2013 Financial Information

Prepared as per CMB Serial II, No:14.1

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Profit Distribution Proposal

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and Its Subsidiaries
Mehmet Akif Ersoy Mahallesi 296. Cadde No. 16 06370 Yenimahalle/Ankara

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and Its Subsidiaries

Audited Consolidated Statement of Financial Position as of 31 December 2013

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

ASSETS	Note References	Current Period Audited 31 December 2013	(*) Restated Prior Period Audited 31 December 2012
Current Assets		**2.049.564.480**	**1.943.880.942**
Cash and Cash Equivalents	32	103.683.817	352.533.570
Trade Receivables			
Trade Receivables from Related Parties	4-5	145.157.039	66.211.121
Trade Receivables from Third Parties	5	611.089.356	458.157.043
Other Receivables			
Other Receivables from Related Parties	4-6	32.771.269	18.730.633
Other Receivables from Third Parties	6	48.741.727	23.977.284
Inventory	7	645.849.543	584.822.894
Prepaid Expenses	8	277.369.147	264.844.810
Other Current Assets	16	184.902.582	174.603.587
Non-Current Assets		**1.958.410.870**	**1.380.333.829**
Financial Investments	28	12.724.210	12.017.562
Trade Receivables			
Trade Receivables from Related Parties	4-5	26.392.887	27.635.470
Trade Receivables from Third Parties	5	312.343.820	219.481.930
Other Receivables			
Other Receivables from Related Parties	4-6	--	--
Other Receivables from Third Parties	6	197.085	176.799
Fixed Assets	9	741.988.200	412.092.736
Intangible Assets	10	372.807.645	297.687.497
Prepaid Expenses	8	274.439.651	276.113.226
Deferred Tax Assets	26	212.862.628	132.604.753
Other Non-Current Assets	16	4.654.744	2.523.856
TOTAL ASSETS		**4.007.975.350**	**3.324.214.771**

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

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and Its Subsidiaries

Audited Consolidated Statement of Financial Position as of 31 December 2013

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

LIABILITIES	Note References	Current Period Audited 31 December 2013	(*) Restated Prior Period Audited 31 December 2012
Current Liabilities		**936.244.985**	**776.838.100**
Short-term Financial Liabilities	28	157.226.761	210.788.558
Short-term Portion of Long-term Financial Liabilities	28	22.832.818	658.118
Trade Payables			
Trade Payables to Related Parties	4-5	16.265.805	48.991.710
Trade Payables to Third Parties	5	377.182.297	246.600.350
Employee Benefit Obligations	15	19.226.599	16.085.066
Other Liabilities			
Other Liabilities to Related Parties	4-6	30.320	180.202
Other Liabilities to Third Parties	6	418.061	826.832
Government Grants and Incentives	11	11.280.034	7.433.936
Deferred Income	8	214.035.003	145.743.263
Corporate Tax Liability	26	480.904	304.275
Short-term Provisions			
Short-term Provisions for Employee Benefits	15	25.395.640	18.656.924
Other Short-Term Provisions	13	88.973.470	76.764.254
Other Current Liabilities	16	2.897.273	3.804.612
Non-Current Liabilities		**1.459.244.914**	**1.281.281.080**
Long-term Financial Liabilities	28	173.227.412	114.017.502
Trade Payables			
Trade Payables to Related Parties	4-5	--	1.639.370
Trade Payables to Third Parties	5	12.163.376	9.375.383
Long-Term Payables			
Other Payables to Related Parties	4-6	--	--
Other Payables to Third Parties	6	30.518	20.326
Government Grants and Incentives	11	1.878.514	785.936
Deferred Income	8	1.162.027.069	1.041.969.070
Long-term Provisions			
Long-term Provisions for Employee Benefits	15	107.067.815	104.434.432
Other Long-Term Provisions	13	2.850.210	9.039.061
EQUITY		**1.612.485.451**	**1.266.095.591**
Equity attributable to equity holders of the parent		**1.611.967.650**	**1.265.551.399**
Share Capital	17	500.000.000	500.000.000
Share Capital Adjustments	17	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		(3.866.000)	(13.175.916)
Fixed Assets Revaluation Reserves	25	177.532.454	--
Restricted Profit Reserves	17	69.677.755	52.071.680
Retained Earnings		531.921.172	321.656.271
Net Profit for the Period		238.081.489	306.378.584
Non-Controlling Interests		**517.801**	**544.192**
TOTAL LIABILITIES AND EQUITY		**4.007.975.350**	**3.324.214.771**

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

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and Its Subsidiaries

Audited Consolidated Statement of Profit or Loss For the Year Ended 31 December 2013

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Note References	Current Period Audited 31 December 2013	(*) Restated Prior Period Audited 31 December 2012
PROFIT OR LOSS			
Sales Revenue	18	2.171.425.296	1.632.896.367
Cost of Sales (-)	18	(1.612.641.153)	(1.234.584.808)
GROSS PROFIT		**558.784.143**	**398.311.559**
General Administrative Expenses (-)	20	(103.256.327)	(95.892.522)
Marketing Expenses (-)	20	(38.427.719)	(38.222.739)
Research and Development Expenses (-)	20	(63.852.597)	(63.894.076)
Other Operating Income	21	317.096.874	305.727.251
Other Operating Expenses (-)	21	(495.310.890)	(243.601.642)
OPERATING PROFIT		**175.033.484**	**262.427.831**
Income from Investing Activities	22	10.369.803	3.765.258
OPERATING PROFIT BEFORE FINANCIAL EXPENSE		**185.403.287**	**266.193.089**
Financial Income	23	6.536.436	14.228.072
Financial Expense (-)	24	(44.595.198)	(10.229.772)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**147.344.525**	**270.191.389**
Tax Income / (Expense) from Continuing Operations		**91.202.409**	**36.725.467**
- Current Corporate Tax Expense	26	(735.616)	(656.430)
- Deferred Tax Income/(Expense)	26	91.938.025	37.381.897
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**238.546.934**	**306.916.856**
Distribution of Profit for the Period:			
Non-Controlling Interest		465.445	538.272
Parent Company		238.081.489	306.378.584
		238.546.934	**306.916.856**
Earnings per 100 Shares	**27**	**0,48**	**0,61**

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

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and Its Subsidiaries

Audited Consolidated Statement of Other Comprehensive Income For the Year Ended 31 December 2013

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Note References	Current Period Audited 31 December 2013	(*) Restated Prior Period Audited 31 December 2012
PROFIT FOR THE PERIOD		**238.546.934**	**306.916.856**
OTHER COMPREHENSIVE INCOME			
Items not to be Reclassified in Profit/ Loss		187.010.667	(13.175.916)
Fixed Asset Revaluation Increases	25	187.053.422	--
Remeasurement Income/Loss from Defined Benefit Plans		11.637.395	(16.469.895)
Deferred Tax Expense	26	(11.680.150)	3.293.979
OTHER COMPREHENSIVE INCOME		**187.010.667**	**(13.175.916)**
TOTAL COMPREHENSIVE INCOME		**425.557.601**	**293.740.940**
Distribution of Total Comprehensive Income:			
Non-Controlling Interests		633.742	538.272
Parent Company		424.923.859	293.202.668
		425.557.601	**293.740.940**

(*) Effects of restatement are explained in Note 2.4, TAS 19 Emplayment Benefits.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and Its Subsidiaries

Audited Consolidated Statement of Changes in Equity For the Year Ended 31 December 2013

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

			Other Comprehensive Income / Expense not to be Reclassified to Profit or Loss			Accumulated Profit				
	Share Capital	Share Capital Adjustments	Remeasurement Income/Loss from Revaluation of Fixed Assets	Remeasurement Income/Loss from Defined Benefit Plans	Restricted Profit Reserves	Retained Earnings	Net Profit for the Period	**Equity Attributable to Parent Company**	Non-Controlling Interests	**Total**
Balance as of 1 January 2012 (Period Beginning)	**235.224.000**	**132.773.042**	**--**	--	**42.731.216**	**447.322.067**	**160.755.145**	**1.018.805.470**	**10.920**	**1.018.816.390**
Transfers	264.776.000	(34.152.262)	--	--	9.340.464	(125.665.796)	(114.298.406)	**--**	--	**--**
Total Comprehensive Income	--	--	--	--	--	--	293.202.668	**293.202.668**	538.272	**293.740.940**
Dividends	--	--	--	--	--	--	(46.456.739)	**(46.456.739)**	(5.000)	**(46.461.739)**
Balance as of 31 December 2012 (Period End)	**500.000.000**	**98.620.780**	**--**	**--**	**52.071.680**	**321.656.271**	**293.202.668**	**1.265.551.399**	**544.192**	**1.266.095.591**
Balance as of 1 January 2013 (previously reported)	**500.000.000**	**98.620.780**			**52.071.680**	**321.656.271**	**293.202.668**	**1.265.551.399**	**544.192**	**1.266.095.591**
Effect of Change in TAS 19 (Note:2.1 and 2.4)	**--**	**--**	**--**	(13.175.916)	**--**	**--**	13.175.916	--	**--**	**--**
Balance as of 1 January 2013 (Restated)	**500.000.000**	**98.620.780**	**--**	**(13.175.916)**	**52.071.680**	**321.656.271**	**306.378.584**	**1.265.551.399**	**544.192**	**1.266.095.591**
Transfers	--	--	--	--	17.595.111	210.283.473	(227.878.584)	**--**	--	**--**
Total Comprehensive Income	--	--	177.532.454	9.309.916	--		238.081.489	**424.923.859**	633.742	**425.557.601**
Dividends	--	--	--	--	--	(2.500)	(78.500.000)	**(78.502.500)**	--	**(78.502.500)**
Transactions with Non-Controlling Interests	--	--	--	--	10.964	(16.072)	--	**(5.108)**	(660.133)	**(665.241)**
Balance as of 31 December 2013 (Period End)	**500.000.000**	**98.620.780**	**177.532.454**	**(3.866.000)**	**69.677.755**	**531.921.172**	**238.081.489**	**1.611.967.650**	**517.801**	**1.612.485.451**

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and Its Subsidiaries

Audited Consolidated Statement of Cash Flows For the Year Ended 31 December 2013

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Note References	Current Period Audited 1 January-31 December 2013	(*) Restated Prior Period Audited 1 January-31 December 2013
Cash Flows from Operating Activities		**119.119.644**	**306.131.978**
Net Profit for the Period		238.546.934	306.916.856
Adjustments to Reconcile Profit for the Period		**36.956.083**	**46.728.148**
- Adjustments Related to Depreciation and Amortization Expenses	9-10	82.553.064	68.283.872
- Adjustments Related to Research and Development Expenses	10	12.669.413	6.618.207
- Provision for Employee Benefits		26.760.530	24.010.182
- Impairment Loss Recognized/(Reversed) on Trade Receivables - Net	5	236.057	(70.887)
- Guarantee Expense Provision Recognized/(Reversed) - Net	13	14.701.052	4.584.147
- Delay Penalties and Fines Provision Recognized/(Reversed) - Net	13	(8.688.682)	(348.152)
- Provision for Pending Claims and Lawsuits - Net	13	(400.995)	(216.020)
- Impairment Provision for Inventory - Net	7	(146.730)	2.945.538
- Other Provisions		408.990	(5.957.884)
- Adjustments Related to Interest Income	21	(7.317.219)	(12.883.616)
- Adjustments Related to Interest Expense	24	7.875.925	3.352.490
- Foreign Exchange Differences Related to Financial Borrowings - Net		9.876.890	(3.639.168)
- Adjustments Related to Tax Expense/Income	26	(91.202.409)	(36.725.467)
- Income from Investing Activities	22	(10.369.803)	(3.225.094)
Movements in Working Capital		**(149.864.490)**	**(52.353.314)**
- Adjustments for Increase/Decrease in Inventory		(60.879.919)	(35.853.273)
- Adjustments for Increase/Decrease in Trade Receivables		(322.590.805)	(309.927.120)
- Adjustments for Increase/Decrease in Other Receivables		(38.825.365)	(23.101.780)
- Prepaid Expenses		(10.850.762)	(106.030.847)
- Other Current Assets		(8.565.564)	(42.295.046)
- Other Non-Current Assets		(2.130.888)	(470.955)
- Adjustments for Increase/Decrease in Trade Payables		99.004.665	112.571.603
- Adjustments for Increase/Decrease in Other Payables		(548.461)	(2.083.208)
- Employee Benefit Obligations	15	3.141.533	(1.750.610)
- Government Grants and Incentives	11	4.938.676	2.057.434
- Deferred Income		188.349.739	353.466.758
- Other Liabilities		(907.339)	1.063.730
Net Cash Provided By Operations		**125.638.527**	**301.291.690**

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and Its Subsidiaries

Audited Consolidated Statement of Cash Flows For the Year Ended 31 December 2013

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Note References	Current Period Audited 1 January-31 December 2013	(*) Restated Prior Period Audited 1 January-31 December 2013
Interest Paid		(4.649.858)	(2.663.899)
Interest Received		4.440.998	12.883.616
Tax Payments/Refunds		(558.987)	(459.577)
Employee Termination Benefits Paid	15	(5.751.036)	(4.919.852)
Cash Flows from Investing Activities		**(287.103.946)**	**(259.998.152)**
Proceeds from Disposal of Fixed Assets		222.194	4.278.979
Payments for Fixed Assets	9	(172.368.006)	(107.992.826)
Payments for Intangible Assets - Net	10	(123.956.048)	(159.243.152)
Change in Financial Investments		(1.371.889)	(266.247)
Dividends Received		10.369.803	3.225.094
Cash Flows from Financing Activities		**(80.865.451)**	**143.055.285**
Proceeds from Borrowings		612.218.353	418.425.854
Repayments of Borrowings		(614.542.147)	(229.254.903)
Repayments of Obligations Under Finance Leases		(39.157)	346.073
Dividend Payments	17	(78.502.500)	(46.461.739)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(248.849.753)**	**189.189.111**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**352.533.570**	**163.344.459**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**32**	**103.683.817**	**352.533.570**

(*) Effects of restatement are explained in Note 2, comparative information and restatement of prior period financial statements.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and Its Subsidiaries

Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2013

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

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 31 December 2013 (31 December 2012: 15,30%) (Note 17).

