

**(Convenience Translation of Condensed Consolidated Financial
Statements and Related Disclosures and Footnotes
Originally issued in Turkish)**

**ASELSAN ELEKTRONİK
SANAYİ VE TİCARET ANONİM ŞİRKETİ
AND ITS SUBSIDIARY**

Condensed Consolidated Financial Statements
As of and For The Six-Month Period Ended
30 June 2015 with Limited Review Report

19 August 2015

This report contains "Limited Review Report" comprising 2 pages and condensed consolidated interim financial information and related disclosures and footnotes comprising 43 pages.



**Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik A.Ş.**

Kavacık Rüzgarlı Bahçe Mah.
Kavak Sok. No: 29
Beykoz 34805 İstanbul

Telephone +90 (216) 681 90 00

Fax +90 (216) 681 90 90

Internet www.kpmg.com.tr

**CONVENIENCE TRANSLATION OF THE REVIEW REPORT AND THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY
ISSUED IN TURKISH**

REVIEW REPORT ON INTERIM FINANCIAL STATEMENTS

To the Board of Directors of ASELSAN Elektronik Sanayi ve Ticaret Anonim Şirketi

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of ASELSAN Elektronik Sanayi ve Ticaret Anonim Şirketi and its subsidiary ("Group") as of 30 June 2015, the condensed consolidated statements of profit or loss, other comprehensive income, changes in equity, cash flows for the six-month period then ended and notes to the interim financial information ("the condensed consolidated interim financial information"). The Group management is responsible for the preparation and fair presentation of this condensed consolidated financial information in accordance with Turkish Accounting Standards 34 "Interim Financial Reporting" ("TAS 34"). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". 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 Independent Auditing Standards and consequently 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 condensed consolidated interim financial information as of 30 June 2015 is not prepared, in all material respects, in accordance with TAS 34 "Interim Financial Reporting".



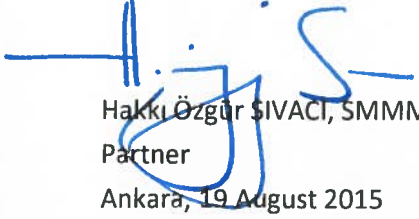
Other matter

The consolidated financial statements of the Group as of and for the year ended 31 December 2014 were audited by another auditors who expressed an unmodified opinion on the statements on 6 March 2015 .

The condensed consolidated interim financial information as of 30 June 2014 has been reviewed by another auditor who concluded that nothing has come to their attention that causes them to believe that the condensed consolidated interim financial information is not prepared in all material respects, in accordance with TAS 34 "Interim Financial Reporting" dated 19 August 2014.

Akis Bağımsız Denetim ve Serbest Mali Müşavirlik Anonim Şirketi

A Member of KPMG International Cooperative



Hakkı Özgür ŞIVACI, SMMM
Partner
Ankara, 19 August 2015

CONTENT	PAGE
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	1-3
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	4-5
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	6
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW	7
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	8-43
1. ORGANIZATION AND OPERATIONS OF THE GROUP	8
2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	10
3. RELATED PARTY TRANSACTIONS.....	18
4. TRADE RECEIVABLES AND PAYABLES	23
5. INVENTORIES.....	24
6. PREPAID EXPENSES AND DEFERRED INCOME	25
7. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS.....	26
8. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES.....	27
9. TAX.....	28
10. COMMITMENTS AND CONTINGENCIES	28
11. EMPLOYEE BENEFITS.....	31
12. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS	32
13. REVENUE AND COST OF SALES.....	34
14. CONSTRUCTION CONTRACTS.....	34
15. OTHER OPERATING INCOME AND EXPENSES	35
16. FINANCE INCOME.....	35
17. FINANCE EXPENSES.....	36
18. EARNINGS PER SHARE	36
19. FOREIGN EXCHANGE POSITION	37
20. FINANCIAL INSTRUMENTS FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING	42
21. EVENTS AFTER THE REPORTING PERIOD.....	43

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2015**

(Amounts are expressed in TL)

	Note	Current Period	Prior Period
	References	Reviewed	Audited
		30 June	31 December
		2015	2014
ASSETS			
Current Assets			
		2.403.106.358	2.271.457.463
Cash and Cash Equivalents		109.525.470	131.941.264
Financial Investments	17	531.737	-
Trade Receivables	4	1.006.988.391	943.722.118
<i>Trade Receivables from Related Parties</i>	3	104.364.888	120.292.826
<i>Trade Receivables from Third Parties</i>		902.623.503	823.429.292
Other Receivables		44.716.200	41.953.632
<i>Other Receivables from Related Parties</i>	3	21.579	19.746
<i>Other Receivables from Third Parties</i>		44.694.621	41.933.886
Inventory	5	857.694.808	837.426.476
Prepaid Expenses	6	263.047.759	199.811.629
Other Current Assets		120.601.993	116.602.344
Non-Current Assets			
		2.908.285.210	2.713.976.311
Financial Investments		362.970.300	355.622.999
Trade Receivables	4	305.831.744	310.448.157
<i>Trade Receivables from Related Parties</i>	3	24.881.430	31.855.852
<i>Trade Receivables from Third Parties</i>		280.950.314	278.592.305
Other Receivables		307.230	261.988
<i>Other Receivables from Third Parties</i>		307.230	261.988
Property, Plant and Equipment	7	914.138.573	853.969.422
Intangible Assets	7	527.047.268	438.506.438
Prepaid Expenses	6	371.183.282	383.548.025
Deferred Tax Assets		334.498.732	281.235.324
Other Non-Current Assets		92.308.081	90.383.958
TOTAL ASSETS		5.311.391.568	4.985.433.774

The accompanying notes are an integral part of the condensed consolidated financial statements.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2015

(Amounts are expressed in TL)

	Note References	Current Period Reviewed 30 June 2015	Prior Period Audited 31 December 2014
LIABILITIES			
Current Liabilities		1.283.843.092	1.201.245.567
Short-term Financial Liabilities		307.982.474	235.273.838
Short-term Portion of Long-term Financial Liabilities		69.347.625	48.608.193
Trade Payables	4	453.435.647	607.225.859
<i>Trade Payables to Related Parties</i>	3	29.325.897	28.031.673
<i>Trade Payables to Third Parties</i>		424.109.750	579.194.186
Employee Benefit Obligations	11	16.766.822	22.998.224
Other Liabilities		36.065.393	782.461
<i>Other Liabilities to Related Parties</i>	3	35.418.355	306.817
<i>Other Liabilities to Third Parties</i>		647.038	475.644
Government Grants and Incentives		19.735.658	15.043.829
Deferred Income	6	249.927.497	143.632.654
Corporate Tax Liability		588.942	651.558
Short-term Provisions		128.335.515	122.826.726
<i>Short-term Provisions for Employee Benefits</i>	11	38.954.566	33.924.548
<i>Other Short-term Provisions</i>	8	89.380.949	88.902.178
Other Current Liabilities		1.657.519	4.202.225
Non-Current Liabilities		1.783.013.782	1.565.294.681
Long-term Financial Liabilities		185.235.988	195.267.475
Trade Payables	4	158.819.289	67.153.873
<i>Trade Payables to Related Parties</i>	3	6.853.348	9.769.454
<i>Trade Payables to Third Parties</i>		151.965.941	57.384.419
Long-Term Payables		35.623	31.832
<i>Other Payables to Third Parties</i>		35.623	31.832
Government Grants and Incentives		-	2.233.448
Deferred Income	6	1.300.433.389	1.170.227.711
Long-term Provisions		138.489.493	130.380.342
<i>Long-term Provisions for Employee Benefits</i>	11	138.489.493	127.420.265
<i>Other Long-term Provisions</i>	8	-	2.960.077

The accompanying notes are an integral part of the condensed consolidated financial statements.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2015**

(Amounts are expressed in TL)

	Note References	Current Period Reviewed 30 June 2015	Prior Period Audited 31 December 2014
EQUITY		2.244.534.694	2.218.893.526
Equity attributable to equity holders of the parent		2.244.534.694	2.218.893.526
Share Capital	12	500.000.000	500.000.000
Share Capital Adjustments	12	100.320.592	98.620.780
Other Comprehensive Income / Expense not to be Reclassified Subsequently to Profit or Loss		202.342.069	162.776.613
<i>Remeasurement Loss from Defined Benefit Plans</i>		<i>(14.924.138)</i>	<i>(14.924.138)</i>
<i>Gain on Revaluation of Property</i>		<i>217.266.207</i>	<i>177.700.751</i>
Other Comprehensive Income / Expense that may be Reclassified Subsequently to Profit or Loss		293.018.605	293.018.605
<i>Gain on Revaluation of Available for Sale Financial Assets</i>		<i>293.018.605</i>	<i>293.018.605</i>
Restricted Reserves Appropriated From Profit	12	86.943.184	73.708.407
Prior Years' Profit		1.010.834.532	740.674.202
Net Profit for the Period		51.075.712	350.094.919
TOTAL LIABILITIES		5.311.391.568	4.985.433.774

The accompanying notes are an integral part of the condensed consolidated financial statements.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS and OTHER COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

(Amounts are expressed in TL)

	Note References	Current Period Reviewed 1 January- 30 June 2015	Prior Period Not Reviewed 1 April- 30 June 2015	Current Period Reviewed 1 January- 30 June 2014	Prior Period Not Reviewed 1 April- 30 June 2014
PROFIT OR LOSS					
Revenue	13	1.272.722.548	562.132.968	1.121.727.040	615.322.712
Cost of Sales (-)	13	(945.674.153)	(391.267.371)	(850.503.427)	(457.953.477)
GROSS PROFIT		327.048.395	170.865.597	271.223.613	157.369.235
General Administrative Expenses (-)		(67.278.660)	(36.101.143)	(56.608.315)	(30.144.301)
Marketing Expenses (-)		(28.293.993)	(15.736.521)	(19.480.283)	(11.180.622)
Research and Development Expenses (-)		(29.540.333)	(14.742.732)	(31.451.306)	(15.984.806)
Other Operating Income	15	206.481.701	93.319.402	296.062.087	124.309.794
Other Operating Expenses (-)	15	(336.676.101)	(122.143.090)	(286.437.116)	(89.455.691)
OPERATING PROFIT		71.741.009	75.461.513	173.308.680	134.913.609
Income from Investing Activities		-	-	1.874.341	-
OPERATING PROFIT BEFORE FINANCIAL EXPENSE		71.741.009	75.461.513	175.183.021	134.913.609
Finance Income	16	2.095.442	2.093.421	18.216.215	8.701.112
Finance Expense (-)	17	(77.517.604)	(20.172.235)	(17.943.470)	(2.940.841)
PROFIT/ (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		(3.681.153)	57.382.699	175.455.766	140.673.880
Tax Income from Continuing Operations		54.756.865	33.884.310	23.517.980	461.023
- Current Corporate Tax Expense (-)		(588.942)	(382.642)	(407.999)	(229.737)
- Deferred Tax Income		55.345.807	34.266.952	23.925.979	690.760
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		51.075.712	91.267.009	198.973.746	141.134.903
Profit for the Period Attributable to:					
Non-Controlling Interest		-	-	365.019	211.737
Owners of the Company	18	51.075.712	91.267.009	198.608.727	140.923.166
		51.075.712	91.267.009	198.973.746	141.134.903
Earnings per 100 Shares	18	0,10	0,18	0,40	0,28

