
| Leasehold improvements | 16.158.248 | - | 16.158.248 |
| Construction in progress | 664.303 | 47.374 | 711.677 |
| **Total** | **23.812.759** | **265.439** | **24.078.198** |
| **Accumulated depreciation:** | | | |
| Machinery and equipment | 4.537.232 | 82.540 | 4.619.772 |
| Furniture and fixtures | 1.691.650 | 54.910 | 1.746.560 |
| Leasehold improvements | 4.043.660 | 189.283 | 4.232.943 |
| **Total** | **10.272.542** | **326.733** | **10.599.275** |
| **Net book value** | **13.540.217** | | **13.478.923** |

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

## 11. Property and equipment (continued)

| | **1 January 2012** | **Additions** | **Disposals** | **Transfers** | **30 June 2012** |
|---|---|---|---|---|---|
| **Cost:** | | | | | |
| Machinery and equipment | 4.784.830 | 195.577 | - | - | 4.980.407 |
| Motor vehicles | 20.746 | - | (20.746) | - | - |
| Furniture and fixtures | 1.784.243 | 146.753 | - | - | 1.930.996 |
| Leasehold improvements | 15.259.801 | 15.996 | - | 481.840 | 15.757.637 |
| Construction in progress | 1.010.269 | 200.220 | - | (481.840) | 728.649 |
| **Total** | **22.859.889** | **558.546** | **(20.746)** | **-** | **23.397.689** |
| Machinery and equipment | 4.409.446 | 66.935 | - | - | 4.476.381 |
| Motor vehicles | 6.639 | 470 | (7.109) | - | - |
| Furniture and fixtures | 1.587.279 | 52.781 | - | - | 1.640.060 |
| Leasehold improvements | 3.669.297 | 187.627 | - | - | 3.856.924 |
| **Total** | **9.672.661** | **307.813** | **(7.109)** | **-** | **9.973.365** |
| **Net book value** | **13.187.228** | | | | **13.424.324** |

The Company leased the land; its head-office is standing on Gebze Organize Sanayi Bölgesi, for a 49 year term. The costs related to the construction of the head-office building are included in leasehold improvements.

In accordance with the loan agreement signed between the Company and a financial institution ("Lender") in 2011, a pledge of TL 7.000.000 was placed on the Company's building as collateral for the loan.

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

## 12. Intangible assets

The movements in intangible assets and related accumulated amortization during the six months periods ended 30 June 2013 and 2012 were as follows:

| | 1 January 2013 | Additions | Acquisition of subsidiary (*) | 30 June 2013 |
|---|---|---|---|---|
| **Cost:** | | | | |
| Development costs | 36.072.486 | 2.256.981 | | 38.329.467 |
| Identifiable assets | 9.080.885 | - | | 9.080.885 |
| Other intangible assets | 833.752 | 40.593 | | 874.345 |
| **Total** | **45.987.123** | **2.297.574** | | **48.284.697** |
| **Accumulated amortization:** | | | | |
| Development costs | 28.256.390 | 1.749.636 | | 30.006.026 |
| Identifiable assets | 1.164.434 | 550.511 | | 1.714.945 |
| Other intangible assets | 733.341 | 18.592 | | 751.933 |
| **Total** | **30.154.165** | **2.318.739** | | **32.472.904** |
| **Net book value** | **15.832.958** | | | **15.811.793** |

| | 1 January 2012 | Additions | Acquisition of subsidiary (*) | 30 June 2012 |
|---|---|---|---|---|
| **Cost:** | | | | |
| Development costs | 32.247.951 | 1.934.179 | - | 34.182.130 |
| Identifiable assets | 5.680.885 | - | 3.400.000 | 9.080.885 |
| Other intangible assets | 778.368 | 20.070 | - | 798.438 |
| **Total** | **38.707.204** | **1.954.249** | **3.400.000** | **44.061.453** |
| **Accumulated amortization:** | | | | |
| Development costs | 24.237.257 | 2.137.286 | - | 26.374.543 |
| Identifiable assets | 63.418 | 550.508 | - | 613.926 |
| Other intangible assets | 700.626 | 15.833 | - | 716.459 |
| **Total** | **25.001.301** | **2.703.627** | **-** | **27.704.928** |
| **Net book value** | **13.705.903** | | | **16.356.525** |

(*) See Note 3.

All additions to development costs during the six months periods ended 30 June 2013 and 2012 includes staff costs.

TL 2.468.728 of the current period depreciation and amortization expense has been allocated to research and development expenses, TL 51.892 has been allocated to marketing, selling and distribution expenses, TL 124.852 has been allocated to general administrative expenses (30 June 2012: TL 2.772.210 to research and development expenses, TL 55.238 to marketing, selling and distribution expenses, TL 175.333 to general administrative expenses and TL 8.659 to cost of sales).