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 31 December 2013 is 5.343 (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.

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

		31 December 2013	31 December 2012
Company name	**Operation**	**Share (%)**	
Mikes (*)	Research and development (R&D)on microwave projects	96,37	96,36
AselsanNet (*)	Communication systems	100,00	95,00

(*) The change is due to purchase of shares of Mikes and AselsanNet from Aspilsan A.Ş.

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 (Note 28).

In addition, the Company opened up a branch as "Aselsan Elektronik Sanayi ve Ticaret A.Ş. EP Co." in 2011 in South Africa. 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 (Note 29).

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and Its Subsidiaries

Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2013

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Approval of the consolidated financial statements:

These consolidated financial statements have been approved for issue by the Board of Directors with the decision number 802 on 5 March 2014. No authority other than Board of Directors and General Assembly has the right to amend the consolidated financial statements

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 The basis of presentation

Statement of Compliance to TAS

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").

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/TFRS") 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 except for the revaluation of lands. 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.

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.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and Its Subsidiaries

Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2013

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

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 232.864.956 which was presented under “Finance Expense” in the consolidated statement of profit or loss for the year ended 31 December 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 264.404.392 which was presented under “Finance Income” in the consolidated statement of profit or loss for the year ended 31 December 2012 is reclassified to “Other Operating Income”.
- “Interest Income” amounting to TL 12.883.616 and “Other Finance Income” amounting TL 405.720 which was presented under “Finance Income” in the consolidated statement of profit or loss for the year ended 31 December 2012 is reclassified to “Other Operating Income”.
- “Discount Expense” amounting to TL 3.221.052 which was presented under “Finance Expense” in the consolidated statement of profit or loss for the year ended 31 December 2012 is reclassified to “Other Operating Expense”.
- “Discount Income” amounting to TL 1.290.165 which was presented under “Finance Income” in the consolidated statement of profit or loss for the year ended 31 December 2012 is reclassified to “Other Operating Income”.
- “Dividend Income”, “Gain on Sale of Marketable Securities” and “Gain on Financial Assets” amounting to TL 4.191.870 which was presented under “Finance Income” in the consolidated statement of profit or loss for the year ended 31 December 2012 is reclassified to “Income from Investing Activities”.
- “Fair value difference of financial assets reflected to loss” amounting to TL 426.612 “Finance Income” in the consolidated statement of profit or loss for the year ended 31 December 2012 is reclassified to “Income from Investing Activities”.
- “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” and “Advances Given for Tangible and Intangible Fixed Assets” 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 250.406.586 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”.

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- "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 "Other Current Liabilities" under "Current Liabilities".
- "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-31 December 2012	**Restated 1 January-31 December 2012**
Other Operating Income	26.743.358	305.727.251
Other Operating Expenses (-)	(7.515.634)	(243.601.642)
Income from Investing Activities	-	3.765.258
Financial Income	297.403.835	14.228.072
Financial Expense (-)	(246.742.392)	(10.229.772)
Earnings per 100 Shares	0,59	0,61

	Previously Reported 31 December 2012	**Restated 31 December 2012**
Current Assets		
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
Non-Current Assets		
Prepaid Expenses	-	276.113.226
Order Advances Given	250.406.586	-
Other Non-Current Assets	28.230.496	2.523.856
Current Liabilities		
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	-
Other Current Liabilities	3.052.726	3.804.612
Non-Current Liabilities		
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	-
Equity		
Remeasurement Income/Loss from Defined Benefit Plans	-	(13.175.916)
Net Profit for the Period	293.202.668	306.378.584

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Basis of Consolidation

Subsidiaries:

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

		Group's proportion of ownership and voting power held (%)		
Subsidiaries	**Location**	**31 December 2013**	**31 December 2012**	**Principal Activity**
Mikes (*)	Turkey	96,37	96,36	Microwave R&D projects
AselsanNet (*)	Turkey	100	95	Telecommunication systems
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

(*) The change is due to purchase of shares of Mikes and AselsanNet from Aspilsan A.Ş.
(**) 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,
- 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.

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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 31 December 2013 and 31 December 2012 are as follows:

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

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.

Group's lands are revalued and presented with their fair values as of 31 December 2013. Revaluation gains on lands are accounted as fixed assets revaluation reserves under equity. Since the change in accounting policy is considered as revaluation in accordance with TAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", prior period consolidated financial statements are not restated and change is applied prospectively.

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.

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2.4 New and Revised Turkish Accounting Standards

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

The following amendments to TASs have been applied in the current year and have affected the amounts reported in these consolidated financial statements.

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 and hence the presentation of items of other comprehensive income has been modified to reflect the changes. 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.

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. 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.

	Prior Period 1 January-31 December 2012
Impact on profit or loss of the application of TAS 19:	
Profit for the Period	13.175.916
Impact on other comprehensive income	
Actuarial income/loss	(16.469.895)
Tax effect	3.293.979
Change in other comprehensive income	(13.175.916)
Change in total comprehensive income	-

	Prior Period 31 December 2012
Impact on statement of financial position of the application of TAS 19:	
Remeasurement income/loss from defined benefit plans	(13.175.916)
Net profit for period	13.175.916
Change in equity	-

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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 TFRSs 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 required for financial instruments only under TFRS 7 Financial Instruments: Disclosures are extended by TFRS 13 to cover all assets and liabilities within its scope.

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

TAS 1 (Amendments) *Presentation of Financial Statements*

(As part of the *Annual Improvements to TFRSs 2009-2011 Cycle issued in May 2012)*

The amendments to TAS 1 as part of the Annual Improvements to TFRSs 2009-2011 Cycle 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.

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.

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 TFRSs for the first time.

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Amendments to TFRS 7 *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 *TFRSs 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 amendments to TAS 16 did not have a significant effect on the Group's consolidated financial statements.

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.

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine (production stripping costs). Under the Interpretation, the costs from this waste removal activity (stripping) which provide improved access to ore is recognized as a non-current asset (stripping activity asset) when certain criteria are met, whereas the costs of normal on-going operational stripping activities are accounted for in accordance with TAS 2 Inventories. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

IFRIC 20 is effective for annual periods beginning on or after 1 January 2013. Specific transitional provisions are provided to entities that apply IFRIC 20 for the first time. However, IFRIC 20 must be applied to production stripping costs incurred on or after the beginning of the earliest period presented. The Group management anticipates that IFRIC 20 will have no effect to the Group's financial statements as the Group does not engage in such activities.

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c) New and revised TFRSs in issue but not yet effective

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

TFRS 9	*Financial Instruments*
Amendments to TFRS 9 and TFRS 7	*Mandatory Effective Date of TFRS 9 and Transition Disclosures*
Amendments to TAS 32	*Offsetting Financial Assets and Financial Liabilities*[1]
Amendments to TFRS 10, 11, TAS 27	*Investment Entities*[1]
Amendments to TAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*[1]
Amendments to TAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*[1]
IFRIC 21	*Levies*[1]

[1] Effective for annual periods beginning on or after 1 January 2014.

TFRS 9 Financial Instruments

TFRS 9, issued in November 2009, introduces new requirements for the classification and measurement of financial assets. TFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Amendments to TFRS 9 and TFRS 7 *Mandatory Effective Date of TFRS 9 and Transition Disclosures*

On November 2013, it is tentatively decided that the mandatory effective date of TFRS 9 will be no earlier than annual periods beginning on or after 1 January 2017. The amendment has not published by POA yet.

Amendments to TAS 32 *Offsetting Financial Assets and Financial Liabilities*

The amendments to TAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realization and settlement”.

Amendments to TFRS 10, 11, TAS 27 *Investment Entities*

This amendment with the additional provisions of TFRS 10 provide investment entities (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss.

Amendments to TAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*

As a consequence of TFRS 13 “Fair Value Measurements”, there are amendments in the explanations about the measurement of the recoverable amount of an impaired asset. This amendment is limited to non-financial assets and paragraphs 130 and 134 of TAS 36 have been changed.

Amendments to TAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*

This amendment to TAS 39 makes it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

IFRIC 21 *Levies*

IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation.

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2.5 Summary of Significant Accounting Policies

Revenue

Revenue is measured at the fair value of the received or receivable. Revenue is reduced for estimated customer returns, rebates, and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- Installation fees are recognized by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the balance sheet date,
- Servicing fees included in the price of products sold are recognized by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold and
- Revenue from time and material contracts is recognized at the contractual rates as labor hours are delivered and direct expenses are incurred.

Revenue from construction contracts is recognized in accordance with the accounting policy outlined in the following pages.

Dividend and interest revenue

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income

Rental income from properties is recognized on a straight-line basis over the term of the relevant lease.

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Inventories

Inventories are stated at the lower of cost and net realizable value. Inventories are valued on the basis of the project according to the weighted average method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to realize sales. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of income/(loss) in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

Fixed Assets

Lands held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such lands is recognized in revaluation fund accumulated in equity.

A decrease in the carrying amount arising on the revaluation of such land and buildings is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Freehold land is not depreciated. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. Unless the asset is disposed, no transfer is realized from revaluation reserves to the profit reserves.

Fixed assets other than lands are carried at cost less accumulated depreciation and any accumulated impairment losses.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Borrowing cost is capitalized when the assets took a substantial period of time to get ready for their intended use or sale.

These assets are classified to fixed assets when the assets are completed and ready for their intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. If the ownership of the finance lease is not obvious at the end of the leasing period, it is depreciated over their expected useful lives or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of fixed assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The maintenance and repair expenses arising from changing any part of the fixed assets can be realized if the economic benefit of the asset is increased. All other expenses are recorded in the expense accounts in the consolidated income statement when they are realized.

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The useful lives of fixed assets are as follows:

	Useful life
Buildings	10-30 years
Land improvements	13-15 years
Machinery and equipment	4-20 years
Motor Vehicles	4-8 years
Furniture and fixtures	2-15 years
Other tangible assets	5-10 years

Intangible Assets

Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in accounting estimates for on a prospective basis.

Trademarks and licenses

Acquired trademarks and licenses are shown at historical cost. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives.

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives.

Internally generated intangible assets - R&D expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale,
- The intention to complete the intangible asset and use or sell it,
- The ability to use or sell the intangible asset,
- How the intangible asset will generate probable future economic benefits,
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

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The useful lives of the intangible assets are as follows:

	Useful life
Rights	2-6 years
Computer software	1-2 years
Development expenditures	1-5 years

Impairment of Assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

When the Group borrows funds specifically for the purpose of the qualifying assets, the amount of borrowing costs eligible for capitalization is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

Financial Instruments

Financial assets

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets as "at fair value through profit or loss" (FVTPL), "held-to-maturity investments", "available-for-sale" (AFS) financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Financial assets at FVTPL

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as FVTPL unless they are designated as hedges.

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Available-for-sale financial assets

Quoted equity investments and quoted certain debt securities held by the Group that are traded in an active market are classified as being available- for-sale financial assets and are stated at fair value. The Group also has investments in unquoted equity investments that are not traded in an active market but are also classified as available-for-sale financial assets and stated at cost since their value can't be reliably measured. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortized cost using the effective interest method less any impairment

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. Any increase in fair value subsequent to an impairment loss is recognized in equity directly.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

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Financial Liabilities

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities at FVTPL are stated at fair value and revalued at each balance sheet date. The change of fair value is recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Leasing

Leasing- the group as lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Foreign Currency Transactions

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 operational results and financial position of each entity are expressed in TL, which is the functional currency of the Company, and the presentation for consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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Exchange differences are recognized in profit or loss in the period in which they arise except for:

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks (see below for hedging accounting policies); and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

Earnings per Share

Earnings per share, disclosed in the consolidated income statement, are determined by dividing the net income attributable to equity holders of the parent by the weighted average number of shares outstanding during the period concerned.

In Turkey, companies can increase their share capital by distributing “bonus shares” to shareholders from retained earnings. In computing earnings per share, such “bonus share” distributions are assessed as issued shares. Accordingly, the weighted average number of shares is computed by taking into consideration of the retrospective effects of the share distributions.

Events After the Reporting Periods

Events after the reporting periods include all events that take place between the balance sheet date and the date of authorization for the release of the financial statements, although the events occurred after the announcements related to the net profit/loss or even after the public disclosure of other selective financial information.

In the case that events occur requiring an adjustment, the Group adjusts the amount recognized in its consolidated financial statements to reflect the adjustments after the balance sheet date.

Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Segmental Information

Operations of the Group are technical system design, development, production, and after-sales services for various products for defense industry. Group’s operates mainly for the Ministry of Defense via Communication and Information Technologies (HBT), Defense System Technologies (SST), Radar Electronic Warfare and Intelligence Systems (REHİS), Microelectronics, Guidance and Electro-optics (MGEO). The Group does not report segmental information in accordance with TFRS 8 “Operating Segments” considering the operations and organizational structure not reporting according to segments due to its nature of products and services, its customer segment or type for its products and services, not having a profit based reporting structure and having project based reporting structure to the Board of Directors based on contracts not segments. The operations of the groups generally determined according to the volume of orders at the group level rather than specific planning at group’s level. Due to the level of orders new groups may be established in order to increase the management activities.

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Construction Contracts

Cost of contracts is recognized when incurred. These costs include the costs that relate directly to the specific contract and the costs that are attributable to contract activity in general and can be allocated to the contract and the other costs that are specifically chargeable to the customer under the terms of the contract. A major part of the costs include the development expenses of the projects.

Where the outcome of a construction contract cannot be estimated reliably, revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable.

Where the outcome of a construction contract can be estimated reliably, revenue is recognized over the terms of the contract term. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

The Group uses the “percentage-of-completion method” to determine the appropriate amount to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

Each project contract is evaluated by the technical teams regarding the expected change in the upcoming costs and the profitability of the contracts that is determined as of the balance sheet dates. If purchases and collections made by more than one currency regarding a contract, then the upcoming purchasing and invoicing is forecasted based on the amount stated in the contract and the weighted average currency in the following financial years. Besides the amounts of the contracts subjected to escalation as of the balance sheet date, are estimated based on the contract details.

