

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

**Convenience Translation Of The  
Independent Auditor's Report And  
Summary Consolidated Financial Statements  
For The Six-Month Interim Period Ended 30 June 2013  
Originally Issued in Turkish**

**CONVENIENCE TRANSLATION OF THE REPORT AND THE CONSOLIDATED  
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

**REPORT ON REVIEW OF CONDENSED CONSOLIDATED  
INTERIM FINANCIAL INFORMATION**

**To the Board of Directors of  
Aselsan Elektronik Sanayi ve Ticaret A.Ş.  
ANKARA**

***Introduction***

We have reviewed the accompanying condensed consolidated balance sheet of Aselsan Elektronik Sanayi ve Ticaret A.Ş. (the “Company”) and its subsidiaries (together the “Group”) as of 30 June 2013 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended. Group Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with the Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority (“POA”). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

***Scope of Review***

We conducted our review in accordance with the independent auditing standards published by the Capital Markets Board. A review of consolidated interim financial information 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 auditing standards published by the Capital Markets Board 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 the Turkish Accounting Standards issued by the POA.

Ankara, 22 August 2013

**DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.**  
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Erdem Taş  
Partner

**INDEX PAGE**

<b>CONDENSED CONSOLIDATED BALANCE SHEET .....</b>	<b>1-3</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS .....</b>	<b>4</b>
<b>CONDENSED CONSOLIDATED OTHER COMPREHENSIVE INCOME .....</b>	<b>5</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.....</b>	<b>6</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS.....</b>	<b>7-8</b>
<b>NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.....</b>	<b>9-51</b>
NOTE 1 ORGANIZATION AND OPERATIONS OF THE GROUP.....	9-10
NOTE 2 BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS .....	10-23
NOTE 3 TRADE RECEIVABLES AND PAYABLES .....	24-25
NOTE 4 INVENTORIES .....	26
NOTE 5 ASSETS AND LIABILITIES REGARDING CONSTRUCTION CONTRACTS .....	27
NOTE 6 FIXED ASSETS AND INTANGIBLE ASSETS .....	28
NOTE 7 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES.....	29-31
NOTE 8 COMMITMENTS AND CONTINGENCIES .....	31-33
NOTE 9 PREPAID EXPENSES AND DEFERRED INCOME .....	34-35
NOTE 10 SHARE CAPITAL.....	35-36
NOTE 11 SALES REVENUE AND COST OF SALES.....	37
NOTE 12 OTHER OPERATING INCOME AND EXPENSES .....	38-39
NOTE 13 FINANCIAL INCOME .....	39
NOTE 14 FINANCIAL EXPENSE .....	40
NOTE 15 EARNINGS PER SHARE .....	40
NOTE 16 RELATED PARTY TRANSACTIONS .....	41-44
NOTE 17 FOREIGN EXCHANGE POSITION .....	45-51
NOTE 18 EVENTS AFTER THE BALANCE SHEET DATE .....	51

**ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2013**

(Amounts are expressed in Turkish Lira (TL).)

	<b>Note</b>	<b>Current Period</b>	<b>(*) Restated</b>
	<b>References</b>	<b>(Reviewed)</b>	<b>Prior Period</b>
		<b>30 June</b>	<b>(Audited)</b>
<b>ASSETS</b>		<b>2013</b>	<b>31 December</b>
			<b>2012</b>
<b>Current Assets</b>		<b>1.918.941.286</b>	<b>1.943.880.942</b>
Cash and Cash Equivalents		75.913.149	352.533.570
Trade Receivables			
Trade Receivables from Related Parties	3-16	75.731.884	66.211.121
Trade Receivables from Third Parties	3	594.885.537	458.157.043
Other Receivables			
Other Receivables from Related Parties	16	35.497.859	18.730.633
Other Receivables from Third Parties		21.755.238	23.977.284
Inventories	4	590.254.170	584.822.894
Prepaid Expenses	9	331.016.751	264.844.810
Other Current Assets		193.886.698	174.603.587
<b>Non-Current Assets</b>		<b>1.484.545.602</b>	<b>1.380.333.829</b>
Financial Investments		12.017.562	12.017.562
Long-term Trade Receivables			
Long-term Trade Receivables from Related Parties	3-16	27.957.967	27.635.470
Long-term Trade Receivables from Third Parties	3	267.269.387	219.481.930
Other Long-term Receivables			
Other Long-term Receivables from Related Parties	16	-	-
Other Long-Term Receivables from Third Parties		165.893	176.799
Fixed Assets	6	477.505.744	412.092.736
Intangible Assets	6	330.575.046	297.687.497
Prepaid Expenses	9	207.986.937	276.113.226
Deferred Tax Assets		157.188.829	132.604.753
Other Non-Current Assets		3.878.237	2.523.856
<b>TOTAL ASSETS</b>		<b>3.403.486.888</b>	<b>3.324.214.771</b>

(\*) Effects of restatement are explained in Note 2.1, Comparative Information and Restatement of Prior Period Financial Statements

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

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

**CONDENSED CONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2013**

(Amounts are expressed in Turkish Lira (TL). )

	Note References	Current Period (Reviewed) 30 June 2013	(*) Restated Prior Period (Audited) 31 December 2012
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>870.950.611</b>	<b>776.838.100</b>
Short-term Financial Liabilities		176.449.278	210.788.558
Short-term Portion of Long-term Financial Liabilities		10.358.168	658.118
Trade Payables			
Trade Payables to Related Parties	3-16	15.865.573	48.991.710
Trade Payables to Third Parties	3	228.328.914	246.600.350
Employee Benefit Obligations		24.234.052	16.085.066
Other Liabilities			
Other Liabilities to Related Parties	16	56.432.457	180.202
Other Liabilities to Third Parties		428.435	826.832
Government Grants and Incentives		10.562.016	7.433.936
Deferred Income	9	246.067.683	145.743.263
Corporate Tax Liability		140.880	304.275
Short-term Provisions			
Short-term Provisions for Employee Benefits	7	25.718.541	18.656.924
Other Short-Term Provisions	7	74.610.410	76.764.254
Current Tax Liabilities		1.732.718	3.778.203
Other Current Liabilities		21.486	26.409
<b>Non-Current Liabilities</b>		<b>1.238.789.310</b>	<b>1.281.281.080</b>
Long-term Financial Liabilities		167.331.138	114.017.502
Long-term Trade Payables			
Long-term Trade Payables to Related Parties	3-16	661.785	1.639.370
Long-term Trade Payables to Third Parties	3	9.262.924	9.375.383
Other Long-Term Payables			
Other Long-term Payables to Related Parties		-	-
Other Long-term Payables to Third Parties		19.823	20.326
Government Grants and Incentives		1.077.462	785.936
Deferred Income	9	946.083.717	1.041.969.070
Long-term Provisions			
Long-term Provisions for Employee Benefits	7	104.911.317	104.434.432
Other Long-Term Provisions	7	9.441.144	9.039.061

(\*) Effects of restatement are explained in Note 2.1, Comparative Information and Restatement of Prior Period Financial Statements

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

**ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2013**

(Amounts are expressed in Turkish Lira (TL).)

	<b>Note References</b>	<b>Current Period (Reviewed) 30 June 2013</b>	<b>(* Restated Prior Period (Audited) 31 December 2012</b>
<b>EQUITY</b>		<b>1.293.746.967</b>	<b>1.266.095.591</b>
<b>Equity attributable to equity holders of the parent</b>		<b>1.293.180.505</b>	<b>1.265.551.399</b>
Share Capital	10	500.000.000	500.000.000
Share Capital Adjustments		98.620.780	98.620.780
Other Comprehensive Income / Expense not to be Reclassified to Profit or Loss			
Remeasurement Income/Loss from Defined Benefit Plans		(7.042.948)	(13.175.916)
Restricted Profit Reserves		69.666.791	52.071.680
Retained Earnings		531.939.744	321.656.271
Net Profit for the Period		99.996.138	306.378.584
<b>Non-Controlling Interests</b>		<b>566.462</b>	<b>544.192</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3.403.486.888</b>	<b>3.324.214.771</b>

(\*) Effects of restatement are explained in Note 2.1, Comparative Information and Restatement of Prior Period Financial Statements

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

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

**REVIEWED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2013**

(Amounts are expressed in Turkish Lira (TL).)

	Note References	Current Period (Reviewed) 1 January 30 June 2013	Prior Period (Not Reviewed) 1 April- 30 June 2013	(*) Restated Current Period (Reviewed) 1 January- 30 June 2012	(*) Restated Prior Period (Not Reviewed) 1 April- 30 June 2012
<b>PROFIT OR LOSS</b>					
Sales Revenue	11	981.685.487	550.680.492	795.616.198	408.938.816
Cost of Sales (-)	11	(737.044.964)	(413.504.888)	(583.521.454)	(290.456.730)
<b>GROSS PROFIT</b>		<b>244.640.523</b>	<b>137.175.604</b>	<b>212.094.744</b>	<b>118.482.086</b>
General Administrative Expenses (-)		(53.189.817)	(27.356.095)	(50.402.793)	(25.808.115)
Marketing Expenses (-)		(18.074.618)	(10.109.399)	(18.888.364)	(10.563.761)
Research and Development Expenses (-)		(31.024.367)	(14.897.774)	(27.759.408)	(15.171.261)
Other Operating Income	12	126.236.844	68.543.287	213.238.703	101.512.371
Other Operating Expenses (-)	12	(194.425.928)	(133.403.757)	(153.173.434)	(74.649.684)
<b>OPERATING PROFIT</b>		<b>74.162.637</b>	<b>19.951.866</b>	<b>175.109.448</b>	<b>93.801.636</b>
Income from Investing Activities		10.441.552	(47.500)	3.452.071	3.393.300
<b>OPERATING PROFIT BEFORE FINANCIAL EXPENSE</b>		<b>84.604.189</b>	<b>19.904.366</b>	<b>178.561.519</b>	<b>97.194.936</b>
Financial Income	13	2.399.744	442.862	12.710.200	6.732.403
Financial Expense (-)	14	(12.959.470)	(9.848.652)	(6.877.648)	(5.349.381)
<b>PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>74.044.463</b>	<b>10.498.576</b>	<b>184.394.071</b>	<b>98.577.958</b>
<b>Tax Income / (Expense) from Continuing Operations</b>		<b>25.976.445</b>	<b>17.083.061</b>	<b>1.599.224</b>	<b>(1.272.539)</b>
- Current Corporate Tax Expense		(140.880)	(70.361)	(240.814)	(44.012)
- Deferred Tax Income/(Expense)		26.117.325	17.153.422	1.840.038	(1.228.527)
<b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>100.020.908</b>	<b>27.581.637</b>	<b>185.993.295</b>	<b>97.305.419</b>
<b>Distribution of Profit for the Period:</b>					
Non-Controlling Interest		24.770	75.985	325.808	110.218
Parent Company		99.996.138	27.505.652	185.667.487	97.195.201
		<b>100.020.908</b>	<b>27.581.637</b>	<b>185.993.295</b>	<b>97.305.419</b>
<b>Earnings per 100 Shares</b>	<b>15</b>	<b>0,20</b>	<b>0,06</b>	<b>0,37</b>	<b>0,19</b>

(\*) Effects of restatement are explained in Note 2.1, Comparative Information and Restatement of Prior Period Financial Statements

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

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

**REVIEWED CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME  
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2013**

(Amounts are expressed in Turkish Lira (TL).)

