

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
AS OF AND FOR THE NINE-MONTH PERIOD ENDED  
30 SEPTEMBER 2019

5 November 2019

This report contains condensed consolidated  
interim financial information and related disclosures  
and footnotes comprising 49 pages.

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**ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENT OF INTERIM FINANCIAL POSITION AS OF 30 SEPTEMBER 2019**

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

	<b>Note References</b>	<b>Current Period Not Reviewed 30 September 2019</b>	<b>Prior Period Audited 31 December 2018</b>
<b>ASSETS</b>			
<b>Current Assets</b>		<b>12.089.187</b>	<b>11.616.680</b>
Cash and Cash Equivalents	3	1.764.066	3.115.691
Trade Receivables	5	3.231.770	3.072.113
<i>From Related Parties</i>	4	1.381.153	772.851
<i>From Third Parties</i>		1.850.617	2.299.262
Other Receivables		314.486	204.117
<i>From Related Parties</i>	4	1.150	--
<i>From Third Parties</i>		313.336	204.117
Inventories	7	4.935.497	3.576.618
Prepaid Expenses	8	1.519.523	1.319.330
<i>From Related Parties</i>	4	305.980	311.668
<i>From Third Parties</i>		1.213.543	1.007.662
Other Current Assets		323.845	328.811
<b>Non-Current Assets</b>		<b>10.300.941</b>	<b>7.856.951</b>
Financial Investments		774.058	778.665
Trade Receivables	5	4.610.037	2.826.939
<i>From Related Parties</i>	4	3.333.446	1.976.539
<i>From Third Parties</i>		1.276.591	850.400
Other Receivables		672	764
<i>From Third Parties</i>		672	764
Equity Accounted Investees	6	129.089	93.586
Property, Plant and Equipment	9	1.466.074	1.336.297
Intangible Assets	9	1.228.844	1.082.067
Prepaid Expenses	8	497.123	504.399
<i>From Related Parties</i>	4	263.481	155.933
<i>From Third Parties</i>		233.642	348.466
Deferred Tax Assets	11	861.664	734.092
Other Non-Current Assets		733.380	500.142
<b>TOTAL ASSETS</b>		<b>22.390.128</b>	<b>19.473.631</b>

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 STATEMENT OF INTERIM FINANCIAL POSITION AS OF 30 SEPTEMBER 2019**

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

	Note References	Current Period Not Reviewed 30 September 2019	Prior Period Audited 31 December 2018
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>6.563.602</b>	<b>4.684.478</b>
Short-term Financial Liabilities	21	1.476.149	698.526
Short-term Portion of Long-term Financial Liabilities	21	471.343	67.277
Trade Payables	5	3.076.334	2.548.583
<i>To Related Parties</i>	4	671.354	593.911
<i>To Third Parties</i>		2.404.980	1.954.672
Employee Benefit Obligations	13	138.313	34.873
Other Payables		71.006	2.732
<i>To Related Parties</i>	4	58.005	--
<i>To Third Parties</i>		13.001	2.732
Government Grants and Incentives		45.971	53.818
Deferred Income	8	485.137	632.645
<i>To Related Parties</i>	4	318.973	510.751
<i>To Third Parties</i>		166.164	121.894
Corporate Tax Liability		2.894	2.836
Short-term Provisions		789.139	634.951
<i>For Employee Benefits</i>	13	64.936	49.382
<i>Other</i>	10	724.203	585.569
Other Current Liabilities		7.316	8.237
<b>Non-Current Liabilities</b>		<b>3.836.706</b>	<b>4.612.132</b>
Long-term Financial Liabilities	21	228.704	20.234
Trade Payables	5	1.347.206	1.768.283
<i>To Related Parties</i>	4	1.212.282	1.617.969
<i>To Third Parties</i>		134.924	150.314
Other Payables		4.726	106
<i>To Third Parties</i>		4.726	106
Deferred Income	8	1.737.474	2.296.513
<i>To Related Parties</i>	4	1.323.310	1.669.160
<i>To Third Parties</i>		414.164	627.353
Long-term Provisions		518.523	526.996
<i>Long-term Provisions for Employee Benefits</i>	13	199.792	198.611
<i>Other</i>	10	318.731	328.385
Other Non-Current Liabilities		73	--

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**ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENT OF INTERIM FINANCIAL POSITION AS OF 30 SEPTEMBER 2019**

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

	<b>Note References</b>	<b>Current Period Not Reviewed 30 September 2019</b>	<b>Prior Period Audited 31 December 2018</b>
<b>EQUITY</b>		<b>11.989.820</b>	<b>10.177.021</b>
<b>Equity Attributable to Equity Holders of the Parent</b>		<b>11.939.286</b>	<b>10.132.601</b>
Share Capital	14	1.140.000	1.140.000
Inflation Adjustments on Share Capital	14	98.621	98.621
Share Premium		2.796.723	2.796.723
Other Comprehensive Income that will not be Reclassified to Profit or Loss		189.142	189.358
<i>Gain on Revaluation of Property</i>		207.431	207.431
<i>Gain/ Loss on Remeasurement of Defined Benefit Plans</i>		<i>(18.289)</i>	<i>(18.073)</i>
Other Cumulative Comprehensive Income will or may be Reclassified to Profit/Loss		761.015	755.119
<i>Gain on Revaluation of Available for Sale Financial Assets</i>		<i>729.612</i>	<i>729.612</i>
<i>Cumulative Translation Adjustments</i>		<i>31.403</i>	<i>25.507</i>
Restricted Reserves	14	276.827	172.687
Retained Earnings		4.701.953	2.661.896
Net Profit		1.975.005	2.318.197
<b>Non-Controlling Interests</b>		<b>50.534</b>	<b>44.420</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>		<b>22.390.128</b>	<b>19.473.631</b>

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**ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS and OTHER COMPREHENSIVE INCOME FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019**

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

	Notes References	Current Period Not Reviewed 1 January- 30 September 2019	Current Period Not Reviewed 1 July- 30 September 2019	Prior Period Not Reviewed 1 January- 30 September 2018	Prior Period Not Reviewed 1 July- 30 September 2018
<b>PROFIT OR LOSS</b>					
Revenue	15	7.647.673	3.023.258	5.213.940	1.934.165
Cost of Sales (-)	15	(5.797.540)	(2.298.860)	(3.940.719)	(1.481.064)
<b>GROSS PROFIT</b>		<b>1.850.133</b>	<b>724.398</b>	<b>1.273.221</b>	<b>453.101</b>
General Administrative Expenses (-)		(238.873)	(84.934)	(158.923)	(58.464)
Marketing Expenses (-)		(129.303)	(48.348)	(98.784)	(34.202)
Research and Development Expenses (-)		(90.986)	(41.435)	(57.127)	(22.857)
Other Operating Income	16	2.506.480	1.084.500	4.624.328	3.093.626
Other Operating Expenses (-)	16	(2.227.351)	(1.199.725)	(3.588.496)	(2.470.806)
<b>OPERATING PROFIT</b>		<b>1.670.100</b>	<b>434.456</b>	<b>1.994.219</b>	<b>960.398</b>
Income from investing activities	17	2.028	492	5.215	1.726
Shares of profit/(losses) of Equity Accounted Investees	6	6.036	1.185	(7.524)	(1.575)
<b>OPERATING PROFIT BEFORE FINANCIAL EXPENSE</b>		<b>1.678.164</b>	<b>436.133</b>	<b>1.991.910</b>	<b>960.549</b>
Financial Income	18	828.416	319.889	481.267	307.437
Financial Expense (-)	19	(650.077)	(210.131)	(698.560)	(399.345)
<b>PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>1.856.503</b>	<b>545.891</b>	<b>1.774.617</b>	<b>868.641</b>
<b>Tax Income from Continuing Operations</b>	11	<b>122.431</b>	<b>97.718</b>	<b>(39.083)</b>	<b>(74.914)</b>
- Current Corporate Tax Expense(-)		(5.087)	(2.658)	(8.155)	(5.097)
- Deferred Tax Income		127.518	100.376	(30.928)	(69.817)
<b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>1.978.934</b>	<b>643.609</b>	<b>1.735.534</b>	<b>793.727</b>
<b>Profit for the Period Attributable to</b>					
Non-Controlling Interest		3.929	1.552	31	21
Owners of the Company	20	1.975.005	642.057	1.735.503	793.706
		<b>1.978.934</b>	<b>643.609</b>	<b>1.735.534</b>	<b>793.727</b>
<b>Earnings for per 100 Shares (in full kuruş)</b>	20	<b>173,25</b>	<b>56,32</b>	<b>163,81</b>	<b>67,46</b>