Government grants, if any, are also taken into consideration while calculating the profitability of the contract. The grants are recognized by netting-off from the costs in accordance with TAS 20 “Accounting for Government Grants and Disclosure of Government Assistance”.

The Group presents the amount as an asset if the gross amount due from customers for customer work for all contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within “Trade Receivables”.

The Group presents the amount as a liability if the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognized profits (less recognized losses).

Government Grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

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Taxes Calculated on the Basis of the Company's Earnings

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities overcost.

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Employee Benefits

Termination and retirement benefits:

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per TAS 19 "Employee Benefits" ("TAS 19").

The retirement benefit obligation recognized in the consolidated financial statements represents the present value of the defined benefit obligation.

The actuarial gains and losses are recognized in other comprehensive income.

Dividend and bonus plans

The Group recognizes a liability and an expense for bonuses and dividend, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

The Group recognizes the cost of providing additional retirement bonuses comprising two months gross salary to employees who have completed twenty years of service and earned the right to retirement benefits. These compensations are deducted from the net present values of the unrealized liability amounts and are recognized in the accompanying consolidated financial statements.

Statement of Cash Flows

Current period statements of cash flows are categorized and reported as operating, investing and financing.

Cash flows from operating activities reflect cash flows generated from Group's operating activities.

Cash flows from investing activities summarize the Group's cash flows used in or generated from investing activities (fixed and financial investments).

Cash flows from investing activities summarize the Group's cash flows from liabilities and repayments of these liabilities benefited in financing needs of the Group.

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are 3 months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Netting-off

Financial assets and liabilities are disclosed with their net amounts in the balance sheet if there is a legal right to net-off or recoverability is possible, or if acquisition of asset and performance of obligation are realized simultaneously.

Non-Current Assets Held for Sale

Non-current assets are classified as assets "held for sale" when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell. The assets can be a part of the Group, disposal group as a single fixed asset.

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2.6 Critical Accounting Judgments and Estimates

Critical judgments in applying the entity's accounting policies

In the process of applying the entity's accounting policies, which are described in note 2.5, management has made the following judgments that have the most significant effect on the amounts recognized in the financial statements:

Deferred tax

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities. Currently, there are deferred tax assets resulting from operating loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realized. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset. If based on the weight of all available evidence, it is the Group's belief that taxable profit will not be available sufficient to utilize some portion of these deferred tax assets, then some portion of or all of the deferred tax assets are not recognized (Note 26).

Liabilities with respect to employment benefits

The Group makes various assumptions on discount, inflation rate, wage increase rate, the probability of quitting voluntarily for calculating provisions for severance and retirement pays (Note 15).

Useful lives of tangible and intangible assets

The Group amortizes the non-current assets based on the useful lives of those assets stated in the accounting policies (Note 9-10).

Percentage of completion

The Group uses the percentage of completion method in accounting for contracts in accordance with TAS 11 "Construction Contracts". Use of percentage of completion method requires the Group to estimate the services performed to date as a proportion of the total services to be performed. Moreover for projects that are estimated to end up with a loss, provision for loss is calculated (Note 19). The estimation of the total cost of the projects consists of the risks that may cause major changes in the adjustments of the fair values of assets and liabilities for the subsequent periods.

Estimation of foreign exchange rates

If purchases and collections made by more than one currency regarding the projects, in accordance with TAS 11 the upcoming purchasing and invoicing is forecasted based on the amount stated in the contract and the weighted average currency in the following financial years.

Escalation

As of the balance sheet dates, the amounts of the projects subject to escalation are calculated with respect to the provisions of the contracts and estimated in accordance with TAS 11 "Construction Contracts".

Provision for guarantee expenses

The Group calculates provision, according to the budgeted estimations for specific parts of the sales under the scope of warranty that needs specific guarantee calculations, and according to the realizations in previous years for the remaining part of the sales. The guarantee period for the projects completed by the Group are 2 years on the average after the delivery (Note 13).

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Development expenses

As of balance sheet dates, the Management assess the recoverability of the expenses regarding the Group's development activities. These expenses are started to be amortized with respect to their useful lives when their development phases are completed and it becomes probable that there is an associated economic benefit. When the development phase is completed and no economic benefit is foreseen, the related expenses are recognized in consolidated income statement (Note 10).

3. INTERESTS IN OTHER ENTITIES

a) Subsidiaries

Details of the Group's material subsidiaries as of 31 December 2013 and 31 December

2012 are as follow:

		Group's proportion of ownership and voting power held (%)		
Name of Subsidiary	**Place of incorporation and operation**	**31 December 2013**	**31 December 2012**	**Principal Activity**
Mikes	Turkey	96,37	96,36	R&D on microwave projects
AselsanNet	Turkey	100	95	Communication systems
Aselsan Bakü	Azerbaijan	100	100	Marketing and sales of group products
Mikroelektronik Ar-Ge Tasarım ve Tic. Ltd Şti.	Turkey	85	85	R&D on microelectronic projects

Composition of the Group

Explained in Note 1.

Change in the Group's ownership interest in a subsidiary:

Group purchased 5% and 0,01% shares of AselsanNet and Mikes respectively and increased its shares in subsidiaries to 100% and 96,37% respectively.

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b) Joint Ventures

Where a Group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other ventures are recognized in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognized when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

The joint ventures 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 recorded under long-term financial investments, were excluded from the consolidation and as they do not significantly affect the consolidated results of the Group.

4. RELATED PARTY TRANSACTIONS

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

The receivables from related parties usually arise from sales activities and are due 3 months after the date of sales. 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 after the date of purchase. The receivables bear no interest.

The other receivables from related parties usually arise from fund transfers for financing activities and are due 3 months. The receivables bear an interest of a range between 3,8%-4,8% (2012: 3,8%-4,8%)

Total amount of salaries and other short-term benefits paid for key management year ended as of 31 December 2013 is TL 4.555.169 (31 December 2012: TL 4.356.770).

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The details of transactions between the Group and other related parties are disclosed below:

	31 December 2013		
	Receivables		
	Short-term		
Balances with related parties	**Trading**	**Advances given**	**Non-trading**
Main Shareholder			
Türk Silahlı Kuvvetlerini Güçlendirme Vakfı	3.207.644	-	-
Other shareholder			
Axa Sigorta A.Ş.	-	-	-
Main shareholder's subsidiaries and associates			
Esdaş-Elektronik Sis. Destek San. ve Tic. A.Ş.	21.239	-	-
Havelsan Ehsim-Elektronik Harp Sis. Müh. Tic. A.Ş.	-	1.017.379	-
Havelsan Hava Elektronik San. ve Tic. A.Ş.	4.757.070	682.547	-
Havelsan Teknoloji Radar San. ve Tic. A.Ş.	-	75.791	-
İşbir Elektrik San. A.Ş.	-	1.601.645	-
Mercedes-Benz Türk A.Ş.	-	72.094	-
Netaş Telekomünikasyon A.Ş.	-	3.342.557	-
STM-Savunma Teknolojileri Müh. ve Tic. A.Ş.	2.779.311	9.519.270	-
Tusaş-Türk Havacılık ve Uzay San. A.Ş.	11.315.342	-	-
Subsidiaries			
Aselsan Bakü	16.312	-	-
Mikroelektronik Ar-Ge Tas. ve Tic. Ltd. Şti.	-	1.260.456	-
Affiliates			
Aspilsan-Askeri Pil San. ve Tic. A.Ş.	-	37.567	-
Roketsan-Roket San. ve Tic. A.Ş.	19.158.362	6.035.892	-
Branch			
Aselsan South Africa	-	792.439	90.646
Joint ventures and its related parties			
International Golden Group	55.710.667	-	-
IGG Aselsan Integrated Systems	2.980.497	2.321.156	-
Kazakhstan Aselsan Engineering -KAE	38.899.450	-	32.680.623
Aselsan Middle East PSC Ltd	6.311.145	-	-
	145.157.039	26.758.793	32.771.269

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31 December 2013						
Receivables		Payables				
Long-term		Short-term			Long-term	
Trading	Advances given	Trading	Advances received	Non-trading	Trading	Advances received
-	-	-	43.306	-	-	-
-	-	1.948	-	30.320	-	-
-	-	-	-	-	-	-
-	698.852	-	-	-	-	-
1.513.701	-	44.899	-	-	-	1.545.427
-	-	503.104	-	-	-	-
-	-	659.529	-	-	-	-
-	-	1.193.994	-	-	-	-
-	9.428.841	8.435.774	-	-	-	-
-	957.570	-	10.643.377	-	-	-
435.006	-	1.114.573	889.434	-	-	4.164.209
332.402	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	717.378	-	-	-	-
15.490.970	168.352.153	3.594.606	1.635.803	-	-	32.092.157
-	-	-	-	-	-	-
8.617.662	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
3.146	-	-	-	-	-	-
26.392.887	179.437.416	16.265.805	13.211.920	30.320	-	37.801.793

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and Its Subsidiaries

Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2013

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	31 December 2012		
	Receivables		
	Short-term		
Balances with related parties	**Trading**	**Advances given**	**Non-trading**
Main Shareholder			
Türk Silahlı Kuvvetlerini Güçlendirme Vakfı	2.652.615	-	-
Other shareholder			
Axa Sigorta A.Ş.	-	-	-
Main shareholder's subsidiaries and associates			
Havelsan Ehsim-Elektronik Harp Sis. Müh. Tic. A.Ş.	-	757.203	-
Havelsan Hava Elektronik San. ve Tic. A.Ş.	1.825.040	1.031.268	-
Havelsan Teknoloji Radar San. ve Tic. A.Ş.	-	261.616	-
İşbir Elektrik San. A.Ş.	-	1.776.615	-
Mercedes-Benz Türk A.Ş.	-	143.301	-
Netaş Telekomünikasyon A.Ş.	-	4.834.484	-
STM-Savunma Teknolojileri Müh. ve Tic. A.Ş.	-	5.706.896	-
Tusaş-Türk Havacılık ve Uzay San. A.Ş.	5.022.873	-	-
TEI-Tusaş Motor Sanayii A.Ş.	9.281	-	-
Subsidiaries			
Aselsan Bakü	498.585	-	-
Mikroelektronik Ar-Ge Tas. ve Tic. Ltd. Şti.	213.082	29.052	-
Affiliates			
Aspilsan-Askeri Pil San. ve Tic. A.Ş.	-	37.567	-
Roketsan-Roket San. ve Tic. A.Ş.	7.038.093	984.640	-
Branch			
Aselsan South Africa	-	1.075.590	217.870
Joint ventures and its related parties			
International Golden Group	36.420.132	-	-
IGG Aselsan Integrated Systems	3.310.192	779.955	-
Kazakhstan Engineering	5.913.838	-	-
Kazakhstan Aselsan Engineering -KAE	3.307.390	-	18.512.763
Aselsan Middle East PSC Ltd	-	-	-
Due to Shareholders	-	-	-
	66.211.121	17.418.187	18.730.633

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Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2013

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

31 December 2012						
Receivables		Payables				
Long-term		Short-term			Long-term	
Trading	Advances given	Trading	Advances received	Non-trading	Trading	Advances received
-	-	-	189.665	-	-	43.306
-	-	7.227	-	24.707	-	-
-	-	44.018	-	-	-	-
7.014.713	1.046.719	-	-	-	1.639.370	-
-	-	214.766	-	-	-	-
-	-	1.977.477	-	-	-	-
-	-	-	-	-	-	-
-	1.385.373	13.511.571	-	-	-	-
-	799.777	1.491.322	175.883	-	-	4.245.160
-	-	57.434	1.857.699	-	-	5.097.320
-	-	-	-	-	-	-
-	-	428.086	-	-	-	-
-	227.366	-	-	-	-	-
-	-	254.559	-	-	-	-
1.287.037	195.402.948	8.972.549	7.764.378	-	-	36.664.202
-	-	-	-	-	-	-
19.330.573	-	12.135.245	366.865	-	-	98.772
-	1.540.834	-	-	-	-	-
-	-	-	-	-	-	-
-	-	9.897.456	-	-	-	-
3.147	-	-	-	-	-	-
-	-	-	-	155.495	-	-
27.635.470	200.403.017	48.991.710	10.354.490	180.202	1.639.370	46.148.760

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and Its Subsidiaries

Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2013

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Transactions with related parties	1 January-31 December 2013 Purchases	1 January-31 December 2012 Purchases
Main Shareholder		
Türk Silahlı Kuvvetlerini Güçlendirme Vakfı	524.580	483.480
Main shareholder's subsidiaries and associates		
Esdaş-Elektronik Sis. Destek San. ve Tic. A.Ş.	321.830	1.419.045
Havelsan Ehsim-Elektronik Harp Sis. Müh. Tic. A.Ş.	842.420	259.481
Havelsan Hava Elektronik San. ve Tic. A.Ş.	2.889.537	54.964
Havelsan Teknoloji Radar San. ve Tic. A.Ş.	3.169.534	2.938.233
İşbir Elektrik San. A.Ş.	3.485.237	6.509.423
Mercedes-Benz Türk A.Ş.	1.845.996	819.989
Netaş Telekomünikasyon A.Ş.	21.888.888	26.313.915
STM-Savunma Teknolojileri Müh. ve Tic. A.Ş.	279.636	5.426.465
Tusaş-Türk Havacılık ve Uzay San. A.Ş.	164.993	449.474
Subsidiaries		
Aselsan Bakü	340.281	890.871
Mikroelektronik Ar-Ge Tas. ve Tic. Ltd. Şti.	4.280.597	2.445.126
Affiliates		
Aspilsan-Askeri Pil San. ve Tic. A.Ş.	2.733.635	3.367.103
Roketsan-Roket San. ve Tic. A.Ş.	60.542.851	98.600
Branch		
Aselsan South Africa	3.668.989	1.680.721
Joint ventures and its related parties		
IGG Aselsan Integrated Systems	2.707.606	-
Kazakhstan Aselsan Engineering -KAE	2.868	1.293.716
KADDB Investment Group PSC	-	23.566
Aselsan Middle East PSC Ltd	1.745.790	-
	111.435.268	54.474.172