<u>Note References</u>	<b>Current Period (Reviewed) 1 January 30 June 2013</b>	<b>Prior Period (Not Reviewed) 1 April- 30 June 2013</b>	<b>(*) Restated Current Period (Reviewed) 1 January- 30 June 2012</b>	<b>(*) Restated Prior Period (Not Reviewed) 1 April- 30 June 2012</b>
<b>PROFIT FOR THE PERIOD</b>	<b>100.020.908</b>	<b>27.581.637</b>	<b>185.993.295</b>	<b>97.305.419</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items not to be Reclassified in Profit/Loss</b>	<b>6.132.968</b>	<b>6.132.968</b>	-	-
Remeasurement Income/Loss from Defined Benefit Plans	7.666.211	7.666.211	-	-
Deferred Tax Expense	(1.533.243)	(1.533.243)		
<b>OTHER COMPREHENSIVE INCOME</b>	<b>6.132.968</b>	<b>6.132.968</b>	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>106.153.876</b>	<b>33.714.605</b>	<b>185.993.295</b>	<b>97.305.419</b>
<b>Distribution of Total Comprehensive Income:</b>				
Non-controlling Interests	24.770	75.985	325.808	110.218
Parent Company	104.595.863	32.105.377	185.667.487	97.195.201
	<b>106.153.876</b>	<b>33.714.605</b>	<b>185.993.295</b>	<b>97.305.419</b>

(\*) Effects of restatement are explained in Note 2.1, Comparative Information and Restatement of Prior Period Financial Statements

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



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

**REVIEWED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2013**

(Amounts are expressed in Turkish Lira (TL).)

				Other Comprehensive Income / Expense not to be Reclassified to Profit or Loss	Accumulated Profit		Equity Attributable to Parent Company	Non- Controlling Interests	Total
	Share Capital	Share Capital Adjustments	Restricted Profit Reserves	Remeasurement Income/Loss from Defined Benefit Plans	Retained Earnings	Net Profit for the Period			
<b>Balance as of 1 January 2012</b>	<b>235.224.000</b>	<b>132.773.042</b>	<b>42.731.216</b>	-	<b>447.322.067</b>	<b>160.755.145</b>	<b>1.018.805.470</b>	<b>10.920</b>	<b>1.018.816.390</b>
Transfers	264.776.000	(34.152.262)	9.340.464	-	(125.665.796)	(114.298.406)	-	-	-
Total Comprehensive Income	-	-	-	-	-	185.667.487	185.667.487	325.808	<b>185.993.295</b>
Dividends	-	-	-	-	-	(46.456.739)	(46.456.739)	(5.000)	<b>(46.461.739)</b>
<b>Balance as of 30 June 2012</b>	<b>500.000.000</b>	<b>98.620.780</b>	<b>52.071.680</b>	-	<b>321.656.271</b>	<b>185.667.487</b>	<b>1.158.016.218</b>	<b>331.728</b>	<b>1.158.347.946</b>
<b>Balance as of 1 January 2013 (previously reported)</b>	<b>500.000.000</b>	<b>98.620.780</b>	<b>52.071.680</b>	-	<b>321.656.271</b>	<b>293.202.668</b>	<b>1.265.551.399</b>	<b>544.192</b>	<b>1.266.095.591</b>
Effect of change in TAS 19 (Note:2.1 and 2.4)	-	-	-	(13.175.916)	-	13.175.916	-	-	-
<b>Balance as of 1 January 2013 (Restated)</b>	<b>500.000.000</b>	<b>98.620.780</b>	<b>52.071.680</b>	<b>(13.175.916)</b>	<b>321.656.271</b>	<b>306.378.584</b>	<b>1.265.551.399</b>	<b>544.192</b>	<b>1.266.095.591</b>
Transfers	-	-	17.595.111	-	210.283.473	(227.878.584)	-	-	-
Total Comprehensive Income	-	-	-	6.132.968	-	99.996.138	106.129.106	24.770	106.153.876
Dividends	-	-	-	-	-	(78.500.000)	(78.500.000)	(2.500)	(78.502.500)
<b>Balance as of 30 June 2013</b>	<b>500.000.000</b>	<b>98.620.780</b>	<b>69.666.791</b>	<b>(7.042.948)</b>	<b>531.939.744</b>	<b>99.996.138</b>	<b>1.293.180.505</b>	<b>566.462</b>	<b>1.293.746.967</b>

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

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

**REVIEWED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2013**

(Amounts are expressed in Turkish Lira (TL). )

	Note References	Current Period (Reviewed) 1 January- 30 June 2013	(*) Restated Prior Period (Reviewed) 1 January 30 June 2012
<b>Cash Flows from Operating Activities</b>			
Net Profit for the Period		100.020.908	185.993.295
<b>Adjustments to Reconcile Net Profit for the Period to Cash (Used In)/Provided by Operating Activities</b>			
Adjustments for Depreciation and Amortization Expenses	6	40.562.872	33.592.731
Provision for Employee Benefits		17.882.192	17.692.286
Impairment Loss Recognized/(Reversed) on Trade Receivables - Net	3	95.117	(55.613)
Guarantee Expense Provision Recognized/(Reversed) - Net	7	3.805.565	(747.962)
Delay Penalties and Fines Provision (Reversed)/Recognized - Net	7	(3.187.338)	630.683
Provision for Pending Claims and Lawsuits – Net	7	(15.000)	(181.020)
Impairment Provision for Inventory – Net	4	(3.231.297)	1.283.155
Other Provisions	7	(2.354.988)	(9.528.368)
Adjustment for Tax Expense/Income		(25.976.445)	(1.599.224)
Interest Income	12	(3.043.559)	(8.178.900)
Interest Expense	14	4.137.760	1.482.106
Income from Investing Activities		(10.441.552)	(3.225.094)
<b>Net Cash Generated by Operating Activities Before Movements in Working Capital</b>		<b>118.254.235</b>	<b>217.158.075</b>
<b>Movements in Working Capital</b>			
Adjustments for Increase/Decrease in Trade Receivables		(193.766.772)	(243.125.140)
Adjustments for Increase/Decrease in Other Receivables		(14.534.274)	(12.919.033)
Adjustments for Increase/Decrease in Inventory		(2.199.979)	3.480.082
Prepaid Expenses		1.954.348	33.430.436
Other Current Assets		(18.802.954)	(33.446.785)
Other Non-Current Assets		(1.354.381)	(30.581.348)
Adjustments for Increase/Decrease in Trade Payables		(52.487.617)	(1.486.236)
Adjustments for Increase/Decrease in Other Payables		55.853.355	32.956.463
Current Tax Liabilities		(2.045.485)	(2.414.047)
Employee Benefit Obligations		8.148.986	192.355
Government Grants and Incentives		3.419.606	1.851.389
Deferred Income		4.439.067	260.852.117
Other Liabilities		(4.918)	(346.771)
<b>Net Cash (Used In)/Provided By Operations</b>		<b>(93.126.783)</b>	<b>225.601.557</b>

(\*) Effects of restatement are explained in Note 2.1, Comparative Information and Restatement of Prior Period Financial Statements

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

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

**REVIEWED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2013**

(Amounts are expressed in Turkish Lira (TL). )

	<b>Note References</b>	<b>Current Period (Reviewed) 1 January- 30 June 2013</b>	<b>(* Restated Prior Period (Reviewed) 1 January 30 June 2012</b>
Interest Received		1.875.846	8.178.900
Tax Payments/Refunds		(304.275)	(104.225)
Interest Paid		(2.522.591)	(1.096.888)
Employee Termination Benefits Paid	7	(2.677.478)	(1.258.407)
<b>Cash Provided By/(Used In) Operating Activities</b>		<b>(96.755.281)</b>	<b>231.320.937</b>
<b>Cash Flows from Investment Activities</b>			
Payments for Fixed Assets	6	(88.374.901)	(35.046.337)
Proceeds from Disposal of Fixed Assets		91.162	234.118
Payments for Intangible Assets - Net		(50.579.690)	(62.248.382)
Dividends Received		10.441.552	3.225.094
Change in Financial Investments		-	(150.800)
<b>Net Cash Used In Investing Activities</b>		<b>(128.421.877)</b>	<b>(93.986.307)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from Borrowings		353.787.734	147.632.354
Repayments of Borrowings		(326.704.690)	(90.712.604)
Repayments of Obligations Under Finance Leases		(23.807)	272.887
Dividend Payments		(78.502.500)	(46.461.739)
<b>Net Cash (Used In)/Provided By Financing Activities</b>		<b>(51.443.263)</b>	<b>10.730.898</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>(276.620.421)</b>	<b>148.065.528</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>352.533.570</b>	<b>163.344.459</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>75.913.149</b>	<b>311.409.987</b>

(\*) Effects of restatement are explained in Note 2.1, Comparative Information and Restatement of Prior Period Financial Statements

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

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

## NOTES FOR THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2013

(Amounts are expressed in Turkish Lira(TL).)

### 1. ORGANIZATION AND OPERATIONS OF THE GROUP

Aselsan Elektronik Sanayi ve Ticaret A.Ş. (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 subjects 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. The Company has been organized in four main divisions: The Communication and Information Technologies Division (HBT), Radar, Electronic Warfare and Intelligence Systems (REHİS), Defense Systems Technologies (SST) and Microelectronics, Guidance & Electro-Optics Division (MGEO) based on the investment and production requirements of projects carried out. The Company carries out its manufacturing and engineering activities in Macunköy and Akyurt facilities and the Head office is located in Ankara, Macunköy.

Turkish Armed Forces Foundation (“TAFF”) is the main shareholder of the Company which holds 84,58% of the capital and maintains control of the Company. TAFF 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 are quoted in Borsa İstanbul A.Ş. since 1990. 15,30% of the shares of the Company are publicly held as of 30 June 2013 (31 December 2012: 15,30%) (Note: 10).

The Company’s trade registry address is Mehmet Akif Ersoy Mahallesi 296. Cadde No:16 06370 Yenimahalle/Ankara. The number of personnel employed by the Group as of 30 June 2013 is 5.301 (31 December 2012: 5.088).

The Company, and its consolidated subsidiaries Mikrodalga Elektronik Sistemleri Sanayi ve Ticaret A.Ş. (Mikes) and AselsanNet Elektronik ve Haberleşme Sistemleri Sanayi Ticaret İnşaat ve Taahhüt Ltd. Şti. (AselsanNet), operating in the same sector with the Company, are collectively referred as the “Group” in the accompanying notes.

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

## NOTES FOR THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2013

(Amounts are expressed in Turkish Lira(TL).)

### 1. ORGANIZATION AND OPERATIONS OF THE GROUP (cont'd)

The main operations of the companies included in the consolidation and the share percentage of the Group for these companies are as follows:

Company name	Operation	30 June	31 December
		2013	2012
Mikes	Research and development on microwave projects	96,36	96,36
AselsanNet	Communication systems	95,00	95,00

The subsidiaries Mikroelektronik Ar-Ge Tasarım ve Ticaret Limited Şirketi and Aselsan Bakü Şirketi which are classified as non-current financial assets are excluded from consolidation as their inclusion does not materially affect the consolidated financial results of the Group.

The Company opened up a branch as “Aselsan Elektronik Sanayi ve Ticaret A.Ş. EP Co.” in 2011 in South Africa which aims to design optic systems and marketing and selling the Company’s products in South Africa and nearby countries. Branch is excluded from consolidation as its inclusion does not materially affect the consolidated financial results of the Group.

