

**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 2020

27 October 2020

This report contains condensed consolidated  
interim financial information and related disclosures  
and footnotes comprising 44 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 2020**

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

	Note References	Current Period Not Limited Reviewed 30 September 2020	Prior Period Audited 31 December 2019
<b>ASSETS</b>			
<b>Current Assets</b>		<b>15.701.641</b>	<b>13.976.498</b>
Cash and Cash Equivalents	3	1.941.336	3.513.842
Financial Investments		--	6.039
Trade Receivables	5	5.308.440	3.884.933
<i>From Related Parties</i>	4	2.737.452	1.118.103
<i>From Third Parties</i>		2.570.988	2.766.830
Other Receivables		471.023	380.554
<i>From Related Parties</i>	4	4.639	1.150
<i>From Third Parties</i>		466.384	379.404
Inventories	6	6.002.675	4.473.927
Prepaid Expenses	7	1.543.960	1.320.266
<i>From Related Parties</i>	4	378.765	284.767
<i>From Third Parties</i>		1.165.195	1.035.499
Other Current Assets		434.207	396.937
<b>Non-Current Assets</b>		<b>13.196.968</b>	<b>11.656.545</b>
Financial Investments		988.465	988.464
Trade Receivables	5	6.603.155	5.584.899
<i>From Related Parties</i>	4	4.847.956	4.266.624
<i>From Third Parties</i>		1.755.199	1.318.275
Other Receivables		1.515	1.064
<i>From Third Parties</i>		1.515	1.064
Equity Accounted Investees		124.357	121.769
Property, Plant and Equipment	8	1.860.568	1.573.931
Intangible Assets	8	1.518.497	1.276.578
Prepaid Expenses	7	612.957	584.653
<i>From Related Parties</i>	4	290.795	299.369
<i>From Third Parties</i>		322.162	285.284
Deferred Tax Assets	10	546.593	785.951
Other Non-Current Assets		940.861	739.236
<b>TOTAL ASSETS</b>		<b>28.898.609</b>	<b>25.633.043</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 2020

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

	Note References	Current Period Not Limited Reviewed 30 September 2020	Prior Period Audited 31 December 2019
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>8.178.282</b>	<b>7.743.870</b>
Short-term Financial Liabilities	19	816.712	1.612.321
Short-term Portion of Long-term Financial Liabilities	19	1.207.584	611.198
Trade Payables	5	2.802.880	3.120.513
<i>To Related Parties</i>	4	643.067	649.738
<i>To Third Parties</i>		2.159.813	2.470.775
Employee Benefit Obligations	12	182.264	145.939
Other Payables		254.095	58.500
<i>To Related Parties</i>	4	223.333	--
<i>To Third Parties</i>		30.762	58.500
Government Grants and Incentives		37.111	43.194
Deferred Income	7	1.319.563	1.067.732
<i>To Related Parties</i>	4	786.628	532.026
<i>To Third Parties</i>		532.935	535.706
Corporate Tax Liability		5.084	12.847
Short-term Provisions		1.550.396	1.067.379
<i>For Employee Benefits</i>	12	84.926	72.819
<i>Other</i>	9	1.465.470	994.560
Other Current Liabilities		2.593	4.247
<b>Non-Current Liabilities</b>		<b>4.428.735</b>	<b>4.320.274</b>
Long-term Financial Liabilities	19	1.227.295	9.098
Trade Payables	5	7.194	20.896
<i>To Related Parties</i>	4	--	--
<i>To Third Parties</i>		7.194	20.896
Other Payables		14.071	4.929
<i>To Third Parties</i>		14.071	4.929
Deferred Income	7	2.550.094	3.677.396
<i>To Related Parties</i>	4	1.777.684	2.688.409
<i>To Third Parties</i>		772.410	988.987
Long-term Provisions		622.779	607.561
<i>Long-term Provisions for Employee Benefits</i>	12	253.960	225.731
<i>Other</i>	9	368.819	381.830
Other Non-Current Liabilities		7.302	394

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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 2020**

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

	<b>Note References</b>	<b>Current Period Not Limited Reviewed 30 September 2020</b>	<b>Prior Period Audited 31 December 2019</b>
<b>EQUITY</b>		<b>16.291.592</b>	<b>13.568.899</b>
<b>Shareholders' Equity</b>		<b>16.143.236</b>	<b>13.498.388</b>
Share Capital	13	2.280.000	1.140.000
Inflation Adjustments on Share Capital	13	98.621	98.621
Share Premiums		2.796.723	2.796.723
Other Comprehensive Income/ (Expense) that will not be Reclassified to Profit or Loss		152.833	175.077
<i>Gain on Revaluation of Property, Plant and Equipment</i>		<i>207.431</i>	<i>207.431</i>
<i>Gain/ Loss on Remeasurement of Defined Benefit Plans</i>		<i>(54.598)</i>	<i>(32.354)</i>
Other Cumulative Comprehensive Income/ (Expense) will be reclassified to Profit/Loss		982.394	968.740
<i>Gain on Revaluation of Available for Sale Financial Assets</i>		<i>933.298</i>	<i>933.298</i>
<i>Cumulative Translation Adjustments</i>		<i>49.096</i>	<i>35.442</i>
Restricted Reserves	13	312.371	276.827
Retained Earnings		6.531.856	4.701.953
Net Profit for the Period		2.988.438	3.340.447
<b>Non-Controlling Interests</b>		<b>148.356</b>	<b>70.511</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>28.898.609</b>	<b>25.633.043</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 2020**

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

	Notes References	Current Period Not Limited Reviewed 1 January- 30 September 2020	Current Period Not Limited Reviewed 1 July- 30 September 2020	Prior Period Not Limited Not Reviewed 1 January- 30 September 2019	Prior Period Not Limited Reviewed 1 July- 30 September 2019
<b>PROFIT OR LOSS</b>					
Revenue	14	8.422.668	3.192.009	7.647.673	3.023.258
Cost of Sales (-)	14	(6.182.736)	(2.506.680)	(5.797.540)	(2.298.860)
<b>GROSS PROFIT</b>		<b>2.239.932</b>	<b>685.329</b>	<b>1.850.133</b>	<b>724.398</b>
General Administrative Expenses (-)		(285.691)	(102.595)	(238.873)	(84.934)
Marketing Expenses (-)		(170.343)	(75.913)	(129.303)	(48.348)
Research and Development Expenses (-)		(180.143)	(41.364)	(90.986)	(41.435)
Other Operating Income	15	5.349.286	2.434.493	2.506.480	1.084.500
Other Operating Expenses (-)	15	(3.090.350)	(1.296.573)	(2.227.351)	(1.199.725)
<b>OPERATING PROFIT</b>		<b>3.862.691</b>	<b>1.603.377</b>	<b>1.670.100</b>	<b>434.456</b>
Income from investing activities		5.312	--	2.028	492
Shares of profit/(losses) of Equity Accounted Investees		(12.320)	(2.812)	6.036	1.185
<b>OPERATING PROFIT BEFORE FINANCIAL EXPENSE</b>		<b>3.855.683</b>	<b>1.600.565</b>	<b>1.678.164</b>	<b>436.133</b>
Financial Income	16	576.751	175.730	828.416	319.889
Financial Expense (-)	17	(1.183.746)	(506.940)	(650.077)	(210.131)
<b>PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>3.248.688</b>	<b>1.269.355</b>	<b>1.856.503</b>	<b>545.891</b>
<b>Tax Income from Continuing Operations</b>	10	<b>(250.163)</b>	<b>(118.800)</b>	<b>122.431</b>	<b>97.718</b>
- Current Corporate Tax Expense(-)		(5.243)	(1.996)	(5.087)	(2.658)
- Deferred Tax Income		(244.920)	(116.804)	127.518	100.376
<b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>2.998.525</b>	<b>1.150.555</b>	<b>1.978.934</b>	<b>643.609</b>
<b>Profit for the Period Attributable to</b>					
Non-Controlling Interest		10.087	3.743	3.929	1.552
Owners of the Company	18	2.988.438	1.146.812	1.975.005	642.057
		<b>2.998.525</b>	<b>1.150.555</b>	<b>1.978.934</b>	<b>643.609</b>
<b>Earnings for per 100 Shares (in full kuruş)</b>	18	<b>131,07</b>	<b>50,30</b>	<b>86,62</b>	<b>28,16</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 2020**

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

Note References	Current Period Not Limited Reviewed 1 January- 30 September 2020	Current Period Not Limited Reviewed 1 July - 30 September 2020	Prior Period Not Limited Reviewed 1 January- 30 September 2019	Prior Period Not Limited Reviewed 1 July- 30 September 2019
<b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>				
<b>Items that will not to be reclassified subsequently in Profit or Loss</b>	<b>(22.244)</b>	<b>(11.691)</b>	<b>(216)</b>	<b>(4.044)</b>
Loss on Remeasurement of Defined Benefit Plans	(27.805)	(14.614)	(270)	(5.056)
Deferred Tax Income / (Expense)	5.561	2.923	54	1.012
<b>Items that may be reclassified subsequently to profit or loss</b>	<b>13.654</b>	<b>8.636</b>	<b>5.896</b>	<b>(2.419)</b>
Foreign Currency Exchange Differences	13.654	8.636	5.896	(2.419)
<b>OTHER COMPREHENSIVE INCOME</b>	<b>(8.590)</b>	<b>(3.055)</b>	<b>5.680</b>	<b>(6.463)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b><u>2.989.935</u></b>	<b><u>1.147.500</u></b>	<b><u>1.984.614</u></b>	<b><u>637.146</u></b>
<b>Total Comprehensive Income Attributable to</b>				
Non-Controlling Interest	10.087	3.743	3.929	1.552
Owners of the Company	2.979.848	1.143.757	1.980.685	635.594
	<b><u>2.989.935</u></b>	<b><u>1.147.500</u></b>	<b><u>1.984.614</u></b>	<b><u>637.146</u></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 CHANGES IN EQUITY FOR AS OF 30 SEPTEMBER 2020

