

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

CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS
AS OF AND FOR THE THREE-MONTH
PERIOD ENDED 31 MARCH 2019

7 May 2019

This report contains condensed consolidated interim financial information and related disclosures and footnotes comprising 47 pages.

CONTENT	PAGE
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION	1-3
CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME .	4-5
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY	6
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS.....	7
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS	8-47
NOTE	
1. ORGANIZATION AND OPERATIONS OF THE GROUP.....	8
2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS	9
3. CASH AND CASH EQUIVALENTS	17
4. RELATED PARTY DISCLOSURES	17
5. TRADE RECEIVABLES AND PAYABLES.....	21
6. EQUITY ACCOUNTED INVESTMENTS.....	23
7. INVENTORIES	25
8. PREPAID EXPENSES AND DEFERRED INCOME	26
9. TANGIBLE AND INTANGIBLE ASSETS.....	27
10. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	28
11. TAX	29
12. COMMITMENTS AND CONTINGENCIES	30
13. EMPLOYEE BENEFITS	33
14. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS.....	35
15. REVENUE AND COST OF SALES	37
16. OTHER OPERATING INCOME AND EXPENSES.....	37
17. FINANCIAL INCOME.....	38
18. FINANCIAL EXPENSES.....	38
19. EARNINGS PER SHARE	38
20. FINANCIAL LIABILITIES.....	39
21. FOREIGN EXCHANGE POSITION	40
22. FINANCIAL INSTRUMENTS FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING.	46
23. EVENTS AFTER THE REPORTING PERIOD.....	47

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENT OF INTERIM FINANCIAL POSITION AS OF 31 MARCH 2019**

(Amounts are expressed in thousands of TL and in thousands of "Foreign Currency" unless otherwise stated.)

	Note References	Current Period Not Reviewed 31 March 2019	Audited 31 December 2018
ASSETS			
Current Assets		11.671.753	11.616.680
Cash and Cash Equivalents	3	2.555.032	3.115.691
Trade Receivables	5	2.972.026	3.072.113
<i>From Related Parties</i>	4	786.732	772.851
<i>From Third Parties</i>		2.185.294	2.299.262
Other Receivables		245.971	204.117
<i>From Third Parties</i>		245.971	204.117
Inventories	7	4.047.612	3.576.618
Prepaid Expenses	8	1.445.160	1.319.330
<i>From Related Parties</i>	4	267.852	311.668
<i>From Third Parties</i>		1.177.308	1.007.662
Other Current Assets		405.952	328.811
Non-Current Assets		8.543.371	7.856.951
Financial Investments		778.665	778.665
Trade Receivables	5	3.418.066	2.826.939
<i>From Related Parties</i>	4	2.193.722	1.976.539
<i>From Third Parties</i>		1.224.344	850.400
Other Receivables		784	764
<i>From Third Parties</i>		784	764
Equity Accounted Investees	6	94.803	93.586
Property, Plant and Equipment	9	1.418.672	1.336.297
Intangible Assets	9	1.150.568	1.082.067
Prepaid Expenses	8	464.511	504.399
<i>From Related Parties</i>	4	239.139	155.933
<i>From Third Parties</i>		225.372	348.466
Deferred Tax Assets	11	708.658	734.092
Other Non-Current Assets		508.644	500.142
TOTAL ASSETS		20.215.124	19.473.631

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

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019**

(Amounts are expressed in thousands of TL and in thousands of "Foreign Currency" unless otherwise stated.)

	Note	Current Period	Audited
	References	Not Reviewed	31 December
		31 March	2018
		2019	
LIABILITIES			
Current Liabilities		4.311.683	4.684.482
Short-term Financial Liabilities	20	1.057.195	698.526
Short-term Portion of Long-term Financial Liabilities	20	--	67.277
Trade Payables	5	2.118.431	2.548.583
<i>To Related Parties</i>	4	537.586	593.911
<i>To Third Parties</i>		1.580.845	1.954.672
Employee Benefit Obligations	13	47.961	34.873
Other Payables		5.631	2.732
<i>To Third Parties</i>		5.631	2.732
Government Grants and Incentives		51.524	53.818
Deferred Income	8	350.744	632.649
<i>To Related Parties</i>	4	304.817	510.751
<i>To Third Parties</i>		45.927	121.898
Corporate Tax Liability		617	2.836
Short-term Provisions		661.842	634.951
<i>For Employee Benefits</i>	13	69.094	49.382
<i>Other</i>	10	592.748	585.569
Other Current Liabilities		17.738	8.237
Non-Current Liabilities		5.093.023	4.612.128
Long-term Financial Liabilities	20	--	20.234
Trade Payables	5	2.220.786	1.768.283
<i>To Related Parties</i>	4	1.777.669	1.617.969
<i>To Third Parties</i>		443.117	150.314
Other Payables		3.342	106
<i>To Third Parties</i>		3.342	106
Deferred Income	8	2.332.957	2.296.509
<i>To Related Parties</i>	4	1.473.229	1.669.160
<i>To Third Parties</i>		859.728	627.349
Long-term Provisions		535.013	526.996
<i>Long-term Provisions for Employee Benefits</i>	13	198.258	198.611
<i>Other</i>	10	336.755	328.385
Other Non-Current Liabilities		925	--

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

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019**

(Amounts are expressed in thousands of TL and in thousands of "Foreign Currency" unless otherwise stated.)

	Note References	Current Period Not Reviewed 31 March 2019	Audited 31 December 2018
EQUITY		10.810.418	10.177.021
Equity Attributable to Equity Holders of the Parent		10.763.445	10.132.601
Share Capital	14	1.140.000	1.140.000
Inflation Adjustments on Share Capital	14	98.621	98.621
Share Premiums		2.796.723	2.796.723
Other Comprehensive Income that will not be Reclassified to Profit or Loss		189.358	189.358
<i>Gain on Revaluation of Property</i>		207.431	207.431
<i>Gain/ Loss on Remeasurement of Defined Benefit Plans</i>		<i>(18.073)</i>	<i>(18.073)</i>
Other Cumulative Comprehensive Income will or may be Reclassified to Profit/Loss		756.667	755.119
<i>Gain on Revaluation of Available for Sale Financial Assets</i>		729.612	729.612
<i>Cumulative Translation Adjustments</i>		27.055	25.507
Restricted Reserves	14	173.669	172.687
Retained Earnings		4.979.111	2.661.896
Net Profit		629.296	2.318.197
Non-Controlling Interests		46.973	44.420
TOTAL LIABILITIES AND EQUITY		20.215.124	19.473.631

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

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019

(Amounts are expressed in thousands of TL and in thousands of "Foreign Currency" unless otherwise stated.)

	Note References	Current Period Not Reviewed 1 January- 31 March 2019	Audited 1 January- 31 March 2018
PROFIT OR LOSS			
Revenue	15	1.998.099	1.365.199
Cost of Sales (-)	15	(1.532.240)	(1.033.314)
GROSS PROFIT		465.859	331.885
General Administrative Expenses (-)		(71.162)	(44.339)
Marketing Expenses (-)		(29.269)	(25.397)
Research and Development Expenses (-)		(21.758)	(18.841)
Other Operating Income	16	747.180	508.878
Other Operating Expenses (-)	16	(450.339)	(375.395)
OPERATING PROFIT		640.511	376.791
Income from investing activities		38	29
Shares of profit/(losses) of Equity Accounted Investees	6	(1.138)	(2.001)
OPERATING PROFIT BEFORE FINANCIAL EXPENSE		639.411	374.819
Financial Income	17	271.289	61.527
Financial Expense (-)	18	(255.088)	(121.298)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		655.612	315.048
Tax Income from Continuing Operations	11	(26.051)	36.294
- Current Corporate Tax Expense(-)		(617)	(2.117)
- Deferred Tax Expense (-) / Income		(25.434)	38.411
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		629.561	351.342
Profit for the Period Attributable to			
Non-Controlling Interest		265	(19)
Owners of the Company	19	629.296	351.361
		629.561	351.342
Earnings for per 100 Shares (in full Kuruş)	19	55,20	35,14

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

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019**

(Amounts are expressed in thousands of TL and in thousands of "Foreign Currency" unless otherwise stated.)

Note References	Current Period Not Reviewed 1 January- 31 March 2019	Audited 1 January- 31 March 2018
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	629.561	351.342
Items that will not to be reclassified subsequently in Profit or Loss		--
Items that may be reclassified subsequently to profit or loss	1.548	5.138
Foreign Currency Exchange Differences	1.548	5.138
OTHER COMPREHENSIVE INCOME	1.548	5.138
TOTAL COMPREHENSIVE INCOME	631.109	356.480
Total Comprehensive Income Attributable to		
Non-Controlling Interest	265	(19)
Owners of the Company	630.844	356.499
	631.109	356.480

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

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019

(Amounts are expressed in thousands of TL and in thousands of "Foreign Currency" unless otherwise stated.)

				Other Comprehensive Income / Expense that will not be Reclassified Subsequently to Profit or Loss				Other Comprehensive Income / Expense that may not to be Reclassified Subsequently to Profit or Loss				Retained Earnings			
	Share Capital	Inflation Adjustments on Share Capital	Share Issuance Premiums/ (Discounts)	Revaluation Reserves	Remeasurement of Defined Benefit Plans	Fair Value Reserves	Translation Reserves	Restricted Reserves	Retained Earnings	Net Profit/(Loss) for the Year	Equity Attributable to Owners of the Company	Non- Controlling Interests	Total		
Balance as of 1 January 2018 (as previously reported)	1.000.000	98.621	--	207.431	1.656	535.444	5.246	124.062	1.687.436	1.387.770	5.047.666	542	5.048.208		
Effect of TFRS 15	--	--	--	--	--	--	--	--	(265.860)	(13.506)	(279.366)	--	(279.366)		
Effect of TFRS 9	--	--	--	--	--	--	--	--	(2.356)	1.637	(719)	--	(719)		
Balance as of 1 January 2018	1.000.000	98.621	--	207.431	1.656	535.444	5.246	124.062	1.419.220	1.375.901	4.767.581	542	4.768.123		
Transfers (restated)	--	--	--	--	--	--	--	48.624	1.242.677	(1.291.301)	--	--	--		
Total Comprehensive Income	--	--	--	--	--	--	5.138	--	--	351.361	356.499	(19)	356.480		
Dividends	--	--	--	--	--	--	--	--	--	(84.600)	(84.600)	--	(84.600)		
Balance as of 31 March 2018	1.000.000	98.621	--	207.431	1.656	535.444	10.384	172.686	2.661.897	351.361	5.039.480	523	5.040.003		
Balance as of 1 January 2019 (as previously reported)	1.140.000	98.621	2.796.723	207.431	(18.073)	729.612	25.507	172.687	2.661.896	2.318.197	10.132.601	44.420	10.177.021		
Transfers	--	--	--	--	--	--	--	982	2.317.215	(2.318.197)	--	--	--		
Total Comprehensive Income	--	--	--	--	--	--	1.548	--	--	629.296	630.844	265	631.109		
Dividends	--	--	--	--	--	--	--	--	--	--	--	--	--		
Consolidation Effect of New Company Acquisition	--	--	--	--	--	--	--	--	--	--	--	2.288	2.288		
Balance as of 31 March 2019 (Closing Balance)	1.140.000	98.621	2.796.723	207.431	(18.073)	729.612	27.055	173.669	4.979.111	629.296	10.763.445	46.973	10.810.418		

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

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 31 MARCH 2019

(Amounts are expressed in thousands of TL and in thousands of "Foreign Currency" unless otherwise stated.)