The accompanying notes are an integral part of the condensed consolidated financial statements.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS and OTHER COMPREHENSIVE INCOME****FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015**

(Amounts are expressed in TL)

<u>Note References</u>	<u>Current Period Reviewed 1 January- 30 June 2015</u>	<u>Prior Period Not Reviewed 1 April- 30 June 2015</u>	<u>Current Period Reviewed 1 January- 30 June 2014</u>	<u>Prior Period Not Reviewed 1 April- 30 June 2014</u>
PROFIT FOR THE PERIOD	51.075.712	91.267.009	198.973.746	141.134.903
OTHER COMPREHENSIVE INCOME				
Items not to be Reclassified in Profit/Loss				
Gain on Revaluation of Property	39.565.456	-	-	-
Deferred Tax Expense	41.647.848	-	-	-
	(2.082.392)	-	-	-
OTHER COMPREHENSIVE INCOME	39.565.456	-	-	-
TOTAL COMPREHENSIVE INCOME	<u>90.641.168</u>	<u>91.267.009</u>	<u>198.973.746</u>	<u>141.134.903</u>
Total Comprehensive Income for the Period Attributable to:				
Non-controlling Interests	-	-	365.019	211.737
Owners of the Company	90.641.168	91.267.009	198.608.727	140.923.166
	<u>90.641.168</u>	<u>91.267.009</u>	<u>198.973.746</u>	<u>141.134.903</u>

The accompanying notes are an integral part of the condensed consolidated financial statements.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

(Amounts are expressed in TL)

			Other Comprehensive Income / Expense that will not to be Reclassified Subsequently to Profit or Loss		Other Comprehensive Income or Expenses that may be Reclassified Subsequently to Profit or Loss	Retained Earnings			Equity Attributable to Parent Company	Non-Controlling Interests	Total
	Share Capital	Share Capital Adjustments	Accumulated Gain/Loss on Revaluation of Property	Accumulated Gain/Loss on Remeasurement of Defined Benefit Plans	Accumulated Gain on Revaluation of Available for Sale Financial Assets	Restricted Reserves Appropriated From Profit	Prior Years' Profit	Net Profit for the Period			
Balance as of 1 January 2014 (Period Beginning)	500.000.000	98.620.780	177.532.454	(3.866.000)	-	69.677.755	531.921.172	238.081.489	1.611.967.650	517.801	1.612.485.451
Transfers	-	-	-	-	-	3.983.319	209.098.170	(213.081.489)	-	-	-
Total Comprehensive Income	-	-	-	-	-	-	-	198.608.727	198.608.727	365.019	198.973.746
Dividends	-	-	-	-	-	-	-	(25.000.000)	(25.000.000)	-	(25.000.000)
Transactions with Non-Controlling Interest Holders	-	-	32.887	(388)	-	8.368	(61.683)	-	(20.816)	96.654	75.838
Balance as of 30 June 2014 (Period End)	500.000.000	98.620.780	177.565.341	(3.866.388)	-	73.669.442	740.957.659	198.608.727	1.785.555.561	979.474	1.786.535.035
Balance as of 1 January 2015 (Period Beginning)	500.000.000	98.620.780	177.700.751	(14.924.138)	293.018.605	73.708.407	740.674.202	350.094.919	2.218.893.526	-	2.218.893.526
Transfers	-	-	-	-	-	13.229.918	271.865.001	(285.094.919)	-	-	-
Total Comprehensive Income	-	-	39.565.456	-	-	-	-	51.075.712	90.641.168	-	90.641.168
Dividends	-	-	-	-	-	-	-	(65.000.000)	(65.000.000)	-	(65.000.000)
Effect of Acquisition of Subsidiary ⁽¹⁾	-	1.699.812	-	-	-	4.859	(1.704.671)	-	-	-	-
Balance as of 30 June 2015 (Period End)	500.000.000	100.320.592	217.266.207	(14.924.138)	293.018.605	86.943.184	1.010.834.532	51.075.712	2.244.534.694	-	2.244.534.694

⁽¹⁾ Represents the effect of merge of MİKES Mikrodalga Elektronik Sistemler Sanayi ve Ticaret Anonim Şirketi with ASELSAN Elektronik Sanayi ve Ticaret Anonim Şirketi as of 20 January 2015.

The accompanying notes are an integral part of the condensed consolidated financial statements.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

(Amounts are expressed in TL)

	Note References	Current Period Reviewed 1 January- 30 June 2015	Prior Period Reviewed 1 January- 30 June 2014
Cash Flows from Operating Activities		119.496.997	44.429.043
Net Profit for the Period		51.075.712	198.973.746
Adjustments to Reconcile Profit for the Period		319.069.858	111.526.217
- Adjustments Related to Depreciation and Amortization Expenses	7	53.897.431	47.541.144
- Adjustments Related to Research and Development Expenses	7	1.837.045	11.399.970
- Property Plant and Equipments Registered as Revenue		(9.028.092)	-
- Gain on Sale of Property Plant and Equipments		(55.184)	(23.066)
- Estimated Revenue on Uncompleted Contract		240.824.653	30.999.455
- Provision for Employee Benefits		21.547.742	15.281.350
- Allowance for Doubtful Trade Receivables /(Reversals) – Net	4	-	72.304
- Provision for Warranty/(Reversals) – Net		22.815.262	26.374.874
- Provision for Delay Penalties and Fines – Net		6.579.822	7.001.131
- Provision for Lawsuits – Net		526.554	(1.200)
- Allowance for Impairment on Inventories – Net	5	440.553	4.810.501
- Other Provisions		(2.371.142)	(1.114.042)
- Adjustments Related to Interest Income	15	(7.178.604)	(14.860.069)
- Adjustments Related to Interest Expense		16.461.556	17.288.783
- Unrealized Foreign Exchange Differences Related to Financial Borrowings – Net		27.529.127	(7.852.597)
- Adjustments Related to Tax Expense/Income		(54.756.865)	(23.517.980)
- Income from Investing Activities		-	(1.874.341)
Changes in Working Capital		(213.589.946)	(227.033.877)
- Adjustments for Increase/Decrease in Inventory		(20.708.885)	(108.919.940)
- Adjustments for Increase/Decrease in Trade Receivables		(256.963.981)	(5.657.429)
- Adjustments for Increase/Decrease in Other Receivables		(2.807.810)	30.605.387
- Prepaid Expenses	6	(50.871.387)	(55.228.041)
- Adjustments for Increase/Decrease in Trade Payables		(107.040.934)	55.193.510
- Adjustments for Increase/Decrease in Other Payables		258.301	225.907
- Employee Benefit Obligations	11	(6.231.402)	(325.869)
- Government Grants and Incentives		2.458.381	3.019.834
- Deferred Income	6	236.500.521	(121.855.131)
- Other Assets and Liabilities		(8.182.750)	(24.092.105)
Net Cash Provided By Operating Activities		156.555.624	83.466.086
Interest Paid		(2.361.997)	(1.963.653)
Interest Received		1.435.226	1.162.090
Tax Payments/Refunds		(651.558)	(480.904)
Employee Termination Benefits Paid	11	(4.818.381)	(4.538.912)
Warranty Provisions Paid		(25.727.576)	(19.480.416)
Delay Penalties and Fines Paid		(4.279.158)	(13.230.014)
Other Provisions Paid		(655.183)	(505.234)
Cash Flows from Investing Activities		(161.592.359)	(164.647.098)
Proceeds from Disposal of Property, Plant and Equipment and Intangible Assets		418.057	45.710
Payments for Property, Plant and Equipment		(42.897.778)	(78.531.276)
Payments for Intangible Assets - Net	7	(111.233.611)	(55.708.170)
Change in Financial Investments		(7.347.290)	(32.327.703)
Change in Option Contracts	17	(531.737)	-
Dividends Received		-	1.874.341
Cash Flows from Financing Activities		19.679.568	84.117.751
Proceeds from Borrowings		340.851.702	201.903.020
Repayments of Borrowings		(291.148.357)	(110.687.446)
Repayments of Obligations Under Finance Leases		(52.199)	(61.116)
Dividend Payments		(29.971.578)	(7.036.707)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(22.415.794)	(36.100.304)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		131.941.264	103.683.817
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		109.525.470	67.583.513

The accompanying notes are an integral part of the condensed consolidated financial statements.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2015

(Amounts are expressed in TL)

1. ORGANIZATION AND OPERATIONS OF THE GROUP

ASELSAN Elektronik Sanayi ve Ticaret Anonim Şirketi (the Company) was established in order to engage principally in research, development, engineering, production, tests, assembly, integration and sales, after sales support, consultancy and trading activities, to provide and conduct all sorts of activities for project preparation, engineering, consultancy, service providing, training, contracting, construction, publishing, trading, operation and internet services regarding various software, equipment, system, tools, material and platforms in the fields of electrical, electronics, microwave, electro-optics, guidance, computer, data processing, encryption, security, mechanics, chemistry and related subjects within the army, navy, air force and aerospace applications to all institutions, organizations, companies and individual consumers.

The Company was established at the end of 1975 as a corporation by Turkish Land Forces Foundation. The Company commenced its production activities in Macunköy Facilities in early 1979.

As of the date of the balance sheets, the Company has been organized under five divisions under the Vice Presidential Sector with regard to investment and production requirements of projects. These divisions comprise The Communication and Information Technologies Vice Presidency (HBT), Radar, Electronic Warfare and Intelligence Systems Vice Presidency (REHİS), Defense Systems Technologies Vice Presidency (SST) and Microelectronics, Guidance & Electro-Optics Division Vice Presidency (MGEO) and Transportation, Security, Energy and Automation Systems Vice Presidency (UGES).

In addition to the Sector Vice Presidencies, the Company organization also includes the Financial Management Vice Presidency, Shared Services Vice Presidency, R&D and Technology Management Vice Presidency, Strategy and Development Vice Presidency, Human Resources Management Vice Presidency making a total ten vice presidencies.

The Company performs production and engineering operations in three different locations in Ankara Macunköy, Akyurt and Gölbaşı while General Management is organized in Ankara Macunköy.

Turkish Armed Forces Foundation (“TSKGV”) is the main shareholder of the Company which holds 84,58 percent of the capital and maintains control of the Company. TSKGV was established on 17 June 1987 with the law number 3388, in order to manufacture or import guns, equipment and appliances needed for Turkish Armed Forces.

The Company is registered to Capital Markets Board of Turkey (“CMB”) and its shares have been quoted in Borsa İstanbul Anonim Şirketi since 1990. As of 30 June 2015 15,30 percent of the Company’s shares are publicly traded (31 December 2014: 15,30 percent) (Note 12).

