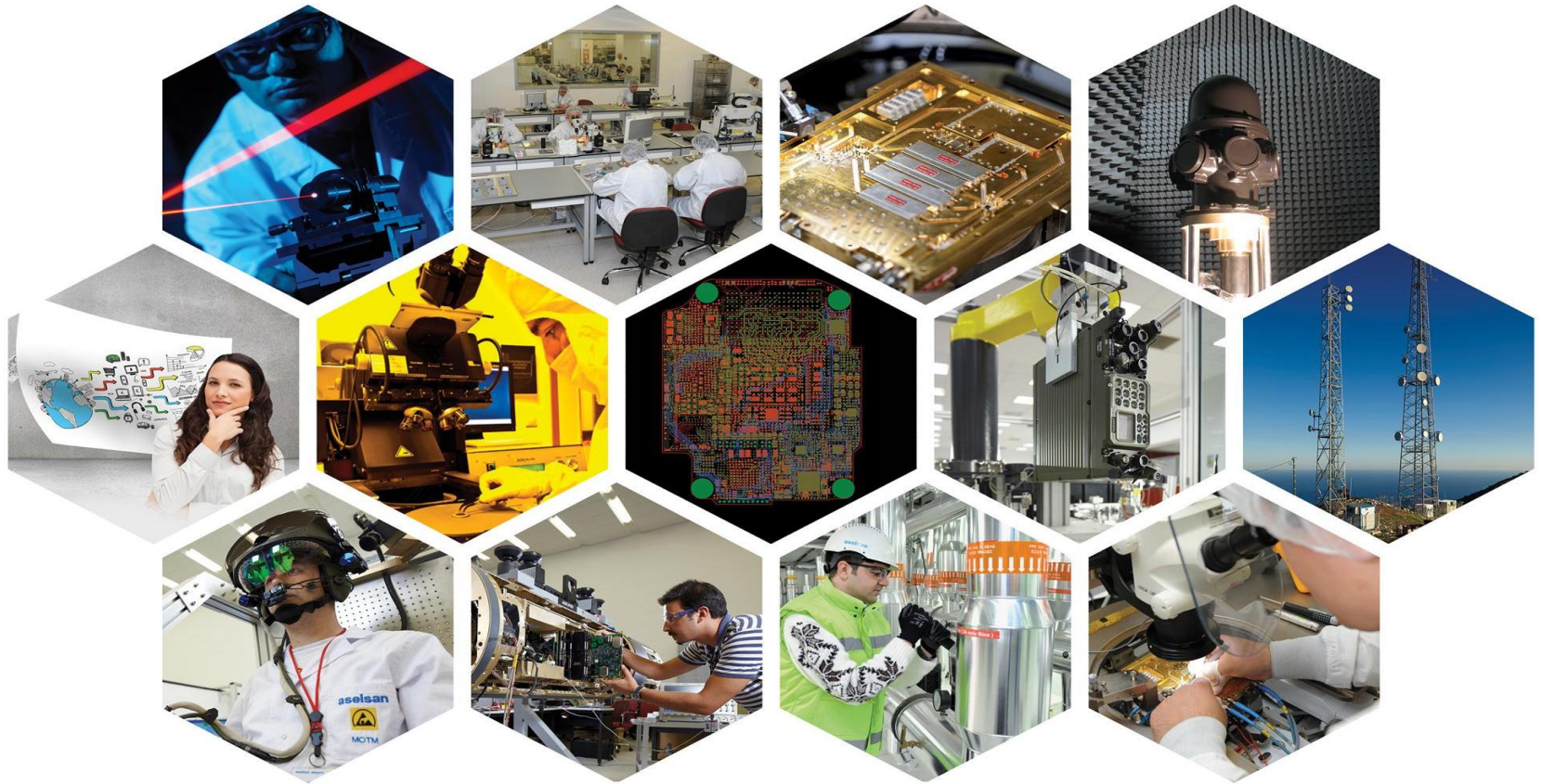


# Investor Presentation

## May 2015

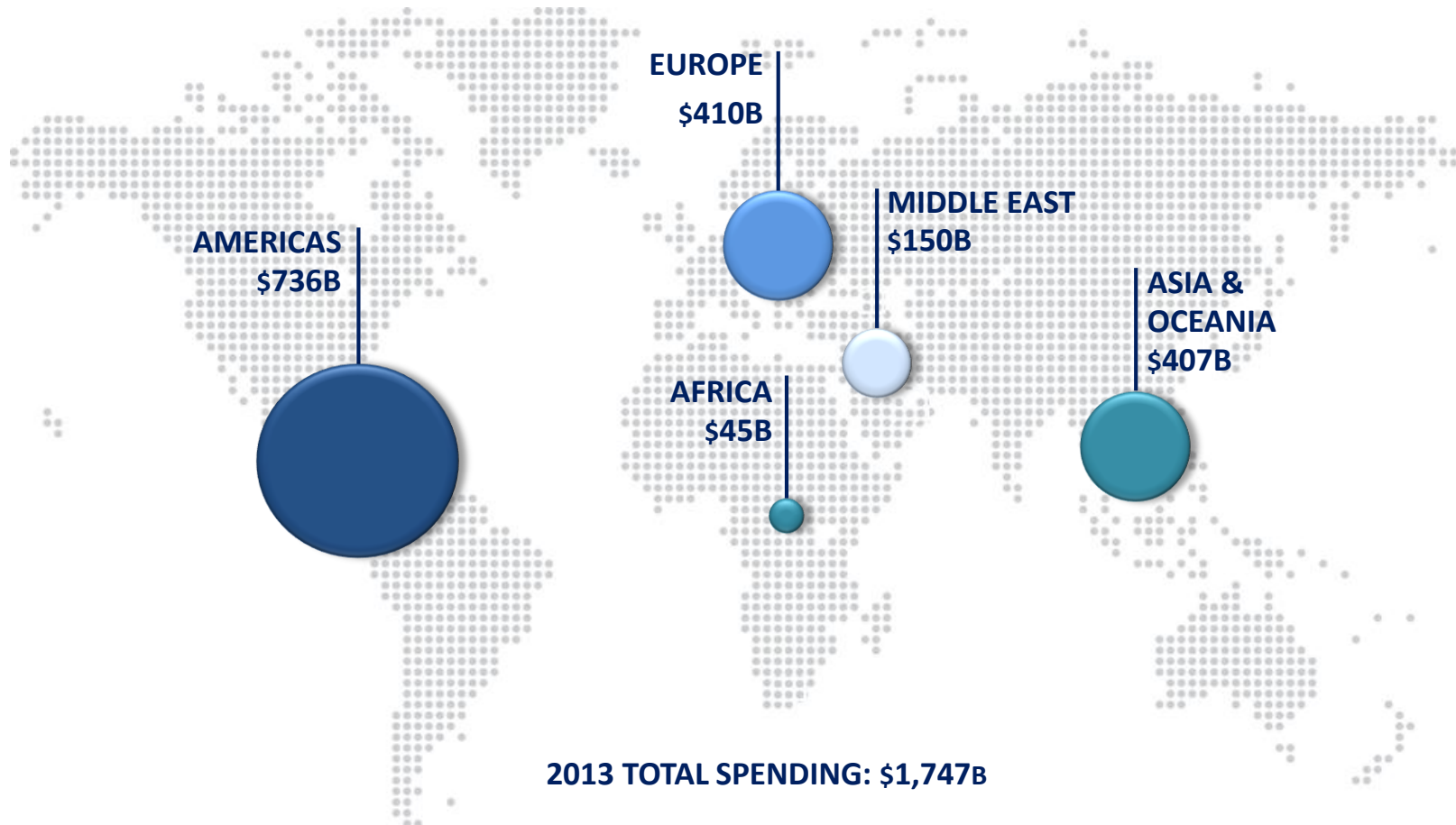


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- ▶ **1. Global Defense Industry**
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# THE WORLD MILITARY SPENDING BY REGION, 2013

World military spending was unchanged in 2013.



