

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

CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS and
INDEPENDENT AUDITOR'S LIMITED
REVIEW REPORT AS OF AND FOR THE
SIX-MONTH PERIOD ENDED 30 JUNE
2021

10 August 2021

This report contains condensed consolidated interim financial information and related disclosures and footnotes comprising 45 pages.

Independent Auditor's Report on Review of Consolidated Interim Financial Statements

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of ASELSAN Elektronik Sanayi ve Ticaret Anonim Şirketi ("the Company") and its subsidiaries (together "the Group") as at 30 June 2021, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period then ended. Management is responsible for the preparation and presentation of these condensed consolidated interim financial information in accordance with Turkish Accounting Standards 34 Interim Financial Reporting ("TAS 34") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibility is to express a conclusion on this condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with TAS 34 "Interim Financial Reporting".

Yeditepe Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.
(Associate member of PRAXITY AISBL)

Mehmet Nadi Abbasoğlu,
Partner
10 August 2021, Istanbul, Turkey

CONTENT**PAGE**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	1-3
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	4-5
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	6
CONSOLIDATED STATEMENT OF CASH FLOWS	7
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.....	8-45

NOTE

1. ORGANIZATION AND OPERATIONS OF THE GROUP	8
2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS	9
3. CASH AND CASH EQUIVALENTS	18
4. RELATED PARTY DISCLOSURES.....	19
5. TRADE RECEIVABLES AND PAYABLES	23
6. INVENTORIES.....	24
7. PREPAID EXPENSES AND DEFERRED INCOME.....	25
8. PROPERTY, PLANT AND EQUIPMENT	26
9. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	27
10. TAX	28
11. COMMITMENTS AND CONTINGENCIES	29
12. EMPLOYEE BENEFITS.....	32
13. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS	34
14. REVENUE AND COST OF SALES.....	36
15. OTHER OPERATING INCOME AND EXPENSES	37
16. FINANCIAL INCOME	37
17. FINANCIAL EXPENSES	37
18. EARNINGS PER SHARE.....	38
19. FINANCIAL LIABILITIES.....	38
20. FOREIGN EXCHANGE POSITION	40
21. EVENTS AFTER THE REPORTING PERIOD	45

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**CONSOLIDATED STATEMENT OF INTERIM FINANCIAL POSITION AS OF 30 JUNE 2021**

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

	Note References	Reviewed 30 June 2021	Audited 31 December 2020
ASSETS			
Current Assets			
Cash and Cash Equivalents	3	2.510.004	4.081.654
Financial Investments		2.952	17.914
Trade Receivables	5	6.987.402	7.146.519
<i>From Related Parties</i>	4	3.682.103	3.486.689
<i>From Third Parties</i>		3.305.299	3.659.830
Other Receivables		538.370	672.391
<i>From Related Parties</i>	4	24.964	75.181
<i>From Third Parties</i>		513.406	597.210
Inventories	6	6.665.005	5.532.703
Prepaid Expenses	7	1.976.847	1.778.726
<i>From Related Parties</i>	4	631.050	586.400
<i>From Third Parties</i>		1.345.797	1.192.326
Other Current Assets		597.679	364.354
		19.278.259	19.594.261
Non-Current Assets			
Financial Investments		1.183.715	1.183.215
Trade Receivables	5	8.619.527	7.469.380
<i>From Related Parties</i>	4	6.398.905	5.893.276
<i>From Third Parties</i>		2.220.622	1.576.104
Other Receivables		2.429	1.235
<i>From Third Parties</i>		2.429	1.235
Equity Accounted Investments		155.472	150.210
Property, Plant and Equipment	8	2.674.455	2.342.223
Intangible Assets	8	1.894.773	1.555.318
Prepaid Expenses	7	409.456	373.625
<i>From Related Parties</i>	4	99.831	72.313
<i>From Third Parties</i>		309.625	301.312
Deferred Tax Assets	10	278.899	352.900
Other Non-Current Assets		1.207.379	1.071.862
		16.426.105	14.499.968
TOTAL ASSETS		35.704.364	34.094.229

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

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF INTERIM FINANCIAL POSITION AS OF 30 JUNE 2021

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

	Note References	Reviewed 30 June 2021	Audited 31 December 2020
LIABILITIES			
Current Liabilities		12.352.774	12.319.765
Short-term Financial Liabilities	19	1.437.425	1.618.175
Short-term Portion of Long-term Financial Liabilities	19	2.891.286	1.388.850
Trade Payables	5	3.103.250	4.251.469
<i>To Related Parties</i>	4	708.042	847.988
<i>To Third Parties</i>		2.395.208	3.403.481
Employee Benefit Obligations		231.925	205.506
Other Payables		451.255	101.022
<i>To Related Parties</i>	4	405.000	87.803
<i>To Third Parties</i>		46.255	13.219
Government Grants and Incentives		27.503	29.513
Deferred Income	7	1.842.206	2.656.573
<i>To Related Parties</i>	4	1.296.462	1.548.603
<i>To Third Parties</i>		545.744	1.107.970
Corporate Tax Liability		894	4.635
Short-term Provisions		2.361.042	2.046.616
<i>For Employee Benefits</i>	12	126.010	108.854
<i>Other</i>	9	2.235.032	1.937.762
Other Current Liabilities		5.988	17.406
Non-Current Liabilities		3.064.709	3.676.361
Long-term Financial Liabilities	19	162.423	883.448
Trade Payables	5	357	311
<i>To Related Parties</i>	4	--	--
<i>To Third Parties</i>		357	311
Other Payables		16.203	36.394
<i>To Third Parties</i>		16.203	36.394
Deferred Income	7	1.925.277	1.764.157
<i>To Related Parties</i>	4	1.643.033	1.314.874
<i>To Third Parties</i>		282.244	449.283
Long-term Provisions		954.086	992.051
<i>Long-term Provisions for Employee Benefits</i>	12	249.499	264.964
<i>Other</i>	9	704.587	727.087
Other Non-Current Liabilities		6.363	--

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

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**CONSOLIDATED STATEMENT OF INTERIM FINANCIAL POSITION AS OF 30 JUNE 2021**

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

	Note References	Reviewed 30 June 2021	Audited 31 December 2020
EQUITY		20.286.881	18.098.103
Equity Attributable to Equity Holders of the Parent		20.040.674	17.881.761
Share Capital	13	2.280.000	2.280.000
Inflation Adjustments on Share Capital Differences	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)		247.020	248.103
<i>Gain on Revaluation of Property, Plant and Equipment</i>		309.535	309.535
<i>Gain/ Loss on Remeasurement of Defined Benefit Plans</i>		(62.515)	(61.432)
Other Cumulative Comprehensive Income / (Expense) will be Reclassified to Profit/Loss		1.186.498	1.164.981
<i>Gain (Loss) on Financial Assets That Fair Value Difference</i>			
<i>Reflect in Other Comprehensive income</i>		1.118.100	1.118.100
<i>Cumulative Translation Adjustments</i>		68.398	46.881
Restricted Reserves	13	538.362	312.371
Retained Earnings		10.354.971	6.531.856
Net Profit for the Year		2.538.479	4.449.106
Non-Controlling Interests		246.207	216.342
TOTAL LIABILITIES AND EQUITY		35.704.364	34.094.229

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

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS and OTHER COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

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

	Notes References	Reviewed 1 January- 30 June 2021	Not Reviewed 1 April- 30 June 2021	Reviewed 1 January- 30 June 2020	Not Reviewed 1 April- 30 June 2020
PROFIT OR LOSS					
Revenue	14	6.974.677	3.801.542	5.230.659	2.635.392
Cost of Sales (-)	14	(4.399.054)	(2.157.648)	(3.676.056)	(1.832.851)
GROSS PROFIT		2.575.623	1.643.894	1.554.603	802.541
General Administrative Expenses (-)		(261.611)	(150.861)	(183.097)	(87.313)
Marketing Expenses (-)		(416.127)	(302.427)	(94.430)	(49.025)
Research and Development Expenses (-)		(191.614)	(148.605)	(138.779)	(82.751)
Other Operating Income	15	2.965.561	1.085.118	2.914.793	1.511.406
Other Operating Expenses (-)	15	(1.754.004)	(770.502)	(1.793.777)	(1.050.777)
OPERATING PROFIT		2.917.828	1.356.617	2.259.313	1.044.081
Income from investing activities		2.150	19	5.312	5.281
Shares of profit/(losses) of Equity Accounted Investees		(7.189)	(2.173)	(9.507)	(1.068)
OPERATING PROFIT BEFORE FINANCIAL EXPENSE		2.912.789	1.354.463	2.255.118	1.048.294
Financial Income	16	434.892	260.202	401.021	236.462
Financial Expense (-)	17	(739.161)	(334.710)	(676.806)	(281.519)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		2.608.520	1.279.955	1.979.333	1.003.237
Tax Income from Continuing Operations	10	(74.476)	25.262	(131.362)	(75.480)
- Current Corporate Tax Expense(-)		(204)	(58)	(3.247)	(1.614)
- Deferred Tax Income		(74.272)	25.320	(128.115)	(73.866)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		2.534.044	1.305.217	1.847.971	927.757
Profit for the Period Attributable to					
Non-Controlling Interest		(4.435)	589	6.344	6.267
Owners of the Company	18	2.538.479	1.304.628	1.841.627	921.490
		2.534.044	1.305.217	1.847.971	927.757
Earnings for per 100 Shares (in full kuruş)	18	111,34	57,22	80,77	40,42