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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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- 30 September 2019	Current Period Not Reviewed 1 July- 30 September 2019	Prior Period Not Reviewed 1 January- 30 September 2018	Prior Period Not Reviewed 1 July- 30 September 2018
<b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>				
<b>Items that will not to be reclassified subsequently in Profit or Loss</b>				
Loss on Remeasurement of Defined Benefit Plans	(216)	(4.044)	(5.414)	(326)
Deferred Tax Income / (Expense)	(270)	(5.056)	(6.767)	(407)
	54	1.012	1.353	81
<b>Items that may be reclassified subsequently to profit or loss</b>				
Foreign Currency Exchange Differences	5.896	(2.419)	31.795	18.262
	5.896	(2.419)	31.795	18.262
<b>OTHER COMPREHENSIVE INCOME</b>	<b>5.680</b>	<b>(6.463)</b>	<b>26.381</b>	<b>17.936</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>1.984.614</b>	<b>637.146</b>	<b>1.761.915</b>	<b>811.663</b>
<b>Total Comprehensive Income Attributable to Non-Controlling Interest Owners of the Company</b>				
	3.929	1.552	31	21
	1.980.685	635.594	1.761.884	811.642
	<b>1.984.614</b>	<b>637.146</b>	<b>1.761.915</b>	<b>811.663</b>

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# ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019

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

	Other Comprehensive Income / Expense that will not to be Reclassified Subsequently to Profit or Loss			Other Comprehensive Income / Expense that may not to be Reclassified Subsequently to Profit or Loss			Retained Earnings			Equity Attributable to Owners of the Company	Non-Controlling Interests	Total	
	Share Capital	Inflation Adjustments on Share Capital	Share Premium/ (Discounts)	Gain on Revaluation of Property	Loss on Remeasurement of Defined Benefit Plans	Gain on Revaluation of Available for Sale Financial Assets	Cumulative Translation Adjustments	Restricted Reserves	Prior Years' Profit				Net Profit for the Period
<b>Balance as of 1 January 2018 (as previously reported)</b>	<b>1.000.000</b>	<b>98.621</b>	<b>--</b>	<b>207.431</b>	<b>1.656</b>	<b>535.444</b>	<b>5.246</b>	<b>124.062</b>	<b>1.687.436</b>	<b>1.387.770</b>	<b>5.047.666</b>	<b>542</b>	<b>5.048.208</b>
Effect of TFRS 15	--	--	--	--	--	--	--	--	(265.860)	(13.506)	(279.366)	--	(279.366)
Effect of TFRS 9	--	--	--	--	--	--	--	--	(2.356)	1.637	(719)	--	(719)
<b>Balance as of 1 January 2018 Restated</b>	<b>1.000.000</b>	<b>98.621</b>	<b>--</b>	<b>207.431</b>	<b>1.656</b>	<b>535.444</b>	<b>5.246</b>	<b>124.062</b>	<b>1.419.220</b>	<b>1.375.901</b>	<b>4.767.581</b>	<b>542</b>	<b>4.768.123</b>
Transfers	--	--	--	--	--	--	--	48.625	1.242.676	(1.291.301)	--	--	--
Capital Increase	140.000	--	2.796.723	--	--	--	--	--	--	--	2.936.723	--	2.936.723
Total Comprehensive Income	--	--	--	--	(5.414)	--	31.795	--	--	1.735.503	1.761.884	31	1.761.915
Dividends	--	--	--	--	--	--	--	--	--	(84.600)	(84.600)	--	(84.600)
<b>Balance as of 30 September 2018</b>	<b>1.140.000</b>	<b>98.621</b>	<b>2.796.723</b>	<b>207.431</b>	<b>(3.758)</b>	<b>535.444</b>	<b>37.041</b>	<b>172.687</b>	<b>2.661.896</b>	<b>1.735.503</b>	<b>9.381.588</b>	<b>573</b>	<b>9.382.161</b>
<b>Balance as of 1 January 2019</b>	<b>1.140.000</b>	<b>98.621</b>	<b>2.796.723</b>	<b>207.431</b>	<b>(18.073)</b>	<b>729.612</b>	<b>25.507</b>	<b>172.687</b>	<b>2.661.896</b>	<b>2.318.197</b>	<b>10.132.601</b>	<b>44.420</b>	<b>10.177.021</b>
Transfers	--	--	--	--	--	--	--	104.140	2.040.057	(2.144.197)	--	--	--
Total Comprehensive Income	--	--	--	--	(216)	--	5.896	--	--	1.975.005	1.980.685	3.929	1.984.614
Dividends	--	--	--	--	--	--	--	--	--	(174.000)	(174.000)	--	(174.000)
Consolidation Effect of New Acquisition	--	--	--	--	--	--	--	--	--	--	--	2.185	2.185
<b>Balance as of 30 September 2019 (Closing Balance)</b>	<b>1.140.000</b>	<b>98.621</b>	<b>2.796.723</b>	<b>207.431</b>	<b>(18.289)</b>	<b>729.612</b>	<b>31.403</b>	<b>276.827</b>	<b>4.701.953</b>	<b>1.975.005</b>	<b>11.939.286</b>	<b>50.534</b>	<b>11.989.820</b>

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 STATEMENT OF CASH FLOWS FOR THE NINE-MONTH PERIOD ENDED  
30 SEPTEMBER 2019**

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

	Note References	Current Period Not Reviewed 30 September 2019	Prior Period Not Reviewed 30 September 2018
<b>A. Cash Flows from Operating Activities</b>		<b>(2.229.188)</b>	<b>(912.972)</b>
Profit for the period		1.978.934	1.735.534
<b>Adjustments to Reconcile Profit</b>		<b>223.307</b>	<b>810.898</b>
- Adjustments for Depreciation and Amortization Expense	9	166.592	124.477
- Adjustments for Impairment Loss		4.591	15.469
<i>Adjustments for Impairment Loss of Receivables</i>	5	764	8.939
<i>Adjustments for Impairment Loss of Inventories</i>	7	3.827	6.530
- Adjustments for Provisions		310.211	353.158
<i>Adjustments for Provisions Related with Employee Benefits</i>	13	52.578	27.515
<i>Adjustments for / (Reversal of) Lawsuit and/or Penalty Provisions</i>		31.385	160.404
<i>Adjustments for Warranty Provisions</i>		222.560	163.342
<i>Adjustments for (Reversal of) Other Provisions</i>		3.688	1.897
- Adjustments for Interest (Income) Expenses		(167.782)	(2.770)
<i>Adjustments for Interest Income</i>		(656.632)	(390.532)
<i>Adjustments for Interest Expense</i>		488.850	387.762
- Share of profit/loss of Equity Accounted Investments		(6.036)	7.524
- Adjustments for Tax Income		(122.431)	39.083
- Adjustments for Losses on Disposal of Non-Current Assets	9	34.898	73.074
Other Adjustments for which Cash Effects are Investing or Financing Cash Flow		6.485	218.022
Other Non-Cash Adjustments		(3.221)	(17.139)
<b>Changes in Working Capital</b>		<b>(4.261.634)</b>	<b>(3.346.413)</b>
- Adjustments for Decrease (Increase) in Trade Receivables		(1.784.228)	(1.128.975)
- Adjustments for Decrease (Increase) in Other Receivables Related with Operations		(110.277)	4.392
- Adjustments for Decrease (Increase) in Inventories		(1.342.757)	(1.226.081)
- Decrease (Increase) in Prepaid Expenses		(192.917)	(706.941)
- Adjustments for Increase (Decrease) in Trade Payables		541.495	(281.999)
- Increase (Decrease) in Employee Benefit Obligations	13	103.440	(97)
- Adjustments for Stage of Completion of Construction or Service Contracts in Progress		(254.451)	(78.066)
- Adjustments for Increase (Decrease) in Other Operating Payables		14.894	1.133
- Increase (Decrease) in Government Grants and Incentives		(7.847)	5.535
- Increase (Decrease) in Deferred Income		(1.068.089)	351.662
- Adjustments for Other Increase (Decrease) in Working Capital		(160.897)	(286.976)
<b>Cash Flows From Operations</b>		<b>(2.059.393)</b>	<b>(799.981)</b>
Payments Related with Provisions for Employee Benefits	13	(36.113)	(19.159)
Payments Related with Other Provisions		(128.653)	(93.116)
Income Taxes Refund (Paid)		(5.029)	(716)
<b>B. Cash Flows From Investing Activities</b>		<b>(519.379)</b>	<b>(458.430)</b>
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		392	89
Purchase of Property, Plant and Equipment		(243.362)	(229.931)
Purchase of Intangible Assets	9	(254.847)	(204.621)
Dividends Received		1.155	5.184
Other Cash Inflows (Outflows)		(22.717)	(29.151)
<b>C. Cash Flows From Financing Activities</b>		<b>1.410.793</b>	<b>3.111.839</b>
Proceeds from Borrowings		2.318.278	847.599
Repayments of Borrowings		(935.760)	(735.885)
Cash Inflows from Issuing Capital		--	2.936.723
Dividends Paid		(116.000)	(56.400)
Interest Paid	19	(49.770)	(12.501)
Interest Received		194.045	132.303
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES (A+B+C)</b>		<b>(1.337.774)</b>	<b>1.740.437</b>
<b>D. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		<b>8.983</b>	<b>41.813</b>
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)</b>		<b>(1.328.791)</b>	<b>1.782.250</b>
<b>E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>3.087.387</b>	<b>1.261.753</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)</b>	<b>3</b>	<b>1.758.596</b>	<b>3.044.003</b>

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

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 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 Vice Presidential Sectors 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 at strategic level planning, oversight and evaluation functions 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 Executive assistant departments.

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 by 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 30 September 2019, 25,80 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 30 September 2019 is 6.474 (31 December 2018: 5.694).

