

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

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

**CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2015 WITH INDEPENDENT
AUDITORS' REPORT THEREON**

7 March 2016

This report contains independent audit report comprising
2 pages and consolidated financial statements and footnotes
comprising 107 pages.

**Convenience Translation Of Independent Auditor's Report
Originally Issued In Turkish**

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

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of Aselsan Elektronik Sanayi ve Ticaret Anonim Şirketi (the "Company") and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the standards an auditing issued by Capital Markets Board of Turkey ("CMB") and Independent Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the consolidated financial position of Aselsan Elektronik Sanayi ve Ticaret Anonim Şirketi and its subsidiaries as of 31 December 2015, and its financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Accounting Standards.

Other Matters

The consolidated financial statements of Aselsan Elektronik Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries as at and for the year ended 31 December 2014, excluding the adjustments described in the paragraph below to the consolidated financial statements were audited by another auditor who expressed an unmodified opinion on those financial statements on 6 March 2015.

As part of our audit of the consolidated financial statements as at and for the year ended 31 December 2015, we audited the adjustments described in Note 34 that were applied to restate the comparative information presented as at and for the year ended 31 December 2014. We were not engaged to audit, review, or apply any procedures to the consolidated financial statements for the year ended 31 December 2014, other than with respect to the adjustments described in Note 34 to the consolidated financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments described in Note 34 are appropriate and have been properly applied.

Reports on Other Legal and Regulatory Requirements

Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") number 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 7 March 2016.

Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2015, the Company's bookkeeping activities and consolidated financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

Akis Bağımsız Denetim ve Serbest Mali Müşavirlik Anonim Şirketi

A Member of KPMG International Cooperative

Hakkı Özgür SIVACI, SMMM

Partner

7 March 2016

İstanbul, Turkey

CONTENT	PAGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	1-3
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	4-5
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	6
CONSOLIDATED STATEMENT OF CASH FLOWS	7
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	8-107
1. ORGANIZATION AND OPERATIONS OF THE GROUP	8
2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS	10
3. INTERESTS IN OTHER ENTITIES	37
4. RELATED PARTY TRANSACTIONS	38
5. TRADE RECEIVABLES AND PAYABLES	43
6. OTHER RECEIVABLES AND PAYABLES	45
7. EQUITY ACCOUNTED INVESTMENTS	46
8. INVENTORIES	47
9. PREPAID EXPENSES AND DEFERRED INCOME	48
10. PROPERTY, PLANT AND EQUIPMENT	49
11. INTANGIBLE ASSETS	52
12. GOVERNMENT GRANTS AND INCENTIVES	54
13. BORROWING COSTS	55
14. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	56
15. COMMITMENTS AND CONTINGENCIES	59
16. EMPLOYEE BENEFITS	62
17. OTHER ASSETS AND LIABILITIES	64
18. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS	65
19. REVENUE AND COST OF SALES	67
20. CONSTRUCTION CONTRACTS	68
21. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES	68
22. OTHER OPERATING INCOME AND EXPENSES	70
23. INCOME FROM INVESTING ACTIVITIES	70
24. FINANCE INCOME	71
25. FINANCE EXPENSES	71
26. ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS	71
27. INCOME TAXES	73
28. EARNINGS PER SHARE	78
29. FINANCIAL INVESTMENTS	78
30. FINANCIAL LIABILITIES	80
31. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS	82
32. FINANCIAL INSTRUMENTS FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING	96
33. EVENTS AFTER THE REPORTING PERIOD	99
34. EXPLANATORY NOTES TO THE STATEMENT OF CASH FLOWS	99
35. OTHER ISSUES REQUIRED TO BE DISCLOSED THAT HAS SIGNIFICANT IMPACT ON FINANCIAL STATEMENTS OR IN ORDER FINANCIAL STATEMENT TO BE CLEAR, INTERPRETABLE AND UNDERSTANDABLE	100

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

	Note References	Audited		
		31 December 2015	31 December 2014	1 January 2014
ASSETS				
Current Assets		3.092.767.310	2.363.261.089	1.978.302.821
Cash and Cash Equivalents	34	680.963.051	131.941.264	103.683.817
Trade Receivables	5	1.068.282.540	1.046.265.478	780.570.624
<i>From Related Parties</i>	4	<i>165.331.068</i>	<i>123.006.267</i>	<i>143.803.785</i>
<i>From Third Parties</i>		<i>902.951.472</i>	<i>923.259.211</i>	<i>636.766.839</i>
Other Receivables	6	48.242.341	41.953.632	81.512.996
<i>From Related Parties</i>	4	<i>--</i>	<i>19.746</i>	<i>32.771.269</i>
<i>From Third Parties</i>		<i>48.242.341</i>	<i>41.933.886</i>	<i>48.741.727</i>
Inventory	8	886.826.856	837.426.476	645.849.543
Prepaid Expenses	9	228.677.758	189.071.895	259.778.895
<i>From Related Parties</i>	4	<i>22.527.030</i>	<i>15.811.275</i>	<i>25.050.301</i>
<i>From Third Parties</i>		<i>206.150.728</i>	<i>173.260.620</i>	<i>234.728.594</i>
Other Current Assets	17	179.774.764	116.602.344	106.906.946
Non-Current Assets		3.152.334.219	2.712.670.621	1.983.201.309
Financial Investments	29	433.501.192	355.622.999	12.724.210
Trade Receivables	5	375.886.147	421.829.733	400.946.981
<i>From Related Parties</i>	4	<i>25.431.437</i>	<i>37.527.873</i>	<i>35.615.010</i>
<i>From Third Parties</i>		<i>350.454.710</i>	<i>384.301.860</i>	<i>365.331.971</i>
Other Receivables	6	288.124	261.988	197.085
<i>From Third Parties</i>		<i>288.124</i>	<i>261.988</i>	<i>197.085</i>
Equity Accounted Investments	7	41.916.350	--	--
Property, Plant and Equipment	10	924.841.904	852.761.857	741.988.200
Intangible Assets	11	537.511.904	438.506.438	372.807.645
Prepaid Expenses	9	410.132.684	352.358.052	228.884.966
<i>From Related Parties</i>	4	<i>284.920.701</i>	<i>275.135.993</i>	<i>140.913.898</i>
<i>From Third Parties</i>		<i>125.211.983</i>	<i>77.222.059</i>	<i>87.971.068</i>
Deferred Tax Assets	27	330.533.397	200.945.590	143.001.842
Other Non-Current Assets	17	97.722.517	90.383.964	82.650.380
TOTAL ASSETS		6.245.101.529	5.075.931.710	3.961.504.130

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

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

	Note References	Audited		
		31 December 2015	(Restated)	
			31 December 2014	1 January 2014
LIABILITIES				
Current Liabilities		1.568.972.887	1.261.590.287	957.434.099
Short-term Financial Liabilities	30	357.815.888	235.273.838	157.226.761
Short-term Portion of Long-term Financial Liabilities	30	89.428.178	48.608.193	22.832.818
Trade Payables	5	577.203.023	606.177.015	393.448.102
<i>To Related Parties</i>	4	37.695.908	29.080.517	16.265.805
<i>To Third Parties</i>		539.507.115	577.096.498	377.182.297
Employee Benefit Obligations	16	21.587.810	22.998.224	19.226.599
Other Payables	6	2.870.595	782.461	448.381
<i>To Related Parties</i>	4	55.166	306.817	30.320
<i>To Third Parties</i>		2.815.429	475.644	418.061
Government Grants and Incentives	12	22.582.761	15.043.829	11.280.034
Deferred Income	9	261.497.435	188.568.923	235.224.117
<i>To Related Parties</i>	4	15.194.498	19.206.330	20.048.345
<i>To Third Parties</i>		246.302.937	169.362.593	215.175.772
Corporate Tax Liability	27	2.633.455	651.558	480.904
Short-term Provisions		220.040.913	139.284.021	114.369.110
<i>For Employee Benefits</i>	16	38.114.689	33.924.548	25.395.640
<i>Other</i>	14	181.926.224	105.359.473	88.973.470
Other Current Liabilities	17	13.312.829	4.202.225	2.897.273
Non-Current Liabilities		1.835.392.817	1.275.194.663	1.112.141.441
Long-term Financial Liabilities	30	156.073.773	195.267.475	173.227.412
Trade Payables	5	222.884.252	54.198.334	12.163.376
<i>To Related Parties</i>	4	34.279.097	9.769.454	--
<i>To Third Parties</i>		188.605.155	44.428.880	12.163.376
Other Payables	6	38.201	31.832	30.518
<i>To Third Parties</i>		38.201	31.832	30.518
Government Grants and Incentives	12	--	2.233.448	1.878.514
Deferred Income	9	1.269.467.294	880.127.693	814.923.596
<i>To Related Parties</i>	4	87.021.381	76.987.617	23.573.411
<i>To Third Parties</i>		1.182.445.913	803.140.076	791.350.185
Long-term Provisions		186.929.297	143.335.881	109.918.025
<i>For Employee Benefits</i>	16	163.412.033	127.420.265	107.067.815
<i>Other</i>	14	23.517.264	15.915.616	2.850.210

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

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

	Note References	Audited		
		31 December 2015	31 December 2014	1 January 2014
			(Restated)	
EQUITY		2.840.735.825	2.539.146.760	1.891.928.590
Equity Attributable to Equity Holders of the Parent		2.840.283.211	2.539.146.760	1.891.410.789
Share Capital	18	500.000.000	500.000.000	500.000.000
Inflation Adjustment on Share Capital	18	100.320.592	98.620.780	98.620.780
Other Comprehensive Income /(Expense) that will not to be Reclassified Subsequently to Profit or Loss		201.147.383	161.629.426	173.666.454
<i>Gain/(Loss) on Remeasurement of Defined Benefit Plans</i>	26	<i>(14.924.138)</i>	<i>(14.924.138)</i>	<i>(3.866.000)</i>
<i>Gain on Revaluation of Property</i>	26	<i>216.071.521</i>	<i>176.553.564</i>	<i>177.532.454</i>
Other Comprehensive Income/(Expenses) that may be Reclassified Subsequently to Profit or Loss		406.707.139	293.018.605	--
<i>Gain on Revaluation of Available for Sale Financial Assets</i>	26	<i>406.801.891</i>	<i>293.018.605</i>	--
<i>Foreign Currency Exchange Differences</i>	26	<i>(94.752)</i>	--	--
Restricted Reserves	18	86.943.184	73.708.407	69.677.755
Retained Earnings		1.332.234.953	1.020.117.341	811.364.311
Net Profit for the Period		212.929.960	392.052.201	238.081.489
Non-Controlling Interests		452.614	--	517.801
TOTAL LIABILITIES AND EQUITY		6.245.101.529	5.075.931.710	3.961.504.130

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

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

	Note References	Audited	
		2015	(Restated) 2014
PROFIT OR LOSS			
Revenue	19	2.780.429.591	2.534.501.073
Cost of Sales (-)	19	(2.154.355.913)	(1.915.883.243)
GROSS PROFIT		626.073.678	618.617.830
General Administrative Expenses (-)	21	(138.398.675)	(124.248.781)
Marketing Expenses (-)	21	(74.653.545)	(46.531.957)
Research and Development Expenses (-)	21	(87.980.094)	(72.037.415)
Other Operating Income	22	173.646.848	105.399.088
Other Operating Expense (-)	22	(295.921.740)	(137.166.260)
OPERATING PROFIT		202.766.472	344.032.505
Income from Investing Activities	23	2.477.731	2.122.943
Share of Losses of Equity-Accounted Investees		(9.115.691)	--
OPERATING PROFIT BEFORE FINANCIAL EXPENSE		196.128.512	346.155.448
Financial Income	24	38.348.073	50.127.162
Financial Expense (-)	25	(155.266.839)	(73.482.443)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		79.209.746	322.800.167
Tax Income from Continuing Operations		134.163.623	69.252.034
- Current Corporate Tax Expense(-)	27	(3.492.670)	(1.288.840)
- Deferred Tax Income	27	137.656.293	70.540.874
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		213.373.369	392.052.201
Profit Attributable to:			
Non-Controlling Interest		443.409	--
Owners of the Company		212.929.960	392.052.201
		213.373.369	392.052.201
Earnings per 100 Shares (kuruş)	28	42,6	78,4

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

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

	<u>Note References</u>	<u>Audited</u>	
		<u>1 January- 31 December 2015</u>	<u>(Restated) 1 January- 31 December 2014</u>
PROFIT FOR THE PERIOD		213.373.369	392.052.201
OTHER COMPREHENSIVE INCOME		--	--
Items that will not to be Reclassified Subsequently in Profit or Loss		39.517.957	(12.205.325)
Gain on Revaluation of Property	26	41.597.849	(1.207.565)
Loss on Remeasurement of Defined Benefit Plans	16	--	(13.822.672)
Deferred Tax (Expense)/Income	27	(2.079.892)	2.824.912
Items that may be Reclassified Subsequently to Profit or Loss		113.688.534	293.018.605
Gain on Revaluation of Available for Sale Financial Assets	26	119.771.880	308.440.637
Foreign Currency Exchange Differences	26	(94.752)	--
Deferred Tax Expense	26-27	(5.988.594)	(15.422.032)
OTHER COMPREHENSIVE INCOME		153.206.491	280.813.280
TOTAL COMPREHENSIVE INCOME		366.579.860	672.865.481
Total Comprehensive Income Attributable to:			
Non-Controlling Interests		443.409	--
Owners of the Company		366.136.451	672.865.481
		366.579.860	672.865.481

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

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

	Other Comprehensive Income / Expense that will not to be Reclassified Subsequently to Profit or Loss				Other Comprehensive Income / Expense that may be Reclassified Subsequently to Profit or Loss			Retained Earnings			Equity Attributable to Owners of the Company	Non-Controlling Interests	Total
	Share Capital	Inflation Adjustment on Share Capital	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	Foreign Currency Exchange Differences	Restricted Reserves	Retained Earnings	Net Profit for the Period				
Balance as of 1 January 2014 (Restated)	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	
Restatement effect (Note:35)	--	--	--	--	--	--	--	279.443.139	--	279.443.139	--	279.443.139	
Balance as of 1 January 2014 (Restated)	500.000.000	98.620.780	177.532.454	(3.866.000)	--	--	69.677.755	811.364.311	238.081.489	1.891.410.789	517.801	1.891.928.590	
Transfers	--	--	--	--	--	--	3.983.319	209.098.170	(213.081.489)	--	--	--	
Total Comprehensive Income	--	--	(1.147.187)	(11.058.138)	293.018.605	--	--	--	392.052.201	672.865.481	--	672.865.481	
Dividends	--	--	--	--	--	--	--	--	(25.000.000)	(25.000.000)	--	(25.000.000)	
Transactions with non-controlling interests	--	--	168.297	--	--	--	47.333	(345.140)	--	(129.510)	(517.801)	(647.311)	
Balance as of 31 December 2014 (Closing Balance)	500.000.000	98.620.780	176.553.564	(14.924.138)	293.018.605	--	73.708.407	1.020.117.341	392.052.201	2.539.146.760	--	2.539.146.760	
Balance as of 1 January 2015 (Opening Balance)	500.000.000	98.620.780	176.553.564	(14.924.138)	293.018.605	--	73.708.407	1.020.117.341	392.052.201	2.539.146.760	--	2.539.146.760	
Transfers	--	--	--	--	--	--	13.229.919	271.865.000	(285.094.919)	--	--	--	
Total Comprehensive Income	--	--	39.517.957	--	113.783.286	(94.752)	--	41.957.282	170.972.678	366.136.451	443.409	366.579.860	
Dividends Paid	--	--	--	--	--	--	--	--	(65.000.000)	(65.000.000)	--	(65.000.000)	
Transactions with non-controlling shareholders	--	--	--	--	--	--	--	--	--	--	9.205	9.205	
The effect of take over of subsidiaries ⁽¹⁾	--	1.699.812	--	--	--	--	4.858	(1.704.670)	--	--	--	--	
Balance as of 31 December 2015 (Closing Balance)	500.000.000	100.320.592	216.071.521	(14.924.138)	406.801.891	(94.752)	86.943.184	1.332.234.953	212.929.960	2.840.283.211	452.614	2.840.735.825	

⁽¹⁾ Represents the effect of merger of MİKES Mikroalga 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 these consolidated financial statements.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

	Note Reference	Audited	
		2015	Restated 2014
A.Cash Flows from Operating Activities		767.496.334	281.527.455
Net Profit for the Period		213.373.369	392.052.201
Adjustments to Reconcile Profit for the Year		623.528.768	93.025.184
- Depreciation and Amortization Expense	10-11	103.442.908	89.879.012
- Research and Development Expense	11	23.849.001	28.848.597
- Gain and Sale of Property Plant and Equipment	22	(10.057.380)	--
- Construction in Progress	20	408.516.574	(94.211.531)
- Provision for Employee Benefits		53.869.105	27.725.191
- Allowance for Doubtful Trade Receivables/(Reversals) – Net	5	--	(1.362.431)
- Provision for Warranty/(Reversals) – Net		107.774.838	45.461.549
- Provision for Delay Penalties and Fines – Net		9.217.455	13.268.444
- Provision for Expected Losses of Construction Contracts		35.907.980	29.412.834
- Provision for Lawsuits – Net		1.817.518	503.800
- Allowance for Impairment on Inventories – Net		1.724.554	5.894.784
- Other Provisions		(212.351)	2.435.431
- Interest Income		(14.119.343)	(11.246.566)
- Interest Expense		26.413.270	15.279.155
- Unrealized Foreign Exchange Differences Related to Financial Borrowings – Net		32.482.161	12.157.440
- Tax Expense/Income	27	(134.163.623)	(69.252.034)
- Income from Investing Activities	23	--	(1.914.324)
- Adjustments to reconcile for profit/loss		(22.933.899)	145.833
Changes in Working Capital		16.129.207	(128.133.117)
- Inventory		68.081.733	46.775.876
- Trade Receivables		(245.577.575)	(153.644.858)
- Other Receivables		(6.314.845)	39.548.892
- Prepaid Expenses		(207.114.806)	(290.223.024)
- Trade Payables		(2.163.349)	217.532.612
- Other Payables		2.094.503	335.394
- Employee Benefit Obligations	16	(1.410.414)	3.771.625
- Government Grants and Incentives	12	5.305.484	4.118.729
- Deferred Income	9	462.268.113	18.548.903
- Other Assets and Liabilities		(59.039.637)	(14.849.292)
- Working Capital		--	(47.974)
Net Cash Provided By Operating Activities		853.031.344	356.944.268
Tax Payments		(1.510.773)	(1.118.186)
Employee Termination Benefits Paid	16	(5.927.178)	(6.947.744)
Warranty Provisions Paid	14	(61.368.216)	(46.686.173)
Delay Penalties and Fines Paid		(8.863.757)	(14.931.976)
Other Provisions Paid		(7.865.086)	(5.732.734)
B.Cash Flows from Investing Activities		(256.217.201)	(324.166.611)
Proceeds from Disposal of Property, Plant and Equipment and Intangible Assets		6.697.478	530.468
Payments for Property, Plant and Equipment		(95.154.435)	(157.533.671)
Payments for Intangible Assets - Net	11	(165.259.861)	(133.811.624)
Gain on Sale of Property Plant and Equipment	23	(2.477.731)	(208.619)
Change in Financial Investments		(22.652)	(35.057.489)
Dividends Received	23	--	1.914.324
C.Cash Flows from Financing Activities		14.903.507	71.042.436
Proceeds from Borrowings		487.657.505	523.895.854
Repayments of Borrowings		(412.363.399)	(427.540.525)
Repayments of Obligations Under Finance Leases		(127.034)	(113.067)
Interest Paid	25	(3.462.289)	(3.851.753)
Interest Received		8.198.724	3.651.927
Dividend Payments	18	(65.000.000)	(25.000.000)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF FOREIGN CURRENCY EXCHANGE DIFFERENCES (A+B+C)		526.182.640	28.403.280
D. EFFECT OF FOREIGN CURRENCY EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS		22.839.147	(145.833)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS(A+B+C+D)		549.021.787	28.257.447
E.CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	34	131.941.264	103.683.817
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	34	680.963.051	131.941.264

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

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

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 together with providing and conducting 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 Armed Forces Foundation. The Company commenced its production activities in Macunköy Facilities beginning from 1979.