In addition, the joint ventures IGG Aselsan Integrated Systems LLC (United Arab Emirates) and Kazakhstan Aselsan Engineering LLP (Kazakhstan) established in 2011 and Aselsan Middle East PSC LTD (Jordan) established in 2012, which are classified as non-current financial assets are excluded from consolidation as their inclusion does not materially affect the consolidated financial results of the Group.

#### Approval of the condensed consolidated financial statements:

These condensed consolidated financial statements for the period between 1 January 2013 and 30 January 2013 have been approved for issue by the Board of Directors with the decision number 781 on 22 August 2013. No authority other than Board of Directors and General Assembly has the right to amend the consolidated financial statements.

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

#### 2.1 The basis of presentation

##### Statement of Compliance

The company and its subsidiaries registered in Turkey, Mikes and AselsanNet maintain their books of account and prepare their statutory financial statements (“Statutory Financial Statements”) in accordance with accounting principles in the Turkish Commercial Code (“TCC”) and tax legislation in Turkish Lira (“TL”).

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

### NOTES FOR THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2013

(Amounts are expressed in Turkish Lira(TL).)

## **2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

### **2.1 The basis of presentation (cont'd)**

#### Statement of Compliance (cont'd)

The accompanying financial statements are prepared in accordance with the requirements of Capital Markets Board (“CMB”) Communiqué Serial II, No: 14.1 “Basis of Financial Reporting in Capital Markets”, which were published in the Official Gazette No:28676 on 13 June 2013. The accompanying financial statements are prepared based on the Turkish Accounting Standards/Turkish Financial Reporting Standards and Interpretations (“TAS/IFRS”) that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority (“POA”) under Article 5 of the Communiqué.

In addition, the financial statements and its notes are presented in accordance with the format requirements as announced by the CMB’s statement on 7 June 2013.

The consolidated financial statements are prepared according to historical cost accounting. In order to determine the historical cost, the fair values paid for assets are considered.

#### Functional Currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). 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 and the reporting currency for the consolidated financial statements.

#### Preparation of Financial Statements in Hyperinflationary Periods

CMB, with its resolution dated 17 March 2005 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 29 “Financial Reporting in Hyperinflationary Economies” was not applied since 1 January 2005.

(Amounts are expressed in Turkish Lira(TL).)

## **2. BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

### **2.1 The basis of presentation (cont'd)**

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

Consolidated financial statements of the Group have been prepared comparatively with prior period in order to give information about financial position and performance trends. If the presentation or classification of the financial statements is changed, in order to maintain consistency, financial statements of the prior periods are also reclassified and the significant changes are explained.

As described in Note 2.4, due to the amendments to “TAS 19 - Employee Benefits”, effective for the periods beginning after 1 January 2013, actuarial gain/losses related to retirement pay obligations are recognized under equity. The Group adopted the amendments to TAS 19 and comparative amounts are restated retrospectively. The effect of adoption is explained in Note 2.4.

In addition, the Group has made reclassifications in prior period financial statements in order to comply with the format issued by CMB on 7 June 2013. The nature and amount for each of the reclassifications are described below:

- “Foreign Currency Exchange Loss” related to Advances Given and Received, Trade Receivables and Payables, Other Receivables and Payables amounting to TL 146.830.830 which was presented under “Finance Expense” in the consolidated statement of profit or loss for the six-months period ended 30 June 2012 is reclassified to “Other Operating Expenses”.

- “Foreign Currency Exchange Gain” related to Advances Given and Received, Trade Receivables and Payables, Other Receivables and Payables amounting to TL 176.922.149 which was presented under “Finance Income” in the consolidated statement of profit or loss for the six-months period ended 30 June 2012 is reclassified to “Other Operating Income”.

- “Interest Income” amounting to TL 8.359.315 which was presented under “Finance Income” in the consolidated statement of profit or loss for the six-months period ended 30 June 2012 is reclassified to “Other Operating Income”.

- “Interest Expense” amounting to TL 4.738.783 which was presented under “Finance Expense” in the consolidated statement of profit or loss for the six-months period ended 30 June 2012 is reclassified to “Other Operating Expense”.

- “Discount Income” amounting to TL 3.261.661 which was presented under “Finance Income” in the consolidated statement of profit or loss for the six-months period ended 30 June 2012 is reclassified to “Other Operating Income”.

- “Dividend Income”, “Gain on Sale of Marketable Securities” and “Gain on Financial Assets” amounting to TL 3.452.071 which was presented under “Finance Income” in the consolidated statement of profit or loss for the six-months period ended 30 June 2012 is reclassified to “Income from Investing Activities”.

(Amounts are expressed in Turkish Lira(TL).)

**2. BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

**2.1 The basis of presentation (cont'd)**

Comparative Information and Adjustment of Prior Period Financial Statements (cont'd)

- “Blocked Deposits” amounting to TL 19.361.643 which was presented under “Cash and Cash Equivalents” in the consolidated balance sheet as of 31 December 2012 is reclassified to “Other Current Assets”.

-“Obligations Under Finance Leases” amounting to TL 93.312 which was presented as “Other Financial Liabilities” under “Current Liabilities” in the consolidated balance sheet as of 31 December 2012 is reclassified to “Short-term Portion of Long-term Financial Liabilities”.

-“Obligations Under Finance Leases” amounting to TL 252.761 which was presented as “Other Financial Liabilities” under “Long-Term Liabilities” in the consolidated balance sheet as of 31 December 2012 is reclassified to “Long-Term Financial Liabilities”.

-“Prepaid Expenses” amounting to TL 30.939.947 which was presented under “Other Current Assets” in the consolidated balance sheet as of 31 December 2012 is reclassified as “Prepaid Expenses” under “Current Assets”.

-“Short-Term Advances Given” amounting to TL 233.904.863 which was presented under “Order Advances Given” in the consolidated balance sheet as of 31 December 2012 is reclassified to “Prepaid Expenses” under “Current Assets”.

- “Prepaid Expenses” amounting to TL 25.706.640 which was presented under “Other Non-Current Assets” in the consolidated balance sheet as of 31 December 2012 is reclassified as “Prepaid Expenses” under “Non-Current Assets”.

- “Long-Term Advances Given” amounting to TL 250.406.568 which was presented under “Order Advances Given” in the consolidated balance sheet as of 31 December 2012 is reclassified to “Prepaid Expenses” under “Non-Current Assets”.

- “Short-Term Portion of Long-Term Financial Liabilities” amounting to TL 564.806 which was presented under “Financial Liabilities” in the consolidated balance sheet as of 31 December 2012 is presented as a separate line item under “Current Liabilities”.

- “Payables to Personnel” and “Tax Liabilities due to Personnel” amounting to TL 16.085.066 which was presented under “Other Payables” in the consolidated balance sheet as of 31 December 2012 is reclassified to “Employee Benefit Obligations” under “Current Liabilities”.

- “Tax Payables” amounting to TL 3.778.203 which was presented under “Other Payables” in the consolidated balance sheet as of 31 December 2012 is reclassified to “Current Tax Liabilities” under “Current Liabilities”.



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

## NOTES FOR THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2013

(Amounts are expressed in Turkish Lira(TL).)

### 2. BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

#### 2.1 The basis of presentation (cont'd)

##### Comparative Information and Adjustment of Prior Period Financial Statements (cont'd)

- “Deferred Income” amounting to TL 3.026.317 which was presented under “Other Non-Current Liabilities” in the consolidated balance sheet as of 31 December 2012 is reclassified as “Deferred Income” under “Current Liabilities”.

- “Short Term Advances Received” and “Long Term Advances Received” amounting to TL 142.716.946 and TL 1.041.940.108 respectively in the consolidated balance sheet as of 31 December 2012 are reclassified to “Deferred Income” which are presented under “Current Liabilities” and “Non-Current Liabilities”.

- “Deferred Income” amounting to TL 28.962 which was presented under “Other Non-Current Liabilities” in the consolidated balance sheet as of 31 December 2012 is reclassified as “Deferred Income” under “Non-Current Liabilities”.

	Previously Reported 1 January- 30 June 2012	Restated 1 January- 30 June 2012
Other Operating Income	24.695.578	213.238.703
Other Operating Expenses (-)	(1.603.821)	(153.173.434)
Income from Investing Activities	-	3.452.071
Financial Income	204.705.396	12.710.200
Financial Expense (-)	(158.447.261)	(6.877.648)

	Previously Reported 1 April- 30 June 2012	Restated 1 April- 30 June 2012
Other Operating Income	22.707.452	101.512.371
Other Operating Expenses (-)	(423.222)	(74.649.684)
Income from Investing Activities	-	3.393.300
Financial Income	88.930.622	6.732.403
Financial Expense (-)	(79.575.843)	(5.349.381)

**ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES****NOTES FOR THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 JUNE 2013**

(Amounts are expressed in Turkish Lira(TL).)

**2. BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS (cont'd)****2.1 The basis of presentation (cont'd)****Comparative Information and Adjustment of Prior Period Financial Statements  
(cont'd)**

	Previously Reported 31 December 2012	Restated 31 December 2012
<b>Current Assets</b>		
Cash and Cash Equivalents	371.895.213	352.533.570
Prepaid Expenses	-	264.844.810
Order Advances Given	233.904.863	-
Other Current Assets	186.181.891	174.603.587
<b>Non-Current Assets</b>		
Prepaid Expenses	-	276.113.226
Order Advances Given	250.406.586	-
Other Non-Current Assets	28.230.496	2.523.856
<b>Current Liabilities</b>		
Short-term Financial Liabilities	-	210.788.558
Short-term Portion of Long-term Financial Liabilities	-	658.118
Financial Liabilities	211.353.364	-
Other Financial Liabilities	93.312	-
Employee Benefit Obligations	-	16.085.066
Other Payables	20.870.303	1.007.034
Deferred Income	-	145.743.263
Order Advances Received	142.716.946	-
Current Tax Liabilities	-	3.778.203
Other Current Liabilities	3.052.726	26.409
<b>Non-Current Liabilities</b>		
Long-term Financial Liabilities	113.764.741	114.017.502
Other Financial Liabilities	252.761	-
Deferred Income	-	1.041.969.070
Order Advances Received	1.041.940.108	-
Other Non-Current Liabilities	28.962	-
<b>Equity</b>		
Remeasurement Income/Loss from Defined Benefit Plans	-	(13.175.916)
Net Profit for Period	293.202.668	306.378.584

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

### NOTES FOR THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2013

(Amounts are expressed in Turkish Lira(TL).)

## 2. BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.1 The basis of presentation (cont'd)

#### Basis of Consolidation

Subsidiaries:

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

Subsidiaries	Location	Group's proportion of ownership and voting power held (%)		Principal Activity
		30 June 2013	31 December 2012	
Mikes	Turkey	96,36	96,36	Microwave R&D projects
AselsanNet	Turkey	95	95	Telecommunication system
Aselsan Bakü (*)	Azerbaijan	100	100	Marketing and sales of the group products
Mikroelektronik Ar-Ge Tasarım ve Tic. Ltd Şti. (*)	Turkey	85	85	Microelectronic R&D projects

(\*) Excluded from group consolidation as it does not significantly affect the consolidated financial results.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by 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 if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. 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:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders,
- potential voting rights held by the Company, other vote holders or other parties,

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

## NOTES FOR THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2013

(Amounts are expressed in Turkish Lira(TL).)

### 2. BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

#### 2.1 The Basis of Principles (cont'd)

##### Basis of Consolidation (cont'd)

- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate the Company 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.