% increase in spending 2012 vs 2013

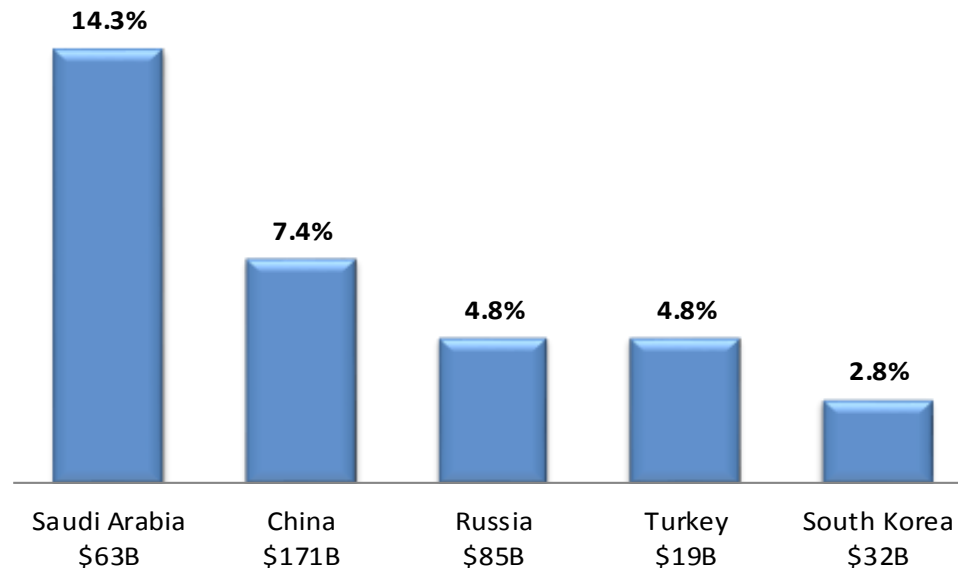
(based on 2011 constant prices & exchange rates)



## TOP 5 WITH GROWING DEFENSE BUDGETS (2012 vs 2013)

Despite the global crises, some of the countries carried out real growth in their defense budgets.

### GROWTH RATE (%) OF COUNTRIES (2012-2013 real terms)

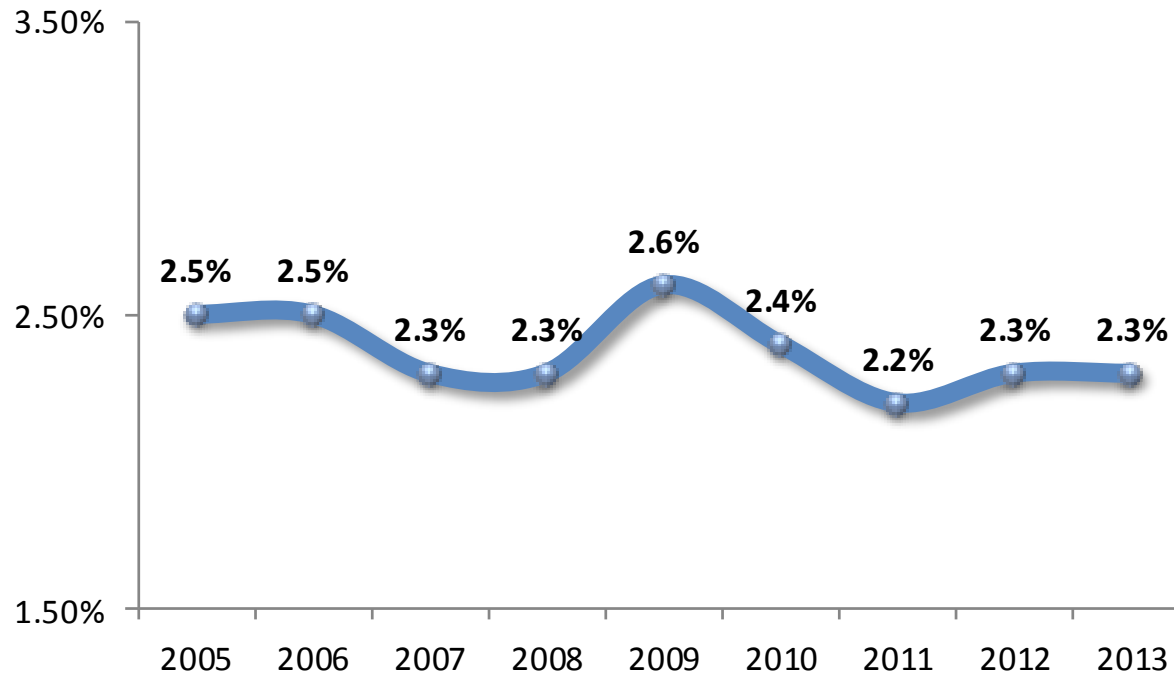


Source: SIPRI  
comparison based on 2011 constant prices and exchange rates

## TURKEY'S MILITARY SPENDING vs GDP

As being the 14th military spender globally, Turkey has healthy growth rate of defense budget.

**MILITARY SPENDING as % of GDP (TURKEY)**



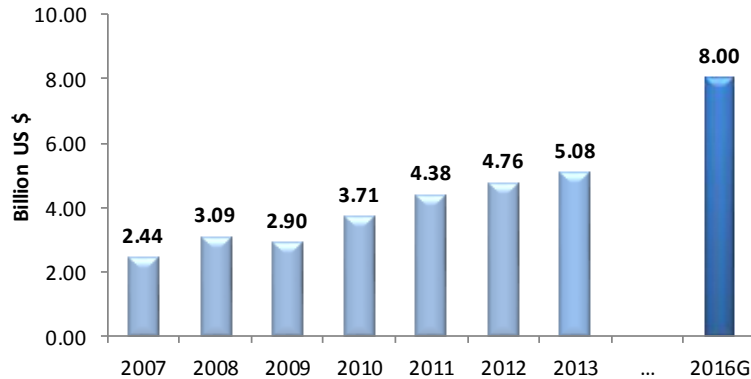


# TURKISH DEFENSE INDUSTRY IN YEARS & GOVERNMENTAL TARGETS

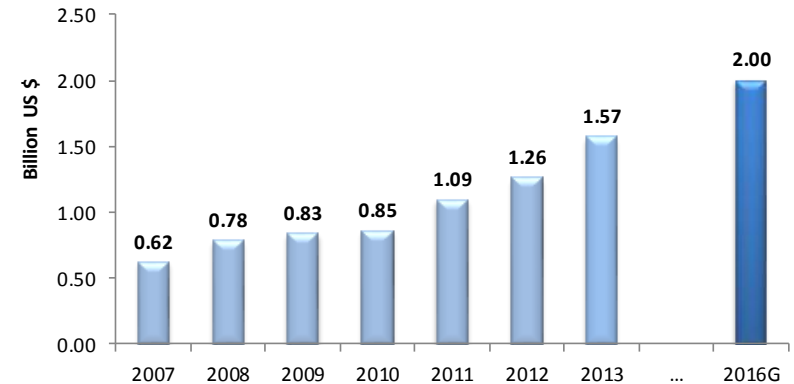


Turkey's defense procurement strategy targeting self sufficiency and favoring local production.