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

				Other Comprehensive Income / Expense that will not be Reclassified Subsequently to Profit or Loss				Other Comprehensive Income / Expense that may not be Reclassified Subsequently to Profit or Loss					
	Share Capital	Inflation Adjustments on Share Capital	Share Issuance Premiums/ (Discounts)	Revaluation Reserves	Remeasurement of Defined Benefit Plans	Fair Value Reserves	Translation Reserves	Restricted Reserves	Retained Earnings	Net Profit/(Loss) for the Year	Equity Attributable to Owners of the Company	Non- Controlling Interests	Total
<b>Balance as of 1 January 2019 (as previously reported)</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
Consolidation Effect of New Company Acquisition	--	--	--	--	--	--	--	--	--	--	--	2.185	2.185
Dividends	--	--	--	--	--	--	--	--	--	(174.000)	(174.000)	--	(174.000)
<b>Balance as of 30 September 2019</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>
<b>Balance as of 1 January 2020</b>	<b>1.140.000</b>	<b>98.621</b>	<b>2.796.723</b>	<b>207.431</b>	<b>(32.354)</b>	<b>933.298</b>	<b>35.442</b>	<b>276.827</b>	<b>4.701.953</b>	<b>3.340.447</b>	<b>13.498.388</b>	<b>70.511</b>	<b>13.568.899</b>
Transfers	--	--	--	--	--	--	--	35.544	2.969.903	(3.005.447)	--	--	--
Capital Increase	<b>1.140.000</b>	--	--	--	--	--	--	--	(1.140.000)	--	--	--	--
Total Comprehensive Income	--	--	--	--	(22.244)	--	13.654	--	--	2.988.438	2.979.848	10.087	2.989.935
Consolidation Effect of New Share Acquisition	--	--	--	--	--	--	--	--	--	--	--	67.758	67.758
Dividends	--	--	--	--	--	--	--	--	--	(335.000)	(335.000)	--	(335.000)
<b>Balance as of 30 September 2020 (Closing Balance)</b>	<b>2.280.000</b>	<b>98.621</b>	<b>2.796.723</b>	<b>207.431</b>	<b>(54.598)</b>	<b>933.298</b>	<b>49.096</b>	<b>312.371</b>	<b>6.531.856</b>	<b>2.988.438</b>	<b>16.143.236</b>	<b>148.356</b>	<b>16.291.592</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**
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020**

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

	Note References	Current Period Not Limited Reviewed 1 January- 30 September 2020	Prior Period Not Limited Reviewed 1 January- 30 September 2019
<b>A.Cash Flows from Operating Activities</b>		<b>(666.290)</b>	<b>(1.585.990)</b>
Profit for the period		2.998.525	1.978.934
<b>Adjustments to Reconcile Profit</b>		<b>2.067.065</b>	<b>824.025</b>
- Adjustments for Depreciation and Amortization Expense	8	212.475	166.592
- Adjustments for Impairment Loss		(34.709)	4.591
<i>Adjustments for Impairment Loss of Receivables</i>	5	(36.327)	764
<i>Adjustments for Impairment Loss of Inventories</i>	6	1.618	3.827
- Adjustments for Provisions		680.348	310.211
<i>Adjustments for Provisions Related with Employee Benefits</i>	12	42.568	52.578
<i>Adjustments for / (Reversal of) Lawsuit and/or Penalty Provisions</i>		441.540	31.385
<i>Adjustments for Warranty Provisions</i>		194.380	222.560
<i>Adjustments for (Reversal of) Other Provisions</i>		1.860	3.688
- Adjustments for Interest (Income) Expenses		(131.506)	(23.507)
<i>Adjustments for Interest Income</i>		(543.587)	(462.587)
<i>Adjustments for Interest Expense</i>		412.081	439.080
- Share of profit/loss of Equity Accounted Investments		12.320	(6.036)
- Adjustments for Tax Income		250.163	(122.431)
Other Adjustments for which Cash Effects are Investing or Financing Cash Flow		727.746	6.485
Other Non-Cash Adjustments		350.228	488.120
<b>Changes in Working Capital</b>		<b>(5.508.956)</b>	<b>(4.219.154)</b>
- Adjustments for Decrease (Increase) in Trade Receivables	5	(811.438)	(1.784.228)
- Adjustments for Decrease (Increase) in Other Receivables Related with Operations		(90.920)	(110.277)
- Adjustments for Decrease (Increase) in Inventories	6	(1.505.942)	(1.342.757)
- Decrease (Increase) in Prepaid Expenses	7	(209.534)	(150.437)
- Adjustments for Increase (Decrease) in Trade Payables		(285.234)	541.495
- Increase (Decrease) in Employee Benefit Obligations	12	36.325	103.440
- Adjustments for Stage of Completion of Construction or Service Contracts in Progress		(493.798)	(254.451)
- Adjustments for Increase (Decrease) in Other Operating Payables		(18.596)	14.894
- Increase (Decrease) in Government Grants and Incentives		(6.083)	(7.847)
- Increase (Decrease) in Deferred Income		(1.896.735)	(1.068.089)
- Adjustments for Other Increase (Decrease) in Working Capital		(227.001)	(160.897)
<b>Cash Flows From Operations</b>		<b>(443.366)</b>	<b>(1.416.195)</b>
Payments Related with Provisions for Employee Benefits	12	(30.037)	(36.113)
Payments Related with Other Provisions		(179.882)	(128.653)
Income Taxes Refund (Paid)		(13.005)	(5.029)
<b>B.Cash Flows From Investing Activities</b>		<b>(1.186.765)</b>	<b>(1.018.302)</b>
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		834	392
Purchase of Property, Plant and Equipment		(422.094)	(243.362)
Purchase of Intangible Assets	8	(787.046)	(711.290)
Cash Inflows from Derivative Instruments		6.039	1.155
Dividends Received		5.214	--
Other Cash Inflows (Outflows)		10.288	(65.197)
<b>C.Cash Flows From Financing Activities</b>		<b>174.348</b>	<b>1.266.518</b>
Proceeds from Borrowings		3.444.920	2.318.278
Repayments of Borrowings		(3.158.905)	(935.760)
Dividends Paid		(111.667)	(116.000)
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES (A+B+C)</b>		<b>(1.678.707)</b>	<b>(1.337.774)</b>
<b>D. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		<b>106.375</b>	<b>8.983</b>
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)</b>		<b>(1.572.332)</b>	<b>(1.328.791)</b>
<b>E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>3.513.403</b>	<b>3.087.387</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)</b>	<b>3</b>	<b>1.941.071</b>	<b>1.758.596</b>

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

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

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

#### 1. ORGANIZATION AND OPERATIONS OF THE GROUP

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

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

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

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

The Company maintains production and engineering operations in Ankara, Macunköy, Akyurt and Gölbaşı campuses and engineering operations in METU Teknokent, Hacettepe Teknokent, Teknopark Ankara and Teknopark İstanbul. General Management is located in Ankara Macunköy.

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

The Company is registered to Capital Markets Board of Turkey ("CMB") and its shares have been quoted in Borsa İstanbul Anonim Şirketi ("BİST") since 1990. As of 30 September 2020, 25,80 percent of the Company's shares are publicly traded (31 December 2019: 25,80 percent) (Note 13).

The Company's trade registry address is Mehmet Akif Ersoy Mahallesi 296. Cadde No:16 06200 Yenimahalle/Ankara. The average number of personnel employed by the Group as of 30 September 2020 is 8.462 (31 December 2019: 6.797).

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

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

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

#### 1. ORGANIZATION AND OPERATIONS OF THE GROUP (continued)

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

The Company has three branch offices; Aselsan Elektronik Sanayi ve Ticaret Anonim Şirketi EP Co. ("ASELSAN South Africa"), ASELSAN Makedonya Corridor-10 Highway Toll Collection System Project ("ASELSAN Macedonia") and ASELSAN Kıbrıs İleri Teknolojiler Araştırma Merkezi ("ASELSAN Kıbrıs") located in South Africa, Macedonia and Turkish Republic of Northern Cyprus ("KKTC"), respectively. The branches are also included in the consolidated financial statements.

#### 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

##### 2.1 The Basis of Presentation

###### Statement of Compliance to TAS

The accompanying consolidated financial statements are prepared in accordance with the requirements of CMB Communiqué Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets" ("Communiqué"), which were published in the Official Gazette No: 28676 on 13 June 2013 and in accordance with the Turkish Accounting Standards ("TAS") and Interpretations that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA"). The consolidated financial statements has been presented with examples of Financial Statement and User Guide in the Official Gazette No:30794 on 7 June 2019 by the POA. All reports have been presented in the TFRS formats. The consolidated financial statements are prepared according to historical cost accounting except for the revaluation of land and financial instruments. The condensed consolidated financial statements of the Group for the nine-month period ending on September 30, 2020 have been prepared in accordance with TAS 34 Interim Financial Reporting. Interim condensed financial statements do not contain all the information and explanations that should be included in the annual financial statements and should be read together with the Group's annual consolidated financial statements prepared on 31 December 2019.

###### Approval of the Consolidated Financial Statements

These consolidated financial statements have been approved for issue by the Board of Directors with the resolution number 1089 on 27 October 2020. There is no authority other than General Assembly and legal entities has the right to amend the consolidated financial statements.