As of the reporting date, 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 has ten separate vice presidencies including the Financial Management Vice Presidency, Shared Services Vice Presidency, Research and Development and Technology Management Vice Presidency, Strategy and Development Vice Presidency, Human Resources Management Vice Presidency.

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

Turkish Armed Forces Foundation ("TAFF") is the main shareholder of the Company which holds 84,58 percent of the capital and maintains control of the Company. TAFF 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 31 December 2015 15,30 percent of the Company's shares are publicly traded (31 December 2014: 15,30 percent) (Note 18).

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 31 December 2015 is 5.392 (31 December 2014: 5.335).

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira (“TL”) unless otherwise stated.)

1. ORGANIZATION AND OPERATIONS OF THE GROUP (continued)

The Company’s consolidated subsidiaries are ASELSAN Bakü Şirketi (“ASELSAN Bakü”), and Mikroelektronik Ar-Ge Tasarım ve Ticaret Limited Şirketi (“Mikro AR-GE”) and ASELSANNET Elektronik ve Haberleşme Sistemleri Sanayi Ticaret İnşaat ve Taahhüt Limited Şirketi (“ASELSANNET”). They are collectively referred as the “Group” in the accompanying notes.

The main operations of the companies included in the consolidation and ownership interest of the Company are as follows:

Company Name	Operation	31 December	31 December
		2015	2014
ASELSANNET	Communication systems	100,00	100,00
ASELSAN Bakü	Marketing and sales of the Group Products	100,00	100,00
Mikro AR-GE	Research and development on microelectronic projects	85,00	85,00
Mikrodalga Elektronik Sistemler Sanayi ve Ticaret Anonim Şirketi (“MİKES”)	Research and development on microwave projects	--	100,00

With the Board of Directors resolution numbered 843 dated 5 January 2015 MİKES has merged with the Company by means of take over of all assets and liabilities incurred through simplified merger proceeding which was registered on 20 January 2015 together with the dissolution of MİKES.

Thereby, MİKES has been merged with the Company with its all assets and liabilities through complete succession in accordance with the II-23-2 Consolidation and Division Decree 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 transferred to the Company by 20 January 2015.

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.

Approval of the consolidated financial statements

These consolidated financial statements have been approved for issue by the Board of Directors with the resolution number 878 on 7 March 2016. No authority other than General Assembly and legal entities has the right to amend the consolidated financial statements.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira (“TL”) unless otherwise stated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 The basis of presentation

Statement of Compliance to TAS

The accompanying consolidated financial statements have been prepared in accordance with the communiqué No: II, 14.1 “Communiqué on Financial Reporting Standards in Capital Markets” (“Communiqué”) promulgated by CMB, which is published at 13 June 2013 in the Official Gazette numbered 28676 and in accordance with the Turkish Accounting Standards (“TAS”), issued by the Public Oversight Accounting and Auditing Standards Authority (“POA”). TAS; Turkish Accounting Standards is composed of Turkish Financial Reporting Standards with related additions and interpretations.

In addition, the consolidated financial statements and its notes have been prepared in accordance with the requirements announced by the CMB’s on 7 June 2013.

The consolidated financial statements have been prepared on a historical cost basis except for the revaluation of lands and some financial instruments. Fair value of the consideration paid for the assets are considered in determining the historical cost.

Functional Currency

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

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

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
			2015	2014	
ASELSANNET	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⁾ The Companies are consolidated on line by line bases.

The consolidated financial statements includes 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 it has control over an investee if there is a change in one of the above criteria mentioned.

Even though the Company has voting rights less than a majority, if it has ability to manage the operation of the investee unintentionally, then the Group assess that it has control over that investee.

- comparison of voting rights of the Company and the others,
- potential voting rights held by the Company and others,
- 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).

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. 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

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

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

2.1 The basis of presentation (continued)

Basis of Consolidation (continued)

Subsidiaries (continued):

income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Each item 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 subsidiaries to align with the Group 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 in full consolidation.

Joint Ventures:

The details of the Group's interests in joint ventures as of the dates 31 December are as follows:

<u>Joint Ventures</u>	<u>Principal Activity</u>	<u>Country of incorporation and operation</u>	<u>Group's proportion of ownership and voting power held (%)</u>	
			<u>2015</u>	<u>2014</u>
Hassas Optik Sanayi ve Ticaret Anonim Şirketi ("ASELSAN Optik")	Sensitive optic technologies	Turkey	50	50
Mikro Nano Teknolojileri Sanayi ve Ticaret Anonim Şirketi ("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.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

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

2.1 The basis of presentation (continued)

Basis of Consolidation (continued)

Joint Ventures (continued):

ASELSAN Optik has been established on March 2014 and it is owned by ASELSAN and Sivas Optik Malzemeleri Sanayi ve Ticaret Anonim Şirketi with 50 percent ownership each. The production of precision optical technology for ultraviolet, visible and near infrared bands get designed and produced abroad by ASELSAN will be fulfilled following the completion of the facility established in Sivas.

ASELSAN Bilkent has been established in November 2014 and it is owned by ASELSAN and İhsan Doğramacı Bilkent University with 50 percent ownership each. Construction of the company's facility is ongoing. It has been established to produce all varieties of semiconductive and micro and nano sized devices containing similar technological materials.

The Group's joint ventures; IGG ASELSAN and ASELSAN Kazakhstan which were established in 2011, ASELSAN Jordan which was established in 2012 and ASELSAN Optik and ASELSAN Bilkent which were established in 2014, were included in the consolidated financial statements by using the equity method as of 31 December 2015.

2.2 Comparative Information and Restatement of Prior Period Term Consolidated Financial Statements

In order to determine the financial position and performance trends, the Group's consolidated financial tables are prepared comparatively to the previous term. For the purpose of having consistency with the current term's presentation of consolidated financial tables, comparative data is reclassified and significant differences are explained if necessary. These classifications are explained in the paragraphs below, and the effects to the prior year's consolidated financial statements are presented in Note 35.

Amount of warrant in the "Commitments" note under the Note 15's "D-ii" article is revised as 1.473.000 TL instead of 988.000 TL as of 31 December 2014 reporting date.

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

2.3 Changes in the Accounting Policies, Accounting Estimates and Errors

Significant changes in accounting policies and errors are applied retrospectively and prior period financial statements are restated, changes in accounting estimates are reflected to the financial current period profit/loss.

Changes with respect of TAS 8 “ Accounting Policies, Changes and Errors in Accounting Estimates” are presented in Note 35.

2.4 Errors and Changes in Accounting Estimates

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

When change in 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.

2.5 New and Revised Turkish Accounting Standards

Standards issued but not yet effective and not early adopted

IFRS 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 IFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to IFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (“FVO”) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

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.

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

2.5 New and Revised Turkish Accounting Standards (continued)

Standards issued but not yet effective and not early adopted (continued)

TAS 16 and TAS 38 – Clarification of acceptable methods of depreciation and amortization (continued)

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 consolidated 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 consolidated financial position or performance of the Group.

TFRS 14 Regulatory Deferral Accounts

International Accounting Standards Board (“IASB”) has started a comprehensive project for Rate Regulated Activities in 2012. As part of the project, IASB published an interim standard to ease the transition to International Financial Reporting Standards (“IFRS”) for rate regulated entities. The standard permits first time adopters of TFRS to continue using previous GAAP to account for regulatory deferral account balances. The interim standard is effective for financial reporting periods beginning on or after 1 January 2016, although early adoption is permitted. The Group does not expect that these amendments will have significant impact on the consolidated 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 consolidated financial position or performance of the Group.

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

2.5 New and Revised Turkish Accounting Standards (continued)

Standards issued but not yet effective and not early adopted (continued)

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 consolidated financial position or performance of the Group.

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 consolidated 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 consolidated financial position or performance of the Group.

Improvements to TFRS

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 consolidated financial position or performance of the Group.

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

2.5 New and Revised Turkish Accounting Standards (continued)

Standards issued but not yet effective and not early adopted (continued)

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)*.

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.

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

2.5 New and Revised Turkish Accounting Standards (continued)

Standards issued but not yet effective and not early adopted (continued)

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. The group is in the process of assessing the impact of the standard on consolidated financial position or performance of the Group.

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 TAS 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 consolidated financial position or performance of the Group.

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 2018, with early adoption permitted under IFRS. The Group is in the process of assessing the impact of the amendment on consolidated financial position or performance of the Group.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

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

2.6 Summary of Significant Accounting Policies

Related Parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the 'reporting entity').

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

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

(b) An entity is related to a reporting entity if any of the following conditions applies:

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

Transaction with related party is a transfer of resources, services or liabilities between the reporting entity and the related party, disregarding it is with or without a value.

Revenue

Revenue is measured at the fair value of the collected or uncollected receivables. Estimated returns, discounts, and allowances are deducted from afore mentioned value.

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

2.6 Summary of Significant Accounting Policies (continued)

Revenue (cont'd)

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- Installation fees are recognized by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the balance sheet date,
- Servicing fees included in the price of products sold are recognized by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold and
- Revenue from time and material contracts is recognized at the contractual rates as labor hours are delivered and direct expenses are incurred.

Revenue from construction contracts is recognized in accordance with the accounting policy outlined in the following pages.

Dividend and interest revenue

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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

2.6 Summary of Significant Accounting Policies (continued)

Rental income

Rental income from properties is recognized on a straight-line basis over the term of the relevant lease.

Inventories

Inventories are stated at the lower of cost and net realizable value. Inventories are valued on the basis of the project according to the weighted average method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to realize sales. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of profit or loss in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

Property, Plant and Equipment

Lands held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such lands is recognized in revaluation fund accumulated in equity.

A decrease in the carrying amount arising on the revaluation of such land is recognized in profit or loss to the extent that it exceeds the balance in the accumulated in the equity, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Land is not depreciated. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. Unless the asset is disposed, no transfer is realized from revaluation reserves to the profit reserves.

Property, plant and equipment other than lands are carried at cost less accumulated depreciation and any accumulated impairment losses.

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

2.6 Summary of Significant Accounting Policies (continued)

Property, Plant and Equipment (continued)

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Borrowing cost is capitalized when the assets took a substantial period of time to get ready for their intended use or sale.

These assets are classified to fixed assets when the assets are completed and ready for their intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. If the ownership of the finance lease is not obvious at the end of the leasing period, it is depreciated over their expected useful lives or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of fixed assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The maintenance and repair expenses arising from changing any part of the fixed assets can be realized if the economic benefit of the asset is increased. All other expenses are recorded in the expense accounts in the consolidated income statement when they are realized.

The useful lives of fixed assets are as follows:

	<u>Useful life</u>
Buildings	10-30 years
Land improvements	13-15 years
Machinery and equipment	4-20 years
Motor vehicles	4-8 years
Furniture and fixtures	2-15 years
Other tangible assets	5-10 years

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

2.6 Summary of Significant Accounting Policies (continued)

Intangible Assets

Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in accounting estimates for on a prospective basis.

Trademarks and licenses

Acquired trademarks and licenses are shown at historical cost. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives.

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives.

Internally generated intangible assets – R&D expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale,
- The intention to complete the intangible asset and use or sell it,
- The ability to use or sell the intangible asset,
- How the intangible asset will generate probable future economic benefits,
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

2.6 Summary of Significant Accounting Policies (continued)

Intangible Assets (continued)

Internally generated intangible assets – R&D expenditure (continued)

The amount initially recognized for internally-generated intangible assets is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

The useful lives of the intangible assets are as follows:

	<u>Useful life</u>
Rights	2-6 years
Computer software	2-3 years
Development expenditures	1-5 years

Impairment of Assets

Assets that have an indefinite useful life, like goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that has impaired are reviewed for possible reversal of the impairment at each reporting date.

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

2.6 Summary of Significant Accounting Policies (continued)

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

When the Group borrows funds specifically for the purpose of the qualifying assets, the amount of borrowing costs eligible for capitalization is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

Financial Instruments

(i) Non-derivative financial assets

The Group initially recognizes loans, receivables and deposits on the date that they are originated. All other financial assets including financial assets at fair value through profit or loss are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets as financial assets at fair value through profit or loss, financial assets to be held until maturity, loans and receivables and available for sale financial assets.

Financial assets at FVTPL

If a financial asset is held for trading or is designed while recording at the first time in this way, this financial instrument is classified as the financial assets at fair value through profit or loss. If the Group is managing its investments or it deciding its purchases or sales at the fair value based on its written risk management or investment strategies, then those financial assets are designed as financial assets that reflect profit or loss to its fair value. When transaction costs are formed, it is recognized within profit or loss. Financial assets at fair value through profit or loss are measured at fair value and includingly, dividend income, changes in fair value is recognized in profit or loss.

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

2.6 Summary of Significant Accounting Policies (continued)

Financial Instruments (continued)

Financial assets held for trading consist of the Government debt securities which are actively managed by the Group's treasury department and held in order to meet the Group's short-term cash needs.

Otherwise, financial assets at fair value through profit or loss include the securities based on stocks which are classified as available for the sale.

If the Group, who has the intention to held until maturity and the ability, has the debt securities, this financial assets are classified as marketable securities to be held until maturity. Held-to-maturity investments are initially measured at fair value plus any direct attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Held-to-maturity-investments consist of debt securities.

Loans and receivables

Loans and receivables are financial assets that are not quoted in active market, with fixed or variable payments. These assets are initially measured at fair value plus any direct attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Loans and receivables contain cash and cash equivalent, trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise of cash balances that are subject to insignificant risk of change and in value and cash deposits with maturities less than three months. And they are used in order to finance short-term liabilities.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are, defined as available for sale. These assets are initially measured at fair value plus any direct attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

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

2.6 Summary of Significant Accounting Policies (continued)

Financial Instruments (continued)

Available-for-sale financial assets (continued)

Available for sale financial assets are comprised of equity securities and debt securities.

(ii) Non-derivative Financial Liabilities

The Group initially recognises and subordinated debt and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Group classifies non-derivative financial liabilities as other financial liabilities category. Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities consist of debt securities including preferred shares, bank overdrafts and trade and other payables.

Bank overdrafts that are reimbursable on demand and used as in cash management of the Group, are included in statement of cash flow in cash and cash equivalents.

(iii) Capital

Common Stocks

Common stocks are classified as equity. Incremental costs that can be directly attributable to the issue of ordinary shares are recognised as a deduction from equity considering the tax effect.

(iv) Derivative Financial Instruments (Including Hedge Accounting)

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

- If the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- The host contract is not itself carried at fair value through profit or loss; and
- Embedded derivatives are separated from the host contract and accounted for separately.

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

2.6 Summary of Significant Accounting Policies (continued)

Financial Instruments (continued)

The Group designates certain derivatives held for risk management as well as certain non-derivative financial instruments as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instrument(s) is(are) expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80–125%. The Group makes an assessment for a cash flow hedge of a forecast transaction, of whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

Derivatives are initially measured at fair value; any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

Financial Lease Operations

Leasing- the group as lessor

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

Finance lease receivables are recognised at the amount of the Group’s net investment in the leases. Finance lease income is recognised allocated to accounting periods so as to reflect a constant periodic rate of return on the Group’s net investment outstanding in respect of the leases.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Start-up costs for the realisation and optimisation of the operational lease agreement are added to the cost of the leased asset and amortised through the leased time on a straight line basis method.

Foreign Currency Transactions

Foreign currency transactions and balances

The 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 operational results and financial position of each entity are expressed in TL, which is the functional currency of the Company, and the presentation for consolidated financial statements.

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

2.6 Summary of Significant Accounting Policies (continued)

Foreign Currency Transactions (continued)

Foreign currency transactions and balances (continued)

In preparing the financial statements of the individual entities, transactions in currencies in foreign currencies (other than TL) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items (including advances) denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks (see below for hedging accounting policies); and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

Earnings per Share

Earnings per share, disclosed in the consolidated statement of profit or loss, are determined by dividing the net income attributable to equity holders of the parent by the weighted average number of shares outstanding during the period concerned.

In Turkey, companies can increase their share capital by distributing “bonus shares” to shareholders from retained earnings. In computing earnings per share, such “bonus share” distributions are assessed as issued shares. Accordingly, the weighted average number of shares is computed by taking into consideration of the retrospective effects of the share distributions.

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

2.6 Summary of Significant Accounting Policies (continued)

Events After the Reporting Period

Events after the reporting periods include all events that take place between the balance sheet date and the date of authorization for the release of the financial statements, although the events occurred after the announcements related to the net profit/loss or even after the public disclosure of other selective financial information.

In the case that events occur requiring an adjustment, the Group adjusts the amount recognized in its consolidated financial statements to reflect the adjustments after the balance sheet date.

Provisions, Contingent Liabilities and Contingent Assets

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties related with the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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

2.6 Summary of Significant Accounting Policies (continued)

Operating Segments

Operations of the Company are technical system design, development, production and after-sales services for various products for defense industry. One kind of operating segment has occurred in consequence of similarities between methods that are used for products, quality of services and processes, client’s type and class, and distribution or presentation of products. It is not required to disclose segment reporting for the consolidated subsidiaries, since revenue profit/loss and assets are below 10 percent of consolidated amounts.

Construction Contracts

Cost of contracts is recognized when incurred. These costs include the costs that relate directly to the specific contract and the costs that are attributable to contract activity in general and can be allocated to the contract and the other costs that are specifically chargeable to the customer under the terms of the contract. A major part of the costs include the development expenses of the projects.

Where the outcome of a construction contract cannot be estimated reliably, revenue is recognized to the extent of contract costs incurred that it is probable that it will be recoverable.