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

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS and OTHER COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

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

Note References	Reviewed 1 January- 30 June 2021	Not Reviewed 1 April- 30 June 2021	Reviewed 1 January- 30 June 2020	Not Reviewed 1 April- 30 June 2020
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS				
Items that will not to be reclassified subsequently in Profit or Loss				
Loss on Remeasurement of Defined Benefit Plans	(1.083)	(1.083)	(10.553)	(10.553)
Deferred Tax Income / (Expense)	(1.354)	(1.354)	(13.191)	(13.191)
	271	271	2.638	2.638
Items that may be reclassified subsequently to profit or loss				
Foreign Currency Exchange Differences	21.517	10.603	5.017	4.542
	21.517	10.603	5.017	4.542
OTHER COMPREHENSIVE INCOME	20.434	9.520	(5.536)	(6.011)
TOTAL COMPREHENSIVE INCOME	2.554.478	1.314.737	1.842.435	921.746
Total Comprehensive Income Attributable to Non-Controlling Interest Owners of the Company				
	(4.435)	589	6.344	6.267
	2.558.913	1.314.148	1.836.091	915.479
	2.554.478	1.314.737	1.842.435	921.746

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

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR AS OF 30 JUNE 2021

(Amounts are expressed in thousands of Turkish Lira ("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			Retained Earnings				
	Share Capital	Inflation Adjustments on Share Capital	Share Issuance Premiums/ (Discounts)	Revaluation Reserves	Remeasurement of Defined Benefit Plans	Gain (Loss) on Financial Assets That Fair Value Difference Reflect in Other Comprehensive income	Translation Reserves	Restricted Reserves	Retained Earnings	Net Profit/(Loss) for the Year	Equity Attributable to Owners of the Company	Non-Controlling Interests	Total
Balance as of 1 January 2020	1.140.000	98.621	2.796.723	207.431	(32.354)	933.298	35.442	276.827	4.701.953	3.340.447	13.498.388	70.511	13.568.899
Transfers	--	--	--	--	--	--	--	35.544	2.969.903	(3.005.447)	--	--	--
Capital Increase	1.140.000	--	--	--	--	--	--	--	(1.140.000)	--	--	--	--
Total Comprehensive Income	--	--	--	--	(10.553)	--	5.017	--	--	1.841.627	1.836.091	6.344	1.842.435
Consolidation Effect of New Company Acquisition	--	--	--	--	--	--	--	--	--	--	--	4.900	4.900
Dividends	--	--	--	--	--	--	--	--	--	(335.000)	(335.000)	--	(335.000)
Balance as of 30 June 2020	2.280.000	98.621	2.796.723	207.431	(42.907)	933.298	40.459	312.371	6.531.856	1.841.627	14.999.479	81.755	15.081.234
Balance as of 1 January 2021	2.280.000	98.621	2.796.723	309.535	(61.432)	1.118.100	46.881	312.371	6.531.856	4.449.106	17.881.761	216.342	18.098.103
Transfers	--	--	--	--	--	--	--	225.991	3.823.115	(4.049.106)	--	--	--
Capital Increase	--	--	--	--	--	--	--	--	--	--	--	--	--
Total Comprehensive Income	--	--	--	--	(1.083)	--	21.517	--	--	2.538.479	2.558.913	(4.435)	2.554.478
Consolidation Effect of New Establishment	--	--	--	--	--	--	--	--	--	--	0	34.300	34.300
Dividends	--	--	--	--	--	--	--	--	--	(400.000)	(400.000)	--	(400.000)
Balance as of 30 June 2021 (Closing Balance)	2.280.000	98.621	2.796.723	309.535	(62.515)	1.118.100	68.398	538.362	10.354.971	2.538.479	20.040.674	246.207	20.286.881

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

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

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

	Note References	Reviewed 30 June 2021	Reviewed 30 June 2020
A.Cash Flows from Operating Activities		(740.368)	(1.211.607)
Profit for the period		2.534.044	1.847.971
Adjustments to Reconcile Profit		1.377.453	1.071.824
- Adjustments for Depreciation and Amortization Expense	8	195.051	135.969
- Adjustments for Impairment Loss		(207)	(36.864)
<i>Adjustments for Impairment Loss of Receivables</i>	5	2.600	(39.850)
<i>Adjustments for Impairment Loss of Inventories</i>	6	(2.807)	2.986
- Adjustments for Provisions		489.240	361.526
<i>Adjustments for Provisions Related with Employee Benefits</i>		48.205	40.860
<i>Adjustments for / (Reversal of) Lawsuit and/or Penalty Provisions</i>		112.838	215.361
<i>Adjustments for Warranty Provisions</i>		195.404	106.450
<i>Adjustments for (Reversal of) Other Provisions</i>		132.793	(1.145)
- Adjustments for Interest (Income) Expenses		(21.861)	(35.332)
<i>Adjustments for Interest Income</i>		(352.742)	(381.967)
<i>Adjustments for Interest Expense</i>		330.881	346.635
- Share of profit/loss of Equity Accounted Investments		7.189	9.507
- Adjustments for Tax Income		74.476	131.362
Other Adjustments for which Cash Effects are Investing or Financing Cash Flow		544.815	321.161
Other Non-Cash Adjustments		88.750	184.495
Changes in Working Capital		(4.433.787)	(3.974.250)
- Adjustments for Decrease (Increase) in Trade Receivables	5	687.040	191.136
- Adjustments for Decrease (Increase) in Other Receivables Related with Operations		132.827	(53.658)
- Adjustments for Decrease (Increase) in Inventories	6	(1.108.184)	(879.560)
- Decrease (Increase) in Prepaid Expenses	7	(268.692)	(117.807)
- Adjustments for Increase (Decrease) in Trade Payables	5	(1.017.401)	(1.473.032)
- Increase (Decrease) in Employee Benefit Obligations		26.419	20.561
- Adjustments for Stage of Completion of Construction or Service Contracts in Progress		(1.651.175)	(991.162)
- Adjustments for Increase (Decrease) in Other Operating Payables		(69.958)	(51.276)
- Increase (Decrease) in Government Grants and Incentives		(2.010)	(4.789)
- Increase (Decrease) in Deferred Income	7	(798.590)	(496.851)
- Adjustments for Other Increase (Decrease) in Working Capital		(364.063)	(117.812)
Cash Flows From Operations		(522.290)	(1.054.455)
Payments Related with Provisions for Employee Benefits		(47.867)	(19.368)
Payments Related with Other Provisions		(166.265)	(124.920)
Income Taxes Refund (Paid)		(3.946)	(12.864)
B.Cash Flows From Investing Activities		(1.103.822)	(788.054)
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		1.139	881
Purchase of Property, Plant and Equipment		(462.819)	(283.603)
Purchase of Intangible Assets	8	(712.202)	(497.900)
Cash Inflows from Derivative Instruments		--	6.039
Dividends Received		--	5.214
Other Cash Inflows (Outflows)		70.060	(18.685)
C.Cash Flows From Financing Activities		55.845	45.141
Proceeds from Borrowings		3.152.762	1.342.953
Repayments of Borrowings		(3.096.917)	(1.297.812)
Dividends Paid		--	--
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES (A+B+C)		(1.788.345)	(1.954.520)
D. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		219.593	89.586
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		(1.568.752)	(1.864.934)
E.CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		4.078.756	3.513.403
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	3	2.510.004	1.648.469

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 2021

(Amounts are expressed in thousands of Turkish Lira ("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, Business Development, Marketing Vice Presidency, Supply Chain Management Vice Presidency and R&D Management Vice Presidency making a total of six Vice Presidencies; in addition to these, there are also Legal Affairs and Private Secreteriat.

