



KAMUYU AYDINLATMA PLATFORMU

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş.
Financial Report
Consolidated
2018 - 4. 3 Monthly Notification

General Information About Financial Statements

31 December 2018 Financial Statements



Independent Audit Company	YEDİTEPE BAĞIMSIZ DENETİM A.Ş.
Audit Type	Continuous
Audit Result	Positive

(CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

Aselsan Elektronik Sanayi ve Ticaret Anonim Şirketi

A. Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Aselsan Elektronik Sanayi ve Ticaret Anonim Şirketi ("the Company") and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Accounting Standards ("TAS").

Basis for Opinion

We conducted our audit in accordance with standards on auditing issued by the Capital Markets Board of Turkey and the Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics published by the Public Oversight Accounting and Auditing Standards Authority. We have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements of the Group as of 31 December 2017 were audited by another audit firm whose independent auditor's report thereon dated 20 January 2018, expressed a unqualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters

How the Matter is Handled

Revenue – Accounting of Revenue Recognised Over Time

Our audit procedures included, in addition to others, the following;

An important part of Group's revenue is generated from construction contracts which are recognised over time. Revenue recognised over time is mainly due to contracts made with the Presidency of Defense Industry. The Group recognises revenue over-time if any of the following conditions is met:

Controlling the terms of the contract in accordance with the criteria of over time accounting

Cross-check of the amounts subject to revenue calculation with contracts,

a) Customer simultaneously receives and consumes the benefits as the entity performs

Controlling monthly changes of variables that directly affect revenue such as profitability on project basis,

b) the customer controls the asset as the entity creates or enhances it,

Analytical review of the accuracy of expected loss provision,

c) Group's performance does not create an asset for which the entity has an alternative use there is a right for payment to performance date.

Performing control tests and test of details for contract cost,

Due to the fact that over-time revenue is one of the Group's core business volume and size indicators, implementation of related accounting standards is complex and includes management estimates and judgements, this issue has been considered to be a key audit matter.

Performing test of details for financing components

Questioning the annual changes of over-time revenue and related costs.

Accounting policies and amounts of the revenue detailed in Note 2.2 and Note 20 respectively

Key Audit Matters	How the Matter is Handled
<p data-bbox="198 625 586 657">Capitalization of Development Cost</p> <p data-bbox="198 720 751 814">The Group capitalizes development costs of the projects which incorporate and approved by the management.</p> <p data-bbox="198 877 751 1003">Capitalized development costs amount to a net book value of TRL 1.016.119 as 31 December 2018 in the accompanying consolidated financial statements.</p> <p data-bbox="198 1066 751 1224">Capitalized development costs on the consolidated financial statements as of 31 December 2018 is significant for our audit due to variety of nature of costs, management judgments involved in the capitalization process and projects contract costs.</p> <p data-bbox="198 1287 751 1381">Explanations about intangible assets including the capitalized development costs have been disclosed in Note 12.</p>	<p data-bbox="789 625 1365 699">Our audit procedures included, amongst others, the following ;</p> <p data-bbox="789 751 1365 814">Examinations of nature of capitalized development costs related to each project,</p> <p data-bbox="789 877 1365 940">Examinations of the suitability of management assessments for projects at development phase</p> <p data-bbox="789 1003 1325 1035">Performing test of details for development costs,</p> <p data-bbox="789 1066 1357 1129">Assessment of Group's management approval process,</p> <p data-bbox="789 1182 1373 1318">Additionally, inquiries have been performed with project engineers and executives involved in research and development activities in related division of the Group.</p>

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TAS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

In independent audit, the responsibilities of us as independent auditors are as follows:

- Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority, we exercise professional judgment and maintain professional scepticism throughout the audit.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.).

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Reports on Independent Auditor's Responsibilities Arising from Other Regulatory Requirements

1) Pursuant to Article 398 of the Turkish Commercial Code ("TCC") no. 6102, the auditor's report on early detection of risk system and the authorized committee is submitted to the Company's Board of Directors on 26 February 2019.

2) Pursuant to subparagraph 4, Article 402 of "TCC", no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – 31 December 2018 is not in compliance with the code and provisions of the Parent Company's articles of association in relation to financial reporting.