The Company’s trade registry address is Mehmet Akif Ersoy Mahallesi 296. Cadde No:16 06370 Yenimahalle/Ankara. The average number of personnel employed by the Group as of 30 June 2015 is 5.283 (31 December 2014: 5.335).

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2015

(Amounts are expressed in TL)

1. ORGANIZATION AND OPERATIONS OF THE GROUP (continued)

The Company, and its consolidated subsidiary ASELSANNET Elektronik ve Haberleşme Sistemleri Sanayi Ticaret İnşaat ve Taahhüt Limited Şirketi (“ASELSANNET”), operating in the same sector with the Company, are collectively referred as the “Group” in the accompanying notes.

The main operations of the companies included in the consolidation and the share percentage of the Group for these companies are as follows:

Company name	Operation	30 June	31 December
		2015	2014
ASELSANNET	Communication systems	100,00	100,00
Mikrodalga Elektronik Sistemler Sanayi ve Ticaret Anonim Şirketi (“MİKES”)	Microwave R&D Projects	-	100,00

With the 843 numbered decision of Board of Directors’ dated 5 January 2015 on consolidation of subsidiary MİKES held by 100 percent at the end of 2014, by means of take over and ASELSAN Elektronik Sanayi ve Ticaret Anonim Şirketi (the Company) according to simplified merger procedure has been determined and dissolution of MİKES has been registered by 20 January 2015.

Thereby, MİKES has been devolved to Company with its all assets and liabilities through complete succession accordingly II-23-2 Consolidation and Division Rescript of CMB, 136th and other articles of Turkish Commercial Code and 19th, 20th, 21st articles of Corporate Tax Law and MİKES has dissolved without liquidation by 20 January 2015. All rights and liabilities of MİKES have been inherited to assignee Company by 20 January 2015.

The subsidiaries Mikroelektronik Ar-Ge Tasarım ve Ticaret Limited Şirketi (“Mikro AR-GE”) and ASELSAN Bakü which have been classified as non-current financial assets have been excluded from consolidation as their inclusion does not materially affect the Group’s financial statements.

The Company has set up branches in Africa in 2011 and in Macedonia in 2014 as “ASELSAN Elektronik Sanayi ve Ticaret Anonim Şirketi EP Co.” (“ASELSAN South Africa Branch”) and “ASELSAN Macedonia Corridor-10 Highway Fee Allocation System Project” (“ASELSAN Macedonia Branch”) respectively. These branches have been excluded from consolidation as its inclusion does not materially affect the consolidated financial statements of the Group.

In addition, the joint ventures IGG ASELSAN Integrated Systems LLC (United Arab Emirates) (“IGG ASELSAN”) and Kazakhstan ASELSAN Engineering LLP (Kazakhstan) (“ASELSAN Kazakhstan”) established in 2011 and ASELSAN Middle East PSC LTD (“ASELSAN Jordan”) established in 2012, which have been classified as non-current financial assets have been excluded from consolidation as their inclusion does not materially affect the Group’s financial tables.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2015

(Amounts are expressed in TL)

1. ORGANIZATION AND OPERATIONS OF THE GROUP (continued)

In March 2014, “ASELSAN Hassas Optik Sanayi ve Ticaret Anonim Şirketi” (“ASELSAN Optik”) company was established. 50 percent of the company belongs to ASELSAN and other 50 percent belongs Sivas Optik Malzemeleri Sanayi ve Ticaret Anonim Şirketi. After the completion of the facility in Sivas, production of sensitive optic technology which is designed by ASELSAN and produced abroad for Ultraviolet, visible and close infrared bands will be realized. The company was excluded from consolidation as its inclusion does not materially affect the financial results of the Group.

In November 2014, “ASELSAN Bilkent Mikro Nano Teknolojileri Sanayi ve Ticaret Anonim Şirketi” (“ASELSAN Bilkent”) company was established. 50 percent of the company belongs to ASELSAN and other 50 percent belongs to İhsan Doğramacı Bilkent University. The construction of the company facility is ongoing. The firm, which is established for production of micro and nano sized devices which contain all kinds of conductive and similar technological materials, is excluded from consolidation as its inclusion does not materially affect the financial results of the Group.

Approval of the condensed consolidated financial statements

These condensed consolidated financial statements have been approved for issue by the Board of Directors with the resolution number 865 on 19 August 2015. No authority other than General Assembly and legal entities has the right to amend the consolidated financial statements.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 The basis of presentation

Statement of Compliance to TAS

The accompanying consolidated financial statements are prepared in accordance with the requirements of Capital Markets Board (“CMB”) Communiqué Serial II, No: 14.1 “Basis of Financial Reporting in Capital Markets”, which were published in the Official Gazette No: 28676 on 13 June 2013. The accompanying condensed consolidated financial statements are prepared based on the Turkish Accounting Standards and Interpretations (“TAS”) that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority (“POA”) under Article 5 of the Communiqué.

The Group has prepared six months condensed consolidated interim financial statements as of 30 June 2015 according to Turkish Accounting Standards 34 “Interim Financial Reporting”. Condensed consolidated financial statements does not include all information and disclosures presented in annual reports, therefore it must be considered with annual report prepared as of 31 December 2014.

The condensed consolidated financial statements are prepared according to historical cost accounting except for the revaluation of lands and some financial instruments. In order to determine the historical cost, the fair values paid for assets are considered.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.1 The basis of presentation (continued)

Functional Currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates ("Its Functional Currency"). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Turkish Lira ("TL"), which is the functional, and presentation currency of the Company and the reporting currency for the consolidated financial statements.

Preparation of Financial Statements in Hyperinflationary Periods

CMB, with its resolution dated 17 March 2005 numbered 11/367 declared that companies operating in Turkey which prepare their financial statements in accordance with ("CMB") Accounting Standards, effective 1 January 2005, will not be subject to the application of inflationary accounting. Consequently, in the accompanying financial statements ("IAS/TAS 29") "Financial Reporting in Hyperinflationary Economies" was not applied since 1 January 2005.

Comparative Information and Restatement of Prior Period Financial Statements

Consolidated financial statements of the Group have been prepared comparatively with prior period in order to give information about financial position and performance trends. If the presentation or classification of the financial statements is changed, in order to maintain consistency, financial statements of the prior periods are also reclassified and the significant changes are explained.

The collateral amount disclosed in Note 10 "Commitments and Contingencies" under "D-ii" has been revised from TL 988.000 to TL 1.473.000 as of 31 December 2014.

In November 2014, "ASELSAN Bilkent Mikro Nano Teknolojileri Sanayi ve Ticaret Anonim Şirketi" was established together with İhsan Dođramacı Bilkent University with 50-50 equal share rights. Therefore transactions with İhsan Dođramacı Bilkent University have been presented as related party transactions on financial tables and related disclosures as of reporting period of 31 December 2014. TL 5.341.433 presented under "Trade Payables to Related Parties" instead of "Trade Payables to Third Parties".

As of the reporting date 31 December 2014, TL 84.216.204 deferred VAT presented under "Other Current Assets" has been classified as "Other Non-Current Assets".

As of 30 June 2014, condensed consolidated cash flow table has been classified as flows:

Cash flow from operating activities has been decreased by TL 23.066, adjustments for reconciliation of profit for the year has been increased by TL 64.254.436; changes in working capital has been increased by TL 31.061.838; net cash provided by operating activities has been increased by TL 33.192.598; net cash provided from financing activities has been increased by TL 23.066.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2015

(Amounts are expressed in TL)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.1 The basis of presentation (continued)

Basis of Consolidation

Subsidiaries:

The details of the subsidiaries of the Group are as follows:

Subsidiaries	Location	Functional Currency	Group's proportion of ownership and voting power held (%)		Principal Activity
			30 June 2015	31 December 2014	
ASELSAN NET	Turkey	TL	100	100	Telecommunication systems
ASELSAN Bakü ⁽¹⁾	Azerbaijan	AZN	100	100	Marketing and sales of the group products
Mikro AR-GE ⁽¹⁾	Turkey	TL	85	85	Microelectronic R&D projects

⁽¹⁾ Excluded from group consolidation as it does not significantly affect the consolidated financial statements. Statements have been presented in the relevant country's functional currency.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns

The Company reassesses whether or not it controls an investee when if facts and circumstances arise there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, voting rights are sufficient to give it the practical ability to direct the relevant activities as it has power over the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders,
- potential voting rights held by the Company, other vote holders or other parties,
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate the Company has, or does have, the current ability to direct the relevant activities at the time that decisions need to be made (including voting patterns at previous shareholders' meeting).

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2015

(Amounts are expressed in TL)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.1 The basis of presentation (continued)

Basis of Consolidation (continued)

Subsidiaries (continued) :

Consolidation of subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Each caption of profit or loss and other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income and expenses, profits and losses and cash flows relating to transactions between members of the Group are eliminated consolidation.

Joint Ventures

The details of the Group's interests in joint ventures as of 30 June 2015 and 31 December 2014 are as follows:

Joint Ventures	Principal Activity	Country of incorporation and operation	Group's proportion of ownership and voting power held (%)	
			30 June 2015	31 December 2014
ASELSAN Optik	Sensitive optic technologies	Turkey	50	50
ASELSAN Bilkent	Production of micro and nano sized devices which contains semi-conductive and similar technological materials	Turkey	50	50
IGG ASELSAN	Marketing and sales of the group products	United Arab Emirates	49	49
ASELSAN Kazakhstan	Marketing and sales of the group products	Kazakhstan	49	49
ASELSAN Jordan	Marketing and sales of the group products	Jordan	49	49

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.1 The basis of presentation (continued)

Basis of Consolidation (continued)

Joint Ventures (continued) :

IGG ASELSAN, ASELSAN Kazakhstan established in 2011, ASELSAN Jordan established in 2012 and ASELSAN Optik and ASELSAN Bilkent established in 2014 which are classified as non-current financial assets and accounted with acquisition cost after impairment, were not included in the consolidation by equity method, as their effect on the consolidated financial statements of the Group are considered to be immaterial.

2.2 Changes in the Accounting Policies

Significant changes in accounting policies are applied retrospectively and prior period financial statements are restated.

2.3 Changes in the Accounting Estimates and Errors

When change is estimate in accounting policies are related with only one period, changes are applied on the current year but if the estimated changes are for the following periods, changes are applied both on the current and following years prospectively. The Group has no significant changes to the accounting estimates in the current period.

The estimated errors in the accounting policies are applied retrospectively and the prior year's financial statements are restated accordingly .