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

## 13. Commitments and contingent liabilities

Guarantees given and guarantees received at 30 June 2013 and 31 December 2012 were as follows:

**Guarantees received:**

| | | 30 June 2013 | | 31 December 2012 | |
|---|---|---|---|---|---|
| | **Original currency** | **Original amount** | **TL equivalent** | **Original currency** | **TL equivalent** |
| Guarantee notes received | TL | 39.400 | 39.400 | 39.400 | 39.400 |
| Mortgages received | TL | 60.000 | 60.000 | 120.000 | 120.000 |
| **Total** | | | **99.400** | | **159.400** |

As of 30 June 2013 and 31 December 2012, guarantee/pledge/mortgage given by the Company on behalf of its legal entity were as follows:

**Guarantee/pledge/mortgage given by the Company:**

| | | 30 June 2013 | | 31 December 2012 | |
|---|---|---|---|---|---|
| | **Original currency** | **Original amount** | **TL equivalent** | **Original currency** | **TL equivalent** |
| Total amount of guarantee/pledge/mortgage the Company gave on behalf of its legal entity | TL | 7.378.124 | 7.378.124 | 7.496.651 | 7.496.651 |
| | USD | 255.147 | 491.107 | 255.183 | 454.889 |
| **Total** | | | **7.869.231** | | **7.951.540** |

Guarantee/pledge/mortgage given by the Company includes letters of guarantee issued in the name of its legal entity. There is no guarantee/pledge/mortgage given by the Company falling within the following categories:

a) Those given on behalf of subsidiaries,
b) Those given in order to assure the liabilities of third parties in the ordinary course of business,
c) Those given on behalf of parent company,
d) Those given on behalf of other group companies not falling under the scope of articles (a) and (b), and
e) Those given on behalf of third parties not falling under the scope of article (b).

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

## 14. Provision for employee benefits

The analysis of provision for employment termination benefits at 30 June 2013 and 31 December 2012 is as follows:

| | **30 June 2013** | 31 December 2012 |
|---|---|---|
| Provision for employmee termination benefits | **1.693.246** | 1.381.737 |
| Provision for unused vacation | **1.278.585** | 939.185 |
| **Total** | **2.971.831** | 2.320.922 |

Provision for employment termination benefits is calculated as explained below.

Under Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002 there are certain transitional provisions relating to length of service prior to retirement.

The amount payable consists of one month's salary limited to a maximum of TL 3.129 (31 December 2012: TL 3.034) for each year of service at 30 June 2013. The liability is not funded, as there is no funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. CMB Financial Reporting Standards require that actuarial valuation methods to be developed to estimate the employee termination benefit provision. The following actuarial assumptions have been used in the calculation of the total provision:

| | **30 June 2013** | **31 December 2012** |
|---|---|---|
| Net discount rate | 3,33% | 2,50% |
| Turnover rate to estimate the probability of retirement | 96% | 94% |

The principal assumption is that maximum liability of employee termination benefit for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL 3.524 which is effective from 1 July 2013, has been taken into consideration in calculating the provision for employment termination benefits of the Company.

The movements in the provision for employment termination benefits during the six months periods ended 30 June 2013 and 2012 were as follows:

| | **30 June 2013** | **30 June 2012** |
|---|---|---|
| **1 January** | **1.381.737** | **1.151.597** |
| Service cost | 79.520 | 177.940 |
| Interest cost | 58.724 | 43.933 |
| Actuarial loss | 185.490 | 213.015 |
| Paid/accrued during the period | (12.225) | (345.190) |
| **31 December** | **1.693.246** | **1.241.295** |

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

## 15. Prepaid expenses, deferred revenues and other assets and liabilities

### a) Prepaid expenses:

The analysis of prepaid expenses at 30 June 2013 and 31 December 2012 is as follows:

| | 30 June 2013 | 31 December 2012 |
|---|---|---|
| Prepaid expenses | **529.654** | 87.264 |
| **Total** | **529.654** | 87.264 |

### b) Other current assets:

The analysis of other current assets at 30 June 2013 and 31 December 2012 is as follows:

| | 30 June 2013 | 31 December 2012 |
|---|---|---|
| Job advances | **62.268** | 100.869 |
| Value Added Tax ("VAT") receivables | **-** | 5.052 |
| Personnel advances | **81.936** | - |
| Other | **57.955** | 7.518 |
| **Total** | **202.159** | 113.439 |

### c) Deferred revenues

The analysis of deferred revenues at 30 June 2013 and 31 December 2012 is as follows:

| | 30 June 2013 | 31 December 2012 |
|---|---|---|
| Deferred revenues | **4.459.627** | 3.084.568 |
| Advances received (*) | **146.727** | 458.718 |
| **Deferred revenues- short term** | **4.606.354** | 3.543.286 |
| Deferred revenues | **616.346** | 677.632 |
| **Deferred revenues – long term** | **616.346** | 677.632 |

(*) Advances received comprise the advances received from European Union for the project of that Logo Yazılım is the lead partner of the consortium. The agreement of the project has been signed in November 2009. The efforts for the project targeting the efficient information sharing of the software programs with other softwares have started as of 30 June 2010.