Where the outcome of a construction contract can be estimated reliably, revenue is recognized over the terms of the contract term. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

The Group uses the “percentage-of-completion method” to determine the appropriate amount to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to the reporting date as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

Each project contract is evaluated by the technical teams regarding the expected change in the upcoming costs and the profitability of the contracts that is determined as of the balance sheet dates. If purchases and collections made by more than one currency regarding a contract, then the upcoming purchasing and invoicing is forecasted based on the amount stated in the contract and the weighted average currency in the following financial years. Besides the amounts of the contracts subjected to escalation as of the reporting date, are estimated based on the contract details.

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

2.6 Summary of Significant Accounting Policies (continued)

Construction Contracts (continued)

Government grants, if any, are also taken into consideration while calculating the profitability of the contract. The grants are recognized by offsetting from the costs in accordance with TAS 20 “Accounting for Government Grants and Disclosure of Government Assistance”.

The Group presents the amount as an asset if the gross amount due from customers for customer work for all contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within “Trade Receivables”.

The Group presents the amount as a liability if the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognized profits (less recognized losses).

Government Grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

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

2.6 Summary of Significant Accounting Policies (continued)

Taxes Calculated on the Basis of the Company’s Earnings

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

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

Current tax

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

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that future taxable profits will be available against which they can be used.

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

2.6 Summary of Significant Accounting Policies (continued)

Taxes Calculated on the Basis of the Company’s Earnings (continued)

Deferred tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Tax, provided that it is not related with a transaction directly recognized in equity, is classified in the statement of profit or loss. Otherwise, tax is recognized in equity.

Employee Benefits

Termination and retirement benefits

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per TAS 19 “Employee Benefits” (“TAS 19”).

The retirement benefit obligation recognized in the consolidated financial statements represents the present value of the defined benefit obligation.

The actuarial gains and losses are recognized in other comprehensive income.

Dividend and bonus plans

The Group recognizes a liability and an expense for bonuses and dividend, based on a formula that takes into consideration the profit attributable to the Company’s shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

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

2.6 Summary of Significant Accounting Policies (continued)

Employee Benefits (continued)

Dividend and bonus plans (continued)

The Group recognizes the cost of providing additional retirement bonuses to employees who have completed 20 years of service and earned the right to retirement benefits. In 26 November 2015, according Board of Directors’ resolution numbered 869/6c, the Company has decided to terminate payment of retirement bonus employees worked for 20 years for the Company and is qualified pensioner, beginning from 30 July 2016. These compensations are deducted from the net present values of the unrealized liability amounts and are recognized in the accompanying consolidated financial statements.

Statement of Cash Flows

Current period statement of cash flows is categorized and reported as operating, investing and financing.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Non-Current Assets Held for Sale

Non-current assets are classified as “assets held for sale” when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell. The assets can be a part of the Entity, disposal group as a single fixed asset.

2.7 Critical Accounting Judgments and Estimates

Critical judgments in applying the Group’s accounting policies

In the process of applying the accounting policies, which are described in note 2.6, management has made the following judgments that have the most significant effect on the amounts recognized in the financial statements:

Deferred tax

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities. Currently, there are deferred tax assets resulting from operating loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realized.

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

2.7 Critical Accounting Judgments and Estimates (continued)

Critical judgments in applying the Group’s accounting policies (continued)

Deferred tax (continued)

The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset. If based on the weight of all available evidence, it is the Group’s belief that taxable profit will not be available sufficient to utilize some portion of these deferred tax assets, then provision is set for some portion of or all of the deferred tax assets (Note 27).

Liabilities with respect to employee benefits

The Group makes various assumptions on discount, inflation rate, wage increase rate, the probability of quitting voluntarily for calculating provisions for employee benefits and retirement pays (Note 16).

Useful lives of tangible and intangible assets

The Group amortizes the non-current assets based on the useful lives of those assets stated in the accounting policies (Note 10-11).

Percentage of completion

The Group uses the percentage of completion method in accounting for contracts in accordance with TAS 11 “Construction Contracts”. Use of percentage of completion method requires the Group to estimate the services performed to date as a proportion of the total services to be performed. Moreover for projects that are estimated to end up with a loss, provision for loss is calculated (Note 20). The estimation of the total cost of the projects consists of the risks that may cause major changes in the adjustments of the fair values of assets and liabilities for the subsequent periods.

If purchases and collections made by more than one currency regarding the projects TAS 11 “Construction Contracts” the upcoming purchasing and invoicing is forecasted with respect of contract amount and cost are determined considering weighted average currency.

Escalation

As of the reporting dates, the amounts of the projects subject to escalation are calculated with respect to the provisions of the contracts and estimated in accordance with TAS 11 “Construction Contracts”.

Provision for guarantee expenses

The Group calculates provision, according to the budgeted estimations for specific parts of the sales under the scope of warranty that needs specific guarantee calculations, and according to the realizations in previous years for the remaining part of the sales (Note 14).

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

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

2.7 Critical Accounting Judgments and Estimates (continued)

Critical judgments in applying the Group's accounting policies (continued)

Development Expenses

As of reporting dates, the Management assess the recoverability of the expenses regarding the Group's development activities. These expenses are started to be amortized with respect to their useful lives when their development phases are completed and it becomes probable that there is an associated economic benefit. When the development phase is completed and no economic benefit is foreseen, the related expenses are recognized in consolidated income statement (Note 11).

3. INTERESTS IN OTHER ENTITIES

a) Subsidiaries

Details of the Group's material subsidiaries as of the dates 31 December are as follow:

Name of Subsidiary	Place of incorporation and operation	Currency	Group's proportion of ownership and voting power held (%)		Principal Activity
			2015	2014	
MİKES	Turkey	TL	--	100	R&D on microwave projects
ASELSANNET	Turkey	TL	100	100	Communication systems
ASELSAN Bakü	Azerbaijan	AZN	100	100	Marketing and sales of group products
Mikroelektronik Ar-Ge Tasarım ve Tic. Ltd Şti.	Turkey	TL	85	85	R&D on microelectronic projects

Composition of the Group

Explained in Note 1.

Change in the Group's ownership interest in a subsidiary:

Change in the Group's subsidiaries ownership is explained in Note 2.1

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

3. INTERESTS IN OTHER ENTITIES (continued)

b) Joint Ventures

Where a Group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other ventures are recognized in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognized when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

The joint ventures IGG Aselsan Integrated Systems LLC (United Arab Emirates) and Kazakhstan Aselsan Engineering LLP (Kazakhstan) established in 2011 and Aselsan Middle East PSC LTD (Jordan) established in 2012, and ASELSAN Hassas Optik Sanayi ve Ticaret A.Ş. and ASELSAN Bilkent Mikro Nano Teknolojileri Sanayi ve Ticaret A.Ş. established in 2014 are consolidated by using equity method as of 31 December 2015.

4. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries which are related parties of the Company have been eliminated on consolidation, and are not disclosed in this note.

The trade receivables from related parties generally arise from sales activities with maturities of between 1 - 5 months. The receivables are unsecured by nature and bear no interest.

The trade payables to related parties generally arise from the purchase activities with maturities of between 1 - 3 months. The receivables bear no interest.

Total amount of salaries and other short-term benefits paid for key management for the year ended as of 31 December 2015 is TL 7.419.872 (31 December 2014: TL 5.873.910).

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

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

4. RELATED PARTY TRANSACTIONS (continued)

	31 December 2015									
	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>										
TAFF	5.332	--	--	--	--	--	--	--	--	--
<u>Other shareholder</u>										
Axa Sigorta Anonim Şirketi ("Axa Sigorta")	--	--	--	--	--	--	--	55.166	--	--
<u>Main shareholder's subsidiaries and associates</u>										
Hava Elektronik Harp Sis. Müh. Tic. Anonim Şirketi ("HAVELSAN EHSİM")	--	745.172	--	--	--	--	--	--	--	--
Hava Elektronik San. ve Tic. Anonim Şirketi ("HAVELSAN")	10.616.524	283.920	--	2.199.848	--	815.563	798.921	--	--	--
HAVELSAN Teknoloji Radar San. ve Tic. Anonim Şirketi ("HTR")	--	433.245	--	--	--	1.391.298	--	--	--	--
İşbir Elektrik Sanayii Anonim Şirketi ("İŞBİR")	--	--	--	--	--	868.479	--	--	--	--
NETAŞ Telekomünikasyon Anonim Şirketi	--	9.446.105	--	--	21.564.766	20.102.241	--	--	--	--
Savunma Teknolojileri Mühendislik ve Ticaret Anonim Şirketi ("STM")	976.954	9.695.229	--	--	--	2.034.217	4.439.264	--	--	--
Türk Havacılık ve Uzay Sanayi ve Ticaret Anonim Şirketi ("TUSAŞ")	4.821.454	75.245	--	13.490.159	--	3.592.799	3.938.610	--	33.712.592	67.999.916
<u>Marketable securities</u>										
Askeri Pii Sanayi ve Ticaret Anonim Şirketi ("ASPIİSAN")	--	37.567	--	--	--	351.903	--	--	--	--
Roket Sanayi ve Ticaret Anonim Şirketi ("ROKETSAN")	44.951.560	--	--	9.741.430	261.760.774	5.109.663	6.008.117	--	566.505	19.021.465
<u>Joint ventures and its related parties</u>										
ASELSAN Bilkent	1.398	--	--	--	--	--	--	--	--	--
İhsan Doğramacı Bilkent University	--	124.983	--	--	1.595.161	1.507.027	--	--	--	--
International Golden Group	19.410.955	--	--	--	--	--	9.586	--	--	--
IGG ASELSAN	1.414.804	1.685.564	--	--	--	--	--	--	--	--
ASELSAN Kazakistan	52.203.857	--	--	--	--	1.922.718	--	--	--	--
ASELSAN Jordan	30.928.230	--	--	--	--	--	--	--	--	--
	165.331.068	22.527.030	--	25.431.437	284.920.701	37.695.908	15.194.498	55.166	34.279.097	87.021.381

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

4. RELATED PARTY TRANSACTIONS (continued)

	(Restated) 31 December 2014									
	Receivables					Payables				
	Short-term			Long-term		Short-term			Long-term	
	Trading	Advances given	Non-trading	Trading	Advances given	Trading	Advances given	Non-trading	Trading	Advances given
Balances with related parties										
<u>Main Shareholder</u>										
TAFF	5.734	--	--	--	--	--	--	--	--	--
<u>Other shareholder</u>										
Axa Sigorta	--	--	--	--	--	--	--	51.581	--	--
<u>Main shareholder's subsidiaries and associates</u>										
HAVELSAN EHSİM	--	32.370	--	--	740.788	1.935.252	--	--	--	--
HAVELSAN	1.493.040	580.868	--	--	--	27.619	5.121.076	--	5.000.206	--
HTR-HAVELSAN	--	--	--	--	--	935.075	--	--	--	--
İŞBİR	--	543.920	--	--	--	1.251.651	--	--	--	--
NETAŞ	--	4.353.095	--	--	8.832.266	5.553.303	--	--	--	--
STM	10.255.264	4.120.192	--	--	171.266	13.265	4.100.875	--	--	--
TUSAŞ	5.704.315	--	--	12.659.067	--	2.416.492	5.760.657	--	3.377.455	36.765.615
<u>Subsidiaries</u>										
ASELSAN Bakü	265.345	--	--	189.433	--	203.572	--	--	--	--
Mikro AR-GE	137.114	775.363	8.284	--	--	1.137.445	--	--	--	--
<u>Marketable Securities</u>										
ASPİLSAN	--	37.567	--	--	--	1.610.723	--	--	--	--
ROKETSAN	23.929.087	1.324.341	--	24.679.373	263.063.358	8.327.273	4.223.722	--	1.391.793	40.222.002
<u>Branch</u>										
ASELSAN South Africa Branch	--	660.110	--	--	--	--	--	255.236	--	--
ASELSAN Macedonia Branch	--	--	--	--	--	3.687	--	--	--	--
<u>Joint ventures and its related parties</u>										
ASELSAN Bilkent	--	--	11.462	--	--	--	--	--	--	--
Bilkent University	--	1.368.262	--	--	2.328.315	5.341.433	--	--	--	--
IGG	43.149.146	--	--	--	--	--	--	--	--	--
IGG ASELSAN	2.328.656	2.015.187	--	--	--	--	--	--	--	--
Kazakhstan Engineering	--	--	--	--	--	323.727	--	--	--	--
ASELSAN Kazakhstan	22.100.793	--	--	--	--	--	--	--	--	--
ASELSAN Jordan	13.637.773	--	--	--	--	--	--	--	--	--
	123.006.267	15.811.275	19.746	37.527.873	275.135.993	29.080.517	19.206.330	306.817	9.769.454	76.987.617

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

(Amounts are expressed in Turkish Lira (“TL”) unless otherwise stated.)

4. RELATED PARTY TRANSACTIONS (continued)

	1 January– 31 December 2015	1 January– 31 December 2014
Transactions with related parties	Purchases	Purchases
<u>Main Shareholder</u>		
TAFF	614.322	513.900
<u>Main shareholder’s subsidiaries and associates</u>		
NETAŞ	34.457.957	28.477.183
İŞBİR	10.519.606	6.655.545
HTR-HAVELSAN	4.297.980	4.376.733
TUSAŞ	1.449.086	430.992
HAVELSAN	1.059.542	1.046.226
STM	566.221	6.338.440
HAVELSAN EHSİM	278.478	2.971.977
Elektronik Sistem Destek Sanayi ve Ticaret Anonim Şirketi (“ESDAŞ”)	98.138	186.484
<u>Subsidiaries</u>		
Mikro AR-GE	--	6.302.810
ASELSAN Bakü	--	199.191
<u>Marketable securities</u>		
ROKETSAN	13.060.502	90.357.325
ASPILSAN	3.616.557	4.113.217
<u>Branch</u>		
ASELSAN South Africa Branch	--	5.139.334
ASELSAN Macedonia Branch	--	149.049
<u>Joint ventures and its related parties</u>		
Bilkent University	8.846.760	12.712.905
Kazakhstan Engineering	--	323.727
	78.865.149	170.295.038

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

4. RELATED PARTY TRANSACTIONS (continued)

	1 January – 31 December 2015	1 January – 31 December 2014
Transactions with related parties	Sales	Sales
<u>Main Shareholder</u>		
TAFF	224.456	1.728.166
<u>Main shareholder's subsidiaries and associates</u>		
TUSAŞ	95.197.423	40.094.357
HAVELSAN	38.400.073	15.876.455
STM	20.162.124	56.836.714
ESDAŞ	--	5.658
HTR-HAVELSAN	56	3.989
İŞBİR	--	23.881
NETAŞ	--	264.626
TUSAŞ Motor Sanayii Anonim Şirketi ("TEI")	--	19.321
<u>Subsidiaries</u>		
ASELSAN Bakü	--	329.067
Mikro AR-GE	--	225.303
<u>Marketable securities</u>		
ROKETSAN	69.284.574	54.032.435
<u>Branch</u>		
ASELSAN Macedonia Branch	--	--
ASELSAN South Africa Branch	--	--
<u>Joint ventures and its related parties</u>		
International Golden Group	5.415.495	11.120.195
	228.684.201	180.560.167

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

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

5. TRADE RECEIVABLES AND PAYABLES

a) Trade receivables

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

	31 December 2015	(Restated) 31 December 2014	(Restated) 1 January 2014
Short-term trade receivables			
Trade receivables	790.096.487	619.760.914	433.052.388
Trade receivables from related parties (Note 4)	165.331.068	121.662.766	143.803.785
Uninvoiced receivables from construction contracts in progress	112.293.020	297.601.089	203.120.624
Uninvoiced receivables from construction contracts in progress – Related party (Not 4)	--	1.343.501	--
Notes receivable	4.657.568	7.620.624	2.019.535
Doubtful trade receivables	859.465	859.465	2.221.896
Other trade receivables	4.419	--	33.088
Trade receivables and discount on notes receivables (-)	(4.100.022)	(1.723.416)	(1.458.796)
Allowance for doubtful trade receivables (-)	(859.465)	(859.465)	(2.221.896)
	1.068.282.540	1.046.265.478	780.570.624

	31 December 2015	(Restated) 31 December 2014	(Restated) 1 January 2014
Long-term trade receivables			
Uninvoiced receivables from construction contracts in progress	295.694.576	359.623.130	318.522.803
Trade receivables	56.562.580	25.229.201	48.386.358
Uninvoiced receivables from construction contracts in progress-Related Party (Note 4)	23.183.797	35.675.891	35.050.785
Trade receivables from related parties (Note 4)	2.247.640	1.851.982	564.225
Notes receivables	68.242	250.286	--
Discount on trade and notes receivables (-)	(1.870.688)	(800.757)	(1.577.190)
	375.886.147	421.829.733	400.946.981

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

5. TRADE RECEIVABLES AND PAYABLES (continued)

a) Trade receivables (continued)

The movement for the Group's allowance for doubtful receivables is as follows:

	31 December 2015	(Restated) 31 December 2014	(Restated) 1 January 2014
Opening balance	859.465	2.221.896	1.985.839
Provision for the period	--	176.975	236.914
Provision released	--	(1.539.406)	(857)
Closing balance	859.465	859.465	2.221.896

The distribution of trade receivables for different sectors is as follows:

	31 December 2015	(Restated) 31 December 2014	(Restated) 1 January 2014
Public sector	798.789.800	832.667.764	628.916.055
Receivables from companies operating abroad	334.534.305	273.128.159	270.530.527
Private sector	310.844.582	362.299.288	282.071.023
Total receivables	1.444.168.687	1.468.095.211	1.181.517.605

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

The characteristics and level of risks with respect to the trade receivables are disclosed in Note 31.

b) Trade payables

Details of Group's trade payables are as follows:

	31 December 2015	(Restated) 31 December 2014	(Restated) 1 January 2014
Short-term trade payables			
Trade payables	488.196.913	491.462.188	279.899.705
Unearned revenue related to construction contracts in progress	52.451.682	79.727.897	90.119.079
Due to related parties (Note 4)	31.821.447	26.341.003	14.798.894
Unearned revenue related to construction contracts in progress-Related Party (Note 4)	5.874.461	2.739.514	1.466.911
Other trade payables	1.665.587	1.870.392	2.144.441
Notes payable ⁽¹⁾	--	6.262.069	6.748.296
Discount on trade payables and notes payable (-)	(2.807.067)	(2.226.048)	(1.729.224)
	577.203.023	606.177.015	393.448.102

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

5. TRADE RECEIVABLES AND PAYABLES (continued)

	31 December 2015	(Restated) 31 December 2014	(Restated) 1 January 2014
Long-term trade payables			
Unearned revenue related to construction contracts in progress	188.605.155	43.529.174	842.181
Unearned revenue related to construction contracts in progress-Related party (Not 4)	34.279.097	9.769.454	--
Trade payables	--	913.646	6.141.424
Discount on trade payables and notes payable (-)	--	(13.940)	(1.082.298)
Notes payable ⁽¹⁾	--	--	6.262.069
	222.884.252	54.198.334	12.163.376

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

6. OTHER RECEIVABLES AND PAYABLES

a) Other receivables

	31 December 2015	31 December 2014
Short-term other receivables		
Receivables from tax office ⁽¹⁾	45.962.824	31.149.198
Deposits and guarantees given	565.370	471.561
Other receivables from related parties (Note 4)	--	19.746
Other ⁽²⁾	1.714.147	10.313.127
	48.242.341	41.953.632

⁽¹⁾ Mainly due from Value Added Tax (VAT) returns and which are expected to be offset in the subsequent period.