2.4 New and Revised Turkish Accounting Standards

Standards issued but not yet effective and not early adopted

TFRS 9 Financial Instruments – Classification and measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2018. Phase 1 of this new TFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to TFRS 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. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.4 New and Revised Turkish Accounting Standards (continued)

TAS 16 and TAS 38 – Clarification of acceptable methods of depreciation and amortization

The amendments to TAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendments to TAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. The amendments are effective for annual periods beginning on after 1 January 2016, and are to be applied prospectively. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

TFRS 11 – Accounting for acquisition of interests in joint operations

The amendments clarify whether TFRS 3 Business Combinations applies when an entity acquires an interest in a joint operation that meets that standard’s definition of a business. The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

Sale or contribution of assets between an investor and its associate or joint venture (Amendments to TFRS 10 and TAS 28)

The amendments address the conflict between the existing guidance on consolidation and equity accounting. The amendments require the full gain to be recognized when the assets transferred meet the definition of a “business” under TFRS 3 *Business Combinations*. The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

Equity method in separate financial statements (Amendments to TAS 27)

The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures, but also for subsidiaries. The amendments apply retrospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.4 New and Revised Turkish Accounting Standards (continued)

Disclosure Initiative (Amendments to TAS 1)

The narrow-focus amendments to TAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing TAS 1 requirements. In most cases the amendments respond to overly prescriptive interpretations of the wording in TAS 1. The amendments relate to the following: materiality, order of the notes, subtotals, accounting policies and disaggregation. The amendments apply for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

Investment Entities: Applying the Consolidation Exception (Amendments to TFRS 10, TFRS 12 and TAS 28)

Before the amendment, it was unclear how to account for an investment entity subsidiary that provides investment-related services. As a result of the amendment, intermediate investment entities are not permitted to be consolidated. So where an investment entity's internal structure uses intermediates, the financial statements will provide less granular information about investment performance – i.e. less granular fair values of, and cash flows from, the investments making up the underlying investment portfolio. The amendments apply retrospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

Improvements to TFRSs

The IASB issued Annual Improvements to IFRSs - 2012–2014 Cycle. The amendments are effective as of 1 January 2016. Earlier application is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

Annual Improvements – 2012–2014 Cycle

TFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The amendments clarify the requirements of TFRS 5 when an entity changes the method of disposal of an asset (or disposal group) and no longer meets the criteria to be classified as held-for-distribution.

TFRS 7 Financial Instruments: Disclosures

TFRS 7 is amended to clarify when servicing arrangement are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. TFRS 7 is also amended to clarify that the additional disclosures required by *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to TFRS 7)*.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.4 New and Revised Turkish Accounting Standards (continued)

Annual Improvements – 2012–2014 Cycle (continued)

TAS 19 Employee Benefits

TAS 19 has been amended to clarify that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

TAS 34 Interim Financial Reporting

TAS 34 has been amended to clarify that certain disclosure, if they are not included in the notes to interim financial statements, may be disclosed “elsewhere in the interim financial report” – i.e. incorporated by cross-reference from the interim financial statements to another part of the interim financial report (e.g. management commentary or risk report).

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 IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to TFRS by the POA, thus they do not constitute part of TFRS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

IFRS 9 Financial Instruments – Hedge Accounting and amendments to TFRS 9, TFRS 7 and TAS 39 - (2013)

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging transactions. This standard is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

TFRS 9 Financial Instruments (2014)

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from TMS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.4 New and Revised Turkish Accounting Standards (continued)

IFRS 15 Contracts with Customers

The standard replaces existing IFRS and US GAAP guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time. The standard is effective for annual periods beginning on or after 1 January 2017, with early adoption permitted under IFRS. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

2.5 Summary of Significant Accounting Policies

Group prepared the accompanying condensed based on TAS 34 “Interim Financial Reporting”. The accounting policies applied in preparation of condensed consolidated interim financial statements are compatible with the accounting policies applied for the period between 1 January - 31 December 2014. These condensed consolidated financial statements should be read on a comparative basis with the annual financial statements for the period between 1 January - 31 December 2014.

3. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiary have been eliminated on consolidation and have not been disclosed in this note.

Trade receivables from related parties usually arise from the sales of goods and services and have average maturity of 1 to 3 months. The receivables are unsecured by nature and bear no interest.

Trade payables to related parties usually arise from the purchase of goods and services and have average maturity of 1 to 3 months. The payables bear no interest.

For the six month period ended 30 June 2015, the total amount of salaries and similar benefits provided to the key management is TL 3.153.938 (30 June 2014: TL2.895.555).

The details of transactions between the Group and other related parties are disclosed in the following page.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2015

(Amounts are expressed in TL)

3. RELATED PARTY TRANSACTION (continued)

	30 June 2015									
	Receivables					Payables				
	Short-term		Non-Trading	Long-term		Short-term		Long-term		
Trading	Advances Given	Trading		Advances Given	Trading	Advances Received	Non-Trading	Trading	Advances Received	
Balances with related parties										
<u>Main Shareholder</u>										
Turkish Armed Forces Foundation ("TSKGV") ⁽¹⁾	9.638	-	-	-	-	-	-	35.028.422	-	-
<u>Other shareholder</u>										
Axa Sigorta Anonim Şirketi	-	-	-	-	-	-	-	50.691	-	-
<u>Main shareholder's subsidiaries/associates</u>										
ESDAŞ-Elektronik Sistem Destek Sanayi ve Ticaret Anonim Şirketi	-	-	-	-	-	83.025	-	-	-	-
HAVELSAN EHSİM-Hava Elektronik Harp Sistemleri Mühendislik Ticaret Anonim Şirketi	-	856.618	-	-	-	-	-	-	-	-
HAVELSAN-Hava Elektronik Sanayi ve Ticaret Anonim Şirketi	1.010.521	-	-	38.591	-	3.964.424	6.050.324	-	556.679	-
HTR-HAVELSAN Teknoloji Radar Sanayi ve Ticaret Anonim Şirketi	-	4.678	-	-	-	1.206.729	-	-	-	-
İŞBİR-İşbir Elektrik Sanayi ve Anonim Şirketi	-	2.997.174	-	-	-	662.715	-	-	-	-
NETAŞ Telekomünikasyon Anonim Şirketi	-	3.908.957	-	-	8.830.950	5.681.439	-	-	-	-
STM-Savunma Teknolojileri Mühendislik ve Ticaret Anonim Şirketi	61.226	8.185.972	-	-	270.014	-	2.844.815	-	-	-
TUSAŞ-Türk Havacılık ve Uzay Sanayi ve Ticaret Anonim Şirketi	4.149.951	-	-	6.086.267	-	2.648.840	6.909.637	-	6.192.396	60.936.611
<u>Subsidiaries</u>										
ASELSAN Bakü	404.267	-	-	219.447	-	-	-	-	-	-
Mikro AR-GE	-	634.399	-	-	179.496	143.777	-	-	-	-
<u>Affiliates</u>										
ASPİLSAN-Askeri Pil Sanayi ve Ticaret Anonim Şirketi	-	37.567	-	-	-	1.145.439	-	-	-	-
ROKETSAN-Roket Sanayi ve Ticaret Anonim Şirketi	17.176.305	29.662.089	-	18.537.125	282.009.361	8.434.161	4.290.792	-	104.273	39.833.717
<u>Branch</u>										
ASELSAN South Africa Branch	-	1.537.295	-	-	-	-	-	339.242	-	-
ASELSAN Macedonia Branch	-	-	-	-	-	-	1.683.478	-	-	105.842
<u>Joint ventures and its related parties</u>										
ASELSAN Bilkent	-	-	21.579	-	-	-	-	-	-	-
İhsan Doğramacı Bilkent University	-	879.073	-	-	667.795	5.355.348	-	-	-	-
International Golden Group	13.479.051	-	-	-	-	-	-	-	-	-
IGG ASELSAN	1.591.158	1.830.540	-	-	-	-	-	-	-	-
ASELSAN Kazakhstan	48.082.754	-	-	-	-	-	-	-	-	-
ASELSAN Jordan	18.400.017	-	-	-	-	-	272	-	-	-
	104.364.888	50.534.362	21.579	24.881.430	291.957.616	29.325.897	21.779.318	35.418.355	6.853.348	100.876.170

⁽¹⁾ Short-term non-trade payables to TSKGV comprised of dividend payable from the profit for the year 2014.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2015

(Amounts are expressed in TL)

3. RELATED PARTY TRANSACTION (continued)

	31 December 2014									
	Receivables					Payables				
	Short-term			Long-term		Short-term			Long-term	
	Trading	Advances Given	Non-Trading	Trading	Advances Given	Trading	Advances Received	Non-Trading	Trading	Advances Received
Balances with related parties										
<u>Main Shareholder</u>										
TSKGV	5.734	-	-	-	-	-	-	-	-	-
<u>Other shareholder</u>										
Axa Sigorta Anonim Şirketi	-	-	-	-	-	-	-	51.581	-	-
<u>Main shareholder's subsidiaries and associates</u>										
HAVELSAN EHSİM-Hava Elektronik Harp Sistemleri										
Mühendislik Ticaret Anonim Şirketi	-	32.370	-	-	740.788	1.935.252	-	-	-	-
HAVELSAN-Hava Elektronik Sanayi ve Ticaret Anonim Şirketi	1.628.237	580.868	-	-	-	27.619	5.122.993	-	5.000.206	27.712
HTR-HAVELSAN Teknoloji Radar Sanayi ve Ticaret Anonim Şirketi	-	-	-	-	-	935.075	-	-	-	-
İŞBİR-İşbir Elektrik Sanayi Anonim Şirketi	-	543.920	-	-	-	1.251.651	-	-	-	-
Mercedes-Benz Türk Anonim Şirketi	-	-	-	-	-	-	-	-	-	-
NETAŞ Telekomünikasyon Anonim Şirketi	-	4.353.095	-	-	8.832.266	5.553.303	-	-	-	-
STM-Savunma Teknolojileri Mühendislik ve Ticaret Anonim Şirketi.	10.255.264	6.259.085	-	-	1.040.392	13.265	4.703.835	-	-	-
TUSAŞ-Türk Havacılık ve Uzay Sanayi Anonim Şirketi	5.527.419	-	-	11.357.844	-	1.367.648	6.443.528	-	3.377.455	38.593.327
<u>Subsidiaries</u>										
ASELSAN Bakü	265.345	-	-	189.433	-	203.572	-	-	-	-
Mikro AR-GE	137.114	775.363	8.284	-	-	1.137.445	-	-	-	-
<u>Affiliates</u>										
ASPILSAN-Askeri Pil Sanayi ve Ticaret Anonim Şirketi	-	37.567	-	-	-	1.610.723	-	-	-	-
ROKETSAN-Roket Sanayi ve Ticaret Anonim Şirketi	21.826.561	1.324.342	-	20.308.575	291.024.933	8.327.273	3.866.209	-	1.391.793	46.399.872
<u>Branch</u>										
ASELSAN South Africa Branch	-	640.557	-	-	-	-	-	255.236	-	-
ASELSAN Macedonia Branch	-	-	-	-	-	3.687	-	-	-	-
<u>Joint ventures and its related parties</u>										
ASELSAN Bilkent	-	-	11.462	-	-	-	-	-	-	-
İhsan Doğramacı Bilkent University	-	1.368.262	-	-	2.328.315	5.341.433	-	-	-	-
International Golden Group	43.238.775	-	-	-	-	-	-	-	-	-
IGG ASELSAN	2.328.656	1.940.427	-	-	-	-	-	-	-	-
Kazakhstan Engineering	-	-	-	-	-	323.727	-	-	-	-
ASELSAN Kazakhstan	21.551.579	-	-	-	-	-	-	-	-	-
ASELSAN Jordan	13.528.142	-	-	-	-	-	-	-	-	-
	120.292.826	17.855.856	19.746	31.855.852	303.966.694	28.031.673	20.136.565	306.817	9.769.454	85.020.911

