

**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 2022

11 August 2022

This report contains condensed consolidated interim financial information and related disclosures and footnotes comprising 42 pages.



Bağımsız
Denetim ve
Yeminli Mali
Müşavirlik A.Ş.



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 2022, 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.

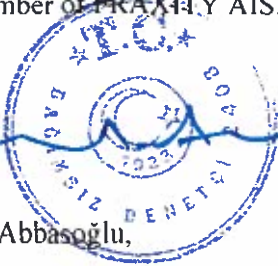
Scope of Review

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
11 August 2022, Istanbul, Turkey

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ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2022

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

	Note References	Limited Reviewed 30 June 2022	Audited 31 December 2021
ASSETS			
Current Assets		27.660.696	23.175.142
Cash and Cash Equivalents	3	2.222.948	2.492.096
Trade Receivables	5	11.149.778	9.803.350
<i>From Related Parties</i>	4	5.417.071	4.255.114
<i>From Third Parties</i>		5.732.707	5.548.236
Other Receivables		498.016	722.508
<i>From Related Parties</i>	4	7.208	24.836
<i>From Third Parties</i>		490.808	697.672
Inventories	6	9.955.227	7.638.954
Prepaid Expenses	7	2.986.007	2.027.017
<i>From Related Parties</i>	4	964.570	939.613
<i>From Third Parties</i>		2.021.437	1.087.404
Other Current Assets		848.720	491.217
Non-Current Assets		25.968.422	23.238.156
Financial Investments		2.160.304	2.148.927
Trade Receivables	5	13.961.201	12.650.467
<i>From Related Parties</i>	4	10.794.019	9.329.141
<i>From Third Parties</i>		3.167.182	3.321.326
Other Receivables		2.293	2.104
<i>From Third Parties</i>		2.293	2.104
Equity Accounted Investments		259.131	219.833
Property, Plant and Equipment	8	4.208.114	3.432.149
Intangible Assets	8	2.866.673	2.267.610
Prepaid Expenses	7	553.429	817.736
<i>From Related Parties</i>	4	112.873	137.239
<i>From Third Parties</i>		440.556	680.497
Deferred Tax Assets	10	343.403	253.422
Other Non-Current Assets		1.613.874	1.445.908
TOTAL ASSETS		53.629.118	46.413.298

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 FINANCIAL POSITION AS OF 30 JUNE 2022

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

	Note References	Limited Reviewed 30 June 2022	Audited 31 December 2021
LIABILITIES			
Current Liabilities		19.761.791	16.749.927
Short-term Financial Liabilities	19	4.098.336	1.956.100
Short-term Portion of Long-term Financial Liabilities	19	3.005.944	3.114.088
Trade Payables	5	5.166.293	6.039.472
<i>To Related Parties</i>	4	1.404.040	1.919.239
<i>To Third Parties</i>		3.762.253	4.120.233
Employee Benefit Obligations	12	382.260	306.525
Other Payables		553.712	342.336
<i>To Related Parties</i>	4	464.000	301.608
<i>To Third Parties</i>		89.712	40.728
Government Grants and Incentives		29.934	27.291
Deferred Income	7	3.116.766	1.850.165
<i>To Related Parties</i>	4	1.820.541	413.389
<i>To Third Parties</i>		1.296.225	1.436.776
Corporate Tax Liability		1.131	2.401
Short-term Provisions		3.398.699	3.080.222
<i>For Employee Benefits</i>	12	205.756	170.902
<i>Other</i>	9	3.192.943	2.909.320
Other Current Liabilities		8.716	31.327
Non-Current Liabilities		4.763.518	3.828.161
Long-term Financial Liabilities	19	1.340.497	332.762
Trade Payables	5	7.195	25.467
<i>To Third Parties</i>		7.195	25.467
Other Payables		12.102	13.255
<i>To Third Parties</i>		12.102	13.255
Deferred Income	7	1.631.199	1.929.027
<i>To Related Parties</i>	4	1.158.444	1.035.264
<i>To Third Parties</i>		472.755	893.763
Long-term Provisions		1.767.987	1.513.317
<i>Long-term Provisions for Employee Benefits</i>	12	478.026	333.508
<i>Other</i>	9	1.289.961	1.179.809
Other Non-Current Liabilities		4.538	14.333

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 FINANCIAL POSITION AS OF 30 JUNE 2022**

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

	Note References	Limited Reviewed 30 June 2022	Audited 31 December 2021
EQUITY		29.103.809	25.835.210
Equity Attributable to Equity Holders of the Parent		28.871.065	25.563.442
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)		67.621	186.416
<i>Gain on Revaluation of Property, Plant and Equipment</i>		309.535	309.535
<i>Gain/ Loss on Remeasurement of Defined Benefit Plans</i>		(241.914)	(123.119)
Other Cumulative Comprehensive Income / (Expense) will be Reclassified to Profit/Loss		2.228.597	2.177.786
<i>Gain (Loss) on Financial Assets That Fair Value Difference</i> <i>Reflect in Other Comprehensive income</i>		2.034.249	2.034.249
<i>Foreign Currency Translation</i>		194.348	143.537
Restricted Reserves	13	612.078	542.341
Retained Earnings		16.951.818	10.350.992
Net Profit for the Year		3.835.607	7.130.563
Non-Controlling Interests		232.744	271.768
TOTAL LIABILITIES AND EQUITY		53.629.118	46.413.298

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 2022

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

	Notes References	Limited Reviewed 1 January- 30 June 2022	Not Reviewed 1 April- 30 June 2022	Limited Reviewed 1 January- 30 June 2021	Not Reviewed 1 April- 30 June 2021
PROFIT OR LOSS					
Revenue	14	10.841.207	6.475.951	6.974.677	3.801.542
Cost of Sales (-)	14	(7.421.958)	(4.369.473)	(4.399.054)	(2.157.648)
GROSS PROFIT		3.419.249	2.106.478	2.575.623	1.643.894
General Administrative Expenses (-)		(433.886)	(247.930)	(261.611)	(150.861)
Marketing Expenses (-)		(286.781)	(200.016)	(416.127)	(302.427)
Research and Development Expenses (-)		(261.619)	(127.309)	(191.614)	(148.605)
Other Operating Income	15	6.404.146	3.681.623	2.965.561	1.085.118
Other Operating Expenses (-)	15	(4.072.639)	(2.298.625)	(1.754.004)	(770.502)
OPERATING PROFIT		4.768.470	2.914.221	2.917.828	1.356.617
Income from investing activities		5.570	5.264	2.150	19
Shares of profit/(losses) of Equity Accounted Investees		(5.509)	2.881	(7.189)	(2.173)
OPERATING PROFIT BEFORE FINANCIAL EXPENSE		4.768.531	2.922.366	2.912.789	1.354.463
Financial Income	16	552.554	352.759	434.892	260.202
Financial Expense (-)	17	(1.583.426)	(908.489)	(739.161)	(334.710)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		3.737.659	2.366.636	2.608.520	1.279.955
Tax Income from Continuing Operations	10	59.152	(246.766)	(74.476)	25.262
- Current Corporate Tax Expense(-)		(1.131)	(143)	(204)	(58)
- Deferred Tax Income		60.283	(246.623)	(74.272)	25.320
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		3.796.811	2.119.870	2.534.044	1.305.217
Profit for the Period Attributable to					
Non-Controlling Interest		(38.796)	(20.147)	(4.435)	589
Owners of the Company	18	3.835.607	2.140.017	2.538.479	1.304.628
		3.796.811	2.119.870	2.534.044	1.305.217
Earnings for per 100 Shares (in full kuruş)	18	168,23	93,86	111,34	57,22