	Note References	Current Period Not Reviewed 31 March 2019	Audited 31 March 2018
A. Cash Flows from Operating Activities		(637.235)	(605.029)
Profit for the period		629.561	351.342
Adjustments to Reconcile Profit		160.209	142.851
- Adjustments for Depreciation and Amortization Expense	9	51.125	40.052
- Adjustments for Impairment Loss		562	3.329
<i>Adjustments for Impairment Loss of Receivables</i>	5	(20)	1.302
<i>Adjustments for Impairment Loss of Inventories</i>	7	582	2.027
- Adjustments for Provisions		98.026	68.508
<i>Adjustments for Provisions Related with Employee Benefits</i>	13	30.920	6.595
<i>Adjustments for / (Reversal of) Lawsuit and/or Penalty Provisions</i>		29.777	15.549
<i>Adjustments for Warranty Provisions</i>		34.685	44.237
<i>Adjustments for (Reversal of) Other Provisions</i>		2.644	2.127
- Adjustments for Interest (Income) Expenses		(63.859)	50.582
<i>Adjustments for Interest Income</i>		(278.748)	(74.338)
<i>Adjustments for Interest Expense</i>		214.889	124.920
- Share of profit/loss of Equity Accounted Investments		1.138	2.701
- Adjustments for Tax Income		26.051	(36.294)
- Adjustments for Losses on Disposal of Non-Current Assets	9	1.461	4.984
Other Adjustments for which Cash Effects are Investing or Financing Cash Flow		50.907	10.406
Other Non-Cash Adjustments		(5.202)	(1.417)
Changes in Working Capital		(1.361.051)	(1.068.440)
- Adjustments for Decrease (Increase) in Trade Receivables		(1.020.080)	(591.798)
- Adjustments for Decrease (Increase) in Other Receivables Related with Operations		(41.874)	13.153
- Adjustments for Decrease (Increase) in Inventories		(465.401)	(282.059)
- Decrease (Increase) in Prepaid Expenses	8	(85.942)	(344.833)
- Adjustments for Increase (Decrease) in Trade Payables		500.980	(78.148)
- Increase (Decrease) in Employee Benefit Obligations	13	13.088	(2.107)
- Adjustments for Stage of Completion of Construction or Service Contracts in Progress		148.294	84.159
- Adjustments for Increase (Decrease) in Other Operating Payables		6.135	562
- Increase (Decrease) in Government Grants and Incentives		(2.294)	(1.317)
- Increase (Decrease) in Deferred Income		(387.143)	230.439
- Adjustments for Other Increase (Decrease) in Working Capital		(26.814)	(96.491)
Cash Flows From Operations		(571.281)	(574.247)
Payments Related with Provisions for Employee Benefits	13	(11.561)	(4.625)
Payments Related with Other Provisions		(51.557)	(25.440)
Income Taxes Refund (Paid)		(2.836)	(717)
B. Cash Flows From Investing Activities		(209.104)	(139.283)
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		182	39
Purchase of Property, Plant and Equipment		(117.761)	(48.610)
Purchase of Intangible Assets	9	(91.420)	(86.591)
Dividends Received		--	700
Other Cash Inflows (Outflows)		(105)	(4.821)
C. Cash Flows From Financing Activities		297.227	(44.782)
Proceeds from Borrowings		790.514	96.582
Repayments of Borrowings		(570.264)	(146.961)
Interest Paid		(10.140)	(954)
Interest Received		87.117	6.551
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES (A+B+C)		(549.112)	(789.094)
D. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		6.151	7.230
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		(542.961)	(781.864)
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		3.087.388	1.261.753
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	3	2.544.427	479.889

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

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 31 MARCH 2019

(Amounts are expressed in thousands of TL and in thousands of "Foreign Currency" 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, to provide and conduct all sorts of activities for project preparation, engineering, consultancy, service providing, training, contracting, construction, publishing, trading, operation and internet services regarding various software, equipment, system, tools, material and platforms in the fields of electrical, electronics, microwave, electro-optics, guidance, computer, data processing, encryption, security, mechanics, chemistry and related areas within the army, navy, air force and aerospace applications to all institutions, organizations, companies and individual consumers.

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

As of the 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 Communication and Information Technologies Vice Presidency ("HBT"), Radar and Electronic Warfare Systems Vice Presidency ("REHİS"), Defence Systems Technologies Vice Presidency ("SST") and Microelectronics, Guidance & Electro-Optics Vice Presidency ("MGEO") and Transportation, Security, Energy and Automation Systems Vice Presidency ("UGES").

In addition to the Vice Presidencies above, the Company organization also includes the Financial Management Vice Presidency, Corporate Management Vice Presidency, Technology and Strategy Management Vice Presidency and Business Development and Marketing Vice Presidency making a total of four Vice Presidencies; in addition to these, there are also Legal Affairs and Private Secreteriat.

The Company maintains engineering operations in Ankara, METU Teknokent and Teknopark Ankara; production and engineering operations in Macunköy, Akyurt and Gölbaşı settlements. General Management is located in Ankara Macunköy settlement. Furthermore, the Company maintains engineering operations in Istanbul Teknopark.

Turkish Armed Forces Foundation ("TSKGV") is the main shareholder of the Company which holds 74,20 percent of the capital and maintains control of the Company. TSKGV was established on 17 June 1987 with the law number 3388, in order to manufacture or import guns, equipment and appliances needed for Turkish Armed Forces.

The Company is registered to Capital Markets Board of Turkey ("CMB") and its shares have been quoted in Borsa İstanbul Anonim Şirketi ("BİST") since 1990. As of 31 March 2019, 25,70 percent of the Company's shares are publicly traded (31 December 2018: 25,70 percent) (Note 14).

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 March 2019 is 6.679 (31 December 2018: 5.694).

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 31 MARCH 2019

(Amounts are expressed in thousands of TL and in thousands of "Foreign Currency" unless otherwise stated.)

1. ORGANIZATION AND OPERATIONS OF THE GROUP (continued)

The Company's consolidated subsidiaries are ASELSAN Baku ("ASELSAN Baku"), Mikroelektronik Ar-Ge Tasarım ve Ticaret Ltd. Co. ("Mikro AR-GE"), ASELSANNET Elektronik ve Haberleşme Sistemleri Sanayi Ticaret İnşaat ve Taahhüt Ltd. Co. ("ASELSANNET"), ASELSAN Malaysia Sdn. Bhd. ("ASELSAN Malaysia"), Aselsan Konya Silah Sistemleri Anonim Şirketi ("ASELSAN Konya") and BITES Savunma Havacılık ve Uzay Teknolojileri Yazılım A.Ş. ("BITES"). They are collectively referred as the "Group" in the accompanying notes.

The Company has two branch offices; Aselsan Elektronik Sanayi ve Ticaret Anonim Şirketi EP Co. ("ASELSAN South Africa") and ASELSAN Makedonya Corridor-10 Highway Toll Collection System Project ("ASELSAN Macedonia") located in South Africa and Macedonia, respectively. The branches are included in the consolidated financial statements.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 The Basis of Presentation

Statement of Compliance to TAS

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

In addition, the consolidated financial statements and its notes are presented in accordance with the requirements announced by the CMB's announcement on 7 June 2013.

The consolidated financial statements are prepared according to historical cost accounting except for the revaluation of land and financial instruments.

Approval of the Consolidated Financial Statements

These consolidated financial statements have been approved for issue by the Board of Directors with the resolution number 1046 on 7 May 2019. There is no authority other than General Assembly and legal entities has the right to amend the consolidated financial statements.

Functional Currency

The individual 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. Amounts are expressed in thousands of TL or Foreign Currency unless otherwise stated. Kuruş, Turkish Currency subunit and 1 TL is equal to 100 Kuruş.

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 ("TAS/TAS 29") "Financial Reporting in Hyperinflationary Economies" has not been applied since 1 January 2005.

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 31 MARCH 2019

(Amounts are expressed in thousands of TL and in thousands of "Foreign Currency" 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 (%)		Main Activity
			31 March 2019	31 December 2018	
ASELSANNET	Turkey	TL	100	100	Communication systems
ASELSAN Baku	Azerbaijan	AZN	100	100	Marketing and sales of the group products
Mikro AR-GE	Turkey	TL	85	85	Microelectronic R&D projects
ASELSAN Malaysia	Malaysia	MYR	100	100	Remote controlled weapon systems
ASELSAN KONYA	Turkey	TL	51	51	Weapon and weapon systems
BITES	Turkey	TL	51	--	Defence, Airospace,
ULAK Haberleşme Anonim Şirketi ("ULAK")	Turkey	TL	51	51	Communication systems

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

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

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

Establishment of ASELSAN Malaysia has been completed as of July 2017, in order to operate in producing remote control weapon systems. The company has a capital of 100 MYR (Malaysia Ringits) and owned 100% by Aselsan and planned to expand its operations according to the Project potential and find new local partnerships.

Aselsan Konya Silah Sistemleri A.Ş. has been established with Konya Savunma Sanayi A.Ş. and registration of the entity has completed in 12 November 2018. Capital structure is as follows; 51% ASELSAN, 49% Konya Savunma Sanayi A.Ş.

(Amounts are expressed in thousands of TL and in thousands of "Foreign Currency" 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):

Share transfer agreement has been signed as of 1 October 2018 in order to transfer 51% shares of ULAK Haberleşme A.Ş. which have been fully owned by SSTEK Savunma Teknolojileri A.Ş. New capital structure is as follows; 51% ASELSAN Elektronik Sanayi ve Ticaret A.Ş., %49 SSTEK Savunma Teknolojileri A.Ş. Since, Extraordinary General Assembly meeting has not been held for share transfer, the entity has not been included to consolidation.