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2015**

(Amounts are expressed in TL)

3. RELATED PARTY TRANSACTIONS (continued)

	1 January- 30 June 2015	1 April- 30 June 2015	1 January- 30 June 2014	1 April- 30 June 2014
Transactions with related parties	Purchases	Purchases	Purchases	Purchases
<u>Main Shareholder</u>				
TSKGV	305.400	152.700	231.500	92.600
<u>Main shareholder's subsidiaries/associates</u>				
NETAŞ Telekomünikasyon Anonim Şirketi	10.120.605	3.558.610	21.112.957	17.545.322
İŞBİR Elektrik San. Anonim Şirketi	2.043.057	1.185.262	1.780.235	1.630.817
HTR-HAVELSAN Teknoloji Radar Sanayi ve Ticaret Anonim Şirketi	1.549.348	1.014.848	1.575.825	889.467
HAVELSAN Hava Elektronik Sanayi ve Ticaret Anonim Şirketi	1.059.542	-	1.046.226	-
TUSAŞ-Türk Havacılık ve Uzay Sanayi ve Anonim Şirketi	167.745	148.489	-	-
ESDAŞ-Elektronik Sis. Destek Sanayi ve Ticaret Anonim Şirketi	70.360	70.360	-	-
STM-Savunma Teknolojileri Mühendislik ve Ticaret Anonim Şirketi	31.735	31.735	3.637.274	3.637.274
HAVELSAN-EHSİM-Hava Elektronik Harp Sistemleri Mühendislik Ticaret Anonim Şirketi	-	-	63.157	-
<u>Subsidiaries</u>				
Mikro AR-GE	2.137.295	1.475.960	2.187.119	1.198.634
ASELSAN Bakü	171.572	109.012	-	-
<u>Affiliates</u>				
ROKETSAN-Roket Sanayi ve Ticaret Anonim Şirketi	6.169.574	3.893.790	14.319.996	125.796
ASPILSAN-Askeri Pil Sanayi ve Ticaret Anonim Şirketi	1.777.627	1.203.469	1.802.143	820.866
<u>Branch</u>				
ASELSAN South Africa Branch	1.068.305	108.564	2.240.687	1.133.592
<u>Joint ventures and its related parties</u>				
İhsan Dođramacı Bilkent University	5.339.354	4.422.304	-	-
IGG ASELSAN	1.044.085	905.664	818.456	459.234
ASELSAN Jordan	779.418	779.418	-	-
ASELSAN Optik	285.000	285.000	-	-
	34.120.022	19.345.185	50.815.575	27.533.602

The transaction with related parties are generally due to the purchase and sale of materials and services for the projects within the scope of TAS 11 "Construction Contracts".

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2015**

(Amounts are expressed in TL)

3. RELATED PARTY TRANSACTIONS (continued)

	1 January- 30 June 2015	1 April- 30 June 2015	1 January- 30 June 2014	1 April- 30 June 2014
Transactions with related parties	Sales	Sales	Sales	Sales
<u>Main Shareholder</u>				
TSKGV	101.440	51.822	1.642.426	1.607.172
<u>Main shareholder's subsidiaries and associates</u>				
TUSAŞ-Türk Havacılık ve Uzay Sanayi Anonim Şirketi	34.516.644	14.099.534	18.225.352	9.399.495
STM-Savunma Teknolojileri Mühendislik ve Ticaret Anonim Şirketi	14.531.127	660.349	14.214.966	5.120.307
HAVELSAN Hava Elektronik Sanayi ve Ticaret Anonim Şirketi	5.050.244	5.050.244	4.812.778	2.051.533
ESDAŞ-Elektronik Sistemleri Destek Sanayi ve Ticaret Anonim Şirketi	-	-	63.114	21.806
HTR-HAVELSAN Teknoloji Radar Sanayi ve Ticaret Anonim Şirketi	-	-	3.317	-
İŞBİR Elektrik Sanayi ve Anonim Şirketi	-	-	23.881	-
NETAŞ Telekomünikasyon Anonim Şirketi	-	-	18.834	-
<u>Subsidiaries</u>				
ASELSAN Bakü	208.288	128.173	162.035	109.133
Mikro AR-GE	133.737	67.829	109.105	53.712
<u>Affiliates</u>				
Roketsan Roket Sanayi ve Ticaret Anonim Şirketi	29.142.866	12.160.463	21.600.952	5.503.456
<u>Branch</u>				
ASELSAN South Africa Branch	1.778	1.778	-	-
ASELSAN Macedonia Branch	3.161	3.161	-	-
<u>Joint ventures and its related parties</u>				
Kazakhstan ASELSAN Engineering -KAE	38.856.288	24.480.724	15.881.898	12.133.652
ASELSAN Jordan	14.270.919	7.637.098	11.501.554	7.216.969
International Golden Group	348.127	-	8.515.704	3.724.267
ASELSAN Bilkent	56.141	33.261	-	-
IGG ASELSAN	-	-	609.136	600.758
	137.220.760	64.374.436	97.385.052	47.542.260

4. TRADE RECEIVABLES AND PAYABLES

a) Trade receivables

Details of the Group's trade receivables are as follows:

	30 June 2015	31 December 2014
Short-term trade receivables		
Trade receivables	875.184.248	618.269.403
Trade receivables from related parties (Note 3)	103.273.566	118.949.325
Due from customers for contract works	27.826.717	199.262.681
Notes receivables	2.832.715	7.620.624
Due from customers for contract works– Related party (Note 3)	1.091.322	1.343.501
Doubtful trade receivables	859.465	859.465
Discount on trade and notes receivables (-)	(3.220.177)	(1.723.416)
Allowance for doubtful trade receivables (-)	(859.465)	(859.465)
	1.006.988.391	943.722.118
Long-term trade receivables		
Due from customers for contract works	240.891.485	253.913.575
Trade receivables	40.580.191	25.229.201
Due from customers for contract works– Related party (Note 3)	24.263.233	30.003.870
Notes receivables	733.847	250.286
Trade receivables from related parties (Note 3)	618.197	1.851.982
Discount on trade and notes receivables (-)	(1.255.209)	(800.757)
	305.831.744	310.448.157

For the six month period ended 30 June the movement for the Group's provision for doubtful receivables are as follows:

	2015	2014
Opening balance	859.465	2.221.896
Provision for the period	-	79.661
Provision released	-	(7.357)
Closing balance	859.465	2.294.200

The sectoral distribution of trade receivables is as follows:

	30 June 2015	31 December 2014
Public sector	865.012.952	631.736.127
Private sector	240.614.666	354.313.904
Receivables from companies operating abroad	207.192.517	268.120.244
Total	1.312.820.135	1.254.170.275

Receivables from public sector represent the receivables that are due from the Ministry of Defense ("MOD"), Undersecretariat for Defense Industries ("UDI") and other public enterprises. The Group's operations are based on contracts and no collaterals are obtained from the customers.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2015

(Amounts are expressed in TL)

4. TRADE RECEIVABLES AND PAYABLES (continued)

b) Trade payables

Details of Group's trade payables are as follows:

Short-term trade payables	30 June 2015	31 December 2014
Trade payables	381.713.360	491.462.187
Due to contract customers	35.513.376	81.825.586
Due to related parties (Note 3)	22.455.062	26.341.004
Due to contract customers- Related party (Note 3)	6.870.835	1.690.669
Other trade payables	5.056.530	1.870.392
Notes payables ⁽¹⁾	3.587.390	6.262.069
Discount on trade and notes payables (-)	(1.760.906)	(2.226.048)
	453.435.647	607.225.859

Long-term trade payables	30 June 2015	31 December 2014
Due to contract customers	150.906.646	56.484.713
Due to contract customers- Related party (Note 3)	6.853.348	9.769.454
Trade payables	1.079.769	913.646
Discount on trade and notes payable (-)	(20.474)	(13.940)
	158.819.289	67.153.873

⁽¹⁾ Constitutes notes payable given for the land acquired in Başkent Organized Industrial Zone.**5. INVENTORIES**

	30 June 2015	31 December 2014
Raw materials	461.445.064	470.031.395
Work in progress	283.548.786	242.988.123
Finished goods	58.830.759	59.647.788
Goods in transit ⁽²⁾	48.520.392	51.292.906
Other inventories	12.052.781	19.165.516
Trade goods	7.682.696	8.245.865
Allowance for impairment on inventories (-)	(14.385.670)	(13.945.117)
	857.694.808	837.426.476

⁽²⁾ Goods in transit includes the goods for which significant risks and rewards of ownership has passed to the Group due to their shipping terms.

The Group provides an allowance for impairment on inventories when the inventories net realizable values are lower than their costs or when they are determined as slow-moving inventories.

The Group has identified raw material, work-in progress and finished good inventories below net realizable value within the current year. Consequently, the Group has provided an additional allowance for impairment on inventories amounting to TL 441.998 (30 June 2014: TL 4.835.768).

5. INVENTORIES (continued)

As of 30 June impaired inventory movements are as follows:

	2015	2014
Opening balance	13.945.117	8.051.806
Provision released	(1.445)	(25.267)
Provision for the period	441.998	4.835.768
Closing balance	14.385.670	12.862.307

6. PREPAID EXPENSES AND DEFERRED INCOME

Short-term prepaid expenses	30 June 2015	31 December 2014
Order advances given for inventory purchases	179.197.126	147.160.388
Short-term order advances given to related parties for inventory purchases (Note 3)	50.534.362	17.855.856
Prepaid expenses ⁽¹⁾	33.316.271	34.795.385
	263.047.759	199.811.629

Long-term prepaid expenses	30 June 2015	31 December 2014
Long-term order advances given to related parties for inventory purchases (Note 3)	291.957.616	303.966.694
Order advances given for inventory purchases	57.961.962	45.045.765
Order advances given for fixed asset purchases	20.103.351	33.187.181
Prepaid expenses ⁽²⁾	1.160.353	1.348.385
	371.183.282	383.548.025

Short-term deferred income	30 June 2015	31 December 2014
Order advances received	227.528.552	122.461.442
Order advances received from related parties (Note 3)	21.779.318	20.136.565
Deferred income	619.627	1.034.647
	249.927.497	143.632.654

Short-term order advances received comprises advances received from 40 customers (31 December 2014: 44 customers) of which first 10 customers constitutes 95,70 percent of the total (31 December 2014: 96,68 percent).