###### Functional Currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment ("Functional Currency") in which the entity operates. The Company's reporting currency is Turkish Lira ("TL"). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TL, which is the functional, and presentation currency of the Company for the consolidated financial statements. Amounts are expressed in thousands of TL or Foreign Currency unless otherwise stated. Kuruş, Turkish Currency subunit and 1 TL is equal to 100 Kuruş.

###### Preparation of Financial Statements in Hyperinflationary Periods

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

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

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

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

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

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

###### Basis of Consolidation

###### Subsidiaries:

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

Subsidiaries	Location	Functional Currency	Group's proportion of ownership and voting power held (%)		Main Activity
			30 September 2020	31 December 2019	
ASELSANNET	Turkey	TL	100	100	Communication systems
ASELSAN Baku	Azerbaijan	AZN	100	100	Marketing and sales of the group products
ASELSAN GLOBAL	Turkey	TL	100	100	Export
Mikro AR-GE	Turkey	TL	85	85	Microelectronic R&D projects
ASELSAN Malaysia	Malaysia	MYR	100	100	Remote controlled weapon systems
ASELSAN KONYA	Turkey	TL	51	51	Weapon and weapon systems
BITES	Turkey	TL	51	51	Defence, Aerospace, Space Technologies, Software
ASELSAN Ukraine	Ukraine	UAH	100	--	Marketing and sales of the group products
ULAK	Turkey	TL	51	51	Communication systems

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

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

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

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.

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

### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020**

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

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

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

###### **Basis of Consolidation (continued)**

###### **Subsidiaries (continued):**

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 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

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

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

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

###### Basis of Consolidation (continued)

###### Joint Ventures

The details of the Group's interests in joint ventures as of 30 September 2020 and 31 December 2019 are as follows:

Joint Ventures	Principal Activity	Country of incorporation and operation	Group's proportion of ownership and voting power held (%)	
			30 September 2020	31 December 2019
ASELSAN Hassas Optik Sanayi ve Ticaret Anonim Şirketi ("ASELSAN Optik")	Precision optic technology	Turkey	50	50
Mikro Nano Teknolojileri Sanayi ve Ticaret Anonim Şirketi ("ASELSAN Bilkent")	Manufacturing of micro and nano-sized devices containing semiconductors and similar technological materials	Turkey	50	50
International Golden Group ("IGG") ASELSAN Integrated Systems LLC ("IGG ASELSAN")	Production, integration, sales and technical service of high technology products	United Arab Emirates	49	49
Kazakhstan ASELSAN Engineering LLP ("ASELSAN Kazakhstan")	Manufacturing, sales and technical services of electronic and electro-optical devices and systems	Kazakhstan	49	49
ASELSAN Middle East PSC ("ASELSAN Jordan")	Marketing, sales and joint production of group products	Jordan	49	49
Saudi Arabian Defence Electronics Corporation ("SADEC LLC")	Manufacturing and sales of radar, electronic warfare and electrooptic products	Saudi Arabia	50	50
TÜYAR Mikroelektronik Sanayi ve Ticaret Anonim Şirketi ("TÜYAR")	Production of micro and nano-sized devices containing semi-conductor and similar technological materials	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")	Creating investment opportunities in technology intensive areas, provide job opportunities to researchers and skilled people, help technology transfers and facilitate to attract foreign capital to country that will enable high technology	Turkey	15	30
EHSİM Elektronik Harp Sistemleri Müh. Tic. A.Ş. ("EHSİM")	Electronic Warfare and Tactical Command Systems	Turkey	50	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	35	50
DASAL Havacılık Teknolojileri A.Ş.	Aviation technologies	Turkey	40	--

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

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

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

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

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

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

###### Basis of Consolidation (continued)

###### Joint Ventures (continued):

A share transfer agreement for the acquisition of 40% of the total shares of DASAL Havacılık Teknolojileri A.Ş. was completed by making the payment to Altınay Havacılık ve İleri Teknolojiler Sanayi Ticaret A.Ş on April 2nd, 2020.

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, 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, TR Eğitim Teknoloji and DASAL Havacılık Teknolojileri A.Ş have not started to operate yet, there is no consolidation effect on the Group's financial statements.

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

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

In the financial statements of 31 December 2019, TL 2.326.751, classified under the trade payables, reclassified to Deferred Income. In the financial statements of 30 September 2019, TL 2.035.030, classified under the trade payables, reclassified to Deferred Income.

While purchase expenses regarding research and development in intangible assets are subject to cost of sales decreasing the profit for the period and having the characteristic of expenses not providing cash outflow, a positive reclassification has been made and posted under "Adjustments to reconcile profit for the period". Such cash outflows and inflows were reported under "Cash flows from investing activities" as net value previously.

As a result of the evaluations made within the scope of TAS 7 "Cash Flow Statements" standard, the interest paid/received and dividends are classified as cash flow from operating activities since those are considered in determining profit or loss.

The reclassification of 30 September 2019 is as below.

Cash Flow Statement	30 September 2019 (Previously Reported)	Reclassification	30 September 2019 (Reported)
Adjustments Related to Interest (Income) and Expenses	(167.782)	144.275	(23.507)
Adjustments for Losses (Profits) on Disposal of Non-Current Assets	34.898	(34.898)	--
Other Adjustments to Reconcile Profit (Loss)	(3.221)	491.341	488.120
Decrease (Increase) in Prepaid Expenses	(192.917)	42.480	(150.437)
Adjustments for Increase (Decrease) in Trade Payables	541.495	379.122	920.617
Increase (Decrease) in Deferred Income	(1.068.089)	(379.122)	(1.447.211)
Purchase of Intangible Assets	(254.847)	(456.443)	(711.290)
Other Cash Inflows (Outflows)	(22.717)	(42.480)	(65.197)
Interest Paid	(49.770)	49.770	--
Interest Income	194.045	(194.045)	--

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

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

**2.3 Accounting Policies, Changes in Accounting Estimates and Errors**

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

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

**2.4 New and Revised Turkish Accounting Standards**

**a) Standards Adopted as of 01 January 2020**

**Amendments to TFRS 3 - Definition of a Business**

Determining whether a transaction results in an asset or a business acquisition has long been a challenging but important area of judgement. The IASB has issued amendments to IFRS 3 Business Combinations to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. In May 2019, POA has also published the Definition of Business (Amendments to TFRS 3). With this amendment confirmed that a business shall include inputs and a process and clarified that the process must be substantive, and the inputs and process must together significantly contribute to creating outputs. It narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a concentration test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process.

The amendment applies to businesses acquired in annual reporting periods beginning on or after 1 January 2020. The amendment has no impact on the consolidated financial position and performance of the Group.

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

On 7 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. These amendments have an effective date of 1 January 2020 but companies can apply it earlier.

The amendment applies to businesses acquired in annual reporting periods beginning on or after 1 January 2020. The amendment has no impact on the consolidated financial position and performance of the Group.

**Interest Rate Benchmark Reform (Amendments to TFRS 9, TAS 39 and TFRS 7)**

Interest Rate Benchmark Reform, which amended TFRS 9, TAS 39 and TFRS 7 issued in December 2019, added Section 6.8 and amended paragraph 7.2.26. About this issue, IASB identified two groups of accounting issues that could affect financial reporting. These are: pre-replacement issues—issues affecting financial reporting in the period before the reform; and replacement issues—issues that might affect financial reporting when an existing interest rate benchmark is either reformed or replaced.



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

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

**2.4 New and Revised Turkish Accounting Standards (continued)**

**a) Standards Adopted as of 01 January 2020 (continued)**

**Interest Rate Benchmark Reform (Amendments to TFRS 9, TAS 39 and TFRS 7) (continued)**

IASB considered the pre-replacement issues to be more urgent and decided to address the following hedge accounting requirements as a priority in the first phase of the project:

- The highly probable requirement;
- Prospective assessments;
- IAS 39 retrospective assessment; and
- Separately identifiable risk components.

All other hedge accounting requirements remain unchanged. The amendment applies to businesses acquired in annual reporting periods beginning on or after 1 January 2020. The amendment has no impact on the consolidated financial position and performance of the Group.

**The Revised Conceptual Framework**

The revised Conceptual Framework issued on 11 May 2019 by the KGK. 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.

**b) Standards Issued But Not Yet Effective and Not Early Adopted as of 30 September 2020**

**TFRS 17 – Insurance Contracts**

On 16 February 2019, KGK issued TFRS 17 Insurance Contracts. This first 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 2023 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.

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

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

**2.4 New and Revised Turkish Accounting Standards (continued)**

**b) Standards Issued But Not Yet Effective and Not Early Adopted as of 30 September 2020 (continued)**

**TMS 1- Classification of Liabilities as Current and Non-Current Liabilities**

On March 12, 2020, the KGK issued amendments to TMS 1 Presentation of Financial Statements. The amendments issued to TMS 1 which are effective for periods beginning on or after 1 January 2022, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TMS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

**TFRS 16 COVID-19 Related Rent Concessions For Lessees**

On 05 June 2020, KGK issued amendments to TFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The resulting accounting will depend on the details of the rent concession.

The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021 and
- there is no substantive change to other terms and conditions of the lease.