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 2022

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

Note References	Limited Reviewed 1 January- 30 June 2022	Not Reviewed 1 April- 30 June 2022	Limited Reviewed 1 January- 30 June 2021	Not Reviewed 1 April- 30 June 2021
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	(118.795)	(118.795)	(1.083)	(1.083)
Deferred Tax Income / (Expense)	(148.494)	(148.494)	(1.354)	(1.354)
	29.699	29.699	271	271
Items that may be reclassified subsequently to profit or loss				
Foreign Currency Exchange Differences	50.811	21.839	21.517	10.603
	50.811	21.839	21.517	10.603
OTHER COMPREHENSIVE INCOME	(67.984)	(96.956)	20.434	9.520
TOTAL COMPREHENSIVE INCOME	3.728.827	2.022.914	2.554.478	1.314.737
Total Comprehensive Income Attributable to				
Non-Controlling Interest	(38.796)	(20.147)	(4.435)	589
Owners of the Company	3.767.623	2.043.061	2.558.913	1.314.148
	3.728.827	2.022.914	2.554.478	1.314.737

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 CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

(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	Foreign Currency	Restricted Reserves	Retained Earnings	Net Profit/(Loss) for the Year	Equity Attributable to Parent Company	Non-Controlling Interests	Total
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
Balance as of 1 January 2022	2.280.000	98.621	2.796.723	309.535	(123.119)	2.034.249	143.537	542.341	10.350.992	7.130.563	25.563.442	271.768	25.835.210
Transfers	--	--	--	--	--	--	--	69.737	6.600.826	(6.670.563)	--	--	--
Capital Increase	--	--	--	--	--	--	--	--	--	--	--	--	--
Total Comprehensive Income	--	--	--	--	(118.795)	--	50.811	--	--	3.835.607	3.767.623	(38.796)	3.728.827
Consolidation Effect of New Establishment	--	--	--	--	--	--	--	--	--	--	--	--	--
Dividends	--	--	--	--	--	--	--	--	--	(460.000)	(460.000)	(228)	(460.228)
Balance as of 30 June 2022 (Closing Balance)	2.280.000	98.621	2.796.723	309.535	(241.914)	2.034.249	194.348	612.078	16.951.818	3.835.607	28.871.065	232.744	29.103.809

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 CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

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

	Note References	Limited Reviewed 1 January- 30 June 2022	Limited Reviewed 1 January- 30 June 2021
A.Cash Flows from Operating Activities		392.694	(740.368)
Profit for the Period		3.796.811	2.534.044
Adjustments to Reconcile Profit for the Period		2.962.494	1.377.453
- Adjustments for Depreciation and Amortization Expense	8	268.323	195.051
- Adjustments for Impairment Loss (Reversal of Impairment Loss)		(22.459)	(207)
<i>Adjustments for Impairment Loss (Reversal of Impairment Loss) of Receivables</i>	5	7.364	2.600
<i>Adjustments for Impairment Loss (Reversal of Impairment Loss) of Inventories</i>	6	(29.823)	(2.807)
-Adjustments for Provisions		798.256	489.240
<i>Adjustments for (Reversal of) Provisions Related with Employee Benefits</i>	12	81.262	48.205
<i>Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions</i>		347.745	112.838
<i>Adjustments for (Reversal of) Warranty Provisions</i>		384.119	195.404
<i>Adjustments for (Reversal of) Other Provisions</i>		(14.870)	132.793
-Adjustments for Interest (Income) Expenses		29.496	(21.861)
<i>Adjustments for Interest Income</i>		(319.065)	(352.742)
<i>Adjustments for Interest Expense</i>		348.561	330.881
- Adjustments for Retained Profit of Equity Accounted Investees		5.509	7.189
- Adjustments for Tax (Income)/Expenses		(59.152)	74.476
-Other Adjustments for which Cash Effects are Investing or Financing Cash Flow		1.085.047	544.815
-Other Adjustments to Reconcile Profit (Loss)		857.474	88.750
Changes in Working Capital		(5.990.607)	(4.433.787)
- Decrease (Increase) in Trade Receivables		(2.689.747)	687.040
- Decrease (Increase) in Other Receivables Related with Operations		237.619	132.827
- Decrease (Increase) in Inventories	6	(2.258.572)	(1.108.184)
- Decrease (Increase) in Prepaid Expenses	7	(622.018)	(268.692)
- Increase (Decrease) in Trade Payables	5	(577.800)	(1.017.401)
- Increase (Decrease) in Employee Benefit Obligations	12	75.735	26.419
-Adjustments for Stage of Completion of Construction or Service Contracts in Progress		(1.721.537)	(1.651.175)
- Increase (Decrease) in Other Operating Payables		(249.777)	(69.958)
- Increase (Decrease) in Government Grants and Subsidies		2.643	(2.010)
- Increase (Decrease) in Deferred Income		2.366.971	(798.590)
- Other Increase (Decrease) in Working Capital		(554.124)	(364.063)
Cash Flows From Operations		768.698	(522.290)
Payments Related with Provisions for Employee Benefits	12	(50.385)	(47.867)
Payments Related with Other Provisions		(323.218)	(166.265)
Income Taxes Refund (Paid)		(2.401)	(3.946)
B.Cash Flows From Investing Activities		(2.759.740)	(1.103.822)
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		1.222	1.139
Purchase of Property, Plant and Equipment	8	(902.848)	(462.819)
Purchase of Intangible Assets	8	(1.720.125)	(712.202)
Dividends Received		4.959	--
Other Cash Inflows (Outflows)		(142.948)	70.060
C.Cash Flows From Financing Activities		1.951.822	55.845
Proceeds from Borrowings		4.255.780	3.152.762
Repayments of Borrowings		(2.303.958)	(3.096.917)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES (A+B+C)		(415.224)	(1.788.345)
D. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		144.414	219.593
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		(270.810)	(1.568.752)
E.CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		2.491.605	4.078.756
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	3	2.220.795	2.510.004

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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

(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 2022, 25,80 percent of the Company's shares are publicly traded (31 December 2021: 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 2022 is 10.532 (31 December 2021: 9.905).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

(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 Konya Silah Sistemleri Anonim Şirketi ("ASELSAN Konya"), ASELSAN Malaysia Sdn. Bhd. ("ASELSAN Malaysia"), BITES Savunma Havacılık ve Uzay Teknolojileri Yazılım A.Ş. ("BITES"), 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 TFRS

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 Financial Reporting Standards ("TFRS") and Interpretations that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA").