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"), BİTES Savunma Havacılık ve Uzay Teknolojileri Yazılım A.Ş. ("BİTES") and ASELSAN Global Dış Ticaret ve Pazarlama A.Ş. ("GLOBAL"). 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.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2019

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

## 2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM 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

The consolidated financial statements have been approved for issue by the Board of Directors with the resolution number 1061 on 5 November 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.

#### Preparation of Financial Statements in Hyperinflationary Periods

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2019

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

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

#### 2.1 The Basis of Presentation (continued)

##### Basis of Consolidation

##### Subsidiaries

The details of the of the Group are as follows:

Subsidiaries	Location	Functional Currency	Group's proportion of ownership and voting power held (%)		Main Activity
			30 September 2019	31 December 2018	
AELSANNET	Turkey	TL	100	100	Communication systems
AELSAN Baku	Azerbaijan	AZN	100	100	Marketing and sales of the group products
GLOBAL	Turkey	TL	100	--	Export
Mikro AR-GE	Turkey	TL	85	85	Microelectronic R&D projects
AELSAN Malaysia	Malaysia	MYR	100	100	Remote controlled weapon systems
AELSAN Konya	Turkey	TL	51	51	Weapon and weapon systems
BİTES	Turkey	TL	51	--	Defense, Aerospace, Space Technologies, Software

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 AELSAN 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 been completed in 12 November 2018. Capital structure is as follows; 51% AELSAN, 49% Konya Savunma Sanayi A.Ş.

51% shares of BİTES are transferred to AELSAN at 28 February 2019, after share transfer agreement signed on 13 February 2019.

The Company titled "AELSAN Global Dış Ticaret ve Pazarlama A.Ş." was established in order to carry out import, export and marketing activities of all kinds of civil and military electronic products and systems. 100% of the company belongs to AELSAN A.Ş. The company is established with 50.000 TL capital. The establishment was registered on August 06, 2019.

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

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

**2.1 The Basis of Presentation (continued)**

**Basis of Consolidation (continued)**

**Subsidiaries (continued)**

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2019

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

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

### 2.1 The Basis of Presentation (continued)

#### Basis of Consolidation (continued)

#### Interests in Joint Ventures:

The details of the Group's interests in joint ventures as of the dates 30 September 2019 and 31 December 2018 are as follows:

Joint Ventures	Principal Activity	Country of establishment and operation	Group's proportion of ownership and voting power held (%)	
			30 September 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
TÜYAR Mikroelektronik Sanayi ve Ticaret Anonim Şirketi ("TÜYAR")	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
ULAK Haberleşme Anonim Şirketi ("ULAK")	Communication systems	Turkey	51	51
EHSİM Elektronik Harp Sistemleri Müh. Tic. A.Ş. ("EHSİM")	Electronic Warfare and Tactical Command Systems	Turkey	50	--
TR Eğitim ve Teknoloji A.Ş.	Realizing Human Resources studies, Consultancy with respect to HR studies, accreditation services and trainings for every level, educational, cultural, art, sports, fair organizations and digital marketing operations.	Turkey	50	--

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2019

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

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

#### 2.1 The Basis of Presentation (continued)

##### Basis of Consolidation (continued)

##### Interests in Joint Ventures (continued)

ASELSAN Bilkent has been established in November 2014 and it is owned by the Company and İhsan Doğramacı 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.

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.

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.

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 title of the company is changed as "TÜYAR" at general assembly on 8 May 2019.

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 on 17 September 2018. 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.

A share transfer agreement for the acquisition of 50% of the total shares of Havelsan EHSİM Hava Elektronik Harp Sistemleri Mühendislik Ticaret Anonim Şirketi, has been signed. 1 percent of the shares has taken from Havelsan Hava Elektronik Sanayi ve Ticaret A.Ş and 49 percent of the shares has taken from real person partners. Payment for share transfer to HAVELSAN A.Ş. and to real person partners were completed on 18 September 2019. At the extraordinary general meeting held on September 9, 2019, the Company's title was changed to EHSİM Elektronik Harp Sistemleri Müh. Tic. A.Ş. EHSİM operates in Electronic Warfare and Tactical Command and Control systems.

A share transfer agreement was signed for the acquisition of 50% of TR Eğitim ve Teknoloji A.Ş. from TUSAŞ Türk Havacılık ve Sanayii A.Ş. The payment regarding the share transfer was made to TUSAŞ A.Ş. on 09 September 2019.

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, SADEC LLC has been established in 2016, TÜYAR has been established in 2017, ULAK has been established in 2018, TEKNOHAB has been established in 2018 and EHSİM has been established in 1998 were included in the condensed consolidated interim financial statements by using the equity method. Since BARQ QSTP LLC and TR Eğitim Teknoloji have not started to operate yet, there is no consolidation effect on the Group's financial statements.

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

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

**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.

The group has applied TFRS 15 Revenue from Contracts with Customers and TFRS 9 Financial Instruments, that are effective from 1 January 2018 to prior periods retrospectively with the date of initial application of 1 January 2015, in accordance with the transition requirements of the respective standards and TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

**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 Summary of Significant Accounting Policies**

**Standards Issued But Not Yet Effective and Not Early Adopted as of 30 September 2019**

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

**TFRS 17 –Insurance Contracts**

On 16 February 2019, Public Oversight Accounting and Auditing Standards Authority ("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.

**Definition of a Business (Amendments to TFRS 3)**

On 21 May 2019, the POASA 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.



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

**2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****2.4 Summary of Significant Accounting Policies (continued)****Definition of Material (Amendments to TAS 1 and TAS 8)**

On 21 June 2019, 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.

**The Revised Conceptual Framework**

The revised Conceptual Framework issued on 11 May 2019 by POASA. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the Board in developing TFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no TFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards.

The revised Framework is more comprehensive than the old one – its aim is to provide the Board with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no TFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

**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 assessing the potential impact on its consolidated financial statements resulting from the application of TFRS 16.

**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.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of TAS 28.

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

**2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****2.4 Summary of Significant Accounting Policies (continued)****Standards Adopted as of 01 January 2019 (continued)****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.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of TFRS 23.

**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.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of TAS 19.

**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.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of TFRS 9.

**Annual Improvements to TFRSs 2015-2017 Cycle****TFRS 3 Business Combinations 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.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of TFRS 3.

**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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2019

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

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

#### 2.4 Summary of Significant Accounting Policies (continued)

##### Standards Adopted as of 01 January 2019 (continued)

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of TAS 12.

##### 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.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of TAS 23.

### 3. CASH AND CASH EQUIVALENTS

	30 September 2019	31 December 2018
Cash	233	153
Banks		
- Time deposit	1.575.016	2.987.934
- Demand deposit	83.976	96.981
Financial Certificate (Sukuk)	90.000	--
Other	9.371	2.320
<b>Cash and cash equivalents on the cash flow statement</b>	<b>1.758.596</b>	<b>3.087.388</b>
Interest income accruals	5.470	28.303
	<b>1.764.066</b>	<b>3.115.691</b>

As of 30 September 2019, the Group had time deposits denominated in foreign currencies with maturities in October 2019 (31 December 2018: January 2019) with the interest rates between 0,75 percent and 3,25 percent (31 December 2018: 2 percent to 5 percent) amounting to TL 889.957 (31 December 2018: TL 253.662).

As of 30 September 2019, the Group had time deposits denominated in TL terms with maturities in October 2019 (31 December 2018: January-February 2019) amounted to TL 685.059 (31 December 2018: TL 2.734.272) at the interest rates between 14,25 percent and 21,76 percent (31 December 2018: 18,50 and 23,50 percent).

As of 01 August 2019, a financial certificate which has a maturity of 70 days and 18,50 percent rate of return has been obtained.

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

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2019**

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

#### **4. RELATED PARTY DISCLOSURES**

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

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 30 September 2019 is TL 13.984 (30 September 2018: TL 11.111).