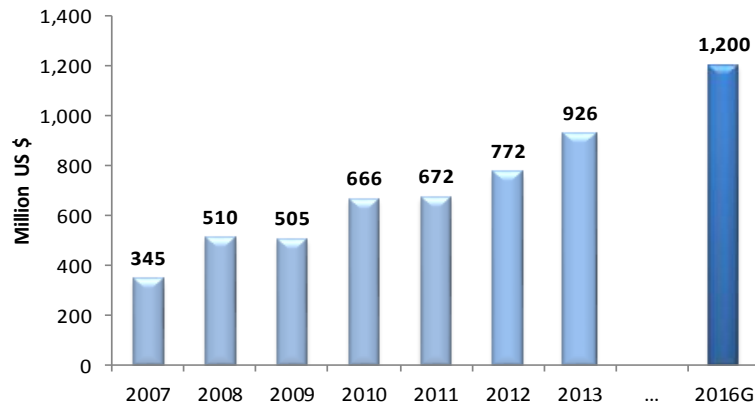
## Turkish Sector Revenue



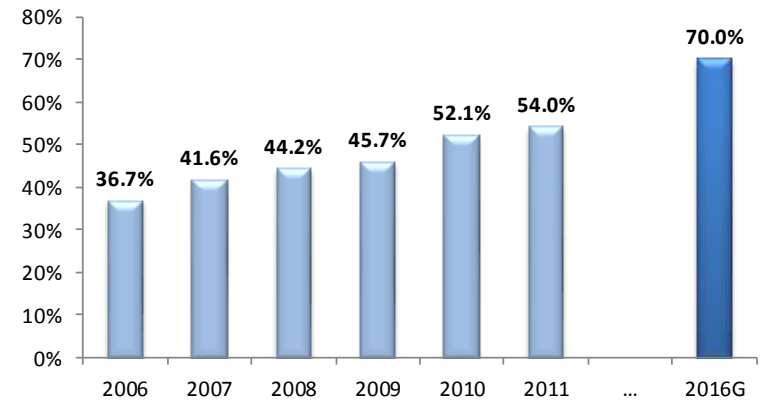
## Turkish Sector Export Revenue



## Turkish Sector R&D Expenditure



## Local Content in UDI's Procurement



Realized  
 Government Goal

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- ▶ 2. **ASELSAN at a Glance**
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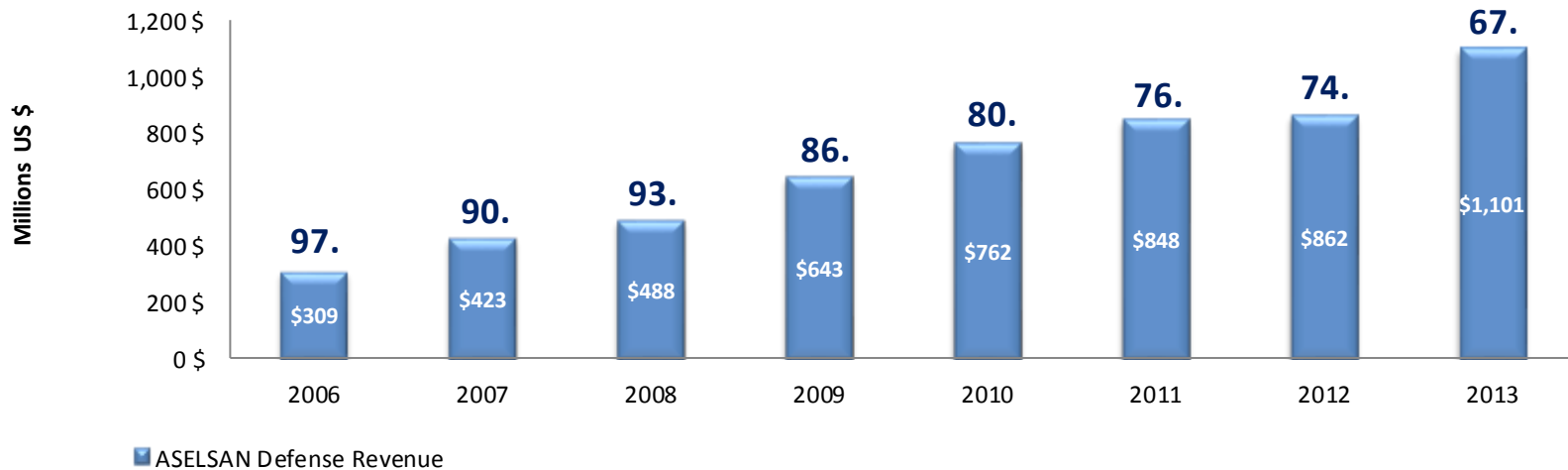


## ASELSAN'S PROGRESS OVER THE YEARS



Turkey's leading defense company continuing its rise in global defense industry & ranking 67th worldwide.

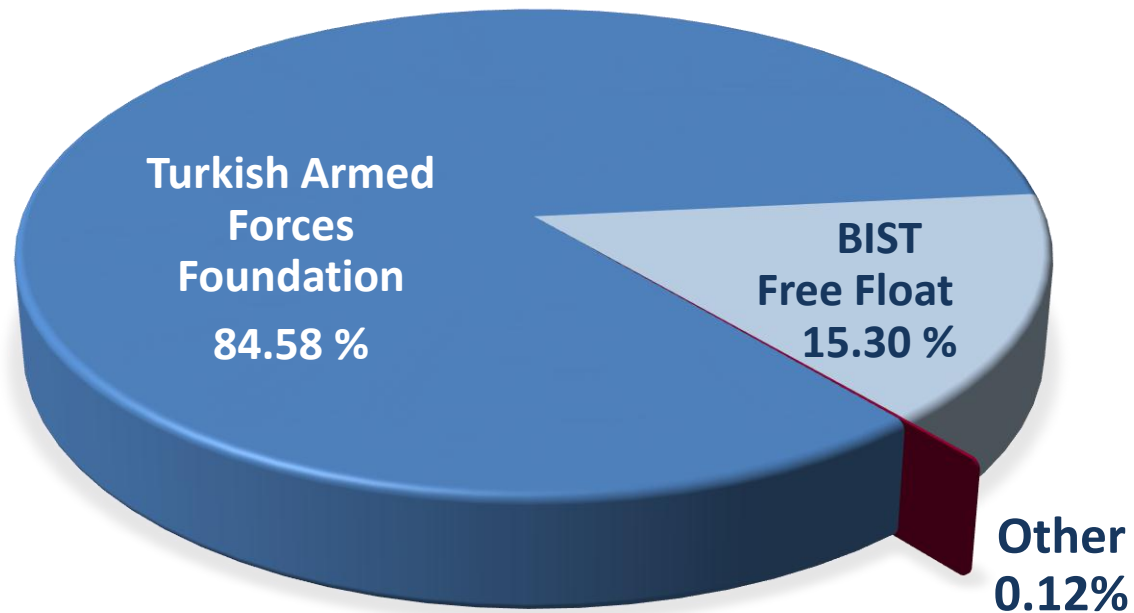
### ASELSAN Global Defense Ranking



Source: Defense News Top 100 Worldwide List

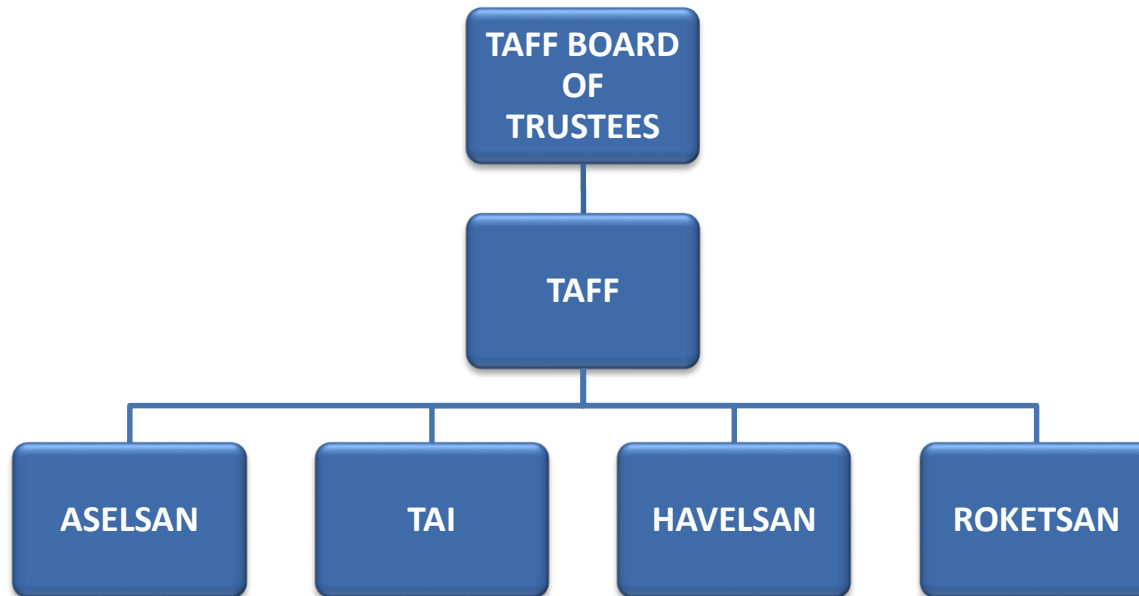
## SHAREHOLDERS

ASELSAN is the only defense company that is listed in Borsa Istanbul (BIST).