Consolidation of subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, 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.

Profit or loss and each component of 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 bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Interests in joint ventures:

The details of the Group's interests in joint ventures as of 30 June 2013 and 31 December 2012 are as follows:

Joint Ventures	Country of incorporation and operation	Group's proportion of ownership and voting power held (%)		Principal Activity
		30 June 2013	31 December 2012	
IGG Aselsan Integrated Systems LLC	B.A.E.	49	49	Marketing and sales of the group products
Kazakhstan Aselsan Engineering LLP	Kazakhstan	49	49	Marketing and sales of the group products
Aselsan Middle East PSC LTD	Jordan	49	49	Marketing and sales of the group products

(Amounts are expressed in Turkish Lira(TL).)

**2. BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

**2.1 The basis of presentation (cont'd)**

Basis of Consolidation (cont'd)

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.

IGG Aselsan Integrated Systems LLC and Kazakhstan Aselsan Engineering LLP established in 2011 and Aselsan Middle East PSC LTD (Jordan) established in 2012, which are classified as non-current financial assets and accounted with acquiring cost after impairment were not included in the consolidation, have not started operations and their effect on the consolidated financial statements of the Group are deemed to be immaterial.

**2.2 Changes in the Accounting Policies**

Significant changes in accounting policies are applied retrospectively and prior period financial statements are restated.

**2.3 Changes in the Accounting Estimates and Errors**

If estimated changes in accounting policies are for only one period, changes are applied on the current year but if the estimated changes are for the following periods, changes are applied both on the current and following years prospectively. The Group has no significant changes to the accounting estimates in the current period.

The estimated errors in the accounting policies are applied retrospectively and the prior year's financial statements are restated accordingly.

**TAS 19 Employee Benefits**

The amendments to TAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the "corridor approach" permitted under the previous version of TAS 19 and accelerate the recognition of past service costs.

(Amounts are expressed in Turkish Lira(TL).)

**2. BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

**2.4 New and Revised International Financial Reporting Standards**

**a) Amendments to IFRSs affecting amounts reported and the disclosures in the financial statements**

**TAS 19 Employee Benefits (cont'd)**

. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of TAS 19 are replaced with a “net-interest” amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. The amendments to TAS 19 require retrospective application.

Specific transitional provisions are applicable to first-time application of TAS 19. The Group has applied the relevant transitional provisions and restated the comparative amounts on a retrospective basis as given below. The application did not have a significant impact for the periods before 31 December 2012.

	Prior Period 1 January- 31 December 2012
<u>Impact on profit or loss of the application of TAS 19:</u>	<u>2012</u>
Profit for the Period	13.175.916
<u>Impact on other comprehensive income</u>	
Actuarial income/loss	(16.469.895)
Tax effect	3.293.979
Change in other comprehensive income	<u>(13.175.916)</u>
Change in total comprehensive income	<u><u>-</u></u>
	Prior Period 31 December 2012
<u>Impact on balance sheet of the application of TAS 19:</u>	<u>2012</u>
Remeasurement income/loss from defined benefit plans	(13.175.916)
Net profit for period	13.175.916
Change in equity	<u><u>-</u></u>

(Amounts are expressed in Turkish Lira(TL).)

**2. BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS (cont'd)**

**2.4 New and Revised International Financial Reporting Standards (cont'd)**

**b) New and Revised IFRSs applied with no material effect on the financial statements  
which are effective since 2013**

**Amendments to TAS 1 Presentation of Items of Other Comprehensive Income**

TAS1 (Amendments) "Presentation of Items of Other Comprehensive Income" is effective for the annual periods on or after 1 June 2012. The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to TAS 1, the 'statement of comprehensive income' is renamed the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed the 'statement of profit or loss'. The amendments to TAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to TAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively. Other than the above mentioned presentation changes, the application of the amendments to TAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

**New and revised Standards on consolidation, joint arrangements, associates and disclosures**

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including TFRS 10, TFRS 11, TFRS 12, TAS 27 (as revised in 2011) and TAS 28 (as revised in 2011).

Key requirements of these five standards are described below:

TFRS 10 replaces the parts of TAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. SIC-12 Consolidation - Special Purpose Entities will be withdrawn upon the effective date of TFRS 10. Under TFRS 10, there is only one basis for consolidation, that is control. In addition, TFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's return. Extensive guidance has been added in TFRS 10 to deal with complex scenarios.

(Amounts are expressed in Turkish Lira(TL).)

**2. BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

**2.4 New and Revised International Financial Reporting Standards (cont'd)**

**b) New and Revised IFRSs applied with no material effect on the consolidated financial statements which are effective after 2013 (cont'd)**

**New and revised Standards on consolidation, joint arrangements, associates and disclosures (cont'd)**

TFRS 11 replaces TAS 31 *Interests in Joint Ventures*. TFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of TFRS 11. Under TFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under TAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under TFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under TAS 31 can be accounted for using the equity method of accounting or proportional consolidation.

TFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in TFRS 12 are more extensive than those in the current standards.

In June 2012, the amendments to TFRS 10, TFRS 11 and TFRS 12 were issued to clarify certain transitional guidance on the application of these IFRSs for the first time. These standards did not have any effect on the financial statements.

**TFRS 13 Fair Value Measurement**

TFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of TFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in TFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under TFRS 7 *Financial Instruments: Disclosures* will be extended by TFRS 13 to cover all assets and liabilities within its scope.

The application of this new standard did not have any significant effect on the financial statements.



(Amounts are expressed in Turkish Lira(TL).)

**2. BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

**2.4 New and Revised International Financial Reporting Standards (cont'd)**

**b) New and Revised IFRSs applied with no material effect on the consolidated financial statements which are effective after 2013 (cont'd)**

**TAS 1 (Amendments) Presentation of Financial Statements  
(Annual Improvements to IFRSs 2009 - 2011 Cycle issued in May 2012)**

The amendments to TAS 1 as part of the Annual Improvements to IFRSs 2009-2011 Cycle, issued on May 2012, are effective for the annual periods beginning on or after 1 January 2013.

TAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to TAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

**Amendments to TFRS 7 and Offsetting Financial Assets and Financial Liabilities and the Related Disclosures**

The amendments to TFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

**Annual Improvements to IFRSs 2009 - 2011 Cycle issued in May 2012**

- Amendments to TAS 16 *Property, Plant and Equipment*;
- Amendments to TAS 32 *Financial Instruments: Presentation*; and
- Amendments to TAS 34 *Interim Period Financial Reporting*

**Amendments to TAS 16**

The amendments to TAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in TAS 16 and as inventory otherwise. The Group management does not anticipate that the amendments to TAS 16 will have a significant effect on the Group's consolidated financial statements.

(Amounts are expressed in Turkish Lira(TL).)

**2. BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

**2.4 New and Revised International Financial Reporting Standards (cont'd)**

**b) New and Revised IFRSs applied with no material effect on the consolidated financial statements which are effective after 2013 (cont'd)**

**Amendments to TAS 32**

The amendments to TAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with TAS 12 Income Taxes. The amendments to TAS 32 did not have a significant effect on the Group's consolidated financial statements.

**Amendments to TAS 34**

The amendments to TAS 34 clarify that disclosure of the total assets and total liabilities for a particular reportable segment is only required if a measure of total assets or total liabilities (or both) is regularly provided to the chief operating decision maker and there has been a material change in those measures since the last annual financial statements. The amendments to TAS 34 did not have an effect on the Group's consolidated financial statements.

**c) New and revised IFRSs in issue but not yet effective and not early adopted by the Group**

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

TFRS 9	<i>Financial Instruments</i> <sup>2</sup>
Amendments to TFRS 9 and TFRS 7	<i>Mandatory Effective Date of TFRS 9 and Transition Disclosures</i> <sup>2</sup>
Amendments to TFRS 32	<i>Offsetting Financial Assets and Financial Liabilities</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2015.

**2.5 Summary of Significant Accounting Policies**

The accounting policies applied in preparation of condensed consolidated interim financial statements are compatible with the accounting policies applied for the period between 1 January - 31 December 2012. These condensed consolidated interim financial statements should be read on a comparative basis with the annual financial statements for the period between 1 January - 31 December 2012.

**ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 JUNE 2013**

(Amounts are expressed in Turkish Lira(TL).)

**3. TRADE RECEIVABLES AND PAYABLES**

## a) Short-term trade receivables

	30 June 2013	31 December 2012
Trade receivables	596.619.639	459.134.156
Trade receivables from related parties (Note 16)	75.731.884	58.410.923
Uninvoiced receivables from construction contracts in progress – related parties (Note 16)	-	7.800.198
Notes receivables	2.065.001	2.131.621
Discount on trade and notes receivables (-)	(1.748.673)	(1.127.796)
Other trade receivables	30.526	4.901
Provision for doubtful trade receivables (-)	(2.080.956)	(1.985.839)
<b>Total</b>	<b>670.617.421</b>	<b>524.368.164</b>

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

	1 January- 30 June 2013	1 January- 30 June 2012
Opening balance	1.985.839	2.056.726
Provision for the period	95.974	-
Provision released	(857)	(55.613)
<b>Closing balance</b>	<b>2.080.956</b>	<b>2.001.113</b>

## b) Long-term trade receivables

	30 June 2013	31 December 2012
Long-term trade receivables	28.818.165	22.413.157
Trade receivables from related parties (Note 16)	299.774	2.714.378
Uninvoiced receivables from construction contracts in progress	238.413.411	197.078.422
Uninvoiced receivables from construction contracts in progress – related parties (Note 16)	27.658.193	24.921.092
Notes receivables	373.698	373.698
Discount on trade and notes receivables (-)	(335.887)	(383.347)
<b>Total</b>	<b>295.227.354</b>	<b>247.117.400</b>

**ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 JUNE 2013**

(Amounts are expressed in Turkish Lira(TL).)

**3. TRADE RECEIVABLES AND PAYABLES (cont'd)**

The distribution of trade receivables is as follows:

	30 June 2013	31 December 2012
Receivables from the public sector	630.384.463	488.005.407
Receivables from the private sector	136.084.042	144.438.253
Receivables from companies operating abroad	199.376.270	139.041.904
Total	<u>965.844.775</u>	<u>771.485.564</u>

Receivables from public sector represent the receivables that are due from Ministry of Defense, Undersecretariat for Defense Industries and other public enterprises. The Group's operations are based on contracts. Generally, no collaterals are obtained from the customers.

**c) Short-term trade payables**

	30 June 2013	31 December 2012
Trade payables	197.905.791	163.064.174
Payables related to construction contracts in progress	31.084.563	83.664.782
Payables related to construction contracts in progress- related parties (Note 16)	1.194.383	32.486.209
Due to related parties (Note 16)	14.671.190	16.505.501
Notes payables	226.649	34.412
Discount on trade and notes payables (-)	(894.066)	(641.475)
Other trade payables	5.977	478.457
Total	<u>244.194.487</u>	<u>295.592.060</u>

**d) Long-term trade payables**

	30 June 2013	31 December 2012
Trade payables	8.723.572	7.557.931
Payables related to construction contracts in progress	623.747	1.921.135
Payables related to construction contracts in progress- related parties (Note 16)	661.785	1.639.370
Discount on trade and notes payable (-)	(84.395)	(103.683)
Total	<u>9.924.709</u>	<u>11.014.753</u>

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

## NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2013

(Amounts are expressed in Turkish Lira(TL).)