Long-term deferred income	30 June 2015	31 December 2014
Order advances received	1.199.556.103	1.085.204.567
Order advances received from related parties (Note 3)	100.876.170	85.020.911
Deferred income	1.116	2.233
	1.300.433.389	1.170.227.711

Long-term order advances received comprises advances received from 23 customers (31 December 2014: 25 customers) of which the first 10 customers constitutes 99,68 percent of the total (31 December 2014: 99,31 percent).

⁽¹⁾ Prepaid expenses comprise prepaid insurance costs related to non-current assets, employee health insurance, personnel transportation expenses and rent expenses.

⁽²⁾ Prepaid expenses comprise prepaid insurance costs related to non-current assets and rent expenses.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2015

(Amounts are expressed in TL)

7. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

<u>Cost Value</u>	<u>Property, Plant and Equipment</u>	<u>Intangible Assets</u>
Opening balance as of 1 January 2015	1.389.953.464	618.602.568
Additions	51.925.870	111.233.611
Revaluation	41.647.849	-
Disposals	(571.830)	(1.837.045)
Closing balance as of 30 June 2015	1.482.955.353	727.999.134
<u>Accumulated Depreciation and Amortization</u>		
Opening balance as of 1 January 2015	535.984.042	180.096.130
Charge for the period	33.041.695	20.855.736
Disposals	(208.957)	-
Closing balance as of 30 June 2015	568.816.780	200.951.866
Net book value as of 31 December 2014	853.969.422	438.506.438
Net book value as of 30 June 2015	914.138.573	527.047.268
<u>Cost Value</u>		
Opening balance as of 1 January 2014	1.223.157.683	513.689.410
Additions	80.711.667	55.708.170
Disposals	(214.582)	(11.399.970)
Closing balance as of 30 June 2014	1.303.654.768	557.997.610
<u>Accumulated Depreciation and Amortization</u>		
Opening balance as of 1 January 2014	481.169.483	140.881.765
Charge for the period	27.694.447	19.846.697
Disposals	(191.938)	-
Closing balance as of 30 June 2014	508.671.992	160.728.462
Net book value as of 30 June 2014	794.982.776	397.269.148

The Group's lands are recognised at fair value, have been presented in accordance with TFRS 13 "Fair Value Measurement" categorized under level 3 as inputs for the asset are not based on observable market data.

In accordance with the report issued by the real estate valuation firm authorized by CMB, on 31 March 2015 the Group's land at fair value determined with regard to value of equals is TL 252.389.117 (31 December 2014: TL 210.733.964). Land appraisal differences amount to TL 228.701.271 (31 December 2014: TL 187.053.422).

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2015

(Amounts are expressed in TL)

8. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

Other short-term provisions	30 June 2015	31 December 2014
Provision for warranty ⁽¹⁾	68.489.927	71.402.241
Provision for delay penalties and fines ⁽²⁾	12.725.990	7.465.249
Provision for insurance expenses	3.955.286	6.132.220
Provision for cost expenses	2.094.776	1.826.999
Provision for lawsuits	1.438.359	936.873
Other	676.611	1.138.596
	89.380.949	88.902.178

⁽¹⁾The Group's sales under warranty are estimated in accordance with historical data. Warranty periods of projects undertaken by the Group is 2 years on average after delivery.

⁽²⁾Provision for delay penalties and fines are calculated in accordance with interest for default ratio defined by contract when the contract requirements regarding deliverables are not fulfilled on time

	30 June 2015	31 December 2014
Other long-term provisions	-	2.960.077
Provision for delay penalties and fines	-	2.960.077

b) Lawsuits

As of 30 June 2015 and 31 December 2014, in accordance with the declarations of the Group's legal counselors, the lawsuits and debt enforcement cases filed by and against the Group are as follows:

Description	30 June 2015	31 December 2014
a) Ongoing lawsuits filed by the Group	6.067.712	4.693.387
b) Execution proceedings carried on by the Group	3.025.213	5.811.678
c) Ongoing lawsuits filed against the Group	1.438.359	936.873
d) Lawsuits finalized against of the Group within the period	2.201.508	300.415
e) Lawsuits finalized in favor of the Group within the period	51.250	119.195

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2015

(Amounts are expressed in TL)

9. TAX

TL 49.147.179 portion of TL 53.263.408 change in deferred tax assets is due to deferred tax income pertaining to R&D investment incentive exceptions.

10. COMMITMENTS AND CONTINGENCIES

a) Letters of guarantees received

	30 June 2015	31 December 2014
Letters of guarantees received from the suppliers	705.541.448	601.879.993
Collaterals received from the customers	8.946.600	8.462.100
Collaterals received from the suppliers	4.727.337	4.851.036
Letters of guarantees received from the customers	2.219.400	1.944.400
Guarantees received from the suppliers	3.325.588	68.040
Mortgages received from the customers	450.000	450.000
Guarantees received from the customers	6.000	6.000
	725.216.373	617.661.569

b) Letters of guarantees given

The collaterals/pledges/mortgages ("CPM") given by the Group as of 30 June 2015 and 31 December 2014 is as in the following page.

The Group is liable with fulfilling HAVELSAN's remaining obligations within the scope of jointly executed Antisubmarine Warfare Forces and Patrol Ship Project (MILGEM) with a contract cost amounting to USD 232.946.318, if HAVELSAN fails to fulfill them.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2015

(Amounts are expressed in TL)

10. COMMITMENTS AND CONTINGENCIES (continued)

b) Letters of guarantees given (continued)

30 June 2015	TL Equivalent	TL	USD	EURO	UAE Dirham	Polish Zloty	Indian Rupee	British Pound	Qatari Rial
A. Total amount of CPM given on behalf of the legal entity									
-Collateral	7.068.191.006	872.004.927	1.648.934.932	582.759.244	26.759.651	2.424.322	10.000.000	1.654.349	60.000
-Pledge	-	-	-	-	-	-	-	-	-
-Mortgage	-	-	-	-	-	-	-	-	-
B. Total amount of CPM given on behalf of the subsidiaries included in full consolidation									
-Collateral	-	-	-	-	-	-	-	-	-
-Pledge	-	-	-	-	-	-	-	-	-
-Mortgage	-	-	-	-	-	-	-	-	-
C. Total amount of CPM given to maintain operations and collect payables from third parties									
-Collateral	-	-	-	-	-	-	-	-	-
-Pledge	-	-	-	-	-	-	-	-	-
-Mortgage	-	-	-	-	-	-	-	-	-
D. Total amount of other CPM given									
i. Total Amount of CPM on behalf of the main partner									
-Collateral	-	-	-	-	-	-	-	-	-
-Pledge	-	-	-	-	-	-	-	-	-
-Mortgage	-	-	-	-	-	-	-	-	-
ii. Total amount of CPM given on behalf of other group companies that do not cover B and C ⁽¹⁾									
-Collateral	12.189.410	906.950	4.200.000	-	-	-	-	-	-
-Pledge	-	-	-	-	-	-	-	-	-
-Mortgage	-	-	-	-	-	-	-	-	-
iii. Total amount of CPM on behalf of third parties that do not cover C.									
-Collateral	-	-	-	-	-	-	-	-	-
-Pledge	-	-	-	-	-	-	-	-	-
-Mortgage	-	-	-	-	-	-	-	-	-
Total	7.080.380.416	872.911.877	1.653.134.932	582.759.244	26.759.651	2.424.322	10.000.000	1.654.349	60.000

⁽¹⁾The ratio of the other CPM given by the Group to the equity as of 30 June 2015 is 0,54 percent. TL 12.189.410 collateral amount pertains to guarantee letter given on behalf of the entities' affiliate company Mikro AR-GE and joint venture ASELSAN Bilkent which have not been included in the condensed consolidated financial statements.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2015

(Amounts are expressed in TL)

10. COMMITMENTS AND CONTINGENCIES (continued)

b) Letters of guarantees given (continued)

31 December 2014	TL Equivalent	TL	USD	EURO	UAE Dirham	Polish Zloty	Indian Rupee	British Pound	Qatari Rial
A. Total amount of CPM given on behalf of the legal entity									
-Collateral	6.037.294.933	810.262.582	1.520.234.817	594.501.289	26.759.651	2.424.322	10.000.000	1.654.349	60.000
-Pledge	-	-	-	-	-	-	-	-	-
-Mortgage	-	-	-	-	-	-	-	-	-
B. Total amount of CPM given on behalf of the subsidiaries included in full consolidation									
-Collateral	57.972.500	-	25.000.000	-	-	-	-	-	-
-Pledge	-	-	-	-	-	-	-	-	-
-Mortgage	-	-	-	-	-	-	-	-	-
C. Total amount of CPM given to maintain operations and collect payables from third parties									
-Collateral	-	-	-	-	-	-	-	-	-
-Pledge	-	-	-	-	-	-	-	-	-
-Mortgage	-	-	-	-	-	-	-	-	-
D. Total amount of other CPM given									
i. Total Amount of CPM on behalf of the main partner									
-Collateral	-	-	-	-	-	-	-	-	-
-Pledge	-	-	-	-	-	-	-	-	-
-Mortgage	-	-	-	-	-	-	-	-	-
ii. Total amount of CPM given on behalf of other group companies that do not cover B and C ⁽¹⁾									
-Collateral	1.473.000	1.473.000	-	-	-	-	-	-	-
-Pledge	-	-	-	-	-	-	-	-	-
-Mortgage	-	-	-	-	-	-	-	-	-
iii. Total amount of CPM on behalf of third parties that do not cover C.									
-Collateral	-	-	-	-	-	-	-	-	-
-Pledge	-	-	-	-	-	-	-	-	-
-Mortgage	-	-	-	-	-	-	-	-	-
Total	6.096.740.433	811.735.582	1.545.234.817	594.501.289	26.759.651	2.424.322	10.000.000	1.654.349	60.000

⁽¹⁾ The ratio of the other CPM given by the Group to the equity as of 31 December 2014 is 0,07 percent. TL 1.473.000 collateral amount pertains to guarantee letter given on behalf of the entities' affiliate company Mikro AR-GE, which has not been included in the condensed consolidated financial statements.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2015

(Amounts are expressed in TL)

11. EMPLOYEE BENEFITS

a) Payables for employee benefits

	30 June 2015	31 December 2014
Social security premiums payable	10.213.390	10.601.982
Taxes and funds payable	5.832.288	9.918.817
Due to personnel	721.144	2.477.425
	16.766.822	22.998.224

b) Short-term provisions for employee benefits

	30 June 2015	31 December 2014
Provision for vacation pay liability	38.954.566	33.924.548

As of 30 June the movement of the provision for vacation pay and overtime is as follows:

	2015	2014
Opening balance	33.924.548	25.395.640
Provision released	(10.737.283)	(4.746.279)
Provision for the period	15.767.301	12.426.486
Closing balance	38.954.566	33.075.847

c) Long-term provisions for employee benefits

	30 June 2015	31 December 2014
Provision for severance pay	126.239.851	116.485.609
Provision for retirement pay	12.249.642	10.934.656
	138.489.493	127.420.265

As of 30 June the movement of severance and retirement pays are as follows:

	2015	2014
Opening balance	127.420.265	107.067.815
Service cost	13.395.031	3.715.690
Interest cost	2.325.070	3.390.219
Termination cost	167.508	-
Severance and retirement benefits paid	(4.818.381)	(4.538.912)
Closing balance	138.489.493	109.634.812

Provision for severance pay:

In accordance with the Turkish Labor Law, the Group is obligated to pay severance indemnity to each employee who retire (58 years of age for women and 60 years of age for men), whose employment is terminated, who is called to military duty and who passed away after having completed 25 years of employment subsequent to the completion of a year's service.