3) Pursuant to subparagraph 4, Article 402 of "TCC", the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

Mehmet Nadi Abbasođlu is the auditor responsible for conducting and finalizing this independent audit.

[Yeditepe Bađımsız Denetim Anonim Őirketi](#)

(Associate Member of Praxity AISBL)

Mehmet Nadi Abbasođlu

Partner

İstanbul, 26 February 2019



Statement of Financial Position (Balance Sheet)

Presentation Currency	1.000 TL
Nature of Financial Statements	Consolidated

	Footnote Reference	Current Period 31.12.2018	Previous Period 31.12.2017
Statement of Financial Position (Balance Sheet)			
Assets [abstract]			
CURRENT ASSETS			
Cash and cash equivalents	3	3.115.691	1.262.904
Trade Receivables	6	3.072.113	1.581.229
Trade Receivables Due From Related Parties	5	772.851	460.841
Trade Receivables Due From Unrelated Parties		2.299.262	1.120.388
Other Receivables	7	204.117	112.761
Other Receivables Due From Related Parties	5	24	34
Other Receivables Due From Unrelated Parties		204.093	112.727
Inventories	9	3.576.618	2.221.631
Prepayments	10	1.319.330	657.683
Prepayments to Related Parties	5	311.668	92.555
Prepayments to Unrelated Parties		1.007.662	565.128
Other current assets	18	328.811	222.179
SUB-TOTAL		11.616.680	6.058.387
Total current assets		11.616.680	6.058.387
NON-CURRENT ASSETS			
Financial Investments	29	778.665	568.914
Trade Receivables	6	2.826.939	1.574.956
Trade Receivables Due From Related Parties	5	1.976.539	1.085.679
Trade Receivables Due From Unrelated Parties		850.400	489.277
Other Receivables	7	764	661
Other Receivables Due From Unrelated Parties		764	661
Investments accounted for using equity method	8	93.586	83.324
Property, plant and equipment	11	1.336.297	1.090.843
Intangible assets and goodwill	12	1.082.067	891.216
Prepayments	10	504.399	442.731
Prepayments to Related Parties	5	155.933	165.487
Prepayments to Unrelated Parties		348.466	277.244
Deferred Tax Asset	27	734.092	650.775
Other Non-current Assets	18	500.142	276.789
Total non-current assets		7.856.951	5.580.209
Total assets		19.473.631	11.638.596
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Current Borrowings	30	698.526	404.312
Current Portion of Non-current Borrowings	30	67.277	67.624
Trade Payables	6	2.548.583	1.790.231
Trade Payables to Related Parties	5	593.911	512.270
Trade Payables to Unrelated Parties		1.954.672	1.277.961
Employee Benefit Obligations	17	34.873	46.133
Other Payables	7	2.732	1.494
Other Payables to Related Parties	5	60	65
Other Payables to Unrelated Parties		2.672	1.429
Government Grants	13	53.818	41.643
Deferred Income	10	632.645	900.106
Deferred Income From Related Parties	5	510.751	686.837
Deferred Income from Unrelated Parties		121.894	213.269
Current tax liabilities, current	27	2.836	717
Current provisions		634.951	425.907
Current provisions for employee benefits	17	49.382	42.301
Other current provisions	15	585.569	383.606
Other Current Liabilities	18	8.237	13.546
SUB-TOTAL		4.684.478	3.691.713
Total current liabilities		4.684.478	3.691.713
NON-CURRENT LIABILITIES			
Long Term Borrowings	30	20.234	62.207
Trade Payables	6	1.768.283	1.262.015
Trade Payables To Related Parties	5	1.617.969	1.048.376