The consolidated financial statements has been presented with examples of Financial Statement and User Guide in the Official Gazette No:30794 on 7 June 2019 by the POA. All reports have 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 1156 on 11 August 2022. 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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

(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 2022	31 December 2021	
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	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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

(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 2022 and 31 December 2021 are as follows:

Joint Ventures	Principal Activity	Country of establishment and operation	Group's proportion of ownership and voting power held (%)	
			30 June 2022	31 December 2021
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	13	13
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	35
DASAL Havacılık Teknolojileri A.Ş.	Aviation technologies	Turkey	40	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, TR Eğitim established in 2019 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 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.

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

The accounting policies adopted in preparation of the consolidated financial statements as at June 30, 2022 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of January 1, 2022 and thereafter. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

a) The new standards, amendments and interpretations which are effective as at January 1, 2022 are as follows:

Amendments to TFRS 3 - Reference to the Conceptual Framework

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. The amendment has no impact on the consolidated financial position and performance of the Group.

(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, 2022 are as follows (continued):

Amendments to TAS 16 - Property, Plant and Equipment Proceeds before Intended Use

In July 2020, POA issued Property, Plant and Equipment - Proceeds before Intended Use, which made amendments to TAS 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. The amendment has no impact on the consolidated financial position and performance of the Group.

Amendments to TAS 37 - Onerous Contracts - Cost of Fulfilling a Contract

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. The amendment has no impact on the consolidated financial position and performance of the Group.

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. These improvements to IFRSs have no impact on the consolidated financial position and performance of the Group.

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 TFRS 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.

(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, 2022 are as follows (continued):

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 TAS 41 with those in TFRS 13 Fair Value Measurement. The amendments provide the flexibility to use either, as appropriate, in line with TFRS 13.

b) Standards Issued But Not Yet Effective and Not Early Adopted as of 30 June 2022

TFRS 17 – Insurance Contracts

POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted. In accordance with amendments issued by POA in December 2021, entities have transition option for a "classification overlay" to avoid possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of TFRS 17. The application of TFRS 17 is not expected to have significant impact on the Group's consolidated financial statements.

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

On January 15, 2021, POA issued amendments to TAS 1 Presentation of Financial Statements. The amendments issued to TAS 1 which are effective for periods beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments of TAS 1.

Amendments to TAS 8 - Definition of Accounting Estimates

In August 2021, POA issued amendments to TAS 8, in which it introduces a new definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. The amendments issued to TAS 8 are effective for annual 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 TAS 8.

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 2022 (continued)

Amendments to TAS 1 - Disclosure of Accounting Policies

In August 2021, POA issued amendments to TAS 1, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. In the absence of a definition of the term 'significant' in TFRS, POA decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in TFRS and is widely understood by the users of financial statements, according to POA. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them. Examples of circumstances in which an entity is likely to consider accounting policy information to be material have been added. The amendments issued to TAS 1 are effective for annual 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 TAS 1.

Amendments to TAS 12 – Deferred Tax related to Assets and Liabilities Arising From a Single Transaction

In August 2021, POA issued amendments to TAS 12, which narrow the scope of the initial recognition exception under TAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The amendments issued to TAS 12 are effective for annual 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 TAS 12.

Amendments to TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

(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 2022	31 December 2021
Cash	446	461
Bank		
- <i>Time deposit</i>	1.433.522	2.284.705
- <i>Demand deposit</i>	786.505	125.876
Lease Certificate (Sukuk)	--	78.970
Other	322	1.594
Cash and cash equivalents on the cash flow statement	2.220.795	2.491.606
Interest income accruals	2.153	490
	2.222.948	2.492.096

As of 30 June 2022, the Group has time deposits denominated in foreign currencies with maturities on July – August 2022 (31 December 2021: January 2022), with the interest rates between 0,10 percent and 3,70 percent (31 December 2021: 0,05 percent and 1,00 percent) amounting to TL 560.083 (31 December 2021: TL 74.795) in several banks.

As of 30 June 2022, the Group has time deposits denominated in TL terms with maturities between July – August 2022 (31 December 2021: January 2022) with the interest rates between 17,00 percent and 19,00 percent (31 December 2021: 15,75 percent and 26 percent) amounting to TL 873.439 (31 December 2021: TL 2.209.910) in several banks.

4. RELATED PARTY DISCLOSURES

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

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

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

Total amount of salaries and other short-term benefits paid for key management for the period ended 30 June 2022 is approximately TL 33.971 (30 June 2021: 18.000 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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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

3. RELATED PARTY DISCLOSURES (continued)

	30 June 2022									
	Receivables					Payables				
	Short-term			Long-term		Short-term			Long-term	
Balances with related parties	Trading	Prepaid Expenses	Other Receivables	Trading	Prepaid Expenses	Trading	Deferred Income	Other Payables	Trading	Deferred Income
Main shareholder										
TSKGV	69	--	--	--	--	58	--	341.298	--	--
Main shareholder's subsidiaries and associates										
Hava Elektronik San. ve Tic. Anonim Şirketi ("HAVELSAN")	52.271	118.865	--	16.882	1.043	63.607	2.510	--	--	211
HAVELSAN Teknoloji Radar San. ve Tic. Anonim Şirketi ("HTR")	18.282	35.097	--	--	5.312	58.449	2.570	--	--	--
İşbir Elektrik Sanayii Anonim Şirketi ("İŞBİR")	--	48.988	--	--	2.328	30.382	--	--	--	--
NETAŞ Telekomünikasyon Anonim Şirketi ("NETAŞ")	983	10.062	--	--	1.292	52.137	--	--	--	--
Savunma Teknolojileri Mühendislik ve Ticaret Anonim Şirketi ("STM")	211.524	2.442	--	224.642	--	5.990	149.078	--	--	156.092
Türk Havacılık ve Uzay Sanayi ve Ticaret Anonim Şirketi ("TUSAŞ")	809.257	--	--	718.185	--	737	160.289	--	--	16.998
Financial Instruments										
ASPILSAN Enerji Sanayi ve Ticaret Anonim Şirketi	223	105	--	--	--	10.398	--	--	--	--
Roket Sanayi ve Ticaret Anonim Şirketi ("ROKETSAN")	715.182	519.107	4.958	206.618	100.000	873.743	212.258	--	--	57.883
Joint ventures and its related parties										
ASELSAN Bilkent Nano	--	21.243	--	--	883	6.673	--	--	--	--
İhsan Doğramacı Bilkent Üniversitesi	--	276	--	--	--	8.710	--	--	--	--
ASELSAN Optik	26.510	126.613	2.250	--	579	83.350	--	--	--	--
IGG	137.582	--	--	4.236	--	--	--	--	--	--
IGG ASELSAN	14.324	2.774	--	--	--	6.716	--	--	--	--
ASELSAN Kazakistan	178.987	--	--	--	--	406	5.228	--	--	--
ASELSAN Jordan	140.266	4.497	--	--	--	118.045	--	--	--	--
TÜBİTAK BİLGEM	--	24.693	--	--	--	49.883	--	--	--	--
TÜBİTAK-UME	--	137	--	--	--	228	--	--	--	--
TÜBİTAK BİLİMSEL TEKNOLOJİK ARAŞTIRMA	32.600	7.300	--	210.061	1.436	180	20.141	--	--	11.777
TÜBİTAK SAGE Savunma Sanayii	--	41.478	--	6.864	--	33.140	--	--	--	--
TÜBİTAK UZAY TEKNOLOJİLERİ	--	--	--	--	--	--	--	--	--	--
Savunma Sanayi Başkanlığı ("SSB")	3.079.011	--	--	9.406.531	--	--	1.056.792	--	--	915.483
SSTEK	--	--	--	--	--	--	211.675	4.000	--	--
EHSİM	--	150	--	--	--	790	--	--	--	--
DASAL	--	743	--	--	--	418	--	--	--	--
Shares offered to the public								118.702		
	5.417.071	964.570	7.208	10.794.019	112.873	1.404.040	1.820.541	464.000	--	1.158.444