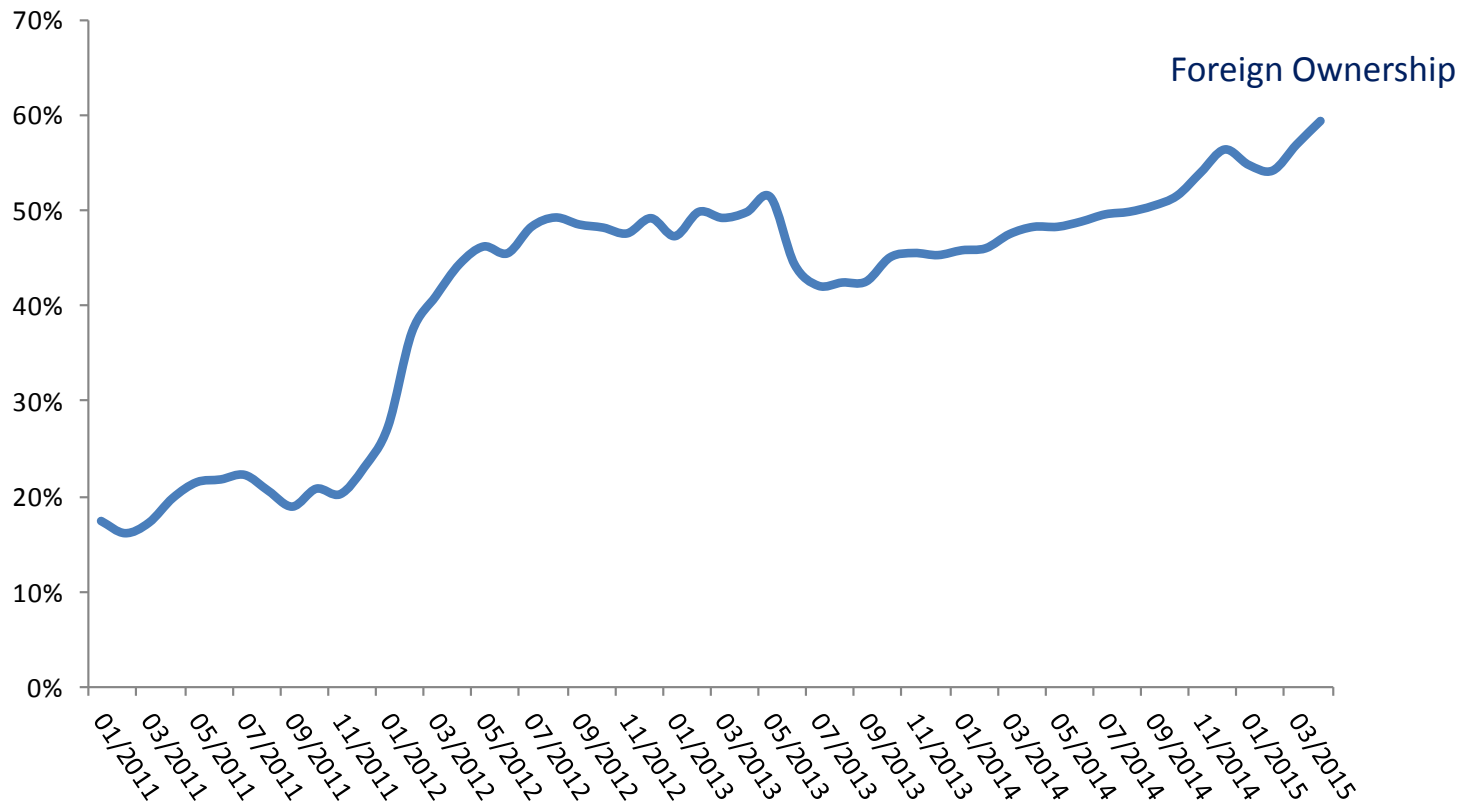
## TURKISH ARMED FORCES FOUNDATION (TAFF)

- TAFF was established by the merger of Land, Navy and Air Forces Foundations.
- TAFF's objective is to enhance the warfare capability of Turkish Armed Forces through national defense industry.
- Managed by the Board of Trustees formed of:
  - Minister of National Defense (Chairman)
  - Deputy Chief of General Staff
  - Undersecretary of the Ministry of National Defense
  - Undersecretary of Defense Industry
- In compliance with its objective, TAFF owns several defense companies that operates in separate fields.



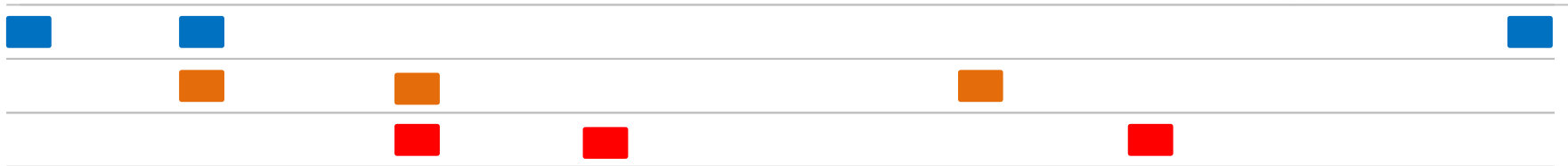
## SHAREHOLDERS

Improved IR effort and financial transparency have been the main drivers for the increase in interest of foreign institutional investors for ASELSAN.



## BOARD MEMBERS

ASELSAN's board structure is in full compliance with Capital Market Boards new regulation on corporate governance.



- Risk Management Committee
- Audit Committee
- Corporate Governance Committee

Independent members are the heads of the committees they are assigned to.



## FACILITIES



### Macunköy Facilities (1979)

Total Area 186,000 m<sup>2</sup>  
Closed Area 110,000 m<sup>2</sup>



### Akyurt Facilities (1991)

Total Area 231,000 m<sup>2</sup>  
Closed Area 54,000 m<sup>2</sup>



### Gölbaşı Facilities (2014)

Total Area 350,000 m<sup>2</sup>  
Closed Area 75,000 m<sup>2</sup>

# DIVISIONS

A global asset of Turkey's technological infrastructure



## Communication & Information Technologies Business Sector

- Military Communication Systems
- Public Security
- Communication Systems
- Satellite, Air and Naval Communication Systems
- Crypto and Information Security Systems



## Defense Systems Technologies Business Sector

- Air and Missile Defense Systems
- C4ISR Systems
- Naval Systems
- Land and Weapon Systems



## Microelectronics, Guidance & Electro-Optics Business Sector

- Avionic Systems
- Electro Optic Systems
- Guidance and Unmanned Systems



## Transportation, Security, Energy & Automation Systems Business Sector

- Transportation Systems
- Security Systems
- Traffic ve Automation Systems
- Energy Systems
- Homeland Security Systems



## Radar & Electronic Warfare Systems Business Sector

- Radar Systems
- Electronic Warfare Systems
- Self Protection Systems



## AFFILIATES – Local

### MİKROELEKTRONİK



Ownership : 85%  
Partner: İTÜ ETA  
Participation: 2010  
(Founded in 2006)  
Assets: \$2.6 M

● İSTANBUL

MİKROELEKTRONİK

● ANKARA

AELSANNET

ROKETSAN

AB-MİKRO NANO

● SİVAS

AELSAN HASSAS OPTİK

### AELSAN PRECISION OPTICS



Ownership: 50%  
Partner: Sivas Optik  
Malzemeleri  
Foundation: 2014  
Assets: \$0.8 M

### AELSANNET



Ownership : 100%  
Foundation: 2004  
Assets: \$60.3 M

### ROKETSAN



Ownership : 15%  
Partner: TAFF  
Foundation: 1988  
Assets: \$1.0 B

### AELSAN BİLKENT MİKRO NANO



Ownership: 50%  
Partner: BİLKENT UNI.  
Foundation: 2014  
Assets: \$2.5 M

Assets are given as of 31/03/2015.