⁽²⁾ Consists of project delay penalties which will be revoked to companies and blocked receivables due to Eximbank loan.

	31 December 2015	31 December 2014
Long-term other receivables		
Deposits and guarantees given	288.124	261.988

b) Other payables

	31 December 2015	31 December 2014
Short-term other payables		
Short-term other payables	2.798.950	455.152
Short-term other payables to related parties (Note 4)	55.166	306.817
Deposits and guarantees received	16.479	20.492
	2.870.595	782.461

	31 December 2015	31 December 2014
Long-term other payables		
Deposits and guarantees received	38.201	31.832

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

7. EQUITY ACCOUNTED INVESTMENTS

The Group's financial information for its shareholdings consolidated with equity method not arranged according to the Group's ownership rates is as below:

31 December 2015	Ownership Rate (%)	Current Assets	Non-current Assets	Total Assets	Short-term Liabilities	Long-term Liabilities	Total Liabilities
ASELSAN Optik	50	7.962.670	23.204.677	31.167.346	2.461.747	15.888.000	18.349.747
ASELSAN Bilkent	50	21.241.528	16.432.628	37.674.156	378.403	24.346.400	24.724.803
IGG ASELSAN	49	1.338.907	4.083.033	5.421.940	2.483.660	12.619.279	15.102.939
ASELSAN Kazakhstan	49	42.703.990	62.257.544	104.961.534	55.498.210	1.490.483	56.988.693
ASELSAN Jordan	49	33.121.755	14.247.078	47.368.834	36.090.913	--	36.090.913
		106.368.850	120.224.960	226.593.810	96.912.933	54.344.162	151.257.095

31 December 2015	Ownership Rate (%)	Revenue	Expenses	Net Profit/(Loss)	Group Share of Net Assets	Group Share of Profit/(Loss)
ASELSAN Optik	50	496.722	(637.366)	(140.645)	6.408.800	(70.322)
ASELSAN Bilkent	50	259.866	(757.519)	(497.653)	4.224.677	(248.827)
IGG ASELSAN	49	3.046.224	(5.028.902)	(1.982.678)	--	--
ASELSAN Kazakhstan	49	127.457.245	(132.455.007)	(4.997.762)	23.506.692	(2.448.903)
ASELSAN Jordan	49	16.084.159	(16.011.113)	73.046	5.526.181	35.792
		147.344.216	(154.889.907)	(7.545.692)	41.916.350	(2.732.259)

In joint ventures ASELSAN Kazakhstan, ASELSAN Optik and ASELSAN Bilkent capital increase in cash has been carried out in 2015. The capital increase amounts of joint ventures's shares are for ASELSAN Kazakhstan TL 1.872.301, for ASELSAN Optik TL 6.450.000 and for ASELSAN Bilkent TL 4.500.000 .

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

8. INVENTORIES

	31 December 2015	31 December 2014
Raw materials	469.667.548	470.031.395
Work in progress	274.792.803	242.988.123
Finished goods	74.335.697	59.647.788
Goods in transit ⁽¹⁾	58.384.366	51.292.906
Other inventories	14.785.278	19.165.516
Trade goods	10.530.835	8.245.865
Allowance for impairment on inventories (-)	(15.669.671)	(13.945.117)
	886.826.856	837.426.476

⁽¹⁾ Goods in transit includes the goods for which significant risks and rewards of ownership has been transferred 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 15.669.671 (31 December 2014: TL 13.945.117).

Impaired inventory movements for the period ended in 31 December are as follows:

	2015	2014
Opening balance	13.945.117	8.051.806
Provision released	(1.920)	(25.437)
Provision for the period	1.726.474	5.918.748
Closing balance	15.669.671	13.945.117

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

9. PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2015	(Restated) 31 December 2014	(Restated) 1 January 2014
Short-term prepaid expenses			
Order advances given for inventory purchases	179.364.697	138.465.235	206.591.532
Prepaid expenses ⁽¹⁾	26.786.031	34.795.385	28.137.062
Short-term order advances given to related parties for inventory purchases (Note 4)	22.527.030	15.811.275	25.050.301
	228.677.758	189.071.895	259.778.895

	31 December 2015	(Restated) 31 December 2014	(Restated) 1 January 2014
Long-term prepaid expenses			
Long-term order advances given to related parties for inventory purchases (Note 4)	284.920.701	275.135.993	140.913.898
Order advances given for inventory purchases	88.933.800	42.686.493	58.329.980
Order advances given for fixed assets purchases	33.528.325	33.187.181	24.325.736
Prepaid expenses ⁽²⁾	2.749.858	1.348.385	5.315.352
	410.132.684	352.358.052	228.884.966

⁽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.

	31 December 2015	(Restated) 31 December 2014	(Restated) 1 January 2014
Short-term deferred income			
Order advances received	245.173.037	168.327.946	206.997.279
Order advances received from related parties (Note 4)	15.194.498	19.206.330	20.048.345
Deferred Income	1.129.900	1.034.647	8.178.493
	261.497.435	188.568.923	235.224.117

Short-term order advances received comprises advances received from 34 customers (31 December 2014: 47 customers) of which first 10 customers constitutes 95,83 percent of the total (31 December 2014: 97,44 percent).

	31 December 2015	(Restated) 31 December 2014	(Restated) 1 January 2014
Long-term deferred income			
Order advances received	1.182.445.913	803.137.843	791.348.210
Order advances received from related parties (Note 4)	87.021.381	76.987.617	23.573.411
Deferred Income	--	2.233	1.975
	1.269.467.294	880.127.693	814.923.596

Long-term order advances received comprises advances received from 23 customers (31 December 2014: 26 customers) of which the first 10 customers constitutes 99,21 percent of the total (31 December 2014: 99,39 percent).

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

10. PROPERTY, PLANT AND EQUIPMENT

	Land	Land improvements	Buildings ⁽¹⁾	Machinery and equipment	Vehicles	Furniture and fixtures	Other fixed assets ⁽²⁾	Leasehold improvements	Construction in progress	Total
<u>Cost value and revaluation</u>										
Opening balance as of 1 January 2015 (Prior reported)	210.733.964	19.505.458	314.772.805	567.070.088	3.490.124	120.337.466	66.203.229	4.901.004	82.939.326	1.389.953.464
Restatement effect ⁽³⁾	(7.165.000)	(5.748.045)	(160.234.579)	--	--	--	--	171.940.059	--	(1.207.565)
Opening balance as of 1 January 2015 (Restated)	203.568.964	13.757.413	154.538.226	567.070.088	3.490.124	120.337.466	66.203.229	176.841.063	82.939.326	1.388.745.899
Additions	250.457	--	--	67.816.306	673.660	10.081.024	10.318.786	166.601	15.904.981	105.211.815
Revaluation fund	41.597.849	--	--	--	--	--	--	--	--	41.597.849
Disposals	(243.152)	--	--	(1.787.493)	(399.265)	(157.536)	--	--	(3.833.728)	(6.421.174)
Transfers	--	23.935	18.977.568	6.642.047	-	2.634.993	--	20.062.808	(48.341.351)	--
Closing balance as of 31 December 2015	245.174.118	13.781.348	173.515.794	639.740.948	3.764.519	132.895.947	76.522.015	197.070.472	46.669.228	1.529.134.389
<u>Accumulated depreciation</u>										
Opening balance as of 1 January 2015 (Prior reported)	--	8.186.060	58.669.114	348.411.317	2.873.834	81.525.116	32.862.580	3.456.021	--	535.984.042
Restatement effect	--	(307.700)	(445.096)	--	--	--	--	752.796	--	--
Opening balance as of 1 January 2015(Restated)	--	7.878.360	58.224.018	348.411.317	2.873.834	81.525.116	32.862.580	4.208.817	--	535.984.042
Charge for the period	--	624.798	2.580.300	38.559.653	292.405	14.164.663	7.639.257	6.648.794	--	70.509.870
Disposals	--	--	--	(1.770.366)	(391.359)	(39.702)	--	--	--	(2.201.427)
Closing balance as of 31 December 2015	--	8.503.158	60.804.318	385.200.604	2.774.880	95.650.077	40.501.837	10.857.611	--	604.292.485
Net book value as of 31 December 2015	245.174.118	5.278.190	112.711.476	254.540.344	989.639	37.245.870	36.020.178	186.212.861	46.669.228	924.841.904

⁽¹⁾ There is no capitalization of finance expense and foreign exchange difference in the current period. (31 December 2014: The amount of capitalized finance expense is TL 3.426.792 and the amount of capitalized foreign exchange differences TL 12.173.360).

⁽²⁾ Includes the mould model devices manufactured by the Group with net book value of TL 36.020.178. (31 December 2014: TL 33.340.649).

⁽³⁾ Buildings, furniture and fixtures located on Oğulbey parcel rented from General Directorate of National Property as part of a servitude agreement for 49 years have been reclassified to special costs and depreciated in accordance with remaining useful lives. The revaluation of the land amounting to TL 1.207.565 has been reversed.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

10. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land	Land improvements	Buildings	Machinery and equipments	Vehicles	Furniture and fixtures	Other fixed assets	Leasehold improvements	Construction in progress	Total
<u>Cost value and revaluation</u>										
Opening balance as of 1 January 2014	210.733.964	15.243.274	145.914.815	521.373.071	3.534.318	91.803.991	46.704.261	5.198.282	182.651.707	1.223.157.683
Additions	--	4.262.184	40.609.159	41.695.240	306.247	28.724.159	20.712.745	59.452	33.337.845	169.707.031
Revaluation fund ⁽¹⁾	(1.207.565)	--	--	--	--	--	--	--	--	(1.207.565)
Disposals	--	--	--	(715.259)	(350.441)	(228.084)	(1.213.777)	(356.730)	(46.959)	(2.911.250)
Rented investments classification effect ⁽¹⁾	(5.957.435)	(5.748.045)	(160.234.579)	--	--	--	--	171.940.059	--	--
Transfers	--	--	128.248.831	4.717.036	--	37.400	--	--	(133.003.267)	--
Closing balance as of 31 December 2014	203.568.964	13.757.413	154.538.226	567.070.088	3.490.124	120.337.466	66.203.229	176.841.063	82.939.326	1.388.745.899
<u>Accumulated depreciations</u>										
Opening balance as of 1 January 2014	--	7.434.007	53.087.327	314.559.078	2.881.294	71.235.901	28.800.200	3.171.676	--	481.169.483
Charge for the period	--	752.053	5.581.787	34.553.124	325.967	10.510.188	5.272.093	409.201	--	57.404.413
Disposals	--	--	--	(700.885)	(333.427)	(220.973)	(1.209.713)	(124.856)	--	(2.589.854)
Rented investments classification effect ⁽¹⁾	--	(307.700)	(445.096)	--	--	--	--	752.796	--	--
Closing balance as of 31 December 2014	--	7.878.360	58.224.018	348.411.317	2.873.834	81.525.116	32.862.580	4.208.817	--	535.984.042
Net book value as of 31 December 2014	203.568.964	5.879.053	96.314.208	218.658.771	616.290	38.812.350	33.340.649	172.632.246	82.939.326	852.761.857

⁽¹⁾ Buildings, furniture and fixtures located on Oğulbey parcel rented from General Directorate of National Property as part of a servitude agreement for 49 years have been reclassified to special costs and depreciated in accordance with remaining useful lives. The revaluation of the land amounting to has been reversed (TL 1.207.565).

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

10. PROPERTY, PLANT AND EQUIPMENT (continued)

The breakdown of the depreciation expenses with respect to the plant, property and equipment is as follows:

	31 December 2015	31 December 2014
Cost of sales	54.492.342	42.993.507
General administrative expenses	8.226.401	8.382.617
Inventories	7.554.721	5.520.453
Marketing expenses	236.406	507.836
	70.509.870	57.404.413

Fair value measurement of the Group's freehold land and buildings

Land owned by Group has been revalued and shown at fair value as of 31 December 2015. Fair value measurement of Group's land has been realized by an independent valuation company Yatırım Gayrimenkul Değerleme Anonim Şirketi ("Yatırım Gayrimenkul"). Yatırım Gayrimenkul has been authorized by CMB to provide land and property valuation services in accordance Capital Markets Board legislation. Fair value of the land has been determined in accordance with "Market Value Benchmarking" methodology.

Profit to the owners of the Company from tax before in income and after tax amounting to TL 227.443.706 and TL 216.071.521 due to the revaluation of land has been classified to other comprehensive income. There is no restriction on distribution of revaluation funds.

Details of the Group's freehold lands and information about the fair value hierarchy as of 31 December 2015 are as follows:

	31 December 2015	Fair value as of reporting date		
		Level 1 TL	Level 2 TL	Level 3 TL
Macunköy	170.421.269	--	--	170.421.269
Akyurt	74.512.849	--	--	74.512.849
Gölbek	220.000	--	--	220.000
Denizli	20.000	--	--	20.000
	245.174.118	--	--	245.174.118

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

11. INTANGIBLE ASSETS

	Rights	Development Costs	Other intangible assets ⁽¹⁾	Total
<u>Cost</u>				
Opening balance as of 1 January 2015	23.917.339	525.980.735	68.704.494	618.602.568
Additions	6.621.027	145.674.399	12.964.435	165.259.861
Disposals	--	(23.855.046)	--	(23.855.046)
Transfers	2.889.324	(2.889.324)	--	--
Closing balance as of 31 December 2015	33.427.690	644.910.764	81.668.929	760.007.383
<u>Accumulated Amortization</u>				
Opening balance as of 1 January 2015	18.328.211	104.474.975	57.292.944	180.096.130
Charge for the period	1.830.442	30.390.508	10.184.444	42.405.394
Disposals	--	(6.045)	--	(6.045)
Transfers	272	(272)	--	--
Closing balance as of 31 December 2015	20.158.925	134.859.166	67.477.388	222.495.479
Net book value as of 31 December 2015	13.268.765	510.051.598	14.191.541	537.511.904

⁽¹⁾ Other intangible assets include computer software licenses.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

11. INTANGIBLE ASSETS (continued)

	Rights	Development Costs	Other intangible assets	Total
Cost				
Opening balance as of 1 January 2014	18.205.397	435.023.896	60.460.117	513.689.410
Additions	5.327.239	120.190.139	8.294.246	133.811.624
Disposals	--	(28.848.597)	(49.869)	(28.898.466)
Transfers	384.703	(384.703)	--	--
Closing balance as of 31 December 2014	23.917.339	525.980.735	68.704.494	618.602.568
Accumulated Amortization				
Opening balance as of 1 January 2014	18.035.677	75.705.620	47.140.468	140.881.765
Charge for the period	292.534	28.769.355	10.201.892	39.263.781
Disposals	--	--	(49.416)	(49.416)
Closing balance as of 31 December 2014	18.328.211	104.474.975	57.292.944	180.096.130
Net book value as of 31 December 2014	5.589.128	421.505.760	11.411.550	438.506.438

The breakdown of amortization expenses related to intangible assets is as follows:

	31 December 2015	31 December 2014
Research and development expenses	33.266.289	29.909.640
General administrative expenses	3.689.879	2.733.871
Cost of sales	3.497.643	5.311.143
Inventories	1.917.635	1.268.729
Marketing expenses	33.948	40.398
	42.405.394	39.263.781

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

12. GOVERNMENT GRANTS AND INCENTIVES

The deferred incentive income shown under short and long-term liabilities in the consolidated statement of financial position is as follows:

	31 December 2015	31 December 2014
Current government grants and incentives	22.582.761	15.043.829
Non-current government grants and incentives	--	2.233.448
	22.582.761	17.277.277

As part of the Decision on Government Incentives on Investments, there are 5 investment incentives taken from General Directorate of Turkish Undersecretariat of the Treasury. The incentives allow VAT exemption and customs tax exemption. VAT exemption is applied in both domestic and international purchases while customs tax exemption is applied for international purchases.

In Corporate Tax Calculation, no tax payable is calculated because of R&D deduction and deductions due to investment incentive certificates cannot be applied. For this reason, no deferred tax effect is calculated for the temporary differences arising from investment incentives.

Government grants show the unearned proportion of the grant after the costs related with the completed parts of the projects are deducted from the grants taken by the Group for the ongoing projects that was obtained as of the reporting date.

The incentive obtained consists of the incentives that are accrued in accordance with TÜBİTAK's R&D recognition letter prepared with respect to the Group's ongoing projects.

The Group obtains capital support from "Support and Price Stabilization Fund" of Central Bank of Turkey via Undersecretariat of Foreign Trade's consent. The Scientific and Technological Research Council of Turkey ("TÜBİTAK") and Technology Development Foundation of Turkey ("TTGV") act as intermediary in accordance with Communiqué No:98/10 published by the Money-Loans and Coordination Board.

In accordance with Law on Technology Development Zones numbered 4691, Group utilizes withholding income tax incentive, social security premium incentive and stamp tax exceptions. Such incentives are utilized through not paying withholding income tax incentive, social security premium incentive and stamp tax exceptions calculated based on research and development and software personnel payroll. Income generated in accordance with law on Technology Development Zones numbered 4691 is exempt from corporate income tax until 31 December 2023.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

12. GOVERNMENT GRANTS AND INCENTIVES (continued)

The research and development expenditure deduction rate used as a tax benefit has been increased from 40 percent to 100 percent in accordance with the amended article 10 of the Tax Law numbered 5520 , the amended article 89 of Law numbered 193 and 5746 with respect to the Support of Research and Development Activities. The aforementioned law was enacted as of April 2008 after its issue in the Official Gazette dated 12 March 2008, numbered 26814. Research and development expenditure may be used as a tax deduction in the determination of the taxable income. If taxable income levels are not sufficient to absorb all available tax deductions, any unused research and development tax deduction is allowed to be carried forward to the next tax period. The remaining amount from previous year is increased according to revaluation ratio defined at Tax Procedure Law. According to the item No. 8 of the related law, all the costs related with research and development can be subjected to deduction until 31 December 2023.

13. BORROWING COSTS

As of 31 December 2015, there is no borrowing cost regarding the assets that necessarily take a substantial period of time to get ready for their intended use or sale (31 December 2014: TL 37.341.189).