A lessee shall apply COVID-19-Related Rent Concessions amendment for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

**Reference to the Conceptual Framework (Amendments to TFRS 3)**

In July 2020, KGK issued Reference to the Conceptual Framework, which made amendments to TFRS 3 Business Combinations. The amendments updated TFRS 3 by replacing a reference to an old version of the Board's Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

**Property, Plant and Equipment Proceeds before Intended Use (Amendments to TMS 16)**

In July 2020, KGK issued Property, Plant and Equipment - Proceeds before Intended Use, which made amendments to TMS 16 Property, Plant and Equipment. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

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

**2.4 New and Revised Turkish Accounting Standards (continued)**

**b) Standards Issued But Not Yet Effective and Not Early Adopted as of 30 June 2020 (continued)**

**Property, Plant and Equipment Proceeds before Intended Use (Amendments to TMS 16)**

The amendments improve transparency and consistency by clarifying the accounting requirements specifically, the amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

**Onerous Contracts - Cost of Fulfilling a Contract (Amendments to TMS 37)**

In July 2020, KGK issued Onerous Contracts - Cost of Fulfilling a Contract, which made amendments to July 37 Provisions, Contingent Liabilities and Contingent Assets. The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

**Annual Improvements to IFRS 2018–2020**

IASB issued Annual Improvements to IFRSs - 2018–2020 Cycle for applicable standards in May 2020. The amendments are effective as of 1 January 2022. Earlier application is permitted. The Group does not expect that application of these improvements to IFRSs will have significant impact on its consolidated financial statements.

**TFRS 1 First-time Adoption of International Financial Reporting Standards**

This amendment simplifies the application of TFRS 1 for a subsidiary that becomes a first-time adopter of IFRS later than its parent – i.e. if a subsidiary adopts TFRS later than its parent and applies TFRS D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to TFRS. This amendment will ease transition to TFRS for subsidiaries applying this optional exemption by i) reducing undue costs; and ii) avoiding the need to maintain parallel sets of accounting records.

**TFRS 9 Financial Instruments**

This amendment clarifies that in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

**TMS 41 Agriculture**

This amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in TMS 41 with those in TFRS 13 Fair Value Measurement. The amendments provide the flexibility to use either, as appropriate, in line with IFRS 13.

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

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

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

#### 3. CASH AND CASH EQUIVALENTS

	<b>30 September 2020</b>	<b>31 December 2019</b>
Cash	340	261
Banks		
- Time deposit	1.804.945	3.159.194
- Demand deposit	80.258	82.257
Financial Leasing Certification	--	267.676
Other	55.528	4.015
<b>Cash and cash equivalents on the cash flow statement</b>	<b>1.941.071</b>	<b>3.513.403</b>
Interest income accruals	265	439
	<b>1.941.336</b>	<b>3.513.842</b>

As of 30 September 2020, the Group had time deposits denominated in foreign currencies with maturities in October 2020 (31 December 2019: January 2020) with the interest rates between 0,40 percent and 2,3 percent (31 December 2019: 0,2 percent to 2,5 percent) amounting to TL 465.717 (31 December 2019: TL 1.030.178).

As of 30 September 2020, the Group had time deposits denominated in TL terms with maturities in October 2020 (31 December 2019: January-February 2020) amounted to TL 1.339.228 (31 December 2019: TL 2.129.016) at the interest rate of 10,25 percent and 12,50 percent (31 December 2019: 10,25 and 11,00 percent).

#### 4. RELATED PARTY DISCLOSURES

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

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

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

Total amount of salaries and other short-term benefits paid for key management for the period ended 30 September 2020 is TL 18.703 (30 September 2019: TL 13.984).

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 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

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

### 4. RELATED PARTY DISCLOSURES (continued)

	30 September 2020									
	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	38	--	--	--	--	--	--	165.713	--	--
<b><u>Main shareholder's subsidiaries and associates</u></b>										
EHSİM Elektronik Harp Sistemleri Müh. Tic. A.Ş. ("EHSİM")	--	28	--	--	--	308	--	--	--	--
Hava Elektronik Sanayi ve Ticaret Anonim Şirketi ("HAVELSAN")	22.302	37.207	--	5	16.849	84.353	8.940	--	--	385
HAVELSAN Teknoloji Radar Sanayi ve Ticaret Anonim Şirketi ("HTR")	2.495	36.644	--	--	2.407	26.017	1.403	--	--	2.525
İşbir Elektrik Sanayii Anonim Şirketi ("İŞBİR")	--	24.104	--	--	1.030	21.010	--	--	--	--
NETAŞ Telekomünikasyon Anonim Şirketi ("NETAŞ")	273	20.494	--	--	1.727	67.108	--	--	--	--
Savunma Teknolojileri Mühendislik ve Ticaret Anonim Şirketi ("STM")	--	3.289	--	289.301	--	6.751	--	--	--	10.551
Türk Havacılık ve Uzay Sanayi ve Ticaret Anonim Şirketi ("TUSAŞ")	182.595	40	--	197.352	--	12	50.608	--	--	428.679
<b><u>Financial Instruments</u></b>										
ASPİLSAN Enerji Sanayi ve Ticaret Anonim Şirketi ("ASPİLSAN")	--	578	--	--	--	15.128	--	--	--	--
Roket Sanayi ve Ticaret Anonim Şirketi ("ROKETSAN")	155.711	151.219	3.089	97.204	253.580	325.080	49.488	--	--	62.348
<b><u>Joint ventures and its related parties</u></b>										
ASELSAN Bilkent Mikro Nano	--	15.717	--	--	4.271	15.937	--	--	--	--
İhsan Doğramacı Bilkent Üniversitesi	--	886	--	--	--	1.538	--	--	--	--
ASELSAN Optik	3.695	58.390	1.550	--	5.241	21.767	--	--	--	--
IGG	69.445	--	--	4.236	--	--	--	--	--	--
IGG ASELSAN	11.186	--	--	--	1.561	438	--	--	--	--
ASELSAN Kazakistan	99.814	--	--	2.601	--	517	4.822	--	--	--
ASELSAN Jordan	67.829	--	--	205	--	15.405	1.654	--	--	--
TÜBİTAK BİLGEM	--	9.251	--	--	694	9.606	--	--	--	--
TÜBİTAK-UME	--	206	--	--	--	15	--	--	--	--
TÜBİTAK BİLİMSEL TEKNOLOJİK ARAŞTIRMA	42.819	1.510	--	112.914	2.818	459	1.295	--	--	10.458
TÜBİTAK SAGE Savunma Sanayii	302	19.202	--	8.761	617	31.502	--	--	--	--
TÜBİTAK UZAY TEKNOLOJİLERİ	--	--	--	--	--	--	--	--	--	--
Savunma Sanayi Başkanlığı ("SSB")	2.078.078	--	--	4.135.377	--	--	668.418	--	--	1.262.738
SSTEK	--	--	--	--	--	--	--	--	--	--
SADEC LLC	870	--	--	--	--	116	--	--	--	--
<b><u>Shared offered to the public</u></b>	--	--	--	--	--	--	--	57.620	--	--
	<b>2.737.452</b>	<b>378.765</b>	<b>4.639</b>	<b>4.847.956</b>	<b>290.795</b>	<b>643.067</b>	<b>786.628</b>	<b>223.333</b>	<b>--</b>	<b>1.777.684</b>

<sup>1</sup>Other payables are mainly 2019 dividend payments.

**ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020**

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

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

	31 December 2019									
	Receivables					Payables				
	Short-term			Long-term		Short-term			Long-term	
	Trading	Prepaid Expenses	Other Receivables	Trading	Prepaid Expenses	Trading	Deferred Income	Other Payables	Trading	Deferred Income
<b>Balances with related parties</b>										
<b>Main shareholder</b>										
TSKGV	29	--	--	--	--	--	--	--	--	--
<b>Main shareholder's subsidiaries and associates</b>										
EHSİM Elektronik Harp Sistemleri Müh. Tic. A.Ş. ("EHSİM")	--	774	--	--	--	5.130	--	--	--	--
Hava Elektronik San. ve Tic. Anonim Şirketi ("HAVELSAN")	16.521	49.336	--	605	676	69.347	3	--	--	--
HAVELSAN Teknoloji Radar San. ve Tic. Anonim Şirketi ("HTR")	1.235	17.875	--	--	22.861	10.339	--	--	--	--
İşbir Elektrik Sanayii Anonim Şirketi ("İŞBİR")	--	20.781	--	--	1.892	19.473	--	--	--	--
NETAŞ Telekomünikasyon Anonim Şirketi ("NETAŞ")	207	18.246	--	--	4.626	75.100	--	--	--	--
Savunma Teknolojileri Mühendislik ve Ticaret Anonim Şirketi ("STM")	64.763	4.408	--	107.483	341	3.606	11.415	--	--	21.784
Türk Havacılık ve Uzay Sanayi ve Ticaret Anonim Şirketi ("TUSAŞ")	111.118	110	--	118.031	--	618	52.747	--	--	329.670
<b>Financial Instruments</b>										
ASPİL SAN Enerji Sanayi ve Ticaret Anonim Şirketi ("ASPİLSAN")	--	1.853	--	--	--	16.511	--	--	--	--
Roket Sanayi ve Ticaret Anonim Şirketi ("ROKETSAN")	136.186	85.042	--	108.367	251.901	349.496	39.722	--	--	77.123
<b>Joint ventures and its related parties</b>										
ASELSAN Bilkent Mikro Nano	--	6.503	--	--	4.869	13.307	--	--	--	--
İhsan Doğramacı Bilkent University	--	566	--	--	--	6.693	--	--	--	--
ASELSAN Optik	2.548	62.575	1.150	--	6.464	14.343	--	--	--	--
IGG	49.009	--	--	5.019	--	--	--	--	--	--
IGG ASELSAN	6.694	1.561	--	--	--	319	--	--	--	--
ASELSAN Kazakistan	75.858	--	--	15.427	--	538	4	--	--	--
ASELSAN Jordan	85.924	--	--	205	--	54.099	1.654	--	--	--
TÜBİTAK BİLGEM	--	3.133	--	--	2.549	4.755	--	--	--	--
TÜBİTAK-UME	--	173	--	--	--	3	--	--	--	--
TÜBİTAK BİLİMSEL TEKNOLOJİK ARAŞTIRMA	2.416	1.022	--	93.404	3.190	1.136	2.797	--	--	13.001
TÜBİTAK SAGE Savunma Sanayii	--	10.809	--	6.003	--	4.806	2.678	--	--	--
TÜBİTAK UZAY TEKNOLOJİLERİ	470	--	--	--	--	--	--	--	--	--
Savunma Sanayi Başkanlığı ("SSB")	563.585	--	--	3.812.080	--	--	421.006	--	--	2.246.831
SSTEK	878	--	--	--	--	30	--	--	--	--
SADEC LLC	662	--	--	--	--	89	--	--	--	--
	<b>1.118.103</b>	<b>284.767</b>	<b>1.150</b>	<b>4.266.624</b>	<b>299.369</b>	<b>649.738</b>	<b>532.026</b>	--	--	<b>2.688.409</b>