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

(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 2021									
	Receivables					Payables				
	Short-term			Long-term		Short-term			Long-term	
	Trading	Prepaid Expenses	Other Receivables	Trading	Prepaid Expenses	Trading	Deferred Income	Other Payables ¹	Trading	Deferred Income
Main shareholder										
TSKGV	58	--	--	--	--	--	--	296.608	--	--
Main shareholder's subsidiaries and associates										
Hava Elektronik San. ve Tic. Anonim Şirketi ("HAVELSAN")	47.280	117.072	--	15.302	5.365	109.589	--	--	--	--
HAVELSAN Teknoloji Radar San. ve Tic. Anonim Şirketi ("HTR")	2.041	22.495	--	--	17.045	63.374	3.088	--	--	561
İşbir Elektrik Sanayii Anonim Şirketi ("İŞBİR")	--	31.057	--	--	3.953	33.093	0	--	--	0
NETAŞ Telekomünikasyon Anonim Şirketi ("NETAŞ")	--	10.500	--	--	1.669	84.588	0	--	--	0
Savunma Teknolojileri Mühendislik ve Ticaret Anonim Şirketi ("STM")	448.434	3.116	--	494.820	--	12.226	21.676	--	--	117.547
Türk Havacılık ve Uzak Sanayi ve Ticaret Anonim Şirketi ("TUSAŞ")	399.681	--	--	353.046	--	1.120	55.525	--	--	105.814
Financial Instruments										
ASPİLSAN Enerji Sanayi ve Ticaret Anonim Şirketi	223	105	--	--	--	4.646	--	--	--	--
Roket Sanayi ve Ticaret Anonim Şirketi ("ROKETSAN")	925.117	589.590	--	172.320	92.435	1.294.374	23.664	--	--	208.407
Joint ventures and its related parties										
ASELSAN Bilkent Mikro Nano	--	22.758	--	--	1.103	39.117	--	--	--	--
İhsan Doğramacı Bilkent Üniversitesi	--	416	--	--	--	5.788	--	--	--	--
ASELSAN Optik	20.639	68.661	2.250	--	12.198	38.353	--	--	--	--
IGG	114.107	--	--	4.236	--	--	--	--	--	--
IGG ASELSAN	6.326	--	--	--	1.561	705	--	--	--	--
ASELSAN Kazakistan	138.581	--	--	--	--	106	222	--	--	--
ASELSAN Jordan	108.736	4.497	--	--	--	85.478	--	--	--	--
TÜBİTAK BİLGEM	--	26.569	--	--	--	38.595	--	--	--	--
TÜBİTAK-UME	--	316	--	--	--	466	--	--	--	--
TÜBİTAK BİLİMSEL TEKNOLOJİK ARAŞTIRMA	36.457	7.367	--	153.035	1.910	5.974	13.222	--	--	14.218
TÜBİTAK SAGE Savunma Sanayii	--	34.493	--	5.617	--	98.664	--	--	--	--
Savunma Sanayi Başkanlığı ("SSB")	1.990.421	--	--	8.130.765	--	--	295.992	--	--	588.717
SSTEK	17.013	--	22.586	--	--	177	--	5.000	--	--
EHSİM	--	601	--	--	--	1.424	--	--	--	--
DASAL	--	--	--	--	--	1.382	--	--	--	--
	4.255.114	939.613	24.836	9.329.141	137.239	1.919.239	413.389	301.608	--	1.035.264

¹ All other short term payable is 2020 dividend payments. The debt was paid in January 2022.

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4. RELATED PARTY DISCLOSURES (continued)

	1 January- 30 June 2022	1 April- 30 June 2022	1 January- 30 June 2021	1 April- 30 June 2021
Transactions with related parties	Purchases	Purchases	Purchases	Purchases
Main Shareholder				
TSKGV	760	409	306	--
Main shareholder's shareholders/subsidiaries/associates				
NETAŞ	39.066	24.715	23.870	12.628
İŞBİR	69.837	32.528	36.794	22.315
HTR	100.029	27.266	30.248	9.325
TUSAŞ	1.033	739	254	88
HAVELSAN	13.570	9.542	11.900	11.580
STM	3.009	2.103	12.124	10.628
Financial Investments				
ROKETSAN	4.984	4.843	22.101	14.855
ASPİLSAN	10.993	5.894	33.007	20.902
Joint ventures and its related parties				
İhsan Doğramacı Bilkent Üniversitesi	23.797	11.530	6.244	3.186
TÜBİTAK BİLGEM	58.118	46.922	13.446	1.789
TÜBİTAK-UME	806	569	--	--
TÜBİTAK BİLİMSEL TEKNOLOJİK ARAŞTIRMA	1.775	25	2.485	1.705
SSTEK	150	--	--	--
DASAL	--	--	310	310
TÜBİTAK-SAGE Savunma Sanayii	67.381	10.868	15.565	8.942
	395.308	177.953	208.654	118.253