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. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- comparison of voting rights of the Group and the others,
- potential voting rights held by the Group, and others,
- rights arising from contractual arrangements; and
- any additional facts and circumstances that indicate the Group 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 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 and the Group's accounting policies.

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

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 31 MARCH 2019

(Amounts are expressed in thousands of TL and in thousands of "Foreign Currency" 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

The details of the Group's interests in joint ventures as of 31 March 2019 and 31 December 2018 are as follows:

Joint Ventures	Principal Activity	Country of incorporation and operation	Group's proportion of ownership and voting power held (%)	
			31 March 2019	31 December 2018
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
International Golden Group ("IGG") ASELSAN Integrated Systems LLC ("IGG ASELSAN")	Production, integration, sales and technical maintenance service of high technology product	United Arab Emirates	49	49
Kazakhstan ASELSAN Engineering LLP ("ASELSAN Kazakhstan")	Production, sales and technical maintenance service of electronic and electro-optic devices and systems	Kazakhstan	49	49
ASELSAN Middle East PSC ("ASELSAN Jordan")	Production, sales and technical maintenance service of electronic and electro-optic devices and systems	Jordan	49	49
Saudi Arabian Defence Electronics Corporation ("SADEC LLC")	Production and sale of radar, electronics, warfare and electro-optic products	Saudi Arabia	50	50
YİTAL Mikroelektronik Sanayi ve Ticaret Anonim Şirketi ("YİTAL")	Production of micro and nano-sized devices containing semiconductor	Turkey	51	51
BARQ QSTP LLC. ("BARQ QSTP LLC.")	Command and control systems, thermal and night vision camera, crypto, remote-controlled weapon systems	Qatar	48	48
Teknohab Teknoloji Geliştirme Bölgesi Yönetici Anonim Şirketi ("TEKNOHAB")	To create investment opportunities in technology intensive areas, provide job opportunities to researchers and skilled people, help technology transfers and facilitate foreign capital to enter our country that will enable high technology	Turkey	30	30

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 Optik has been established on March 2014 and it is owned by the Company 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 the Company fulfilled by the facility established in Sivas. Construction of optics production facility and setup of production machines have been completed in February 2016. Manufacturing plant has started mass production in March 2016.

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 31 MARCH 2019

(Amounts are expressed in thousands of TL and in thousands of "Foreign Currency" 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 Bilkent has been established in November 2014 and it is owned by the Company and İhsan Dođramacı Bilkent University with 50 percent ownership each. Construction of the company's facility have been completed in January 2016. It has been established to produce all varieties of semi-conductive and micro and nano sized devices containing similar technological materials. The facility was opened in the fourth quarter of 2016.

SADEC LLC corporation has been established to manufacture and sell radar, electronic, warfare and electro-optic products in Saudi Arabia on 27 December 2016; 50 percent of the share belongs to the Company and 50 percent belongs to TAQNIA DST. It is planned that the necessary infrastructure and production facility investments of the company will be completed within two years.

The company titled YİTAL has been established in order to operate in the field of micro and nano-sized devices containing semiconductor and similar technological materials. 51 percent of the company belongs to ASELSAN whereas, TÜBİTAK and Presidency of Defence Industries hold 29 percent and 20 percent stake respectively. The entity's establishment was registered on 4 October, 2017.

The company titled "BARQ QSTP LLC" was established in order to operate with command and control systems, thermal and night vision camera, crypto, remote-controlled weapon systems. 51% of the new company belongs to BARZAN HOLDINGS, 48% belongs to ASELSAN and 1% belongs to SSTEK. The entity's establishment was registered on October 3rd, 2018.

Teknohab Teknoloji Geliştirme Bölgesi Yönetici Anonim Şirketi ("TEKNOHAB") has been established in order to create investment opportunities in technology intensive areas, to provide job opportunities to researchers and skilled people, to help technology transfers and to facilitate foreign capital to enter our country that will enable high technology in which the entity is owned 30% by ASELSAN, %30 by TUSAŞ, 30% HAB Uzay ve Havacılık İhtisas Organize Sanayi Bölgesi and 10% Gazi University. The entity's establishment was registered on November 8th, 2018.

The Group's joint ventures; IGG ASELSAN and ASELSAN Kazakhstan have been established in 2011, ASELSAN Jordan has been established in 2012 and ASELSAN Optik and ASELSAN Bilkent which were established in 2014, and SADEC LLC has been established in 2016, were included in the condensed consolidated interim financial statements by using the equity method. Since BARQ QSTP LLC and TEKNOHAB have not started to operate yet, there is no consolidation effect on the Group's financial statements.

2.2 Comparative Information and Restatement of Prior Period Consolidated Financial Statements

In order to determine the financial position and performance trends, the Group's consolidated financial statements are presented comparatively with the corresponding figures. For the purpose of having consistency with the current term's presentation of consolidated financial statements, comparative information is reclassified and significant differences are explained if necessary.

(Amounts are expressed in thousands of TL and in thousands of "Foreign Currency" unless otherwise stated.)

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

2.3 Accounting Policies, Changes in 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 in current period profit/loss.

When change in estimate in accounting policies are related with only one period, changes are applied on the current period but if the estimated changes are for the following periods, changes are applied both on the current and following periods prospectively.

2.4 New and Revised Turkish Accounting Standards

Standards Adopted as of 01 January 2019

TFRS 16 Leases

On April 2018, Public Oversight Accounting and Auditing Standards Authority ("POASA") has issued the new leasing standard which will replace TAS 17 Leases, TFRSI 4 Determining Whether an Arrangement Contains a Lease, TASI 15 Operating Leases – Incentives, and TASI 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to TAS 40 Investment Properties. TFRS 16 Leases eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice.

The standard is effective for annual periods beginning on or after 1 January 2019.

The Group is applying TFRS 16 by simplified method.

Amendments to TAS 28- Long-term Interests in Associates and Joint Ventures

In December 2017, POASA has issued amendments to TAS 28 to clarify that entities also apply TFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. An entity applies TFRS 9 to such long-term interests before it applies related paragraphs of TAS 28. In applying TFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying TAS 28. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The standard is effective for annual periods beginning on or after 1 January 2019.

TFRS 23 –Uncertainty Over Income Tax Treatments

On May 2018, POASA issued TFRSI 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. TAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. TFRSI 23 provides requirements that add to the requirements in TAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. The standard is effective for annual periods beginning on or after 1 January 2019.

(Amounts are expressed in thousands of TL and in thousands of "Foreign Currency" unless otherwise stated.)

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

2.4 New and Revised Turkish Accounting Standards (continued)

Improvements to TFRSs (continued)

Annual Improvements to TFRSs 2015-2017 Cycle

Improvements to TFRSs

Amendments to TAS 19 - Plan Amendment, Curtailment or Settlement -

On 15 January 2019, POASA issued Plan Amendment, Curtailment or Settlement (Amendments to TAS 19). The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs. A company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI).

The standard is effective for annual periods beginning on or after 1 January 2019.

Amendments to TFRS 9 - Prepayment features with negative compensation

On December 2017, POASA has issued amendments to TFRS 9 to clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of TFRS 9. Under TFRS 9, a prepayment option in a financial asset meets this criterion if the prepayment amount substantially represents unpaid amounts of principal and interest, which may include 'reasonable additional compensation' for early termination of the contract.

The standard is effective for annual periods beginning on or after 1 January 2019.

Annual Improvements to TFRSs 2015-2017 Cycle

TFRS 3 Business Combinations and TFRS 11 Joint Arrangements

TFRS 3 and TFRS 11 are amended to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value. If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.

The standard is effective for annual periods beginning on or after 1 January 2019.

TAS 12 Income Taxes

TAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income (OCI) or equity.

The standard is effective for annual periods beginning on or after 1 January 2019.

(Amounts are expressed in thousands of TL and in thousands of "Foreign Currency" unless otherwise stated.)

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

2.4 New and Revised Turkish Accounting Standards (continued)

Improvements to TFRSs (continued)

TAS 23 Borrowing Costs

TAS 23 is amended to clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool.

The standard is effective for annual periods beginning on or after 1 January 2019.

Standards Issued But Not Yet Effective and Not Early Adopted as of 31 March 2019

TFRS 17 –Insurance Contracts

On 16 February 2019, POASA issued TFRS 17 Insurance Contracts. This first truly globally accepted standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. TFRS 17 replaces TFRS 4, which was brought in as an interim Standard in 2004. TFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. TFRS 17 solves the comparison problems created by TFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. TFRS 17 has an effective date of 1 January 2021 but companies can apply it earlier.

The Group does not expect that application of TFRS 17 will have significant impact on its consolidated financial statements.

Improvements to TFRSs

Definition of a Business (Amendments to TFRS 3)

On 22 October 2018, the TASB issued amendments to the guidance in TFRS 3, "Business Combinations", that revises the definition of a business. To be considered a business, an acquisition would have to include an input and substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). This amendments have an effective date of 1 January 2020.

Definition of Material (Amendments to TAS 1 and TAS 8)

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in TFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all TFRS Standards.

This amendments have an effective date of 1 January 2020 but companies can apply it earlier.

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 31 MARCH 2019

(Amounts are expressed in thousands of TL and in thousands of "Foreign Currency" unless otherwise stated.)

3. CASH AND CASH EQUIVALENTS

	31 March 2019	31 December 2018
Cash	214	153
Banks		
- Time deposit	2.454.061	2.987.934
- Demand deposit	88.006	96.981
Other	2.146	2.320
Cash and cash equivalents on the cash flow statement	2.544.427	3.087.388
Interest income accruals	10.605	28.303
	2.555.032	3.115.691

As of 31 March 2019, the Group had time deposits denominated in foreign currencies with maturities in April 2019 (31 December 2018: January 2019) with the interest rates between 1,50 percent and 3,70 percent (31 December 2018: 2 percent to 5 percent) amounting to TL 507.289 (31 December 2018: TL 253.662).

As of 31 March 2019, the Group had time deposits denominated in TL terms with maturities in April 2019 (31 December 2018: January-February 2019) amounted to TL 1.946.772 (31 December 2018: TL 2.734.272) at the interest rate of 20,25 percent and 20,50 percent (31 December 2018: 18,50 and 23,50 percent).

4. RELATED PARTY DISCLOSURES

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

The trade receivables from related parties generally arise from sales activities with maturities of 1-2 years.

The trade payables to related parties generally arise from the purchase activities with maturities of 1-9 months.

Total amount of salaries and other short-term benefits paid for key management for the period ended 31 March 2019 is TL 5.045 (31 March 2018: TL 2.249).