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020**

(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 2020	1 July- 30 September 2020	1 January- 30 September 2019	1 July- 30 September 2019
<b>Transactions with related parties</b>	<b>Purchases</b>	<b>Purchases</b>	<b>Purchases</b>	<b>Purchases</b>
<b>Main Shareholder</b>				
TSKGV	811	271	685	228
<b>Main shareholder's shareholders/subsidiaries/associates</b>				
NETAŞ	86.704	27.132	98.031	22.507
İŞBİR	40.795	18.084	34.066	18.798
HTR	51.788	10.822	38.471	8.995
TUSAŞ	298	38	1.032	19
EHSİM	5.603	1.092	--	--
HAVELSAN	21.305	19.795	26.358	3.406
STM	12.154	3.702	8.580	146
<b>Financial Investments</b>				
ROKETSAN	16.756	8.369	132.933	125.164
ASPİLSAN	29.249	13.756	26.814	9.104
<b>Joint ventures and its related parties</b>				
İhsan Doğramacı Bilkent Üniversitesi	6.515	2.610	9.975	2.391
TÜBİTAK BİLGEM	29.780	8.285	24.812	1.623
TÜBİTAK-UME	318	173	206	53
TÜBİTAK UZAY TEKNOLOJİLERİ	150	150	--	--
TÜBİTAK-SAGE Savunma Sanayii	39.992	27.633	23.861	23.861
TÜBİTAK BİLİMSEL TEKNOLOJİK ARAŞTIRMA SSB	1.500	880	267	267
	--	--	514	514
	<b>343.718</b>	<b>142.792</b>	<b>426.605</b>	<b>217.076</b>
	<b>1 January- 30 September 2020</b>	<b>1 July- 30 September 2020</b>	<b>1 January- 30 September 2019</b>	<b>1 July- 30 September 2019</b>
<b>Transactions with related parties</b>	<b>Sales</b>	<b>Sales</b>	<b>Sales</b>	<b>Sales</b>
<b>Main Shareholder</b>				
TSKGV	245	90	215	62
<b>Main shareholder's shareholders/subsidiaries /associates</b>				
TUSAŞ	358.148	95.891	217.427	76.638
STM	99.168	43.187	398.855	104.169
İŞBİR	40	40	--	--
HAVELSAN	8.986	4.926	8.819	2.672
HTR	5.607	3	9.687	8.258
NETAŞ	1	1	1.380	170
TEI	747	--	--	--
<b>Financial Investments</b>				
ROKETSAN	210.225	79.987	146.143	50.830
ASPİLSAN	900	325	--	--
<b>Joint ventures and its related parties</b>				
İhsan Doğramacı Bilkent Üniversitesi	--	--	521	521
TÜBİTAK BİLİMSEL TEKNOLOJİK ARAŞTIRMA	61.723	39.056	10.118	10.118
TÜBİTAK-SAGE Savunma Sanayii	2.859	2.859	1.581	520
TÜBİTAK UZAY TEKNOLOJİLERİ	171	171	52	52
Savunma Sanayi Başkanlığı ("SSB")	4.286.318	1.629.884	3.490.227	1.332.588
SSTEK	57.771	10.176	--	--
	<b>5.092.909</b>	<b>1.906.596</b>	<b>4.285.025</b>	<b>1.586.598</b>

Transactions with related parties are generally related to the purchases and sales of goods and services related to projects under TFRS 15 "Revenue from Contracts with Customers".

**ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020**

(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 2020</b>	<b>31 December 2019</b>
<b>Short-term trade receivables</b>		
Trade receivables	2.557.761	2.722.650
Trade receivables from related parties (Note 4)	2.737.452	1.118.103
Notes receivable	9.890	44.180
Other trade receivables	3.337	--
Doubtful trade receivables	22.633	58.960
Allowance for doubtful trade receivables (-)	(22.633)	(58.960)
	<b>5.308.440</b>	<b>3.884.933</b>

	<b>30 September 2020</b>	<b>31 December 2019</b>
<b>Long-term trade receivables</b>		
Contract assets	1.468.121	1.057.620
Trade receivables	286.831	260.655
Notes Receivable	247	--
Contract assets - Related party (Note 4)	4.840.253	4.260.764
Trade receivables from related parties (Note 4)	7.703	5.860
	<b>6.603.155</b>	<b>5.584.899</b>

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

	<b>30 September 2020</b>	<b>30 September 2019</b>
Opening balance	58.960	2.218
Provision for the period	--	764
Provisions no longer required	(36.327)	--
<b>Closing balance</b>	<b>22.633</b>	<b>2.982</b>

**b) Trade payables**

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

	<b>30 September 2020</b>	<b>31 December 2019</b>
<b>Short-term trade payables</b>		
Trade payables	1.846.064	2.220.802
Due to related parties (Note 4)	643.067	649.738
Notes Payable	309.850	246.029
Other trade payables	3.899	3.944
	<b>2.802.880</b>	<b>3.120.513</b>

	<b>30 September 2020</b>	<b>31 December 2019</b>
<b>Long-term trade payables</b>		
Trade payables	7.194	--
Other trade payables	--	20.896
	<b>7.194</b>	<b>20.896</b>



**ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020**

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

**6. INVENTORIES**

	<b>30 September 2020</b>	<b>31 December 2019</b>
Raw materials	3.094.187	2.268.578
Work in progress	2.211.443	1.728.108
Goods in transit <sup>1</sup>	197.795	178.206
Finished goods	428.304	234.811
Other inventories	34.529	28.654
Trade goods	53.863	51.398
Allowance for impairment on inventories (-)	(17.446)	(15.828)
	<b>6.002.675</b>	<b>4.473.927</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.

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

	<b>30 September 2020</b>	<b>30 September 2019</b>
Opening balance	15.828	8.120
Provision for the period	1.618	4.466
Provision released	--	(639)
<b>Closing balance</b>	<b>17.446</b>	<b>11.947</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.

**ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020**

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

**7. PREPAID EXPENSES AND DEFERRED INCOME**

	<b>30 September 2020</b>	<b>31 December 2019</b>
<b>Short-term prepaid expenses</b>		
Order advances given for inventory purchases	912.653	930.628
Short-term order advances given to related parties for inventory purchases (Note 4)	378.765	284.767
Prepaid expenses	252.542	104.871
	<b>1.543.960</b>	<b>1.320.266</b>

	<b>30 September 2020</b>	<b>31 December 2019</b>
<b>Long-term prepaid expenses</b>		
Long-term order advances given to related parties for inventory purchases (Note 4)	290.795	299.369
Order advances given for inventory purchases	161.627	172.382
Order advances given for fixed assets purchases	134.911	92.447
Prepaid expenses	25.624	20.455
	<b>612.957</b>	<b>584.653</b>

	<b>30 September 2020</b>	<b>31 December 2019</b>
<b>Short-term deferred income</b>		
Order advances received	227.173	131.022
Order advances received from related parties (Note 4)	786.628	532.026
Deferred income	305.762	404.684
	<b>1.319.563</b>	<b>1.067.732</b>

	<b>30 September 2020</b>	<b>31 December 2019</b>
<b>Long-term deferred income</b>		
Order advances received	547.290	575.385
Order advances received from related parties (Note 4)	1.777.684	2.688.409
Deferred income	225.120	413.602
	<b>2.550.094</b>	<b>3.677.396</b>

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020**

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

**8. PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS**

<b>Cost</b>	<b>Property, Plant and Equipment</b>	<b>Intangible Assets</b>
Opening balance as of 1 January 2020	2.626.647	1.781.226
Additions	423.887	787.046
Disposals	(1.281)	(444.741)
<b>Closing balance as of 30 September 2020</b>	<b>3.049.253</b>	<b>2.123.531</b>
<b>Accumulated Depreciation and Amortisation</b>		
Opening balance as of 1 January 2020	1.052.716	504.648
Change for the period <sup>1</sup>	136.514	100.386
Disposals	(545)	--
<b>Closing balance as of 30 September 2020</b>	<b>1.188.685</b>	<b>605.034</b>
<b>Net book value as of 30 September 2020</b>	<b>1.860.568</b>	<b>1.518.497</b>
<b>Net book value as of 31 December 2019</b>	<b>1.573.931</b>	<b>1.276.578</b>
<b>Cost</b>		
Opening balance as of 1 January 2019	2.231.201	1.476.779
Additions	243.496	711.290
Disposals	(918)	(491.341)
<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	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>

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 is TL 24.425 in the first 9 months of 2020 (September 2019: TL 19.949)

**ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020**

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

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

	<b>30 September 2020</b>	<b>31 December 2019</b>
<b>Other short-term provisions</b>		
Provision for warranties <sup>1</sup>	784.587	731.395
Provision for onerous contracts	299.986	129.518
Provision for delay penalties <sup>2</sup>	342.994	100.508
Provision for legal cases	27.405	24.501
Provision for cost expenses	4.878	7.525
Other	5.620	1.113
	<b>1.465.470</b>	<b>994.560</b>
	<b>30 September 2020</b>	<b>31 December 2019</b>
<b>Other long-term provisions</b>		
Provision for delay penalties	67.242	--
Provision of onerous contracts	301.577	381.830
	<b>368.819</b>	<b>381.830</b>

**b) Legal cases**

There is no judicial decision against the group within 2020 due to violation of employee rights. There is no judicial decision against the group in 2020 due to the responsibility for work accidents.