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Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2013

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Transactions with related parties	1 January-31 December 2013 Sales	1 January-31 December 2012 Sales
Main Shareholder		
Türk Silahlı Kuvvetlerini Güçlendirme Vakfı	4.782.175	5.885.442
Main shareholder's subsidiaries and associates		
Esdaş-Elektronik Sis. Destek San. ve Tic. A.Ş.	18.988	10.021
Havelsan Hava Elektronik San. ve Tic. A.Ş.	19.666.170	48.246.751
Havelsan Teknoloji Radar San. ve Tic. A.Ş.	8.095	5.434
İşbir Elektrik San. A.Ş.	-	36.500
Netaş Telekomünikasyon A.Ş.	-	598
STM-Savunma Teknolojileri Müh. ve Tic. A.Ş.	18.701.468	10.168.111
Tusaş-Türk Havacılık ve Uzay San. A.Ş.	39.818.362	24.796.467
TEI-Tusaş Motor Sanayii A.Ş.	-	7.865
Subsidiaries		
Aselsan Bakü	121.294	672.166
Mikroelektronik Ar-Ge Tas. ve Tic. Ltd. Şti.	199.091	180.578
Affiliates		
Aspilsan-Askeri Pil San. ve Tic. A.Ş.	-	131.600
Heaş-Havaalanı İşletme ve Havacılık End. A.Ş.	-	4.196
Roketsan-Roket San. ve Tic. A.Ş.	76.253.422	66.689.047
Joint ventures and its related parties		
International Golden Group	27.067.397	85.881.968
IGG Aselsan Integrated Systems	1.084.717	3.281.101
Kazakhstan Engineering	-	11.863.198
Kazakhstan Aselsan Engineering -KAE	53.981.448	12.184.351
Aselsan Middle East PSC Ltd	12.612.298	3.147
	254.314.925	270.048.541

Due from related parties	Maturity	Interest Rate (%)	Currency	TL Equivalent
31 December 2013				
Joint Ventures				
Kazakhstan Aselsan Engineering -KAE	January 2014	3,8-4,41	USD	32.680.623
Branch				
Aselsan South Africa	January 2014	4,76	ZAR	90.646
				32.771.269

Due from related parties	Maturity	Interest Rate (%)	Currency	TL Equivalent
31 December 2012				
Joint Ventures				
Kazakhstan Aselsan Engineering -KAE	January 2013	3,8-4,41	USD	18.512.763
Branch				
Aselsan South Africa	January 2013	4,76	ZAR	217.870
				18.730.633

The amount of the letter of credit given in favor of subsidiary included in consolidation Mikes A.Ş. is TL 53.357.500 (31 December 2012: TL 44.565.000) (Note 14).

The amount of the letter of credit given in favor of subsidiary not included in consolidation Mikroelektronik Ar-Ge Tas. ve Tic. Ltd. Şti. is TL 988.000 (31 December 2012: TL 438.000) (Note 14).

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and Its Subsidiaries

Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2013

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

5. TRADE RECEIVABLES AND PAYABLES

a) Trade receivables

Details of Group's trade receivables are as follows:

	31 December 2013	31 December 2012
Short-term trade receivables		
Trade receivables	455.002.013	306.241.128
Receivables from related parties (Note 4)	144.530.836	58.410.923
Uninvoiced receivables from construction contracts in progress	157.715.412	152.893.028
Uninvoiced receivables from construction contracts in progress - Related party (Note 4)	626.203	7.800.198
Notes receivables	2.019.535	2.131.621
Discount on trade and notes receivables (-)	(1.458.796)	(1.127.796)
Other trade receivables	33.088	4.901
Provision for doubtful trade receivables (-)	(2.221.896)	(1.985.839)
	756.246.395	524.368.164

	31 December 2013	31 December 2012
Long-term trade receivables		
Trade receivables	48.386.358	22.413.157
Trade receivables from related parties (Note 4)	564.224	2.714.378
Uninvoiced receivables from construction contracts in progress	265.534.652	197.078.422
Uninvoiced receivables from construction contracts in progress - Related party (Note 4)	25.828.663	24.921.092
Notes Receivables	-	373.698
Discount on trade and notes receivables (-)	(1.577.190)	(383.347)
	338.736.707	247.117.400

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

	1 January-31 December 2013	1 January-31 December 2012
Opening balance	1.985.839	2.056.726
Provision for the period	236.914	857
Provision released	(857)	(71.744)
Closing balance	2.221.896	1.985.839

The distribution of trade receivables is as follows:

	31 December 2013	31 December 2012
Receivables from the public sector	561.853.149	488.005.407
Receivables from the private sector	266.514.035	144.438.253
Receivables from companies operating abroad	266.615.918	139.041.904
Total	1.094.983.102	771.485.564

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.

The characteristics and level of risks with respect to the trade receivables are disclosed in Note 29.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and Its Subsidiaries

Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2013

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

b) Trade payables

Details of Group's trade receivables are as follows:

	31 December 2013	31 December 2012
Short-term trade payables		
Trade payables	279.899.705	163.064.174
Payables related to construction contracts in progress	90.119.079	83.664.782
Payables related to construction contracts in progress- Related party (Note 4)	1.466.911	32.486.209
Due to related parties (Note 4)	14.798.894	16.505.501
Notes payables	6.748.296	34.412
Discount on trade and notes payables (-)	(1.729.224)	(641.475)
Other trade payables	2.144.441	478.457
	393.448.102	295.592.060

	31 December 2013	31 December 2012
Long-term trade payables		
Trade payables	6.141.424	7.557.931
Payables related to construction contracts in progress	842.181	1.921.135
Payables related to construction contracts in progress - Related party (Note 4)	-	1.639.370
Notes payables (*)	6.262.069	-
Discount on trade and notes payable (-)	(1.082.298)	(103.683)
	12.163.376	11.014.753

(*) Consists of notes payable given for the land acquired in Başkent Organized Industrial Zone.

6. OTHER RECEIVABLES AND PAYABLES

a) Other receivables

	31 December 2013	31 December 2012
Other current receivables		
Receivables from tax office(*)	42.557.843	21.397.392
Other receivables from related parties (Note 4)	32.771.269	18.730.633
Deposits and guarantees given	348.801	256.502
Other	5.835.083	2.323.390
	81.512.996	42.707.917

(*) Due to VAT returns and which are expected to be offset in the subsequent period.

Other non-current receivables	31 December 2013	31 December 2012
Deposits and guarantees given	197.085	176.799

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Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2013

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

b) Other payables

	31 December 2013	31 December 2012
Other current payables		
Other current payables	393.947	812.571
Deposits and guarantees received	24.114	14.261
Other current payables due to related parties (Note 4)	30.320	24.707
Due to shareholders (Note 4)	-	155.495
	448.381	1.007.034

Other non-current payables	31 December 2013	31 December 2012
Deposits and guarantees received	30.518	20.326

7. INVENTORIES

	31 December 2013	31 December 2012
Raw materials	332.256.254	337.325.150
Work in progress	222.874.833	155.786.545
Finished goods	41.372.762	37.023.242
Other inventories	12.804.786	12.614.279
Trade goods	7.007.692	11.754.173
Goods in transit (*)	37.585.022	38.518.041
Allowance for impairment on inventories (-)	(8.051.806)	(8.198.536)
	645.849.543	584.822.894

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

The Group has allocated an impairment provision for inventories in cases when their net realizable values are lower than their costs or when they are classified as slow-moving inventories.

In the current year, the Group has identified certain inventory items where the net realizable values were below the cost of the related inventory. Consequently, the Group has written down TL 7.879.728 (31 December 2012: TL 3.067.066) of inventory.

The Group reversed TL 8.026.458 (31 December 2012: TL 121.528) of a previous inventory write-down in previous years. The amount reversed has been included in “cost of sales” in the statement of profit or loss.

	1 January-31 December 2013	1 January-31 December 2012
The movement of the allowance for impairment on inventories:		
Opening balance	8.198.536	5.252.998
Provision released	(8.026.458)	(121.528)
Provision for the period	7.879.728	3.067.066
Closing balance	8.051.806	8.198.536

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Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2013

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

8. PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2013	31 December 2012
Short-term prepaid expenses		
Order advances given for inventory purchases	222.473.292	216.486.676
Short-term order advances given to related parties for inventory purchases (Note 4)	26.758.793	17.418.187
Prepaid expenses	28.137.062	30.939.947
	277.369.147	264.844.810

	31 December 2013	31 December 2012
Long-term prepaid expenses		
Order advances given for inventory purchases	65.361.147	50.003.569
Short-term order advances given to related parties for inventory purchases (Note 4)	179.437.416	200.403.017
Order advances given for fixed asset purchases	24.325.736	23.064.914
Prepaid expenses	5.315.352	2.641.726
	274.439.651	276.113.226

	31 December 2013	31 December 2012
Short-term deferred income		
Order advances received	192.644.590	132.362.456
Order advances received from related parties (Note 4)	13.211.920	10.354.490
Deferred income	8.178.493	3.026.317
	214.035.003	145.743.263

Short-term order advances received consists of the advances received from 43 customers (31 December 2012: 48 customers) of which first 10 customers form 98,75% (31 December 2012: 96,96%) of the total advances.

	31 December 2013	31 December 2012
Long-term deferred income		
Order advances received	1.124.223.301	995.791.348
Order advances received from related parties (Note 4)	37.801.793	46.148.760
Deferred income	1.975	28.962
	1.162.027.069	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 99,84% (31 December 2012: 99,64%) of the total advances.

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Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2013

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

9. FIXED ASSETS

	Land	Land improvements	Buildings	Machinery and equipment	Vehicles
Cost value and revaluation					
Opening balance as of 1 January 2013	19.680.542	14.067.553	145.621.719	466.325.620	3.552.228
Additions	4.000.000	1.194.382	293.096	56.448.824	8.593
Revaluation fund	187.053.422	-	-	-	-
Disposals	-	(18.661)	-	(1.597.863)	(26.503)
Transfers	-	-	-	196.490	-
Closing balance as of 31 December 2013	210.733.964	15.243.274	145.914.815	521.373.071	3.534.318
Accumulated Depreciation					
Opening balance as of 1 January 2012	-	6.789.474	48.106.382	285.285.614	2.516.695
Charge for the period	-	655.962	4.980.945	30.766.458	391.102
Disposals	-	(11.429)	-	(1.492.927)	(26.503)
Transfers	-	-	-	(67)	-
Closing balance as of 31 December 2013	-	7.434.007	53.087.327	314.559.078	2.881.294
Net book value as of 31 December 2013	210.733.964	7.809.267	92.827.488	206.813.993	653.024

(*) Includes the mould model devices manufactured by the Group with net book value of TL 17.889.997 (31 December 2012: TL 14.267.299).
(**) The finance expenses capitalized in the current period is TL 4.658.230 and capitalized foreign exchange loss is TL 17.082.807 (31 December 2012: Finance expense amounting to TL 2.068.070 and foreign exchange gain TL 820.000) (Note 12).

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and Its Subsidiaries

Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2013

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Furniture and fixtures	Other fixed assets (*)	Leasehold improvements	Construction in progress (**)	Total
87.113.705	39.615.189	5.173.031	68.089.222	849.238.809
5.546.031	7.088.571	25.251	114.846.065	189.450.813
-	-	-	-	187.053.422
(863.325)	-	-	(79.009)	(2.585.361)
7.580	501	-	(204.571)	-
91.803.991	46.704.261	5.198.282	182.651.707	1.223.157.683
66.392.027	25.331.928	2.723.953	-	437.146.073
5.676.616	3.467.771	447.723	-	46.386.577
(832.308)	-	-	-	(2.363.167)
(434)	501	-	-	-
71.235.901	28.800.200	3.171.676	-	481.169.483
20.568.090	17.904.061	2.026.606	182.651.707	741.988.200

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Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2013

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Land	Land improvements	Buildings	Machinery and equipment	Vehicles
Cost Value					
Opening balance as of 1 January 2012	19.680.542	12.495.005	145.064.985	417.601.131	3.659.050
Additions	-	-	58.400	47.866.251	285.294
Disposals	-	-	(4.108)	(195.564)	(392.116)
Transfers	-	1.572.548	502.442	1.053.802	-
Closing balance as of 31 December 2012	19.680.542	14.067.553	145.621.719	466.325.620	3.552.228
Accumulated Depreciation					
Opening balance as of 1 January 2012	-	6.166.921	43.101.399	260.103.818	2.366.299
Charge for the period	-	622.553	5.005.805	25.334.663	459.291
Disposals	-	-	(822)	(152.867)	(308.895)
Closing balance as of 31 December 2012	-	6.789.474	48.106.382	285.285.614	2.516.695
Net book value as of 31 December 2012	19.680.542	7.278.079	97.515.337	181.040.006	1.035.533

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Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2013

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Furniture and fixtures	Other fixed assets	Leasehold improvements	Construction in progress	Total
80.546.215	34.911.404	4.717.698	28.110.666	746.786.696
6.076.053	-	98.603	52.811.101	107.195.702
(67.853)	(55.088)	-	(4.005.984)	(4.720.713)
559.290	4.758.873	356.730	(8.826.561)	(22.876)
87.113.705	39.615.189	5.173.031	68.089.222	849.238.809
61.135.751	21.713.054	1.854.398	-	396.441.640
5.267.554	3.643.292	869.555	-	41.202.713
(11.278)	(24.418)	-	-	(498.280)
66.392.027	25.331.928	2.723.953	-	437.146.073
20.721.678	14.283.261	2.449.078	68.089.222	412.092.736

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Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2013

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

The breakdown of the depreciation expenses with respect to the fixed assets is as follows:

	31 December 2013	31 December 2012
Marketing expenses	465.462	530.159
General administrative expenses	5.225.753	4.416.103
Inventories	17.950.069	14.656.433
Cost of sales	22.745.293	21.600.018
	46.386.577	41.202.713

Fair value measurement of the Group's freehold land and buildings

The Group's freehold lands are stated at their revalued amounts. The fair value measurements of the Group's freehold lands as at 31 December 2013 were performed by Yatırım Gayrimenkul Değerleme A.Ş. independent valuers not related to the Group. Yatırım Gayrimenkul Değerleme A.Ş. is authorized by Capital Markets Board and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value of the freehold land was determined based on "Market Comparable Approach".