The Internal Audit Department and Board of Directors Planning and Coordination Management have been established under the Board of Directors.

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 June 2021, 25,80 percent of the Company's shares are publicly traded (31 December 2020: 25,80 percent) (Note 13).

The Company's trade registry address is Mehmet Akif Ersoy Mahallesi İstiklal Marşı Caddesi No:16 06200 Yenimahalle/Ankara. The average number of personnel employed by the Group as of 30 June 2021 is 9.644 (31 December 2020: 8.692).

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 2021

(Amounts are expressed in thousands of Turkish Lira ("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 four 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") and ASELSAN Elektronik Sanayi ve Ticaret A.Ş. QSTP-B ("ASELSAN Katar") located in South Africa, Macedonia, Turkish Republic of Northern Cyprus ("KKTC") and Qatar, 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 2020 by the POA. All reports have suited the TFRS formats.

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

Approval of the Consolidated Financial Statements

These consolidated financial statements have been approved for issue by the Board of Directors with the resolution number 1119 on 10 August 2021. 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 JUNE 2021

(Amounts are expressed in thousands of Turkish Lira ("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 June 2021	31 December 2020	
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	Defense, 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.

(Amounts are expressed in thousands of Turkish Lira ("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 JUNE 2021

(Amounts are expressed in thousands of Turkish Lira ("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 June 2021 and 31 December 2020 are as follows:

Joint Ventures	Principal Activity	Country of establishment and operation	Group's proportion of ownership and voting power held (%)	
			30 June 2021	31 December 2020
ASELSAN Hassas Optik Sanayi ve Ticaret Anonim Şirketi ("ASELSAN Optik")	Sensitive optic technologies	Turkey	50	50
Mikro Nano Teknolojileri Sanayi ve Ticaret Anonim Şirketi ("ASELSAN Bilkent")	Production of micro and nano sized devices which contains semi-conductive and similar technological materials	Turkey	50	50
International Golden Group ("IGG") ASELSAN Integrated Systems LLC ("IGG ASELSAN")	Production, integration, sales and technical maintenance service of high technology product	United Arab Emirates	49	49
Kazakhstan ASELSAN Engineering LLP ("ASELSAN Kazakhstan")	Production, sales and technical maintenance service of electronic and electro-optic devices and systems	Kazakhstan	49	49
ASELSAN Middle East PSC ("ASELSAN Jordan")	Production, sales and technical maintenance service of electronic and electro-optic devices and systems	Jordan	49	49
TÜYAR Mikroelektronik Sanayi ve Ticaret Anonim Şirketi ("TÜYAR")	Production of micro and nano-sized devices containing semiconductor	Turkey	51	51
BARQ QSTP LLC. ("BARQ QSTP LLC.")	Command and control systems, thermal and night vision camera, crypto, remote-controlled weapon systems	Qatar	48	48
Teknohab Teknoloji Geliştirme Bölgesi Yönetici Anonim Şirketi ("TEKNOHAB")	To create investment opportunities in technology intensive areas, provide job opportunities to researchers and skilled people, help technology transfers and facilitate foreign capital to enter our country that will enable high technology	Turkey	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	--

(Amounts are expressed in thousands of Turkish Lira ("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 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.

The Group's joint ventures; EHSİM established in 1998, IGG ASELSAN and ASELSAN Kazakhstan established in 2011, ASELSAN Jordan established in 2012 and ASELSAN Optik and ASELSAN Bilkent established in 2014, TÜYAR established in 2017, TEKNOHAB established in 2018 and DASAL Havacılık Teknolojileri A.Ş established in 2020 were included in the condensed consolidated financial statements by using the equity method. Since BARQ QSTP LLC and TR Eğitim Teknoloji have not started to operate yet, there is no material consolidation effect on the Group's financial statements.

2.2 Comparative Information and Restatement of Prior Period Consolidated Financial Statements

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

(Amounts are expressed in thousands of Turkish Lira ("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) The new standards, amendments and interpretations which are effective as at January 1, 2021 are as follows:

TFRS 16 COVID-19 Related Rent Concessions for Lessees

On 05 June 2020, POA 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.

IBOR Reform and its Effects on Financial Reporting—Phase 2

In August 2020, IASB issued amendments which is issued by POA in 18 December 2020 that complement those issued in 2019 and focus on the effects of the interest rate benchmark reform on a company's financial statements that arise when, for example, an interest rate benchmark used to calculate interest on a financial asset is replaced with an alternative benchmark rate.

The Phase 2 amendments, Interest Rate Benchmark Reform—Phase 2, address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate (replacement issues). In 2019, the Board issued its initial amendments in Phase 1 of the project.

The objectives of the Phase 2 amendments are to assist companies in:

- Applying TFRS Standards when changes are made to contractual cash flows or hedging relationships because of the interest rate benchmark reform; and
- Providing useful information to users of financial statements.

(Amounts are expressed in thousands of Turkish Lira ("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) The new standards, amendments and interpretations which are effective as at January 1, 2021 are as follows (continued)**

IBOR Reform and its Effects on Financial Reporting—Phase 2 (continued)

In Phase 2 of its project, the Board amended requirements in TFRS 9 Financial Instruments, TAS 39 Financial Instruments: Recognition and Measurement, TFRS 7 Financial Instruments: Disclosures, TFRS 4 Insurance Contracts and TFRS 16 Leases relating to:

- Changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities,
- Hedge accounting, and
- Disclosures.

The Phase 2 amendments apply only to changes required by the interest rate benchmark reform to financial instruments and hedging relationships. The Group shall apply these amendments for annual periods beginning on or after 1 January 2021 with earlier application permitted.

- b) Standards Issued But Not Yet Effective and Not Early Adopted as of 30 June 2021**

TFRS 17 – Insurance Contracts

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

Classification of Liabilities as Current or Non-current (Amendments to TAS 1)

On 23 January 2020, IASB issued "Classification of Liabilities as Current or Non-Current" which amends IAS 1 Presentation of Financial Statements to clarify its requirements for the presentation of liabilities in the statement of financial position which are issued by POA on 12 March 2020 as amendments to TAS 1.

The amendments clarify one of the criteria in TAS 1 for classifying a liability as non-current—that is, the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments include:

- a. Specifying that an entity's right to defer settlement must exist at the end of the reporting period,
- b. Clarifying that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement,
- c. Clarifying how lending conditions affect classification, and
- d. Clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

(Amounts are expressed in thousands of Turkish Lira ("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 June 2021 (continued)

Classification of Liabilities as Current or Non-Current (Amendments to TAS 1) (continued)

The Group shall apply retrospectively these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. However, the amendment published on 15 July 2020, IASB decided to defer the effective date of IAS 1 until 1 January 2023.

Classification of Liabilities as Current or Non-Current - Defers the Effective Date of Amendments to TMS 1

Classification of Liabilities as Current or Non-current effective for annual reporting periods beginning on or after 1 January 2022. However, in response to the covid-19 pandemic, the Board has deferred the effective date by one year to provide companies with more time to implement any classification changes resulting from those amendments. Classification of Liabilities as Current or Non-current is now effective for annual reporting periods beginning on or after 1 January 2023.

The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments of TMS 1.

Reference to the Conceptual Framework (Amendments to TFRS 3)

In July 2020, POA 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, POA 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 recognize such sales proceeds and related cost in profit or loss.

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, POA 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.

(Amounts are expressed in thousands of Turkish Lira ("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 June 2021 (continued)

Amendments to TFRS 16 – Covid-19 Rent Related Concessions

In June 5, 2020, the POA issued amendments to TFRS 16 Leases to provide relief to lessees from applying TFRS 16 guidance on lease modifications to rent concessions arising a direct consequence of the Covid-19 pandemic. In April 7, 2021, POA extended the exemption to include concessions that cause a decrease in lease payments whose maturity expired on or before June 30, 2022.

A lessee will apply the amendment for annual reporting periods beginning on or after 1 April 2021. Early application of the amendments is 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 TFRS 13.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 2021**

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

3. CASH AND CASH EQUIVALENTS

	30 June 2021	31 December 2020
Cash	320	298
Bank		
- <i>Time deposit</i>	2.328.905	3.767.013
- <i>Demand deposit</i>	119.484	224.295
Lease Certificate (Sukuk)	50.000	80.000
Other	11.295	7.150
Cash and cash equivalents on the cash flow statement	2.510.004	4.078.756
Interest income accruals	--	2.898
	2.510.004	4.081.654

As of 30 June 2021, the Group has time deposits denominated in foreign currencies with maturities on July 2021 (31 December 2020: January 2021), with the interest rates between 0,10 percent and 1,50 percent (31 December 2020: 0,25 percent and 2,35 percent) amounting to TL 1.043.472 (31 December 2020: TL 606.150) in several banks.