As of the dates 30 September 2020 and 31 December 2019, according to the declarations written by the legal counselors, amounts of the lawsuits and legal executions in favor of and against the Group are as follows:

Description	<b>30 September 2020</b>	<b>31 December 2019</b>
a) Ongoing lawsuits filed by the Group	110.157	70.374
b) Execution proceedings carried out by the Group	264.017	193.568
c) Ongoing lawsuits filed against the Group	27.405	24.501
d) Executions against the Group	2.571	485
e) Lawsuits finalized against the Group within the period	2.909	1.505
f) Lawsuits finalized in favor of the Group within the period	1.348	1.975

- a) Ongoing lawsuits filed by the Group are comprised of lawsuits for patents, trademarks and lawsuits filed by the Group due to the disagreements related to previous lawsuits. These lawsuits will not be recognised in the financial statements until they are finalized.
- b) Execution of proceedings carried out by the Group are comprised of lawsuits that would result in favor of the Group that will be recognised as revenue under "Other Operating Income" line when they are collected.
- c) The Company made provisions for all lawsuits filed against the Group and recognised as "Provisions" in the statement of financial position and "Other Operating Expense" in the statement of profit or loss and other comprehensive income.
- d) Executions against the Group are not included in 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.

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

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

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

#### 10. TAX

"Deferred Tax Assets" of the Group as of 30 September 2020 is TL 546.593. The amount is comprised of the items below.

	<b>30 September 2020</b>	<b>31 December 2019</b>
Carried Forward R&D Incentives Effect	964.434	849.723
Temporary Differences	(417.841)	(63.772)
<b>Deferred Tax Assets - Net</b>	<b>546.593</b>	<b>785.951</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 2020 period, the Group has calculated "Deferred Tax Asset" amounting to TL 964.434 from Research and Development expenses comprising "Outstanding Research and Development Deductions".

	<b>30 September 2020</b>	<b>30 September 2019</b>
Profit before tax from continuing operations	3.248.688	1.856.503
Tax (expense)/income recognized in profit or loss	(250.163)	122.431
Effective tax rate	(%8)	(%7)

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 but some other companies subject to consolidation have. The main reason for tax income in profit or loss of previous year is deferred tax income effect arising from the R&D expenditures the Company has made within the related period.

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

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

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

#### 11. COMMITMENTS AND CONTINGENCIES

##### a) Guarantees received

	<b>30 September 2020</b>	<b>31 December 2019</b>
Letters of guarantees received from the suppliers	2.690.309	2.125.852
Collaterals received from the customers	27.384	19.952
Letters of guarantees received from the customers	9.048	6.450
Collaterals received from the suppliers	109.285	28.155
Letters of guarantees received from the suppliers	28.775	8.042
Mortgages received from the customers	265	265
	<b>2.865.066</b>	<b>2.188.716</b>

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

The collaterals/pledges/mortgages ("CPM") given by the Group as of 30 September 2020 and 31 December 2019 are stated on the following page:

In accordance with the terms of the Patrol and Anti-Submarine Warfare Ship Projects ("MİLGEM"), the Company is a guarantor if HAVELSAN cannot be able to fulfill the obligations in this project of an amount of USD 288.185.

**ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 September 2020**

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

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

30 September 2020	TL Equivalent	TL	USD	EURO	UAE Dirham	Indian Rupee	British Pound	Tunisian Dinar
A. Total amount of CPM given on behalf of the legal entity								
-Collateral	25.685.083	6.723.484	1.304.675	961.153	--	10.000	--	75
-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	23.963	--	3.069	--	--	--	--	--
-Pledge	--	--	--	--	--	--	--	--
-Mortgage	--	--	--	--	--	--	--	--
iii. Total amount of CPM on behalf of third parties that do not cover								
-Collateral	--	--	--	--	--	--	--	--
-Pledge	--	--	--	--	--	--	--	--
-Mortgage	--	--	--	--	--	--	--	--
<b>Total</b>	<b>25.709.046</b>	<b>6.723.484</b>	<b>1.307.744</b>	<b>961.153</b>	<b>--</b>	<b>10.000</b>	<b>--</b>	<b>75</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 2020 is 0,15 percent. TL 23.963 is the collateral amount pertaining to guarantee letter given on behalf of the entities' affiliate company Mikro AR-GE and joint venture ASELSAN Bilkent.

**ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 September 2020**

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

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

31 December 2019	TL Equivalent	TL	USD	EURO	UAE Dirham	Indian Rupee	British Pound	Tunisian Dinar
A. Total amount of CPM given on behalf of the legal entity								
-Collateral	19.163.727	5.678.746	1.209.264	947.409	--	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	18.231	--	3.069	--	--	--	--	--
-Pledge	--	--	--	--	--	--	--	--
-Mortgage	--	--	--	--	--	--	--	--
iii. Total amount of CPM on behalf of third parties that do not cover								
-Collateral	--	--	--	--	--	--	--	--
-Pledge	--	--	--	--	--	--	--	--
-Mortgage	--	--	--	--	--	--	--	--
<b>Total</b>	<b>19.181.958</b>	<b>5.678.746</b>	<b>1.212.333</b>	<b>947.409</b>	<b>--</b>	<b>10.000</b>	<b>--</b>	<b>25</b>

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

<sup>1</sup> The ratio of the other CPM given by the Group to equity as of 31 December 2019 is 0,13 percent. TL 18.231 is the collateral amount pertaining to guarantee letter given on behalf of the entities' affiliate company ASELSAN Bilkent.



**ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 September 2020**

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

**12. EMPLOYEE BENEFITS****a) Short-term provisions for employee benefits**

	<b>30 September 2020</b>	<b>31 December 2019</b>
Provision for vacation pay liability	<b>84.926</b>	<b>72.819</b>

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

	<b>30 September 2020</b>	<b>30 September 2019</b>
Opening balance	72.819	49.382
Provision for the period	32.554	39.076
Provision paid during the period	(15.402)	(19.940)
Provision realised during the period	(5.045)	(3.582)
<b>Closing balance</b>	<b>84.926</b>	<b>64.936</b>

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

	<b>30 September 2020</b>	<b>31 December 2019</b>
Provision for severance pay	234.253	206.040
Provision for retirement pay	19.707	19.691
	<b>253.960</b>	<b>225.731</b>

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

	<b>30 September 2020</b>	<b>30 September 2019</b>
Opening balance	225.731	198.611
Actuarial Loss/Gain	27.805	270
Interest cost	4.694	4.396
Service cost	10.365	12.688
Payments	(14.635)	(16.173)
<b>Closing balance</b>	<b>253.960</b>	<b>199.792</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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 September 2020

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

#### 12. 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 2020 severance payments are calculated on the basis of 30 days' pay, limited to a ceiling of TL<sup>1</sup> 7.117 (31 December 2019: TL<sup>1</sup> 6.380).

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 2020 (%)</b>	<b>31 December 2019 (%)</b>
Interest rate	12,88	12,88
Inflation rate	8,90	8,90
Discount ratio	3,35	3,35
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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 September 2020

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

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

##### Capital

<b>Shareholders</b>	<b>Share (%)</b>	<b>30 September 2020</b>	<b>Share (%)</b>	<b>31 December 2019</b>
TSKGV	74,20	1.691.652	74,20	845.826
Publicly held	25,80	588.348	25,80	294.174
Nominal capital	100	2.280.000	100	1.140.000
Share capital adjustment		98.621		98.621
<b>Inflation adjusted capital</b>		<b>2.378.621</b>		<b>1.238.621</b>

The Group's nominal capital is TL 2.280.000 comprising 2.280.000.000 shares each of which is TL 1 . A total of 1.210.909.090 of the shares constitutes "Group A" and 1.069.090.910 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 Communique Serial II No:19.1 "Share of Profit", effective as of 1 February 2014, and with regard to the Turkish Commercial Code ("TCC"), legal reserves in publicly held companies will be generated by 5 percent of income until it reaches 20 percent of paid-in share capital. After the 5 percent of the dividend is paid to shareholders, 10 percent of the total distributed to shareholders and employees can be added in the other legal reserve. Under the TCC, the legal reserves can be used only to offset losses for the going concern of the company or to prevent unemployment as long as the amount does not exceed 50 percent of the paid-in capital.

As of 30 September 2020, The Group's restricted reserves set aside from profit comprises legal reserves. The total of the Group's legal reserves are TL 312.371 (31 December 2019: TL 276.827).

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 September 2020

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

#### **13. 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 2020, the extraordinary reserves balance presented under retained earnings is TL 5.499.028 (31 December 2019: TL 2.987.028). As of balance sheet date, period profit under statutory requirement is TL 1.144.825 (31 December 2019: TL 3.686.183) Profits available for distribution are calculated following statutory requirement is TL 5.211.343 (31 December 2019: TL 3.034.425).

##### **Profit distribution**

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

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

On 19 June 2020, in accordance with the consolidated financial statements, the General Assembly of the Company has decided to allocate legal reserve amounting to TL 34.184 of the TL 3.308.531 which is based on the profit distribution, and to distribute TL 335.000 in cash to shareholders for dividend payment, and to increase the non-paid up capital amounting to TL 1.140.000 and the remaining TL 2.177.000 to be within the Group. Thus, the cash gross dividend amount for TL 1 nominal value per share is Kuruş 29,39 net (31 December 2019: Kuruş 15,26 net).