### 4. INVENTORIES

	30 June 2013	31 December 2012
Raw materials	314.606.282	337.325.150
Work in progress	179.807.119	155.786.545
Finished goods	40.843.196	37.023.242
Other inventories	12.003.084	12.614.279
Trade goods	12.373.541	11.754.173
Goods in transit (*)	35.588.187	38.518.041
Allowance for impairment on inventories (-)	(4.967.239)	(8.198.536)
Total	590.254.170	584.822.894

(\*) Goods in transit include the goods for which significant risks and rewards of ownership have passed to the Group as in FOB sales.

The Group has allocated an impairment provision for raw materials, work in progress and finished goods in cases when their net realizable values are lower than their costs or when they are classified as slow-moving inventories. The provision was recognized in the cost of sales.

	1 June- 30 June 2013	1 January 30 June 2012
<u>The movement of the allowance for impairment on inventories:</u>		
Opening balance	8.198.536	5.252.998
Provision released	(6.722.929)	(116.883)
Provision for the period	3.491.632	1.400.038
Closing balance	4.967.239	6.536.153

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

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2013

(Amounts are expressed in Turkish Lira(TL).)

#### 5. ASSETS AND LIABILITIES REGARDING CONSTRUCTION CONTRACTS

	30 June 2013	31 December 2012
Construction costs incurred plus recognized profits less recognized losses to date	3.657.279.080	3.642.174.999
Less: earned allowances	(3.424.771.954)	(3.532.086.783)
Total	<b>232.507.126</b>	<b>110.088.216</b>
Amounts due from customers under construction contracts (Note 3)	266.071.604	229.799.712
Amounts due to customers under construction contracts (Note 3)	(33.564.478)	(119.711.496)
Total	<b>232.507.126</b>	<b>110.088.216</b>

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

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2013

(Amounts are expressed in Turkish Lira(TL).)

#### 6. FIXED ASSETS AND INTANGIBLE ASSETS

<u>Cost Value</u>	Fixed Assets	Intangible Assets
Opening Balance as of 1 January 2013	849.238.809	405.721.147
Additions	88.374.901	61.657.002
Disposals	(2.018.173)	(14.390.207)
Closing Balance as of 30 June 2013	935.595.537	452.987.942
<b><u>Accumulated Depreciation and Amortization</u></b>		
Opening Balance as of 1 January 2013	437.146.073	108.033.650
Charge for the period	22.870.731	17.692.141
Disposals	(1.927.011)	(3.312.895)
Closing Balance as of 30 June 2013	458.089.793	122.412.896
Net Book Value as of 30 June 2013	<b>477.505.744</b>	<b>330.575.046</b>

<u>Cost Value</u>	Fixed Assets	Intangible Assets
Opening Balance as of 1 January 2013	746.786.696	253.184.531
Additions	35.046.337	62.311.516
Disposals	(246.064)	(63.558)
Closing Balance as of 30 June 2013	781.586.969	315.432.489
<b><u>Accumulated Depreciation and Amortization</u></b>		
Opening Balance as of 1 January 2013	396.441.640	80.984.274
Charge for the period	20.298.553	13.294.178
Disposals	(11.946)	(424)
Closing Balance as of 30 June 2013	416.728.247	94.278.028
Net Book Value as of 30 June 2013	<b>364.858.722</b>	<b>221.154.461</b>

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

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2013

(Amounts are expressed in Turkish Lira(TL).)

#### 7. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

##### a) Short-term provisions

##### Short-term provisions for employee benefits

	30 June 2013	31 December 2012
Provision for annual leave and overtime	25.718.541	18.656.924
Total	25.718.541	18.656.924

The movement of the provision for annual leave and overtime is as follows:

	1 January- 30 June 2013	1 January- 30 June 2012
Opening balance	18.656.924	13.993.659
Provision released (-)	(4.026.838)	(2.603.534)
Provision for the period	11.088.455	9.263.094
Closing balance	25.718.541	20.653.219

##### Other short-term provisions

	30 June 2013	31 December 2012
Provision for delay penalties and fines	8.149.058	11.738.479
Provision for lawsuits	831.568	846.568
Provision for guarantee expenses	61.731.378	57.925.813
Provision for expenses related to costing	1.519.682	2.101.899
Provision for royalty expenses	244.475	522.916
Provision for insurance expense	1.648.961	3.321.929
Other	485.288	306.650
Total	74.610.410	76.764.254



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

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2013

(Amounts are expressed in Turkish Lira(TL).)

#### 7. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

##### b) Long-term provisions

##### Long-term provisions for employee benefits

	30 June 2013	31 December 2012
Provision for severance pay	95.362.786	94.969.281
Provision for retirement pay	9.548.531	9.465.151
	<u>104.911.317</u>	<u>104.434.432</u>

The movement for provisions for severance and retirement pays is as follows:

	1 June- 30 January 2013	1 June- 30 January 2012
Opening balance	104.434.432	73.537.472
Actuarial gain/loss	(7.666.212)	-
Service cost	1.222.748	7.878.573
Interest cost	9.597.827	3.154.153
Severance and retirement pay	(2.677.478)	(1.258.407)
Closing balance	<u>104.911.317</u>	<u>83.311.791</u>

The amount payable consists of one month's salary limited to a maximum of TL 3.254,44 (2012: TL 3.129,25) for each period of service at 30 June 2013. The liability is not funded, as there is no funding requirement.

##### Other long-term provisions

	30 June 2013	31 December 2012
Provision for delay penalties and fines	9.441.144	9.039.061
Total	<u>9.441.144</u>	<u>9.039.061</u>

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

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2013

(Amounts are expressed in Turkish Lira(TL).)

#### 7. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

##### c) Lawsuits:

As of 30 June 2012 and 31 December 2012, according to the declarations written by the legal counselors, the lawsuits and executions in favor of and against the Group are as follows:

<u>Description</u>	<u>30 June 2013</u>	<u>31 December 2012</u>
a) Ongoing lawsuits filed by the Group	4.563.988	4.636.063
b) Execution proceedings carried on by the Group	3.403.848	3.231.786
c) Ongoing lawsuits filed against the Group	831.568	846.568
d) Lawsuits finalized in favor of the Group within the period	60.628	212.000
e) Lawsuits finalized against the Group within the period	-	100.000

#### 8. COMMITMENTS AND CONTINGENCIES

##### a) Letters of guarantees received:

	<u>30 June 2013</u>	<u>31 December 2012</u>
Letters of guarantees received from the customers	1.221.900	1.291.900
Letters of guarantees received from the suppliers	535.248.101	485.747.109
Collaterals received from the customers	15.093.857	29.917.770
Collaterals received from the suppliers	3.621.531	3.518.112
Cheques received from the customers	6.000	6.000
Cheques received from the suppliers	60.397	57.639
Mortgages received from the customers	739.600	739.600
Total	<u>555.991.386</u>	<u>521.278.130</u>

##### b) Deposits and guarantees given

The collaterals/pledges/mortgages (“CPM”) given by the Group as of 30 June 2013 ve 31 December 2012 is as follows:

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

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2013

(Amounts are expressed in Turkish Lira(TL).)

#### 8. COMMITMENTS AND CONTINGENCIES (cont'd)

##### b) Deposits and guarantees given (cont'd)

30 June 2013	TL Equivalent	TL	US Dollars	EURO	UAE Dirham	Polish Zloty	Indian Rupee
A. Total amount of CPM given on behalf of the legal entity							
-Collateral	4.555.359.644	641.730.229	1.320.390.616	538.663.498	26.759.651	2.424.322	82.006.151
-Pledge	-	-	-	-	-	-	-
-Mortgage	-	-	-	-	-	-	-
B. Total amount of CPM given on behalf of the subsidiaries included in full consolidation							
-Collateral	48.120.000	-	25.000.000	-	-	-	-
-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							
-Collateral	438.000	438.000	-	-	-	-	-
-Pledge	-	-	-	-	-	-	-
-Mortgage	-	-	-	-	-	-	-
iii. Total amount of CPM on behalf of third parties that do not cover C.							
-Collateral	-	-	-	-	-	-	-
-Pledge	-	-	-	-	-	-	-
-Mortgage	-	-	-	-	-	-	-
<b>Total</b>	<u>4.603.917.644</u>	<u>642.168.229</u>	<u>1.345.390.616</u>	<u>538.663.498</u>	<u>26.759.651</u>	<u>2.424.322</u>	<u>82.006.151</u>

The ratio of the given other CPM to the Group's equity as of 30 June 2013 is 0,03%.

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

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2013

(Amounts are expressed in Turkish Lira(TL).)

#### 8. COMMITMENTS AND CONTINGENCIES (cont'd)

##### b) Deposits and guarantees given (cont'd)

31 December 2012	TL Equivalent	TL	US Dollars	EURO	UAE Dirham	Polish Zloty	Indian Rupee
A. Total amount of CPM given on behalf of the legal entity							
-Collateral	4.106.677.271	564.789.344	1.317.424.829	500.206.017	26.759.651	2.424.322	82.006.151
-Pledge	-	-	-	-	-	-	-
-Mortgage	-	-	-	-	-	-	-
B. Total amount of CPM given on behalf of the subsidiaries included in full consolidation							
-Collateral	44.565.000	-	25.000.000	-	-	-	-
-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							
-Collateral	438.000	438.000	-	-	-	-	-
-Pledge	-	-	-	-	-	-	-
-Mortgage	-	-	-	-	-	-	-
iii. Total amount of CPM on behalf of third parties that do not cover C.							
-Collateral	-	-	-	-	-	-	-
-Pledge	-	-	-	-	-	-	-
-Mortgage	-	-	-	-	-	-	-
<b>Total</b>	<u>4.151.680.271</u>	<u>565.227.344</u>	<u>1.342.424.829</u>	<u>500.206.017</u>	<u>26.759.651</u>	<u>2.424.322</u>	<u>82.006.151</u>

The ratio of the given other CPM to the Group's equity as of 31 December 2012 is 0,03%.

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

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2013

(Amounts are expressed in Turkish Lira(TL).)

#### 9. PREPAID EXPENSES AND DEFERRED INCOME

##### a) Short-term prepaid expenses

	30 June 2013	31 December 2012
Short-term order advances given	223.195.385	216.486.676
Short-term order advances given to related parties (Note 16)	80.489.183	17.418.187
Prepaid expenses	27.332.183	30.939.947
Total	<u>331.016.751</u>	<u>264.844.810</u>

##### b) Long-term prepaid expenses

	30 June 2013	31 December 2012
Long-term order advances given	47.526.125	50.003.569
Long-term order advances given to related parties (Note 16)	148.055.034	200.403.017
Prepaid expenses	2.159.598	2.641.726
Advances given for fixed assets and intangible assets	10.246.180	23.064.914
Total	<u>207.986.937</u>	<u>276.113.226</u>

##### c) Short-term deferred income

	30 June 2013	31 December 2012
Order advances received	233.370.231	132.362.456
Order advances received from related parties (Note 16)	9.171.370	10.354.490
Deferred income	3.526.082	3.026.317
Total	<u>246.067.683</u>	<u>145.743.263</u>

Short-term order advances received consists of the advances received from 58 customers (31 December 2012: 48 customers) of which first 10 customers form 98,19% (31 December 2012: 96,96%) of the total advances.

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

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2013

(Amounts are expressed in Turkish Lira(TL).)