The amount payable consists of one month's salary limited to a maximum of TL 3.541,37 (31 December 2014: TL 3.438,22) for each period of service at 30 June 2015.

The Groups severance indemnity reserve has been calculated in accordance with the legal ceiling TL 3.709,98 effective from 1 July 2015.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2015

(Amounts are expressed in TL)

11. EMPLOYEE BENEFITS (continued)

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 Group arising from the retirement of employees. TAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the entity's obligation under defined benefit plans.

Provision for retirement pay:

The Group provides retirement allowances for every employee who has completed 20 years of service.

Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	30 June 2015	31 December 2014
	(%)	(%)
Interest rate	8,85	8,85
Inflation rate	6,72	6,72
Discount ratio	2,00	2,00
Estimation of probability of retirement ratio	99	99

12. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS**Capital**

<u>Shareholders</u>	Share (%)	30 June 2015	Share (%)	31 December 2014
TSKGV	84,58	422.912.812	84,58	422.912.812
Publicly held	15,30	76.509.342	15,30	76.509.342
Axa Sigorta Anonim Şirketi	0,12	577.846	0,12	577.846
Nominal capital	100	500.000.000	100	500.000.000
Share capital adjustment		100.320.592		98.620.780
Inflation adjusted capital		600.320.592		598.620.780

The Group's nominal capital is TL 500.000.000 comprising 50.000.000.000 shares each of which is 1 kuruş. A total of 30.272.727.273 of the shares constitutes "Group A" and 19.727.272.727 of the shares constitutes "Group B" shares. All of the shares are nominative. "Group A" shares are privileged nominative shares and 6 members of the Board of Directors members are assigned from the holders of nominative "Group A" type shareholders or from the ones nominated by "Group A" type shareholders. Moreover, when new shares are issued the proportion of nominative "Group A" shares are preserved. In accordance with the CMB's legislation, other Board of Directors members, not including elected Independent Board of Director Members, are assigned from nominative "Group A" shareholders or elected from among candidate nominated by "Group A" shareholders.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2015

(Amounts are expressed in TL)

12. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (continued)

Restricted profit reserves

In accordance with Capital Markets Board's Communique Serial II No:19.1 "Share of Profit", effective as of 1 February 2014, and with regard to the Turkish Commercial Code ("TCC"), legal reserves in publicly held companies will be generated by 5 percent of income until it reaches 20 percent of paid-in share capital. After the 5 percent of the dividend is paid to shareholders, 10 percent of the total distributed to shareholders and employees can be added in the other legal reserve. Under the TCC, the legal reserves can be used only to offset losses for the going concern of the company or to prevent unemployment as long as the amount does not exceed 50 percent of the paid-in capital.

As of 30 June 2015, The Group's restricted reserves set aside from profit comprises legal reserves. The total of the Group's legal reserves are TL 86.943.184 (31 December 2014: TL 73.708.407).

Retained Earnings

Accumulated profits apart from net profit for the year and extraordinary reserves which is accumulated profit by nature are shown under retained earnings. As of 30 June 2015 the extraordinary reserves balance presented in retained earnings is TL 771.829.048 (31 December 2014: TL 559.092.120).

According to the statutory records, the Company's profit for the year is TL 13.424.720 (31 December 2014: TL 184.598.383) and its other funds available for profit distribution is TL 699.265.969 (31 December 2014: TL 579.989.599).

The details of funds is as follows:

	<u>30 June 2015</u>	<u>31 December 2014</u>
Capital reserves and extraordinary reserves	699.265.969	579.989.599

Profit distribution

Publicly traded companies perform dividend distribution in accordance with Capital Market Board's Communique Serial II No:19.1 "Share of Profit", effective as of 1 February 2014.

Shareholders, distribute dividend with general assembly decision, within the context of profit distribution policies set by general assembly and related regulations. As part of the communique, no specific minimum distribution ratio is indicated. Companies pay dividend as defined in their articles of association or dividend distribution policies.

On 31 March 2015, in accordance with the consolidated financial statements, the General Assembly of the Company has decided to allocate legal reserve amounting to TL 13.229.918 of the TL 350.094.919 which is based on the profit distribution, and to distribute TL 65.000.000 in cash to shareholders for dividend payment by leaving the amount of TL 271.865.001 within the Group. Thus, the cash dividend amount for TL 1 nominal value per share is TL 0,13 net (31 December 2014: TL 0,05 net).

As of 30 June 2015 the unpaid portion of the dividend to TSKGV is equal to TL 35.028.422 (Note 3) (31 December 2014: None).

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2015

(Amounts are expressed in TL)

13. REVENUE AND COST OF SALES

	1 January- 30 June 2015	1 April- 30 June 2015	1 January- 30 June 2014	1 April- 30 June 2014
a) Revenue				
Domestic sales	1.078.796.224	464.159.702	934.628.661	502.653.320
Export sales	197.318.131	99.891.822	188.274.950	113.059.314
Other revenues	144.076	144.076	70.851	4.206
Sales returns (-)	(2.828.640)	(1.647.669)	(688.921)	(118.741)
Sales discounts (-)	(707.243)	(414.963)	(558.501)	(275.387)
	1.272.722.548	562.132.968	1.121.727.040	615.322.712
b) Cost of Sales (-)				
Cost of raw materials	470.230.038	172.643.969	342.897.536	184.437.435
Personnel expenses	42.693.978	15.807.742	37.087.003	21.455.075
Production overheads	95.377.939	38.352.650	72.956.607	35.699.261
Change in work in progress	(40.560.663)	(36.246.001)	8.727.457	(5.450.740)
Change in finished goods	817.029	12.461.112	(5.487.741)	(6.033.196)
Development expenses	304.767.005	150.691.234	277.519.996	136.160.213
Cost of service provided	31.521.779	18.701.436	35.674.705	21.694.542
Cost of merchandise goods sold	5.451.877	2.453.824	8.004.655	4.645.358
Cost of other sales	35.375.171	16.401.405	73.123.209	65.345.529
	945.674.153	391.267.371	850.503.427	457.953.477

14. CONSTRUCTION CONTRACTS

	30 June 2015	31 December 2014
Construction costs incurred plus recognized profits less recognized losses to date	6.803.706.967	6.978.059.260
Less: earned allowances	(6.709.778.415)	(6.643.306.055)
Total	93.928.552	334.753.205
Amounts due from customers under construction contracts (Note 4)	294.072.757	484.523.627
Amounts due to customers under construction contracts (Note 4)	(200.144.205)	(149.770.422)
	93.928.552	334.753.205

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2015**

(Amounts are expressed in TL)

15. OTHER OPERATING INCOME AND EXPENSES

a) Other operating income

	1 January- 30 June 2015	1 April- 30 June 2015	1 January- 30 June 2014	1 April- 30 June 2014
Foreign currency exchange differences from activities	183.860.984	79.026.448	279.088.248	122.732.486
Free of charge investment income ⁽¹⁾	9.028.092	9.028.092	-	-
Discount interest income	5.457.645	(1.883)	12.727.476	(277.071)
Interest income	1.720.959	912.620	2.132.593	847.270
Option income	1.012.000	1.012.000	-	-
Other income	5.402.021	3.342.125	2.113.770	1.007.109
	<u>206.481.701</u>	<u>93.319.402</u>	<u>296.062.087</u>	<u>124.309.794</u>

⁽¹⁾ Free of charge investment income comprises fixed assets donated by public bodies and utilized within the scope of research projects conducted with universities. Subsequent to the completion of these projects, the subject matter fixed assets have been incorporated to the Group without any charge.

b) Other operating expenses

	1 January- 30 June 2015	1 April- 30 June 2015	1 January- 30 June 2014	1 April- 30 June 2014
Foreign currency exchange differences from activities	(326.891.085)	(119.057.371)	(272.279.082)	(89.347.560)
Discount interest expense	(7.863.251)	(2.011.668)	(12.789.859)	541.489
Other expense and losses	(1.921.765)	(1.074.051)	(1.368.175)	(649.620)
	<u>(336.676.101)</u>	<u>(122.143.090)</u>	<u>(286.437.116)</u>	<u>(89.455.691)</u>

16. FINANCE INCOME

	1 January- 30 June 2015	1 April- 30 June 2015	1 January- 30 June 2014	1 April- 30 June 2014
Foreign currency exchange gains from bank loans	<u>2.095.442</u>	<u>2.093.421</u>	<u>18.216.215</u>	<u>8.701.112</u>

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2015**

(Amounts are expressed in TL)

17. FINANCE EXPENSES

	1 January- 30 June 2015	1 April- 30 June 2015	1 January- 30 June 2014	1 April- 30 June 2014
Foreign currency exchange losses from bank loans	(68.919.299)	(15.231.168)	(13.444.546)	(506.428)
Rediscount expenses from loans	(5.269.537)	(3.104.722)	(61.826)	(61.826)
Interest expenses from borrowings	(3.328.768)	(1.836.345)	(4.437.098)	(2.372.587)
	<u>(77.517.604)</u>	<u>(20.172.235)</u>	<u>(17.943.470)</u>	<u>(2.940.841)</u>

Derivative financial instruments

Although, derivative financial instruments are effective against risk exposures, on occasions wherein necessary conditions regarding risk accounting are not met, derivative financial instruments are recorded as trading on condensed consolidated financial tables.

As of 30 June 2015 and 31 December 2014 details of trading derivative financial instruments have been presented below:

	30 June 2015		
	Contract Amount ⁽¹⁾	Fair Value	
		Assets	Liabilities
Option contracts	21.490.400	531.737	-

	31 December 2014		
	Contract Amount	Fair Value	
		Assets	Liabilities
Option contracts	-	-	-

(1) The total amount of derivative financial instrument purchase and sales.

On 26 June 2015, option transaction was realized via Finansbank on 21 July 2015 for a total of USD 8.000.000 time deposit amount.

18. EARNINGS PER SHARE

Earnings per share is calculated by dividing the the portion of profit allocated to the Group's weighted average number of shares outstanding over the reporting term. The Group does not have diluted shares.