	1 January- 30 June 2022	1 April- 30 June 2022	1 January- 30 June 2021	1 April- 30 June 2021
Transactions with related parties	Sales	Sales	Sales	Sales
Main Shareholder				
TSKGV	285	148	249	127
Main shareholder's shareholders/subsidiaries /associates				
TUSAŞ	714.003	407.971	166.244	31.775
STM	470.888	390.826	25.480	12.768
HAVELSAN	10.403	--	25.828	1.149
NETAŞ	21.189	--	--	--
HTR	860	860	10.522	6.701
İŞBİR	--	--	175	175
Financial Investments				
ROKETSAN	225.520	162.786	165.644	72.861
Joint ventures and its related parties				
TÜBİTAK BİLİMSEL TEKNOLOJİK ARAŞTIRMA	10.428	2.127	13.858	6.619
TÜBİTAK-SAGE Savunma Sanayii	1.250	285	--	--
TÜBİTAK UZAY TEKNOLOJİLERİ	--	--	86	86
Savunma Sanayi Başkanlığı	6.723.915	4.704.672	3.671.247	1.959.999
DASAL	--	--	7	7
SSTEK	--	--	3.312	3.312
	8.178.741	5.669.675	4.082.652	2.095.579

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

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

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

	30 June 2022	31 December 2021
Short-term trade receivables		
Trade receivables	5.704.203	5.521.251
Trade receivables from related parties (Note 4)	5.417.071	4.255.114
Notes receivable	24.553	26.985
Other receivable	3.951	--
Doubtful trade receivables	37.536	30.172
Allowance for doubtful trade receivables (-)	(37.536)	(30.172)
	11.149.778	9.803.350

	30 June 2022	31 December 2021
Long-term trade receivables		
Contract Assets	2.714.358	2.943.086
Trade receivables	452.824	378.240
Contract Assets -Related party (Note 4)	10.777.574	9.316.338
Trade receivables from related parties (Note 4)	16.445	12.803
	13.961.201	12.650.467

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

	30 June 2022	30 June 2021
Opening balance	30.172	22.442
Provision for the period	7.364	2.600
Provisions unrealised	--	--
Closing balance	37.536	25.042

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 2022	31 December 2021
Short-term trade payables		
Trade payables	3.464.793	3.570.663
Due to related parties (Note 4)	1.404.040	1.919.239
Notes Payable	278.983	521.675
Other trade payables	18.477	27.895
	5.166.293	6.039.472

	30 June 2022	31 December 2021
Long-term trade payables		
Trade payables	7.195	--
Other trade payables	--	25.467
	7.195	25.467

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6. INVENTORIES

	30 June 2022	31 December 2021
Raw materials	4.566.712	3.433.812
Work in progress	3.662.532	2.791.484
Goods in transit ¹	504.060	482.050
Finished goods	1.033.112	783.826
Other inventories	129.922	153.212
Trade goods	83.577	49.081
Allowance for impairment on inventories (-)	(24.688)	(54.511)
	9.955.227	7.638.954

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:

	2022	2021
Opening balance	54.511	21.155
Provision for the period	17.460	--
Provision unrealised	(47.283)	(2.807)
Closing balance	24.688	18.348

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.

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7. PREPAID EXPENSES AND DEFERRED INCOME

	30 June 2022	31 December 2021
Short-term prepaid expenses		
Order advances given for inventory purchases	1.448.027	748.103
Short-term order advances given to related parties for inventory purchases (Note 4)	964.570	939.613
Work advances	79.014	1.101
Prepaid expenses	494.396	338.200
	2.986.007	2.027.017

	30 June 2022	31 December 2021
Long-term prepaid expenses		
Long-term order advances given to related parties for inventory purchases (Note 4)	112.873	137.239
Order advances given for inventory purchases	117.100	440.988
Order advances given for fixed assets purchases	301.378	215.397
Prepaid expenses	22.078	24.112
	553.429	817.736

	30 June 2022	31 December 2021
Short-term deferred income		
Order advances received	272.759	198.093
Order advances received from related parties (Note 4)	1.820.541	413.389
Deferred income	1.023.466	1.238.683
	3.116.766	1.850.165

	30 June 2022	31 December 2021
Long-term deferred income		
Order advances received	198.407	322.350
Order advances received from related parties (Note 4)	1.158.444	1.035.264
Deferred income	274.348	571.413
	1.631.199	1.929.027

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8. PROPERTY, PLANT AND EQUIPMENT

Cost	Property, Plant and Equipment	Intangible Assets
Opening balance as of 1 January 2022	4.939.007	3.072.587
Additions	966.012	1.720.125
Disposals	(37.234)	(1.020.228)
Transfers	--	--
Closing balance as of 30 June 2022	5.867.785	3.772.484
Accumulated Depreciation and Amortisation		
Opening balance as of 1 January 2022	1.506.858	804.977
Change for the period ¹	189.379	106.823
Disposals	(36.565)	(5.989)
Closing balance as of 30 June 2022	1.659.672	905.811
Net book value as of 30 June 2022	4.208.113	2.866.673
Net book value as of 31 December 2021	3.432.149	2.267.610
Cost		
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	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

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 and depreciation related to inventories are TL 27.879 in the year 2022 (June 2021: TL 21.311)

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9. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

	30 June 2022	31 December 2021
Other short-term provisions		
Provision for warranties ¹	1.378.083	1.241.627
Provision for onerous contracts	504.009	571.876
Provision for delay penalties ²	1.070.153	847.336
Sales commission	150.257	197.977
Provision for legal cases	29.504	22.418
Provision for cost expenses	48.233	12.264
Other	12.477	15.822
	3.192.716	2.909.320
Other long-term provisions		
Provision for delay penalties	164.235	138.822
Provision of onerous contracts	1.125.726	1.040.987
	1.289.961	1.179.809

b) Legal cases

There has not been any final judicial decision against the Group due to the responsibility related with work accidents within 2022.

As of the dates 30 June 2022 and 31 December 2021, according to the declarations written by the legal counselors, the lawsuits and legal executions in favor of and against the Group are as follows:

	2022	2021
Description		
a) Ongoing lawsuits filed by the Group	29.571	35.871
b) Execution proceedings carried out by the Group	365.932	319.264
c) Ongoing lawsuits filed against the Group	29.504	22.418
d) Executions against the Group	7.030	5.875
e) Lawsuits finalized against the Group within the period	3.051	102.542
f) Lawsuits finalized in favor of the Group within the period	2.914	12.745

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

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.

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10. TAX

"Deferred Tax Assets" of the Group as of 30 June 2022 is TL 353.173. The amount is comprised of the items below.

	30 June 2022	31 December 2021
Carried Forward R&D Incentives Effect	980.744	760.905
Temporary Differences	(637.341)	(507.483)
Deferred Tax Assets - Net	343.403	253.422

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 2022 period the Group has calculated "Deferred Tax Asset" amounting to TL 980.744 from Research and Development expenses comprising "Outstanding Research and Development Deductions".

	30 June 2022	30 June 2021
Profit before tax from continuing operations	3.737.659	2.608.520
Tax (expense)/income recognized in profit or loss	59.152	(74.476)
Effective tax rate	2%	(3%)

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.