Within 2020, dividend amounting to TL 335.000 in gross, 29,39 Kuruş per share of TL 1 (net profit amounting to TL 284.750, 24,98 Kuruş per share of TL 1) will be paid to shareholders. (31 December 2019: TL 174.000 in gross, 15,26 Kuruş per share of TL 1 (TL 147.900 in net , 12,97 Kuruş per share of TL 1) was paid).

On 20 March 2020, General Assembly of ASELSANNET has decided to distribute TL 2.000 as dividend payments to shareholders, to reserve TL 125 as retained earnings and to distribute TL 10.000, the share issued for inclusion in the capital, to shareholders from net profit of the year 2019. Remaining TL 11.364 is decided to be allocated as extraordinary reserves (31 December 2019: 10.000).

TL 111.667 of dividend payment has been paid to the shareholders as of 30 September 2020.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 September 2020

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

#### 14. REVENUE AND COST OF SALES

	1 January- 30 September 2020	1 July- 30 September 2020	1 January- 30 September 2019	1 July- 30 September 2019
<b>a) Revenue</b>				
Domestic sales	7.892.613	2.900.850	6.840.306	2.612.351
Export sales	530.055	291.159	807.367	410.907
	<b>8.422.668</b>	<b>3.192.009</b>	<b>7.647.673</b>	<b>3.023.258</b>

Revenue Recognized Regarding Performance Obligation	1 January- 30 September 2020	1 July- 30 September 2020	1 January- 30 September 2019	1 July- 30 September 2019
Over time	6.028.894	2.253.196	5.407.648	2.269.757
Point in time	2.393.774	938.813	2.240.025	753.501
	<b>8.422.668</b>	<b>3.192.009</b>	<b>7.647.673</b>	<b>3.023.258</b>

	1 January- 30 September 2020	1 July- 30 September 2020	1 January- 30 September 2019	1 July- 30 September 2019
<b>b) Cost of Sales (-)</b>				
Cost of raw materials and supplies (-)	4.909.924	1.819.286	4.936.050	1.949.467
Cost of merchandise goods sold (-)	76.868	23.516	65.281	28.096
Cost of services sold (-)	1.012.934	630.486	551.855	213.210
Cost of other sales (-)	183.010	33.392	244.354	108.087
	<b>6.182.736</b>	<b>2.506.680</b>	<b>5.797.540</b>	<b>2.298.860</b>

#### 15. OTHER OPERATING INCOME AND EXPENSES

	1 January- 30 September 2020	1 July- 30 September 2020	1 January- 30 September 2019	1 July- 30 September 2019
<b>a) Other operating income</b>				
Foreign currency exchange differences from operations	5.270.175	2.425.074	2.417.551	1.074.574
Amortized cost effect of trade payables	46.102	1.737	55.699	(6.474)
Other income	33.009	7.682	33.230	16.400
	<b>5.349.286</b>	<b>2.434.493</b>	<b>2.506.480</b>	<b>1.084.500</b>

**ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 September 2020**

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

**15. OTHER OPERATING INCOME AND EXPENSES (continued)**

	<b>1 January- 30 September 2020</b>	<b>1 July- 30 September 2020</b>	<b>1 January- 30 September 2019</b>	<b>1 July- 30 September 2019</b>
<b>b) Other operating expense (-)</b>				
Foreign currency exchange differences from operations	2.995.240	1.277.873	2.137.147	1.201.461
Amortized cost effect of trade receivables	56.526	6.387	77.538	(2.975)
Other expense and losses	38.584	12.313	12.666	1.239
	<b>3.090.350</b>	<b>1.296.573</b>	<b>2.227.351</b>	<b>1.199.725</b>

**16. FINANCIAL INCOME**

	<b>1 January- 30 September 2020</b>	<b>1 July- 30 September 2020</b>	<b>1 January- 30 September 2019</b>	<b>1 July- 30 September 2019</b>
Interest income	44.044	10.556	239.433	42.077
TFRS 15 Financial component interest income	491.017	158.324	361.500	139.328
Foreign currency exchange gain from bank loans	41.690	6.850	227.483	138.484
	<b>576.751</b>	<b>175.730</b>	<b>828.416</b>	<b>319.889</b>

**17. FINANCIAL EXPENSES**

	<b>1 January- 30 September 2020</b>	<b>1 July- 30 September 2020</b>	<b>1 January- 30 September 2019</b>	<b>1 July- 30 September 2019</b>
Interest cost of borrowings	48.594	32.180	49.770	25.055
TFRS 15 Interest cost of borrowings from financial component	355.555	59.059	361.542	100.430
Foreign currency exchange losses from bank loans	774.903	414.221	234.368	83.164
Interest cost related with employee benefits	4.694	1.480	4.397	1.482
	<b>1.183.746</b>	<b>506.940</b>	<b>650.077</b>	<b>210.131</b>

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 September 2020

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

#### 18. 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 2020 and 30 September 2019, earnings per share calculations are as follows:

	1 January- 30 September 2020	1 July- 30 September 2020	1 January- 30 September 2019	1 July- 30 September 2019
Common stock (thousand)	2.280.000	2.280.000	2.280.000	2.280.000
Net profit – TL	2.988.438	1.146.812	1.975.005	642.057
<b>Earnings per 100 shares (Kuruş)</b>	<b>131,07</b>	<b>50,30</b>	<b>86,62</b>	<b>28,16</b>
<b>Diluted Earnings per 100 shares (Kuruş)</b>	<b>131,07</b>	<b>50,30</b>	<b>86,62</b>	<b>28,16</b>

#### 19. FINANCIAL LIABILITIES

##### Financial Liabilities

		30 September 2020	31 December 2019
Short-term financial liabilities	Unsecured loan	723.639	1.522.010
Other short-term financial liabilities	Unsecured loan	93.073	90.311
Current portion of long-term financial liabilities	Unsecured loan	1.207.584	611.198
<b>Total short-term financial liabilities</b>		<b>2.024.296</b>	<b>2.223.519</b>
Other long-term financial liabilities	Unsecured loan	1.227.295	9.098
<b>Total long-term financial liabilities</b>		<b>1.227.295</b>	<b>9.098</b>
<b>Total financial liabilities</b>		<b>3.251.591</b>	<b>2.232.617</b>

As of 30 September 2020, TL 119.842 of the short term financial borrowings are USD Rediscount Credits, which have maturity dates due to August 2021 and interest rates of 2,29 percent. Short term borrowings in terms of EUR Rediscount Credits, which have maturity dates due between July 2021 -August 2021 amounting to TL 1.426.092 which has interest rate between 0,60 – 2 percent. Short term borrowings in terms of TL Rediscount Credits, which have maturity dates due between November 2020 – June 2021 amounting to TL 405.000 which has interest rate between 7,08 – 10,55 percent. 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 0,79 percent from Ziraat Bank. As of 30 September 2020, the current portion of long-term financial liabilities in terms of EUR Credit amounting to TL 982.742 and in terms of USD Credit amounting to TL 119.842 which is consisted of TL 105.000 "Acceleration" Credit which have maturity dates due between November 2020 and August 2021 and interest rates between 2,20 and 10,55 percent.

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

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 September 2020**

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

#### **19. FINANCIAL LIABILITIES(continued)**

As of 31 December 2019, TL 475.216 of the short term financial borrowings are USD Rediscount Credits, which have maturity dates due between January 2020 -April 2020 and interest rates between 2,73 – 4,99 percent. Short term borrowings in terms of EUR, which have maturity dates due between January 2020 -July 2020 amounting to TL 1.046.794 which has interest rate between 0,65-1,60 percent. Current portions of long-term financial liabilities are EUR and "İvme" Credit which have amounted to TL 506.198 and TL 105.000, respectively. They have interest rates between 2,75- 10,55 and maturity dates between July 2020- November 2020.

The TL 6.045 amounted portion of short term and long term financial liabilities have consisted of loans for supplier payments with 12 month maturity and interest rate of 11,50 percent. 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.



**ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**
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**20. FOREIGN EXCHANGE POSITION**

FOREIGN EXCHANGE POSITION						
30 September 2020	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	3.481.992	305.730	2.387.138	118.685	1.083.358	11.496
2a. Monetary financial assets (including cash. bank)	729.893	85.223	665.419	6.613	60.362	4.112
2b. Non- monetary financial assets	535.015	53.484	417.606	28.703	261.999	37.228
3. Other	8.094	279	2.178	645	5.886	30
<b>4. Current assets (1+2+3)</b>	<b>4.754.994</b>	<b>444.716</b>	<b>3.472.341</b>	<b>154.646</b>	<b>1.411.605</b>	<b>52.866</b>
5. Trade receivables	5.311.235	432.884	3.379.957	211.575	1.931.278	--
6a. Monetary trade receivables	--	--	--	--	--	--
6b. Non-monetary trade receivables	347.647	1.331	10.392	101.808	929.317	7.613
7. Other	7.940	149	1.160	743	6.779	1
<b>8. Long-term assets (5+6+7)</b>	<b>5.666.822</b>	<b>434.364</b>	<b>3.391.509</b>	<b>314.126</b>	<b>2.867.374</b>	<b>7.614</b>
<b>9. Total assets (4+8)</b>	<b>10.421.816</b>	<b>879.080</b>	<b>6.863.850</b>	<b>468.772</b>	<b>4.278.979</b>	<b>60.480</b>
10. Trade payables	985.268	60.826	474.933	52.722	481.247	29.088
11. Financial liabilities	1.490.220	16.667	130.133	149.000	1.360.087	--
12a. Other monetary financial liabilities	969	114	892	8	77	--
12b. Other non-monetary financial liabilities	1.933.404	257.910	2.013.760	184.310	1.682.398	--
<b>13. Current liabilities (10+11+12)</b>	<b>4.409.861</b>	<b>335.517</b>	<b>2.619.718</b>	<b>386.040</b>	<b>3.523.809</b>	<b>29.088</b>
14. Trade payables	--	--	--	--	--	--
15. Financial liabilities	1.227.845	33.333	260.266	106.000	967.579	--
16a. Other monetary financial liabilities	1.198	150	1.171	3	27	--
16b. Other non-monetary financial liabilities	1.138.214	192.728	1.504.822	113.164	1.032.971	--
<b>17. Non-current liabilities (14+15+16)</b>	<b>2.367.257</b>	<b>226.211</b>	<b>1.766.259</b>	<b>219.167</b>	<b>2.000.577</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 2020**