Total amount of the loan borrowed from Presidency of Defence Industries has been paid by clearing method as of 31 March 2019 (31 December 2018: TL 87.511)

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
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 31 MARCH 2019

(Amounts are expressed in thousands of TL and in thousands of "Foreign Currency" unless otherwise stated.)

4. RELATED PARTY DISCLOSURES (continued)

	31 March 2019									
	Receivables					Payables				
	Short-term			Long-term		Short-term			Long-term	
Balances with related parties	Trading	Prepaid Expenses	Other Receivables	Trading	Prepaid Expenses	Trading	Deferred Income	Other Payables ¹	Trading	Deferred Income
<u>Main shareholder</u>										
TSKGV	32	--	--	--	--	--	--	--	--	--
<u>Other shareholder</u>										
Axa Sigorta Anonim Şirketi ("Axa Sigorta")	--	--	--	--	--	--	--	--	--	--
<u>Main shareholder's subsidiaries and associates</u>										
Hava Elektronik Harp Sistemleri Mühendislik Ticaret Anonim Şirketi ("HAVELSAN EHSİM")	--	943	--	--	--	5.377	--	--	--	--
Hava Elektronik Sanayi ve Ticaret Anonim Şirketi ("HAVELSAN")	18.960	29.979	--	1.313	7.365	54.729	--	--	--	--
HAVELSAN Teknoloji Radar Sanayi ve Ticaret Anonim Şirketi ("HTR")	418	33.702	--	--	--	8.115	--	--	--	--
İşbir Elektrik Sanayii Anonim Şirketi ("İŞBİR")	--	26.633	--	--	--	2.077	--	--	--	--
NETAŞ Telekomünikasyon Anonim Şirketi ("NETAŞ")	--	40.423	--	--	4.806	38.405	--	--	--	--
Savunma Teknolojileri Mühendislik ve Ticaret Anonim Şirketi ("STM")	42.921	5.363	--	374	--	26.013	35.933	--	241.825	5.956
Türk Havacılık ve Uzay Sanayi ve Ticaret Anonim Şirketi ("TUSAŞ")	59.907	92	--	76.337	--	56.893	16.305	--	15.780	364.006
<u>Financial Instruments</u>										
Askeri Pil Sanayi ve Ticaret Anonim Şirketi ("ASPILSAN")	--	927	--	--	--	7.714	--	--	--	--
Roket Sanayi ve Ticaret Anonim Şirketi ("ROKETSAN")	82.459	62.630	--	51.400	220.039	45.852	9.941	--	944	21.039
<u>Joint ventures and its related parties</u>										
ASELSAN Bilkent Mikro Nano	--	4.809	--	--	3.939	2.595	--	--	--	--
İhsan Doğramacı Bilkent Üniversitesi	--	7.299	--	--	--	1.398	--	--	--	--
ASELSAN Optik	--	33.692	--	--	--	12.388	--	--	--	--
IGG	42.807	--	--	8.552	--	--	--	--	--	--
IGG ASELSAN	4.822	1.534	--	--	--	--	--	--	--	--
ASELSAN Kazakistan	80.059	--	--	13.905	--	138	960	--	--	--
ASELSAN Ürdün	9.522	--	--	205	--	1.476	--	--	--	--
TÜBİTAK BİLGEM	--	5.965	--	--	139	3.830	--	--	--	--
TÜBİTAK-UME	--	569	--	--	--	25	--	--	--	--
TÜBİTAK BİLİMSEL TEKNOLOJİK ARAŞTIRMA	12.283	4.570	--	88.068	--	55.243	--	--	--	9.834
TÜBİTAK SAGE Savunma Sanayii	--	8.722	--	5.966	2.851	1.661	--	--	--	--
TÜBİTAK UZAY TEKNOLOJİLERİ	--	--	--	--	--	--	--	--	--	--
Savunma Sanayi Başkanlığı ("SSB")	392.219	--	--	1.947.602	--	213.657	240.593	--	1.519.120	1.071.324
YİTAL	--	--	--	--	--	--	--	--	--	--
Ankaref Bilişim Teknolojileri Limited Şirketi ("ANKAREF")	--	--	--	--	--	--	--	--	--	--
ULAK	39.696	--	--	--	--	--	1.085	--	--	1.070
SADEC LLC	627	--	--	--	--	--	--	--	--	--
	786.732	267.852	--	2.193.722	239.139	537.586	304.817	--	1.777.669	1.473.229

¹ Other payables mainly comprised of dividends payable for the year ended 31 December 2017

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 31 MARCH 2019

(Amounts are expressed in thousands of TL and in thousands of "Foreign Currency" unless otherwise stated.)

4. RELATED PARTY DISCLOSURES (continued)

	31 December 2018									
	Receivables					Payables				
	Short-term			Long-term		Short-term			Long-term	
	Trading	Prepaid Expenses	Other Receivables	Trading	Prepaid Expenses	Trading	Deferred Income	Other Payables	Trading	Deferred Income
Balances with related parties										
Main shareholder										
TSKGV	21	--	--	--	--	--	--	--	--	--
Other shareholder										
Axa Sigorta Anonim Şirketi ("Axa Sigorta")	--	--	--	--	--	--	--	--	--	--
Main shareholder's subsidiaries and associates										
Hava Elektronik Harp Sis. Müh. Tic. Anonim Şirketi ("HAVELSAN EHSİM")	--	943	--	--	--	5.769	--	--	--	--
Hava Elektronik San. ve Tic. Anonim Şirketi ("HAVELSAN")	21.196	29.676	--	957	7.365	55.460	--	--	4.040	--
HAVELSAN Teknoloji Radar San. ve Tic. Anonim Şirketi ("HTR")	--	19.592	--	--	--	4.415	--	--	--	--
İşbir Elektrik Sanayii Anonim Şirketi ("İŞBİR")	--	26.112	--	--	--	14.524	--	--	--	--
NETAŞ Telekomünikasyon Anonim Şirketi ("NETAŞ")	22	35.564	--	--	4.806	37.086	--	--	--	--
Savunma Teknolojileri Mühendislik ve Ticaret Anonim Şirketi ("STM")	53.509	10.808	--	374	--	25.257	70.957	--	208.410	20.270
Türk Havacılık ve Uzak Sanayi ve Ticaret Anonim Şirketi ("TUSAŞ")	78.034	92	--	61.748	--	51.732	114.454	--	16.127	242.424
Financial Instruments										
Askeri Pil Sanayi ve Ticaret Anonim Şirketi ("ASPİLSAN")	1.117	601	--	--	--	6.027	--	--	--	--
Roket Sanayi ve Ticaret Anonim Şirketi ("ROKETSAN")	75.824	116.171	--	54.483	127.687	50.722	118.359	--	23.632	20.690
Joint ventures and its related parties										
ASELSAN Bilkent Nano	--	4.809	--	--	3.939	2.595	--	--	--	--
İhsan Doğramacı Bilkent University	--	7.533	--	--	--	3.499	--	--	--	--
ASELSAN Optik	2.726	34.985	--	--	--	14.056	--	--	--	--
IGG	37.245	--	--	8.552	--	--	--	--	--	--
IGG ASELSAN	1.934	1.534	--	--	--	--	--	--	--	--
ASELSAN Kazakistan	68.080	--	--	13.905	--	89	1.785	--	--	--
ASELSAN Jordan	12.060	--	--	--	--	2.404	--	--	--	--
TÜBİTAK BİLGEM	--	5.965	--	--	139	10.259	--	--	--	--
TÜBİTAK-UME	--	623	--	--	--	13	--	--	--	--
TÜBİTAK BİLİMSEL TEKNOLOJİK ARAŞTIRMA	15.664	506	--	79.122	--	11.015	9.029	--	--	--
TÜBİTAK SAGE Savunma Sanayii	28	16.064	--	5.245	11.997	56.256	--	--	--	660
TÜBİTAK UZAY TEKNOLOJİLERİ	--	--	--	--	--	722	--	--	--	--
Savunma Sanayi Başkanlığı ("SSB")	360.249	90	--	1.752.153	--	241.789	196.167	--	1.365.760	1.382.961
YİTAL	--	--	--	--	--	--	--	--	--	--
Ankaref Bilişim Teknolojileri Limited Şirketi ("ANKAREF")	--	--	--	--	--	--	--	--	--	--
ULAK	44.556	--	--	--	--	--	--	--	--	2.155
SADEC LLC	586	--	--	--	--	222	--	--	--	--
	772.851	311.668	--	1.976.539	155.933	593.911	510.751	--	1.617.969	1.669.160

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 31 MARCH 2019

(Amounts are expressed in thousands of TL and in thousands of "Foreign Currency" unless otherwise stated.)

4. RELATED PARTY DISCLOSURES (continued)

	1 January- 31 March 2019	1 January- 31 March 2018
Transactions with related parties	Purchases	Purchases
<u>Main Shareholder</u>		
TSKGV	228	188
<u>Main shareholder's subsidiaries and associates</u>		
NETAŞ	21.397	24.235
İŞBİR	6.864	8.165
HTR	15.824	5.195
TUSAŞ	30	10
HAVELSAN EHSİM	--	587
STM	3.702	4.999
<u>Financial Investments</u>		
ROKETSAN	631	947
ASPİLSAN	11.173	1.872
<u>Joint ventures and its related parties</u>		
İhsan Doğramacı Bilkent Üniversitesi	2.674	4.545
TÜBİTAK BİLGEM	2.265	9.280
TÜBİTAK-UME	103	4
TÜBİTAK SAGE Savunma Sanayii	13.565	1.025
	78.456	61.052
	1 January- 31 March 2019	1 January- 31 March 2018
Transactions with related parties	Sales	Sales
<u>Main Shareholder</u>		
TSKGV	82	54
<u>Main shareholder's subsidiaries and associates</u>		
TUSAŞ	58.839	58.128
STM	188.022	83.975
HTR	407	--
HAVELSAN	778	--
NETAŞ	--	134
<u>Financial Investments</u>		
ROKETSAN	32.865	42.269
<u>Joint ventures and its related parties</u>		
İhsan Doğramacı Bilkent Üniversitesi	521	--
TÜBİTAK BİLİMSEL TEKNOLOJİK ARAŞTIRMA	28.056	16.312
TÜBİTAK SAGE Savunma Sanayii	708	994
TÜBİTAK UZAY TEKNOLOJİLERİ	52	--
SSB	1.340.108	713.861
ULAK	33	--
	1.650.471	915.727

The transaction with related parties are generally due to the purchase and sale of goods and services.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 31 MARCH 2019**

(Amounts are expressed in thousands of TL and in thousands of "Foreign Currency" unless otherwise stated.)