#### 9. PREPAID EXPENSES AND DEFERRED INCOME (cont'd)

d) Long-term deferred income

	30 June 2013	31 December 2012
Order advances received	907.711.238	995.791.348
Order advances received from related parties (Note 16)	38.343.517	46.148.760
Deferred income	28.962	28.962
Total	946.083.717	1.041.969.070

Long-term order advances received consists of the advances received from 25 customers (31 December 2012: 29 customers) of which first 10 customers form 99,82% (31 December 2012: 99,64%) of the total advances.

#### 10. SHARE CAPITAL

The share capital as of 30 June 2013 ve 31 December 2012 is as follows:

<u>Shareholders</u>	Share (%)	30 June 2013	Share (%)	31 December 2012
TAFF	84,58%	422.912.812	84,58%	422.912.812
Other shareholders	0,12%	577.846	0,12%	577.846
Quoted in stock exchange	15,30%	76.509.342	15,30%	76.509.342
Nominal capital	100%	500.000.000	100%	500.000.000
Share capital adjustment		98.620.780		98.620.780
Inflation adjusted capital		598.620.780		598.620.780

The Group's nominal capital is TL 500.00.000 that consists of 50.000.000.000 shares each of which is 1 kuruş (1% of 1 Turkish Lira). A total of 30.272.727.273 of the shares consists of Group A and 19.727.272.727 of the shares consists of Group B shares. All of the shares are nominative. Moreover, when new shares are issued the proportion of nominative Group A shares prevalent in the issued capital are preserved. In accordance with the CMB's requirements, except for Independent members of the Board of Directors, group A shares are nominative and Members of the Board are assigned from the holders of A type shareholders or from the ones nominated by A type shareholders.

#### **Profit distribution:**

In accordance with the CMB, decree issued as of 27 January 2010, in relation to the profit distribution of earnings derived from the operations in 2009, minimum profit distribution is not required for listed companies, and accordingly, profit distribution should be made based on the requirements set out in the Boards' Communiqué Serial: IV, No:27 "Principles of Dividend Advance Distribution of Companies that are subject to the Capital Markets Board Regulations", terms of articles of corporations and profit distribution policies publicly disclosed by the companies.

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

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2013

(Amounts are expressed in Turkish Lira(TL).)

#### 10. SHARE CAPITAL (cont'd)

Furthermore, based on the afore mentioned decree, companies that are required to prepare consolidated financial statements should calculate their net distributable profits, to the extent that they can be recovered from equity in their statutory records, by considering the net profit for the period in the consolidated financial statements which are prepared and disclosed in accordance with the Communiqué Serial II, No: 14.1.

The Group's restricted reserves consist of the legal reserves. As of 30 June 2013 the total legal reserves are TL 69.666.791 (31 December 2012: TL 52.071.680).

According to the statutory records, the Company's profit for the year is TL 41.417.278 (31 December 2012: TL 244.902.216) and its other funds available for profit distribution is TL 518.088.519 (31 December 2012: TL 364.393.120) the details of funds is as follows:

	30 June 2013	31 December 2012
Capital reserves and ve extraordinary reserves	<u>518.088.519</u>	<u>364.393.120</u>
	<u>518.088.519</u>	<u>364.393.120</u>

As of 29 March 2013 Annual Meeting, in accordance with the consolidated financial statements, the General Assembly of the Company has decided to allocate capital reserve amounting to TL 17.595.111 of the TL 293.202.668 which is based on the profit distribution, and to distribute TL 78.500.000 in cash to shareholders for dividend payment by leaving the amount of TL 197.107.557 within the Group. Dividend per share with a nominal value of TL 1 is TL 0,157.

Besides, as of 03 April 2013 AselsanNet Annual Meeting, General Assembly of the company decided to distribute dividend amounting to TL 50.000 from net profit for the year (Company's share TL 47.500, Non-Controlling interest TL 2.500).

As a result, total amount of the funds remaining within the Group after profit distribution and transfers of Mikes and AselsanNet is TL 197.057.557 (31 December 2012: TL 104.857.942).

**ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 JUNE 2013**

(Amounts are expressed in Turkish Lira(TL).)

**11. SALES REVENUE AND COST OF SALES**

	1 January- 30 June 2013	1 April- 30 June 2013	1 January- 30 June 2012	1 April- 30 June 2012
a) Sales Revenue				
Domestic sales	768.065.826	417.896.553	647.562.842	307.965.662
Export sales	213.317.863	133.151.195	148.581.525	101.299.013
Other revenues	872.274	4.069	142.006	131.068
Sales returns (-)	(27.915)	(25.208)	(211.884)	(211.517)
Sales discounts (-)	(407.004)	(210.560)	(442.033)	(245.410)
Other discounts (-)	(135.557)	(135.557)	(16.258)	-
Total	<u>981.685.487</u>	<u>550.680.492</u>	<u>795.616.198</u>	<u>408.938.816</u>
	1			
	January- 30 June 2013	1 April- 30 June 2013	1 January- 30 June 2012	1 April- 30 June 2012
b) Cost of Sales (-)				
Cost of raw materials used	316.564.164	177.234.937	316.909.284	156.275.645
Personnel expenses	35.011.062	22.003.548	31.189.196	19.857.320
General production expenses	61.575.672	27.527.171	47.711.911	22.009.312
Change in work in progress	(24.020.574)	(14.789.829)	(28.745.687)	(20.806.147)
Change in finished goods	(3.819.954)	(4.667.176)	1.752.537	2.871.789
Development expenses (*)	251.408.248	136.807.556	167.563.061	86.326.639
Cost of services given	62.143.175	35.271.057	24.417.411	10.351.389
Cost of merchandise goods sold	2.241.361	1.371.693	3.394.139	1.667.698
Cost of other sales	<u>35.941.810</u>	<u>32.745.931</u>	<u>19.329.602</u>	<u>11.903.085</u>
Total	<u>737.044.964</u>	<u>413.504.888</u>	<u>583.521.454</u>	<u>290.456.730</u>

(\*) Development expenses consist of raw material, design, personnel, amortization and depreciation expenses.



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

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2013

(Amounts are expressed in Turkish Lira(TL).)

#### 12. OTHER OPERATING INCOME AND EXPENSES

##### a) Other Operating Income

	1 January- 30 June 2013	1 April- 30 June 2013	1 January- 30 June 2012	1 April- 30 June 2012
Provisions released	55.175	55.000	469.058	376.358
Interest income	3.043.559	1.135.652	8.178.900	4.039.543
Foreign currency exchange gain from operations(*)	113.489.039	66.344.493	176.922.149	74.954.245
Discount income	7.570.869	126.412	3.261.661	(271.269)
Social security incapacity income	52.417	35.101	72.649	37.629
Insurance income for damages	106.189	54.964	228.671	47.882
Income from personnel	154.816	80.304	286.440	139.787
Income from letter of guarantees and interest income due to delays (**)	92.037	-	21.721.684	21.721.684
Consultancy income	94.627	48.748	-	-
Non-cost material income	584.623	123.253	641.993	106.678
Other income	993.493	539.360	1.455.498	359.834
<b>Total</b>	<b>126.236.844</b>	<b>68.543.287</b>	<b>213.238.703</b>	<b>101.512.371</b>

(\*) Mainly consists of the foreign currency exchange valuation of advances received and advances given denominated in foreign currencies.

(\*\*) Includes the liquidation of the letter of guarantees and interest income of delay due to the result of the cancellation of a sub-contractor contract.

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

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2013

(Amounts are expressed in Turkish Lira(TL).)

#### 12. OTHER OPERATING INCOME AND EXPENSES (cont'd)

##### b) Other operating expense

	1 January- 30 June 2013	1 April- 30 June 2013	1 January- 30 June 2012	1 April- 30 June 2012
Provision for litigation	(40.000)	-	-	-
Discount expense	(7.921.051)	(1.375.353)	(4.738.783)	501.277
Expenses for damages	(76.101)	(22.370)	(73.589)	(33.757)
Special communication tax	(67.273)	(37.007)	(69.926)	(37.108)
Expenses on residual value of goods and accounts	(137.131)	(137.131)	(872.422)	(17.574)
Non-deductible VAT	(30.923)	(4.187)	(112.720)	(110.349)
Other expenses and losses	(283.432)	(79.837)	(475.163)	(224.434)
Foreign currency exchange losses from operations (*)	<u>(185.870.017)</u>	<u>(131.747.872)</u>	<u>(146.830.831)</u>	<u>(74.727.739)</u>
Total	<u>(194.425.928)</u>	<u>(133.403.757)</u>	<u>(153.173.434)</u>	<u>(74.649.684)</u>

(\*) Mainly consists of the foreign currency exchange valuation of advances received and advances given denominated in foreign currencies.

#### 13. FINANCIAL INCOME

	1 January- 30 June 2013	1 April- 30 June 2013	1 January- 30 June 2012	1 April- 30 June 2012
Foreign currency exchange gain from bank loans	<u>2.399.744</u>	<u>442.862</u>	<u>12.710.200</u>	<u>6.732.403</u>
Total	<u>2.399.744</u>	<u>442.862</u>	<u>12.710.200</u>	<u>6.732.403</u>

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

### NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2013

(Amounts are expressed in Turkish Lira(TL).)

#### 14. FINANCIAL EXPENSES

	1 January- 30 June 2013	1 April- 30 June 2013	1 January- 30 June 2012	1 April- 30 June 2012
Foreign currency exchange losses from bank loans	(8.821.710)	(7.465.999)	(5.395.542)	(4.341.362)
Short-term borrowing expense	(3.345.263)	(1.976.433)	(704.298)	(615.943)
Long-term borrowing expense	(792.497)	(406.220)	(777.808)	(392.076)
Total	<u>(12.959.470)</u>	<u>(9.848.652)</u>	<u>(6.877.648)</u>	<u>(5.349.381)</u>

#### 15. EARNINGS PER SHARE

	1 January- 30 June 2013	1 April- 30 June 2013	1 January- 30 June 2012	1 April- 30 June 2012
Common stock (*)	50.000.000.000	50.000.000.000	50.000.000.000	50.000.000.000
Net profit – TL	99.996.138	27.505.652	185.667.487	97.195.201
Earnings per 100 shares	<u>0,20</u>	<u>0,06</u>	<u>0,37</u>	<u>0,19</u>

(\*) The current number of shares after the capital increase which was financed by the internal sources is used while calculating the earnings per share in order to be comparable with the current period.

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

## NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2013

(Amounts are expressed in Turkish Lira(TL).)