Details of the Group's freehold lands and information about the fair value hierarchy as at 31 December 2013 are as follows:

		Fair value as a date of 31 December 2013		
	31 December 2013	Level 1 TL	Level 2 TL	Level 3 TL
Macunköy	131.213.964	-	-	131.213.964
Akyurt	72.140.000	-	-	72.140.000
Oğulbey	7.165.000	-	-	7.165.000
Gölbek	200.000	-	-	200.000
Denizli	15.000	-	-	15.000
	210.733.964	-	-	210.733.964

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Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2013

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

10. INTANGIBLE ASSETS

	Rights	Development Costs	Other intangible assets (*)	Total
Cost Values				
Opening balance as of 1 January 2013	18.185.015	337.190.061	50.346.071	405.721.147
Additions	25.858	113.815.180	10.115.010	123.956.048
Disposals	(5.476)	(15.981.345)	(964)	(15.987.785)
Closing balance as of 31 December 2013	18.205.397	435.023.896	60.460.117	513.689.410
Accumulated Amortization				
Opening balance as of 1 January 2013	17.971.864	50.791.899	39.269.887	108.033.650
Charge for the period	69.289	28.225.653	7.871.545	36.166.487
Disposals	(5.476)	(3.311.932)	(964)	(3.318.372)
Closing balance as of 31 December 2013	18.035.677	75.705.620	47.140.468	140.881.765
Net book value as of 31 December 2013	169.720	359.318.276	13.319.649	372.807.645

(*) Other intangible assets include computer software licenses.

	Rights	Development Costs	Other intangible assets (*)	Total
Cost Values				
Opening balance as of 1 January 2012	18.185.015	194.050.788	40.948.728	253.184.531
Additions	-	149.757.904	9.462.372	159.220.276
Disposals	-	(6.618.631)	(87.905)	(6.706.536)
Transfers	-	-	22.876	22.876
Closing balance as of 31 December 2012	18.185.015	337.190.061	50.346.071	405.721.147
Accumulated Amortization				
Opening balance as of 1 January 2012	17.906.747	30.855.811	32.221.716	80.984.274
Charge for the period	65.117	19.936.512	7.079.530	27.081.159
Disposals	-	(424)	(31.359)	(31.783)
Closing balance as of 31 December 2012	17.971.864	50.791.899	39.269.887	108.033.650
Net book value as of 31 December 2012	213.151	286.398.162	11.076.184	297.687.497

(*) Other intangible assets include computer software licenses.

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The breakdown of amortization expenses related to intangible assets is as follows:

	31 December 2013	31 December 2012
Marketing, sales and distribution expenses	11.756	151.049
General administrative expenses	2.804.097	2.690.676
R&D expenses	28.231.991	19.936.833
Inventories	2.922.900	2.401.721
Cost of sales	2.195.743	1.900.880
	36.166.487	27.081.159

11. GOVERNMENT GRANTS AND INCENTIVES

The deferred incentive income shown under short and long-term liabilities in the consolidated statement of financial position is as follows:

	31 December 2013	31 December 2012
Current government grants and incentives	11.280.034	7.433.936
Non-current government grants and incentives	1.878.514	785.936
	13.158.548	8.219.872

Government grants shows the unearned proportion of the grant after the costs related with the completed parts of the projects are deducted from the grants taken by the Group for the ongoing projects that was obtained as of the balance sheet date.

The incentive obtained consists of the incentives that are accrued in accordance with TÜBİTAK's R&D recognition letter prepared with respect to the Group's ongoing projects.

The Group obtains capital support from “Support and Price Stabilization Fund” of Central Bank of Turkey via Undersecretariat of Foreign Trade's consent. The Scientific and Technological Research Council of Turkey (TÜBİTAK) and Technology Development Foundation of Turkey (TTGV) act as intermediary in accordance with Communiqué No:98/10 published by the Money-Loans and Coordination Board.

The R&D expenditure deduction rate used as a tax benefit has been increased from 40% to 100% in accordance with the amended article 10 of the Tax Law numbered 5520 as a result of the amendment in article 35 of Law No. 5746 with respect to the Support of R&D Activities. The aforementioned law was enacted as of April 2008 after its issue in the Official Gazette dated 12 March 2008, numbered 26814. R&D expenditure may be used as a tax deduction in the determination of the taxable income. If taxable income levels are not sufficient to absorb all available tax deductions, any unused R&D tax deduction is allowed to be carried forward to the next tax period. According to the item No.8 of the related law, all the costs related with R&D can be subjected to deduction until 31 December 2023.

In accordance with Teknokent Law numbered 4691, Group utilizes withholding income tax incentive, social security premium incentive and stamp tax exceptions. Such incentives are utilized through not paying withholding income tax incentive, social security premium incentive and stamp tax exceptions calculated based on R&D and software personnel payroll. Income generated in accordance with Technology Development Zone Law numbered 4691 is exempt from corporate income tax until 31 December 2023.

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Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2013

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12. BORROWING COSTS

As of 31 December 2013 total borrowing cost regarding the assets that necessarily take a substantial period of time to get ready for their intended use or sale is TL 21.741.037 (31 December 2012: 2.888.070) (Note 9).

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 31 December 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 5.695.193 is recognized in the statement of profit or loss for the year ended 31 December 2013.

13. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

	31 December 2013	31 December 2012
Other short-term provisions		
Provision for delay penalties and fines	9.238.648	11.738.479
Provision for lawsuits	445.573	846.568
Provision for guarantee expenses	72.626.865	57.925.813
Provision for expenses related to costing	1.386.218	2.101.899
Provision for insurance expense	4.135.875	3.321.929
Other	1.140.291	829.566
	88.973.470	76.764.254

The movement of the provision for delay penalties and fines is as follows:

	1 January-31 December 2013	1 January-31 December 2012
Opening balance	11.738.479	9.997.244
Provision for the period	9.392.825	1.996.180
Provision released (-)	(11.892.656)	(254.945)
Closing balance	9.238.648	11.738.479

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(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

The movement of the provision for lawsuits is as follows:

	1 January-31 December 2013	1 January-31 December 2012
Opening balance	846.568	1.062.588
Provision for the period	95.486	165.000
Provision released (-)	(496.481)	(381.020)
Closing balance	445.573	846.568

The movement of the provision for guarantee expenses is as follows:

	1 January-31 December 2013	1 January-31 December 2012
Opening balance	57.925.813	53.341.666
Provision for the period	52.765.333	40.621.741
Provision released	(38.064.281)	(36.037.594)
Closing balance	72.626.865	57.925.813

	31 December 2013	31 December 2012
Other long-term provisions		
Provision for delay penalties and fines	2.850.210	9.039.061

The movement of the provision for delay penalties and fines is as follows:

	1 January-31 December 2013	1 January-31 December 2012
Opening balance	9.039.061	11.128.448
Provision released	(6.188.851)	(2.089.387)
Closing balance	2.850.210	9.039.061

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Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2013

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

b) Lawsuits

As of 31 December 2013 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:

	Description	31 December 2013	31 December 2012
a)	Ongoing lawsuits filed by the Group	3.757.739	4.636.063
b)	Execution proceedings carried on by the Group	5.048.050	3.231.786
c)	Ongoing lawsuits filed against the Group	445.573	846.568
d)	Lawsuits finalized in favor of the Group within the period	1.019.456	212.000
e)	Lawsuits finalized against the Group within the period	430.231	100.000

14. COMMITMENTS AND CONTINGENCIES

a) Letters of guarantees received

	31 December 2013	31 December 2012
Letters of guarantees received from the customers	1.388.066	1.291.900
Letters of guarantees received from the suppliers	567.030.787	485.747.109
Collaterals received from the customers	17.630.657	29.917.770
Collaterals received from the suppliers	3.773.895	3.518.112
Cheques received from the customers	6.000	6.000
Cheques received from the suppliers	64.460	57.639
Mortgages received from the customers	599.600	739.600
	590.493.465	521.278.130

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Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2013

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

b) Deposits and guarantees given

The collaterals/pledges/mortgages ("CPM") given by the Group as of 31 December 2013 and 31 December 2012 is as follows:

31 December 2013	**TL Equivalent**	**TL**	**US Dollars**
A. Total amount of CPM given on behalf of the legal entity			
- *Collateral*	5.248.241.056	739.909.613	1.368.123.658
- *Pledge*	-	-	-
- *Mortgage*	-	-	-
B. Total amount of CPM given on behalf of the subsidiaries included in full consolidation			
- *Collateral*	53.357.500	-	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*	988.000	988.000	-
- *Pledge*	-	-	-
- *Mortgage*	-	-	-
iii. Total amount of CPM on behalf of third parties that do not cover C.			
- *Collateral*	-	-	-
- *Pledge*	-	-	-
- *Mortgage*	-	-	-
Total	5.302.586.556	740.897.613	1.393.123.658

The ratio of the given other CPM to the Group's equity as of 31 December 2013 is 0,06%.

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(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

EURO	UAE Dirham	Polish Zloty	Indian Rupee	British Pound
501.172.743	26.759.651	2.424.322	79.694.000	27.562.855
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
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-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
501.172.743	26.759.651	2.424.322	79.694.000	27.562.855

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(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

31 December 2012	TL Equivalent	TL	US Dollars
A. Total amount of CPM given on behalf of the legal entity			
- *Collateral*	4.106.239.271	564.351.344	1.317.424.829
- *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*	-	-	-
Total	4.151.242.271	564.789.344	1.342.424.829

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

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(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

EURO	UAE Dirham	Polish Zloty	Indian Rupee
500.206.017	26.759.651	2.424.322	82.006.151
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
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-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
500.206.017	26.759.651	2.424.322	82.006.151

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Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2013

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

15. EMPLOYMENT BENEFITS

a) Payables for employment benefits

	31 December 2013	31 December 2012
Due to personnel	2.168.590	1.768.168
Social security premiums payable	9.565.489	8.159.366
Taxes and funds payable	7.492.520	6.157.532
	19.226.599	16.085.066

b) Short-term provisions for employment benefits

	31 December 2013	31 December 2012
Provision for annual leave and overtime	25.395.640	18.656.924

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

	1 January-31 December 2013	1 January-31 December 2012
Opening balance	18.656.924	13.993.659
Provision released	(11.023.503)	(9.044.374)
Provision for the period	17.762.219	13.707.639
Closing balance	25.395.640	18.656.924

c) Long-term provisions for employment benefits

	1 January-31 December 2013	1 January-31 December 2012
Provision for severance pay	97.341.311	94.969.281
Provision for retirement pay	9.726.504	9.465.151
	107.067.815	104.434.432

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

	1 January-31 December 2013	1 January-31 December 2012
Opening balance	104.434.432	73.537.472
Actuarial gain/loss	(11.637.395)	16.469.895
Cost of service	6.469.027	32.300.065
Interest cost	13.552.787	(12.953.148)
Severance and retirement benefits paid	(5.751.036)	(4.919.852)
Closing balance	107.067.815	104.434.432

Retirement pay provisions:

Under the Turkish Labor Law, the Group is required to pay employment termination benefits to each employee who has qualified for such payment. Also, employees are required to be paid their retirement pay who retired by gaining right to receive according to in accordance with the provisions set out in law no: 2422 issued at 6 March 1981, law no: 4447 issued at 25 August 1999 and the amended Article 60 of the existing Social Insurance Law No: 506. Some transitional provisions related to the pre-retirement service term were excluded from the law since the related law was amended as of 23 May 2002.

The amount payable consists of one month's salary limited to a maximum of TL 3.254,44 (31 December 2012: TL 3.033,98) for each period of service at 31 December 2013.

Ceiling for retirement pay is revised semi-annually. Ceiling amount of TL 3.438,22 which is in effect since 1 January 2014 is used in the calculation of Group's provision for retirement pay liability.

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

	31 December 2013	31 December 2012
Interest rate (%)	10,07	7,25
Inflation rate (%)	6,37	5,00
Discount ratio (%)	3,48	2,14
Estimation of probability of retirement ratio (%)	98,92	99,09

16. OTHER ASSETS AND LIABILITIES

a) Other current assets

	31 December 2013	31 December 2012
VAT carried forward (*)	156.974.183	143.136.419
Other VAT	8.145.372	10.344.366
Prepaid taxes and funds	234.325	1.139.471
Job advances given	358.294	281.869
Blocked deposits (**)	18.805.762	19.361.643
Other	384.646	339.819
	184.902.582	174.603.587

(*) To the taxpayers (Contractor/the Group) who deliver goods and give services to the Natural Security Institutions (such as MOD and UDI) that are to be approved by the customers (contacting authority) in terms of content and nature, Value Added Tax (VAT) is being exempted as of 1 March 2009 in accordance with General Declaration on Value Added Tax with the Serial Number 112 in the Official Gazette as of 12 February 2009. These amounts are usually not collected, but they are offset with other tax liabilities.
(**) These amounts consist of the blocked deposits related to 1007 and the European Union projects.

b) Other non-current assets

	31 December 2013	31 December 2012
Prepaid taxes and funds	4.654.744	2.523.856

c) Other current liabilities

	31 December 2013	31 December 2012
Taxes and funds payable	2.814.105	3.778.203
Other	83.168	26.409
	2.897.273	3.804.612

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17. SHARE CAPITAL AND OTHER EQUITY ITEMS

Capital

Shareholders	Share (%)	31 December 2013	Share (%)	31 December 2012
TAFF	84,58	422.912.812	84,58	422.912.812
Other shareholder (Axa Sigorta A.Ş.)	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. 6 member of the Board of Directors are assigned from the holders of nominative Group A type shareholders or from the ones nominated by Group A type shareholders. Moreover, 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.