## ASELSAN-BAKU (AZERBAIJAN)



**Ownership: 100%**  
**Foundation: 1998**  
**Assets: \$2.6 M**

## ASELSAN MIDDLE EAST (JORDAN)



**Ownership: 49%**  
**Partner: KADDB**  
**Investment Group**  
**Foundation: 2012**  
**Assets: \$13.8 M**

## IGG ASELSAN INTEGRATED SYSTEMS (UAE)



**Ownership: 49%**  
**Partner: IGG**  
**Foundation: 2011**  
**Assets: \$2.9 M**

## KAZAKHSTAN ASELSAN ENGINEERING (KAZAKHSTAN)



**Ownership: 49%**  
**Partner: Kazakhstan**  
**Engineering**  
**Foundation: 2011**  
**Assets: \$48.1 M**

KAZAKHSTAN ASELSAN ENGINEERING

ASELSAN BAKÜ

ASELSAN MIDDLE EAST

IGG ASELSAN INTEGRATED SYSTEMS

## SOUTH AFRICA BRANCH



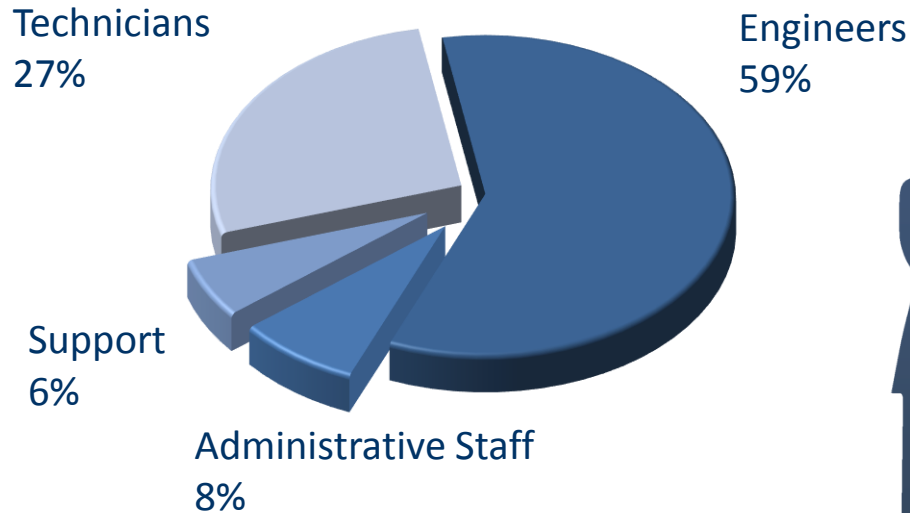
**Ownership: 100%**  
**Foundation: 2011**

ASELSAN SOUTH AFRICA BRANCH

Assets are given as of 31/03/2015.

## HUMAN RESOURCES

Total Employees : 4,928  
Engineers : 2,900



As of May 2015

As the largest R&D spender in Turkey, ASELSAN fully benefits from tax incentives on R&D activities.

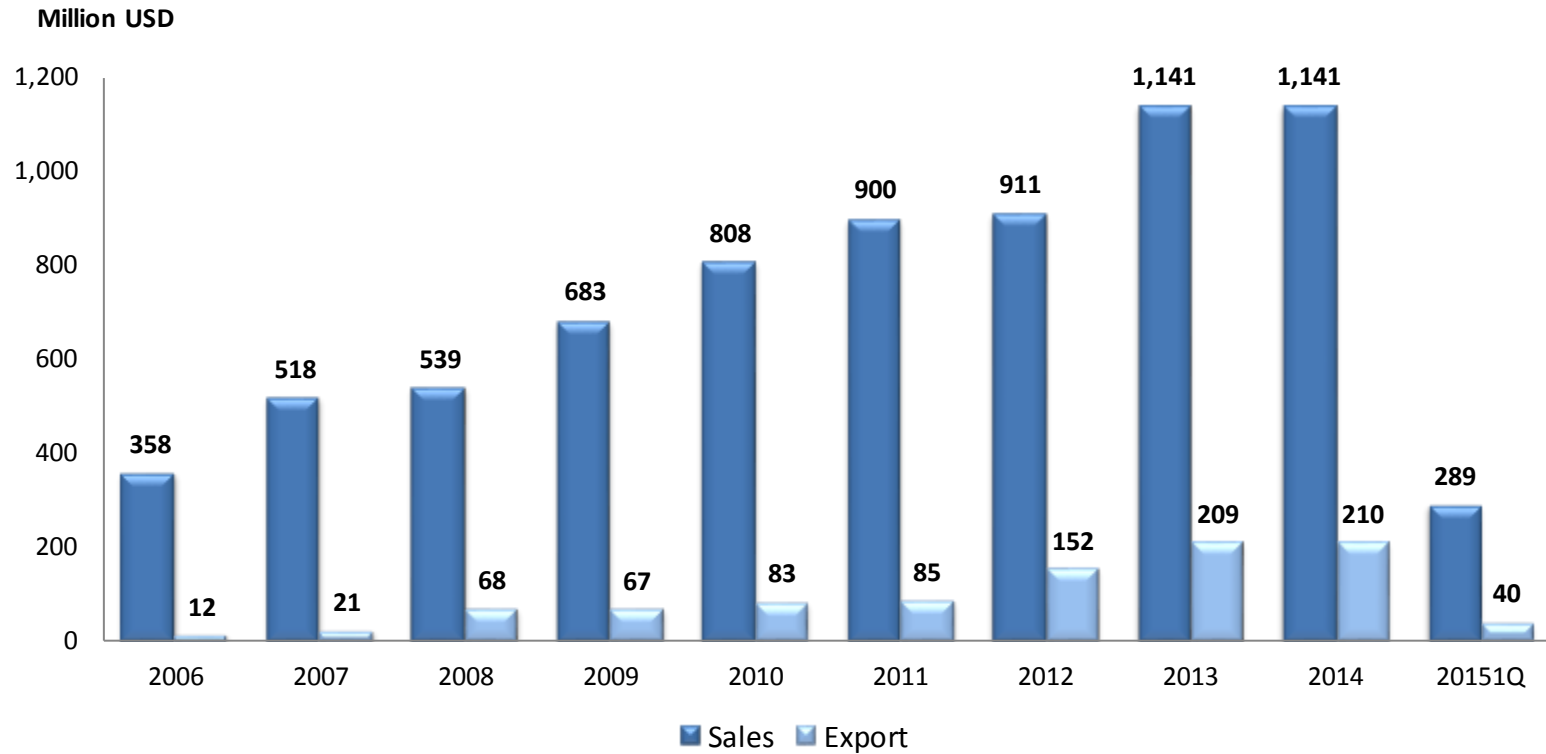
**ASELSAN will not pay any corporate taxes till 2023.**

- ASELSAN's share of the total Turkish defense sector R&D spending is 43%.
- 2,784 R&D Staff (2,397 R&D Engineers)
- Cooperation with highest ranked universities of Turkey

2014 R&D EXPENSES	Million USD	%
Self-financed R&D Expense	68	18%
Client-financed R&D Expense	308	82%
<b>Total R&amp;D Expense</b>	<b>376</b>	<b>100%</b>