In the period ended on 31 March 2019, the entire loan obtained from Defense Industry Support Fund was closed by offsetting from receivables (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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2019

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

### 4. RELATED PARTY DISCLOSURES (continued)

	30 September 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 <sup>1</sup>	Trading	Deferred Income
<b><u>Main shareholder</u></b>										
TSKGV	24	--	--	--	--	--	--	43.036	--	--
<b><u>Other shareholder</u></b>										
Axa Sigorta Anonim Şirketi ("Axa Sigorta")	--	--	--	--	--	--	--	63	--	--
<b><u>Main shareholder's shareholders/subsidiaries/associates</u></b>										
EHSİM Elektronik Harp Sistemleri Mühendislik Ticaret Anonim Şirketi ("EHSİM")	--	943	--	--	--	3.772	--	--	--	--
Hava Elektronik Sanayi ve Ticaret Anonim Şirketi ("HAVELSAN")	17.874	41.598	--	1.313	7.365	50.065	--	--	--	--
HAVELSAN Teknoloji Radar Sanayi ve Ticaret Anonim Şirketi ("HTR")	8.999	38.324	--	--	--	12.720	--	--	--	--
İşbir Elektrik Sanayii Anonim Şirketi ("İŞBİR")	--	23.885	--	--	--	14.005	--	--	--	--
NETAŞ Telekomünikasyon Anonim Şirketi ("NETAŞ")	198	22.384	--	--	4.806	71.510	--	--	--	--
Savunma Teknolojileri Mühendislik ve Ticaret Anonim Şirketi ("STM")	84.712	4.105	--	491	--	8.812	27.773	--	101.509	3.518
Türk Havacılık ve Uzay Sanayi ve Ticaret Anonim Şirketi ("TUSAŞ")	51.179	92	--	95.905	--	39.891	29.098	--	40.668	319.096
<b><u>Financial Instruments</u></b>										
Askeri Pil Sanayi ve Ticaret Anonim Şirketi ("ASPILSAN")	--	1.098	--	--	--	10.175	--	--	--	--
Roket Sanayi ve Ticaret Anonim Şirketi ("ROKETSAN")	124.456	61.875	--	89.045	244.381	155.326	33.611	--	16.007	62.160
<b><u>Joint ventures and its related parties</u></b>										
ASELSAN Bilkent	--	16.073	--	--	3.939	14.772	--	--	--	--
İhsan Doğramacı Bilkent Üniversitesi	--	1.172	--	--	--	3.450	--	--	--	--
ASELSAN Optik	79	73.698	1.150	--	--	15.413	--	--	--	--
IGG	45.348	--	--	5.019	--	--	--	--	--	--
IGG ASELSAN	6.287	1.561	--	--	--	297	--	--	--	--
ASELSAN Kazakistan	76.971	--	--	14.467	--	157	960	--	--	--
ASELSAN Ürdün	53.229	--	--	205	--	31.743	1.654	--	--	--
TÜBİTAK BİLİMSEL TEKNOLOJİK ARAŞTIRMA	8.173	4.483	--	97.186	--	460	11.349	--	15	5.581
TÜBİTAK BİLGEM	--	4.937	--	--	139	3.942	--	--	--	--
TÜBİTAK-UME	--	861	--	--	--	20	--	--	--	--
TÜBİTAK SAGE Savunma Sanayii	--	8.716	--	7.004	2.851	1.838	--	--	--	--
SSTEK	--	--	--	--	--	--	20.525	--	--	--
Savunma Sanayi Başkanlığı ("SSB")	823.053	--	--	3.022.811	--	231.314	192.768	--	1.054.083	931.395
ULAK	79.940	--	--	--	--	1.672	1.235	--	--	1.560
SADEC LLC	631	175	--	--	--	--	--	--	--	--
<b><u>Publicly held shares</u></b>								14.906		
	<b>1.381.153</b>	<b>305.980</b>	<b>1.150</b>	<b>3.333.446</b>	<b>263.481</b>	<b>671.354</b>	<b>318.973</b>	<b>58.005</b>	<b>1.212.282</b>	<b>1.323.310</b>

<sup>1</sup> Other payables mainly comprised of dividends payable for the year ended 31 December 2018

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 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	
Balances with related parties	Trading	Prepaid Expenses	Other Receivables	Trading	Prepaid Expenses	Trading	Deferred Income	Other Payables	Trading	Deferred Income
<b>Main shareholder</b>										
TSKGV	21	--	--	--	--	--	--	--	--	--
<b>Other shareholder</b>										
Axa Sigorta Anonim Şirketi ("Axa Sigorta")	--	--	--	--	--	--	--	--	--	--
<b>Main shareholder's shareholders/subsidiaries/associates</b>										
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 Uzay Sanayi ve Ticaret Anonim Şirketi ("TUSAŞ")	78.034	92	--	61.748	--	51.732	114.454	--	16.127	242.424
<b>Financial Investments</b>										
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
<b>Joint ventures and its related parties</b>										
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
TÜYAR	--	--	--	--	--	--	--	--	--	--
Ankaref Bilişim Teknolojileri Limited Şirketi ("ANKAREF")	--	--	--	--	--	--	--	--	--	--
ULAK	44.556	--	--	--	--	--	--	--	--	2.155
SADEC LLC	586	--	--	--	--	222	--	--	--	--
	<b>772.851</b>	<b>311.668</b>	--	<b>1.976.539</b>	<b>155.933</b>	<b>593.911</b>	<b>510.751</b>	--	<b>1.617.969</b>	<b>1.669.160</b>

**ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2019**

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

**4. RELATED PARTY DISCLOSURES (continued)**

	1 January- 30 September 2019	1 July- 30 September 2019	1 January- 30 September 2018	1 July- 30 September 2018
<b>Transactions with related parties</b>	<b>Purchases</b>	<b>Purchases</b>	<b>Purchases</b>	<b>Purchases</b>
<b>Main Shareholder</b>				
TSKGV	685	228	565	188
<b>Main shareholder's shareholders/subsidiaries/associates</b>				
NETAŞ	98.031	22.507	96.948	12.280
İŞBİR	34.066	18.798	35.574	11.519
HTR	38.471	8.995	24.424	11.410
TUSAŞ	1.032	19	893	860
HAVELSAN	26.358	3.406	22.534	22.534
STM	8.580	146	8.669	--
<b>Financial Investments</b>				
ROKETSAN	132.933	125.164	22.602	10.946
ASPİLSAN	26.814	9.104	14.105	7.182
<b>Joint ventures and its related parties</b>				
İhsan Doğramacı Bilkent Üniversitesi	9.975	2.391	8.195	--
TÜBİTAK BİLGEM	24.812	1.623	18.801	7.044
TÜBİTAK-UME	206	53	23	5
TÜBİTAK-SAGE Savunma Sanayii	23.861	--	7.690	3.810
TÜBİTAK BİLİMSEL TEKNOLOJİK ARAŞTIRMA	267	267	--	--
SSB	514	514	--	--
	<b>426.605</b>	<b>193.215</b>	<b>261.603</b>	<b>87.778</b>

  

	1 January- 30 September 2019	1 July- 30 September 2019	1 January- 30 September 2018	1 July- 30 September 2018
<b>Transactions with related parties</b>	<b>Sales</b>	<b>Sales</b>	<b>Sales</b>	<b>Sales</b>
<b>Main Shareholder</b>				
TSKGV	215	62	212	119
<b>Main shareholder's shareholders/subsidiaries /associates</b>				
TUSAŞ	217.427	76.638	131.001	122.487
STM	398.855	104.169	290.279	173.813
HAVELSAN	8.819	2.672	--	--
HTR	9.687	8.258	1.679	--
NETAŞ	1.380	170	188	182
<b>Financial Investments</b>				
ROKETSAN	146.143	50.830	68.294	60.203
<b>Joint ventures and its related parties</b>				
İhsan Doğramacı Bilkent Üniversitesi	521	--	--	--
TÜBİTAK BİLİMSEL TEKNOLOJİK ARAŞTIRMA	10.118	--	81.051	67.393
TÜBİTAK SAGE	1.581	520	313	313
TÜBİTAK UZAY TEKNOLOJİLERİ	52	--	--	--
SSB	3.490.227	1.332.588	2.575.663	1.789.085
	<b>4.285.025</b>	<b>1.575.907</b>	<b>3.148.680</b>	<b>2.213.595</b>

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****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 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:

	<b>30 September 2019</b>	<b>31 December 2018</b>
<b>Short-term trade receivables</b>		
Trade receivables	1.831.194	2.291.660
Trade receivables from related parties (Note 4)	1.381.153	772.851
Notes receivable	15.983	7.602
Doubtful trade receivables	2.982	2.218
Allowance for doubtful trade receivables (-)	(2.982)	(2.218)
Other trade receivables	3.440	--
	<b>3.231.770</b>	<b>3.072.113</b>
	<b>30 September 2019</b>	<b>31 December 2018</b>
<b>Long-term trade receivables</b>		
Contract assets	1.038.036	756.215
Trade receivables	238.412	94.185
Contract assets - Related party (Note 4)	3.327.863	1.976.302
Trade receivables from related parties (Note 4)	5.583	237
Notes receivable	143	--
	<b>4.610.037</b>	<b>2.826.939</b>

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

	<b>30 September 2019</b>	<b>30 September 2018</b>
Opening balance	2.218	21.456
Provision for the period	764	8.947
Provision no longer required	--	(8)
<b>Closing balance</b>	<b>2.982</b>	<b>30.395</b>

The sectoral distribution of trade receivables is as follows:

	<b>30 September 2019</b>	<b>31 December 2018</b>
Public sector receivables	4.410.743	2.813.246
Private sector receivables	2.101.022	1.935.259
Receivables from companies operating abroad	1.330.042	1.150.547
<b>Total receivables</b>	<b>7.841.807</b>	<b>5.899.052</b>

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.



**ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2019**

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

**5. TRADE RECEIVABLES AND PAYABLES (continued)****b) Trade payables**

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

	<b>30 September 2019</b>	<b>31 December 2018</b>
<b>Short-term trade payables</b>		
Trade payables	1.995.895	1.624.670
Contract liabilities	406.615	325.838
Contract liabilities - Related party (Note 4)	281.209	320.051
Due to related parties (Note 4)	390.145	273.860
Other trade payables	2.470	4.164
	<b>3.076.334</b>	<b>2.548.583</b>
	<b>30 September 2019</b>	<b>31 December 2018</b>
<b>Long-term trade payables</b>		
Contract liabilities	134.924	150.294
Contract liabilities - Related party (Note 4)	1.212.282	1.617.969
Other trade payables	--	20
	<b>1.347.206</b>	<b>1.768.283</b>

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

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 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:

30 September 2019	Ownership Rate (%)	Current Assets	Non-current Assets	Total Assets	Current Liabilities	Non-current Liabilities	Total Liabilities
ASELSAN Optik	50	99.905	60.439	160.344	113.269	22.426	135.695
ASELSAN Bilkent	50	31.652	130.307	161.959	22.777	111.767	134.544
IGG ASELSAN	49	24.888	996	25.884	5.945	910	6.855
ASELSAN Kazakistan	49	122.892	115.140	238.032	140.048	11.029	151.077
ASELSAN Ürdün	49	58.006	20.233	78.239	48.808	--	48.808
SADEC LLC	50	4.927	1.073	6.000	1.472	443	1.915
ULAK	51	115.437	13.449	128.886	94.868	--	94.868
TEKNOHAB	30	7.456	283	7.739	51	--	51
EHSİM	50	74.751	3.170	77.921	12.246	56.836	69.082
TÜYAR	51	15.593	1.845	17.438	99	5	104
		<b>555.507</b>	<b>346.935</b>	<b>902.442</b>	<b>439.583</b>	<b>203.416</b>	<b>642.999</b>

30 September 2019	Ownership Rate (%)	Revenue	Expenses	Net Profit/(Loss)	Group Share of Net Assets	Group Share of Profit/(Loss)
ASELSAN Optik	50	98.656	(92.328)	6.328	12.325	3.164
ASELSAN Bilkent	50	24.521	(15.867)	8.654	13.707	4.327
IGG ASELSAN	49	5.700	(4.597)	1.103	9.324	541
ASELSAN Kazakistan	49	51.636	(54.872)	(3.236)	42.608	(1.586)
ASELSAN Ürdün	49	43.028	(45.623)	(2.595)	14.421	(1.271)
SADEC LLC	50	2.136	(10.389)	(8.253)	2.043	(4.126)
BARQ QSTP LLC.	48	--	--	--	834	--
ULAK	51	99.873	(78.855)	21.018	17.349	10.719
TEKNOHAB	30	346	(2.658)	(2.312)	2.306	(694)
EHSİM	50	3.321	(13.848)	(10.527)	4.331	(5.158)
TR Eğitim ve Teknolojileri	50	--	--	--	1.000	--
TÜYAR	51	1.334	(1.097)	237	8.841	120
		<b>330.551</b>	<b>(320.134)</b>	<b>10.417</b>	<b>129.089</b>	<b>6.036</b>

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 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:

<b>31 December 2018</b>	<b>Ownership Rate (%)</b>	<b>Current Assets</b>	<b>Non-current Assets</b>	<b>Total Assets</b>	<b>Current Liabilities</b>	<b>Non-current Liabilities</b>	<b>Total Liabilities</b>
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
TÜYAR	51	2.987	1.072	4.059	58	--	58
		<b>225.899</b>	<b>301.202</b>	<b>527.101</b>	<b>207.027</b>	<b>133.524</b>	<b>340.551</b>

<b>31 December 2018</b>	<b>Ownership Rate (%)</b>	<b>Revenue</b>	<b>Expenses</b>	<b>Net Profit/(Loss)</b>	<b>Group Share of Net Assets</b>	<b>Group Share of Profit/(Loss)</b>
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	--
TÜYAR	51	706	(1.012)	(306)	2.041	(156)
		<b>158.761</b>	<b>(176.984)</b>	<b>(18.223)</b>	<b>93.586</b>	<b>(8.951)</b>

**ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2019**

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

**7. INVENTORIES**

	<b>30 September 2019</b>	<b>31 December 2018</b>
Raw materials	2.672.340	1.948.791
Work in progress	1.727.925	1.172.216
Goods in transit <sup>1</sup>	185.429	196.567
Finished goods	276.093	174.341
Other inventories	26.725	19.561
Trade goods	58.932	73.262
Allowance for impairment on inventories (-)	(11.947)	(8.120)
	<b>4.935.497</b>	<b>3.576.618</b>

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 11.947 in the statement of financial position (30 September 2018: TL 32.191).

Impaired inventory movements for the periods ended in 30 September are as follows:

	<b>30 September 2019</b>	<b>30 September 2018</b>
Opening balance	8.120	25.661
Provision for the period	4.466	6.534
Provision no longer required	(639)	(4)
<b>Closing balance</b>	<b>11.947</b>	<b>32.191</b>

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

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

**8. PREPAID EXPENSES AND DEFERRED INCOME**

	<b>30 September 2019</b>	<b>31 December 2018</b>
<b>Short-term prepaid expenses</b>		
Order advances given for inventory purchases	1.098.027	889.631
Short-term order advances given to related parties for inventory purchases (Note 4)	305.980	311.668
Prepaid expenses	115.516	118.031
	<b>1.519.523</b>	<b>1.319.330</b>

	<b>30 September 2019</b>	<b>31 December 2018</b>
<b>Long-term prepaid expenses</b>		
Long-term order advances given to related parties for inventory purchases (Note 4)	263.481	155.933
Order advances given for inventory purchases	122.019	279.727
Order advances given for fixed assets purchases	103.101	60.621
Prepaid expenses	8.522	8.118
	<b>497.123</b>	<b>504.399</b>

	<b>30 September 2019</b>	<b>31 December 2018</b>
<b>Short-term deferred income</b>		
Order advances received	142.201	92.303
Order advances received from related parties (Note 4)	318.973	510.751
Deferred income	23.963	29.591
	<b>485.137</b>	<b>632.645</b>

Short-term order advances received comprise advances received from 72 customers (31 December 2018: 61 customers) of which first 10 customers constitutes 97,8 percent of the total (31 December 2018: 98,8 percent).

	<b>30 September 2019</b>	<b>31 December 2018</b>
<b>Long-term deferred income</b>		
Order advances received	414.164	627.353
Order advances received from related parties (Note 4)	1.323.310	1.669.160
	<b>1.737.474</b>	<b>2.296.513</b>

Long-term order advances received comprise advances received from 39 customers (31 December 2018: 39 customers) of which the largest 10 customers constitutes 98,4 percent of the total (31 December 2018: 98,3 percent).

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**9. TANGIBLE AND INTANGIBLE ASSETS**

<b>Cost</b>	<b>Property, Plant and Equipment</b>	<b>Intangible Assets</b>
Opening balance as of 1 January 2019	2.231.201	1.476.779
Additions	243.496	254.847
Disposals	(918)	(34.898)
<b>Closing balance as of 30 September 2019</b>	<b>2.473.779</b>	<b>1.696.728</b>
<b>Accumulated Depreciation and Amortisation</b>		
Opening balance as of 1 January 2019	894.904	394.712
Change for the period <sup>1</sup>	113.369	73.172
Disposals	(568)	--
<b>Closing balance as of 30 September 2019</b>	<b>1.007.705</b>	<b>467.884</b>
<b>Net book value as of 30 September 2019</b>	<b>1.466.074</b>	<b>1.228.844</b>
<b>Net book value as of 31 December 2018</b>	<b>1.336.297</b>	<b>1.082.067</b>
<b>Cost</b>		
Opening balance as of 1 January 2018 (Previously 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	238.201	204.621
Disposals	(146)	(73.074)
<b>Closing balance as of 30 September 2018</b>	<b>2.105.223</b>	<b>1.343.938</b>
<b>Accumulated Depreciation and Amortisation</b>		
Opening balance as of 1 January 2018	776.325	321.175
Change for the period	86.722	53.676
Disposals	(88)	--
<b>Closing balance as of 30 September 2018</b>	<b>862.959</b>	<b>374.851</b>
<b>Net book value as of 30 September 2018</b>	<b>1.242.264</b>	<b>969.087</b>
<b>Net book value as of 31 December 2017 (Restated)</b>	<b>1.090.843</b>	<b>891.216</b>

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.

<sup>1</sup> The amount of amortization related to inventories are TL 19.949 in the first nine months of 2019 (September 2018: TL 15.921).

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

	<b>30 September 2019</b>	<b>31 December 2018</b>
<b>Other short-term provisions</b>		
Provision for warranties <sup>1</sup>	555.234	442.777
Provision for onerous contracts	97.363	87.772
Provision for delay penalties <sup>2</sup>	51.711	41.403
Provision for legal cases	13.495	10.905
Provision for cost expenses	2.942	2.072
Other	3.458	640
	<b>724.203</b>	<b>585.569</b>
	<b>30 September 2019</b>	<b>31 December 2018</b>
<b>Other long-term provisions</b>		
Provision of onerous contracts	318.731	328.385
	<b>318.731</b>	<b>328.385</b>

**b) Legal cases**

There has not been any final judicial decision against the Group due to the violation of employee rights within 2019. There has not been any final judicial decision against the Group due to the responsibility related with work accidents within 2019.