Restricted profit reserves

The legal reserves consist of first and second legal reserves, appropriated in accordance with the TCC. The first legal reserve is appropriated out of historical statutory profits of the prior year at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. After the 5% of the dividend is paid to shareholders, 10% of the total distributed to shareholders and employees can be added in general legal reserve.

As of 31 December 2013, The Group's restricted reserves set aside from profit consists of the legal reserves. The total of the Group's legal reserves are TL 69.677.755 (31 December 2012: TL 52.071.680).

Retained Earnings

Accumulated profits apart from the net profit for the year and extraordinary reserves which is accumulated profit by nature are shown under the retained earnings. As of 31 December 2013 the extraordinary reserves balance presented in retained earnings is TL 508.504.057 (31 December 2012: TL 359.696.952). According to the statutory records, the Company's profit for the year is TL 79.566.382 TL (31 December 2012: TL 244.902.216) and its other funds available for profit distribution is TL 521.044.181 (31 December 2012: TL 364.393.120). The details of funds is as follows:

	31 December 2013	31 December 2012
Capital reserves and ve extraordinary reserves	521.044.181	364.393.120

Profit distribution

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 306.378.584 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 210.283.473 within the Group. Thus, the cash dividend amount for 1 TL nominal value per share is TL 0,157 (31 December 2012: TL 0,093).

Besides, as of 3 April 2013 AselsanNet Annual Meeting, General Assembly of the company has decided to distribute dividend amounting to TL 50.000. As a result total amount of the funds remaining within the Group after profit distribution and transfers is TL 197.057.557 (31 December 2012: TL 104.857.942)

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The dividend paid to shareholders during 2013 is TL 0,157 per 100 shares (total dividend paid is TL 78.500.000) (2012: TL 0,093 per 100 shares, total dividend paid TL 46.456.739). The Group Management plans to distribute a dividend of TL 0,05 per 100 shares with the Board of Members Minute dated 5 March 2014 with respect to the current year. This dividend payment will be subject to the shareholders' approval in the General Assembly, and it has not been recognized as a liability in the financial statements yet. Total expected dividend to be paid is TL 25.000.000.

18. SALES REVENUE AND COST OF SALES

a) Sales Revenue	1 January-31 December 2013	1 January-31 December 2012
Domestic sales	1.773.479.945	1.362.700.772
Export sales	398.126.535	271.984.690
Other revenues	1.388.349	542.235
Sales returns (-)	(541.838)	(1.247.670)
Sales discounts (-)	(892.138)	(1.067.402)
Other discounts (-)	(135.557)	(16.258)
	2.171.425.296	1.632.896.367

b) Cost of Sales (-)	1 January-31 December 2013	1 January-31 December 2012
Cost of raw materials used	609.698.452	606.580.057
Personnel expenses	80.606.786	64.786.741
Production overheads	94.176.117	76.833.732
Provision for project guarantee, delay and losses	53.220.440	12.399.228
Change in work in progress	(67.088.288)	(32.555.154)
Change in finished goods	(4.349.520)	4.777.998
Development expenses (*)	583.051.423	394.738.961
Cost of services given	93.941.713	69.952.622
Cost of merchandise goods sold	18.072.977	7.267.250
Cost of other sales	151.311.053	29.803.373
	1.612.641.153	1.234.584.808

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

19. CONSTRUCTION CONTRACTS

	31 December 2013	31 December 2012
Construction costs incurred plus recognized profits less recognized losses to date	5.229.103.266	3.795.068.027
Less: earned allowances	(4.871.826.507)	(3.532.086.783)
Total	**357.276.759**	**262.981.244**
Amounts due from customers under construction contracts (Note 5)	449.704.930	382.692.740
Amounts due to customers under construction contracts (Note 5)	(92.428.171)	(119.711.496)
	357.276.759	**262.981.244**

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20. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, R&D EXPENSES

	1 January-31 December 2013	1 January-31 December 2012
General administrative expenses (-)	(103.256.327)	(95.892.522)
Marketing expenses (-)	(38.427.719)	(38.222.739)
R&D expenses (-)	(63.852.597)	(63.894.076)
	(205.536.643)	(198.009.337)

a) General administrative expenses (-)

	1 January-31 December 2013	1 January-31 December 2012
Personnel expenses	(74.537.509)	(67.469.122)
Depreciation and amortization expenses	(8.029.850)	(7.106.779)
Maintenance and repair expenses	(1.389.436)	(1.921.208)
Electricity expenses	(3.798.160)	(3.483.458)
Personnel transportation expenses	(1.582.146)	(1.508.462)
Course and seminar expenses	(482.943)	(615.228)
Insurance expenses	(1.358.453)	(1.144.595)
Consultancy expenses	(94.560)	(1.282.276)
Personnel meal expenses	(871.423)	(855.859)
Furniture and fixture expenses	(162.877)	(243.135)
Expertise expenses	(1.389.843)	(1.089.724)
Rent expenses	(1.301.178)	(1.140.352)
Other	(8.257.949)	(8.032.324)
	(103.256.327)	(95.892.522)

b) Marketing expenses (-)

	1 January-31 December 2013	1 January-31 December 2012
Personnel expenses	(12.527.664)	(13.639.439)
Stamp duty expenses	(4.532.307)	(6.183.853)
Overseas travel expenses	(1.362.469)	(2.120.903)
Exhibition expenses	(4.634.572)	(2.012.266)
Shipping and delivery expenses	(3.317.086)	(1.464.806)
Advertising expenses	(1.713.123)	(1.547.250)
Insurance expenses	(431.919)	(477.273)
Commission expenses	(4.121.389)	(3.930.913)
Depreciation and amortization expenses	(477.218)	(681.208)
Packaging expenses	(600.948)	(604.358)
Domestic travel expenses	(454.943)	(408.509)
Specimen expenses	(685.516)	(641.981)
Electricity expenses	(420.126)	(384.440)
Maintenance and repair expenses	(213.690)	(268.473)
Agency and entertainment expenses	(469.885)	(274.676)
Personnel transportation expenses	(239.533)	(262.196)
Rent expenses	(183.764)	(187.362)
Other	(2.041.567)	(3.132.833)
	(38.427.719)	(38.222.739)

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c) R&D expenses (-)

	1 January-31 December 2013	1 January-31 December 2012
Equipment costs	(7.837.429)	(6.551.968)
Personnel expenses	(24.582.472)	(29.449.559)
Depreciation and amortization expenses	(28.231.991)	(19.936.833)
Other	(3.200.705)	(7.955.716)
	(63.852.597)	(63.894.076)

21. OTHER OPERATING INCOME AND EXPENSES

a) Other operating income

	1 January-31 December 2013	1 January-31 December 2012
Foreign currency exchange gains from activities (*)	301.137.588	264.404.392
Discount income	3.695.019	1.290.165
Interest income	7.317.219	12.883.616
Provisions released	496.481	381.020
Insurance income for damages	307.220	626.506
Income from letter of guarantees and interest income due to delays (**)	92.037	21.023.053
Non-cost material income	864.854	1.646.250
Income from personnel	522.807	309.362
Other income	2.663.649	3.162.887
	317.096.874	305.727.251

(*) Mainly consists of the foreign currency exchange valuation of advances received and advances given denominated in foreign currencies.
(**) The amount of 2012 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.

b) Other operating expense

	1 January-31 December 2013	1 January-31 December 2012
Foreign currency exchange losses from activities (*)	(489.560.851)	(232.864.956)
Discount expense	(3.154.482)	(3.221.052)
Grants and donations (**)	-	(3.709.616)
Damage expense	(254.207)	(231.487)
Special communication tax	(24.994)	(147.692)
Other expense and losses	(2.316.356)	(3.426.839)
	(495.310.890)	(243.601.642)

(*) Mainly consists of the foreign currency exchange valuation of advances received and advances given denominated in foreign currencies.
(**) 2012 donation amount consists of the construction expenses of Aselsan primary school in VAN-Erciş.

22. INCOME FROM INVESTING ACTIVITIES

	1 January-31 December 2013	1 January-31 December 2012
Gain on sale of securities	-	540.164
Dividend income	10.369.803	3.225.094
	10.369.803	3.765.258

23. FINANCIAL INCOME

	1 January-31 December 2013	1 January-31 December 2012
Foreign currency exchange gain from bank loans	6.536.436	14.228.072

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24. FINANCIAL EXPENSES

	1 January-31 December 2013	1 January-31 December 2012
Foreign currency exchange losses from bank loans	(36.719.273)	(6.877.282)
Short-term borrowing expense	(6.105.776)	(1.783.495)
Long-term borrowing expense	(1.770.149)	(1.568.995)
	(44.595.198)	(10.229.772)

25. ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

Revaluation funds

	31 December 2013	31 December 2012
Fixed assets revaluation fund	177.532.454	-

Fixed assets revaluation fund:

	1 January-31 December 2013	1 January-31 December 2012
Opening balance	-	-
Fixed asset revaluation increases	186.876.267	-
Deferred tax on revaluation	(9.343.813)	-
Closing balance	177.532.454	-

The fixed asset revaluation reserve arises on the revaluation of lands and properties. When revalued lands or properties are sold, the portion of the fixed asset revaluation reserve that relates to that asset is transferred directly to retained earnings.

26. INCOME TAXES

	31 December 2013	31 December 2012
Corporate tax liabilities:		
Current corporate tax provision	735.616	656.430
Less: Prepaid taxes and funds	(254.712)	(352.155)
	480.904	304.275

	1 January-31 December 2013	1 January-31 December 2012
Tax income:		
Current corporate tax expense	(735.616)	(656.430)
Deferred tax income	91.938.025	37.381.897
	91.202.409	36.725.467

	1 January-31 December 2013		
Tax effects related to components of Other Comprehensive Income	Amount before tax	Tax income/expense	Net of tax amount
Gains on revaluation of fixed assets (*)	186.876.267	(9.352.671)	177.523.596
Actuarial gains and losses on defined benefit plans	11.637.395	(2.327.479)	9.309.916
Other comprehensive income in the period	198.513.662	(11.680.150)	186.833.512

(*) Revaluation of fixed assets is realized in 2013, no revaluation was made in 2012.

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	1 January-31 December 2013		
Tax effects related to components of Other Comprehensive Income	Amount before tax	Tax income/expense	Net of tax amount
Actuarial gains and losses on defined benefit plans	(16.469.895)	3.293.979	(13.175.916)
Other comprehensive income in the period	(16.469.895)	3.293.979	(13.175.916)

Tax recognized directly in equity	1 January-31 December 2013	1 January-31 December 2012
Deferred tax		
Directly recognized in equity:		
- Revaluation on fixed assets	(9.352.671)	-
- Actuarial income/expense	(2.327.479)	3.293.979
Deferred tax recognized directly in equity	(11.680.150)	3.293.979

Corporate tax

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying consolidated financial statements for the estimated change based on the Group's results for the year. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate entity bases.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective tax rate in 2013 is 20% (2012: 20%) for the Group.

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2013 is 20%. (2012: 20%). Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

Furthermore, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income withholding tax

In addition to corporate taxes, companies should also calculate income withholding taxes on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% between 24 April 2003 and 22 July 2006. This rate was changed to 15% commencing from 23 July 2006 with the Cabinet Decision 2206/10731. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

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Deferred tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes and they are given below.

For calculation of deferred tax asset and liabilities, the rate of 20% (2012: 20%) is used.

In Turkey, the companies cannot declare a consolidated tax return, therefore subsidiaries that have deferred tax asset position were not netted off against subsidiaries that have deferred tax liabilities position and disclosed separately.

The details of deferred tax assets and liabilities of the Group are as follows:

Deferred tax assets:	**31 December 2013**	**31 December 2012**
Discount on receivables	(607.197)	(302.229)
Costs and provision for expected losses of construction contracts	(300.837.333)	(235.868.013)
Provision for doubtful receivables	(288.096)	(240.713)
Impairment provision for inventory	(1.575.946)	(1.604.512)
Provision for delay penalties and fines	(2.400.107)	(2.117.197)
Provision for guarantee expenses	(14.525.373)	(11.585.164)
Provision for severance pay	(19.468.262)	(18.993.856)
Provision for retirement pay	(1.945.301)	(1.893.030)
Provision for annual leave and overtime	(5.079.128)	(3.731.385)
Provision for lawsuits	(27.047)	(22.200)
Accumulated Losses	(1.525.204)	(955.573)
Accumulated R&D incentive	(206.108.738)	(107.820.011)
Other	(150.931)	(57.453)

Deferred tax liabilities:	**31 December 2013**	**31 December 2012**
Discount on payables	567.304	156.900
Adjustment of progress payments for long-term construction contracts	314.891.593	236.972.464
Adjustment on inventories	163.022	163.720
Depreciation of fixed assets / amortization of intangible assets	16.701.445	15.290.845
Fixed assets revaluation fund	9.352.671	-
Other	-	2.654

Deferred tax assets	(554.538.663)	(385.191.336)
Deferred tax liabilities	341.676.035	252.586.583
Deferred tax assets - net	**(212.862.628)**	**(132.604.753)**

The Group realized deferred tax assets amounting to TL 206.108.738 (31 December 2012: TL 107.820.011) on the R&D expenses amounting to TL 1.030.543.690 (31 December 2012: TL 539.100.055) in accordance with Law No: 5746 about supporting R&D activities as disclosed in Note 11.

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The Group realized tax assets amounting to TL 1.525.204 (31 December 2012: TL 955.573) on tax deductible losses of Mikes amounting to TL 7.626.018 (31 December 2012: TL 4.777.864).