Since Gölbaşı investment was completed in 2014 year-end, foreign currency exchange losses and finance expenses are recognized in the statement of profit or loss.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

14. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

	31 December 2015	31 December 2014
Other short-term provisions		
Provision for warranty ⁽¹⁾	117.808.863	71.402.241
Provision for expected losses	41.803.550	16.457.295
Provision for delay penalties and fines ⁽²⁾	10.779.024	7.465.249
Provision for insurance expense	6.334.088	6.132.220
Provision for lawsuits	2.649.323	936.873
Provision for cost expenses	1.994.303	1.826.999
Other	557.073	1.138.596
	181.926.224	105.359.473

⁽¹⁾ The Group's provision for warranty is based on sales under warranty are estimated in accordance with historical data.

⁽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.

The movement of the provision for warranty is as follows:

	1 January- 31 December 2015	1 January- 31 December 2014
Opening balance	71.402.241	72.626.865
Provision for the period	113.789.045	55.673.430
Provision realized during the period	(61.368.216)	(46.686.173)
Provision reversed during the period	(6.014.207)	(10.211.881)
Closing balance	117.808.863	71.402.241

The movement of the provision for expected losses is as follows:

	1 January- 31 December 2015	1 January- 31 December 2014
Opening balance	16.457.295	--
Reclass from long-term provisions to short-term provisions	12.955.539	--
Provision for the period	26.628.681	16.457.295
Provision realized during the period	(13.189.120)	--
Provision reversed during the period	(1.048.845)	--
Closing balance	41.803.550	16.457.295

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

14. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (continued)

a) Provisions (continued)

The movement of the provision for delay penalties and fines is as follows:

	1 January- 31 December 2015	1 January- 31 December 2014
Opening balance	7.465.249	9.238.648
Provision for the period	9.333.209	5.757.192
Provision realized during the period	(4.179.875)	(6.688.957)
Provision reversed during the period	(1.839.559)	(841.634)
Closing balance	10.779.024	7.465.249

The movement of the provision for lawsuits in progress is as follows:

	1 January- 31 December 2015	1 January- 31 December 2014
Opening balance	936.873	445.573
Provision for the period	2.189.028	703.199
Provision realized during the period	(105.068)	(12.500)
Provision reversed during the period	(371.510)	(199.399)
Closing balance	2.649.323	936.873

	31 December 2015	31 December 2014
Other long-term provisions		
Provision of expected losses	23.517.264	12.955.539
Provision for delay penalties and fines	--	2.960.077
	23.517.264	15.915.616

The movement of the provision for expected loss is as follows:

	1 January- 31 December 2015	1 January- 31 December 2014
Opening balance	12.955.539	--
Reclass from long-term provisions to short-term provisions	(12.955.539)	--
Provision during the period	23.517.264	12.955.539
Closing balance	23.517.264	12.955.539

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

14. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (continued)

a) Provisions (continued)

The movement of the provision for delay penalties and fines is as follows:

	1 January- 31 December 2015	1 January- 31 December 2014
Opening balance	2.960.077	2.850.210
Provision during the period	--	109.867
Provision reversed during the period	(2.960.077)	--
Closing balance	--	2.960.077

b) Lawsuits

As of the dates 31 December, according to the declarations written by the legal counselors, the lawsuits and executions in favor of and against the Group are as follows:

Description	2015	2014
a) Ongoing lawsuits filed by the Group	2.820.417	4.693.387
b) Execution proceedings carried on by the Group	5.640.006	5.811.678
c) Ongoing lawsuits filed against the Group	2.649.323	936.873
d) Lawsuits finalized against of the Group within the period	5.481.931	300.415
e) Lawsuits finalized in favor of the Group within the period	453.388	119.195

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

15. COMMITMENTS AND CONTINGENCIES

a) Operating lease

As of 31 December 2015, the Group has two lands that are rented for 49 years and 21 years.

As of 31 December 2015 the Group has paid rent amounting to TL 51.810 (31 December 2014: TL 48.764) and TL 335.116 (31 December 2014: None) for property lands rented for 49 years and 21 years respectively.

As of 31 December 2015, the Group's liability regarding car rental is TL 5.265.206 (31 December 2014: TL 5.106.888).

b) Guarantees received

	31 December 2015	31 December 2014
Letters of guarantees received from the suppliers	786.688.791	601.879.993
Collaterals received from the customers	9.532.800	8.462.100
Collaterals received from the suppliers	5.105.449	4.851.036
Letters of guarantees received from the customers	4.954.955	1.944.400
Mortgages received from the customers	265.000	450.000
Guarantee received from the suppliers	79.457	68.040
Guarantee received from the customers	6.000	6.000
	806.632.452	617.661.569

c) Letters of guarantees given

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

Within the scope of Patrol and Anti-Submarine Warfare Ship Projects (MİLGEM) contract cost amounting to USD 253.261.209, carried out with HAVELSAN's partnership the Group is responsible for the fulfillment of HAVELSAN's obligations if HAVELSAN is unable to fulfill them.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

15. COMMITMENTS AND CONTINGENCIES (continued)

c) Guarantees given (continued)

31 December 2015	TL Equivalent	TL	USD	EURO	UAE Dirham	Polish Zloty	Indian Rupee	British Pound
A. Total amount of CPM given on behalf of the legal entity								
-Collateral	7.854.973.508	1.000.552.165	1.609.503.269	674.739.504	26.759.651	2.424.322	10.000.000	1.654.349
-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	13.118.870	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	7.868.092.378	1.001.459.115	1.613.703.269	674.739.504	26.759.651	2.424.322	10.000.000	1.654.349

⁽¹⁾The ratio of the other CPM given by the Group to the equity as of 31 December 2015 is 0,46 percent. TL 13.118.870 is the collateral amount pertaining to guarantee letter given on behalf of the entities' affiliate company Mikro AR-GE and joint venture ASELSAN Bilkent.

In addition, the Group is responsible as joint guarantor for the portion amounting to EURO 2,5 Million of investment credit amounting to EURO 5 Million which will be used by ASELSAN Optik that is the Group's joint venture.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

15. COMMITMENTS AND CONTINGENCIES (continued)

c) 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 0,06 percent. TL 1.473.000 is the collateral amount pertains to guarantee letter given on behalf of the entities' affiliate company Mikro AR-GE.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

16. EMPLOYEE BENEFITS

a) Payables for employee benefits

	31 December 2015	31 December 2014
Social security premiums payable	11.596.478	10.601.982
Taxes and funds payable	8.619.416	9.918.817
Due to personnel	1.371.916	2.477.425
	21.587.810	22.998.224

b) Short-term provisions for employee benefits

	31 December 2015	31 December 2014
Provision for vacation pay liability	38.114.689	33.924.548

As of 31 December the movement of the provision for vacation pay is as follows:

	2015	2014
Opening balance	33.924.548	25.395.640
Provision realized during the period	(7.760.018)	(5.718.761)
Provision reversed during the period	(5.696.095)	(8.266.831)
Provision for the period	17.646.254	22.514.500
Closing balance	38.114.689	33.924.548

c) Long-term provisions for employee benefits

	31 December 2015	31 December 2014
Provision for severance pay	149.538.938	116.485.609
Provision for retirement pay	13.873.095	10.934.656
	163.412.033	127.420.265

As of 31 December the movement of severance and retirement pays are as follows:

	2015	2014
Opening balance	127.420.265	107.067.815
Service cost	39.175.913	10.087.303
Interest cost	2.325.070	3.390.219
Termination cost	417.963	--
Payments	(5.927.178)	(6.947.744)
Actuarial loss	--	13.822.672
Closing balance	163.412.033	127.420.265

Provision for severance pay:

In accordance with the Labor Law Legislations, the Group is obliged to make legal severance indemnity payments to entitled employees whose employment has been terminated. Furthermore, with regard to Social Security Law numbered 506 dated 6 March 1981, number 2422 dated 24 August 1999 and law numbered 4447, article 60 denotes the legal obligation to make severance payments to all employees who are entitled to indemnity by the date of leave of employment.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

16. EMPLOYEE BENEFITS (continued)

Certain provisions regarding services before retirement, has been annulled on 23 May 2002 during the revision of the related law. As of 31 December 2015 Severance payments are calculated on the basis of 30 days' pay, limited to a ceiling of TL 3.828,37 (31 December 2014: 3.438,22)

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 grant:

Retirement provision is booked for employees with service of more than 20 years within the Group and has earned/will earn their retirement.

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

	31 December 2015 (%)	31 December 2014 (%)
Interest rate	9,34	8,85
Inflation rate	7,20	6,72
Discount ratio	2,00	2,00
Estimation of probability of retirement ratio	99	99

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

17. OTHER ASSETS AND LIABILITIES

a) Other current assets

	31 December 2015	31 December 2014	1 January 2014
VAT carried forward ⁽¹⁾	89.072.419	85.297.945	78.978.547
Blocked deposits ⁽²⁾	61.515.146	22.163.233	18.805.762
Other VAT	7.734.088	7.750.293	8.145.372
Prepaid taxes and funds	2.498.016	--	234.325
Job advances	1.483.050	969.452	358.294
Other ⁽³⁾	17.472.045	421.421	384.646
	179.774.764	116.602.344	106.906.946

⁽¹⁾ To the taxpayers (Contractor/the Group) who deliver goods and give services to the Natural Security Institutions (such as MOD and UDI) that are to be approved by the customers (contacting authority) in terms of content and nature, Value Added Tax (VAT) is being exempted as of 1 March 2009 in accordance with General Declaration on Value Added Tax with the Serial Number 112 in the Official Gazette as of 12 February 2009. These amounts are usually not collected, but they are offset with other tax liabilities.

⁽²⁾ These amounts consist of the blocked deposits related to 1007 and the European Union projects.

⁽³⁾ Mainly comprised of other current assets of consolidated subsidiaries.

b) Other non-current assets

	31 December 2015	31 December 2014	1 January 2014
VAT carried forward ⁽¹⁾	85.098.834	84.216.204	77.995.636
Prepaid taxes and funds	6.021.856	6.167.760	4.654.744
Other ⁽²⁾	6.601.827	--	--
	97.722.517	90.383.964	82.650.380

⁽¹⁾ The balance of 84.216.204 TL value added tax receivables, which was shown under other current assets as of 31 December 2014, is shown under other non current assets as of 31 December 2015.

⁽²⁾ Mainly comprised of other non current assets of consolidation subsidiaries.

c) Other short-term liabilities

	31 December 2015	31 December 2014
Taxes and funds payable	3.306.318	3.855.604
Other ⁽¹⁾	10.006.511	346.621
	13.312.829	4.202.225

⁽¹⁾ Mainly comprised of other short term liabilities of consolidation subsidiaries.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

18. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Capital

<u>Shareholders</u>	<u>Share (%)</u>	<u>31 December</u>		<u>31 December</u>
		<u>2015</u>	<u>Share (%)</u>	<u>2014</u>
TAFF	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 (1% of 1 Turkish Lira). 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.

Restricted 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 31 December 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 31 December 2015 the extraordinary reserves balance presented in retained earnings is TL 665.460.584 (31 December 2014: TL 559.092.120). According to the statutory records, the Company's profit for the year is TL 103.217.981 (31 December 2014: TL 184.598.383) and its other funds available for profit distribution is TL 704.648.702 (31 December 2014: TL 579.989.599).

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

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

Retained Earnings (continued)

	31 December 2015	31 December 2014
Capital reserves and extraordinary reserves	704.648.702	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 392.052.201 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 313.822.283 within the Group. Thus, the cash gross dividend amount for TL 1 nominal value per share is Kuruş 13 gross (31 December 2014: Kuruş 5).

The dividend paid to shareholders during 2015 is Kuruş 13 per 100 shares gross amount of TL 65.000.000. (Kuruş 11,05 per 100 shares, net TL 55.250.000) (31 December 2014: Kuruş 5 per 100 shares, gross amount of TL 25.000.000 (Kuruş 4,25 per 100 shares, net TL 21.250.000) has been paid.).

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

19. REVENUE AND COST OF SALES

	1 January- 31 December 2015	(Restated) 1 January- 31 December 2014
a) Revenue		
Domestic sales	2.242.008.835	2.076.669.593
Export sales	547.895.496	459.653.673
Other revenues	887.208	78.066
Sales returns (-)	(8.602.152)	(664.534)
Sales discounts (-)	(1.759.796)	(1.235.725)
	2.780.429.591	2.534.501.073
	1 January- 31 December 2015	(Restated) 1 January- 31 December 2014
b) Cost of sales(-)		
Cost of raw materials and supplies	929.102.771	801.852.113
Personnel expenses	80.833.805	85.120.704
Production overheads	223.534.806	147.937.227
Depreciation expenses	57.989.985	48.304.650
Change in work in progress	(31.804.680)	(20.113.290)
Change in finished goods	(14.687.909)	(18.275.026)
Development expenses ⁽¹⁾	744.752.731	646.026.684
Cost of services sold	82.623.103	72.355.305
Cost of merchandise goods sold	22.331.307	16.073.433
Cost of other sales	59.679.994	136.601.443
	2.154.355.913	1.915.883.243

⁽¹⁾ Development expenses consist of raw material, design and personnel expenses. TL 316.370.960 (31 December 2014: 277.791.474 TL) of development expenses amountly to TL 744.752.731 (31 December 2014: 646.026.684 TL) is comprised of labour cost.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

20. CONSTRUCTION CONTRACTS

	31 December 2015	(Restated) 31 December 2014	(Restated) 1 January 2014
Construction costs incurred plus recognized profits less recognized losses to date	8.131.681.835	7.201.783.627	5.336.092.548
Less: earned allowances	(7.981.720.837)	(6.643.306.055)	(4.871.826.507)
	149.960.998	558.477.572	464.266.041
Amounts due from customers under construction contracts (Note 5)	431.171.393	694.243.611	556.694.212
Amounts due to customers under construction contracts (Note 5)	(281.210.395)	(135.766.039)	(92.428.171)
	149.960.998	558.477.572	464.266.041

21. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

	1 January - 31 December 2015	1 January - 31 December 2014
General administrative expenses (-)	(138.398.675)	(124.248.781)
Marketing expenses (-)	(74.653.545)	(46.531.957)
Research and development expenses (-)	(87.980.094)	(72.037.415)
	(301.032.314)	(242.818.153)

a) General administrative expenses (-)	1 January - 31 December 2015	1 January - 31 December 2014
Personnel expenses	(94.140.813)	(83.024.604)
Depreciation and amortization expenses	(11.916.280)	(11.116.488)
Maintenance and repair expenses	(4.134.672)	(2.606.214)
Expertise expenses	(3.335.732)	(1.909.633)
Electricity expenses	(3.267.395)	(4.891.511)
Outsourcing expenses	(2.454.168)	(2.357.057)
Insurance expenses	(2.159.118)	(1.734.500)
Rent expenses	(2.053.208)	(1.376.951)
Travel expenses	(1.861.091)	(1.271.769)
Personnel transportation expenses	(1.673.709)	(1.688.500)
Personnel meal expenses	(1.136.959)	(948.748)
Course and seminar expenses	(779.461)	(695.761)
Furniture and fixture expenses	(247.135)	(753.665)
Stamp duty expenses	(63.614)	(3.026.039)
Other	(9.175.320)	(6.847.341)
	(138.398.675)	(124.248.781)

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

21. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES (continued)

	1 January- 31 December 2015	1 January- 31 December 2014
b) Marketing expenses (-)		
Commission expenses	(26.157.981)	(9.215.415)
Personnel expenses	(12.200.799)	(12.588.899)
Exhibition expenses	(10.973.575)	(3.020.669)
Stamp duty expenses	(10.310.256)	(4.935.954)
Overseas travel expenses	(2.805.786)	(2.893.038)
Shipping and delivery expenses	(2.649.447)	(3.089.030)
Consultancy expenses	(2.338.027)	(2.573.292)
Advertising expenses	(2.179.490)	(2.355.953)
Packaging expenses	(898.878)	(1.035.218)
Specimen expenses	(867.587)	(666.881)
Agency and entertainment expenses	(789.291)	(418.605)
Domestic travel expenses	(753.059)	(601.518)
Insurance expenses	(632.017)	(622.386)
Depreciation and amortization expenses	(270.354)	(548.234)
Electricity expenses	(258.685)	(364.232)
Personnel transportation expenses	(216.021)	(249.121)
Rent expenses	(205.324)	(169.101)
Maintenance and repair expenses	(146.968)	(215.556)
Other	--	(968.855)
	(74.653.545)	(46.531.957)
	1 January- 31 December 2015	1 January- 31 December 2014
c) Research and development expenses (-)		
Personnel expenses	(39.235.125)	(26.827.879)
Depreciation and amortization expenses	(33.266.289)	(29.909.640)
Equipment costs	(9.261.525)	(8.470.834)
Other	(6.217.155)	(6.829.062)
	(87.980.094)	(72.037.415)

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

22. OTHER OPERATING INCOME AND EXPENSES

a) Other operating income	1 January- 31 December 2015	(Restated) 1 January- 31 December 2014
Foreign currency exchange differences from operations	150.058.076	95.384.792
Free of charge investment income ⁽¹⁾	10.057.380	--
Discount income	3.569.081	6.106.609
Insurance income for damages	2.417.715	401.550
Provisions released	476.578	211.899
Income from letter of guarantees and interest income due to delays	224.134	167.991
Other income	6.843.884	3.126.247
	173.646.848	105.399.088

(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- 31 December 2015	(Restated) 1 January- 31 December 2014
Foreign currency exchange differences from operations	(282.180.994)	(126.541.842)
Discount income	(6.431.881)	(6.137.949)
Provision for lawsuits	(2.189.028)	(703.199)
Special communication tax	(11.278)	(153.137)
Damage expense	(2.806)	(359.833)
Other expense and losses	(5.105.753)	(3.270.300)
	(295.921.740)	(137.166.260)

23. INCOME FROM INVESTING ACTIVITIES

	1 January- 31 December 2015	1 January- 31 December 2014
Gain on sale of fixed assets	2.477.731	208.619
Gain on sale of securities	--	39.983
Dividend income	--	1.874.341
	2.477.731	2.122.943

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

24. FINANCE INCOME

	1 January- 31 December 2015	1 January- 31 December 2014
Foreign currency exchange gain from bank loans	25.357.106	44.490.097
Interest income	10.550.262	5.139.957
Option income	1.835.000	--
Other financial income	605.705	497.108
	38.348.073	50.127.162

25. FINANCE EXPENSES

	1 January- 31 December 2015	1 January- 31 December 2015
Foreign currency exchange losses from bank loans	(135.285.450)	(64.341.237)
Discount expenses at bank loans	(16.519.100)	(5.289.453)
Interest cost of borrowings	(3.462.289)	(3.851.753)
	(155.266.839)	(73.482.443)

26. ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

	31 December 2015	31 December 2014
Revaluation reserve available for sale financial assets	406.801.891	293.018.605
Revaluation of property	216.071.521	176.553.564
Loss on remeasurement of defined benefit plans	(14.924.138)	(14.924.138)
Foreign currency exchange differences	(94.752)	--
	607.854.522	454.648.031
	1 January- 31 December 2015	1 January- 31 December 2014
Revaluation reserve available for sale financial assets		
Opening balance	293.018.605	--
Gain on revaluation and reclassification of available for sale financial assets	119.771.880	308.440.637
Deferred tax liability arising from revaluation	(5.988.594)	(15.422.032)
Closing balance	406.801.891	293.018.605

Gain on revaluation or reclassification of available for sale financial assets arises due to revaluation of financial investments. When available for sale financial assets are sold, any related amount included in revaluation reserve is transferred to profit or loss.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

26. ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS (continued)

	1 January- 31 December 2015	1 January- 31 December 2014
Revaluation of property		
Opening balance (Prior reported)	177.700.751	177.532.454
Effects of transactions with non-controlling interest ⁽¹⁾	--	168.297
Restatement effect	(1.147.187)	--
Opening balance (Restated)	176.553.564	--
Increase arising from revaluation of property	41.597.849	--
Reversal of revaluation of property	--	(1.207.565)
Deferred tax on revaluation	(2.079.892)	--
Reversal of deferred tax on revaluation	--	60.378
Closing balance	216.071.521	176.553.564

⁽¹⁾ The company has bought the shares of MİKES that are owned by HAVELSAN, ASELSANNET and SSM.