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## SALES AND EXPORT (31/03/2015)



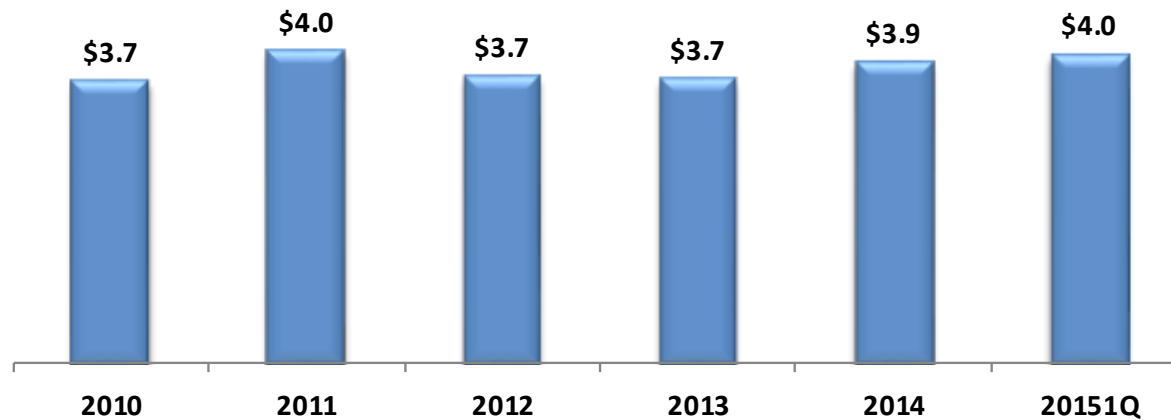
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## BACKLOG (31/03/2015)

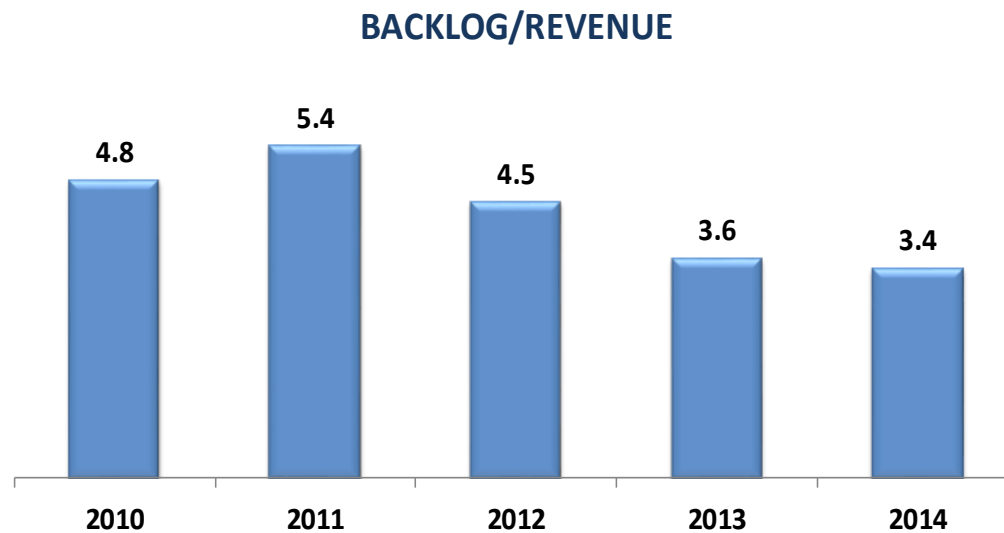
Our backlog is 4 Billion USD.

### Backlog History (Billion USD)



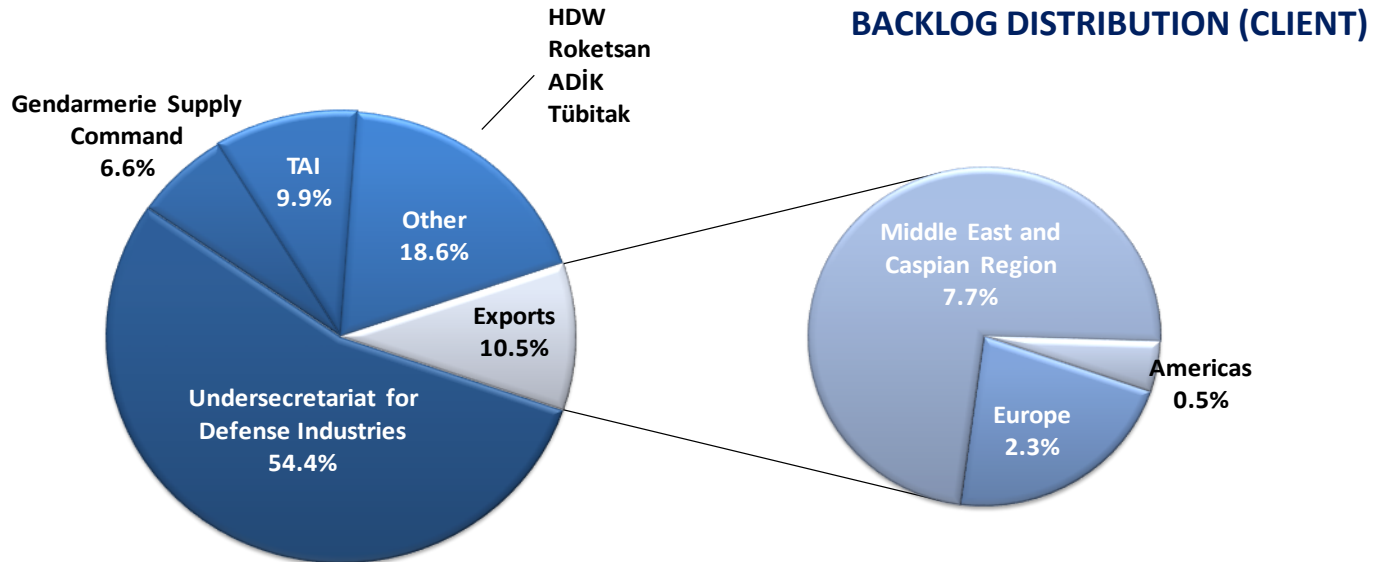
## BACKLOG

Our target is to maintain a backlog level of at least 3 times the total revenue.

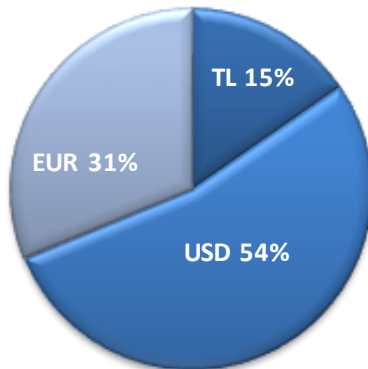


## BACKLOG DISTRIBUTION (31/03/2015)

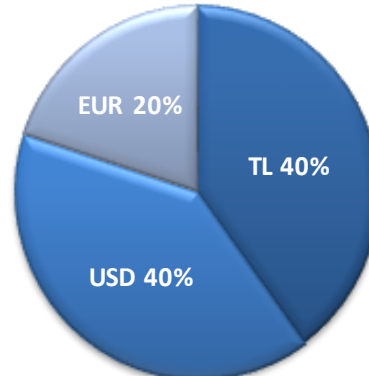
Our target is to increase foreign sales.