As of 30 June 2021, the Group has time deposits denominated in TL terms with maturities between July 2021 (31 December 2020: January-March 2021) with the interest rates between 18,00 percent and 19,00 percent (31 December 2020: 14 percent and 18,75 percent) amounting to TL 1.285.433 (31 December 2020: TL 3.160.863) in several banks.

As of 30 June 2021, the Group has leasing certification denominated in TL terms with maturities July 2021 (31 December 2020: January 2021) with the interest rates 18,60 percent (31 December 2020: 17,15 percent) amounting to TL 50.000 (31 December 2020: TL 80.000).

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 2021

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

4. RELATED PARTY DISCLOSURES

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

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

The trade payables to related parties generally arise from the purchase activities with maturities of 1-3 months.

Total amount of salaries and other short-term benefits paid for key management for the period ended 30 June 2021 is TL 18.000 (30 June 2020: 12.500 TL).

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 JUNE 2021

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

4. RELATED PARTY DISCLOSURES (continued)

	30 June 2021									
	Receivables					Payables				
	Short-term			Long-term		Short-term			Long-term	
Balances with related parties	Trading	Prepaid Expenses	Other Receivables	Trading	Prepaid Expenses	Trading	Deferred Income	Other Payables ¹	Trading	Deferred Income
Main shareholder										
TSKGV	51	--	--	--	--	--	--	296.800	--	--
Main shareholder's subsidiaries and associates										
HAVELSAN Hava Elektronik San. ve Tic. Anonim Şirketi ("HAVELSAN")	41.212	56.649	--	10.427	3.972	77.940	318	--	--	32
HAVELSAN Teknoloji Radar San. ve Tic. Anonim Şirketi ("HTR")	11.670	33.487	--	--	9.491	8.794	3.114	--	--	1.403
İşbir Elektrik Sanayii Anonim Şirketi ("İŞBİR")	--	23.440	--	--	618	19.815	--	--	--	--
NETAŞ Telekomünikasyon Anonim Şirketi ("NETAŞ")	--	10.295	--	--	287	34.916	--	--	--	--
Savunma Teknolojileri Mühendislik ve Ticaret Anonim Şirketi ("STM")	189.124	8.058	--	431.921	--	10.151	161.057	--	--	115.632
Türk Havacılık ve Uzay Sanayi ve Ticaret Anonim Şirketi ("TUSAŞ")	176.365	--	--	202.148	--	36	148.379	--	--	276.444
Financial Instruments										
ASPILSAN Enerji Sanayi ve Ticaret Anonim Şirketi ("ASPILSAN")	--	105	--	--	--	14.720	--	--	--	--
ROKETSAN Roket Sanayi ve Ticaret Anonim Şirketi ("ROKETSAN")	408.205	330.887	--	118.119	67.786	434.591	27.440	--	--	65.139
Joint ventures and its related parties										
ASELSAN Bilkent Nano	--	36.021	--	--	496	6.220	--	--	--	--
İhsan Doğramacı Bilkent Üniversitesi	--	575	--	--	--	2.991	--	--	--	--
ASELSAN Optik	8.085	63.644	2.250	--	15.257	16.892	--	--	--	--
IGG	79.231	--	--	4.236	--	--	--	--	--	--
IGG ASELSAN	4.243	1.561	--	--	--	997	--	--	--	--
ASELSAN Kazakistan	59.215	--	--	6.435	--	71	113	--	--	--
ASELSAN Jordan	53.306	--	--	2.258	--	28.538	--	--	--	--
TÜBİTAK BİLGEM	--	21.014	--	--	--	11.065	--	--	--	--
TÜBİTAK-UME	--	256	--	--	--	145	--	--	--	--
TÜBİTAK BİLİMSEL TEKNOLOJİK ARAŞTIRMA	40.876	3.043	--	128.128	1.924	1.516	5.890	--	--	11.993
TÜBİTAK SAGE Savunma Sanayii	--	41.064	--	8.761	--	36.238	--	--	--	--
TÜBİTAK UZAY TEKNOLOJİLERİ	96	--	--	--	--	--	--	--	--	--
Savunma Sanayi Başkanlığı ("SSB")	2.604.374	--	--	5.486.472	--	--	950.151	--	--	1.172.390
Ankaref Bilişim Teknolojileri Ltd.Şti.	--	--	128	--	--	--	--	--	--	--
SSTEK	6.050	--	22.586	--	--	--	--	5.000	--	--
EHSİM	--	951	--	--	--	2.143	--	--	--	--
DASAL	--	--	--	--	--	263	--	--	--	--
Equity Issue	--	--	--	--	--	--	--	103.200	--	--
	3.682.103	631.050	24.964	6.398.905	99.831	708.042	1.296.462	405.000	--	1.643.033

¹ Other payables mainly comprised of dividends payable for the year ended 31 December 2020

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 2021

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

4. RELATED PARTY DISCLOSURES (continued)

Balances with related parties	31 December 2020									
	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
Main shareholder										
TSKGV	52	--	--	--	--	--	--	--	--	--
Main shareholder's subsidiaries and associates										
HAVELSAN Hava Elektronik San. ve Tic. Anonim Şirketi ("HAVELSAN")	36.215	43.453	--	862	7.365	99.826	528	--	--	--
HAVELSAN Teknoloji Radar San. ve Tic. Anonim Şirketi ("HTR")	1.213	39.266	--	--	--	26.885	1.683	--	--	2.245
İşbir Elektrik Sanayii Anonim Şirketi ("İŞBİR")	--	32.205	--	--	--	21.441	--	--	--	--
NETAŞ Telekomünikasyon Anonim Şirketi ("NETAŞ")	--	15.405	--	--	4.206	70.695	--	--	--	--
Savunma Teknolojileri Mühendislik ve Ticaret Anonim Şirketi ("STM")	124.672	4.772	--	311.625	--	19.143	--	--	--	9.656
Türk Havacılık ve Uzay Sanayi ve Ticaret Anonim Şirketi ("TUSAŞ")	219.235	40	--	219.908	--	324	45.160	--	--	224.140
Financial Instruments										
ASPİLSAN Enerji Sanayi ve Ticaret Anonim Şirketi ("ASPİLSAN")	--	256	--	--	--	11.092	--	--	--	--
ROKETSAN Roket Sanayi ve Ticaret Anonim Şirketi ("ROKETSAN")	268.176	308.928	--	93.602	53.593	374.567	37.391	--	--	77.983
Joint ventures and its related parties										
ASELSAN Bilkent Nano	--	25.593	--	--	3.939	29.601	--	--	--	--
İhsan Doğramacı Bilkent Üniversitesi	--	833	--	--	--	2.967	--	--	--	--
ASELSAN Optik	6.729	78.184	1.550	--	--	44.791	--	--	--	--
IGG	68.260	--	--	4.236	--	--	--	--	--	--
IGG ASELSAN	10.721	1.561	--	--	--	6.048	--	--	--	--
ASELSAN Kazakistan	47.720	--	--	6.270	--	60	322	--	--	--
ASELSAN Jordan	70.416	--	--	2.258	--	47.569	--	--	--	--
TÜBİTAK BİLGEM	--	9.508	--	--	359	25.739	--	--	--	--
TÜBİTAK-UME	--	161	--	--	--	145	--	--	--	--
TÜBİTAK BİLİMSEL TEKNOLOJİK ARAŞTIRMA	14.173	4.506	--	138.414	--	3.574	1.300	--	--	11.067
TÜBİTAK SAGE Savunma Sanayii	--	21.128	--	6.041	2.851	59.995	660	--	--	--
TÜBİTAK UZAY TEKNOLOJİLERİ	--	--	--	--	--	--	--	--	--	--
Savunma Sanayi Başkanlığı ("SSB")	2.603.849	--	--	5.110.060	--	--	1.461.559	--	--	989.783
SSTEK	14.549	--	73.631	--	--	--	--	5.000	--	--
DASAL	--	--	--	--	--	1.448	--	--	--	--
EHSİM	--	601	--	--	--	2.078	--	--	--	--
SADEC LLC	709	--	--	--	--	--	--	--	--	--
Equity Issue								82.803		
	3.486.689	586.400	75.181	5.893.276	72.313	847.988	1.548.603	87.803	--	1.314.874