Revaluation of property increase arises from revaluation of the lands. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

	1 January- 31 December 2015	1 January- 31 December 2014
Foreign currency exchange differences:		
Opening balance	--	--
Currency differences from net asset currency translation of oversea establishments	(94.752)	--
Deferred tax on revaluation	--	--
Closing balance	(94.752)	--

	1 January- 31 December 2015	1 January- 31 December 2014
Loss on remeasurement of defined benefit plans		
Opening balance	(14.924.138)	(3.866.000)
Gain/Loss on remeasurement of defined benefit plans	--	(11.058.138)
Closing balance	(14.924.138)	(14.924.138)

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

27. INCOME TAXES

	(Restated)	
	31 December 2015	31 December 2014
<u>Corporate tax liabilities:</u>		
Current corporate tax provision	3.492.670	1.288.840
Less: Prepaid taxes and funds	(859.215)	(637.282)
	2.633.455	651.558

	(Restated)	
	1 January- 31 December 2015	1 January- 31 December 2014
<u>Tax income:</u>		
Current corporate tax expense	(3.492.670)	(1.288.840)
Deferred tax income	137.656.293	70.540.874
	134.163.623	69.252.034

1 January-31 December 2015			
	Amount before tax	Tax income/expense	Net of tax amount
Tax effects related to components of other comprehensive income			
Gains on revaluation of fixed assets	41.597.849	(2.079.892)	39.517.957
Foreign currency exchange differences	(94.752)	--	(94.752)
Gain on revaluation of available for sale financial assets	119.771.880	(5.988.594)	113.783.286
Other comprehensive income in the period	161.274.977	(8.068.486)	153.206.491

1 January-31 December 2014			
	Amount before tax	Tax income/expense	Net of tax amount
Tax effects related to components of other comprehensive income			
Accumulated gain/loss on revaluation of property	(1.207.565)	60.378	(1.147.187)
Gain on revaluation of available for sale financial assets	308.440.637	(15.422.032)	293.018.605
Actuarial gains and losses on defined benefit plans	(13.822.672)	2.764.534	(11.058.138)
Other comprehensive income in the period	293.410.400	(12.597.120)	280.813.280

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

27. INCOME TAXES (continued)

	1 January- 31 December 2015	1 January- 31 December 2014
Tax recognized directly in equity		
Deferred tax	--	--
Directly recognized in equity:	--	--
- Revaluation of property	(2.079.892)	60.378
- Gain on revaluation of available for sale financial assets	(5.988.594)	(15.422.032)
- Actuarial income/expense	--	2.764.534
Deferred tax recognized directly in equity	(8.068.486)	(12.597.120)

Corporate tax

The Group is subject to Turkish corporate taxes. The corporate income tax is declared until the relevant accounting period-end's following fourth month, twenty-fifth day's evening and it is batch paid until the end of the related month. In accordance with the tax legislation, quarterly 20 percent (31 December 2014: 20 percent) on profits of advance tax is being calculated and paid. The amounts paid in this way are deducted by the tax on annual earning.

In accordance with the tax legislation in Turkey, financial losses could be carried forward for a maximum of five years that the year they appeared. Besides, tax returns and the related accounting records may be reviewed within five years by the tax administration.

Provision is made in the accompanying consolidated financial statements for the estimated change based on the Group's results for the year. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate entity bases.

Corporate tax rate that will be accrued based on rate able profit of the company is calculated on a basis by including disallowed deductions written of as expense when determining commercial profit with excluding tax-exempt profits and other discounts (also previous year losses and investments allowances used, if preferred)

The effective tax rate in 2015 is 20 percent (31 December 2014: 20 percent).

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

27. INCOME TAXES (continued)

Deferred Tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes and they are given below.

For calculation of deferred tax asset and liabilities, the rate of 20 percent (2014: 20 percent) is used.

In Turkey, the companies cannot declare a consolidated tax return, therefore subsidiaries that have deferred tax asset position were not netted off against subsidiaries that have deferred tax liabilities position and disclosed separately.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

27. INCOME TAXES (continued)

Deferred Tax (continued)

The details of deferred tax assets and liabilities of the Group are as follows:

		(Restated)	(Restated)
	31 December 2015	31 December 2014	1 January 2014
Deferred Tax Assets:			
Discount on receivables	1.194.781	623.887	607.197
Costs and provision for expected losses of construction contracts	350.155.118	382.843.653	317.557.276
Allowance for doubtful receivables	--	--	288.096
Allowance for impairment on inventories	3.100.197	2.754.902	1.575.946
Provision for delay penalties and fines	2.155.805	2.085.065	2.400.107
Provision for warranty	23.561.773	14.280.448	14.525.373
Provision for severance pay	29.907.788	23.291.877	19.468.262
Provision for retirement pay	2.774.619	2.186.931	1.945.301
Provision for annual leave and overtime	7.622.938	6.784.910	5.079.128
Provision for lawsuits	7.747	45.847	27.047
Accumulated tax losses	--	--	1.525.204
Accumulated research and development incentive	417.266.923	295.240.181	206.108.738
Other	--	1.335.079	150.930

		(Restated)	(Restated)
	31 December 2015	31 December 2014	1 January 2014
Deferred Tax Liabilities:			
Discount on payables	(578.093)	(580.398)	(567.304)
Adjustment of progress payments for long-term construction projects	(450.158.473)	(486.862.366)	(401.472.321)
Adjustment on inventories	--	--	(163.022)
Depreciation of fixed assets / amortization of intangible assets	(23.694.915)	(18.370.101)	(16.701.445)
Fixed assets revaluation fund	(11.372.185)	(9.292.293)	(9.352.671)
Gain on revaluation of available for sale financial assets	(21.410.626)	(15.422.032)	--
Deferred tax assets	837.747.689	731.472.780	571.258.605
Deferred tax liabilities	(507.214.292)	(530.527.190)	(428.256.763)
Deferred tax assets – net	330.533.397	200.945.590	143.001.842

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

27. INCOME TAXES (continued)

Deferred tax (continued)

	1 January- 31 December 2015		(Restated) 1 January- 31 December 2014	
<u>Movement of deferred tax (assets)/liabilities:</u>				
Opening balance (prior reported)		200.945.590		212.862.628
Restatement effect		--		(69.860.786)
Opening balance as of 1 January (restated)		200.945.590		143.001.836
Charged to statement of profit or loss		137.656.293		70.540.874
Charged to equity		(8.068.486)		(12.597.120)
		330.533.397		200.945.590
	Effective Tax Rate (%)	1 January- 31 December 2015	Effective Tax Rate (%)	(Restated) 1 January- 31 December 2014
<u>Tax reconciliations:</u>				
Profit before tax from continuing operations (prior reported)		79.209.746		270.353.565
Restatement effect		--		52.446.602
Profit before tax from continuing operations (restated)		--		322.800.167
Income tax rate		20%		20%
Tax at the domestic income tax rate	20	15.841.949	20	64.560.033
Tax effects of:				
- revenue that is exempt from taxation	(6)	(5.422.593)	(1)	(4.836.519)
- expenses that are not deductible in determining taxable profit	6	4.922.338	1	2.893.349
- R&D incentives and other income exempt from taxation	(191)	(151.304.100)	(40)	(128.547.477)
- Subsidiaries and associates revenue that is exempt from taxation	1	998.625	--	--
- effect of other adjustments	1	800.158	(1)	(3.321.420)
Tax income recognized in profit or loss		(169) (134.163.623)		(21) (69.252.034)

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

28. 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 years ended 31 December 2015 and 2014, earnings per share calculations are as follows:

	1 January- 31 December 2015	(Restated) 1 January- 31 December 2014
Common stock	50.000.000.000	50.000.000.000
Net profit – TL	212.929.960	392.052.201
Earnings per 100 shares	42,06	78,4

29. FINANCIAL INVESTMENTS

Financial Investments

Non-Current Financial Investments

	31 December 2015	31 December 2014
a) Available for sale financial investments	433.353.730	313.581.850
b) Financial investments valued at cost that do not have a quoted market value	147.462	42.041.149
	433.501.192	355.622.999

a) Available for sale financial investments

	31 December 2015	31 December 2014
Available for sale financial investments that are not traded in an active market	433.353.730	313.581.850
	433.353.730	313.581.850

ROKETSAN-Roket Sanayi ve Ticaret A.Ş. which is Group's marketable security is revalued and stated at fair value. As of 31 December 2015, the revaluation was performed by Oyak Yatırım Menkul Değerler A.Ş. which is an independent valuation company. The fair value was determined according to "Discounted Cash Flow", "Similar Company Comparison" and "Realized Company Mergers and Acquisitions" methodologies. Discount ratio used in "Discounted Cash Flow" method is 14,3 percent.

Company Name	Ratio(%)	31 December 2015	Ratio (%)	31 December 2014
Roketsan Roket Sanayii ve Tic. A.Ş.	14,897	433.353.730	14,897	313.381.850

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

29. FINANCIAL INVESTMENTS (continued)

Financial Investments (continued)

b) Financial investments valued at cost that do not have a quoted market value

The details of the Group's investments and share percentages of subsidiaries, joint ventures and associates are as follows:

Company Name	Ratio (%)	31 December 2015	Ratio (%)	31 December 2014
ASELSAN Bakü ⁽¹⁾	100	--	100	3.059.234
Mikroelektronik Ar-Ge Tasarım ve Tic. Ltd. Şti. ⁽¹⁾	85	--	85	624.714
ASELSAN Hassas Optik Sanayi ve Ticaret A.Ş. ⁽²⁾	50	--	--	50.000
ASELSAN Bilkent Mikro Nano Teknolojileri Sanayi ve Ticaret A.Ş. ⁽²⁾	50	--	--	2.250.000
Kazakhstan ASELSAN Engineering LLP ⁽²⁾	49	--	49	32.633.128
IGG ASELSAN Integrated Systems LLC ⁽²⁾	49	--	49	42.837
ASELSAN Middle East PSC LTD ⁽²⁾	49	--	49	3.233.774
ASPİLSAN-Askeri Pil San. ve Tic. A.Ş.	1	147.462	1	147.462
		147.462		42.041.149

⁽¹⁾ As of 2015 related subsidiaries are consolidated by using "Full consolidation method".

⁽²⁾ As of 2015 related business partnerships are consolidated by using "Equity method".

The above available-for-sale equity investments amounting to TL 147.462 (31 December 2014: TL 42.041.149) do not have a quoted market value and their fair values cannot be reliably measured as the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. For this reason they are stated at cost less provision for diminution in value, if any.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

30. FINANCIAL LIABILITIES**Financial Liabilities**

		31 December 2015	31 December 2014
Short-term financial liabilities	Unsecured loan	355.900.608	234.473.082
Current portion of long-term financial liabilities	Secured loan	89.361.363	48.470.658
Current portion of long-term financial leasing liabilities	Unsecured loan	66.815	137.535
Other short-term financial liabilities	Unsecured loan	1.915.280	800.756
Total short-term financial liabilities		447.244.066	283.882.031
Other long-term financial liabilities	Secured loan	152.313.508	190.684.931
Other long-term financial liabilities	Unsecured loan	3.760.265	4.526.230
Long-term financial leasing liabilities	Unsecured loan	--	56.314
Total long-term financial liabilities		156.073.773	195.267.475
Total financial liabilities		603.317.839	479.149.506

As of 31 December 2015, short-term financial liabilities amounting to TL 11.617.515 consist of interest free loans received for Social Security Institution (SGK) payments with a daily maturity. Current financial liabilities amounting to TL 55.293.088 is for the Company's operational expenses with the maturity of August 2016 and with interest rate of 13,70 percent. The remaining current financial liability amounting TL 288.990.005 consist of Eximbank Preshipment Export Loan with maturities vary between January-August 2016 and with interest rates vary between 1,16 percent-1,58 percent. Major part of the current portion of the long-term borrowings are composed of principle amounting to USD 29.846.154 with a maturity of February-October 2016 related to the loan which are obtained from Undersecretariat for Defense Industries with interest rates 2,1 percent-3,50 percent amounting to USD 82.230.769.

As of 31 December 2015, TL 5.675.546 of other current and non-current financial liabilities consist of the interest free borrowings obtained from TTGV for project finance. The major part of the remaining current and non-current financial liabilities is composed of the loans obtained from Undersecretariat for Defense Industries amounting to USD 52.384.615 with an interest rate of 2,1 percent and 3,50 percent.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

30. FINANCIAL LIABILITIES (continued)

Financial Liabilities (continued)

As of 31 December 2014, short-term financial liabilities amounting to TL 10.451.226 consist of interest free loans received for Social Security Institution (SGK) payments with a daily maturity. Current financial liabilities amounting to TL 179.201.856 consist of Exim bank Preshipment Export Loan with the maturities vary between the January-May 2015 and with interest rates vary between 1,32-1,33 percent. The remaining current financial liability amounting TL 44.820.000 was received for short-term financial requirements of the Group with interest rate 10, 50 percent. Major part of the current portion of the long-term borrowings is composed of the principle amount of USD 16 Million with a maturity of February-August 2015 related to the loan amounting USD 40 Million with an interest rate of 2,1 percent and the principle amount of USD 3.846.154 with a maturity of April-October 2015 related to the loan amounting USD 25 Million with an interest rate of 3,5 percent. Both loans are obtained from Undersecretariat for Defense Industries.

As of 31 December 2014, TL 5.289.935 of other current and non-current financial liabilities consist of the interest free borrowings obtained from TTGV. The major part of the remaining current and non-current financial liabilities is composed of the loan obtained from Undersecretariat for Defense Industries amounting USD 63.000.000 (USD 22.000.000 loan was obtained in 2014) with an interest rate of 2,1 percent and long-term portion amounting to USD 19.230.769 with an interest rate of 3,5 percent.

Bank Loans

Currency	31 December 2015		
	Weighted average interest rate (%)	Short-term	Long-term
EURO	--	33.577	--
TL	11,32	66.910.603	--
USD	1,82	380.299.886	156.073.773
		447.244.066	156.073.773

Currency	31 December 2014		
	Weighted average interest rate (%)	Short-term	Long-term
EURO	--	36.728	29.806
TL	8,63	55.335.503	--
USD	1,92	228.509.800	195.237.669
		283.882.031	195.267.475

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

30. FINANCIAL LIABILITIES (continued)

Financial Liabilities (continued)

The breakdown of the loan repayments with respect to their maturities is as follows:

	31 December 2015	31 December 2014
Within 1 year	447.244.065	283.882.031
Between 1-2 years	54.893.149	73.792.790
Between 2-3 years	53.227.591	42.311.006
Between 3-4 years	36.769.957	40.919.666
Between 4-5 years	11.183.077	29.325.166
Between 5-6 years	--	8.918.847
	603.317.839	479.149.506

31. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS

a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return through the optimization of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings as explained Note 30, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The Group's board of directors review capital structure regularly in the meetings. The risks that are associated with every equity item together with the Group's cost of capital are evaluated by the board of directors. Based on the recommendations of the board, the Group aims to balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt on the redemption of existing debt.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

31. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

a) Capital risk management (continued)

The Group's general strategy has not changed since 2014. The ratio of liabilities to share capital as of 31 December 2015 and 2014 is calculated by dividing net liability, which is calculated by subtracting cash and cash equivalent and short term financial investments from financial liabilities, to total capital. The ratio is as follows:

	(Restated)	
	31 December 2015	31 December 2014
Total liabilities	603.317.839	479.149.506
Less: Cash and cash equivalents	(680.963.051)	(131.941.264)
Net asset/debt	(77.645.212)	347.208.242
Total equity	2.840.735.825	2.539.146.760
Total capital	2.763.090.613	2.886.355.002
Net debt / total equity ratio (%)	(3)	12

b) Financial Risk Factors:

The Group has exposure to the credit risk, liquidity risk, market risk and foreign currency risk from its activities. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by a central finance department under policies approved by the Board of Directors. Group's finance department identifies and evaluates financial risks and use tools to reduce risks by working with close co-operation with the group's operating units.

Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is mainly working with public sector and obtaining advance payments where appropriate, both from public sector and private sector entities. Financing needs arising from new contracts are satisfied by advances received when the projects start and milestone payments during the projects. The receivables are generally from public sector and hence considered collectible. The Group management does not foresee significant credit risk. Additionally, receivables are monitored regularly to minimize the collection risk.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

31. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

Carrying values of the financial assets reflect the maximum exposure to credit risk.
The credit risks as of reporting date is as follows:

31 December 2015	Receivables				Bank Deposits
	Trade Receivables		Other Receivables		
	Related party	Third party	Related party	Third party	
Maximum net credit risk as of the reporting date (A+B+C+D) ⁽¹⁾	190.762.505	1.253.406.182	--	48.530.465	742.279.982
- The part of maximum risk under guarantee with collateral etc. ⁽²⁾	--	3.678.917	--	--	--
A. Net book value of financial assets that are neither past due nor impaired	190.762.505	1.163.607.780	--	48.530.465	742.279.982
B. Net book value of financial assets that are past due but not impaired	--	89.798.402	--	--	--
C. Net book value of impaired assets	--	--	--	--	--
- Overdue (gross carrying amount)	--	859.465	--	--	--
- Impairment (-)	--	(859.465)	--	--	--
- The part of net value under guarantee with collateral etc.	--	--	--	--	--
- Undue (gross carrying amount)	--	--	--	--	--
- Impairment (-)	--	--	--	--	--
- The part of net value under guarantee with collateral etc.	--	--	--	--	--
D. Factors that include off balance sheet credit risks	--	--	--	--	--

⁽¹⁾ While determining the amount, components which provide increase on credit reliability, like guarantees received are not taken into consideration

⁽²⁾ The guarantees consist of the letters of guarantees, collaterals, checks and mortgages.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

31. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

Carrying values of the financial assets reflect the maximum exposure to credit risk.
The credit risks as of reporting date is as follows:

31 December 2014	Receivables				Bank Deposits
	Trade Receivables		Other Receivables		
	Related party	Third party	Related party	Third party	
Maximum net credit risk as of the reporting date (A+B+C+D) ⁽¹⁾	160.534.140	1.307.561.071	19.746	42.195.874	153.973.335
- The part of maximum risk under guarantee with collateral etc. ⁽²⁾	--	1.998.129	--	--	--
A. Net book value of financial assets that are neither past due nor impaired	160.534.140	1.227.517.187	19.746	42.195.874	153.973.335
B. Net book value of financial assets that are past due but not impaired	--	80.043.884	--	--	--
C. Net book value of impaired assets	--	--	--	--	--
- Overdue (gross carrying amount)	--	859.465	--	--	--
- Impairment (-)	--	(859.465)	--	--	--
- The part of net value under guarantee with collateral etc.	--	--	--	--	--
- Undue (gross carrying amount)	--	--	--	--	--
- Impairment (-)	--	--	--	--	--
- The part of net value under guarantee with collateral etc.	--	--	--	--	--
D. Factors that include off balance sheet credit risks	--	--	--	--	--

⁽¹⁾ While determining the amount, components which provide increase on credit reliability, like guarantees received are not taken into consideration.