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

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

Deferred revenue mainly relates to LEM sales revenue, pay as you go sales, after-sales services and rent income billed but not earned. The analysis of deferred revenues at 30 June 2013 and 31 December 2012 is as follows:

| **Deferred revenues:** | **30 June 2013** | 31 December 2012 |
|---|---|---|
| Logo Enterprise Membership sales | **4.493.692** | 3.597.292 |
| Pay as you go sales | **354.361** | 96.453 |
| After-sales services revenue | **227.920** | 68.455 |
| **Total** | **5.075.973** | 3.762.200 |

### d) Employee benefit obligations

The analysis of employee benefit obligations at 30 June 2013 and 31 December 2012 is as follows:

| | **30 June 2013** | 31 December 2012 |
|---|---|---|
| Payable to personnel | **1.108.099** | 1.083.368 |
| Taxes, witholdings and social security payables | **787.210** | 425.924 |
| Personnel bonus accrual | **211.516** | 2.220.420 |
| **Total** | **2.106.825** | 3.729.712 |

## 16. Equity

The Company's authorized and paid-in share capital consists of 2.500.000.000 (2012: 2.500.000.000) shares with Kr 1 nominal each. The shareholding structure of the Company as of 30 June 2013 and 31 December 2012 are as follows:

| | **30 June 2013** | **Share (%)** | **31 December 2012** | **Share (%)** |
|---|---|---|---|---|
| Logo Yatırım Holding A.Ş. | 8.648.762 | 34,595 | 17.297.523 | 69,19 |
| Mediterra Capital Partners I, LP (*) | 8.648.762 | 34,595 | - | - |
| Publicly owned-free floating | 7.702.476 | 30,810 | 7.702.477 | 30,81 |
| **Total** | **25.000.000** | **100,00** | **25.000.000** | **100,00** |
| Adjustment to share capital | 2.991.336 | | 2.991.336 | |
| **Total paid-in share capital** | **27.991.336** | | **27.991.336** | |

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

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

## 16. Equity (continued)

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

The shares representing capital are categorized as group A and B. There are privileges given to group A shares such as election of minimum of more than half of the members of the Board of Directors of the parent, chairman of the Board of Directors and auditors. Adjustment to share capital represents the restatement effect of cash contributions to share capital.

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid- in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

The aforementioned amounts shall be classified in "Restricted Reserves" in accordance with CMB Financial Reporting Standards. The analysis of restricted reserves at 30 June 2013 and 31 December 2012 is as follows:

| | **30 June 2013** | 31 December 2012 |
|---|---|---|
| Legal Reserves | **2.002.576** | 2.002.576 |
| Gain on sale of land and investments | **923.318** | 923.318 |
| Extraordinary reserves | **161.789** | 161.789 |
| **Total** | **3.087.683** | 3.087.683 |

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

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

## 16. Equity (continued)

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

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

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

Other equity items shall be carried at the amounts calculated based on CMB Financial Reporting Standards.

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

### *Treasury Shares*

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

Based on the Board of Directors decision dated 22 April 2013, regarding taking back maximum 100.000.000 share certificates (each having TL 0.01 nominal value, constituting 4 % of 2.500.000.000 paid in share capital) within lower price limit of TL 0 and upper price limit of TL 5,5 in order to decrease price fluctuations in the Company's share certificates traded in BIST and evaluate current market conditions, the Company took back 967.778 share certificates traded in BIST between 25 April 2013 and 21 June 2013.

### *Dividend Distribution*

In accordance with the CMB Decision No. 02/51 and dated 27 January 2010, concerning allocation basis of profit from operations of 2009, it has been decided that minimum profit distribution will not be applied for the year 2009 and in this context to distribute their profits in accordance with the CMB Communiqué No. IV-27, their articles in the establishment agreement of association and previously publicly declared profit distribution policies of the companies.