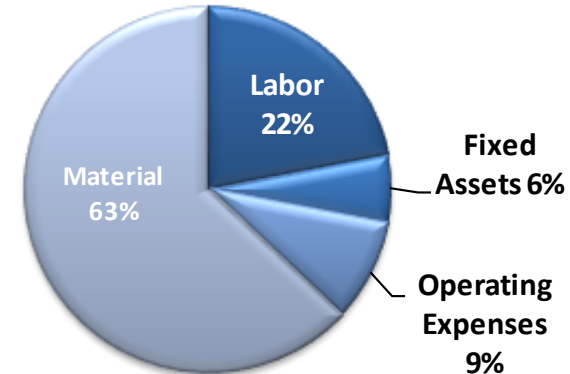
### BACKLOG DISTRIBUTION (CURRENCY)



### TOTAL EXPENSE DISTRIBUTION (CURRENCY)



### TOTAL EXPENSE BREAKDOWN

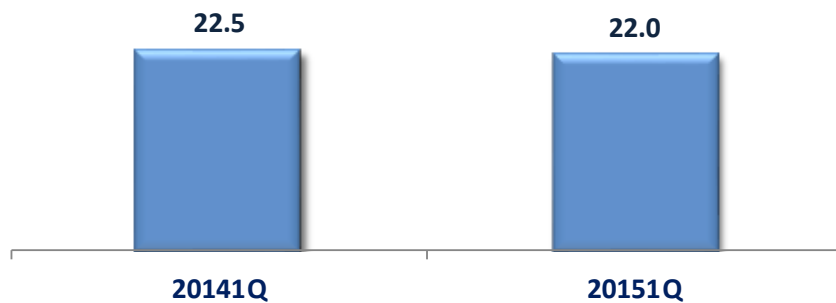


- ALTAY Serial Production
- Long Range Surveillance Radar
- Short & Medium Range Air Defense Systems (KORKUT, Air Defense Gun Modernization, HiSAR) Serial Productions
- Long Range Air Defense Missile System
- Turkish Airborne Stand-Off Jammer

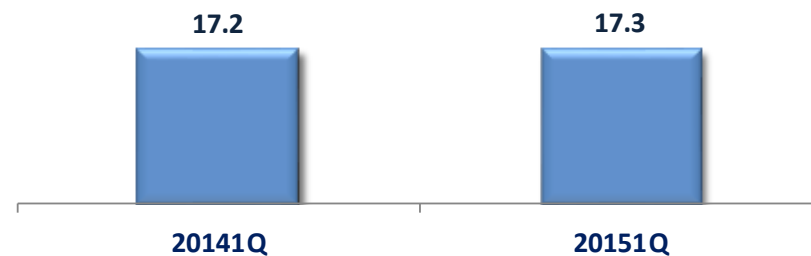
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## MARGINS

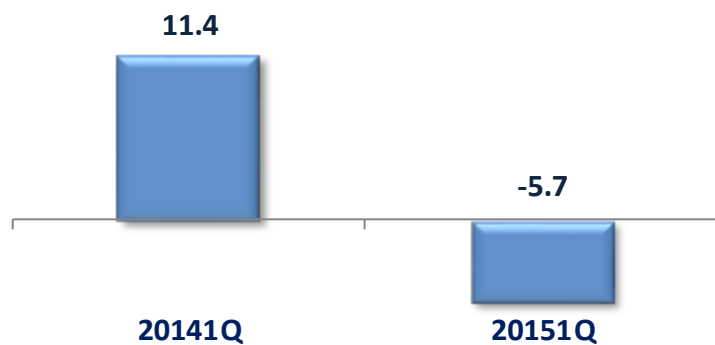
### Gross Profit Margin (%)



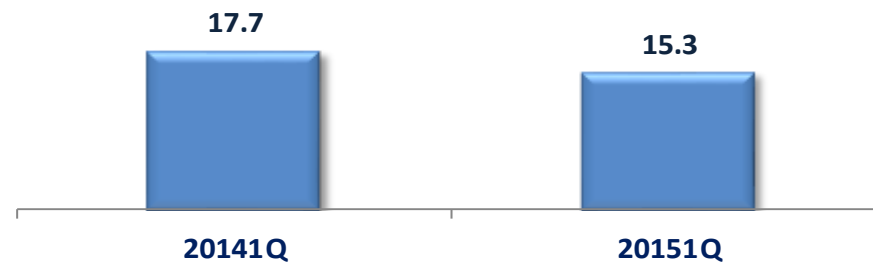
### EBITDA Margin (%)



### Net Profit Margin (%)



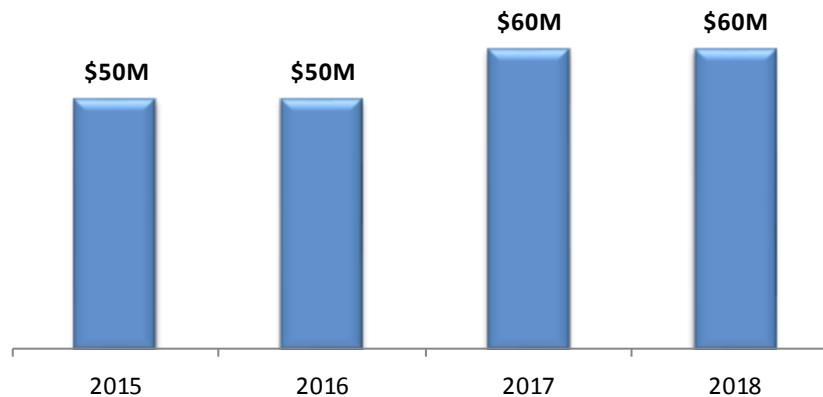
### ROE (%)



ASELSAN's guidance for 2015:

- TL Revenue Growth : 16-20%
- EBITDA Margin : 18-20%
- CAPEX : 120 Mio TL

### CAPEX





Important risks have been identified with regard to ASELSAN's corporate risk management policy.

- Single customer dependency in sales
- Cut-backs in defense expense budgets
- Supplier and subcontractor risks
- Compliance with technological developments
- Fixed price and fixed term contracts
- Global economic slowdown and financial crisis

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“Sustainability” is not a new concept for ASELSAN.

- ASELSAN holds OHSAS 18001:2007 Occupational Health and Safety Management System and ISO 14001:2004 Environmental Management System Certificates since 2009.
- ASELSAN has been in the “Highest” category in Carbon Disclosure Project (CDP) since 2012.
- ASELSAN is listed in the Borsa İstanbul (BİST) Corporate Governance Index since its first Corporate Governance Rating in 2012.
- Sustainability Report was first published in December 2013.
- ASELSAN, is one of the 15 companies to be listed in the BİST Sustainability Index since its launch in November 2014.
- ASELSAN’s Corporate Governance Rating is 9.09 over 10 by December 2014.

## PERFORMANCE of ASELSAN vs. BIST-100 INDEX (2011-2015)

ASELSAN reached a market value of USD 2.9 Billion as of 18/05/2015.



31/12/2010=100

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- **University-industry cooperation**

- Projects carried out with universities
- Internship and co-op opportunities for high school and university students
- Masters and doctorate program incentives for employees
- Doctorate program scholarship

- **Location and fringe benefits**

- **Back to Turkey Project**

- **ASELSAN was selected as the mostly sought after company to work for by engineering students in Turkey**

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## CONTACT



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### Web

[www.aselsan.com](http://www.aselsan.com)

# APPENDIX

## CONSOLIDATED BALANCE SHEET (MILLION TL)



<b>A S S E T S</b>	<b>31/03/2015</b>	<b>31/12/2014</b>
<b>CURRENT ASSETS</b>	<b>2,173.6</b>	<b>2,355.6</b>
Cash and Cash Equivalents	116.0	132.0
Trade Receivables	730.7	943.7
Other Receivables	34.7	41.9
Inventories	845.6	837.4
Prepaid Expenses	237.4	199.8
Other Current Assets	209.2	200.8
<b>NON-CURRENT ASSETS</b>	<b>2,929.0</b>	<b>2,629.8</b>
Financial Investments	355.6	355.6
Long-term Trade Receivables	525.4	310.5
Other Long-term Receivables	0.3	0.3
Property, Plant and Equipment	909.4	854.0
Intangible Assets	477.6	438.5
Prepaid Expenses	354.1	383.5
Deferred Tax Assets	300.2	281.2
Other Long-term Assets	6.4	6.2
<b>TOTAL ASSETS</b>	<b>5,102.6</b>	<b>4,985.4</b>