5. TRADE RECEIVABLES AND PAYABLES**a) Trade receivables**

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

	31 March 2019	31 December 2018
Short-term trade receivables		
Trade receivables	2.178.968	2.291.660
Trade receivables from related parties (Note 4)	786.732	772.851
Notes receivable	6.326	7.602
Doubtful trade receivables	2.198	2.218
Allowance for doubtful trade receivables (-)	(2.198)	(2.218)
	2.972.026	3.072.113

	31 March 2019	31 December 2018
Long-term trade receivables		
Unbilled receivables from construction contracts in progress	1.130.251	756.215
Trade receivables	94.093	94.185
Unbilled receivables from construction contracts in progress-Related party (Note 4)	2.188.169	1.976.302
Trade receivables from related parties (Note 4)	5.553	237
	3.418.066	2.826.939

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 31 MARCH 2019

(Amounts are expressed in thousands of TL and in thousands of "Foreign Currency" 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 March 2019	31 March 2018
Opening balance	2.218	21.457
Provision for the period	45	1.302
Provisions no longer required	(65)	--
Closing balance	2.198	22.759

The sectoral distribution of trade receivables is as follows:

	31 March 2019	31 December 2018
Public sector	3.163.778	2.813.246
Private sector	1.946.915	1.935.259
Receivables from companies operating abroad	1.279.399	1.150.547
Total receivables	6.390.092	5.899.052

Receivables from public sector represent the receivables due from the Presidency of Defence Industries ("SSB") and other public entities. The Group's operations are based on contracts and no other collaterals are obtained from the customers.

b) Trade payables

Details of The Group's trade payables are as follows:

	31 March 2019	31 December 2018
Short-term trade payables		
Trade payables	1.280.084	1.624.670
Unearned revenue related to construction contracts in progress	296.937	325.838
Unearned revenue related to construction contracts in progress-Related party (Note 4)	333.227	320.051
Due to related parties (Note 4)	204.359	273.860
Other trade payables	3.824	4.164
	2.118.431	2.548.583
Long-term trade payables		
Unearned revenue related to construction contracts in progress	443.117	150.294
Unearned revenue related to construction contracts in progress- Related party (Note 4)	1.777.669	1.617.969
Other trade payables	--	20
	2.220.786	1.768.283

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

(Amounts are expressed in thousands of TL and in thousands of "Foreign Currency" unless otherwise stated.)

6. EQUITY ACCOUNTED INVESTMENTS

The Group's financial information for its shareholdings accounted for with the equity method is as below:

31 March 2019	Ownership Rate (%)	Current Assets	Non-current Assets	Total Assets	Short-term Liabilities	Long-term Liabilities	Total Liabilities
ASELSAN Kazakhstan	49	89.168	116.992	206.160	105.680	10.977	116.657
ASELSAN Jordan	49	22.003	20.343	42.346	13.601	--	13.601
ASELSAN Optik	50	52.438	51.545	103.983	62.423	18.345	80.768
IGG ASELSAN	49	13.984	1.451	15.435	1.052	--	1.052
ASELSAN Bilkent	50	17.942	120.398	138.340	17.235	99.965	117.200
SADEC LLC	50	8.841	1.192	10.033	1.285	493	1.778
TEKNOHAB	30	2.550	26	2.576	38	--	38
YİTAL	51	2.513	1.357	3.870	118	--	118
		209.439	313.304	522.743	201.432	129.780	331.212

31 March 2019	Ownership Rate (%)	Revenue	Expenses	Net Profit/(Loss)	Group Share of Net Assets	Group Share of Profit/(Loss)
ASELSAN Kazakhstan	49	20.920	(21.132)	(212)	43.856	(104)
ASELSAN Jordan	49	3.729	(5.952)	(2.223)	14.085	(1.089)
ASELSAN Optik	50	33.712	(31.118)	2.594	11.607	1.297
IGG ASELSAN	49	535	(1.690)	(1.155)	7.047	(566)
ASELSAN Bilkent	50	3.597	(1.218)	2.379	10.570	1.189
SADEC LLC	50	--	(3.500)	(3.500)	4.128	(1.750)
BARQ QSTP LLC.	48	--	--	--	834	--
TEKNOHAB	30	132	(93)	39	762	12
YİTAL	51	136	(385)	(249)	1.914	(127)
		62.761	(65.088)	(2.327)	94.803	(1.138)

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

(Amounts are expressed in thousands of TL and in thousands of "Foreign Currency" unless otherwise stated.)

6. EQUITY ACCOUNTED INVESTMENTS (continued)

The Group's financial information for its shareholdings accounted for with the equity method is as below:

31 December 2018	Ownership Rate (%)	Current Assets	Non-current Assets	Total Assets	Short-term Liabilities	Long-term Liabilities	Total Liabilities
ASELSAN Kazakhstan	49	91.850	113.145	204.995	107.365	10.484	117.849
ASELSAN Jordan	49	22.138	19.578	41.716	12.296	--	12.296
ASELSAN Optik	50	58.498	52.676	111.174	63.511	27.042	90.553
IGG ASELSAN	49	19.488	1.483	20.971	4.016	2.169	6.185
ASELSAN Bilkent	50	21.039	109.978	131.017	18.427	93.829	112.256
SADEC LLC	50	9.899	3.270	13.169	1.354	--	1.354
YİTAL	51	2.987	1.072	4.059	58	--	58
		225.899	301.202	527.101	207.027	133.524	340.551

31 December 2018	Ownership Rate (%)	Revenue	Expenses	Net Profit/(Loss)	Group Share of Net Assets	Group Share of Profit/(Loss)
ASELSAN Kazakhstan	49	61.722	(73.504)	(11.782)	42.702	(5.773)
ASELSAN Jordan	49	5.958	(11.454)	(5.496)	14.417	(2.693)
ASELSAN Optik	50	58.221	(50.917)	7.304	10.310	3.652
IGG ASELSAN	49	12.376	(11.401)	975	7.245	478
ASELSAN Bilkent	50	17.347	(15.512)	1.835	9.380	917
SADEC LLC	50	2.431	(13.184)	(10.753)	5.907	(5.376)
BARQ QSTP LLC.	48	--	--	--	834	--
TEKNOHAB	30	--	--	--	750	--
YİTAL	51	706	(1.012)	(306)	2.041	(156)
		158.761	(176.984)	(18.223)	93.586	(8.951)

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019**

(Amounts are expressed in thousands of TL and in thousands of "Foreign Currency" unless otherwise stated.)

7. INVENTORIES

	31 March 2019	31 December 2018
Raw materials	2.114.078	1.948.791
Work in progress	1.416.466	1.172.216
Goods in transit ¹	208.370	196.567
Finished goods	228.352	174.341
Other inventories	21.663	19.561
Trade goods	67.385	73.262
Allowance for impairment on inventories (-)	(8.702)	(8.120)
	4.047.612	3.576.618

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 goods inventories whose net realizable value is below their costs within the current year. Therefore, there is a provision for inventories amounting to TL 8.702 in the statement of financial position (31 March 2018: TL 27.668).

Impaired inventory movements for the periods ended in 31 March are as follows:

	2019	2018
Opening balance	8.120	25.661
Provision for the period	1.220	2.154
Provision released	(638)	(127)
Closing balance	8.702	27.688

¹ Goods in transit includes the goods for which risks and rewards of ownership has transferred to the Group due to their shipping terms.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019**

(Amounts are expressed in thousands of TL and in thousands of "Foreign Currency" unless otherwise stated.)

8. PREPAID EXPENSES AND DEFERRED INCOME

	31 March 2019	31 December 2018
Short-term prepaid expenses		
Order advances given for inventory purchases	1.055.644	889.631
Short-term order advances given to related parties for inventory purchases (Note 4)	267.852	311.668
Prepaid expenses	121.664	118.031
	1.445.160	1.319.330

	31 March 2019	31 December 2018
Long-term prepaid expenses		
Long-term order advances given to related parties for inventory purchases (Note 4)	239.139	155.933
Order advances given for inventory purchases	157.109	279.727
Order advances given for fixed assets purchases	60.038	60.621
Prepaid expenses	8.225	8.118
	464.511	504.399

	31 March 2019	31 December 2018
Short-term deferred income		
Order advances received	41.146	92.303
Order advances received from related parties (Note 4)	304.817	510.751
Deferred income	4.781	29.595
	350.744	632.649

Short-term order advances received comprises advances received from 60 customers (31 December 2018: 61 customers) of which first 10 customers constitutes 98,9 percent of the total (31 December 2018: 98,8 percent).

	31 March 2019	31 December 2018
Long-term deferred income		
Order advances received	859.728	627.349
Order advances received from related parties (Note 4)	1.473.229	1.669.160
	2.332.957	2.296.509

Long-term order advances received comprises advances received from 19 customers (31 December 2018: 39 customers) of which the largest 10 customers constitutes 99,6 percent of the total (31 December 2018: 98,3 percent).

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

(Amounts are expressed in thousands of TL and in thousands of "Foreign Currency" unless otherwise stated.)

9. TANGIBLE AND INTANGIBLE ASSETS

Cost	Property, Plant and Equipment	Intangible Assets
Opening balance as of 1 January 2019 (Reported)	2.231.201	1.476.779
Additions	118.361	91.420
Disposals	(223)	(1.461)
Closing balance as of 31 March 2019	2.349.339	1.566.738
Accumulated Depreciation and Amortisation		
Opening balance as of 1 January 2019	894.904	394.712
Change for the period ¹	35.842	21.458
Disposals	(79)	--
Closing balance as of 31 March 2019	930.667	416.170
Net book value as of 31 March 2019	1.418.672	1.150.568
Net book value as of 31 December 2018	1.336.297	1.082.067
Cost		
Opening balance as of 1 January 2018 (Reported)	1.867.168	1.190.172
Restatement Effect	--	22.219
Opening balance as of 1 January 2018 (Restated)	1.867.168	1.212.391
Additions	49.087	86.591
Disposals	(54)	(4.984)
Closing balance as of 31 March 2018	1.916.201	1.293.998
Accumulated Depreciation and Amortisation		
Opening balance as of 1 January 2018	776.325	321.175
Change for the period	27.722	17.179
Disposals	(44)	--
Closing balance as of 31 March 2018	804.003	338.354
Net book value as of 31 March 2018	1.112.198	955.644
Net book value as of 31 December 2017 (Restated)	1.090.843	891.216

In accordance with TFRS 13 "Fair Value Measurement" standard, fair values of the lands are considered as level three of fair value hierarchy, since measurement techniques do not include observable market inputs.