In regards to the profit distribution, in accordance with the decision of the General Assembly, the distribution can be made as cash or as bonus shares or as a combination of a certain percentage of cash and bonus shares. It is also permitted to retain this amount in the Company reserves if the first dividend amount is below 5% of the paid in/issued capital; however if the Company has increased its paid-in capital without dividend distribution in the previous year when the outstanding shares have been identified as "old" and "new", it is mandatory for companies that will make profit distribution from the net distributable profit of the previous year to make this first dividend distribution in cash.

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

## 17. Expenses by Nature

As of 30 June 2013 and 2012, expenses are disclosed by function and the analysis of the expenses is summarized in Note 18 and Note 19.

## 18. Sales and cost of sales

The analysis of sales and cost of sales for the periods ended 30 June 2013 and 2012 is as follows:

| | 1 January - 30 June 2013 | 1 April- 30 June 2013 | 1 January- 30 June 2012 | 1 April- 30 June 2012 |
|---|---|---|---|---|
| Sales income | 23.467.690 | 11.688.957 | 20.960.598 | 10.529.846 |
| Service income | 1.926.677 | 1.019.446 | 1.700.909 | 824.162 |
| Sales returns | (893.615) | (429.036) | (550.196) | ( 251.400) |
| Sales discounts | (516.078) | (221.038) | (486.946) | (128.891) |
| Net sales | 23.984.674 | 12.058.329 | 21.624.365 | 10.973.717 |
| Cost of sales | (968.680) | (702.505) | (548.788) | (308.546) |
| **Gros profit** | **23.015.994** | **11.355.824** | **21.075.577** | **10.665.171** |

For the period ended at 30 June 2013, service income conssits of SaaS service income amounting to TL 1.546.307 (30 June 2012- TL 1.355.798).

### Cost of sales

The analysis of cost of sales for the periods ended 30 June 2013 and 2012 is as follows:

| | 1 January - 30 June 2013 | 1 April - 30 June 2013 | 1 January- 30 June 2012 | 1 April- 30 June 2012 |
|---|---|---|---|---|
| Expenses for transfer of financial rights | 919.553 | 679.846 | 459.555 | 260.918 |
| Direct labour | - | - | 34.570 | 16.080 |
| Depreciation and amortisation expenses | - | - | 8.659 | 4.410 |
| Other production expenses | - | - | 21.502 | 9.714 |
| **Total production cost** | **919.553** | **679.846** | **524.286** | **291.122** |
| Cost of trade goods sold | 49.127 | 22.659 | 24.502 | 17.424 |
| **Cost of sales** | **968.680** | **702.505** | **548.788** | **308.546** |

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

## 19. Research and development expenses, marketing, selling and distribution expenses, general administrative expenses

The analysis of research and development expenses, marketing, selling and distribution expenses and general administrative expenses for the periods ended 30 June 2013 and 2012 is as follows:

| Marketing, selling and distribution expenses: | 1 January- 30 June 2013 | 1 April- 30 June 2013 | 1 January- 30 June 2012 | 1 April- 30 June 2012 |
|---|---|---|---|---|
| Personnel expenses | **2.285.773** | **1.239.673** | 1.733.117 | 898.349 |
| Advertising and selling expenses | **1.308.014** | **769.236** | 1.582.586 | 980.513 |
| Motor vehicle expenses | **227.879** | **121.908** | 192.122 | 104.688 |
| Consulting expenses | **197.335** | **127.396** | 154.370 | 50.420 |
| Travel expenses | **110.898** | **53.949** | 50.895 | 30.864 |
| Depreciation and amortisation expenses | **51.892** | **26.254** | 55.238 | 27.472 |
| Outsourced benefits and services | **42.872** | **21.281** | 54.323 | 26.659 |
| Rent expenses | **7.781** | **4.000** | 17.104 | 4.848 |
| Other | **42.986** | **17.140** | 222.533 | 89.170 |
| **Total** | **4.275.430** | **2.380.837** | 4.062.288 | 2.212.983 |

| Research and development expenses: | 1 January- 30 June 2013 | 1 April- 30 June 2013 | 1 January- 30 June 2012 | 1 April- 30 June 2012 |
|---|---|---|---|---|
| Personnel expenses | **3.929.314** | **1.980.794** | 3.365.508 | 1.406.459 |
| Depreciation and amortisation expenses | **2.468.728** | **1.229.561** | 2.772.210 | 1.447.824 |
| Consulting expenses | **542.609** | **342.609** | 103.233 | 85.518 |
| Motor vehicle expenses | **239.807** | **124.411** | 159.984 | 83.281 |
| Outsourced benefits and services | **188.736** | **100.408** | 142.869 | 69.548 |
| Rent expenses | **46.598** | **23.775** | 35.915 | 19.628 |
| Travel expenses | **69.562** | **39.992** | 31.086 | 14.833 |
| Other | **161.560** | **43.147** | 289.047 | 128.500 |
| **Total** | **7.646.914** | **3.884.697** | 6.899.852 | 3.255.591 |