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 2021

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

4. RELATED PARTY DISCLOSURES (continued)

	1 January- 30 June 2021	1 April- 30 June 2021	1 January- 30 June 2020	1 April- 30 June 2020
Transactions with related parties	Purchases	Purchases	Purchases	Purchases
Main Shareholder				
TSKGV	306	--	540	270
Main shareholder's shareholders/subsidiaries/associates				
NETAŞ	23.870	12.628	59.572	38.897
İŞBİR	36.794	22.315	22.711	13.161
HTR	30.248	9.325	40.966	25.344
TUSAŞ	254	88	260	260
HAVELSAN	11.900	11.580	1.510	--
STM	12.124	10.628	8.452	7.910
Financial Investments				
ROKETSAN	22.101	14.855	8.387	4.869
ASPİLSAN	33.007	20.902	15.493	10.640
Joint ventures and its related parties				
İhsan Doğramacı Bilkent Üniversitesi	6.244	3.186	3.905	2.556
TÜBİTAK BİLGEM	13.446	1.789	21.495	6.141
TÜBİTAK-UME	--	--	145	145
TÜBİTAK BİLİMSEL TEKNOLOJİK ARAŞTIRMA	2.485	1.705	620	--
DASAL	310	310	--	--
TÜBİTAK-SAGE Savunma Sanayii	15.565	8.942	12.359	6.361
	208.654	118.253	196.415	116.554
	1 January- 30 June 2021	1 April- 30 June 2021	1 January- 30 June 2020	1 April- 30 June 2020
Transactions with related parties	Sales	Sales	Sales	Sales
Main Shareholder				
TSKGV	249	127	155	70
Main shareholder's shareholders/subsidiaries /associates				
TUSAŞ	166.244	31.775	262.257	192.865
STM	25.480	12.768	55.981	35.952
HAVELSAN	25.828	1.149	4.060	2.833
HAVELSAN EHSİM	--	--	--	--
HTR	10.522	6.701	5.604	2.856
İŞBİR	175	175	--	--
TEI	--	--	747	747
Financial Investments				
ASPİLSAN	--	--	575	--
ROKETSAN	165.644	72.861	130.238	87.032
Joint ventures and its related parties				
TÜBİTAK BİLGEM	--	--	52	52
TÜBİTAK BİLİMSEL TEKNOLOJİK ARAŞTIRMA	13.858	6.619	22.667	20.731
TÜBİTAK-SAGE Savunma Sanayii	--	--	3.369	1.345
TÜBİTAK UZAY TEKNOLOJİLERİ	86	86	171	106
Savunma Sanayi Başkanlığı	3.671.247	1.959.999	2.656.434	1.745.438
DASAL	7	7	--	--
SSTEK	3.312	3.312	47.595	--
	4.082.652	2.095.579	3.189.905	2.090.027

Transactions with related parties are generally related to the purchases and sales of goods and services related to projects under TFRS 15.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 2021**

(Amounts are expressed in thousands of Turkish Lira ("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:

	30 June 2021	31 December 2020
Short-term trade receivables		
Trade receivables	3.280.894	3.639.819
Trade receivables from related parties (Note 4)	3.682.103	3.486.689
Notes receivable	24.373	20.011
Other receivable	32	--
Doubtful trade receivables	25.042	22.442
Allowance for doubtful trade receivables (-)	(25.042)	(22.442)
	6.987.402	7.146.519

	30 June 2021	31 December 2020
Long-term trade receivables		
Unbilled receivables from contracts with customers	1.971.835	1.358.501
Trade receivables	248.390	217.603
Notes receivables	397	--
Unbilled receivables from contracts with customers - Related party (Note 4)	6.390.317	5.886.034
Trade receivables from related parties (Note 4)	8.588	7.242
	8.619.527	7.469.380

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

	30 June 2021	30 June 2020
Opening balance	22.442	58.960
Provision for the period	2.600	--
Provisions no longer required	--	(39.850)
Closing balance	25.042	19.110

Receivables from public sector represent the receivables are due from the Presidency of Defense Industry and other public entities. The Group's operations are based on contracts and no other collaterals are obtained from the customers.

b) Trade payables

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

	30 June 2021	31 December 2020
Short-term trade payables		
Trade payables	2.171.501	2.640.978
Due to related parties (Note 4)	708.042	847.988
Notes Payable	214.591	743.932
Other trade payables	9.116	18.571
	3.103.250	4.251.469

	30 June 2021	31 December 2020
Long-term trade payables		
Other trade payables	357	311
	357	311

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 2021**

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

6. INVENTORIES

	30 June 2021	31 December 2020
Raw materials	3.079.260	2.531.001
Work in progress	2.435.906	2.198.693
Goods in transit ¹	252.009	284.201
Finished goods	724.596	403.829
Other inventories	142.790	75.805
Trade goods	48.792	60.329
Allowance for impairment on inventories (-)	(18.348)	(21.155)
	6.665.005	5.532.703

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 below net realizable value within the current year.

Impaired inventory movements for the period ended in 30 June are as follows:

	2021	2020
Opening balance	21.155	15.828
Provision for the period	--	2.986
Provision released	(2.807)	--
Closing balance	18.348	18.814

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

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 2021**

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

7. PREPAID EXPENSES AND DEFERRED INCOME

	30 June 2021	31 December 2020
Short-term prepaid expenses		
Order advances given for inventory purchases	926.216	845.857
Short-term order advances given to related parties for inventory purchases (Note 4)	631.050	586.400
Work advances	201.483	113.278
Prepaid expenses	218.098	233.191
	1.976.847	1.778.726

	30 June 2021	31 December 2020
Long-term prepaid expenses		
Long-term order advances given to related parties for inventory purchases (Note 4)	99.831	72.313
Order advances given for inventory purchases	189.529	134.384
Order advances given for fixed assets purchases	100.152	134.894
Prepaid expenses	19.944	32.034
	409.456	373.625

	30 June 2021	31 December 2020
Short-term deferred income		
Order advances received	397.184	230.881
Order advances received from related parties (Note 4)	1.296.462	1.548.603
Deferred income	148.560	877.089
	1.842.206	2.656.573

	30 June 2021	31 December 2020
Long-term deferred income		
Order advances received	244.692	321.721
Order advances received from related parties (Note 4)	1.643.033	1.314.874
Deferred income	37.552	127.562
	1.925.277	1.764.157

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 2021

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

8. PROPERTY, PLANT AND EQUIPMENT

Cost	Property, Plant and Equipment	Intangible Assets
Opening balance as of 1 January 2021	3.592.172	2.196.953
Additions	464.916	712.126
Disposals	(48.230)	(294.310)
Transfers	(76)	76
Closing balance as of 30 June 2021	4.008.782	2.614.845
Accumulated Depreciation and Amortisation		
Opening balance as of 1 January 2021	1.249.949	641.635
Change for the period ¹	132.463	83.899
Disposals	(48.085)	(5.462)
Closing balance as of 30 June 2021	1.334.327	720.072
Net book value as of 30 June 2021	2.674.455	1.894.773
Net book value as of 31 December 2020	2.342.223	1.555.318
Cost		
Opening balance as of 1 January 2020	2.626.647	1.781.226
Additions	284.774	497.900
Disposals	(1.038)	(270.233)
Closing balance as of 30 June 2020	2.910.383	2.008.893
Accumulated Depreciation and Amortisation		
Opening balance as of 1 January 2020	1.052.716	504.648
Change for the period	86.581	65.315
Disposals	(254)	--
Closing balance as of 30 June 2020	1.139.043	569.963
Net book value as of 30 June 2020	1.771.340	1.438.930
Net book value as of 31 December 2019	1.573.931	1.276.578

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

¹ The amount of amortization related to inventories are TL 21.311 in the year 2021 (June 2020: TL 15.927)

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 2021

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

9. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

	30 June 2021	31 December 2020
Other short-term provisions		
Provision for warranties ¹	1.102.956	1.045.215
Provision for onerous contracts	439.749	483.283
Provision for delay penalties ²	524.854	368.124
Provision for sales commission expenses	130.736	--
Provision for legal cases	21.528	27.990
Provision for cost expenses	10.885	11.820
Other	4.324	1.330
	2.235.032	1.937.762
Other long-term provisions		
Provision for delay penalties	76.195	66.357
Provision of onerous contracts	628.392	660.730
	704.587	727.087

b) Legal cases

There has not been any final judicial decision against the Group due to the violation of employee rights within 2021. There has not been any final judicial decision against the Group due to the responsibility related with work accidents within 2020.