For the six month periods ended 30 June 2015 and 2014, earnings per share calculations are as follows:

	1 January- 30 June 2015	1 April- 30 June 2015	1 January- 30 June 2014	1 April- 30 June 2014
Common stock	50.000.000.000	50.000.000.000	50.000.000.000	50.000.000.000
Net profit – TL	51.075.712	91.267.009	198.608.727	140.923.166
Earnings per 100 shares	<u>0,10</u>	<u>0,18</u>	<u>0,40</u>	<u>0,28</u>

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2015

(Amounts are expressed in TL)

19. FOREIGN EXCHANGE POSITION

FOREIGN EXCHANGE POSITION				
30 June 2015	TL Equivalent (Functional currency)	USD	EURO	Other
1. Trade receivables	604.039.339	154.490.166	63.367.816	56.903
2a. Monetary financial assets (including cash, banks and advance)	209.439.898	48.287.661	19.500.695	21.569.782
2b. Non-monetary financial asset	-	-	-	-
3. Other	7.470.085	58.834	861.378	4.743.239
4. Current Assets (1+2+3)	820.949.322	202.836.661	83.729.889	26.369.924
5. Trade receivables	272.439.650	97.180.025	3.817.634	-
6a. Monetary financial assets (including advance)	247.391.205	2.549.654	80.162.788	1.480.603
6b. Non-monetary other assets	-	-	-	-
7. Other	1.961.155	50.683	540.644	212.696
8. Non-current Assets (5+6+7)	521.792.010	99.780.362	84.521.066	1.693.299
9. Total Assets (4+8)	1.342.741.332	302.617.023	168.250.955	28.063.223
10. Trade payables	235.482.809	23.106.601	54.160.307	11.894.678
11. Financial liabilities	311.821.049	116.068.767	8.557	-
12a. Other monetary liabilities (including advance)	185.440.015	55.516.692	12.060.319	339.242
12b. Other non-monetary liabilities	-	-	-	-
13. Current Liabilities (10+11+12)	732.743.873	194.692.060	66.229.183	12.233.920
14. Trade payables	8.858.142	3.297.525	-	-
15. Financial liabilities	185.235.988	68.944.078	10.567	-
16 a. Other monetary liabilities (including advance)	998.916.854	236.963.076	121.508.599	-
16 b. Other non-monetary liabilities	-	-	-	-
17. Non-current Liabilities (14+15+16)	1.193.010.984	309.204.679	121.519.166	-

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2015

(Amounts are expressed in TL)

19. FOREIGN EXCHANGE POSITION (continued)

FOREIGN EXCHANGE POSITION				
30 June 2015	TL Equivalent (Functional currency)	USD	EURO	Other
18. Total liabilities (13+17)	1.925.754.857	503.896.739	187.748.349	12.233.920
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	-	-	-	-
19a. Hedged total financial assets	-	-	-	-
19b. Hedged total financial liabilities	-	-	-	-
20. Net foreign currency asset/liability (9-18+19)	(583.013.525)	(201.279.716)	(19.497.394)	15.829.303
21. Net foreign currency asset / liability position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	(592.444.765)	(201.389.233)	(20.899.416)	10.873.368
22. Fair value of derivative financial instruments used in foreign currency hedge	531.737	200.000	-	-
23. Hedged foreign currency assets	21.490.400	8.000.000	-	-
24. Hedged foreign currency liabilities	-	-	-	-
25. Exports	197.318.131	59.415.939	13.701.936	5.784.798
26. Imports	333.811.418	67.334.400	44.009.463	21.685.998

As of 30 June 2015, the Company has short foreign currency position amounting to TL 1.662.415.631 (31 December 2014: TL 1.312.097.756) in the financial statements prepared in accordance with the General Communiqué on Accounting System Application ("GCASA"). Accompanying foreign exchange position which was prepared in accordance with CMB's regulation, is different from the foreign exchange position of the financial statements prepared according to GCASA. Due to the adjustments and classifications related to TAS 11 "Construction Contracts".

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2015

(Amounts are expressed in TL)

19. FOREIGN EXCHANGE POSITION (continued)

FOREIGN EXCHANGE POSITION				
31 December 2014	TL Equivalent (Functional currency)	USD	EURO	Other
1. Trade receivables	634.205.928	123.205.255	123.552.757	-
2a. Monetary financial assets (including cash, banks and advance)	175.143.653	47.803.467	21.781.798	2.852.274
2b. Non-monetary financial asset	-	-	-	-
3. Other	11.932.193	2.248.902	1.007.346	3.875.794
4. Current Assets (1+2+3)	821.281.774	173.257.624	146.341.901	6.728.068
5. Trade receivables	289.927.324	69.571.343	40.058.147	15.606.320
6a. Monetary financial assets (including advance)	225.217.589	2.594.671	76.853.745	2.419.449
6b. Non-monetary other assets	-	-	-	-
7. Other	5.041.245	392.404	494.324	2.736.960
8. Non-current Assets (5+6+7)	520.186.158	72.558.418	117.406.216	20.762.729
9. Total Assets (4+8)	1.341.467.932	245.816.042	263.748.117	27.490.797
10. Trade payables	296.935.203	50.134.038	59.789.744	12.030.455
11. Financial liabilities	228.546.528	98.542.325	13.021	-
12a. Other monetary liabilities (including advance)	85.987.914	33.874.765	2.535.363	284.223
12b. Other non-monetary liabilities	-	-	-	-
13. Current Liabilities (10+11+12)	611.469.645	182.551.128	62.338.128	12.314.678
14. Trade payables	13.014.415	5.612.322	-	-
15. Financial liabilities	195.267.474	84.194.087	10.567	-
16 a. Other monetary liabilities (including advance)	700.559.412	165.072.696	112.657.262	-
16 b. Other non-monetary liabilities	-	-	-	-
17. Non-current Liabilities (14+15+16)	908.841.301	254.879.105	112.667.829	-

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2015

(Amounts are expressed in TL)

19. FOREIGN EXCHANGE POSITION (continued)

FOREIGN EXCHANGE POSITION				
31 December 2014	TL Equivalent (Functional currency)	USD	EURO	Other
18. Total Liabilities (13+17)	1.520.310.946	437.430.233	175.005.957	12.314.678
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	-	-	-	-
19a. Hedged total financial assets	-	-	-	-
19b. Hedged total financial liabilities	-	-	-	-
20. Net foreign currency asset/liability (9-18+19)	(178.843.014)	(191.614.191)	88.742.160	15.176.119
21. Net foreign currency asset / liability position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	(195.816.452)	(194.255.497)	87.240.490	8.563.365
22. Fair value of derivative financial instruments used in foreign currency hedge	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-
25. Exports	459.653.673	144.095.625	46.287.302	9.797.134
26. Imports	877.253.772	237.642.654	101.834.710	38.939.055

19. FOREIGN EXCHANGE POSITION (continued)

Foreign Currency Sensitivity

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD and EURO. As of 30 June 2015, USD 1: TL 2.6863, EURO 1: TL 2.9822 (31 December 2014: TL 2.3189 and TL 2.8207, respectively).

The following table details the Group's sensitivity to a 10 percent increase and decrease in USD and EURO. 10 percent is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10 percent change in foreign currency rates. This analysis includes Group companies' balance sheet items which are functional currency of the non TL. The effects of 10 percent changes in foreign currency rate on financial statements is as follows;

Foreign currency sensitivity table				
30 June 2015				
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Appreciation of USD against TL by 10%:				
1- USD denominated net assets/liabilities	(54.069.770)	54.069.770	(54.069.770)	54.069.770
2- Hedged amount against USD risk (-)	-	-	-	-
3- Net effect of USD (1+2)	(54.069.770)	54.069.770	(54.069.770)	54.069.770
Appreciation of EURO against TL by 10%:				
4- EURO denominated net assets/liabilities	(5.814.513)	5.814.513	(5.814.513)	5.814.513
5- Hedged amount against EURO risk (-)	-	-	-	-
6- Net effect of EURO (4+5)	(5.814.513)	5.814.513	(5.814.513)	5.814.513

Foreign currency sensitivity table				
31 December 2014				
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Appreciation of USD against TL by 10%:				
1- USD denominated net assets/liabilities	(44.433.415)	44.433.415	(44.433.415)	44.433.415
2- Hedged amount against USD risk (-)	-	-	-	-
1- USD denominated net assets/liabilities	(44.433.415)	44.433.415	(44.433.415)	44.433.415
Appreciation of EURO against TL by 10%:				
4- EURO denominated net assets/liabilities	25.031.501	(25.031.501)	25.031.501	(25.031.501)
5- Hedged amount against EURO risk (-)	-	-	-	-
6- Net effect of EURO (4+5)	25.031.501	(25.031.501)	25.031.501	(25.031.501)

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2015

(Amounts are expressed in TL)

20. FINANCIAL INSTRUMENTS FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING

30 June 2015	Financial assets at fair value	Loans and receivables (including cash and cash equivalents)	Available for sale financial assets	Financial liabilities at amortized cost	Carrying value	Note
<u>Financial assets</u>						
Cash and cash equivalents	-	109.525.470	-	-	109.525.470	
Blocked deposits	-	27.811.951	-	-	27.811.951	
Financial investments	531.737	-	362.970.300	-	363.502.037	
Trade receivables	-	1.312.820.135	-	-	1.312.820.135	4
<u>Financial liabilities</u>						
Borrowings	-	-	-	562.566.087	562.566.087	
Trade payables	-	-	-	612.254.936	612.254.936	4
Other payables	-	-	-	36.101.016	36.101.016	
31 December 2014						
	Financial assets at fair value	Loans and receivables (including cash and cash equivalents)	Available for sale financial assets	Financial liabilities at amortized cost	Carrying value	Note
<u>Financial assets</u>						
Cash and cash equivalents	-	131.941.264	-	-	131.941.264	
Blocked deposits	-	22.163.233	-	-	22.163.233	
Financial investments	-	-	355.622.999	-	355.622.999	
Trade receivables	-	1.254.170.275	-	-	1.254.170.275	4
<u>Financial liabilities</u>						
Borrowings	-	-	-	479.149.506	479.149.506	
Trade payables	-	-	-	674.379.732	674.379.732	4
Other payables	-	-	-	814.293	814.293	

The Group's management assesses that the carrying value reflects the fair value of financial instruments. Related financial assets are presented with acquisition cost after impairment allowance if available.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2015

(Amounts are expressed in TL)

20. FINANCIAL INSTRUMENTS FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING (continued)**30 June 2015**

	Fair value level as of the reporting date		
	Level 1	Level 2	Level 3
	TL	TL	TL
Option Contracts	531.737	-	531.737
ROKETSAN-Roket Sanayi ve Ticaret Anonim Şirketi	313.581.850	-	313.581.850
	314.113.587	-	314.113.587

31 December 2014

	Fair value level as of the reporting date		
	Level 1	Level 2	Level 3
	TL	TL	TL
ROKETSAN-Roket Sanayi ve Ticaret Anonim Şirketi	313.581.850	-	313.581.850
	313.581.850	-	313.581.850

As of 30 June 2015 fair value level movements are as follows:

	Fair value level as of the reporting date		
	Level 1	Level 2	Level 3
	TL	TL	TL
1 January 2015	-	-	313.581.850
Additions	-	-	531.737
30 June 2015	-	-	314.113.587

21. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the balance sheet date the Group has signed contracts approximately amounting to TL 28 Million, EURO 132 Million and USD 263 Million.