| General administrative expenses: | 1 January- 30 June 2013 | 1 April- 30 June 2013 | 1 January- 30 June 2012 | 1 April- 30 June 2012 |
|---|---|---|---|---|
| Personnel expenses | **2.669.085** | **1.522.744** | 2.319.250 | 1.015.188 |
| Consulting expenses | **252.798** | **133.215** | 202.956 | 96.484 |
| Motor vehicle expenses | **253.295** | **118.283** | 236.497 | 116.733 |
| Depreciation and amortisation expenses | **124.852** | **61.942** | 175.333 | 67.588 |
| Outsourced benefits and services | **93.564** | **44.224** | 82.021 | 42.458 |
| Travel expenses | **13.802** | **5.263** | 12.688 | 5.939 |
| Rent expenses | **9.730** | **8.319** | 11.901 | 11.901 |
| Other | **177.880** | **93.642** | 345.679 | 170.443 |
| **Total** | **3.595.006** | **1.987.632** | 3.386.325 | 1.526.734 |

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

## 20. Financial income

The analysis of financial income for the periods ended 30 June 2013 and 2012 is as follows:

| **Financial income:** | **1 January-30 June 2013** | **1 April-30 June 2013** | 1 January-30 June 2012 | 1 April-30 June 2012 |
|---|---|---|---|---|
| Interest income | **135.475** | **107.935** | 90.600 | 37.448 |
| Gain on sale of financial assets | **27.756** | **9.600** | 74.877 | 44.967 |
| Foreign exchange gains, net | **61.641** | **56.988** | - | - |
| **Total** | **224.872** | **174.523** | 165.477 | 82.415 |

## 21. Financial expense

The analysis of financial expenses for the periods ended 30 June 2013 and 2012 is as follows:

| **Financial expense:** | **1 January-30 June 2013** | **1 April-30 June 2013** | 1 January-30 June 2012 | 1 April-30 June 2012 |
|---|---|---|---|---|
| Credit card commissions | **562.575** | **333.832** | 757.079 | 447.678 |
| Interest expense | **274.350** | **197.937** | 136.850 | 113.148 |
| Foreign exchange losses, net | **-** | **-** | 38.617 | (86.306) |
| Rediscount expense | **48.610** | **-** | | |
| Other financial expenses | **177.537** | **165.785** | 36.572 | 25.279 |
| **Total** | **1.063.072** | **697.554** | 969.118 | 499.799 |

## 22. Other operating income

The analysis of other operating income for the periods ended 30 June 2013 and 2012 is as follows:

| **Other operating income:** | **1 January-30 June 2013** | **1 April-30 June 2013** | 1 January-30 June 2012 | 1 April-30 June 2012 |
|---|---|---|---|---|
| Overdue interest income | **658.518** | **384.646** | 252.197 | 252.197 |
| Foreign exchange gain | **125.107** | **89.416** | 36.762 | 9.629 |
| Other income | **172.419** | **171.135** | 280.131 | 216.063 |
| **Total** | **956.044** | **645.197** | 569.090 | 477.889 |

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

## 23. Current and deferred income taxes

***Deferred income taxes***

The Company recognizes deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under CMB Financial Reporting Standards and their statutory tax financial statements. Deferred tax income assets and liabilities are measured at the enacted tax rate of 20% (2012: 20%) using the liability method on the temporary differences.

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred tax has been provided at 30 June 2013 and 31 December 2012 using the enacted tax rates, is as follows.

| | **Cumulative temporary differences** | | **Deferred tax assets/(liabilities)** | |
|---|---|---|---|---|
| | **30 June 2013** | 31 December 2012 | **30 June 2013** | 31 December 2012 |
| **Deferred income tax assets:** | | | | |
| Provision for doubtful receivables | **1.227.769** | 1.130.806 | **245.554** | 226.161 |
| Accrued expenses | **609.536** | 863.500 | **121.907** | 172.700 |
| Provision for employee termination benefits | **718.422** | 571.874 | **143.684** | 114.375 |
| Deferred revenue | **227.920** | 68.455 | **45.584** | 13.691 |
| Other | **-** | 379.644 | **-** | 75.928 |
| **Total** | | | **556.729** | 602.855 |
| **Deferred income tax liabilities:** | | | | |
| Difference between the tax base and carrying value of property and equipment and intangible assets | **(1.370.157)** | (1.130.623) | **(274.031)** | (226.124) |
| **Total** | | | **(274.031)** | (226.124) |
| **Deferred income tax assets / (liabilities), net** | | | **282.698** | 376.731 |