As of the dates 30 June 2021 and 31 December 2020, according to the declarations written by the legal counselors, the lawsuits and legal executions in favor of and against the Group are as follows:

	2021	2020
a) Ongoing lawsuits filed by the Group	122.687	109.899
b) Execution proceedings carried out by the Group	298.125	260.595
c) Ongoing lawsuits filed against the Group	21.528	27.990
d) Executions against the Group	4.769	2.888
e) Lawsuits finalized against the Group within the period	9.845	3.294
f) Lawsuits finalized in favor of the Group within the period	958	1.432

- 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.
- 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.
- 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.
- Executions against the Group are not included in Financial Statements.
- 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.
- Lawsuits finalized in favor of the Group are recognised in statement of profit or loss and other comprehensive income under "Other Operating Income" line when the final judgement is determined.

¹ The Group's provision for warranty is based on sales under warranty are estimated in accordance with historical data. Provision for warranty is calculated by using warranty rate included in the contract as long as the invoice issued throughout the life of the Contract

² Provision for delay penalties and fines are calculated in accordance with interest rates mentioned in the agreement for default and within the client's knowledge.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 2021**

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

10. TAX

"Deferred Tax Assets" of the Group as of 30 June 2021 is TL 278.899. The amount is comprised of the items below.

	30 June 2021	31 December 2020
Carried Forward R&D Incentives Effect	756.181	587.234
Temporary Differences	(477.282)	(234.334)
Deferred Tax Assets - Net	278.899	352.900

The earnings gained within the scope of Technology Development Zones Law numbered 4691 and the Support of Research and Development Activities Law numbered 5746 were exempted from corporate tax until 31 December 2028.

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 June 2021 period the Group has calculated "Deferred Tax Asset" amounting to TL 708.598 from Research and Development expenses comprising "Outstanding Research and Development Deductions".

	30 June 2021	30 June 2020
Profit before tax from continuing operations	2.608.520	1.979.333
Tax (expense)/income recognized in profit or loss	(74.476)	(131.362)
Effective tax rate	(3%)	(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 in the previous years, but some 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 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 2021

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

11. COMMITMENTS AND CONTINGENCIES

a) Guarantees received

	30 June 2021	31 December 2020
Letters of guarantees received from the suppliers	2.831.880	2.545.759
Collaterals received from the customers	31.094	27.024
Letters of guarantees received from the customers	16.357	19.655
Collaterals received from the suppliers	206.779	106.909
Letters of guarantees received from the suppliers	25.818	25.818
Mortgages received from the customers	--	265
	3.111.928	2.725.430

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

The collaterals/pledges/mortgages ("CPM") given by the Group as of 30 June 2021 and 31 December 2020 is as follows:

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 294.750.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 2021

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

11. COMMITMENTS AND CONTINGENCIES (continued)
b) Guarantees given (continued)

30 June 2021	TL Equivalent	TL	USD	EURO	UAE Dirham	Polish Zloty	Indian Rupee	British Pound	Tunisian Dinar
A. Total amount of CPM given on behalf of the legal entity									
<i>-Collateral</i>	26.619.758	6.506.740	1.208.344	924.841	--	1.000	10.000	--	25
<i>-Pledge</i>	--	--	--	--	--	--	--	--	--
<i>-Mortgage</i>	--	--	--	--	--	--	--	--	--
B. Total amount of CPM given on behalf of the subsidiaries included in full consolidation									
<i>-Collateral</i>	--	--	--	--	--	--	--	--	--
<i>-Pledge</i>	--	--	--	--	--	--	--	--	--
<i>-Mortgage</i>	--	--	--	--	--	--	--	--	--
C. Total amount of CPM given to maintain operations and collect payables from third parties									
<i>-Collateral</i>	--	--	--	--	--	--	--	--	--
<i>-Pledge</i>	--	--	--	--	--	--	--	--	--
<i>-Mortgage</i>	--	--	--	--	--	--	--	--	--
D. Total amount of other CPM given									
i. Total Amount of CPM on behalf of the main partner									
<i>-Collateral</i>	--	--	--	--	--	--	--	--	--
<i>-Pledge</i>	--	--	--	--	--	--	--	--	--
<i>-Mortgage</i>	--	--	--	--	--	--	--	--	--
ii. Total amount of CPM given on behalf of other group companies that do not cover B and C ¹									
<i>-Collateral</i>	20.109	--	3.069	--	--	--	--	--	--
<i>-Pledge</i>	--	--	--	--	--	--	--	--	--
<i>-Mortgage</i>	--	--	--	--	--	--	--	--	--
iii. Total amount of CPM on behalf of third parties that do not cover									
<i>-Collateral</i>	--	--	--	--	--	--	--	--	--
<i>-Pledge</i>	--	--	--	--	--	--	--	--	--
<i>-Mortgage</i>	--	--	--	--	--	--	--	--	--
Total	26.639.867	6.506.740	1.211.413	924.841	--	1.000	10.000	--	25

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

¹ The ratio of the other CPM given by the Group to equity as of 30 June 2021 is 0,10 percent. TL 20.109 is the collateral amount pertaining to guarantee letter given on behalf of the entity's joint venture ASELSAN Bilkent.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 2021

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

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

<u>31 December 2020</u>	<u>TL Equivalent</u>	<u>TL</u>	<u>USD</u>	<u>EURO</u>	<u>UAE Dirham</u>	<u>Polish Zloty</u>	<u>Indian Rupee</u>	<u>British Pound</u>	<u>Tunisian Dinar</u>
A. Total amount of CPM given on behalf of the legal entity									
-Collateral	23.612.275	6.650.560	1.245.021	868.214	--	1.000	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 ¹									
-Collateral	22.529	--	3.069	--	--	--	--	--	--
-Pledge	--	--	--	--	--	--	--	--	--
-Mortgage	--	--	--	--	--	--	--	--	--
iii. Total amount of CPM on behalf of third parties that do not cover									
-Collateral	--	--	--	--	--	--	--	--	--
-Pledge	--	--	--	--	--	--	--	--	--
-Mortgage	--	--	--	--	--	--	--	--	--
Total	23.634.804	6.650.560	1.248.090	868.214	--	1.000	10.000	--	25

The Group is responsible as joint guarantor for the portion amounting to EURO 2,5 Million of investment credit amounting to EURO 5 Million which will be used by ASELSAN Optik , the Group's joint venture. As of 31 December 2020, the Aselsan guarantee for the Ziraat Bank credit risk of BİTES is 1.683 TL, in line with the 51% capital share ratio.

¹ The ratio of the other CPM given by the Group to equity as of 31 December 2020 is 0,12 percent. TL 22.529 is the collateral amount pertaining to guarantee letter given on behalf of the entities' joint venture ASELSAN Bilkent.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 2021

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

12. EMPLOYEE BENEFITS

a) Short-term provisions for employee benefits

	30 June 2021	31 December 2020
Provision for vacation pay and overtime	126.010	108.854

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

	2021	2020
Opening balance	108.854	72.819
Provision for the period	36.672	33.709
Provision paid during the period	(16.981)	(11.508)
Provision realized during the period	(2.535)	(3.238)
Closing balance	126.010	91.782

b) Long-term provisions for employee benefits

	30 June 2021	31 December 2020
Provision for severance pay	249.499	245.256
Provision for retirement pay	--	19.708
	249.499	264.964

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

	2021	2020
Opening balance	264.964	225.731
Actuarial Loss/Gain	1.354	13.191
Interest cost	4.124	3.214
Service cost	8.918	7.175
Payments	(29.861)	(7.860)
Closing balance	249.499	241.451

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 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 2021

(Amounts are expressed in thousands of Turkish Lira ("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 June 2021 severance payments are calculated on the basis of 30 days' pay, limited to a ceiling of TL 7.638,96¹ (31 December 2020: TL 7.117,17^{Error! Bookmark not defined.})

The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees. TAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the entity's obligation under defined benefit plans.

Provision for retirement grant:

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

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

	30 June 2021	31 December 2020
	(%)	(%)
Interest rate	13,60	13,60
Inflation rate	9,90	9,90
Discount ratio	3,37	3,37
Estimation of probability of retirement ratio	97	97

¹ Amounts are shown in original Turkish Lira values.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 2021

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

13. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Capital

<u>Shareholders</u>	<u>Share (%)</u>	<u>30 June 2021</u>	<u>Share (%)</u>	<u>31 December 2020</u>
TSKGV	74,20	1.691.652	74,20	1.691.652
Publicly held	25,80	588.348	25,80	588.348
Nominal capital	100	2.280.000	100	2.280.000
Share capital adjustment		98.621		98.621
Inflation adjusted capital		2.378.621		2.378.621

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

As of 30 June 2021, The Group's restricted reserves set aside from profit comprises legal reserves. The total of the Group's legal reserves are TL 538.362 (31 December 2020: TL 312.371).