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11. COMMITMENTS AND CONTINGENCIES

a) Guarantees received

	30 June 2022	31 December 2021
Letters of guarantees received from the suppliers	4.711.670	4.167.423
Collaterals received from the customers	167.144	133.517
Letters of guarantees received from the customers	21.578	18.221
Collaterals received from the suppliers	356.604	284.535
Letters of guarantees received from the suppliers	28.863	35.907
	5.285.859	4.639.603

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

The collaterals/pledges/mortgages ("CPM") given by the Group as of 30 June 2022 and 31 December 2021 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 294.066.

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

30 June 2022	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>	11.990.818	704.681	374.900	289.914	--	1.000	--	--	--
<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>	38.488	--	2.310	--	--	--	--	--	--
<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	12.029.306	704.681	377.210	289.914	--	1.000	--	--	--

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 is 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 2022 is 0,13 percent. TL 38.488 is the collateral amount pertaining to guarantee letter given on behalf of the entity's joint venture ASELSAN Bilkent.

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

31 December 2021	TL Equivalent	TL	USD	EURO	UAE Dirham	Polish Zloty	Indian Rupee	British Pound	Qatar Rial
A. Total amount of CPM given on behalf of the legal entity									
-Collateral	10.948.158	675.302	389.889	336.398	--	1.000	--	--	46
-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	30.790	--	2.310	--	--	--	--	--	--
-Pledge	--	--	--	--	--	--	--	--	--
-Mortgage	--	--	--	--	--	--	--	--	--
iii. Total amount of CPM on behalf of third parties that do not cover									
-Collateral	--	--	--	--	--	--	--	--	--
-Pledge	--	--	--	--	--	--	--	--	--
-Mortgage	--	--	--	--	--	--	--	--	--
Total	10.978.948	675.302	392.199	336.398	--	1.000	--	--	46

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 is used by ASELSAN Optik , the Group's joint venture.

¹ The ratio of the other CPM given by the Group to equity as of 31 December 2021 is 0,12 percent. TL 30.790 is the collateral amount pertaining to guarantee letter given on behalf of the entity's joint venture ASELSAN Bilkent.

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12. EMPLOYEE BENEFITS

a) Short-term provisions for employee benefits

	30 June 2022	31 December 2021
Provision for vacation pay and overtime	205.756	170.902

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

	2022	2021
Opening balance	170.902	108.854
Provision for the period	(7.725)	36.672
Provision paid during the period	(25.790)	(16.981)
Provision realized during the period	68.197	(2.535)
Closing balance	205.756	126.010

c) Long-term provisions for employee benefits

	30 June 2022	31 December 2021
Provision for severance pay	478.026	333.508
	478.026	333.508

As of 30 June the movement of severance pay is as follows:

	2022	2021
Opening balance	333.508	264.964
Actuarial Loss/Gain	148.494	1.354
Interest cost	11.794	4.124
Service cost	5.861	8.918
Payments	(21.631)	(29.861)
Closing balance	478.026	249.499

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.

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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 2022 severance payments are calculated on the basis of 30 days' pay, limited to a ceiling of TL 15.371,40¹ (31 December 2021: TL 8.284,511)

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.

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

	30 June 2022	31 December 2021
	(%)	(%)
Interest rate	21,00	21,00
Inflation rate	16,95	16,95
Discount ratio	3,46	3,46
Estimation of probability of retirement ratio	96	96

¹ Amounts are shown in original Turkish Lira values.

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13. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Capital

<u>Shareholders</u>	<u>Share (%)</u>	<u>30 June 2022</u>	<u>Share (%)</u>	<u>31 December 2021</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 Communique Serial II No:19.1 "Share of Profit", effective as of 1 February 2014, and with regard to the Turkish Commercial Code ("TCC"), legal reserves in publicly held companies will be generated by 5 percent of income until it reaches 20 percent of paid-in share capital. After the 5 percent of the dividend is paid to shareholders, 10 percent of the total distributed to shareholders and employees can be added in the other legal reserve. Under the TCC, the legal reserves can be used only to offset losses for the going concern of the company or to prevent unemployment as long as the amount does not exceed 50 percent of the paid-in capital.

As of 30 June 2022, The Group's restricted reserves set aside from profit comprises legal reserves. The total of the Group's legal reserves are TL 612.078 (31 December 2021: TL 542.341).

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 2022 the extraordinary reserves balance presented in retained earnings is TL 12.569.446 (31 December 2021: TL 8.845.856). According to the statutory records, the Company's profit for the period is TL 2.212.861 (31 December 2021: TL 4.608.798) and its other funds available for profit distribution is TL 12.569.446 (31 December 2021: TL 8.535.408) and the details are as followings.

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

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

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

Retained Earnings (continued)

Profit distribution

On 25 May 2022, in accordance with the consolidated financial statements, the General Assembly of the Company has decided to allocate legal reserve amounting to TL 65.209 of the TL 4.608.798 which is based on the profit distribution, and to distribute TL 460.000 in cash to shareholders for dividend payment, and the remaining TL 4.083.589 to be within the Group. Thus, the cash gross dividend amount for TL 1 nominal value per share is Kuruş 20,18 net (31 December 2021: Kuruş 17,54 net).

Within 2022, dividend amounting to TL 460.000 in gross, 20,18 Kuruş per share of TL 1 (net profit amounting to TL 400.000, 17,54 Kuruş per share of TL 1) will be paid to shareholders. (31 December 2021: TL 400.000 in gross, 17,54 Kuruş per share of TL 1 (TL 340.000 in gross, 14,91 Kuruş per share of TL 1) was paid).

On 9 June 2022, General Assembly of ASELSANNET has decided to distribute TL 10.000 as dividend payments to shareholders and reserve TL 4.528 as retained earnings from net profit of the year 2021. TL 45.000 is decided to be added on the capital in order to allocate capital issue by bonus to shareholders and remaining TL 16.532 is to be allocated as extraordinary reserves (31 December 2021: 10.000).

14. REVENUE AND COST OF SALES

	1 January- 30 June 2022	1 April- 30 June 2022	1 January- 30 June 2021	1 April- 30 June 2021
a) Revenue				
Domestic sales	9.243.605	5.526.236	6.478.884	3.505.587
Export sales	1.597.602	949.715	495.793	295.955
	10.841.207	6.475.951	6.974.677	3.801.542
Revenue Recognized Regarding Performance Obligation				
Over time	8.206.881	5.124.315	5.757.907	3.435.239
Point in time	2.634.326	1.351.636	1.216.770	366.303
	10.841.207	6.475.951	6.974.677	3.801.542
b) Cost of Sales (-)				
Cost of raw materials and supplies (-)	5.871.718	3.543.575	3.347.591	1.599.843
Cost of merchandise goods sold (-)	174.772	88.153	98.847	63.175
Cost of services sold (-)	1.133.304	526.904	862.339	460.411
Cost of other sales (-)	242.164	210.841	90.277	34.219
	7.421.958	4.369.473	4.399.054	2.157.648