The reconciliation of current period tax expense is as follows:

| | **30 June 2013** | 30 June 2012 |
|---|---|---|
| Net income for the period | **7.303.352** | 6.236.690 |
| Tax calculated at the current enacted tax rate | **(1.460.670)** | (1.247.338) |
| Income exempt from tax and non-deductible expenses | **1.366.637** | 1.204.873 |
| Tax charge | **(94.033)** | (42.465) |

## 23. Current and deferred income taxes (continued)

***Corporate tax***

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

Turkish Corporate Tax Law has been amended by Law No. 5520 dated 13 June 2006. Most of the articles of this new Law No. 5520 have come into force effective from 1 January 2006. The Corporation tax rate for the 30 June 2013 is 20% (2012: 20%).

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

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

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

In accordance with Tax Law No: 5024 "Law Related to Changes in Tax Procedure Law, Income Tax Law and Corporate Tax Law" that was published on the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004, the income and corporate taxpayers will prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the New Turkish Lira. In accordance with the aforementioned law provisions, in order to apply inflation adjustment, cumulative inflation rate (TURKSTAT WPI) over last 36 months and 12 months must exceed 100% and 10%, respectively. Inflation adjustment has not been applied as these conditions were not fulfilled until 2004.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate.

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

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

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

## 23. Current and deferred income taxes (continued)

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

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

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

The analysis of taxation on income for the periods ended 30 June 2013 and 2012 is as follows:

| | **30 June 2013** | 30 June 2012 |
|---|---|---|
| Current income tax charge | **-** | - |
| Deferred income tax charge | **94.033** | 42.465 |
| **Total tax charge** | **94.033** | 42.465 |

## 24. Earnings/loss per share

The earnings per 1.000 shares with nominal value of Kr 1 amounted to TL 2,88 for the six months period ended 30 June 2013 (30 June 2012: TL 2,48).

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

## 25. Related party disclosures

### i) Due from and due to related parties at 30 June 2013 and 31 December 2012:

| **a) Due from related parties:** | **30 June 2013** | 31 December 2012 |
|---|---|---|
| **Current** | | |
| Logo Yatırım Holding A.Ş.(*) | **46.540** | 59.699 |
| **Non-current** | | |
| Logo Yatırım Holding A.Ş.(*) | **1.500.000** | 2.000.000 |
| **Total** | **1.546.540** | 2.059.699 |

| **b) Due to related parties:** | **30 June 2013** | 31 December 2012 |
|---|---|---|
| **Current** | | |
| Logo Elektronik Ticaret Hizmetleri A.Ş.(**) | **620.555** | 135.045 |
| **Total** | **620.555** | 135.045 |

### ii) Sales to related parties, services given to related parties and financial income from related parties during the periods ended 30 June 2013 and 2012:

| **a) Services given to related parties:** | **30 June 2013** | 30 June 2012 |
|---|---|---|
| Logo Yatırım Holding A.Ş. (*) | **315.677** | 1.770 |
| Logo Elektronik Ticaret Hizmetleri A.Ş.(**) | **107.507** | 97.128 |
| **Total** | **423.184** | 98.898 |

### iii) Services purchased from related parties and other transactions with related parties during the periods ended 30 June 2013 and 2012:

| **a) Services obtained from related parties:** | **30 June 2013** | 30 June 2012 |
|---|---|---|
| Logo Elektronik Ticaret Hizmetleri A.Ş.(**) | **851.160** | 363.906 |
| Logo Yatırım Holding A.Ş. (*) | **3.580** | 22.621 |
| **Total** | **854.740** | 386.527 |

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

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

## 25. Related party disclosures (continued)

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

| | **30 June 2013** | 30 June 2012 |
|---|---|---|
| Remuneration of the board of directors and executive management | **925.440** | 1.103.613 |

The remuneration of board of directors and executive management (executive management includes general manager (CEO) and assistant general managers) for the six months periods ended 30 June 2013 and 2012 comprise short-term employment benefits including salary, bonus and other short-term benefits. There have been no post- employment benefits, other long-term employment benefits, other termination benefits and share-based payments in the six months periods ended 30 June 2013 and 2012.

## 26. Nature and extent of risks arising from financial instruments

### *26.1 Financial Risk Management*

**Credit Risk**

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

**Liquidity Risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynmic nature of the underlying business the Company aims at maintaining flexibilty in funding by keeping committed credit lines available. The company management holds adequate cash and credit commitment that will meet the need cash for recent future in order to manage its liquidity risk. In this context the Company has credit commitments from bank amounting to TL 20.750.000 that the company can utilize whenever needed.

Liquidity risk management responsibility mainly belongs to the Board of Directors. The Board of Directors has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities.