	1 January-31 December 2013	1 January-31 December 2012
Movement of deferred tax (assets)/liabilities:		
Opening balance as of 1 January	132.604.753	91.928.877
Realized in the income statement	91.938.025	37.381.897
Realized in equity	(11.680.150)	3.293.979
	212.862.628	132.604.753

	1 January-31 December 2013	1 January-31 December 2012
Tax reconciliations:		
Profit before tax from continuing operations	147.344.525	270.191.389
Income tax rate	20%	20%
Tax at the domestic income tax rate of 20 %	29.468.905	54.038.278
Tax effects of:		
- revenue that is exempt from taxation	(4.862.196)	(2.734.509)
- expenses that are not deductible in determining taxable profit	2.361.904	3.855.961
- R&D incentives and other income exempt from taxation	(117.541.223)	(90.038.723)
- effect of other adjustments	(3.777.105)	(1.846.474)
Tax income recognized in profit or loss	(91.202.409)	(36.725.467)

27. EARNINGS PER SHARE

	1 January-31 December 2013	1 January-31 December 2012
Common stock (*)	50.000.000.000	50.000.000.000
Net profit - TL	238.081.489	306.378.584
Earnings per 100 shares - TL	0,48	0,61

(*) 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.

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28. FINANCIAL INSTRUMENTS

Financial Investments

Non-current financial investments

Financial Investments Valued at Cost That do not have a Quoted Market

The details of the Group's investments and share percentages of subsidiaries, joint ventures and associates are as follows:

Company Name	Ratio (%)	31 December 2013	Ratio (%)	31 December 2012
Aselsan Bakü	100	3.059.234	100	3.059.234
Roketsan Roket Sanayii ve Ticaret A.Ş.	14,897	5.141.213	14,897	5.141.213
Mikroelektronik Ar-Ge Tasarım ve Ticaret Ltd. Şti.	85	624.714	85	624.714
Aspilsan A.Ş.	1	147.462	1	147.462
Havaalanı İşletme ve Havacılık End. A.Ş.	<1	86.953	<1	86.953
Aselsan Kazakhstan Engineering LLP	49	388.023	49	388.023
IGG Aselsan Integrated Systems LLC	49	42.837	49	42.837
Aselsan Middle East PSC LTD	49	3.233.774	49	2.527.126
		12.724.210		12.017.562

The above available-for-sale equity investments amounting to TL 12.724.210 (31 December 2012: TL 12.017.562) do not have a quoted market value and their fair values cannot be reliably measured as the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. For this reason they are stated at cost less provision for diminution in value, if any.

Financial liabilities

	31 December 2013	31 December 2012
Short-term financial liabilities	156.356.529	206.323.350
Current portion of long-term financial liabilities	22.713.765	564.806
Current portion of long-term financial leasing liabilities	119.053	93.312
Other short-term financial liabilities	870.232	4.465.208
Total short-term financial liabilities	180.059.579	211.446.676
Other long-term financial liabilities	173.039.549	113.764.741
Long-term financial leasing liabilities	187.863	252.761
Total long-term financial liabilities	173.227.412	114.017.502
Total financial liabilities	353.286.991	325.464.178

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As of 31 December 2013, short-term financial liabilities amounting to TL 9.905.861 consist of interest free loans provided received for Social Security Institution (SGK) payments with a maturity of January 2014. Current financial liabilities amounting to USD 59.916.913 (TL 82.891.410) consist of Preshipment Export Loan with the maturities vary between the 5-8 months and with interest rates vary between 1,34%-1,37%. The remaining current financial liability amounting TL 18.570.000 was received for short-term financial requirements of the Group with interest rates vary between 8,60%-9.25%. Major part of the current portion of the long-term borrowings is composed of the principle amount of USD 8.000.000 with a maturity of August 2014 related to the loan amounting USD 40.000.000 with an interest rate of 2,1% and the principle amount of USD 1.900.000 with a maturity of October 2014 related to the loan amounting USD 25.000.000 with an interest rate of 3,5%. Both loans are obtained from Undersecretariat for Defense Industries.

As of 31 December 2013, USD 1.164.567 (TL 2.485.535) of the other current and non-current term financial liabilities consist of the interest free borrowings obtained from Technology Development Foundation of Turkey (TTGV). TL 504.296 of the other financial liabilities was drawn for entity's fund requirements with an interest rate of 3,5% and daily maturity. The major part of the remaining current and non-current financial liabilities is composed of the loan obtained from Undersecretariat for Defense Industries amounting USD 32.000.000 with an interest rate of 2,1%, USD 25.000.000 with an interest rate of 2,1% and long-term portion amounting to USD 23.100.000 of the loan amounting to USD 25.000.000 with an interest rate of 3,5%. A letter of guarantee was given for the loan amounting USD 65.000.000 to Undersecretariat for Defense Industries.

As of 31 December 2012, short-term financial liabilities amounting to TL 8.175.302 consist of interest free loans provided for Social Security Institution (SGK) payments with a maturity of January 2013. Current financial liability amounting TL 115.256.638 was drawn for the purpose of financial investment with an interest rate of 6.19% and the maturity was January 2013. The remaining current financial liabilities amounting to USD 59.350.000 and EUR 13.000.000 consist of Preshipment Export Loan with the maturities of between the 1-4 months and with an interest rate of the ranges between 1%-1,2%.

As of 31 December 2012, other short-term and long-term financial liabilities amounting to USD 1.090.249 (TL 1.943.478) consist of the interest free borrowings obtained from Technology Development Foundation of Turkey (TTGV). The major part of the remaining non-current financial liabilities is composed of the loan obtained from Undersecretariat for Defense Industries amounting to USD 40.000.000 with an interest rate of 2,1. A letter of guarantee amounting to USD 40.000.000 was given for the related loan. The remaining part of the other long-term financial liabilities consists of the loan amounting to USD 25.000.000 obtained from Undersecretariat for Defense Industries with an interest rate of 3,5%.

Bank loans

		31 December 2013	
Currency	**Weighted average interest rate**	**Short-term**	**Long-term**
EUR	-	96	70.500
TL	5,57	28.464.047	-
USD	2,00	151.595.436	173.156.912
		180.059.579	173.227.412

		31 December 2012	
Currency	**Weighted average interest rate**	**Short-term**	**Long-term**
EUR	0,98	30.572.563	-
TL	5,71	123.440.402	-
USD	2,14	57.433.711	114.017.502
		211.446.676	114.017.502

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The breakdown of the loan repayments with respect to their maturities is as follows:

	31 December 2013	31 December 2012
Within 1 year	180.059.579	211.446.676
Between 1-2 years	42.852.697	21.626.962
Between 2-3 years	64.312.299	35.530.121
Between 3-4 years	30.159.899	35.530.121
Between 4-5 years	19.484.825	7.160.889
Between 5-6 years	8.208.846	7.160.889
Between 6-7 years	8.208.846	7.008.520
	353.286.991	325.464.178

The remaining part of the loan limit allocated for the Gölbaşı investment amounting USD 22.000.000 is planned to be used in 2014 with the decision of the Defense Industry Executive Committee.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings as explained Note 28, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The risks that are associated with every equity item together with the Group's cost of capital are evaluated by the board of directors. Based on the recommendations of the board, the Group aims to balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt on the redemption of existing debt.

The Group's general strategy which was unchanged from 2012 and the ratio of liabilities to share capital as of 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Total liabilities	2.395.489.899	2.058.119.180
Less: Cash and cash equivalents	(103.683.817)	(352.533.570)
Net debt	2.291.806.082	1.705.585.610
Total equity	1.612.485.451	1.266.095.591
Total capital	3.904.291.533	2.971.681.201
Net debt / total equity ratio	59%	57%

b) Financial Risk Factors:

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units.

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Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is mainly working with public sector and obtaining advance payments where appropriate, both from public sector and private sector entities. Financing needs arising from new contracts are satisfied by advances received when the projects start and milestone payments during the projects. The receivables are generally from public sector and hence considered collectible. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually. Additionally, receivables are monitored regularly to minimize the collection risk.

Carrying values of the financial assets reflect the maximum exposure to credit risk. The credit risks as of 31 December 2013 is as follows:

	Receivables				
	Trade receivables		Other receivables		Bank
31 December 2013	**Related party**	**Third party**	**Related party**	**Third party**	**deposits**
Maximum net credit risk as of the balance date (A+B+C+D)	171.549.926	923.433.176	32.771.269	48.938.812	122.367.255
- The part of maximum risk under guarantee with collateral etc. (*)	-	19.624.323	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	171.549.926	908.927.418	32.771.269	48.938.812	122.367.255
B. Net book value of financial assets that are past due but not impaired	-	14.505.758	-	-	-
C. Net book value of impaired assets	-	-	-	-	-
- Overdue (gross carrying amount)	-	2.221.896	-	-	-
- Impairment (-)	-	(2.221.896)	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-
- Undue (gross carrying amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-
D. Factors that include off balance sheet credit risks	-	-	-	-	-

(*) The guarantees consist of the letters of guarantees, checks and mortgages (Note 14).

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Carrying values of the financial assets reflect the maximum exposure to credit risk. The credit risks as of 31 December 2012 is as follows:

	Receivables				
	Trade receivables		Other receivables		Bank
31 December 2012	Related party	Third party	Related party	Third party	deposits
Maximum net credit risk as of the balance date (A+B+C+D)	93.846.591	677.638.973	18.730.633	24.154.083	371.782.181
- The part of maximum risk under guarantee with collateral etc. (*)	-	31.955.270	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	93.846.591	676.283.576	18.730.633	24.154.083	371.782.181
B. Net book value of financial assets that are past due but not impaired	-	1.355.397	-	-	-
C. Net book value of impaired assets	-	-	-	-	-
- Overdue (gross carrying amount)	-	1.985.839	-	-	-
- Impairment (-)	-	(1.985.839)	-	-	-
- The part of net value under guarantee with collateral etc.	-		-	-	-
- Undue (gross carrying amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-
D. Factors that include off balance sheet credit risks	-	-	-	-	-

(*) The guarantees consist of the letters of guarantees, checks and mortgages (Note 14).

The aging of the overdue receivables is as follows:

	31 December 2013	31 December 2012
Overdue by 1-30 days	8.887.056	623.613
Overdue by 1-3 months	4.986.160	519.013
Overdue by 3-12 months	605.529	203.414
Overdue by 12 months	27.013	9.357
Total receivables	14.505.758	1.355.397

No collateral is received for the overdue receivables.

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Liquidity risk

Board of directors has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest payment date. The table includes both interest and principal cash flows.

The maturities of the financial liabilities determined with respect to the contracts including the expected interest payments as of 31 December 2013 is as follows:

Contractual Maturity Analysis	Carrying value	Total cash outflow according to contract (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Non-derivative financial instruments						
Financial liabilities	352.980.075	361.086.089	29.641.642	153.212.545	161.814.210	16.417.692
Financial leasing liabilities	306.916	355.339	36.528	109.581	209.230	-

Expected Maturity	Carrying value	Total cash outflow according to contract (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Non-derivative financial instruments						
Trade payables	405.611.478	408.423.000	367.032.448	28.144.878	13.245.674	-
Other payables	478.899	478.899	422.805	25.576	30.518	-

The maturities of the financial liabilities determined with respect to the contracts including the expected interest payments as of 31 December 2012 is as follows:

Contractual Maturity Analysis	Carrying value	Total cash outflow according to contract (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Non-derivative financial instruments						
Financial liabilities	325.118.105	329.649.600	176.812.498	36.038.753	102.933.675	13.864.674
Financial leasing liabilities	346.073	412.800	51.150	69.284	292.366	-

Expected Maturity	Carrying value	Total cash outflow according to contract (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Non-derivative financial instruments						
Trade payables	306.606.813	307.351.969	183.029.844	113.159.671	11.162.454	-
Other payables	1.027.360	1.027.360	992.773	14.261	20.326	-

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and Its Subsidiaries

Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2013

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Market risk management

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Market risk exposures are supplemented by sensitivity analysis, and stress scenario analysis.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk in the current year.

Foreign currency risk management

Foreign currency denominated transactions cause foreign currency risk. The core principle of the foreign risk management reduces to minimum foreign exchange position deficit or surplus and minimize the effect of exchange rate fluctuation. Group's net foreign currency position is due to the operational structure of the defense industry. No derivative instruments have been used for the foreign currency risk management.