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

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

<b>FOREIGN EXCHANGE POSITION</b>						
<b>30 September 2020</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>6.777.118</b>	<b>561.728</b>	<b>4.385.977</b>	<b>605.207</b>	<b>5.524.386</b>	<b>29.088</b>
<b>19. Net asset/liability position of off- balance sheet derivative financial instruments (19a-19b)</b>	--	--	--	--	--	--
<b>19a. Hedged total financial assets</b>	--	--	--	--	--	--
<b>19b. Hedged total financial liabilities</b>	--	--	--	--	--	--
<b>20. Net foreign currency asset/liability (9- 18+19)</b>	<b>3.644.698</b>	<b>317.352</b>	<b>2.477.873</b>	<b>(136.435)</b>	<b>(1.245.407)</b>	<b>31.392</b>
<b>21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10- 11-12a-14-15-16a)</b>	<b>5.817.620</b>	<b>712.747</b>	<b>5.565.119</b>	<b>29.140</b>	<b>265.981</b>	<b>(13.480)</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>530.055</b>	<b>73.533</b>	<b>439.251</b>	<b>10.522</b>	<b>81.475</b>	<b>9.329</b>
<b>26. Imports</b>	<b>2.949.174</b>	<b>258.055</b>	<b>2.014.891</b>	<b>86.923</b>	<b>793.444</b>	<b>140.839</b>

Accompanying foreign exchange position which was prepared in accordance with TAS is different from the foreign exchange position of the financial statement which is prepared according to General Communiqué on Accounting System Application (GCASA). The difference is mainly due to the adjustments and classifications which are related with TFRS 15 .

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

**ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 September 2020**

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

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

<b>FOREIGN EXCHANGE POSITION</b>						
<b>31 December 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<sup>1</sup> (TL equivalent)</b>
1. Trade Receivables	3.205.720	267.003	1.586.053	242.283	1.611.329	8.338
2a. Monetary financial assets (including cash. bank)	1.028.481	47.173	280.219	112.018	744.984	3.278
2b. Non- monetary financial assets	448.065	58.665	348.484	24.294	161.569	52.714
3. Other	6.435	254	1.511	735	4.891	33
<b>4. Current assets (1+2+3)</b>	<b>4.688.701</b>	<b>373.095</b>	<b>2.216.267</b>	<b>379.330</b>	<b>2.522.773</b>	<b>64.363</b>
5. Trade receivables	4.018.835	547.674	3.253.291	115.109	765.544	--
6a. Monetary trade receivables	--	--	--	--	--	--
6b. Non-monetary trade receivables	315.941	13.765	81.766	93.322	620.649	10.020
7. Other	14.357	979	5.814	1.199	7.970	573
<b>8. Long-term assets (5+6+7)</b>	<b>4.349.133</b>	<b>562.418</b>	<b>3.340.871</b>	<b>209.630</b>	<b>1.394.163</b>	<b>10.593</b>
<b>9. Total assets (4+8)</b>	<b>9.037.834</b>	<b>935.513</b>	<b>5.557.138</b>	<b>588.960</b>	<b>3.916.936</b>	<b>74.956</b>
10. Trade payables	1.288.961	117.435	697.584	77.841	517.692	73.685
11. Financial liabilities	2.026.801	80.000	475.216	233.300	1.551.585	--
12a. Other monetary financial liabilities	715	111	659	8	56	--
12b. Other non-monetary financial liabilities	821.201	119.973	712.668	115.336	767.046	--
<b>13. Current liabilities (10+11+12)</b>	<b>4.137.678</b>	<b>317.519</b>	<b>1.886.127</b>	<b>426.485</b>	<b>2.836.379</b>	<b>73.685</b>
14. Trade payables	--	--	--	--	--	--
15. Financial liabilities	--	--	--	--	--	--
16a. Other monetary financial liabilities	1.038	171	1.018	3	20	--
16b. Other non-monetary financial liabilities	2.300.574	427.817	2.541.315	212.269	1.411.719	--
<b>17. Non-current liabilities (14+15+16)</b>	<b>2.301.612</b>	<b>427.988</b>	<b>2.542.333</b>	<b>212.272</b>	<b>1.411.739</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.)

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

<b>FOREIGN EXCHANGE POSITION</b>						
<b>31 December 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>6.439.290</b>	<b>745.507</b>	<b>4.428.460</b>	<b>638.757</b>	<b>4.248.118</b>	<b>73.685</b>
<b>19. Net asset/liability position of off- balance sheet derivative financial instruments (19a-19b)</b>	--	--	--	--	--	--
<b>19a. Hedged total financial assets</b>	--	--	--	--	--	--
<b>19b. Hedged total financial liabilities</b>	--	--	--	--	--	--
<b>20. Net foreign currency asset/liability (9- 18+19)</b>	<b>2.598.544</b>	<b>190.006</b>	<b>1.128.678</b>	<b>(49.797)</b>	<b>(331.182)</b>	<b>1.271</b>
<b>21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10- 11-12a-14-15-16a)</b>	<b>4.935.521</b>	<b>664.133</b>	<b>3.945.086</b>	<b>158.258</b>	<b>1.052.504</b>	<b>(62.069)</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>1.573.783</b>	<b>258.181</b>	<b>1.533.613</b>	<b>4.983</b>	<b>34.149</b>	--
<b>26. Imports</b>	<b>3.543.961</b>	<b>405.543</b>	<b>2.409.006</b>	<b>134.467</b>	<b>894.286</b>	<b>240.669</b>

Accompanying foreign exchange position which was prepared in accordance with TAS is different from the foreign exchange position of the financial statement which is prepared according to General Communiqué on Accounting System Application (GCASA). The difference is mainly due to the adjustments and classifications which are related with TFRS 15 .

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 September 2020

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

### 20. 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 2020, USD 1: TL 7,8080 (31 December 2019: TL 5,9402), EURO 1: TL 9,1281 (31 December 2019: TL 6,6506).

The following table details the Group's sensitivity to a 10 percent increase and decrease in foreign exchange rates. 10 percent is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and presents 10 percent change in foreign currency rates. This analysis does not include Group companies' balance sheet items which have functional currency other than TL. The effects of 10 percent changes in foreign currency rate on financial statements is as follows;

Foreign currency sensitivity table				
30 September 2020				
	Profit/Loss		Equity <sup>1</sup>	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>Change of USD against TL by 10%:</b>				
1- USD denominated net assets/(liabilities)	556.512	(556.512)	556.512	(556.512)
2- Hedged amount against USD risk (-)	--	--	--	--
<b>3- Net effect of USD (1+2)</b>	<b>556.512</b>	<b>(556.512)</b>	<b>556.512</b>	<b>(556.512)</b>
<b>Change of EURO against TL by 10%:</b>				
4- EURO denominated net assets/(liabilities)	26.598	(26.598)	26.598	(26.598)
5- Hedged amount against EURO risk (-)	--	--	--	--
<b>6- Net effect of EURO (4+5)</b>	<b>26.598</b>	<b>(26.598)</b>	<b>26.598</b>	<b>(26.598)</b>
<b>Change of other<sup>2</sup> currencies against TL by 10%:</b>				
7- Other currencies denominated net assets/(liabilities)	(1.348)	1.348	(1.348)	1.348
8- Hedged amount against other currencies risk (-)	--	--	--	--
<b>9- Net effect of other currencies (7+8)</b>	<b>(1.348)</b>	<b>1.348</b>	<b>(1.348)</b>	<b>1.348</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**

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

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

**Foreign currency sensitivity (continued)**

<b>Foreign currency sensitivity table</b>				
<b>31 December 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)	394.509	(394.509)	394.509	(394.509)
2- Hedged amount against USD risk (-)	--	--	--	--
<b>3- Net effect of USD (1+2)</b>	<b>394.509</b>	<b>(394.509)</b>	<b>394.509</b>	<b>(394.509)</b>
<b>Change of EURO against TL by 10%:</b>				
4- EURO denominated net assets/(liabilities)	105.250	(105.250)	105.250	(105.250)
5- Hedged amount against EURO risk (-)	--	--	--	--
<b>6- Net effect of EURO (4+5)</b>	<b>105.250</b>	<b>(105.250)</b>	<b>105.250</b>	<b>(105.250)</b>
<b>Change of other<sup>2</sup> currencies against TL by 10%:</b>				
7- Other currencies denominated net assets/(liabilities)	(6.207)	6.207	(6.207)	6.207
8- Hedged amount against other currencies risk (-)	--	--	--	--
<b>9- Net effect of other currencies (7+8)</b>	<b>(6.207)</b>	<b>6.207</b>	<b>(6.207)</b>	<b>6.207</b>

**21. EVENTS AFTER THE REPORTING PERIOD**

After the reporting period, the Group has signed contracts amounting to 52 Million USD.

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

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