The table below shows the liquidity risk arising from financial liabilities of the Company.

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

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

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

| **30 June 2013** | **Carrying value** | **Total contractual cash outflow** | **Up to 3 months** | **Between 3 and 12 months** | **Between 1-5 years** | **Over 5 years** |
|---|---|---|---|---|---|---|
| **Non-derivative financial instruments** | | | | | | |
| Bank borrowings | 4.576.730 | 5.720.812 | 983.319 | 1.121.641 | 3.615.852 | - |
| Trade payables | | | | | | |
| *- Related Party* | 620.555 | 620.555 | 620.555 | - | - | - |
| *- Other* | 2.122.425 | 2.122.425 | 2.122.425 | - | - | - |
| Other payables | | | | | | |
| *- Related Party* | - | - | - | - | - | - |
| *- Other* | 898.679 | 898.679 | 898.679 | - | - | |

| **31 December 2012** | **Carrying value** | **Total contractual cash outflow** | **Up to 3 months** | **Between 3 and 12 months** | **Between 1-5 years** | **Over 5 years** |
|---|---|---|---|---|---|---|
| **Non-derivative financial instruments** | | | | | | |
| Bank borrowings | 5.235.185 | 5.235.185 | 354.386 | 1.421.975 | 3.458.824 | - |
| Trade payables | | | | | | |
| *- Related Party* | 135.045 | 135.045 | 135.045 | - | - | - |
| *- Other* | 2.257.430 | 2.257.430 | 2.257.430 | - | - | - |
| Other payables | | | | | | |
| *- Related Party* | - | - | - | - | - | - |
| *- Other* | 2.448.818 | 2.448.818 | 2.437.248 | - | 11.570 | - |

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

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

### Interest rate risk

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

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

| | 30 June 2013 | 31 December 2012 |
|---|---|---|
| Financial instruments with fixed interest rate | | |
| Financial assets | | |
| - Designated as fair value through profit or loss | **4.529.225** | 5.681.340 |
| Financial liabilities | **4.576.730** | 5.235.185 |
| Financial instruments with floating interest rate | | |
| Financial assets | | |
| - Designated as fair value through profit or loss | **647.197** | 482.825 |
| Financial Liabilities | **-** | - |

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

### Funding risk

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

### Ratio of hedging of import/export and net foreign currency liability

TL equivalent of import and exports for the periods ended 30 June 2013 and 31 December 2012 is as follows:

| | 30 June 2013 | 30 June 2012 |
|---|---|---|
| Total exports | **1.816.010** | 1.707.039 |
| Total imports | **103.280** | 347.623 |
| Ratio of hedging of net foreign currency liability | **-** | - |

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

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

### Foreign currency risk

The Company's foreign currency denominated assets exceeds its foreign currency denominated liabilities. In this context, the Company is not exposed to significant foreign currency risk. The foreign currency risk of the Company at 30 June 2013 and 31 December 2012 is summarized below.

| **Foreign currency position:** | **30 June 2013** | **31 December 2012** |
|---|---|---|
| Assets | 2.462.412 | 2.316.110 |
| Liabilities | (1.355.717) | (1.750.801) |
| **Net foreign currecny position** | **1.106.695** | **565.309** |

Turkish Lira equivalent of assets and liabilities denominated in foreign currency held by Logo Yazılım were as follows

| | | **30 June 2013** | | **31 December 2012** | |
|---|---|---|---|---|---|
| | **Original currency** | **Original Amount** | **TL equivalent** | **Original amount** | **TL equivalent** |
| Cash and cash equivalents | USD | 159.335 | 306.686 | 73.001 | 130.131 |
| and marketable securities | Euro | 217.116 | 545.764 | 168.950 | 397.320 |
| | CAD | 16.500 | 30.259 | - | - |
| Trade receivables and due from | USD | 491.426 | 945.898 | 428.499 | 763.842 |
| relayed parties | Euro | 251.319 | 631.741 | 379.370 | 892.165 |
| | Other | - | - | - | 132.652 |
| Other receivables | Euro | 821 | 2.064 | - | - |
| **Foreign currency denominated assets** | | | **2.462.412** | | **2.316.110** |
| Trade payables and due to | Euro | 412.931 | 1.037.984 | 501.373 | 1.179.078 |
| related parties | USD | 65.292 | 125.674 | 181.026 | 322.697 |
| Bank borrowings | USD | 99.781 | 192.059 | 139.699 | 249.026 |
| **Foreign currency denominated liabilities** | | | **1.355.717** | | **1.750.801** |