⁽²⁾ The guarantees consist of the letters of guarantees, collaterals, checks and mortgages.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

31. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

Credit Risk (continued)

The aging of the overdue receivables is as follows:

	31 December 2015	31 December 2014
Overdue by 1-30 days	1.846.543	44.975
Overdue by 1-3 months	469.411	61.599
Overdue by 3-12 months	13.805.718	14.415.814
Overdue by 12 months	73.676.730	65.521.496
Total receivables	89.798.402	80.043.884

No collateral is received for the overdue receivables.

It is envisaged that receivables that is overdue but not provisioned are collected.

Liquidity risk

Board of directors has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest payment date. The table includes both interest and principal cash flows. When receivables and payables are not constant, amounts are determined in accordance with interest rates generated from return rates as of the reporting date.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

31. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)Liquidity Risk (continued)

The maturities of the financial liabilities determined with respect to the contracts including the expected interest payments as of 31 December 2015 is as follows:

Contractual Maturity Analysis	Carrying value	Total cash outflow according to contract (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Non-derivative financial instruments						
Financial liabilities	603.251.024	616.531.907	133.889.888	319.364.036	163.277.983	--
Financial leasing liabilities	66.815	76.011	46.504	29.507	--	--

Expected Maturity	Carrying value	Total cash outflow according to contract (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Non-derivative financial instruments						
Trade payables	800.087.275	802.894.342	486.009.922	94.000.168	222.884.252	--
Other payables	2.908.796	2.908.796	2.870.595	--	38.201	--

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

31. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)Liquidity Risk (continued)

The maturities of the financial liabilities determined with respect to the contracts including the expected interest payments as of 31 December 2014 is as follows:

Contractual Maturity Analysis	Carrying value	Total cash outflow according to contract (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Non-derivative financial instruments						
Financial liabilities	478.955.657	487.836.536	141.088.931	146.309.365	191.519.392	8.918.848
Financial leasing liabilities	193.849	216.985	56.451	104.220	56.314	--

Expected Maturity	Carrying value	Total cash outflow according to contract (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Non-derivative financial instruments						
Trade payables	660.375.349	662.615.337	461.195.909	147.207.154	54.212.274	--
Other payables	814.293	814.293	761.485	20.976	31.832	--

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

31. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

Market risk management

The Group's activities, the details given below, expose primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Market risk exposures are evaluated by sensitivity analysis, and stress scenario analysis.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk in the current year compared to prior year.

Foreign currency risk management

Foreign currency denominated transactions cause foreign currency risk. The core principle of the foreign risk management reduces to minimum foreign exchange position deficit or surplus and minimize the effect of exchange rate fluctuation. Group's net foreign currency position is due to the operational structure of the defense industry.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

31. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

FOREIGN EXCHANGE POSITION						
31 December 2015	TL Equivalent (Functional currency)	USD	TL equivalent by using closing rates	EURO	TL equivalent by using closing rates	Other
1. Trade Receivables	910.896.877	171.863.292	499.709.708	129.400.538	411.183.150	4.019
2a. Monetary financial assets (including cash, bank)	429.992.016	122.076.711	354.950.245	23.608.121	75.017.165	24.605
2b. Non- monetary financial assets	110.384.876	19.415.786	56.453.339	15.334.124	48.725.712	20.499.472
3. Other	3.968.112	42.747	124.291	1.076.552	3.420.852	422.969
4. Current assets (1+2+3)	1.455.241.881	313.398.536	911.237.583	169.419.335	538.346.879	20.951.065
5. Trade receivables	362.210.266	83.984.672	244.193.832	37.140.116	118.016.433	--
6a. Monetary trade receivables	--	--	--	--	--	--
6b. Non-monetary trade receivables	240.446.444	9.646.524	28.048.233	85.369.880	271.271.331	--
7. Other	2.205.927	456.497	1.327.311	198.380	630.372	248.244
8. Long-term assets (5+6+7)	604.862.637	94.087.693	273.569.376	122.708.376	389.918.136	248.244
9. Total assets (4+8)	2.060.104.518	407.486.229	1.184.806.959	292.127.711	928.265.015	21.199.309
10. Trade payables	260.467.533	33.631.482	97.786.897	48.205.719	153.178.493	9.502.140
11. Financial liabilities	380.333.463	130.795.118	380.299.885	10.567	33.578	--
12a. Other monetary financial liabilities	2.191.361	753.667	2.191.362	--	--	--
12b. Other non-monetary financial liabilities	169.799.645	66.071.763	192.110.258	9.912.345	31.497.467	--
13. Current liabilities (10+11+12)	812.792.002	231.252.030	672.388.402	58.128.631	184.709.538	9.502.140
14. Trade payables	--	--	--	--	--	--
15. Financial liabilities	156.073.773	53.677.869	156.073.772	--	--	--
16a. Other monetary financial liabilities	35.701	9.000	26.168	3.000	9.533	--
16b. Other non-monetary financial liabilities	692.332.201	268.224.098	779.888.387	131.589.577	418.139.040	--
17. Non-current liabilities (14+15+16)	848.441.675	321.910.967	935.988.327	131.592.577	418.148.573	--

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

31. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

FOREIGN EXCHANGE POSITION						
31 December 2015	TL Equivalent (Functional currency)	USD	TL equivalent by using closing rates	EURO	TL equivalent by using closing rates	Other
18. Total liabilities (13+17)	1.661.233.677	553.162.997	1.608.376.729	189.721.208	602.858.111	9.502.140
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)	398.870.841	(145.676.768)	(423.569.770)	102.406.503	325.406.904	11.697.169
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	903.997.328	159.057.539	462.475.701	141.929.489	450.995.144	(9.473.516)
22. Fair value of derivative financial instruments used in foreign currency hedge	--	--	--	--	--	--
23. Hedged foreign currency assets	--	--	--	--	--	--
24. Hedged foreign currency liabilities	--	--	--	--	--	--
25. Exports	547.895.496	168.248.079	489.198.115	29.951.304	95.173.264	--
26. Imports	782.380.482	140.420.615	408.286.980	93.090.839	295.805.450	78.288.049

Accompanying foreign exchange position which was prepared in accordance with CMB's regulation is different from the foreign exchange position of the financial statement which is prepared according to General Communiqué on Accounting System Application (GCASA). The difference is mainly due to the adjustments and classifications which are related with TAS 11 "Construction Contracts".

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

31. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

(Restated) FOREIGN EXCHANGE POSITION						
31 December 2014	TL Equivalent (Functional currency)	USD	TL equivalent by using closing rates	EURO	TL equivalent by using closing rates	Other
1. Trade Receivables	634.205.928	123.205.255	285.700.666	123.552.757	348.505.262	--
2a. Monetary financial assets (including cash and bank)	58.952.358	19.636.793	45.535.759	4.742.702	13.377.740	38.857
2b. Non- monetary financial assets	105.451.562	28.166.675	65.315.703	17.039.096	48.062.178	2.813.416
3. Other	11.932.193	2.248.902	5.214.979	1.007.346	2.841.421	3.875.794
4. Current assets (1+2+3)	810.542.041	173.257.625	401.767.107	146.341.901	412.786.601	6.728.067
5. Trade receivables	289.927.324	69.571.343	161.328.987	40.058.147	112.992.015	15.606.320
6a. Monetary trade receivables	526.771	227.164	526.771	--	--	--
6b. Non-monetary trade receivables	193.500.845	2.367.507	5.490.012	76.853.745	216.781.359	2.419.449
7. Other	5.041.245	392.404	909.946	494.324	1.394.340	2.736.960
8. Long-term assets (5+6+7)	488.996.185	72.558.418	168.255.716	117.406.216	331.167.714	20.762.729
9. Total assets (4+8)	1.299.538.226	245.816.043	570.022.823	263.748.117	743.954.315	27.490.796
10. Trade payables	296.935.203	50.134.038	116.255.821	59.789.744	168.648.931	12.030.455
11. Financial liabilities	228.546.528	98.542.325	228.509.797	13.021	36.728	--
12a. Other monetary financial liabilities	279.584	10.500	24.348	--	--	255.236
12b. Other non-monetary financial liabilities	64.336.191	33.864.265	78.527.844	2.535.363	7.151.498	28.987
13. Current liabilities (10+11+12)	590.097.506	182.551.128	423.317.810	62.338.128	175.837.157	12.314.678
14. Trade payables	13.014.415	5.612.322	13.014.413	--	--	--
15. Financial liabilities	195.267.474	84.194.087	195.237.668	10.567	29.806	--
16a. Other monetary financial liabilities	311.356	130.620	302.895	3.000	8.462	--
16b. Other non-monetary financial liabilities	282.144.912	164.942.076	382.484.180	112.654.262	317.763.877	--
17. Non-current liabilities (14+15+16)	490.738.157	254.879.105	591.039.156	112.667.829	317.802.145	--

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

31. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

(Restated) FOREIGN EXCHANGE POSITION						
31 December 2014	TL Equivalent (Functional currency)	USD	TL equivalent by using closing rates	EURO	TL equivalent by using closing rates	Other
18. Total liabilities (13+17)	1.080.835.663	437.430.233	1.014.356.966	175.005.957	493.639.302	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)	218.702.563	(191.614.190)	(444.334.143)	88.742.160	250.315.013	15.176.118
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	249.257.821	(25.983.337)	(60.252.759)	108.537.274	306.151.090	3.359.486
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	334.143.345	46.287.302	130.562.593	9.797.134
26. Imports	877.253.772	237.642.654	551.069.550	101.834.710	287.245.166	38.939.055

31. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

Foreign currency sensitivity

The Group is exposed to foreign currency risk with respect to USD and EURO. As of 31 December 2015, USD 1: TL 2.9076 (31 December 2014: TL 2.3189), EURO 1: TL 3.1776 (31 December 2014: TL 2.3189 and T 2.8207).

The following table details the Group's sensitivity to a 10 percent increase and decrease in foreign exchange rates. 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 present 10 percent change in foreign currency rates. This analysis does not include Group companies' balance sheet items which have functional currency other than TL. The effects of 10 percent changes in foreign currency rate on financial statements is as follows;

Foreign currency sensitivity table				
31 December 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	46.247.570	(46.247.570)	46.247.570	(46.247.570)
2- Hedged amount against USD risk (-)	--	--	--	--
3- Net effect of USD (1+2)	46.247.570	(46.247.570)	46.247.570	(46.247.570)
Appreciation of EURO against TL by 10%:				
4- EURO denominated net assets/liabilities	45.099.514	(45.099.514)	45.099.514	(45.099.514)
5- Hedged amount against EURO risk (-)	--	--	--	--
6- Net effect of EURO (4+5)	45.099.514	(45.099.514)	45.099.514	(45.099.514)

31. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

Foreign currency sensitivity (continued)

Foreign currency sensitivity table				
(Restated) 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			(6.025.276)	6.025.276
2- Hedged amount against USD risk (-)	--	--	--	--
3- Net effect of USD (1+2)	(6.025.276)	6.025.276	(6.025.276)	6.025.276
Appreciation of EURO against TL by 10%:				
4- EURO denominated net assets/liabilities	30.615.109	(30.615.109)	30.615.109	(30.615.109)
5- Hedged amount against EURO risk (-)	--	--	--	--
6- Net effect of EURO (4+5)	30.615.109	(30.615.109)	30.615.109	(30.615.109)

Interest rate risk management

As of 31 December 2015 and 31 December 2014, since all of the loans obtained by the Group are fixed-rate loans, the Group is not exposed to significant interest rate risk.

As of 31 December 2015, since the Group does not have interest bearing financial assets, (31 December 2014: None) no interest rate risk has been exposed.

Price risk

The Group usually enters into fixed price contracts, therefore, is not exposed to any major price risk.

Hierarchy of fair value

As of 31 December 2015 and 31 December 2014, the Group's financial assets at their fair values are as in the following page:

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

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

31 December 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	--	680.963.051	--	--	680.963.051	34
Blocked deposits	--	61.515.146	--	--	61.515.146	17
Financial investments	147.462	--	433.353.730	--	433.501.192	29
Equity Accounted Investees	41.916.350	--	--	--	41.916.350	7
Trade receivables	--	1.444.168.687	--	--	1.444.168.687	5
<u>Financial liabilities</u>						
Borrowings	--	--	--	603.317.839	603.317.839	30
Trade payables	--	--	--	800.087.275	800.087.275	5
Other payables	--	--	--	2.908.796	2.908.796	6

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	34
Blocked deposits	--	22.163.233	--	--	22.163.233	17
Financial investments	42.041.149	--	313.581.850	--	355.622.999	29
Trade receivables	--	1.468.095.211	--	--	1.468.095.211	5
<u>Financial liabilities</u>						
Borrowings	--	--	--	479.149.506	479.149.506	30
Trade payables	--	--	--	660.375.349	660.375.349	5
Other payables	--	--	--	814.293	814.293	6

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

32. FINANCIAL INSTRUMENTS FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING (continued)

The fair values of financial assets and financial liabilities are determined and grouped as follows:

- Level 1: The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- Level 2: The fair value of other financial assets and financial liabilities are determined in accordance with data which can be observed by directly or indirectly and which excludes the registered prices described in Level 1 ; and
- Level 3: The fair value of the financial assets and financial liabilities are determined where there is no observable market data.

Fair value hierarchy of financial assets that are measured at fair value:

Group's available for sale financial asset, ROKETSAN-Roket Sanayi ve Ticaret A.Ş. is measured at fair value as of 31 December 2015. The fair value of ROKETSAN-Roket Sanayi ve Ticaret A.Ş. as of 31 December 2015 is TL 433.353.730 and was determined according to "Discounted Cash Flow", "Similar Company Comparison" and "Realized Company Mergers and Acquisitions" methodologies and its fair value hierarchy is Level 3.

Reconciliation of the Group's assets and liabilities that are measured at Level 3 fair value are presented as follow:

Available for sale financial assets	31 December 2015	31 December 2014
	Marketable Securities	Marketable Securities
Opening balance	313.581.850	5.141.213
Total gain/loss - transferred to other comprehensive income	119.771.880	308.440.637
Closing balance	433.353.730	313.581.850

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

32. FINANCIAL INSTRUMENTS FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING (continued)

	31 December 2015	Fair value level as of reporting date		
		Level 1	Level 2	Level 3
		TL	TL	TL
ROKETSAN	433.353.730	--	--	433.353.730
	433.353.730	--	--	433.353.730

	31 December 2014	Fair value level as of reporting date		
		Level 1	Level 2	Level 3
		TL	TL	TL
ROKETSAN	313.581.850	--	--	313.581.850
	313.581.850	--	--	313.581.850

The movement of the fair value level as of 31 December 2015 is as follows:

	Fair value level as of reporting date		
	Level 1	Level 2	Level 3
	TL	TL	TL
1 January 2015	--	--	313.581.850
Additions	--	--	119.771.880
31 December 2015	--	--	433.353.730

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

33. EVENTS AFTER THE REPORTING PERIOD

Amount of contracts signed by Group after the reporting date is approximately TL 10 Million, EURO 9 Million and USD 5 Million.

34. EXPLANATORY NOTES TO THE STATEMENT OF CASH FLOWS

	31 December 2015	31 December 2014
Cash	119.953	109.860
Cheques received	--	7.662
Demand deposits -TL-	3.201.334	35.548.686
Foreign currency demand deposits	2.273.320	2.301.924
Time deposits -TL-	246.863.100	14.694.285
Foreign currency time deposits	427.617.065	79.264.914
Accrued income	810.017	293
Other cash equivalents	78.262	13.640
	680.963.051	131.941.264

As of 31 December 2015, the Group has TL 427.617.065 (31 December 2014: TL 79.264.914) of foreign currency time deposits at various banks with maturities between January-February 2016 (31 December 2014: January 2015) and interest rates between 1,80 percent and 3,15 percent (31 December 2014: 1,80 percent and 2,10 percent).

As of 31 December 2015, the Group has TL 246.863.100 (31 December 2014: TL 14.694.285) of time deposits at various banks with maturities between January-February 2016 (31 December 2014: January 2015) and interest rates between 7,94 percent and 14 percent (31 December 2014: 10 percent and 10,45 percent).

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

35. OTHER ISSUES REQUIRED TO BE DISCLOSED THAT HAS SIGNIFICANT IMPACT ON FINANCIAL STATEMENTS OR IN ORDER FINANCIAL STATEMENT TO BE CLEAR, INTERPRETABLE AND UNDERSTANDABLE

As of 31 December 2014 consolidated cash flow statement, has been classified as follows.

Cash flows from operating activities has increased by TL 345.659 ; profit for the year has increased TL 41.957.282 ; adjustments to reconcile for the year increased TL 6.249.497; changes in working capital decreased by TL 19.109.937 TL; cash flows provided (used) from activities increased TL by 67.496.716 ; cash flows from financing activities decreased by TL 199.826; effect foreign currencies exchange differences on the cash and cash equivalents amounting to TL 145.833 is presented separately.