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15. OTHER OPERATING INCOME AND EXPENSES

	1 January- 30 June 2022	1 April- 30 June 2022	1 January- 30 June 2021	1 April- 30 June 2021
a) Other Operating Income				
Foreign currency exchange differences from operations	5.992.405	3.603.623	2.751.550	1.043.895
Amortized cost effect of trade payabels	313.651	830	130.774	(1.591)
Other income	98.090	77.170	83.237	42.814
	6.404.146	3.681.623	2.965.561	1.085.118
b) Other Operating Expense (-)				
Foreign currency exchange differences from operations	3.654.199	2.211.184	1.437.143	678.237
Amortized cost effect of trade receivables	348.561	49.603	260.807	57.433
Other expense and losses	69.879	37.838	56.054	34.832
	4.072.639	2.298.625	1.754.004	770.502

16. FINANCIAL INCOME

	1 January- 30 June 2022	1 April- 30 June 2022	1 January- 30 June 2021	1 April- 30 June 2021
Interest income	56.231	25.954	128.694	54.947
TFRS 15 Financial component interest income	--	--	215.032	161.947
Foreign currency exchange gain from bank loans	496.323	326.805	91.166	43.308
	552.554	352.759	434.892	260.202

17. FINANCIAL EXPENSES

	1 January- 30 June 2022	1 April- 30 June 2022	1 January- 30 June 2021	1 April- 30 June 2021
Interest cost of borrowings	183.602	783.696	37.591	17.448
TFRS 15 Interest cost of borrowings from financial component	--	--	70.074	53.509
Foreign currency exchange losses from bank loans	1.394.186	5.638	627.372	261.695
Interest cost related with employee benefits	5.638	119.155	4.124	2.058
	1.583.426	908.489	739.161	334.710

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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 period. The Group does not have diluted shares.

For the periods 30 June 2022 and 2021, earnings per share calculations are as follows:

	1 January- 30 June 2022	1 April- 30 June 2022	1 January- 30 June 2021	1 April- 30 June 2021
Common stock (thousand)	2.280.000	2.280.000	2.280.000	2.280.000
Net profit – TL	3.835.607	2.140.017	2.538.479	1.304.628
Earnings per 100 shares (Kuruş)	168,23	93,86	111,34	57,22
Diluted Earnings per 100 shares (Kuruş)	168,23	93,86	111,34	57,22

19. FINANCIAL LIABILITIES

Financial Liabilities

		30 June 2022	31 December 2021
Short-term financial liabilities	Unsecured loan	3.869.360	1.841.901
Other short-term financial liabilities	Unsecured loan	3.028.444	114.199
Current portion of long-term financial liabilities	Unsecured loan	206.476	3.114.088
Total short-term financial liabilities		7.104.280	5.070.188
Other long-term financial liabilities	Unsecured loan	1.340.497	332.762
Total long-term financial liabilities		1.340.497	332.762
Total financial liabilities		8.444.777	5.402.950

As of 30 June 2022, TL 2.277.873 of the short term financial borrowings are EUR rediscount credits, which have maturity dates due between June 2022 -July 2022 and interest rates between 0,75 – 6,40 percent. As of 30 June 2022, TL 1.437.526 is TL Rediscount Credits, which have maturity dates due between February 2023-May 2023 and has interest rate between 14,75 -20,60 percent. As of 30 June 2022, other short term financial liabilities TL 201.073 consist of credit card debt for social security payments with 45 days maturity and interest rate of 0,07 percent from Ziraat Bank. Current portions of long-term financial liabilities are consist of EUR rediscount credits which have amounted to TL 2.728.127 that is indexed to LIBOR. Moreover, TL 277.817 is consisted of Dollar credit which has maturity date due August 2022. Loans amounting to TL 181.864 have been taken out for investment and vary according to the periods of use and the decision of the POA at that time. The payment status is payable 2 times a year with a payback period of 1 year and a maturity of 5 years.

As of June 30, 2022 long-term borrowings in EUR currency loans due 2023 TL 870.657 are composed from July - December Libor interest rates vary according to dates and 2023; however the term of the loan currency TL USD 291.708 January 2024 February 2024 Libor interest rates, and varies according to. The remaining amount of TL 178.132 is rediscount credits.

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19. FINANCIAL LIABILITIES (continued)

Financial Liabilities (continued)

As of 31 December 2021, TL 1.825.096 of the short term financial borrowings are EUR rediscount credits, which have maturity dates due between February 2022 - July 2022 and interest rates between 0,70 – 2,85 percent. As of 31 December 2021, TL 16.805 of the short term financial borrowings are Investment Credits that has interest rate of 17,50 percent from Development Bank. As of 31 December 2021, other short term financial liabilities TL 114.199 consist of credit card debt for social security payments with 45 days maturity and interest rate of 0,70 percent from Ziraat Bank. Current portions of long-term financial liabilities are EUR credits which have amounted to TL 2.681.504 with interest rates between 0,75 - 2,10, which have maturity dates due between April 2022 – August 2022. Moreover, TL 432.584 is consisted of Dollar credit which has maturity date due between February 2022 - August 2022 with interest rate 2,16 percent for now that is indexed to LIBOR.

As of 31 December 2021, TL 302.278 of the long term financial borrowings are EUR credits, which have maturity date of December 2023 with interest rate 3,35 percent. Also, other long-term financial liabilities, TL 30.484, is consisted of investment credits with interest rate of 17,50 percent from Development Bank.

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20. FOREIGN EXCHANGE POSITION

30 June 2022	TL Equivalent (Functional currency)	USD	TL equivalent by using closing rates	EURO	TL equivalent by using closing rates	Other ¹
1. Trade receivables	7.719.964	372.756	6.210.629	86.893	1.509.336	--
2a. Monetary financial assets (including cash, bank)	1.168.253	5.682	94.672	61.317	1.065.075	8.486
2b. Non- monetary financial assets	1.377.275	44.437	740.386	58.513	1.016.382	246.695
3. Other	2.589	88	1.471	60	1.047	71
4. Current assets (1+2+3)	10.268.081	422.963	7.047.158	206.783	3.591.840	255.252
5. Trade receivables	10.755.517	361.995	6.031.335	271.972	4.724.181	--
6a. Monetary trade receivables	--	--	--	--	--	--
6b. Non-monetary trade receivables	924.156	1.042	17.361	74.969	1.302.226	6.264
7. Other	152.393	3.984	66.384	4.556	79.141	6.868
8. Long-term assets (5+6+7)	11.832.066	367.021	6.115.080	351.497	6.105.548	13.132
9. Total assets (4+8)	22.100.147	789.984	13.162.238	558.280	9.697.388	268.384
10. Trade payables	2.215.482	64.412	1.075.120	61.477	1.069.782	70.579
11. Financial liabilities	5.215.837	16.667	278.190	283.750	4.937.647	--
12a. Other monetary financial liabilities	4.379	233	3.887	28	493	--
12b. Other non-monetary financial liabilities	1.808.876	237.708	3.960.543	120.353	2.090.551	--
13. Current liabilities (10+11+12)	9.244.574	319.020	5.317.740	465.608	8.098.473	70.579
14. Trade payables	--	--	--	--	--	--
15. Financial liabilities	1.162.170	17.500	292.100	50.000	870.070	--
16a. Other monetary financial liabilities	3.693	155	2.586	64	1.105	--
16b. Other non-monetary financial liabilities	0	139.004	2.315.996	81.607	1.417.527	--
17. Non-current liabilities (14+15+16)	1.165.863	156.659	2.610.682	131.671	2.288.702	--