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

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

| | | | | 30 June 2013 |
|---|---|---|---|---|
| | | Profit/Loss | | Equity |
| | Appreciation of foreign currency | Depreciation of foreign currency | Appreciation of foreign currency | Depreciation of foreign currency |
| Appreciation/(depreciation) of USD against TL at 10%: | | | | |
| Profit/(loss) from USD net asset | 93.485 | (93.485) | - | - |
| Secured portion from USD risk (-) | - | - | - | - |
| **USD Net Effect** | **93.485** | **(93.485)** | **-** | **-** |
| Appreciation/(depreciation) of EUR against TL at 10%: | | | | |
| Profit/(loss) from EUR net liability | 14.159 | (14.159) | - | - |
| Secured portion from EUR risk (-) | - | - | - | - |
| **EUR Net Effect** | **14.159** | **(14.159)** | **-** | **-** |
| Appreciation/(depreciation) of Other against TL at 10%: | | | | |
| Profit/(loss) from Other net liability | 3.026 | (3.026) | - | - |
| Secured portion from Other risk (-) | - | - | - | - |
| **Other Net Effect** | **3.026** | **(3.026)** | **-** | **-** |
| **Total Net Effect** | **110.670** | **(110.670)** | **-** | **-** |

| | | | | 31 December 2012 |
|---|---|---|---|---|
| | | Profit/Loss | | Equity |
| | Appreciation of foreign currency | Depreciation of foreign currency | Appreciation of Foreign currency | Depreciation of foreign currency |
| Appreciation/(depreciation) of USD against TL at 10%: | | | | |
| Profit/(loss) from USD net asset | 32.225 | (32.225) | - | - |
| Secured portion from USD risk (-) | - | - | - | - |
| **USD Net Effect** | **32.225** | **(32.225)** | **-** | **-** |
| Appreciation/(depreciation) of EUR against TL at 10%: | | | | |
| Profit/(loss) from EUR net liability | **11.041** | **(11.041)** | **-** | **-** |
| Secured portion from EUR risk (-) | **-** | **-** | **-** | **-** |
| **EUR Net Effect** | **11.041** | **(11.041)** | **-** | **-** |
| Appreciation/(depreciation) of Other against TL at 10%: | | | | |
| Profit/(loss) from Other net liability | 13.265 | (13.265) | - | - |
| Secured portion from Other risk (-) | - | - | - | - |
| **Other Net Effect** | **13.265** | **(13.265)** | **-** | **-** |
| **Total Net Effect** | **56.531** | **(56.531)** | **-** | **-** |

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

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

### *26.2 Capital risk management*

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

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

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

| | **30 June 2013** | **31 December 2012** |
|---|---|---|
| Total bank borrowings and trade payables | 7.319.710 | 7.627.710 |
| Less: Cash and cash equivalents (Note 4) | (9.609.690) | (9.833.681) |
| Net Debt | (2.289.980) | (2.205.971) |
| Total equity | 44.695.774 | 42.465.745 |
| Total capital | 42.405.794 | 40.259.774 |
| **Gearing ratio** | **%(5)** | **%(5)** |

## 27. Financial Instruments

Fair value is the amount at which a financial instruments could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exist.

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

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

## 27. Financial instruments (continued)

### Financial assets

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

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

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

### Financial liabilities

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

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

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

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

Level 3: Valuation techniques does not contains observable market inputs

Fair value hierarchy table as at 30 June 2013 is as follows:

| Financial assets at fair value through profit or loss: | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| Financial assets | **-** | **647.197** | **-** |

Fair value hierarchy table as at 31 December 2012 is as follows:

| Financial assets at fair value through profit or loss: | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| Financial assets | - | 482.825 | - |

## 28. Subsequent events

he interviews started between the Company and Netsis Yazılım Sanayi ve Ticaret A.Ş. regarding the share transfer ("Netsis") which had been announced on 6 May 2013 have been concluded positively and a Share Transfer Agreement has been signed regarding the transfer of all shares representing the share capital of Netsis Yazılım Sanayi ve Ticaret A.Ş.by Logo Yazılım Sanayi ve Ticaret A.Ş. with the total purchase price of 117.500 shares with a total nominal value of 1.175.000 with per share amounting to TL 210,21 representing the share capital of Netsis (total value amounting to TL 24.699.850,00) . The share transfer is subject to the approval of the Competition Board and the realization of the other conditions mentioned in the Share Transfer Agreement. The share transfer will take place after those conditions are fulfilled.

Based on the Board of Directors decision dated 26 June 2013, regarding taking back maximum 100.000.000 share certificates within lower price limit of TL 0 and upper price limit of TL 5,5 in order to decrease price fluctuations in the Company's share certificates traded in BIST and evaluate current market conditions, the Company took back 90.374 share certificates traded in BIST after 30 June 2013.