Trade Payables To Unrelated Parties		150.314	213.639
Other Payables	7	106	105
Other Payables to Unrelated parties		106	105
Deferred Income	10	2.296.513	1.642.766
Deferred Income From Related Parties	5	1.669.160	1.461.346
Deferred Income from Unrelated Parties		627.353	181.420
Non-current provisions		526.996	211.667
Non-current provisions for employee benefits	17	198.611	168.742
Other non-current provisions	15	328.385	42.925
Total non-current liabilities		4.612.132	3.178.760
Total liabilities		9.296.610	6.870.473
EQUITY			
Equity attributable to owners of parent		10.132.601	4.767.581
Issued capital	19	1.140.000	1.000.000
Inflation Adjustments on Capital	19	98.621	98.621
Share Premium (Discount)		2.796.723	0
Other Accumulated Comprehensive Income (Loss) that will not be Reclassified in Profit or Loss		189.358	209.087
Gains (Losses) on Revaluation and Remeasurement		189.358	209.087
Increases (Decreases) on Revaluation of Property, Plant and Equipment	26	207.431	207.431
Gains (Losses) on Remeasurements of Defined Benefit Plans	26	-18.073	1.656
Other Accumulated Comprehensive Income (Loss) that will be Reclassified in Profit or Loss		755.119	540.690
Exchange Differences on Translation	26	25.507	5.246
Gains (Losses) on Revaluation and Reclassification		729.612	535.444
Gains (Losses) on Remeasuring and/or Reclassification of Available-for-sale Financial Assets	26	729.612	535.444
Restricted Reserves Appropriated From Profits	19	172.687	124.062
Prior Years' Profits or Losses		2.661.896	1.419.220
Current Period Net Profit Or Loss		2.318.197	1.375.901
Non-controlling interests		44.420	542
Total equity		10.177.021	4.768.123
Total Liabilities and Equity		19.473.631	11.638.596

Statement of Profit or Loss and Other Comprehensive Income

Presentation Currency	1.000 TL
Nature of Financial Statements	Consolidated

	Footnote Reference	Current Period 01.01.2018 - 31.12.2018	Previous Period 01.01.2017 - 31.12.2017
Statement of Profit or Loss and Other Comprehensive Income			
PROFIT (LOSS)			
Revenue	20	9.008.516	5.412.253
Cost of sales	20	-6.797.424	-3.946.278
GROSS PROFIT (LOSS) FROM COMMERCIAL OPERATIONS		2.211.092	1.465.975
GROSS PROFIT (LOSS)		2.211.092	1.465.975
General Administrative Expenses	21	-221.719	-177.622
Marketing Expenses	21	-150.760	-164.431
Research and development expense	21	-114.408	-97.300
Other Income from Operating Activities	22	5.654.167	1.935.905
Other Expenses from Operating Activities	22	-5.153.276	-1.678.420
PROFIT (LOSS) FROM OPERATING ACTIVITIES		2.225.096	1.284.107
Investment Activity Income	23	4.789	9.302
Share of Profit (Loss) from Investments Accounted for Using Equity Method	8	-8.951	9.302
PROFIT (LOSS) BEFORE FINANCING INCOME (EXPENSE)		2.220.934	1.302.711
Finance income	24	876.479	245.542
Finance costs	25	-855.647	-383.291
PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX		2.241.766	1.164.962
Tax (Expense) Income, Continuing Operations		77.581	211.018
Current Period Tax (Expense) Income	27	-11.022	-2.036
Deferred Tax (Expense) Income	27	88.603	213.054
PROFIT (LOSS) FROM CONTINUING OPERATIONS		2.319.347	1.375.980
PROFIT (LOSS)		2.319.347	1.375.980
Profit (loss), attributable to [abstract]			
Non-controlling Interests		1.150	79
Owners of Parent	28	2.318.197	1.375.901
Earnings per share [abstract]			
Earnings per share [line items]			
Basic earnings per share			
Diluted Earnings Per Share			
OTHER COMPREHENSIVE INCOME			
Other Comprehensive Income that will not be Reclassified to Profit or Loss		-19.729	-10.268
Gains (Losses) on Revaluation of Property, Plant and Equipment	26	0	3.034
Gains (Losses) on Remeasurements of Defined Benefit Plans	17	-24.662	-2.033
Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss		4.933	-11.269
Deferred Tax (Expense) Income	27	4.933	-11.269
Other Comprehensive Income That Will Be Reclassified to Profit or Loss		214.429	54.660
Exchange Differences on Translation	26	20.261	4.562
Gains (Losses) on Remeasuring or Reclassification Adjustments on Available-for-sale Financial Assets	26	204.387	52.735
Taxes Relating to Components of Other Comprehensive Income that will be Reclassified to Profit or Loss		-10.219	-2.637
Deferred Tax (Expense) Income	26-27	-10.219	-2.637
OTHER COMPREHENSIVE INCOME (LOSS)		194.700	44.392
TOTAL COMPREHENSIVE INCOME (LOSS)		2.514.047	1.420.372
Total Comprehensive Income Attributable to			
Non-controlling Interests		1.150	79
Owners of Parent		2.512.897	1.420.293