¹ The amount of amortization related to inventories are TL 6.175 in the year 2019 (March 2018: TL 4.819)

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019**

(Amounts are expressed in thousands of TL and in thousands of "Foreign Currency" unless otherwise stated.)

10. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**a) Provisions**

	31 March 2019	31 December 2018
Other short-term provisions		
Provision for warranties ¹	438.543	442.777
Provision for onerous contracts	89.046	87.772
Provision for delay penalties ²	47.360	41.403
Provision for legal cases	12.442	10.905
Provision for cost expenses	3.439	2.072
Other	1.918	640
	592.748	585.569
	31 March 2019	31 December 2018
Other long-term provisions		
Provision of onerous contracts	336.755	328.385
	336.755	328.385

b) Legal cases

There is no judicial decision against the group within 2019 due to violation of employee rights. There is no judicial decision against the group in 2019 due to the responsibility for work accidents.

As of the dates 31 March 2019 and 31 December 2018, according to the declarations written by the legal counselors, amounts of the lawsuits and legal executions in favor of and against the Group are as follows:

Description	31 March 2019	31 December 2018
a) Ongoing lawsuits filed by the Group	12.173	12.162
b) Proceedings carried out by the Group	33.703	29.115
c) Ongoing lawsuits filed against the Group	12.442	10.905
d) Lawsuits finalized against the Group within the period	242	150
e) Lawsuits finalized in favor of the Group within the period	774	413

- a) Ongoing lawsuits filed by the Group are comprised of lawsuits for patents, trademarks and lawsuits filed by the Group due to the disagreements related to previous lawsuits. These lawsuits will not be recognised in the financial statements until they are finalized.
- b) Execution of proceedings carried out by the Group are comprised of lawsuits that would result in favor of the Group that will be recognised as revenue under "Other Operating Income" line when they are collected.
- c) The Company made provisions for all lawsuits filed against the Group and recognised as "Provisions" in the statement of financial position and "Other Operating Expense" in the statement of profit or loss and other comprehensive income.
- d) Lawsuits finalized against the Group are recognised in the statement of profit or loss to the extent that the amount differs from the amount previously provided. Amounts in excess of the amount previously provided are recognised under 'Other Operating Expense' when the penalty is paid.
- e) Lawsuits finalized in favor of the Group are recognised in statement of profit or loss and other comprehensive income under "Other Operating Income" line when the final judgement is determined.

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 are calculated in accordance with interest rates mentioned in the agreement for default and the within the customer's knowledge.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019**

(Amounts are expressed in thousands of TL and in thousands of "Foreign Currency" unless otherwise stated.)

11. TAX

"Deferred Tax Assets" of the Group as of 31 March 2019 is TL 708.658. The amount is comprised of the items below.

	31 March 2019	31 December 2018
Carried Forward R&D Incentives Effect	935.852	912.673
Temporary Differences	(227.194)	(178.581)
Deferred Tax Assets - Net	708.658	734.092

The earnings gained within the scope of Technology Development Zones Law numbered 4691 were exempted from corporate tax until 31 December 2023.

Prospective profit/loss projection and forecasts and expected duration of research and development incentives are considered in calculating deferred tax asset.

In accordance with the law numbered 5746 pertaining to 1 January-31 March 2019 period, the Group has calculated "Deferred Tax Asset" amounting to TL 935.852 from Research and Development expenses comprising "Outstanding Research and Development Deductions".

	31 March 2019	31 March 2018
Profit before tax from continuing operations	655.609	315.048
Tax (expense)/income recognized in profit or loss	(26.051)	36.294
Effective tax rate	(4%)	12%

Effective tax rate is calculated by dividing profit before tax from continuing operations to tax income recognized in profit or loss. Increase in profit before tax from continuing operations is mainly due to the sales made by the Company within the current period. The Company does not have corporate tax liability for the current period because of the tax advantage arising from the R&D expenditures the Company has made in the previous years. The main reason for tax income in profit or loss of previous year is deferred tax income effect arising from the R&D expenditures the Company has made within the related period.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

(Amounts are expressed in thousands of TL and in thousands of "Foreign Currency" unless otherwise stated.)

12. COMMITMENTS AND CONTINGENCIES

a) Guarantees received

	31 March 2019	31 December 2018
Letters of guarantees received from the suppliers	1.784.125	1.749.080
Collaterals received from the customers	18.956	18.084
Letters of guarantees received from the customers	5.096	4.901
Collaterals received from the suppliers	16.186	4.932
Mortgages received from the customers	265	265
	1.824.628	1.777.262

b) Collaterals / Pledges / Mortgages ("CPM") given

The collaterals/pledges/mortgages ("CPM") given by the Group as of 31 March 2019 and 31 December 2018 are stated on the following page:

In accordance with the terms of the Patrol and Anti-Submarine Warfare Ship Projects ("MİLGEM"), the Company is a guarantor if HAVELSAN cannot be able to fulfill the obligations in this project of an amount of USD 284.380.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

(Amounts are expressed in thousands TL and in thousands of "Foreign Currency" unless otherwise stated.)

12. COMMITMENTS AND CONTINGENCIES (continued)
c) Guarantees given

31 March 2019	TL Equivalent	TL	USD	EURO	UAE Dirham	Indian Rupee	British Pound	Qatar Riyal
A. Total amount of CPM given on behalf of the legal entity								
- <i>Collateral</i>	15.033.785	1.682.054	1.480.412	792.288	50	10.000	1.654	25
- <i>Pledge</i>	--	--	--	--	--	--	--	--
- <i>Mortgage</i>	--	--	--	--	--	--	--	--
B. Total amount of CPM given on behalf of the subsidiaries included in full consolidation								
- <i>Collateral</i>	--	--	--	--	--	--	--	--
- <i>Pledge</i>	--	--	--	--	--	--	--	--
- <i>Mortgage</i>	--	--	--	--	--	--	--	--
C. Total amount of CPM given to maintain operations and collect payables from third parties								
- <i>Collateral</i>	--	--	--	--	--	--	--	--
- <i>Pledge</i>	--	--	--	--	--	--	--	--
- <i>Mortgage</i>	--	--	--	--	--	--	--	--
D. Total amount of other CPM given								
i. Total Amount of CPM on behalf of the main partner								
- <i>Collateral</i>	--	--	--	--	--	--	--	--
- <i>Pledge</i>	--	--	--	--	--	--	--	--
- <i>Mortgage</i>	--	--	--	--	--	--	--	--
ii. Total amount of CPM given on behalf of other group companies that do not cover B and C ¹								
- <i>Collateral</i>	19.846	495	3.438	--	--	--	--	--
- <i>Pledge</i>	--	--	--	--	--	--	--	--
- <i>Mortgage</i>	--	--	--	--	--	--	--	--
iii. Total amount of CPM on behalf of third parties that do not cover								
- <i>Collateral</i>	--	--	--	--	--	--	--	--
- <i>Pledge</i>	--	--	--	--	--	--	--	--
- <i>Mortgage</i>	--	--	--	--	--	--	--	--
Total	15.053.631	1.682.549	1.483.850	792.288	50	10.000	1.654	25

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 , the Group's joint venture.

¹ The ratio of the other CPM given by the Group to equity as of 31 March 2019 is 0,18 percent. TL 19.846 is the collateral amount pertaining to guarantee letter given on behalf of the entities' affiliate company Mikro AR-GE and joint venture ASELSAN Bilkent.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

(Amounts are expressed in thousands TL and in thousands of "Foreign Currency" unless otherwise stated.)

12. COMMITMENTS AND CONTINGENCIES (continued)
c) Guarantees given (continued)

31 December 2018	TL Equivalent	TL	USD	EURO	UAE Dirham	Indian Rupee	British Pound	Qatar Rial
A. Total amount of CPM given on behalf of the legal entity								
-Collateral	17.683.695	2.337.667	1.842.279	935.983	50	10.000	1.654	25
-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	22.590	495	4.200	--	--	--	--	--
-Pledge	--	--	--	--	--	--	--	--
-Mortgage	--	--	--	--	--	--	--	--
iii. Total amount of CPM on behalf of third parties that do not cover								
-Collateral	--	--	--	--	--	--	--	--
-Pledge	--	--	--	--	--	--	--	--
-Mortgage	--	--	--	--	--	--	--	--
Total	17.706.285	2.338.162	1.846.479	935.983	50	10.000	1.654	25

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

¹ The ratio of the other CPM given by the Group to equity as of 31 December 2018 is 0,22 percent. TL 22.590 is the collateral amount pertaining to guarantee letter given on behalf of the entities' affiliate company Mikro AR-GE and joint venture ASELSAN Bilkent.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019**

(Amounts are expressed in thousands TL and in thousands of "Foreign Currency" unless otherwise stated.)

13. EMPLOYEE BENEFITS**a) Obligations for employee benefits**

	31 March 2019	31 December 2018
Social security premiums payable	29.498	24.869
Taxes and funds payable	16.561	7.472
Due to personnel	1.902	2.532
	47.961	34.873

b) Short-term provisions for employee benefits

	31 March 2019	31 December 2018
Provision for vacation pay liability	69.094	49.382

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

	2019	2018
Opening balance	49.382	42.301
Provision for the period	26.428	4.711
Provision paid during the period	(5.788)	(2.117)
Provision realised during the period	(928)	(941)
Closing balance	69.094	43.954

c) Other long-term provisions for employee benefits

	31 March 2019	31 December 2018
Provision for severance pay	184.087	184.440
Provision for retirement pay	14.171	14.171
	198.258	198.611

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

	31 March 2019	31 March 2018
Opening balance	198.611	168.742
Service cost	3.952	(1.428)
Interest cost	1.468	4.253
Payments	(5.773)	(2.508)
Closing balance	198.258	169.059

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 25 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 AS OF 31 MARCH 2019

(Amounts are expressed in thousands TL and in thousands of "Foreign Currency" unless otherwise stated.)

13. EMPLOYEE BENEFITS (continued)

Provision for severance pay (continued)

Certain provisions regarding services before retirement, has been annulled on 23 May 2002 during the revision of the related law. As of 31 March 2019 severance payments are calculated on the basis of 30 days' pay, limited to a ceiling of TL¹ 6.017 (31 December 2018: TL¹ 5.434).

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.

Provision for retirement grant:

Retirement bonus provision is recognized for the employees with service of minimum 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 March 2019 (%)	31 December 2018 (%)
Interest rate	15,60	15,60
Inflation rate	11,80	11,80
Discount ratio	3,40	3,40
Estimation of probability of retirement ratio	97	97

¹ Amounts are expressed in full Turkish Lira.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

(Amounts are expressed in thousands TL and in thousands of "Foreign Currency" unless otherwise stated.)

14. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Capital

<u>Shareholders</u>	<u>Share (%)</u>	<u>31 March 2019</u>	<u>Share (%)</u>	<u>31 December 2018</u>
TSKGV	74,20	845.826	74,20	845.826
Publicly held	25,70	293.019	25,70	293.019
Axa Sigorta Anonim Şirketi	0,10	1.155	0,10	1.155
Nominal capital	100	1.140.000	100	1.140.000
Share capital adjustment		98.621		98.621
Inflation adjusted capital		1.238.621		1.238.621

The Group's nominal capital is TL 1.140.000 comprising 1.140.000.000 shares each of which is TL 1 . A total of 605.454.545 of the shares constitutes "Group A" and 534.545.455 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 are assigned from the holders of nominative "Group A" type shareholders or from the ones nominated by "Group A" type shareholders. Moreover, the Board of Directors shall be authorized in matters regarding issuing preferred shares or issuing shares above the nominal values. Regarding capital increases by restricting preemptive rights, the shares to be issued shall be "Group B". In accordance with the CMB's legislation, other Members of the Board of Directors, not including elected Independent Members of the Board of Directors, 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 Communiqué 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 March 2019, The Group's restricted reserves set aside from profit comprises legal reserves. The total of the Group's legal reserves are TL 173.669 (31 December 2018: TL 172.687).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

(Amounts are expressed in thousands TL and in thousands of "Foreign Currency" unless otherwise stated.)

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

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 March 2019, the extraordinary reserves balance presented under retained earnings is TL 1.435.063 (31 December 2018: TL 1.435.063). As of balance sheet date, period profit under statutory requirement is TL 368.565 (31 December 2018: TL 1.829.121) Profits available for distribution are calculated following statutory requirement is TL 1.481.985 (31 December 2018: TL 1.481.866).

Profit distribution

Publicly traded companies perform dividend distribution in accordance with Capital Markets 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 26 April 2019, in accordance with the consolidated financial statements, the General Assembly of the Company has decided to allocate legal reserve amounting to TL 103.156 of the TL 2.318.198 which is based on the profit distribution, and to distribute TL 174.000 in cash to shareholders for dividend payment and the remaining TL 2.041.042 to be within the Group. Thus, the cash gross dividend amount for TL 1 nominal value per share is Kuruş 15,26 net (31 December 2018: Kuruş 7,42 net).

Within 2019, dividend amounting to TL 174.000 in gross, 15,26 Kuruş per share of TL 1 (net profit amounting to TL 147.900, 12,97 Kuruş per share of TL 1) will be paid to shareholders. (31 December 2018: TL 84.600 in gross, 7,42 Kuruş per share of TL 1 (TL 71.910 in net , 6,31 Kuruş per share of TL 1) was paid).

On 1 March 2019, General Assembly of ASELSANNET has decided to distribute TL 10.000 as dividend payments to shareholders and reserve TL 984 as retained earnings from net profit of the year 2018. Remaining TL 12.497 is decided to be allocated as extraordinary reserves (31 December 2018: 5.000).

All of the gross TL 174.000 of dividend payable to shareholders has not been paid to the shareholders as of 31 March 2019.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019**

(Amounts are expressed in thousands TL and in thousands of "Foreign Currency" unless otherwise stated.)

15. REVENUE AND COST OF SALES

Geographical region of revenue	1 January- 31 March 2019	1 January- 31 March 2018
Domestic sales	1.746.174	1.251.039
Export sales	251.925	114.160
	1.998.099	1.365.199

Timing of revenue recognition	1 January- 31 March 2019	1 January- 31 March 2018
Over time	1.460.123	1.052.074
At a point in time	537.976	313.125
	1.998.099	1.365.199

b) Cost of sales (-)	1 January- 31 March 2019	1 January- 31 March 2018
Cost of raw materials and supplies (-)	1.333.006	861.712
Cost of trade goods sold (-)	23.072	44.301
Cost of services sold (-)	135.595	109.785
Cost of other sales (-)	40.567	17.516
	1.532.240	1.033.314

16. OTHER OPERATING INCOME AND EXPENSES

a) Other operating income	1 January- 31 March 2019	1 January- 31 March 2018
Foreign currency exchange differences from operations	675.685	489.097
Amortized cost effect of trade payables	59.140	14.985
Other income	12.355	4.796
	747.180	508.878

b) Other operating expense (-)	1 January- 31 March 2019	1 January- 31 Mart 2018
Foreign currency exchange differences from operations	379.820	355.154
Amortized cost effect of trade receivables	63.063	16.831
Other expense and losses	7.456	3.410
	450.339	375.395

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019**

(Amounts are expressed in thousands TL and in thousands of "Foreign Currency" unless otherwise stated.)

17. FINANCIAL INCOME

	1 January- 31 March 2019	1 January- 31 March 2018
Interest income	117.822	8.601
TFRS 15 Financial component interest income	102.384	50.753
Foreign currency exchange gain from bank loans	51.083	2.173
	271.289	61.527

18. FINANCIAL EXPENSES

	1 January- 31 March 2019	1 January- 31 March 2018
Foreign currency exchange losses from bank loans (-)	101.794	13.209
TFRS 15 Interest cost of borrowings from financial component (-)	141.686	96.405
Interest cost from employee benefits (-)	1.468	--
Discount expenses of bank loans (-)	10.140	11.684
	255.088	121.298

19. EARNINGS PER SHARE

Earnings per share is calculated by dividing 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 periods ended 31 March 2019 and 31 March 2018, earnings per share calculations are as follows:

	1 January- 31 March 2019	1 January- 31 March 2018
Common stock (thousand)	1.140.000	1.000.000
Net profit – TL	629.296	351.361
Earnings per 100 shares (in full Kuruş)	55,20	35,14
Diluted Earnings per 100 shares (in full Kuruş)	55,20	35,14

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

(Amounts are expressed in thousands TL and in thousands of "Foreign Currency" unless otherwise stated.)

20. FINANCIAL LIABILITIES

Financial Liabilities

		31 March 2019	31 December 2018
Short-term financial liabilities	Unsecured loan	992.298	675.715
Other short-term financial liabilities	Unsecured loan	64.897	22.811
Current portion of long-term financial liabilities	Secured loan	--	67.277
Total short-term financial liabilities		1.057.195	765.803
Other long-term financial liabilities	Secured loan	--	20.234
Total long-term financial liabilities		--	20.234
Total financial liabilities		1.057.195	786.037

As of 31 March 2019, TL 692.207 of the short term financial borrowings are Eximbank Foreign Currency Loans in terms of USD, which have maturity dates due between April-November 2019 and interest rates between 3,17 – 3,54 percent. The remaining portion of the short-term borrowings consist of Eximbank Foreign Currency Loans in terms of EUR, which have maturity dates due between October 2019-March 2020 amounting to TL 247.697 which has interest rate between 0,65-1,60 percent. Moreover, in order to pay custom taxes, TL Loans borrowed amounting to TL 2.394 which is interest-free and have maturity dates due to April 2019. As of 31 March 2019, other financial liabilities amounting to TL 50.000 which has interest rate of 19,75 and maturity date is December 2019 for subcontractor financing purposes. The rest of the short term other financial liabilities consist of loans borrowed for social security payments with 45 days maturity and interest rate of 1 percent.

As of 31 December 2018, the borrowings in short-term borrowings consist of Eximbank Foreign Currency Loans amounting to TL 675.715 and maturity dates due between January-July 2019, interest rates which range between 3,16-3,54 percent. The short-term portions of long-term financial liabilities consist of principal payments of USD 12.790 with interest rates of 2,1 percent and 3,5 percent, respectively, with the maturity date of August 2019 of the Presidency of Defence Industries. Also, in order to make SSI payments there is TL 22.811 worth of loan with no interest.

As of 31 December 2018, the short and long term other financial liabilities consist of loans amounting to USD 3.846 in long term with interest rates of 2,1 percent and 3,5 percent from Presidency of Defence Industries. A letter of guarantee amounting to USD 16.636 was given for the loan.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

(Amounts are expressed in thousands TL and in thousands of "Foreign Currency" unless otherwise stated.)

21. FOREIGN EXCHANGE POSITION

FOREIGN EXCHANGE POSITION						
31 March 2019	TL Equivalent (Functional currency)	USD	TL equivalent by using closing rates	EURO	TL equivalent by using closing rates	Other ¹ (TL equivalent)
1. Trade Receivables	2.192.425	226.754	1.276.263	143.783	908.537	7.625
2a. Monetary financial assets (including cash. bank)	562.193	66.069	371.861	29.665	187.445	2.887
2b. Non- monetary financial assets	587.437	69.189	389.422	57.439	362.945	54.577
3. Other	5.765	9	54	884	5.587	124
4. Current assets (1+2+3)	3.347.820	362.021	2.037.600	231.771	1.464.514	65.213
5. Trade receivables	2.545.989	346.156	1.948.303	94.589	597.686	--
6a. Monetary trade receivables	--	--	--	--	--	--
6b. Non-monetary trade receivables	163.876	3.415	19.224	64.134	405.249	9.072
7. Other	24.024	1.723	9.699	2.251	14.230	95
8. Long-term assets (5+6+7)	2.733.889	351.294	1.977.226	160.974	1.017.165	9.167
9. Total assets (4+8)	6.081.709	713.315	4.014.826	392.745	2.481.679	74.380
10. Trade payables	993.519	109.608	616.918	50.345	318.117	58.484
11. Financial liabilities	951.247	125.000	703.550	39.200	247.697	--
12a. Other monetary financial liabilities	637	106	598	6	39	--
12b. Other non-monetary financial liabilities	192.966	63.403	356.855	66.518	420.316	--
13. Current liabilities (10+11+12)	2.138.369	298.117	1.677.921	156.069	986.169	58.484
14. Trade payables	2.099.999	210.164	1.182.888	145.140	917.111	--
15. Financial liabilities	--	--	--	--	--	--
16a. Other monetary financial liabilities	56	7	37	3	19	--
16b. Other non-monetary financial liabilities	571.240	174.875	984.268	222.087	1.403.321	--
17. Non-current liabilities (14+15+16)	2.671.295	385.046	2.167.193	367.230	2.320.451	--

¹ Consists of CAD, CHF, GBP, JPY, AUD, DKK, ZAR, AED, PHP, SAR currencies.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

(Amounts are expressed in thousands TL and in thousands of "Foreign Currency" unless otherwise stated.)