Retained Earnings

Accumulated profits apart from net profit for the year and extraordinary reserves which is accumulated profit by nature are shown under retained earnings. As of 30 June 2021 the extraordinary reserves balance presented in retained earnings is TL 8.485.856 (31 December 2020: TL 5.164.028). According to the statutory records, the Company's profit for the period is TL 1.120.726 (31 December 2020: TL 3.947.820) and its other funds available for profit distribution is TL 8.533.313 (31 December 2020: TL 5.211.369) and the details are as followings.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 2021

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

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

Profit distribution

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

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

On 29 June 2021, in accordance with the consolidated financial statements, the General Assembly of the Company has decided to allocate legal reserve amounting to TL 225.991 of the TL 3.947.820 which is based on the profit distribution, and to distribute TL 400.000 in cash to shareholders for dividend payment, and the remaining TL 3.321.829 to be within the Group. Thus, the cash gross dividend amount for TL 1 nominal value per share is Kuruş 17,54 net (31 December 2020: Kuruş 14,69 net).

Within 2021, dividend amounting to TL 400.000 in gross, 17,54 Kuruş per share of TL 1 (net profit amounting to TL 340.000, 14,91 Kuruş per share of TL 1) will be paid to shareholders. (31 December 2020: TL 335.000 in gross, 14,69 Kuruş per share of TL 1 (TL 284.750 in gross, 12,49 Kuruş per share of TL 1) was paid).

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 2021

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

14. REVENUE AND COST OF SALES

	1 January- 30 June 2021	1 April- 30 June 2021	1 January- 30 June 2020	1 April- 30 June 2020
a) Revenue				
Domestic sales	6.478.884	3.505.587	4.991.763	2.542.530
Export sales	495.793	295.955	238.896	92.862
	6.974.677	3.801.542	5.230.659	2.635.392
Revenue Recognized Regarding Performance Obligation				
Over time	5.757.907	3.435.239	3.775.698	1.971.711
Point in time	1.216.770	366.303	1.454.961	663.681
	6.974.677	3.801.542	5.230.659	2.635.392
b) Cost of Sales (-)				
Cost of raw materials and supplies (-)	3.347.591	1.599.843	3.090.638	1.696.826
Cost of merchandise goods sold (-)	98.847	63.175	53.352	28.350
Cost of services sold (-)	862.339	460.411	382.448	39.880
Cost of other sales (-)	90.277	34.219	149.618	67.795
	4.399.054	2.157.648	3.676.056	1.832.851

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 2021

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

15. OTHER OPERATING INCOME AND EXPENSES

	1 January- 30 June 2021	1 April- 30 June 2021	1 January- 30 June 2020	1 April- 30 June 2020
a) Other Operating Income				
Foreign currency exchange differences from operations	2.751.550	1.043.895	2.845.101	1.504.692
Amortized cost effect of trade payables	130.774	(1.591)	44.365	(4.103)
Other income	83.237	42.814	25.327	10.817
	2.965.561	1.085.118	2.914.793	1.511.406
b) Other Operating Expense (-)				
Foreign currency exchange differences from operations	1.437.143	678.237	1.717.367	1.025.995
Amortized cost effect of trade receivables	260.807	57.433	50.139	9.963
Other expense and losses	56.054	34.832	26.271	14.819
	1.754.004	770.502	1.793.777	1.050.777

16. FINANCIAL INCOME

	1 January- 30 June 2021	1 April- 30 June 2021	1 January- 30 June 2020	1 April- 30 June 2020
Interest income	128.694	54.947	33.488	10.778
TFRS 15 Financial component interest income	215.032	161.947	332.693	211.812
Foreign currency exchange gain from bank loans	91.166	43.308	34.840	13.872
	434.892	260.202	401.021	236.462

17. FINANCIAL EXPENSES

	1 January- 30 June 2021	1 April- 30 June 2021	1 January- 30 June 2020	1 April- 30 June 2020
Interest cost of borrowings	37.591	17.448	16.414	4.072
TFRS 15 Interest cost of borrowings from financial component	70.074	53.509	296.496	148.748
Foreign currency exchange losses from bank loans	627.372	261.695	360.682	127.106
Interest cost related with employee benefits	4.124	2.058	3.214	1.593
	739.161	334.710	676.806	281.519

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 2021

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

18. EARNINGS PER SHARE

Earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the six months period. The Group does not have diluted shares.

For the years ended 30 June 2021 and 2020, earnings per share calculations are as follows:

	1 January- 30 June 2021	1 April- 30 June 2021	1 January- 30 June 2020	1 April- 30 June 2020
Common stock (thousand)	2.280.000	2.280.000	2.280.000	2.280.000
Net profit – TL	2.538.479	1.304.628	1.841.627	921.490
Earnings per 100 shares (Kuruş)	111,34	57,22	80,77	40,42
Diluted Earnings per 100 shares (Kuruş)	111,34	57,22	80,77	40,42

19. FINANCIAL LIABILITIES

Financial Liabilities

		30 June 2021	31 December 2020
Short-term financial liabilities	Unsecured loan	1.285.819	1.521.433
Other short-term financial liabilities	Unsecured loan	151.606	96.742
Current portion of long-term financial liabilities	Unsecured loan	2.891.286	1.388.850
Total short-term financial liabilities		4.328.711	3.007.025
Other long-term financial liabilities	Unsecured loan	162.423	883.448
Total long-term financial liabilities		162.423	883.448
Total financial liabilities		4.491.134	3.890.473

As of 30 June 2021, TL 1.285.819 of the short term financial borrowings are EUR rediscount credits, which have maturity dates due between July 2021 -June 2022 and interest rates between 0,60 – 2,85 percent. The remaining of the short term other financial liabilities TL 151.606 consist of loans borrowed for social security payments with 45 days maturity and interest rate of 0,7 percent from Ziraat Bank. Current portions of long-term financial liabilities are consist of EUR rediscount credits which have amounted to TL 2.591.125 with interest rates between 0,60 – 2,10. Moreover, TL 300.161 is consisted of Dollar credit which has maturity date between August 2021 and February 2022 with interest rate 2,2225 percent.

As of 30 June 2021, TL 138.767 is consisted of USD rediscount credits which have maturity date due August 2022 with floating interest rates depended on LIBOR. The remaning of the long term financial liabilities consist of investment loans.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 2021

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

19. FINANCIAL LIABILITIES (continued)

Financial Liabilities (continued)

As of 31 December 2020, TL 1.221.433 of the short term financial borrowings are EUR rediscount credits, which have maturity dates due between May 2021 -August 2021 and interest rates between 0,50 – 2,00 percent. As of 31 December 2020, TL 300.000 is TL Rediscount Credits, which have maturity dates due between May 2021 -June 2021 and has interest rate between 7,08 -7,25 percent. The remaining 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. Current portions of long-term financial liabilities are consist of EUR rediscount credits which have amounted to TL 1.266.508 with interest rates between 0,60 - 0,80. Moreover, TL 122.342 is consisted of Dollar credit which has maturity date due August 2021 with interest rate 2,29 percent.

As of 31 December 2020, TL 638.765 of the long term financial borrowings are EUR rediscount credits, which have maturity dates due between April 2022 - August 2022 with interest rates 0,75 percent. Also, TL 244.683 is consisted of USD rediscount credits which have maturity date due August 2022 with floating interest rates depended on LIBOR.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 2021

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

20. FOREIGN EXCHANGE POSITION

30 June 2021	TL Equivalent (Functional currency)	USD	TL equivalent by using closing rates	EURO	TL equivalent by using closing rates	Other ¹
1. Trade receivables	5.180.800	392.114	3.403.694	170.891	1.764.438	12.668
2a. Monetary financial assets (including cash, bank)	1.047.031	34.085	295.876	72.306	746.554	4.601
2b. Non- monetary financial assets	941.249	52.580	456.409	56.560	583.981	124.749
3. Other	33.580	3.140	27.258	610	6.290	32
4. Current assets (1+2+3)	7.202.660	481.919	4.183.237	300.367	3.101.263	142.050
5. Trade receivables	6.496.171	483.740	4.199.012	222.487	2.297.159	--
6a. Monetary trade receivables	--	--	--	--	--	--
6b. Non-monetary trade receivables	333.378	1.092	9.477	80.284	828.926	9.107
7. Other	44.475	1.990	17.272	2.206	22.770	4.433
8. Long-term assets (5+6+7)	6.874.024	486.822	4.225.761	304.977	3.148.855	13.540
9. Total assets (4+8)	14.076.684	968.741	8.408.998	605.344	6.250.118	155.590
10. Trade payables	1.211.659	67.671	588.471	54.964	568.517	54.671
11. Financial liabilities	4.158.332	33.333	289.863	374.000	3.868.469	--
12a. Other monetary financial liabilities	1.248	125	1.086	16	162	--
12b. Other non-monetary financial liabilities	1.671.812	249.114	2.162.380	146.642	1.514.069	--
13. Current liabilities (10+11+12)	7.043.051	350.243	3.041.800	575.622	5.951.217	54.671
14. Trade payables	--	--	--	--	--	--
15. Financial liabilities	144.932	16.667	144.932	--	--	--
16a. Other monetary financial liabilities	1.394	146	1.275	12	119	--
16b. Other non-monetary financial liabilities	0	190.595	1.654.419	113.801	1.174.989	--
17. Non-current liabilities (14+15+16)	146.326	207.408	1.800.626	113.813	1.175.108	--