### 16. RELATED PARTY TRANSACTIONS

	30 June 2013									
	Receivables					Payables				
	Short-term			Long-term		Short-term			Long-term	
	Trading	Advances Given	Other	Trading	Advances Given	Trading	Advances Received	Non-trading	Trading	Advances Received
<b>Balances with related parties</b>										
<b><u>Main shareholder (TAFF), its subsidiaries and associates</u></b>										
Axa Sigorta A.Ş.	-	-	-	-	-	-	-	27.720	-	-
Havelsan Ehsim A.Ş.	-	518.288	-	-	824.227	-	-	-	-	-
Havelsan Hava Elektronik San. ve Tic. A.Ş.	4.251.309	-	-	8.724.453	209.465	-	-	-	661.785	-
Havelsan Teknoloji Radar San. ve Tic. A.Ş.	-	94.458	-	-	-	634.806	-	-	-	-
İşbir Elektrik San. A.Ş.	920	1.941.461	-	-	131.213	174.403	-	-	-	-
Mercedes-Benz Türk A.Ş.	-	-	-	-	-	840.981	-	-	-	-
Nortel Networks Netaş Telekomünikasyon A.Ş.	-	3.545.265	-	-	828.310	9.161.605	-	-	-	-
STM Savunma Teknolojileri Müh. ve Tic. A.Ş.	-	5.931.857	-	-	1.786.070	-	1.470.233	-	-	-
Türk Havaçılık ve Uzay San. A.Ş.	5.616.934	-	-	-	-	-	2.036.089	-	-	2.409.476
Türk Silahlı Kuvvetlerini Güçlendirme Vakfı (TAFF)	1.207.723	-	-	-	-	-	158.463	-	-	-
<b><u>Subsidiaries</u></b>										
Aselsan Bakü	157.356	-	-	299.774	-	-	-	-	-	-
Mikroelektronik Ar-Ge Tas. ve Tic. Ltd. Şti.	324.742	347.863	-	-	-	414.461	-	-	-	-
<b><u>Associates and affiliates</u></b>										
Askeri Pil San. ve Tic. A.Ş.	-	37.567	8.631	-	-	423.903	-	-	-	-
Roketsan Roket San. ve Tic. A.Ş.	3.994.167	64.767.431	6.400.314	5.552.177	144.275.749	4.215.414	5.008.873	-	-	35.934.041
<b><u>Branch</u></b>										
Aselsan Güney Afrika Şubesi	-	824.333	203.287	-	-	-	-	-	-	-
<b><u>Joint ventures and its related parties</u></b>										
International Golden Group	36.757.660	-	-	12.097.287	-	-	497.712	-	-	-
IGG Aselsan Integrated Systems	4.281.641	2.480.660	-	-	-	-	-	-	-	-
Kazakhstan Aselsan Engineering -KAE	19.138.183	-	28.885.627	-	-	-	-	-	-	-
Aselsan Middle East PSC Ltd	1.249	-	-	1.284.276	-	-	-	-	-	-
<b><u>Due to shareholders(*)</u></b>	-	-	-	-	-	-	-	56.404.737	-	-
	<b>75.731.884</b>	<b>80.489.183</b>	<b>35.497.859</b>	<b>27.957.967</b>	<b>148.055.034</b>	<b>15.865.573</b>	<b>9.171.370</b>	<b>56.432.457</b>	<b>661.785</b>	<b>38.343.517</b>

(\*) Includes the payables due to 2012 profit distribution. The entire amount is due to TAFF.

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

## NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2013

(Amounts are expressed in Turkish Lira(TL).)

### 16. RELATED PARTY TRANSACTIONS (cont'd)

	31 December 2012									
	Receivables					Payables				
	Short-term			Long-term		Short-term			Long-term	
	Trading	Advances Given	Other	Trading	Advances Given	Trading	Advances Received	Non-trading	Trading	Advances Received
<b>Balances with related parties</b>										
<b><u>Main shareholder (TAFF), its subsidiaries and associates</u></b>										
Axa Sigorta A.Ş.	-	-	-	-	-	7.227	-	24.707	-	-
Havelsan Ehsim A.Ş.	-	757.203	-	-	-	44.018	-	-	-	-
Havelsan Hava Elektronik San. ve Tic. A.Ş.	1.825.040	1.031.268	-	7.014.713	1.046.719	-	-	-	1.639.370	-
Havelsan Teknoloji Radar San. ve Tic. A.Ş.	-	261.616	-	-	-	214.766	-	-	-	-
İşbir Elektrik San. A.Ş.	-	1.776.615	-	-	-	1.977.477	-	-	-	-
Mercedes-Benz Türk A.Ş.	-	143.301	-	-	-	-	-	-	-	-
Nortel Networks Netaş Telekomünikasyon A.Ş.	-	4.834.484	-	-	1.385.373	13.511.571	-	-	-	-
STM Savunma Teknolojileri Müh. ve Tic. A.Ş.	-	5.706.896	-	-	799.777	1.491.322	175.883	-	-	4.245.160
Türk Havacılık ve Uzay San. A.Ş.	5.022.873	-	-	-	-	57.434	1.857.699	-	-	5.097.320
Türk Silahlı Kuvvetlerini Güçlendirme Vakfı (TAFF)	2.652.615	-	-	-	-	-	189.665	-	-	43.306
TUSAŞ Motor Sanayi A.Ş.	9.281	-	-	-	-	-	-	-	-	-
<b><u>Subsidiaries</u></b>										
Aselsan Bakü	498.585	-	-	-	-	428.086	-	-	-	-
Mikroelektronik Ar-Ge Tas. ve Tic. Ltd. Şti.	213.082	29.052	-	-	227.366	-	-	-	-	-
<b><u>Associates and affiliates</u></b>										
Askeri Pil San. ve Tic. A.Ş.	-	37.567	-	-	-	254.559	-	-	-	-
Roketsan Roket San. ve Tic. A.Ş.	7.038.093	984.640	-	1.287.037	195.402.948	8.972.549	7.764.378	-	-	36.664.202
<b><u>Branch</u></b>										
Aselsan Güney Afrika Şubesi	-	1.075.590	217.870	-	-	-	-	-	-	-
<b><u>Joint ventures and its related parties</u></b>										
International Golden Group	36.420.132	-	-	19.330.573	-	12.135.245	366.865	-	-	98.772
IGG Aselsan Integrated Systems	3.310.192	779.955	-	-	1.540.834	-	-	-	-	-
Kazakhstan Engineering	5.913.838	-	-	-	-	-	-	-	-	-
Kazakhstan Aselsan Engineering -KAE	3.307.390	-	18.512.763	-	-	9.897.456	-	-	-	-
Aselsan Middle East PSC Ltd	-	-	-	3.147	-	-	-	-	-	-
<b><u>Due to shareholders</u></b>										
	66.211.121	17.418.187	18.730.633	27.635.470	200.403.017	48.991.710	10.354.490	180.202	1.639.370	46.148.760

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

## NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2013

(Amounts are expressed in Turkish Lira(TL).)

### 16. RELATED PARTY TRANSACTIONS (cont'd)

	1 January – 30 June 2013	1 April– 30 June 2013	1 January – 30 June 2012	1 April – 30 June 2012
<u>Purchases from related parties</u>	<u>Purchases</u>	<u>Purchases</u>	<u>Purchases</u>	<u>Purchases</u>
<u>Main shareholder (TAFF), its subsidiaries and associates</u>				
Esdaş Elektronik Sis. San. ve Tic. A.Ş.	298.660	298.660	994.436	197.406
Havelsan Ehsim A.Ş.	49.785	49.785	154.430	48.720
Havelsan Hava Elektronik San. ve Tic. A.Ş.	1.897.677	1.897.677	8.370	-
Havelsan Teknoloji Radar San. ve Tic. A.Ş.	1.614.209	902.559	1.431.092	575.271
İşbir Elektrik San. A.Ş.	811.475	765.740	1.922.712	1.073.378
Mercedes-Benz Türk A.Ş.	834.137	-	819.989	-
Nortel Networks Netaş Telekomünikasyon A.Ş.	8.006.498	6.084.657	7.381.244	131.455
STM Savunma Teknolojileri Müh. ve Tic. A.Ş.	244.755	-	339.618	-
Türk Havacılık ve Uzay San. A.Ş.	741	741	-	-
Türk Silahlı Kuvvetlerini Güçlendirme Vakfı (TAFF)	260.880	130.440	120.000	-
<u>Subsidiaries</u>				
Aselsan Bakü	318.111	129.341	421.273	21.125
Mikroelektronik Ar-Ge Tas. ve Tic. Ltd. Şti.	2.304.630	1.361.861	732.615	601.305
<u>Associates and affiliates</u>				
Askeri Pil San. ve Tic. A.Ş.	911.106	457.752	1.887.228	1.210.725
Roketsan Roket San. ve Tic. A.Ş.	127.503	127.503	13.594	13.594
<u>Branch</u>				
Aselsan Güney Afrika Şubesi	1.632.301	678.216	179.736	179.736
<u>Joint ventures and its related parties</u>				
Kazakhstan Aselsan Engineering -KAE	2.868	-	-	-
	<u>19.315.336</u>	<u>12.884.932</u>	<u>16.406.337</u>	<u>4.052.715</u>

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

## NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2013

(Amounts are expressed in Turkish Lira(TL).)

### 16. RELATED PARTY TRANSACTIONS (cont'd)

	1 January – 30 June 2013	1 April– 30 June 2013	1 January – 30 June 2012	1 April – 30 June 2012
<u>Sales to related parties</u>	<u>Sales</u>	<u>Sales</u>	<u>Sales</u>	<u>Sales</u>
<u>Main shareholder (TAFF), its subsidiaries and associates</u>				
Esdaş Elektronik Sis. San. ve Tic. A.Ş.	201	-	10.021	306
Havelsan Hava Elektronik San. ve Tic. A.Ş.	12.982.115	5.042.589	30.126.347	-
Havelsan Teknoloji Radar San. ve Tic. A.Ş.	7.924	1.152	3.210	2.346
STM Savunma Teknolojileri Müh. ve Tic. A.Ş.	4.167.054	818.424	7.229.543	2.950.882
Türk Havacılık ve Uzay San. A.Ş.	15.151.780	5.273.308	20.634.769	6.917.144
Türk Silahlı Kuvvetlerini Güçlendirme Vakfı (TAFF)	1.628.087	1.434.931	4.140.082	2.769.748
<u>Subsidiaries</u>				
Aselsan Bakü	8.918	7.903	504.671	496.441
Mikroelektronik Ar-Ge Tas. ve Tic. Ltd. Şti.	94.627	48.748	90.572	45.837
<u>Associates and affiliates</u>				
Askeri Pil San. ve Tic. A.Ş.	-	-	131.600	81.592
Havaalanı İşletme ve Havacılık End. A.Ş.	-	-	4.196	-
Roketsan Roket San. ve Tic. A.Ş.	23.381.046	13.017.966	34.443.468	8.575.335
<u>Joint ventures and its related parties</u>				
International Golden Group	7.425.622	2.862.412	59.009.449	8.635.912
IGG Aselsan Integrated Systems	791.379	664.787	-	-
Kazakhstan Aselsan Engineering -KAE	37.999.314	25.291.634	-	-
Aselsan Middle East PSC Ltd	2.442.721	1.615.377	-	-
	<u>106.080.788</u>	<u>56.079.231</u>	<u>156.327.928</u>	<u>30.475.543</u>

The receivables from related parties usually arise from sales activities and are due 3 months. The receivables are unsecured by nature and bear no interest. The payables to related parties usually arise from the purchase activities and are due 3 months. The receivables bear no interest.

Total amount of salaries and other short-term benefits paid to key-management are as follows:

	1 January- 30 June 2013	1 April- 30 June 2013	1 January- 30 June 2012	1 April- 30 June 2012
Salaries and other benefits	<u>2.225.164</u>	<u>1.154.033</u>	<u>2.131.572</u>	<u>1.088.102</u>
	<u>2.225.164</u>	<u>1.154.033</u>	<u>2.131.572</u>	<u>1.088.102</u>

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

**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 JUNE 2013**

(Amounts are expressed in Turkish Lira(TL).)