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

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20. FOREIGN EXCHANGE POSITION (continued)

FOREIGN EXCHANGE POSITION						
30 June 2022	TL Equivalent (Functional currency)	USD	TL equivalent by using closing rates	EURO	TL equivalent by using closing rates	Other
18. Total liabilities (13+17)	10.410.437	475.679	7.928.422	597.279	10.387.175	70.579
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)	11.689.710	314.305	5.233.816	(38.999)	(689.787)	197.805
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10- 11-12a-14-15-16a)	11.042.173	641.466	10.684.753	24.863	419.495	(62.093)
22. Fair value of derivative financial instruments used in foreign currency hedge	--	--	--	--	--	--
23. Hedged foreign currency assets	--	--	--	--	--	--
24. Hedged foreign currency liabilities	--	--	--	--	--	--
25. Exports	1.597.602	50.244	763.403	55.360	914.515	90.390
26. Imports	2.583.187	104.980	1.752.264	36.858	641.375	189.548

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.

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20. FOREIGN EXCHANGE POSITION (continued)

FOREIGN EXCHANGE POSITION						
31 December 2021	TL Equivalent (Functional currency)	USD	TL equivalent by using closing rates	EURO	TL equivalent by using closing rates	Other¹
1. Trade receivables	6.583.031	195.853	2.610.529	263.311	3.972.502	--
2a. Monetary financial assets (including cash, bank)	87.352	5.219	69.564	717	10.822	6.966
2b. Non- monetary financial assets	1.189.643	49.371	658.069	57.443	866.619	218.699
3. Other	42.813	3.140	41.849	61	913	51
4. Current assets (1+2+3)	7.902.839	253.583	3.380.011	321.532	4.850.856	225.716
5. Trade receivables	9.736.372	447.344	5.962.648	250.136	3.773.724	--
6a. Monetary trade receivables	--	--	--	--	--	--
6b. Non-monetary trade receivables	370.892	1.040	13.866	80.284	1.211.222	14.896
7. Other	78.840	2.451	32.664	2.753	41.540	4.636
8. Long-term assets (5+6+7)	10.186.104	450.835	6.009.178	333.173	5.026.486	19.532
9. Total assets (4+8)	18.088.943	704.418	9.389.189	654.705	9.877.342	245.248
10. Trade payables	2.635.083	79.501	1.061.580	100.479	1.518.631	54.872
11. Financial liabilities	4.903.700	33.333	445.100	295.000	4.458.600	--
12a. Other monetary financial liabilities	2.480	154	2.061	28	419	--
12b. Other non-monetary financial liabilities	132.236	118.601	1.583.681	118.521	1.791.308	--
13. Current liabilities (10+11+12)	7.673.499	231.589	3.092.422	514.028	7.768.958	54.872
14. Trade payables	--	--	--	--	--	--
15. Financial liabilities	302.278	--	--	20.000	302.278	--
16a. Other monetary financial liabilities	2.439	155	2.069	25	370	--
16b. Other non-monetary financial liabilities	2.350.122	153.537	2.050.177	161.787	2.445.227	--
17. Non-current liabilities (14+15+16)	2.654.839	153.692	2.052.246	181.812	2.747.875	--

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

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20. FOREIGN EXCHANGE POSITION (continued)

FOREIGN EXCHANGE POSITION						
31 December 2021	TL Equivalent (Functional currency)	USD	TL equivalent by using closing rates	EURO	TL equivalent by using closing rates	Other
18. Total liabilities (13+17)	10.328.338	385.281	5.144.668	695.840	10.516.833	54.872
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)	7.760.605	319.137	4.244.521	-41.135	-639.491	190.376
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10- 11-12a-14-15-16a)	8.560.775	535.273	7.131.931	98.632	1.476.750	(47.906)
22. Fair value of derivative financial instruments used in foreign currency hedge	--	--	--	--	--	--
23. Hedged foreign currency assets	--	--	--	--	--	--
24. Hedged foreign currency liabilities	--	--	--	--	--	--
25. Exports	2.242.898	78.453	750.653	30.981	344.947	1.147.298
26. Imports	5.968.381	303.405	4.044.085	104.378	1.574.727	349.569

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

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

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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 2022				
	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)	1.068.475	(1.068.475)	1.068.475	(1.068.475)
2- Hedged amount against USD risk (-)	--	--	--	--
3- Net effect of USD (1+2)	1.068.475	(1.068.475)	1.068.475	(1.068.475)
Change of EURO against TL by 10%:				
4- EURO denominated net assets/(liabilities)	41.950	(41.950)	41.950	(41.950)
5- Hedged amount against EURO risk (-)	--	--	--	--
6- Net effect of EURO (4+5)	41.950	(41.950)	41.950	(41.950)
Change of other currencies against TL by 10%:				
7- Other currencies denominated net assets/(liabilities)	(6.209)	6.209	(6.209)	6.209
8- Hedged amount against other currencies risk (-)	--	--	--	--
9- Net effect of other currencies (7+8)	(6.209)	6.209	(6.209)	6.209

¹ Comprises of profit/loss effect.

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20. FOREIGN EXCHANGE POSITION (continued)

Foreign currency sensitivity (continued)

Foreign currency sensitivity table				
31 December 2021				
	Profit/Loss		Equity ¹	
	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)	713.193	(713.193)	713.193	(713.193)
2- Hedged amount against USD risk (-)	--	--	--	--
3- Net effect of USD (1+2)	713.193	(713.193)	713.193	(713.193)
Change of EURO against TL by 10%:				
4- EURO denominated net assets/(liabilities)	147.675	(147.675)	147.675	(147.675)
5- Hedged amount against EURO risk (-)	--	--	--	--
6- Net effect of EURO (4+5)	147.675	(147.675)	147.675	(147.675)
Change of other currencies against TL by 10%:				
7- Other currencies denominated net assets/(liabilities)	(4.791)	4.791	(4.791)	4.791
8- Hedged amount against other currencies risk (-)	--	--	--	--
9- Net effect of other currencies (7+8)	(4.791)	4.791	(4.791)	4.791

21. EVENTS AFTER THE REPORTING PERIOD

After the reporting period, the Group has signed contracts amounting to USD 100 Million.

¹ Comprises of profit/loss effect.