¹ Other currencies comprise CAD, CHF, GBP, JPY, AUD, DKK, ZAR, AED, PHP, SAR.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 2021

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

20. FOREIGN EXCHANGE POSITION (continued)

FOREIGN EXCHANGE POSITION						
30 June 2021	TL Equivalent (Functional currency)	USD	TL equivalent by using closing rates	EURO	TL equivalent by using closing rates	Other¹
18. Total liabilities (13+17)	7.189.377	557.651	4.842.426	689.435	7.126.325	54.671
19. Net asset/liability position of off- balance sheet derivative financial instruments (19a-19b)	--	--	--	--	--	--
19a. Hedged total financial assets	--	--	--	--	--	--
19b. Hedged total financial liabilities	--	--	--	--	--	--
20. Net foreign currency asset/liability (9- 18+19)	6.887.307	411.090	3.566.572	(84.091)	(876.207)	100.919
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10- 11-12a-14-15-16a)	7.206.437	791.997	6.872.955	36.692	370.884	(37.402)
22. Fair value of derivative financial instruments used in foreign currency hedge	--	--	--	--	--	--
23. Hedged foreign currency assets	--	--	--	--	--	--
24. Hedged foreign currency liabilities	--	--	--	--	--	--
25. Exports	495.793	14.407	114.835	11.891	118.862	262.096
26. Imports	2.226.039	173.221	1.503.610	59.233	611.574	110.855

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.

¹ Other currencies comprise CAD, CHF, GBP, JPY, AUD, DKK, ZAR, AED, PHP, SAR.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 2021

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

20. FOREIGN EXCHANGE POSITION (continued)

FOREIGN EXCHANGE POSITION						
31 December 2020	TL Equivalent (Functional currency)	USD	TL equivalent by using closing rates	EURO	TL equivalent by using closing rates	Other¹
1. Trade receivables	5.218.519	451.080	3.311.153	210.535	1.896.476	10.890
2a. Monetary financial assets (including cash, bank)	708.690	69.039	506.782	21.985	198.044	3.864
2b. Non- monetary financial assets	575.245	52.316	384.026	28.905	260.371	60.099
3. Other	78.674	3.370	24.735	5.985	53.911	28
4. Current assets (1+2+3)	6.581.128	575.805	4.226.696	267.410	2.408.802	74.881
5. Trade receivables	5.449.954	487.910	3.581.501	207.424	1.868.453	--
6a. Monetary trade receivables	--	--	--	--	--	--
6b. Non-monetary trade receivables	339.959	1.362	10.000	82.297	741.323	7.591
7. Other	8.933	679	4.981	438	3.945	7
8. Long-term assets (5+6+7)	5.798.846	489.951	3.596.482	290.159	2.613.721	7.598
9. Total assets (4+8)	12.379.974	1.065.756	7.823.178	557.569	5.022.523	82.479
10. Trade payables	1.292.674	92.035	675.581	65.310	588.305	28.788
11. Financial liabilities	2.590.506	16.667	122.342	274.000	2.468.164	--
12a. Other monetary financial liabilities	965	121	889	8	76	--
12b. Other non-monetary financial liabilities	425.925	89.316	655.625	115.665	1.041.903	--
13. Current liabilities (10+11+12)	4.310.070	198.139	1.454.437	454.983	4.098.448	28.788
14. Trade payables	--	--	--	--	--	--
15. Financial liabilities	875.236	33.333	244.683	70.000	630.553	--
16a. Other monetary financial liabilities	1.128	150	1.101	3	27	--
16b. Other non-monetary financial liabilities	1.459.314	179.532	1.317.856	126.717	1.141.458	--
17. Non-current liabilities (14+15+16)	2.335.678	213.015	1.563.640	196.720	1.772.038	--

20. FOREIGN EXCHANGE POSITION (continued)
¹ Other currencies comprise CAD, CHF, GBP, JPY, AUD, DKK, ZAR, AED, PHP, SAR.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 2021

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

FOREIGN EXCHANGE POSITION						
31 December 2020	TL Equivalent (Functional currency)	USD	TL equivalent by using closing rates	EURO	TL equivalent by using closing rates	Other¹
18. Total liabilities (13+17)	6.645.748	411.154	3.018.077	651.703	5.870.486	28.788
19. Net asset/liability position of off- balance sheet derivative financial instruments (19a-19b)	--	--	--	--	--	--
19a. Hedged total financial assets	--	--	--	--	--	--
19b. Hedged total financial liabilities	--	--	--	--	--	--
20. Net foreign currency asset/liability (9- 18+19)	5.734.226	654.602	4.805.101	(94.134)	(847.963)	53.691
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10- 11-12a-14-15-16a)	6.616.654	865.723	6.354.840	30.623	275.848	(14.034)
22. Fair value of derivative financial instruments used in foreign currency hedge	--	--	--	--	--	--
23. Hedged foreign currency assets	--	--	--	--	--	--
24. Hedged foreign currency liabilities	--	--	--	--	--	--
25. Exports	979.056	110.916	785.769	21.995	189.286	4.001
26. Imports	3.825.534	351.887	2.583.028	118.337	1.065.972	176.534

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.

¹ Other currencies comprise CAD, CHF, GBP, JPY, AUD, DKK, ZAR, AED, PHP, SAR.

(Amounts are expressed in thousands of Turkish Lira ("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.

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

Foreign currency sensitivity table				
30 June 2021				
	Profit/Loss		Equity¹	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD against TL by 10%:				
1- USD denominated net assets/(liabilities)	687.296	(687.296)	687.296	(687.296)
2- Hedged amount against USD risk (-)	--	--	--	--
3- Net effect of USD (1+2)	687.296	(687.296)	687.296	(687.296)
Change of EURO against TL by 10%:				
4- EURO denominated net assets/(liabilities)	37.088	(37.088)	37.088	(37.088)
5- Hedged amount against EURO risk (-)	--	--	--	--
6- Net effect of EURO (4+5)	37.088	(37.088)	37.088	(37.088)
Change of other currencies against TL by 10%:				
7- Other currencies denominated net assets/(liabilities)	(3.740)	3.740	(3.740)	3.740
8- Hedged amount against other currencies risk (-)	--	--	--	--
9- Net effect of other currencies (7+8)	(3.740)	3.740	(3.740)	3.740

¹ Comprises of profit/loss effect.

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

20. FOREIGN EXCHANGE POSITION (continued)

Foreign currency sensitivity (continued)

Foreign currency sensitivity table				
31 December 2020				
	Profit/Loss		Equity¹	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD against TL by 10%:				
1- USD denominated net assets/(liabilities)	635.484	(635.484)	635.484	(635.484)
2- Hedged amount against USD risk (-)	--	--	--	--
3- Net effect of USD (1+2)	635.484	(635.484)	635.484	(635.484)
Change of EURO against TL by 10%:				
4- EURO denominated net assets/(liabilities)	27.585	(27.585)	27.585	(27.585)
5- Hedged amount against EURO risk (-)	--	--	--	--
6- Net effect of EURO (4+5)	27.585	(27.585)	27.585	(27.585)
Change of other currencies against TL by 10%:				
7- Other currencies denominated net assets/(liabilities)	(1.403)	1.403	(1.403)	1.403
8- Hedged amount against other currencies risk (-)	--	--	--	--
9- Net effect of other currencies (7+8)	(1.403)	1.403	(1.403)	1.403

21. EVENTS AFTER THE REPORTING PERIOD

After the reporting period, the Group has signed contracts amounting to USD 262 Million.

¹ Comprises of profit/loss effect.