As of the dates 30 September 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:

	<b>30 September 2019</b>	<b>31 December 2018</b>
<b>Description</b>		
a) Ongoing lawsuits filed by the Group	81.392	12.162
b) Execution proceedings carried on by the Group	180.291	29.115
c) Lawsuits proceedings carried against the Group	13.495	10.905
d) Execution proceedings carried against the Group	485	--
e) Lawsuits finalized in favor of the Group within the period	1.396	150
f) Lawsuits finalized against the Group within the period	1.555	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 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) Execution proceedings carried against the Group are not included in the financial statements.		
e) 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.		
f) 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.		

<sup>1</sup> The Group's provision for warranty is based on sales under warranty are estimated in accordance with historical data.

<sup>2</sup> Provision for delay penalties are calculated in accordance with interest rates mentioned in the agreement for default and the within the customer's knowledge.

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#### 11. TAX

"Deferred Tax Assets-Net" of the Group as of 30 September 2019 is TL 861.664. The amount is comprised of the items below.

	<b>30 September 2019</b>	<b>31 December 2018</b>
Carried Forward R&D Incentives Effect	893.332	912.673
Temporary Differences	(31.668)	(178.581)
<b>Deferred Tax Assets - Net</b>	<b>861.664</b>	<b>734.092</b>

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-30 September 2019 period, the Group has calculated "Deferred Tax Asset" amounting to TL 893.332 from Research and Development expenses comprising "Outstanding Research and Development Deductions".

	<b>30 September 2019</b>	<b>30 September 2018</b>
Profit before tax from continuing operations	1.856.503	1.774.617
Tax income recognized in profit or loss	122.431	(39.083)
Effective tax rate	(%7)	(%2)

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 is deferred tax income effect arising from the R&D expenditures the Company has made within the current period.



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**12. COMMITMENTS AND CONTINGENCIES****Guarantees received**

	<b>30 September 2019</b>	<b>31 December 2018</b>
Letters of guarantees received from the suppliers	2.107.098	1.749.080
Collaterals received from the customers	18.551	18.084
Letters of guarantees received from the customers	5.534	4.901
Collaterals received from the suppliers	25.613	4.932
Cheques received from the customers	7.980	--
Mortgages received from the customers	265	265
	<b>2.165.041</b>	<b>1.777.262</b>

**Guarantees given**

The guarantees given by the Group as of 30 September 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 the Company is a guarantor if HAVELSAN cannot be able to fulfill the obligations in this project of an amount of USD 284.960.

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

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

**12. COMMITMENTS AND CONTINGENCIES (continued)**

**b) Guarantees given (continued)**

30 September 2019	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	6.816.535	803.377	668.403	360.579	50	10.000	--	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 <sup>1</sup>								
-Collateral	24.263	495	4.200	--	--	--	--	--
-Pledge	--	--	--	--	--	--	--	--
-Mortgage	--	--	--	--	--	--	--	--
iii. Total amount of CPM on behalf of third parties that do not cover								
-Collateral	--	--	--	--	--	--	--	--
-Pledge	--	--	--	--	--	--	--	--
-Mortgage	--	--	--	--	--	--	--	--
<b>Total</b>	<b>6.840.798</b>	<b>803.872</b>	<b>672.603</b>	<b>360.579</b>	<b>50</b>	<b>10.000</b>	<b>--</b>	<b>25</b>

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.

<sup>1</sup> The ratio of the other CPM given by the Group to equity as of 30 September 2019 is 0,20 percent. TL 24.263 is the collateral amount pertaining to guarantee letter given on behalf of the entities' affiliate company Mikro AR-GE and joint venture ASELSAN Bilkent.

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**12. COMMITMENTS AND CONTINGENCIES (continued)**
**b) Guarantees given (continued)**

<b>31 December 2018</b>	<b>TL Equivalent</b>	<b>TL</b>	<b>USD</b>	<b>EURO</b>	<b>UAE Dirham</b>	<b>Indian Rupee</b>	<b>British Pound</b>	<b>Qatar Rial</b>
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 <sup>1</sup>								
-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	--	--	--	--	--	--	--	--
<b>Total</b>	<b>17.706.285</b>	<b>2.338.162</b>	<b>1.846.479</b>	<b>935.983</b>	<b>50</b>	<b>10.000</b>	<b>1.654</b>	<b>25</b>

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.

<sup>1</sup> 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.

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

	<b>30 September 2019</b>	<b>31 December 2018</b>
Social security premiums payable	35.498	24.869
Taxes and funds payable	28.908	7.472
Due to personnel	73.907	2.532
	<b>138.313</b>	<b>34.873</b>

**b) Short-term provisions for employee benefits**

	<b>30 September 2019</b>	<b>31 December 2018</b>
Provision for vacation pay liability	<b>64.936</b>	<b>49.382</b>

As of 30 September the movement of the provision for vacation pay is as follows:

	<b>30 September 2019</b>	<b>30 September 2018</b>
Opening balance	49.382	42.301
Provision for the period	39.076	11.823
Provision paid during the period	(19.940)	(9.896)
Provision realised during the period	(3.582)	(2.596)
<b>Closing balance</b>	<b>64.936</b>	<b>41.632</b>

**c) Other long-term provisions for employee benefits**

	<b>30 September 2019</b>	<b>31 December 2018</b>
Provision for severance pay	185.610	184.440
Provision for retirement pay	14.182	14.171
	<b>199.792</b>	<b>198.611</b>

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

	<b>30 September 2019</b>	<b>30 September 2018</b>
Opening balance	198.611	168.742
Actuarial Loss/Gain	270	6.767
Interest cost	4.396	12.055
Service cost	12.688	6.233
Payments	(16.173)	(9.263)
<b>Closing balance</b>	<b>199.792</b>	<b>184.534</b>

**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

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#### 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 30 September 2019 severance payments are calculated on the basis of 30 days' pay, limited to a ceiling of TL<sup>1</sup> 6.380 (31 December 2018: TL<sup>1</sup> 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:

	<b>30 September 2019 (%)</b>	<b>31 December 2018 (%)</b>
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

<sup>1</sup> Amounts are expressed in full Turkish Lira.

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

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#### 14. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

##### Capital

<u>Shareholders</u>	<u>Share (%)</u>	<u>30 September 2019</u>	<u>Share (%)</u>	<u>31 December 2018</u>
TSKGV	74,20	845.826	74,20	845.826
Publicly held	25,80	294.174	25,70	293.019
Axa Sigorta Anonim Şirketi <sup>1</sup>	--	--	0,10	1.155
Nominal capital	100	1.140.000	100	1.140.000
Share capital adjustment		98.621		98.621
<b>Inflation adjusted capital</b>		<b>1.238.621</b>		<b>1.238.621</b>

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 30 September 2019, The Group's restricted reserves set aside from profit comprises legal reserves. The total of the Group's legal reserves are TL 276.827 (31 December 2018: TL 172.687).

<sup>1</sup> As of 12 July 2019, the nominal amount of TL 1.155 held by Axa Sigorta A.Ş. converted to publicly traded share with respect to the announcement "Conversion to the Type Traded on the Stock Exchange".

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#### **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 30 September 2019, the extraordinary reserves balance presented under retained earnings is TL 2.987.028 (31 December 2018: TL 1.435.063). As of balance sheet date, the profit of the entity in legal records is TL 2.420.235 (31 December 2018: TL 1.829.121). Profits available for distribution are calculated following statutory requirements is TL 3.034.121 (31 December 2018: TL 1.481.866).

##### **Profit distribution**

Publicly traded companies perform dividend distribution in accordance with Capital Markets Board's Communiqué 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 communiqué, 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 58.000 of dividend payable to shareholders has not been paid to the shareholders as of 30 September 2019 (31 December 2018: None).

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**15. REVENUE AND COST OF SALES**

	<b>1 January- 30 September 2019</b>	<b>1 July- 30 September 2019</b>	<b>1 January- 30 September 2018</b>	<b>1 July- 30 September 2018</b>
<b>a) Revenue</b>				
Domestic sales	6.849.568	2.615.763	4.787.835	1.828.562
Export sales	807.367	410.907	423.409	102.506
Other sales	9.396	2.558	9.383	5.131
Sales returns (-)	(17.358)	(5.366)	(4.595)	(1.351)
Sales discounts (-)	(1.300)	(604)	(2.092)	(683)
	<b>7.647.673</b>	<b>3.023.258</b>	<b>5.213.940</b>	<b>1.934.165</b>

<b>Revenue Recognized Regarding Performance Obligation</b>	<b>1 January- 30 September 2019</b>	<b>1 July- 30 September 2019</b>	<b>1 January- 30 September 2018</b>	<b>1 July- 30 September 2018</b>
Over time	5.407.648	2.269.757	3.204.276	1.224.282
Point in time	2.240.025	753.501	2.009.664	709.883
	<b>7.647.673</b>	<b>3.023.258</b>	<b>5.213.940</b>	<b>1.934.165</b>

	<b>1 January- 30 September 2019</b>	<b>1 July- 30 September 2019</b>	<b>1 January- 30 September 2018</b>	<b>1 July- 30 September 2018</b>
<b>b) Cost of Sales (-)</b>				
Cost of raw materials and supplies (-)	4.936.050	1.949.467	3.027.390	1.107.291
Cost of merchandise goods sold (-)	65.281	28.096	110.573	30.863
Cost of services sold (-)	551.855	213.210	647.923	260.189
Cost of other sales (-)	244.354	108.087	154.833	82.721
	<b>5.797.540</b>	<b>2.298.860</b>	<b>3.940.719</b>	<b>1.481.064</b>



**ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2019**

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

**16. OTHER OPERATING INCOME AND EXPENSES**

	<b>1 January- 30 September 2019</b>	<b>1 July- 30 September 2019</b>	<b>1 January- 30 September 2018</b>	<b>1 July- 30 September 2018</b>
<b>a) Other operating income</b>				
Foreign currency exchange differences from operations	2.417.551	1.074.574	4.592.016	3.092.854
Amortized cost effect of trade payabels	55.699	(6.474)	14.552	(1.890)
Other income	33.230	16.400	17.760	2.662
	<b>2.506.480</b>	<b>1.084.500</b>	<b>4.624.328</b>	<b>3.093.626</b>
<b>b) Other operating expense (-)</b>				
Foreign currency exchange differences from operations	2.137.147	1.201.461	3.550.086	2.466.711
Amortized cost effect of trade receivables	77.538	(2.975)	27.822	1.404
Other expense and losses	12.666	1.239	10.588	2.691
	<b>2.227.351</b>	<b>1.199.725</b>	<b>3.588.496</b>	<b>2.470.806</b>

**17. INCOME FROM INVESTING ACTIVITIES**

	<b>1 January- 30 September 2019</b>	<b>1 July- 30 September 2019</b>	<b>1 January- 30 September 2018</b>	<b>1 July- 30 September 2018</b>
Gain on sale of securities	831	490	--	--
Dividend Income	1.155	--	5.184	1.724
Gain on sale of fixed assets	42	2	31	2
	<b>2.028</b>	<b>492</b>	<b>5.215</b>	<b>1.726</b>

**ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2019**

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

**18. FINANCIAL INCOME**

	<b>1 January- 30 September 2019</b>	<b>1 July- 30 September 2019</b>	<b>1 January- 30 September 2018</b>	<b>1 July- 30 September 2018</b>
Interest income	239.433	42.077	194.030	144.349
TFRS 15 Financial component interest income	361.500	139.328	181.950	77.481
Foreign currency exchange gain from bank loans	227.483	138.484	105.287	85.607
	<b>828.416</b>	<b>319.889</b>	<b>481.267</b>	<b>307.437</b>

**19. FINANCIAL EXPENSES (-)**

	<b>1 January- 30 September 2019</b>	<b>1 July- 30 September 2019</b>	<b>1 January- 30 September 2018</b>	<b>1 July- 30 September 2018</b>
Interest cost of borrowings	49.770	25.055	12.501	4.167
TFRS 15 Interest cost of borrowings from financial component	361.542	100.430	331.023	128.577
Foreign currency exchange losses from bank loans	234.368	83.164	326.565	261.096
Discount expenses of bank loans	--	--	16.416	3.268
Interest cost related with employee benefits	4.397	1.482	12.055	2.237
	<b>650.077</b>	<b>210.131</b>	<b>698.560</b>	<b>399.345</b>

**20. 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 30 September 2019 and 30 September 2018, earnings per share calculations are as follows:

	<b>1 January- 30 September 2019</b>	<b>1 July- 30 September 2019</b>	<b>1 January- 30 September 2018</b>	<b>1 July- 30 September 2018</b>
Common stock (thousand)	1.140.000	1.140.000	1.059.487	1.176.522
Net profit – TL	1.975.005	642.057	1.735.503	793.706
<b>Earnings per 100 shares (Kuruş)</b>	<b>173,25</b>	<b>56,32</b>	<b>163,81</b>	<b>67,46</b>
<b>Diluted Earnings per 100 shares (Kuruş)</b>	<b>173,25</b>	<b>56,32</b>	<b>163,81</b>	<b>67,46</b>

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2019

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

#### 21. FINANCIAL LIABILITIES

##### Financial Liabilities

		<b>30 September 2019</b>	<b>31 December 2018</b>
Short-term financial liabilities	Unsecured loan	1.404.910	675.715
Other short-term financial liabilities	Unsecured loan	71.239	22.811
Current portion of long-term financial liabilities	Secured loan	--	67.277
Current portion of long-term financial liabilities	Unsecured loan	471.343	--
<b>Total short-term financial liabilities</b>		<b>1.947.492</b>	<b>765.803</b>
Long-term financial liabilities	Secured loan	--	20.234
Other long-term financial liabilities	Unsecured loan	228.704	--
<b>Total long-term financial liabilities</b>		<b>228.704</b>	<b>20.234</b>
<b>Total financial liabilities</b>		<b>2.176.196</b>	<b>786.037</b>

As of 30 September 2019, TL 752.503 of the short term financial borrowings are USD Rediscount Credits, which have maturity dates due between October 2019-April 2020 and interest rates between 2,73 – 4,99 percent. Short term borrowings in terms of EUR, which have maturity dates due between October 2019-May 2020 amounting to TL 652.407 which has interest rate between 0,65-1,60 percent. Current portion of long-term financial liabilities are EUR loans amounting to TL 471.343 which has an interest rate of 3,25 and maturity of July 2020. 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 from Ziraat Bank.

As of September 30, 2019, the investment credit (USD 40 Million), which is used within the scope of investment incentive certificate for the project, nonrecourse for 1,5 years with an interest rate of 6,85 percent and has a maturity of 3 years, is followed under other long term financial liabilities.

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, other long term financial liabilities consist of loans amounting to USD 3.846 which have maturity dates of October 2020 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 30 SEPTEMBER 2019**

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

**22. FOREIGN EXCHANGE POSITION**

FOREIGN EXCHANGE POSITION						
30 September 2019	TL Equivalent (Functional currency)	USD	TL equivalent by using closing rates	EURO	TL equivalent by using closing rates	Other <sup>1</sup> (TL equivalent)
1. Trade Receivables	1.892.091	165.515	936.668	153.252	947.648	7.775
2a. Monetary financial assets (including cash. bank)	900.590	51.771	292.979	97.788	604.679	2.932
2b. Non- monetary financial assets	679.009	65.382	370.006	55.865	345.446	57.928
3. Other	5.140	241	1.358	606	3.750	32
<b>4. Current assets (1+2+3)</b>	<b>3.476.830</b>	<b>282.909</b>	<b>1.601.011</b>	<b>307.511</b>	<b>1.901.523</b>	<b>68.667</b>
5. Trade receivables	3.276.070	423.261	2.395.275	142.440	880.795	--
6a. Monetary trade receivables	--	--	--	--	--	--
6b. Non-monetary trade receivables	73.910	7.226	40.892	61.466	380.083	4.832
7. Other	19.076	1.439	8.143	1.752	10.831	102
<b>8. Non-current assets (5+6+7)</b>	<b>3.369.056</b>	<b>431.926</b>	<b>2.444.310</b>	<b>205.658</b>	<b>1.271.709</b>	<b>4.934</b>
<b>9. Total assets (4+8)</b>	<b>6.845.886</b>	<b>714.835</b>	<b>4.045.321</b>	<b>513.169</b>	<b>3.173.232</b>	<b>73.601</b>
10. Trade payables	1.617.560	164.919	933.291	97.323	601.804	82.465
11. Financial liabilities	1.859.713	135.000	763.979	177.200	1.095.734	--
12a. Other monetary financial liabilities	597	96	545	8	52	--
12b. Other non-monetary financial liabilities	118.349	63.054	356.831	54.702	338.257	--
<b>13. Current liabilities (10+11+12)</b>	<b>3.596.219</b>	<b>363.069</b>	<b>2.054.646</b>	<b>329.233</b>	<b>2.035.847</b>	<b>82.465</b>
14. Trade payables	1.121.132	158.677	897.970	36.089	223.162	--
15. Financial liabilities	--	--	--	--	--	--
16a. Other monetary financial liabilities	989	171	970	3	19	--
16b. Other non-monetary financial liabilities	637.810	162.548	919.870	215.744	1.334.070	--
<b>17. Non-current liabilities (14+15+16)</b>	<b>1.759.931</b>	<b>321.396</b>	<b>1.818.810</b>	<b>251.836</b>	<b>1.557.251</b>	<b>--</b>

<sup>1</sup> 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 30 SEPTEMBER 2019**