## CONSOLIDATED BALANCE SHEET (MILLION TL)

LIABILITIES	31/03/2015	31/12/2014
<b>CURRENT LIABILITIES</b>	<b>1,341.4</b>	<b>1,201.2</b>
Short-term Financial Liabilities	300.8	235.3
Short-term Portion of Long-term Financial Liabilities	72.0	48.6
Trade Payables	518.0	607.2
Employee Benefit Obligations	15.7	23.0
Other Payables	66.0	0.8
Government Grants and Incentives	17.1	15.0
Deferred Income	216.0	143.6
Corporate Tax Liability	0.2	0.7
Short-term Provisions	133.0	122.8
Other Short-Term Liabilities	2.6	4.2
<b>NON-CURRENT LIABILITIES</b>	<b>1,610.2</b>	<b>1,565.3</b>
Long-term Financial Liabilities	180.0	195.3
Long-term Trade Payables	65.5	67.2
Other Long-Term Payables	0.03	0.03
Government Grants and Incentives	-	2.2
Deferred Income	1,231.6	1,170.2
Long-term Provisions	133.1	130.4

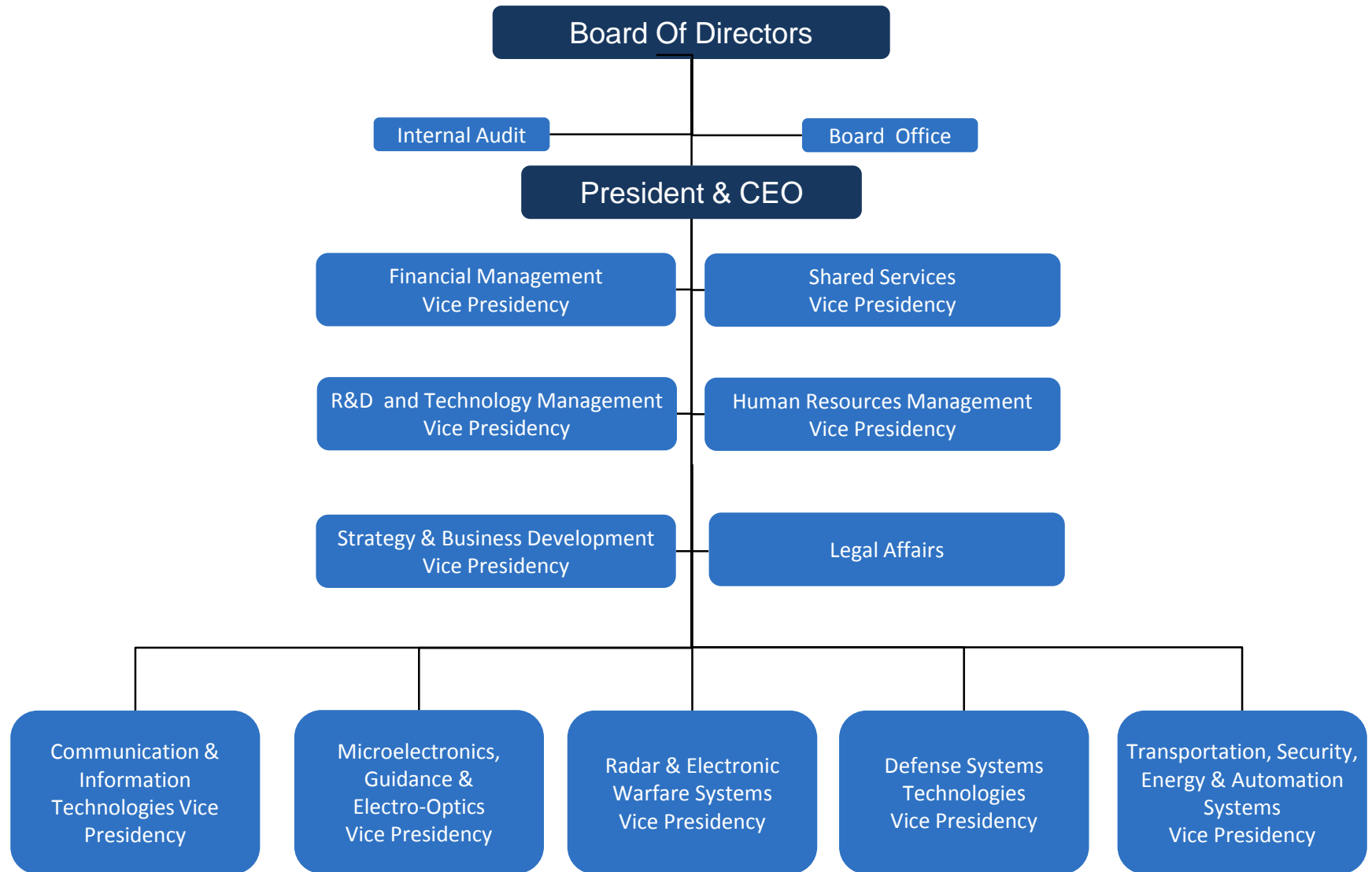
## CONSOLIDATED BALANCE SHEET (MILLION TL)

<b>LIABILITIES</b>	<b>31/03/2015</b>	<b>31/12/2014</b>
<b>EQUITY</b>	<b>2,151.0</b>	<b>2,218.9</b>
<b>Equity attributable to equity holders of the parent</b>	<b>2,151.0</b>	<b>2,218.9</b>
Share Capital	500.0	500.0
Share Capital Adjustment	100.3	98.6
Other Comprehensive Income / Expense not to be Re-classified to Profit or Loss	(14.9)	(14.9)
Other Comprehensive Income / Expense to be Re-classified to Profit or Loss	217.3	177.7
Gain/Loss on Revaluation of Available for Sale Financial Assets	293.0	293.0
Restricted Profit Reserves	87.0	73.7
Retained Earnings	1,008.5	740.7
Net Profit for the Period	(40.2)	350.1
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>5,102.6</b>	<b>4,985.4</b>

## CONSOLIDATED INCOME STATEMENT (MILLION TL)

	01/01/2015- 31/03/2015	01/01/2014- 31/03/2014
<b>PROFIT OR LOSS</b>		
Sales revenue	710.6	506.4
Cost of sales (-)	(554.4)	(392.5)
<b>GROSS PROFIT</b>	<b>156.2</b>	<b>113.9</b>
General administrative expenses (-)	(31.2)	(26.5)
Marketing, selling and distribution expenses (-)	(12.6)	(8.3)
Research and development expenses (-)	(14.8)	(15.5)
Other operating income	113.2	171.8
Other operating expenses (-)	(214.5)	(197.0)
<b>OPERATING PROFIT</b>	<b>(3.7)</b>	<b>38.4</b>
Income from investing activities	-	1.9
<b>OPERATING PROFIT BEFORE FINANCIAL EXPENSE</b>	<b>(3.7)</b>	<b>40.3</b>
Financial income	0.02	9.5
Financial expenses (-)	(57.4)	(15.0)
<b>PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>(61.1)</b>	<b>34.8</b>
<b>Tax income/ (expense) from continuing operations</b>	<b>20.9</b>	<b>23.0</b>
- Current tax expense	(0.2)	(0.2)
- Deferred tax income / (expense)	21.1	23.2
<b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>	<b>(40.2)</b>	<b>57.8</b>
<b>Profit for the period attributable to:</b>		
Non-controlling interest	-	0.2
Shareholders of the parent	(40.2)	57.7

# ORGANIZATION CHART





## DISCLAIMER



The information contained herein has been prepared by ASELSAN (the Company). The opinions presented herein are based on general information gathered at the time of writing and are subject to change without notice.

These materials contain statements about future events and expectations that are forward-looking statements. Any statement in these materials that is not a statement of historical fact is a forward-looking statement that involves known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Except to the extent required by law, we assume no obligations to update the forward-looking statements contained herein to reflect actual results, changes in assumptions or changes in factors affecting these statements.

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*Reliable technology*