The effects of the reclassifications and adjustments to the Group's prior year consolidated financial statements which are enclosed in Note 2.2 and Note 2.3 are given below:

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

35. OTHER ISSUES REQUIRED TO BE DISCLOSED THAT HAS SIGNIFICANT IMPACT ON FINANCIAL STATEMENTS OR IN ORDER FINANCIAL STATEMENT TO BE CLEAR, INTERPRETABLE AND UNDERSTANDABLE (continued)

	Prior reported 1 January 2014	Classifications	Adjustments	Restated 1 January 2014
ASSETS				
Current Assets	2.049.564.480	(33.216.627)	(38.045.032)	1.978.302.821
<i>Cash and Cash Equivalents</i>	103.683.817	--	--	103.683.817
Trade Receivables	756.246.395	44.779.009	(20.454.780)	780.570.624
<i>Trade Receivables from Related Parties</i>	145.157.039	(1.353.254)	--	143.803.785
<i>Trade Receivables from Third Parties</i>	611.089.356	46.132.263	(20.454.780)	636.766.839
Other Receivables	81.512.996	--	--	81.512.996
<i>Other Receivables from Related Parties</i>	32.771.269	--	--	32.771.269
<i>Other Receivables from Third Parties</i>	48.741.727	--	--	48.741.727
Inventory	645.849.543	--	--	645.849.543
Prepaid Expenses	277.369.147	--	(17.590.252)	259.778.895
Other Current Assets	184.902.582	(77.995.636)	--	106.906.946
Non-Current Assets	1.958.410.870	140.205.910	(115.415.471)	1.983.201.309
Financial Investments	12.724.210	--	--	12.724.210
Trade Receivables	338.736.707	62.210.274	--	400.946.981
<i>Trade Receivables from Related Parties</i>	26.392.887	9.222.123	--	35.615.010
<i>Trade Receivables from Third Parties</i>	312.343.820	52.988.151	--	365.331.971
Other Receivables	197.085	--	--	197.085
<i>Other Receivables from Third Parties</i>	197.085	--	--	197.085
Property, Plant and Equipment	741.988.200	--	--	741.988.200
Intangible Assets	372.807.645	--	--	372.807.645
Prepaid Expenses	274.439.651	--	(45.554.685)	228.884.966
Deferred Tax Assets	212.862.628	--	(69.860.786)	143.001.842
Other Non-Current Assets	4.654.744	77.995.636	--	82.650.380
TOTAL ASSETS	4.007.975.350	106.989.283	(153.460.503)	3.961.504.130

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

35. OTHER ISSUES REQUIRED TO BE DISCLOSED THAT HAS SIGNIFICANT IMPACT ON FINANCIAL STATEMENTS OR IN ORDER FINANCIAL STATEMENT TO BE CLEAR, INTERPRETABLE AND UNDERSTANDABLE (continued)

	Prior reported 1 January 2014	Classifications	Adjustments	Restated 1 January 2014
LIABILITIES				
Current Liabilities	936.244.985	50.103.769	(28.914.655)	957.434.099
Short-Term Financial Liabilities	157.226.761	--	--	157.226.761
Short-Term Portion of Long-term Financial Liabilities	22.832.818	--	--	22.832.818
Trade Payables	393.448.102	--	--	393.448.102
<i>Trade Payables to Related Parties</i>	16.265.805	--	--	16.265.805
<i>Trade Payables to Third Parties</i>	377.182.297	--	--	377.182.297
Employee Benefit Obligations	19.226.599	--	--	19.226.599
Other Liabilities	448.381	--	--	448.381
<i>Other Liabilities to Related Parties</i>	30.320	--	--	30.320
<i>Other Liabilities to Third Parties</i>	418.061	--	--	418.061
Government Grants and Incentives	11.280.034	--	--	11.280.034
Deferred Income	214.035.003	50.103.769	(28.914.655)	235.224.117
Corporate Tax Liability	480.904	--	--	480.904
Short-term Provisions	114.369.110	--	--	114.369.110
<i>Short-term Provisions for Employee Benefits</i>	25.395.640	--	--	25.395.640
<i>Other Short-Term Provisions</i>	88.973.470	--	--	88.973.470
Other Current Liabilities	2.897.273	--	--	2.897.273
Non-current Liabilities	1.459.244.914	56.885.514	(403.988.987)	1.112.141.441
Long-term Financial Liabilities	173.227.412	--	--	173.227.412
Trade Payables	12.163.376	--	--	12.163.376
<i>Trade Payables to Third Parties</i>	12.163.376	--	--	12.163.376
Other Liabilities	30.518	--	--	30.518
<i>Other Liabilities to Third Parties</i>	30.518	--	--	30.518
Government Grants and Incentives	1.878.514	--	--	1.878.514
Deferred Income	1.162.027.069	56.885.514	(403.988.987)	814.923.596
Long-term Provisions	109.918.025	--	--	109.918.025
<i>Long-term Provisions for Employee Benefits</i>	107.067.815	--	--	107.067.815
<i>Other Long-Term Provisions</i>	2.850.210	--	--	2.850.210
EQUITY	1.612.485.451	--	279.443.139	1.891.928.590
Equity Attributable to Equity Holders of the Parent	1.611.967.650	--	279.443.139	1.891.410.789
Share Capital	500.000.000	--	--	500.000.000
Inflation Adjustment on Share Capital	98.620.780	--	--	98.620.780
Other Comprehensive Income / Expense that will not to be Reclassified Subsequently to Profit or Loss	173.666.454	--	--	173.666.454
<i>Gain/Loss on Remeasurement of Defined Benefit Plans</i>	(3.866.000)	--	--	(3.866.000)
<i>Gain on Revaluation of Property</i>	177.532.454	--	--	177.532.454
Restricted Reserves	69.677.755	--	--	69.677.755
Retained Earnings	531.921.172	--	279.443.139	811.364.311
Net Profit for the Period	238.081.489	--	--	238.081.489
Non-Controlling Interests	517.801	--	--	517.801
TOTAL LIABILITIES AND EQUITY	4.007.975.350	106.989.283	(153.460.503)	3.961.504.130

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

35. OTHER ISSUES REQUIRED TO BE DISCLOSED THAT HAS SIGNIFICANT IMPACT ON FINANCIAL STATEMENTS OR IN ORDER FINANCIAL STATEMENT TO BE CLEAR, INTERPRETABLE AND UNDERSTANDABLE (continued)

	Prior reported 31 December 2014	Classifications	Adjustments	Restated 31 December 2014
ASSETS				
Current Assets	2.355.673.667	14.122.205	(6.534.783)	2.363.261.089
<i>Cash and Cash Equivalents</i>	131.941.264	--	--	131.941.264
Trade Receivables	943.722.118	98.338.409	4.204.951	1.046.265.478
<i>Trade Receivables from Related Parties</i>	120.292.826	2.713.441	--	123.006.267
<i>Trade Receivables from Third Parties</i>	823.429.292	95.624.968	4.204.951	923.259.211
Other Receivables	41.953.632	--	--	41.953.632
<i>Other Receivables from Related Parties</i>	19.746	--	--	19.746
<i>Other Receivables from Third Parties</i>	41.933.886	--	--	41.933.886
Inventory	837.426.476	--	--	837.426.476
Prepaid Expenses	199.811.629	--	(10.739.734)	189.071.895
Other Current Assets	200.818.548	(84.216.204)	--	116.602.344
Non-Current Assets	2.629.760.107	195.597.780	(112.687.266)	2.712.670.621
Financial Investments	355.622.999	--	--	355.622.999
Trade Receivables	310.448.157	111.381.576	--	421.829.733
<i>Trade Receivables from Related Parties</i>	31.855.852	5.672.021	--	37.527.873
<i>Trade Receivables from Third Parties</i>	278.592.305	105.709.555	--	384.301.860
Other Receivables	261.988	--	--	261.988
<i>Other Receivables from Third Parties</i>	261.988	--	--	261.988
Property, Plant and Equipment	853.969.422	--	(1.207.565)	852.761.857
Intangible Assets	438.506.438	--	-	438.506.438
Prepaid Expenses	383.548.025	--	(31.189.973)	352.358.052
Deferred Tax Assets	281.235.324	--	(80.289.728)	200.945.590
Other Non-Current Assets	6.167.754	84.216.204	--	90.383.964
TOTAL ASSETS	4.985.433.774	209.719.985	(119.222.049)	5.075.931.710

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

35. OTHER ISSUES REQUIRED TO BE DISCLOSED THAT HAS SIGNIFICANT IMPACT ON FINANCIAL STATEMENTS OR IN ORDER FINANCIAL STATEMENT TO BE CLEAR, INTERPRETABLE AND UNDERSTANDABLE (continued)

	Prior reported 31 December 2014	Classifications	Adjustments	Restated 31 December 2014
LIABILITIES				
Current Liabilities	1.201.245.567	81.716.859	(21.372.139)	1.261.590.287
Short-Term Financial Liabilities	235.273.838	--	--	235.273.838
Short-Term Portion of Long-term Financial Liabilities	48.608.193	--	--	48.608.193
Trade Payables	607.225.859	(1.048.844)	--	606.177.015
<i>Trade Payables to Related Parties</i>	22.690.240	6.390.277	--	29.080.517
<i>Trade Payables to Third Parties</i>	584.535.619	(7.439.121)	--	577.096.498
Employee Benefit Obligations	22.998.224	--	--	22.998.224
Other Liabilities	782.461	--	--	782.461
<i>Other Liabilities to Related Parties</i>	306.817	--	--	306.817
<i>Other Liabilities to Third Parties</i>	475.644	--	--	475.644
Government Grants and Incentives	15.043.829	--	--	15.043.829
Deferred Income	143.632.654	66.308.408	(21.372.139)	188.568.923
Corporate Tax Liability	651.558	--	--	651.558
Short-Term Provisions	122.826.726	16.457.295	--	139.284.021
<i>Short-Term Provisions for Employee Benefits</i>	33.924.548	--	--	33.924.548
<i>Other Short-Term Provisions</i>	88.902.178	16.457.295	--	105.359.473
Other Current Liabilities	4.202.225	--	--	4.202.225
Non-current Liabilities	1.565.294.681	128.003.126	(418.103.144)	1.275.194.663
Long-Term Financial Liabilities	195.267.475	--	--	195.267.475
Trade Payables	67.153.873	(12.955.539)	--	54.198.334
<i>Trade Payables to Third Parties</i>	9.769.454	--	--	9.769.454
Other Liabilities	57.384.419	(12.955.539)	--	44.428.880
<i>Other Liabilities to Third Parties</i>	31.832	--	--	31.832
Government Grants and Incentives	31.832	--	--	31.832
Deferred Income	2.233.448	--	--	2.233.448
Long-term Provisions	1.170.227.711	128.003.126	(418.103.144)	880.127.693
<i>Long-term Provisions for Employee Benefits</i>	130.380.342	12.955.539	--	143.335.881
<i>Other Long-Term Provisions</i>	127.420.265	--	--	127.420.265
Non-current Liabilities	2.960.077	12.955.539	--	15.915.616
EQUITY	2.218.893.526	--	320.253.234	2.539.146.760
Equity Attributable to Equity Holders of the Parent	2.218.893.526	--	320.253.234	2.539.146.760
Share Capital	500.000.000	--	--	500.000.000
Inflation Adjustment on Share Capital	98.620.780	--	--	98.620.780
Other Comprehensive Income / Expense that will not to be Reclassified Subsequently to Profit or Loss	162.776.613	--	(1.147.187)	161.629.426
<i>Gain/Loss on Remeasurement of Defined Benefit Plans</i>	(14.924.138)	--	--	(14.924.138)
<i>Gain on Revaluation of Property</i>	177.700.751	--	(1.147.187)	176.553.564
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>	293.018.605	--	--	293.018.605
Restricted Reserves	73.708.407	--	--	73.708.407
Retained Earnings	740.674.202	--	279.443.139	1.020.117.341
Net Profit for the Period	350.094.919	--	41.957.282	392.052.201
Non-Controlling Interests	--	--	--	--
TOTAL LIABILITIES AND EQUITY	4.985.433.774	209.719.985	(119.222.049)	5.75.931.710

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

35. OTHER ISSUES REQUIRED TO BE DISCLOSED THAT HAS SIGNIFICANT IMPACT ON FINANCIAL STATEMENTS OR IN ORDER FINANCIAL STATEMENT TO BE CLEAR, INTERPRETABLE AND UNDERSTANDABLE (continued)

	Prior reported 31 December 2014	Classifications	Adjustments	Restated 31 December 2014
PROFIT OR LOSS				
Sales Revenue	2.498.108.745	11.732.597	24.659.731	2.534.501.073
Cost of Sales (-)	(1.897.226.927)	(18.656.316)	--	(1.915.883.243)
GROSS PROFIT	600.881.818	(6.923.719)	24.659.731	618.617.830
General Administrative Expenses (-)	(124.248.781)	--	--	(124.248.781)
Marketing Expenses (-)	(46.531.957)	--	--	(46.531.957)
Research and Development Expenses (-)	(72.037.415)	--	--	(72.037.415)
Other Operating Income	516.009.465	1.078.035	(411.688.412)	105.399.088
Other Operating Expenses (-)	(576.641.543)	--	439.475.283	(137.166.260)
OPERATING PROFIT	297.431.587	(5.845.684)	52.446.602	344.032.505
Income from Investing Activities	1.914.324	208.619	--	2.122.943
Expense from Investing Activities (-)	--	--	--	--
OPERATING PROFIT BEFORE FINANCIAL EXPENSE	299.345.911	(5.637.065)	52.446.602	346.155.448
Financial Income	44.490.097	5.637.065	--	50.127.162
Financial Expense (-)	(73.482.443)	--	--	(73.482.443)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	270.353.565	--	52.446.602	322.800.167
Tax Income from Continuing Operations	79.741.354	--	(10.489.320)	69.252.034
- Current Corporate Tax Expense(-)	(1.288.840)	--	--	(1.288.840)
- Deferred Tax Income	81.030.194	--	(10.489.320)	70.540.874
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	350.094.919	--	41.957.282	392.052.201
Profit for the Period Attributable to:				
Non-Controlling Interest	--	--	--	--
Owners of the Company	350.094.919	--	41.957.282	392.052.201
	350.094.919	--	41.957.282	392.052.201
Earnings per 100 Shares (kuruş)	70,0	--	8,4	78,4

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

35. OTHER ISSUES REQUIRED TO BE DISCLOSED THAT HAS SIGNIFICANT IMPACT ON FINANCIAL STATEMENTS OR IN ORDER FINANCIAL STATEMENT TO BE CLEAR, INTERPRETABLE AND UNDERSTANDABLE (continued)

	Prior reported 31 December 2014	Classifications	Adjustments	Restated 31 December 2014
PROFIT FOR THE PERIOD	350.094.919	--	41.957.282	392.052.201
OTHER COMPREHENSIVE INCOME				
Items that will not to be Reclassified Subsequently in Profit or Loss	(11.058.138)	(1.147.187)	--	(12.205.325)
Gain on Revaluation of Property	--	(1.207.565)	--	(1.207.565)
Gain/Loss on Remeasurement of Defined Benefit Plans	(13.822.672)	--	--	(13.822.672)
Deferred Tax Expense/Income	2.764.534	60.378	--	2.824.912
Items that may be reclassified subsequently to profit or loss	293.018.605	--	--	293.018.605
Gain on Revaluation of Available for Sale Financial Assets	308.440.637	--	--	308.440.637
Deferred Tax Expense	(15.422.032)	--	--	(15.422.032)
OTHER COMPREHENSIVE INCOME	281.960.467	(1.147.187)	--	280.813.280
TOTAL COMPREHENSIVE INCOME	632.055.386	(1.147.187)	41.957.282	672.865.481
Total Comprehensive Income for the Period Attributable to:				
Non-Controlling Interests	--	--	--	--
Owners of the Company	632.055.386	(1.147.187)	41.957.282	672.865.481
	632.055.386	(1.147.187)	41.957.282	672.865.481

- As of 31 December 2014, the expected loss provision amounting to TL 15.408.451 recognized in "Trade Receivables" has been presented under "Short-Term Provisions" (1 January 2014: None).

Since advance balances has changed as a result of the reversal exchange differences in both advances given and advances received, four reclassifications stated below has been made to related accounts according to this adjustment in the previous periods.

- As of 31 December 2014, TL 66.308.408 is presented under "Short-Term Trade Receivables" in the consolidated balance sheet has been classified under "Short-Term Deferred Income" (1 January 2014: TL 44.779.009).

- As of 31 December 2014, TL 16.621.550 is presented under "Short-Term Trade Receivables" in the consolidated balance sheet has been classified under "Long-Term Deferred Income" (1 January 2014: None).

- As of 1 January 2014, TL 5.324.760 is presented under "Long-Term Trade Receivables" in the consolidated balance sheet has been classified under "Short-Term Deferred Income".

- As of 31 December 2014, TL 111.381.576 is presented under "Long-Term Trade Receivables" in the consolidated balance sheet has been classified under "Long-Term Deferred Income" (1 January 2014: TL 56.885.514).

35. OTHER ISSUES REQUIRED TO BE DISCLOSED THAT HAS SIGNIFICANT IMPACT ON FINANCIAL STATEMENTS OR IN ORDER FINANCIAL STATEMENT TO BE CLEAR, INTERPRETABLE AND UNDERSTANDABLE (continued)

- As of 31 December 2014, the VAT receivable amounting to TL 84.216.204 recognized in "Other Current Assets" in the consolidated balance sheet has been shown under "Other non-current Assets". (1 January 2014: TL 77.995.636).
- As of 31 December 2014, the expected loss provision amounting to TL 1.048.844 recognized in "Short-Term Trade Payables" in the consolidated balance sheet has been shown under "Short-Term Provisions". (1 January 2014: None).
- As of 31 December 2014, the expected loss provision amounting to TL 12.955.539 recognized in "Long-Term Trade Payables" in the consolidated balance sheet has been shown under "Long-Term Provisions". (1 January 2014: None).
- As of 31 December 2014, the receivable amounting to TL 2.713.441 recognized in "Short-Term Non-Related Trade Receivables" in the consolidated balance sheet has been shown under "Short-Term Trade Receivables From Related Parties".
- As of 1 January 2014, the receivable amounting to TL 1.353.254 recognized in "Short-Term Trade Receivables From Related Parties" in the consolidated balance sheet has been shown under "Short-Term Trade Receivables from Other Parties".
- As of 31 December 2014, the receivable amounting to TL 5.672.021 recognized in "Long-Term Trade Receivables from Other Parties" in the consolidated balance sheet has been shown under "Long-Term Trade Receivables From Related Parties". (1 January 2014: TL 9.222.123).
- As of 31 December 2014, amounting to TL 6.390.277 which is reported in "Short Term Trade Payables to Other Parties" in short-term consolidated balance sheet as related party has been shown under "Short-Term Trade Payables From Related Parties". (1 January 2014: None).
- Expected loss provision cost amounting to TL 15.408.451 presented in "Revenue" in the consolidated income statement belonging to the year ended in 31 December 2014 has been classified under "Cost of Sales".
- Foreign exchange difference amounting to TL 3.675.854 recognized in "Revenue" in the consolidated income statement belonging to year ended in 31 December 2014 has been classified under "Other Operating Income".
- Exchange difference amounting to TL 3.247.865 recognized in "Other Operating Income" in the consolidated income statement belonging to year ended in 31 December 2014 has been classified under "Cost of Sales".
- Amounting to TL 208.619 recognized in "Other Operating Income" in the consolidated income statement belonging to year ended in 31 December 2014 has been classified under "Incomes From Investing Activities".
- Amounting to TL 5.637.065 recognized in "Other Operating Income" in the consolidated income statement belonging to year ended in 31 December 2014 has been classified under "Financial Income".