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

**22. FOREIGN EXCHANGE POSITION (continued)**

<b>FOREIGN EXCHANGE POSITION</b>						
<b>30 September 2019</b>	<b>TL Equivalent (Functional currency)</b>	<b>USD</b>	<b>TL equivalent by using closing rates</b>	<b>EURO</b>	<b>TL equivalent by using closing rates</b>	<b>Other (TL equivalent)</b>
<b>18. Total liabilities (13+17)</b>	<b>5.356.150</b>	<b>684.465</b>	<b>3.873.456</b>	<b>581.069</b>	<b>3.593.098</b>	<b>82.465</b>
<b>19. Net asset/liability position of off- balance sheet derivative financial instruments (19a-19b)</b>	--	--	--	--	--	--
19a. Hedged total financial assets	--	--	--	--	--	--
19b. Hedged total financial liabilities	--	--	--	--	--	--
<b>20. Net foreign currency asset/liability (9- 18+19)</b>	<b>1.489.736</b>	<b>30.370</b>	<b>171.865</b>	<b>(67.900)</b>	<b>(419.866)</b>	<b>(8.864)</b>
<b>21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10- 11-12a-14-15-16a)</b>	<b>1.468.760</b>	<b>181.684</b>	<b>1.028.167</b>	<b>82.857</b>	<b>512.351</b>	<b>(71.758)</b>
<b>22. Fair value of derivative financial instruments used in foreign currency hedge</b>	--	--	--	--	--	--
<b>23. Hedged foreign currency assets</b>	--	--	--	--	--	--
<b>24. Hedged foreign currency liabilities</b>	--	--	--	--	--	--
<b>25. Exports</b>	<b>807.367</b>	<b>119.439</b>	<b>661.368</b>	<b>18.518</b>	<b>118.847</b>	<b>27.152</b>
<b>26. Imports</b>	<b>2.566.666</b>	<b>311.250</b>	<b>1.761.398</b>	<b>102.112</b>	<b>631.418</b>	<b>173.850</b>

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

“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 30 SEPTEMBER 2019**

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

**22. FOREIGN EXCHANGE POSITION (continued)**

<b>FOREIGN EXCHANGE POSITION</b>						
<b>31 December 2018</b>	<b>TL Equivalent (Functional currency)</b>	<b>USD</b>	<b>TL equivalent by using closing rates</b>	<b>EURO</b>	<b>TL equivalent by using closing rates</b>	<b>Other<sup>1</sup> (TL equivalent)</b>
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
<b>4. Current assets (1+2+3)</b>	<b>2.966.445</b>	<b>357.742</b>	<b>1.882.043</b>	<b>187.004</b>	<b>1.127.258</b>	<b>61.321</b>
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
<b>8. Non-current assets (5+6+7)</b>	<b>2.339.515</b>	<b>326.317</b>	<b>1.716.723</b>	<b>160.764</b>	<b>969.084</b>	<b>8.252</b>
<b>9. Total assets (4+8)</b>	<b>5.305.960</b>	<b>684.059</b>	<b>3.598.766</b>	<b>347.768</b>	<b>2.096.342</b>	<b>69.573</b>
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	--
<b>13. Current liabilities (10+11+12)</b>	<b>1.989.082</b>	<b>368.449</b>	<b>1.938.371</b>	<b>64.573</b>	<b>389.244</b>	<b>68.192</b>
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	--
<b>17. Non-current liabilities (14+15+16)</b>	<b>3.309.892</b>	<b>346.182</b>	<b>1.821.231</b>	<b>386.113</b>	<b>2.327.486</b>	<b>--</b>

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

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

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

**22. FOREIGN EXCHANGE POSITION (continued)**

<b>FOREIGN EXCHANGE POSITION</b>						
<b>31 December 2018</b>	<b>TL Equivalent (Functional currency)</b>	<b>USD</b>	<b>TL equivalent by using closing rates</b>	<b>EURO</b>	<b>TL equivalent by using closing rates</b>	<b>Other (TL equivalent)</b>
<b>18. Total liabilities (13+17)</b>	<b>5.298.974</b>	<b>714.631</b>	<b>3.759.602</b>	<b>450.686</b>	<b>2.716.730</b>	<b>68.192</b>
<b>19. Net asset/liability position of off- balance sheet derivative financial instruments (19a-19b)</b>	--	--	--	--	--	--
19a. Hedged total financial assets	--	--	--	--	--	--
19b. Hedged total financial liabilities	--	--	--	--	--	--
<b>20. Net foreign currency asset/liability (9- 18+19)</b>	<b>6.986</b>	<b>(30.572)</b>	<b>(160.836)</b>	<b>(102.918)</b>	<b>(620.388)</b>	<b>1.381</b>
<b>21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10- 11-12a-14-15-16a)</b>	<b>955.155</b>	<b>117.726</b>	<b>619.339</b>	<b>65.389</b>	<b>394.163</b>	<b>(58.347)</b>
<b>22. Fair value of derivative financial instruments used in foreign currency hedge</b>	--	--	--	--	--	--
<b>23. Hedged foreign currency assets</b>	--	--	--	--	--	--
<b>24. Hedged foreign currency liabilities</b>	--	--	--	--	--	--
<b>25. Exports</b>	<b>888.955</b>	<b>163.712</b>	<b>797.410</b>	<b>16.390</b>	<b>91.545</b>	--
<b>26. Imports</b>	<b>3.111.856</b>	<b>376.008</b>	<b>1.978.139</b>	<b>148.001</b>	<b>892.148</b>	<b>241.569</b>

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

"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.

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

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

The Group is exposed to foreign currency risk with respect to USD and EURO. As of 30 September 2019, USD 1: TL 5,6591 (31 December 2018: TL 5,2609), EURO 1: TL 6,1836 (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;

<b>Foreign Currency Sensitivity Table</b>				
<b>30 September 2019</b>				
	<b>Profit/Loss</b>		<b>Equity<sup>1</sup></b>	
	<b>Appreciation of foreign currency</b>	<b>Depreciation of foreign currency</b>	<b>Appreciation of foreign currency</b>	<b>Depreciation of foreign currency</b>
<b>Change of USD against TL by 10%:</b>				
1- USD denominated net assets/(liabilities)	102.817	(102.817)	102.817	(102.817)
2- Hedged amount against USD risk (-)	--	--	--	--
<b>3- Net effect of USD (1+2)</b>	<b>102.817</b>	<b>(102.817)</b>	<b>102.817</b>	<b>(102.817)</b>
<b>Change of EURO against TL by 10%:</b>				
4- EURO denominated net assets/(liabilities)	51.235	(51.235)	51.235	(51.235)
5- Hedged amount against EURO risk (-)	--	--	--	--
<b>6- Net effect of EURO (4+5)</b>	<b>51.235</b>	<b>(51.235)</b>	<b>51.235</b>	<b>(51.235)</b>
<b>Change of other<sup>2</sup> currencies against TL by 10%:</b>				
7- Other currencies denominated net assets/(liabilities)	(7.176)	7.176	(7.176)	7.176
8- Hedged amount against other currencies risk (-)	--	--	--	--
<b>9- Net effect of other currencies (7+8)</b>	<b>(7.176)</b>	<b>7.176</b>	<b>(7.176)</b>	<b>7.176</b>

<sup>1</sup> Comprises of profit/loss effect.<sup>2</sup> 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.)

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

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

<sup>1</sup> Comprises of profit/loss effect.<sup>2</sup> 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 30 SEPTEMBER 2019**

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

**23. FINANCIAL INSTRUMENTS FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING**

<b>30 September 2019</b>	<b>Financial assets at fair value P/L</b>	<b>Financial assets at amortized cost</b>	<b>Financial assets at fair value through OCI</b>	<b>Financial liabilities at amortized cost</b>	<b>Carrying value</b>	<b>Note</b>
<b><u>Financial assets</u></b>						
Cash and cash equivalents	--	1.764.066	--	--	1.764.066	3
Blocked deposits	--	49.192	--	--	49.192	
Financial investments	904	--	773.154	--	774.058	
Equity accounted investments	129.089	--	--	--	129.089	6
Trade receivables	--	7.841.807	--	--	7.841.807	5
<b><u>Financial liabilities</u></b>						
Borrowings	--	--	--	2.176.196	2.176.196	21
Trade payables	--	--	--	4.423.540	4.423.540	5
Other payables	--	--	--	75.732	75.732	
<b>31 December 2018</b>	<b>Financial assets at fair value P/L</b>	<b>Financial assets at amortized cost</b>	<b>Financial assets at fair value through OCI</b>	<b>Financial liabilities at amortized cost</b>	<b>Carrying value</b>	<b>Note</b>
<b><u>Financial assets</u></b>						
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 investments	93.586	--	--	--	93.586	6
Trade receivables	--	5.899.052	--	--	5.899.052	5
<b><u>Financial liabilities</u></b>						
Borrowings	--	--	--	786.037	786.037	21
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 30 SEPTEMBER 2019

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

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

<b>30 September 2019</b>	<b>Fair value level as of reporting date</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	<b>TL</b>	<b>TL</b>	<b>TL</b>
Financial Investments	--	--	773.154
	--	--	<b>773.154</b>

  

<b>31 December 2018</b>	<b>Fair value level as of reporting date</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	<b>TL</b>	<b>TL</b>	<b>TL</b>
Financial Investments	--	--	773.154
	--	--	<b>773.154</b>

The movement of the fair value level as of 30 September 2019 is as follows:

	<b>Fair value level as of reporting date</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	<b>TL</b>	<b>TL</b>	<b>TL</b>
<b>1 January 2019</b>	--	--	773.154
Additions	--	--	--
<b>30 September 2019</b>	--	--	<b>773.154</b>

**24. EVENTS AFTER THE REPORTING PERIOD**

The amount of contracts signed after the balance-sheet date by the Group is approximately USD 290 Million. (31 December 2018: USD 509 Million).

Due to the retirement of our Company's CFO, Okan TURAN, our Accounting and Financial Affairs Director Mehmet Fatih GÜÇLÜ is assigned as the CFO of ASELSAN starting from 01 October 2019 onwards.