21. FOREIGN EXCHANGE POSITION (continued)

FOREIGN EXCHANGE POSITION						
31 March 2019	TL Equivalent (Functional currency)	USD	TL equivalent by using closing rates	EURO	TL equivalent by using closing rates	Other (TL equivalent)
18. Total liabilities (13+17)	4.809.664	683.163	3.845.114	523.299	3.306.620	58.484
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)	1.272.045	30.152	169.712	(130.554)	(824.941)	15.896
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10- 11-12a-14-15-16a)	1.255.149	194.094	1.092.436	33.343	210.685	(47.972)
22. Fair value of derivative financial instruments used in foreign currency hedge	--	--	--	--	--	--
23. Hedged foreign currency assets	--	--	--	--	--	--
24. Hedged foreign currency liabilities	--	--	--	--	--	--
25. Exports	251.925	36.007	184.242	2.479	14.022	53.661
26. Imports	777.428	91.406	514.472	32.682	206.510	56.446

The accompanying foreign exchange position which was prepared in accordance with TFRS, is different from the foreign exchange position per the statutory accounts.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

(Amounts are expressed in thousands TL and in thousands of "Foreign Currency" unless otherwise stated.)

21. FOREIGN EXCHANGE POSITION (continued)

FOREIGN EXCHANGE POSITION						
31 December 2018	TL Equivalent (Functional currency)	USD	TL equivalent by using closing rates	EURO	TL equivalent by using closing rates	Other¹ (TL equivalent)
1. Trade Receivables	2.323.205	271.510	1.428.380	147.264	887.703	7.122
2a. Monetary financial assets (including cash. bank)	167.822	28.774	151.379	2.276	13.720	2.723
2b. Non- monetary financial assets	468.137	57.449	302.234	36.284	218.720	51.360
3. Other	7.281	9	50	1.180	7.115	116
4. Current assets (1+2+3)	2.966.445	357.742	1.882.043	187.004	1.127.258	61.321
5. Trade receivables	2.056.596	308.410	1.622.516	72.011	434.080	--
6a. Monetary trade receivables	--	--	--	--	--	--
6b. Non-monetary trade receivables	259.803	15.969	84.014	86.722	522.762	7.571
7. Other	23.116	1.938	10.193	2.031	12.242	681
8. Long-term assets (5+6+7)	2.339.515	326.317	1.716.723	160.764	969.084	8.252
9. Total assets (4+8)	5.305.960	684.059	3.598.766	347.768	2.096.342	69.573
10. Trade payables	1.116.287	136.214	716.609	54.992	331.486	68.192
11. Financial liabilities	742.992	141.229	742.992	--	--	--
12a. Other monetary financial liabilities	645	116	608	6	37	--
12b. Other non-monetary financial liabilities	129.158	90.890	478.162	9.575	57.721	--
13. Current liabilities (10+11+12)	1.989.082	368.449	1.938.371	64.573	389.244	68.192
14. Trade payables	1.712.258	209.557	1.102.459	101.161	609.799	--
15. Financial liabilities	20.234	3.846	20.234	--	--	--
16a. Other monetary financial liabilities	52	6	34	3	18	--
16b. Other non-monetary financial liabilities	1.577.348	132.773	698.504	284.949	1.717.669	--
17. Non-current liabilities (14+15+16)	3.309.892	346.182	1.821.231	386.113	2.327.486	--

¹ Consists of CAD, CHF, GBP, JPY, AUD, DKK, ZAR, AED, PHP, SAR currencies.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

(Amounts are expressed in thousands TL and in thousands of "Foreign Currency" unless otherwise stated.)

21. FOREIGN EXCHANGE POSITION (continued)

FOREIGN EXCHANGE POSITION						
31 December 2018	TL Equivalent (Functional currency)	USD	TL equivalent by using closing rates	EURO	TL equivalent by using closing rates	Other (TL equivalent)
18. Total liabilities (13+17)	5.298.974	714.631	3.759.602	450.686	2.716.730	68.192
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)	6.986	(30.572)	(160.836)	(102.918)	(620.388)	1.381
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10- 11-12a-14-15-16a)	955.155	117.726	619.339	65.389	394.163	(58.347)
22. Fair value of derivative financial instruments used in foreign currency hedge	--	--	--	--	--	--
23. Hedged foreign currency assets	--	--	--	--	--	--
24. Hedged foreign currency liabilities	--	--	--	--	--	--
25. Exports	888.955	163.712	797.410	16.390	91.545	--
26. Imports	3.111.856	376.008	1.978.139	148.001	892.148	241.569

Accompanying foreign exchange position which was prepared in accordance with TAS 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 TFRS 15 .

“For TL functional currency” calculations regarding “Other non-monetary assets” and “Other non-monetary liabilities” presented under foreign currency position, advances received are considered with regard to historic values therefore “TL equivalent of currency as at balance sheet date” differentiate.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019**

(Amounts are expressed in thousands TL and in thousands of "Foreign Currency" unless otherwise stated.)

21. FOREIGN EXCHANGE POSITION (continued)**Foreign currency sensitivity**

The Group is exposed to foreign currency risk with respect to USD and EURO. As of 31 March 2019, USD 1: TL 5,6284 (31 December 2018: TL 5,2609), EURO 1: TL 6,3188 (31 December 2018: TL 6,0280).

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 presents 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 March 2019				
	Profit/Loss		Equity¹	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD against TL by 10%:				
1- USD denominated net assets/(liabilities)	109.244	(109.244)	109.244	(109.244)
2- Hedged amount against USD risk (-)	--	--	--	--
3- Net effect of USD (1+2)	109.244	(109.244)	109.244	(109.244)
Change of EURO against TL by 10%:				
4- EURO denominated net assets/(liabilities)	21.069	(21.069)	21.069	(21.069)
5- Hedged amount against EURO risk (-)	--	--	--	--
6- Net effect of EURO (4+5)	21.069	(21.069)	21.069	(21.069)
Change of other² currencies against TL by 10%:				
7- Other currencies denominated net assets/(liabilities)	(4.797)	4.797	(4.797)	4.797
8- Hedged amount against other currencies risk (-)	--	--	--	--
9- Net effect of other currencies (7+8)	(4.797)	4.797	(4.797)	4.797

¹ Comprises of profit/loss effect.² Consists of CAD, CHF, GBP, JPY, AUD, DKK, ZAR, AED, PHP, SAR currencies.

(Amounts are expressed in thousands TL and in thousands of "Foreign Currency" unless otherwise stated.)

21. FOREIGN EXCHANGE POSITION (continued)

Foreign currency sensitivity (continued)

Foreign currency sensitivity table				
31 December 2018				
	Profit/Loss		Equity¹	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD against TL by 10%:				
1- USD denominated net assets/(liabilities)	61.934	(61.934)	61.934	(61.934)
2- Hedged amount against USD risk (-)	--	--	--	--
3- Net effect of USD (1+2)	61.934	(61.934)	61.934	(61.934)
Change of EURO against TL by 10%:				
4- EURO denominated net assets/(liabilities)	39.416	(39.416)	39.416	(39.416)
5- Hedged amount against EURO risk (-)	--	--	--	--
6- Net effect of EURO (4+5)	39.416	(39.416)	39.416	(39.416)
Change of other² currencies against TL by 10%:				
7- Other currencies denominated net assets/(liabilities)	(5.835)	5.835	(5.835)	5.835
8- Hedged amount against other currencies risk (-)	--	--	--	--
9- Net effect of other currencies (7+8)	(5.835)	5.835	(5.835)	5.835

¹ Comprises of profit/loss effect.

² Consists of CAD, CHF, GBP, JPY, AUD, DKK, ZAR, AED, PHP, SAR currencies.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

(Amounts are expressed in thousands TL and in thousands of "Foreign Currency" unless otherwise stated.)

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

31 March 2019	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	--	2.555.032	--	--	2.555.032	3
Blocked deposits	--	34.932	--	--	34.932	
Financial investments	5.511	--	773.154	--	778.665	
Equity Accounted Investees	94.803	--	--	--	94.803	6
Trade receivables	--	6.390.092	--	--	6.390.092	5
<u>Financial liabilities</u>						
Borrowings	--	--	--	1.057.195	1.057.195	20
Trade payables	--	--	--	4.339.217	4.339.217	5
Other payables	--	--	--	8.973	8.973	

31 December 2018	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	--	3.115.691	--	--	3.115.691	3
Blocked deposits	--	74.269	--	--	74.269	
Financial investments	5.511	--	773.154	--	778.665	
Equity Accounted Investees	93.586	--	--	--	93.586	6
Trade receivables	--	5.899.052	--	--	5.899.052	5
<u>Financial liabilities</u>						
Borrowings	--	--	--	786.037	786.037	20
Trade payables	--	--	--	4.316.866	4.316.866	5
Other payables	--	--	--	2.838	2.838	

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2018

(Amounts are expressed in thousands of TL and in thousands of "Foreign Currency" unless otherwise stated.)

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

31 March 2019	Fair value level as of reporting date		
	Level 1	Level 2	Level 3
	TL	TL	TL
Financial Investments	--	--	568.767
	--	--	568.767

31 December 2018	Fair value level as of reporting date		
	Level 1	Level 2	Level 3
	TL	TL	TL
Financial Investments	--	--	568.767
	--	--	568.767

The movement of the fair value level as of 31 March 2019 is as follows:

	Fair value level as of reporting date		
	Level 1	Level 2	Level 3
	TL	TL	TL
1 January 2019	--	--	568.767
Additions	--	--	--
31 March 2019	--	--	568.767

23. EVENTS AFTER THE REPORTING PERIOD

At the Ordinary General Assembly Meeting held in 26 April 2019;

From the remaining distributable profit obtained after subtracting taxes and statutory obligation from Company's operating profit in 2018;

- In accordance with Article 519/(1) of the Turkish Commercial Code, TL 91.456 Thousand to be allocated as General Legal Reserves.
- Net distributable profit to the shareholders for the period, calculated in the framework of the profit distribution regulations and decisions of the Capital Markets Board is proposed as Gross profit, TL 174.000 Thousand (Kuruş 15,26 per share of TL 1 and 15,26 % on the basis of the capital) (net profit TL 147.900 Thousand – Kuruş 12,97 per share of TL 1 and 12,97 % on the basis of the capital) as in the form of cash,
- In accordance with Article 519/(2) of the Turkish Commercial Code, TL 11.700 Thousand to be allocated as General Legal Reserves,
- Remaining profit is to be allocated as Extraordinary Legal Reserves

and distribution of the dividends to the shareholders are decreed in three equal installments on the dates of 19 June 2019, 18 September 2019 and 18 December 2019.

The amount of contracts signed after the balance-sheet date by the Group is USD 942 Million.