Statement of cash flows (Indirect Method)

Presentation Currency	1.000 TL
Nature of Financial Statements	Consolidated

	Footnote Reference	Current Period 01.01.2018 - 31.12.2018	Previous Period 01.01.2017 - 31.12.2017
Statement of cash flows (Indirect Method)			
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Profit (Loss)		2.319.347	1.375.980
Adjustments to Reconcile Profit (Loss)			
Adjustments for depreciation and amortisation expense	11-12	171.391	132.625
Adjustments for Impairment Loss (Reversal of Impairment Loss)		-36.780	7.118
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Receivables	6	-19.239	1.476
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Inventories	9	-17.541	5.642
Adjustments for provisions		747.129	214.975
Adjustments for (Reversal of) Provisions Related with Employee Benefits	17	55.008	31.375
Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions	15	385.888	29.350
Adjustments for (Reversal of) Warranty Provisions	15	305.852	155.138
Adjustments for (Reversal of) Other Provisions	15	381	-888
Adjustments for Interest (Income) Expenses		-112.645	114.307
Adjustments for Interest Income	22-24	-657.252	-192.040
Adjustments for interest expense	22-25	544.607	306.347
Adjustments for Undistributed Profits of Investments Accounted for Using Equity Method	8	8.951	-9.302
Adjustments for Tax (Income) Expenses	27	-77.581	-211.018
Adjustments for losses (gains) on disposal of non-current assets	12	132.003	111.313
Adjustments for Stage of Completion of Construction or Service Contracts in Progress		-731.312	35.761
Other adjustments for which cash effects are investing or financing cash flow		108.318	-19.559
Other adjustments to reconcile profit (loss)		-31.632	-18.435
Changes in Working Capital			
Adjustments for decrease (increase) in trade accounts receivable		-1.268.990	385.312
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		-91.459	-28.415
Adjustments for decrease (increase) in inventories		-1.316.341	-612.500
Decrease (Increase) in Prepaid Expenses	10	-723.315	-503.556
Adjustments for increase (decrease) in trade accounts payable		770.883	561.079
Increase (Decrease) in Employee Benefit Liabilities		-11.260	9.297
Adjustments for increase (decrease) in other operating payables		1.239	-4.692
Increase (Decrease) in Government Grants and Assistance		12.175	13.375
Increase (Decrease) in Deferred Income		-87.993	-609.111
Other Adjustments for Other Increase (Decrease) in Working Capital		-301.833	-167.094
Cash Flows from (used in) Operations			
Payments Related with Provisions for Employee Benefits	17	-25.426	-16.724
Payments Related with Other Provisions	15	-204.698	-96.458
Income taxes refund (paid)		-8.903	-1.746
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES			
Proceeds from sales of property, plant, equipment and intangible assets		1.057	1.279
Purchase of Property, Plant, Equipment and Intangible Assets		-739.932	-561.464
Purchase of property, plant and equipment	11	-343.541	-211.714
Purchase of intangible assets	12	-396.391	-349.750
Dividends received	23	5.222	8.938
Other inflows (outflows) of cash		18.582	-16.999
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES			
Proceeds from Issuing Shares or Other Equity Instruments		2.936.723	0
Proceeds from issuing shares		2.936.723	0
Proceeds from borrowings		1.128.345	905.412
Repayments of borrowings		-991.092	-863.072
Payments of Finance Lease Liabilities		0	0
Dividends Paid	19	-84.600	-75.500
Interest paid	25	-25.142	-15.508
Interest Received		304.520	27.514
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES			
		1.794.951	73.132

Effect of exchange rate changes on cash and cash equivalents		30.685	20.727
Net increase (decrease) in cash and cash equivalents		1.825.636	93.859
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		1.261.752	1.167.894
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3	3.087.388	1.261.753