**17. FOREIGN EXCHANGE POSITION**

<b>FOREIGN EXCHANGE POSITION</b>				
	30 June 2013			
	TL Equivalent (Functional currency)	US Dollar	EURO	Other (TL Equivalent)
1. Trade Receivables	304.101.203	61.857.914	72.489.993	2.818.993
2a. Monetary Financial Assets (including cash and banks)	57.350.682	5.383.037	18.678.250	37.896
2b. Non-Monetary Financial Asset	197.246.277	54.325.823	36.224.233	1.623.079
3. Other	32.897.391	16.022.523	735.452	208.534
<b>4. Current Assets (1+2+3)</b>	<b>591.595.553</b>	<b>137.589.297</b>	<b>128.127.928</b>	<b>4.688.502</b>
5. Trade Receivables	239.143.708	73.564.222	35.718.938	7.760.599
6a. Monetary Financial Assets	-	-	-	-
6b. Non-Monetary Other Assets	139.291.943	16.963.554	40.751.622	4.203.142
7. Other	5.793.409	220.911	2.131.667	9.829
<b>8. Non-Current Assets (5+6+7)</b>	<b>384.229.060</b>	<b>90.748.687</b>	<b>78.602.227</b>	<b>11.973.570</b>
<b>9. Total Assets (4+8)</b>	<b>975.824.613</b>	<b>228.337.984</b>	<b>206.730.155</b>	<b>16.662.072</b>
10. Trade Payables	106.212.437	9.294.536	33.827.763	3.289.468
11. Financial Liabilities	101.832.135	30.051.115	17.500.000	-
12a. Other Monetary Liabilities	300.198	143.256	9.731	-
12b. Other Non-Monetary Liabilities	197.903.251	72.766.667	23.001.296	23.612
<b>13. Current Liabilities (10+11+12)</b>	<b>406.248.021</b>	<b>112.255.574</b>	<b>74.338.790</b>	<b>3.313.080</b>
14. Trade Payables	8.639.177	4.119.081	282.758	-
15. Financial Liabilities	167.313.665	86.925.221	-	-
16 a. Other Monetary Liabilities	9.458.467	4.914.000	-	-
16 b. Other Non-Monetary Liabilities	716.450.984	232.563.691	106.938.931	-
<b>17. Non-Current Liabilities (14+15+16)</b>	<b>901.862.293</b>	<b>328.521.993</b>	<b>107.221.689</b>	<b>-</b>



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

**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 JUNE 2013**

(Amounts are expressed in Turkish Lira(TL).)

**17. FOREIGN EXCHANGE POSITION (cont'd)**

<b>FOREIGN EXCHANGE POSITION</b>				
	30 June 2013			
	TL Equivalent (Functional currency)	US Dollar	EURO	Other (TL Equivalent)
<b>18. Total Liabilities (13+17)</b>	<b>1.308.110.314</b>	<b>440.777.567</b>	<b>181.560.479</b>	<b>3.313.080</b>
<b>19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)</b>	-	-	-	-
<b>19a. Hedged total financial assets</b>	-	-	-	-
<b>19b. Hedged total financial liabilities</b>	-	-	-	-
<b>20. Net foreign currency asset/liability (9-18+19)</b>	<b>(332.285.701)</b>	<b>(212.439.583)</b>	<b>25.169.676</b>	<b>13.348.992</b>
<b>21. Net foreign currency asset / liability position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>206.839.514</b>	<b>5.357.964</b>	<b>75.266.929</b>	<b>7.328.020</b>
<b>22. Fair value of derivative financial instruments used in foreign currency hedge</b>	-	-	-	-
<b>23. Hedged foreign currency assets</b>	-	-	-	-
<b>24. Hedged foreign currency liabilities</b>	-	-	-	-
<b>25. Exports</b>	<b>213.317.863</b>	<b>67.651.009</b>	<b>35.004.213</b>	<b>7.720.442</b>
<b>26. Imports</b>	<b>320.522.851</b>	<b>70.165.880</b>	<b>68.756.610</b>	<b>12.634.075</b>

As of 30 June 2013, the Company's financial statement which is prepared according to General Communiqué on Accounting System Application (GCASA), has TL 1.113.565.886 TL (31 December 2012: TL 839.601.463) open position. Accompanying foreign exchange position which was prepared in accordance with CMB's regulation, is different from the foreign exchange position of the financial statement which is prepared according to GCASA. The difference is mainly due to the adjustments and classifications which are related with TAS 11 "Construction Contracts".

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

### **NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2013**

(Amounts are expressed in Turkish Lira(TL).)

#### **17. FOREIGN EXCHANGE POSITION (cont'd)**

Foreign currency exchange loss related to the investment loan received from Undersecretariat for Defense Industries (“UDI”) amounting to USD 65 Million (2011: USD 40 Million, 2013: USD 25 Million) is recognized under the balance sheet in accordance with the limits defined by TAS 23 “Borrowing Costs”. If foreign currency exchange loss exceeds this limit, it will be recognized in the statement of profit or loss. In the current period, total amount of the foreign currency exchange loss related with USD 40 Million portion of UDI loan is capitalized since the amount is within the capitalization ceiling as of 30 June 2013. Related with USD 25 Million portion of the UDI loan, since the total amount of the foreign currency exchange loss exceeded the capitalization ceiling, loss amounting to TL 1.739.439 is recognized in the statement of profit or loss for the six-month period ended 30 June 2013.

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

**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 JUNE 2013**

(Amounts are expressed in Turkish Lira(TL).)

**17. FOREIGN EXCHANGE POSITION (cont'd)**

<b>FOREIGN EXCHANGE POSITION</b>				
	31 December 2012			
	TL Equivalent (Functional currency)	US Dollar	EURO	Other (TL Equivalent)
1. Trade Receivables	308.867.574	74.817.504	74.617.074	20.918
2a. Monetary Financial Assets (including cash and banks)	133.259.589	25.777.276	37.110.561	36.112
2b. Non-Monetary Financial Asset	158.302.828	38.456.575	37.369.154	1.869.101
3. Other	20.833.708	10.938.361	472.952	222.746
<b>4. Current Assets (1+2+3)</b>	<b>621.263.699</b>	<b>149.989.716</b>	<b>149.569.741</b>	<b>2.148.877</b>
5. Trade Receivables	203.090.990	72.012.858	28.328.091	8.101.698
6a. Monetary Financial Assets	-	-	-	-
6b. Non-Monetary Other Assets	161.626.292	19.831.009	53.695.427	-
7. Other	2.025.790	254.948	663.241	11.577
<b>8. Non-Current Assets (5+6+7)</b>	<b>366.743.072</b>	<b>92.098.815</b>	<b>82.686.759</b>	<b>8.113.275</b>
<b>9. Total Assets (4+8)</b>	<b>988.006.771</b>	<b>242.088.531</b>	<b>232.256.500</b>	<b>10.262.152</b>
10. Trade Payables	85.390.517	10.810.475	26.125.252	4.681.010
11. Financial Liabilities	88.006.274	32.219.068	13.000.197	-
12a. Other Monetary Liabilities	159.522	89.488	-	-
12b. Other Non-Monetary Liabilities	106.178.215	27.106.598	24.592.785	23.141
<b>13. Current Liabilities (10+11+12)</b>	<b>279.734.528</b>	<b>70.225.629</b>	<b>63.718.234</b>	<b>4.704.151</b>
14. Trade Payables	10.442.845	5.356.396	380.377	-
15. Financial Liabilities	114.017.502	63.961.349	-	-
16 a. Other Monetary Liabilities	8.989.028	5.042.650	-	-
16 b. Other Non-Monetary Liabilities	751.695.395	259.099.522	122.045.999	2.809.013
<b>17. Non-Current Liabilities (14+15+16)</b>	<b>885.144.770</b>	<b>333.459.917</b>	<b>122.426.376</b>	<b>2.809.013</b>

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

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 JUNE 2013

(Amounts are expressed in Turkish Lira(TL).)

**17. FOREIGN EXCHANGE POSITION (cont'd)**

<b>FOREIGN EXCHANGE POSITION</b>				
	31 December 2012			
	TL Equivalent (Functional currency)	US Dollar	EURO	Other (TL Equivalent)
<b>18. Total Liabilities (13+17)</b>	<b>1.164.879.298</b>	<b>403.685.546</b>	<b>186.144.610</b>	<b>7.513.164</b>
<b>19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)</b>	-	-	-	-
<b>19a. Hedged total financial assets</b>	-	-	-	-
<b>19b. Hedged total financial liabilities</b>	-	-	-	-
<b>20. Net foreign currency asset/liability (9-18+19)</b>	<b>(176.872.527)</b>	<b>(161.597.015)</b>	<b>46.111.890</b>	<b>2.748.988</b>
<b>21. Net foreign currency asset / liability position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>338.212.465</b>	<b>55.128.212</b>	<b>100.549.900</b>	<b>3.477.718</b>
<b>22. Fair value of derivative financial instruments used in foreign currency hedge</b>	-	-	-	-
<b>23. Hedged foreign currency assets</b>	-	-	-	-
<b>24. Hedged foreign currency liabilities</b>	-	-	-	-
<b>25. Exports</b>	<b>271.984.690</b>	<b>72.087.943</b>	<b>55.452.195</b>	<b>15.029.211</b>
<b>26. Imports</b>	<b>581.834.155</b>	<b>174.425.157</b>	<b>99.223.356</b>	<b>37.560.303</b>

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

**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 JUNE 2013**

(Amounts are expressed in Turkish Lira(TL).)

**17. FOREIGN EXCHANGE POSITION (cont'd)**

Foreign Currency Sensitivity

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and the EURO.

The following table details the Group's sensitivity to a 10% increase and decrease in the US Dollars and EURO. 10% 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 adjusts their translation at the period end for a 10% change in foreign currency rates. This analysis includes group companies' balance sheet items which are functional currency of the non TL. The effects of %10 changes in foreign currency rate on financial statements is as follows;

<b>Foreign currency sensitivity table</b>				
30 June 2013				
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>Appreciation of US Dollars against TL by 10%</b>				
1- USD denominated net assets/liabilities	(40.890.371)	40.890.371	-	-
2- Hedged amount against USD risk (-)	-	-	-	-
<b>3- Net effect of USD (1+2)</b>	<b>(40.890.371)</b>	<b>40.890.371</b>	-	-
<b>Appreciation of EURO against TL by 10%</b>				
4- EURO denominated net assets/liabilities	6.326.901	(6.326.901)	-	-
5- Hedged amount against EURO risk (-)	-	-	-	-
<b>6- Net effect of EURO (4+5)</b>	<b>6.326.901</b>	<b>(6.326.901)</b>	-	-

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

**NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 JUNE 2013**

(Amounts are expressed in Turkish Lira(TL).)

**17. FOREIGN EXCHANGE POSITION (cont'd)**

<b>Foreign currency sensitivity table</b>				
31 December 2012				
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>Appreciation of US Dollars against TL by 10%</b>				
1- USD denominated net assets/liabilities	(28.806.284)	28.806.284	-	-
2- Hedged amount against USD risk (-)	-	-	-	-
<b>3- Net effect of USD (1+2)</b>	<b>(28.806.284)</b>	<b>28.806.284</b>	<b>-</b>	<b>-</b>
<b>Appreciation of EURO against TL by 10%</b>				
4- EURO denominated net assets/liabilities	10.844.133	(10.844.133)	-	-
5- Hedged amount against EURO risk (-)	-	-	-	-
<b>6- Net effect of EURO (4+5)</b>	<b>10.844.133</b>	<b>(10.844.133)</b>	<b>-</b>	<b>-</b>

**18. EVENTS AFTER THE BALANCE SHEET DATE**

The amount of the contracts signed by the Group after the balance sheet date is approximately TL 212 Million and USD 45 Million.