FOREIGN EXCHANGE POSITION

31 December 2013	TL Equivalent (Functional currency)	US Dollar	EURO	Other
1. Trade Receivables	517.490.318	127.291.868	83.708.934	-
2a. Monetary financial assets	67.038.285	16.455.073	9.019.330	5.432.962
2b. Non- monetary financial assets	164.131.899	45.172.234	21.403.656	4.868.966
3. Other	40.540.689	17.344.170	1.166.888	96.460
4. Current assets (1+2+3)	**789.201.191**	**206.263.345**	**115.298.808**	**10.398.388**
5. Trade receivables	306.131.239	94.310.935	32.474.625	9.481.673
6a. Monetary trade receivables	-	-	-	-
6b. Non-monetary trade receivables	160.060.832	15.897.227	42.111.364	2.471.360
7. Other	6.204.910	1.390.415	134.576	2.842.165
8. Long-term assets (5+6+7)	**472.396.981**	**111.598.577**	**74.720.565**	**14.795.198**
9. Total assets (4+8)	**1.261.598.172**	**317.861.922**	**190.019.373**	**25.193.586**
10. Trade payables	182.815.320	20.921.280	44.100.439	8.662.094
11. Financial liabilities	151.595.532	71.028.176	32	-
12a. Other monetary financial liabilities	184.520	86.454	-	-
12b. Other non-monetary financial liabilities	90.684.044	24.846.847	12.812.911	28.305
13. Current liabilities (10+11+12)	**425.279.416**	**116.882.757**	**56.913.382**	**8.690.399**
14. Trade payables	4.583.361	2.065.772	59.385	-
15. Financial liabilities	173.227.412	81.130.540	24.008	-
16a. Other monetary financial liabilities	2.878.226	1.344.430	3.000	-
16b. Other non-monetary financial liabilities	890.839.786	240.222.783	128.769.726	-
17. Non-current liabilities (14+15+16)	**1.071.528.785**	**324.763.525**	**128.856.119**	-

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and Its Subsidiaries

Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2013

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

FOREIGN EXCHANGE POSITION

31 December 2013	TL Equivalent (Functional currency)	US Dollar	EURO	Other
18. Total liabilities (13+17)	**1.496.808.201**	**441.646.282**	**185.769.501**	**8.690.399**
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	**-**	**-**	**-**	**-**
19a. Hedged total financial assets	-	-	-	-
19b. Hedged total financial liabilities	-	-	-	-
20. Net foreign currency asset/liability (9-18+19)	**(235.210.029)**	**(123.784.360)**	**4.249.872**	**16.503.187**
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**375.375.471**	**61.481.224**	**81.016.025**	**6.252.541**
22. Fair value of derivative financial instruments used in foreign currency hedge	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-
25. Exports	398.126.535	107.075.767	72.484.232	11.123.388
26. Imports	773.435.412	159.859.080	130.599.492	48.742.769

As of 31 December 2013, the Company's financial statement prepared according to General Communiqué on Accounting System Application (GCASA), has TL 1.112.855.063 (31 December 2012: TL 839.601.463) of 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 Elektronik Sanayi ve Ticaret A.Ş. and Its Subsidiaries

Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2013

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

FOREIGN EXCHANGE POSITION

31 December 2012	TL Equivalent (Functional currency)	US Dollar	EURO	Other
1. Trade Receivables	308.867.574	74.817.504	74.617.074	20.918
2a. Monetary financial assets	132.143.809	25.777.276	36.636.104	36.112
2b. Non- monetary financial assets	158.302.828	38.456.575	37.369.154	1.869.101
3. Other	21.949.488	10.938.361	947.409	222.746
4. Current assets (1+2+3)	**621.263.699**	**149.989.716**	**149.569.741**	**2.148.877**
5. Trade receivables	203.090.990	72.012.858	28.328.091	8.101.698
6a. Monetary trade receivables	-	-	-	-
6b. Non-monetary trade receivables	161.626.292	19.831.009	53.695.427	-
7. Other	2.025.790	254.948	663.241	11.577
8. Long-term assets (5+6+7)	**366.743.072**	**92.098.815**	**82.686.759**	**8.113.275**
9. Total assets (4+8)	**988.006.771**	**242.088.531**	**232.256.500**	**10.262.152**
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 financial liabilities	159.522	89.488	-	-
12b. Other non-monetary financial liabilities	106.178.215	27.106.598	24.592.785	23.141
13. Current liabilities (10+11+12)	**279.734.528**	**70.225.629**	**63.718.234**	**4.704.151**
14. Trade payables	10.442.845	5.356.396	380.377	-
15. Financial liabilities	114.017.502	63.961.349	-	-
16a. Other monetary financial liabilities	8.989.028	5.042.650	-	-
16b. Other non-monetary financial liabilities	751.695.395	259.099.522	122.045.999	2.809.013
17. Non-current liabilities (14+15+16)	**885.144.770**	**333.459.917**	**122.426.376**	**2.809.013**

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and Its Subsidiaries

Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2013

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

FOREIGN EXCHANGE POSITION

31 December 2012	TL Equivalent (Functional currency)	US Dollar	EURO	Other
18. Total liabilities (13+17)	**1.164.879.298**	**403.685.546**	**186.144.610**	**7.513.164**
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	**-**	**-**	**-**	**-**
19a. Hedged total financial assets	-	-	-	-
19b. Hedged total financial liabilities	-	-	-	-
20. Net foreign currency asset/liability (9-18+19)	**(176.872.527)**	**(161.597.015)**	**46.111.890**	**2.748.988**
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**337.096.685**	**55.128.212**	**100.075.443**	**3.477.718**
22. Fair value of derivative financial instruments used in foreign currency hedge	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-
25. Exports	271.984.690	72.087.943	55.452.195	15.029.211
26. Imports	581.834.155	174.425.157	99.223.356	37.560.303

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and Its Subsidiaries

Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2013

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

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;

Foreign currency sensitivity table

	31 December 2013			
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
	Appreciation of US Dollars against TL by 10%			
1- USD denominated net assets/liabilities	(26.419.296)	26.419.296	-	-
2- Hedged amount against USD risk (-)	-	-	-	-
3- Net effect of USD (1+2)	(26.419.296)	26.419.296	-	-
	Appreciation of EURO against TL by 10%:			
4- EURO denominated net assets/liabilities	1.247.975	(1.247.975)	-	-
5- Hedged amount against EURO risk (-)	-	-	-	-
6- Net effect of EURO (4+5)	**1.247.975**	**(1.247.975)**	**-**	**-**

Foreign currency sensitivity table

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

Interest rate risk management

As of 31 December 2013 and 2012, since all of the loans obtained by the Group are fixed-rate loans, the Group is not exposed to significant interest rate risk.

As of 31 December 2013, since the Group does not have interest bearing financial assets,(31 December 2012: null) no significant interest rate risk has been exposed.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and Its Subsidiaries

Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2013

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Price risk

The Group usually enters into fixed price contracts, therefore, is not exposed to any major price risk.

Hierarchy of fair value

The Group classifies the fair value calculations with respect to the base of the input data of each financial instrument using three levels of hierarchy. According to this, Level 1 contains the valuation techniques used for determining the market values of the financial instruments in the active market, Level 2 contains the direct and indirect valuation techniques that uses the observable current market transactions and Level 3 uses the valuation techniques without the observable current market transactions.

As of 31 December 2013 and 31 December 2012, the Group's financial assets at their fair values are as follows:

30. FINANCIAL INSTRUMENTS FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING

31 December 2013	Financial assets at fair value	Loans and receivables (including cash and cash equivalents)	Assets held for sale	Financial liabilities at amortized cost	Carrying value	Note
Financial assets						
Cash and cash equivalents	-	103.683.817	-	-	103.683.817	32
Blocked deposits	-	18.805.762	-	-	18.805.762	16
Financial investments	-		12.724.210	-	12.724.210	28
Trade receivables	-	1.094.983.102	-	-	1.094.983.102	5
Financial liabilities						
Borrowings	-	-	-	353.286.991	353.286.991	28
Trade payables	-	-	-	405.611.478	405.611.478	5
Other payables	-	-	-	478.899	478.899	6

31 December 2012	Financial assets at fair value	Loans and receivables (including cash and cash equivalents)	Assets held for sale	Financial liabilities at amortized cost	Carrying value	Note
Financial assets						
Cash and cash equivalents	-	352.533.570	-	-	352.533.570	32
Blocked deposits	-	19.361.643	-	-	19.361.643	16
Financial investments	-	-	12.017.562	-	12.017.562	28
Trade receivables	-	771.485.564	-		771.485.564	5
Financial liabilities						
Borrowings	-	-	-	325.464.178	325.464.178	28
Trade payables	-	-	-	306.606.813	306.606.813	5
Other payables	-	-	-	1.027.360	1.027.360	6

(*) The Group's management assesses that the carrying value reflects the fair value of financial instruments (Note 28).

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and Its Subsidiaries

Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2013

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

31. EVENTS AFTER THE REPORTING PERIOD

The amount of contracts signed by the Group after the balance sheet date is approximately TL 124 Million and USD 552 Million.

32. EXPLANATORY NOTES TO THE STATEMENT OF CASH FLOWS

	31 December 2013	31 December 2012
Cash	112.298	87.124
Cheques received	-	3.408
Demand deposits -TL-	997.189	978.948
Foreign currency demand deposits	23.180.671	7.869.491
Time deposits -TL-	35.607.471	219.020.991
Foreign currency time deposits	43.776.112	124.203.686
Accrued income	50	347.422
Other cash equivalents	10.026	22.500
	103.683.817	352.533.570

As of 31 December 2013, the Group has TL 43.776.112 of foreign currency time deposits at various banks with maturities in January 2014 and interest rates between 0,25% and 2,75%.

As of 31 December 2013, the Group has TL 35.607.471 of time deposits at various banks with maturities between January-February 2014 and interest rates between 8,45% and 10,10%.

As of 31 December 2012, the Group has TL 124.203.686 of foreign currency time deposits at various banks with maturities in January-April 2013 and interest rates between 0,50% and 3,30%.

As of 31 December 2012, the Group has TL 219.020.991 of time deposits at various banks with maturities between January 2013 and interest rates between 4,50% and 8,50%.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and Its Subsidiaries

Independent Auditor's Report

(Convenience Translation Of The Report And The Consolidated Financial Statements Originally Issued In Turkish)

To the Board of Directors of

Aselsan Elektronik Sanayi ve Ticaret A.Ş.

1. We have audited the accompanying consolidated statement of financial position of Aselsan Elektronik Sanayi ve Ticaret A.Ş. (the "Company") and its subsidiaries (together referred as the "Group") as of 31 December 2013, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

2. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Turkish Accounting Standards ("TAS") published by Public Oversight Accounting and Auditing Standards Authority ("POA"), 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.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the auditing standards published by Capital Markets Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

   An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

   We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and Its Subsidiaries

Independent Auditor's Report

(Convenience Translation Of The Report And The Consolidated Financial Statements Originally Issued In Turkish)

Opinion

4. In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Aselsan Elektronik Sanayi ve Ticaret A.Ş. and its subsidiaries as at 31 December 2013, and of their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with TAS (please see Note 2).

Reports on Other Legal and Regulatory Requirements

5. In accordance with Article 402 of Turkish Commercial Code No. 6102 ("TCC"), the Board of Directors provided us all the required information and documentation in terms of audit; and nothing has come to our attention that may cause us to believe that the Group's set of accounts prepared for the period 1 January-31 December 2013 does not comply with the code and the provisions of the Company's articles of association in relation to financial reporting.

6. In accordance with Article 378 of Turkish Commercial Code No. 6102, in publicly traded companies, the board of directors is obliged to establish a committee consisting of specialized experts, to run and to develop the necessary system for the purposes of early identification of any risks that may compromise the existence, development and continuation of the company; applying the necessary measures and remedies in this regard and managing such risks. According to paragraph 4 of Article 398 of the same code, the auditor is required to prepare a separate report explaining whether the Board of Directors has established the system and authorized committee stipulated under Article 378 to identify risks that threaten or may threaten the company and to provide risk management, and, if such a system exists, the report, the principles of which shall be announced by POA, shall describe the structure of the system and the practices of the committee. This report shall be submitted to the Board of Directors along with the auditor's report. Our audit does not include the evaluation of the operational efficiency and adequacy of the operations carried out by the management of the Group in order to manage these risks. As of the balance sheet date, POA has not announced the principles of this report, yet. Therefore, no separate report has been drawn up regarding this matter. On the other hand, the Company established the mentioned committee on 10 April 2012, and the committee is comprised of six members. Since the date of its establishment, the committee has held eight meetings for the purposes of early identification of any risks that may compromise the existence and development of the Company, applying the necessary measures and remedies in this regard and managing such risks, and has submitted the relevant reports to the Board of Directors.

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

Erdem Taş, SMMM
Partner

Ankara, 5 March 2014

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and Its Subsidiaries

Annual Report of Board of Directors with Respect to the Period 1 January - 31 December 2013

1. Principles on preparation

The annual report of the Board of Directors is prepared on the basis of Capital Markets Board of Turkey (CMB) Financial Reporting standards and Communiqué Series II, No: 14.1 "Principles of Financial Reporting in Capital Markets" dated 13 June 2013.

2. Commercial title and trade registry number of the company and contact information pertaining to its headquarters, branches and its website address

The commercial title of the Company is Aselsan Elektronik Sanayi ve Ticaret A.Ş. and its trade register number is 31177. It's registered address is Mehmet Akif Ersoy Mahallesi 296. Cadde No:16 06370 Yenimahalle / Ankara. Phone: +90 (312) 592 10 00, Fax: +90 (312) 354 13 02. Internet address: www.aselsan.com.tr

The Company has a branch in the Republic of South Africa, Pretoria with the contact address Building 4, Room 005 CSIR Campus, Meiring Naude Drive, Pretoria Gauteng, 0001, South Africa. Phone: +27 (0) 12 349 26 13, Fax: +27 (0) 12 349 25 44.

The Company has an office in United Arab Emirates, Abu Dhabi with the contact address Industrial City of Abu Dhabi 1, Plot 22J1 PO Box: 133627 Abu Dhabi/UAE. Phone: +971 2 5508808.

3. Organizational structure of the company

In connection with the projects which require investment and manufacturing, the Company has been incorporated in four divisions which are Communication and Information Technologies (HBT), Microelectronics, Guidance and Electro-Optics (MGEO), Defense Systems Technologies (SST) and Radar, Electronic Warfare and Intelligence Systems (REHİS). In Ankara, The Company carries on its engineering activities in Teknokent, manufacturing and engineering activities in two respective facilities located in Ankara Macunköy (Headquarters) and Akyurt. In addition, SST Group has directorates in İzmir; Traffic Systems Directorate, in İstanbul; Marine Systems Directorate and Product Support Directorate. There has been no change in the Company's organizational structure within its activity period.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. (Company) and its affiliate companies Mikrodalga Elektronik Sistemler A.Ş. ("MİKES") and AselsanNet Elektronik ve Haberleşme Sistemleri Sanayi Ticaret İnşaat ve Taahhüt Ltd. Şti. ("AselsanNet") are active in the same field as the Company and their financial statements are consolidated by the Company. They will jointly be referred to as the "Group".

4. The Company's capital and partnership structure with the changes during the accounting period

The capital structure as of 31 December 2013 and 31 December 2012 are as follows:

Partners	Share (%)	31 December 2013 (TL)	Share (%)	31 December 2012 (TL)
Turkish Armed Forces Foundation (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 nominal capital of the Company is TL 500.000.000 (TL fivehundred million) and is divided into 50.000.000.000 (fifty billion) shares, each having a nominal value of 1 Kuruş (1% of 1 Turkish Lira). 30.272.727.273 (Thirtybillion twohundred and seventytwomillion sevenhundred and twentyseventhousand twohundred and seventythree) of the shares are Group A shares and 19.727.272.727 (nineteenthousand sevenhundred and twentysevenmillion twohundred and seventytwothousand sevenhundred and twentyseven) of the shares are Group B Shares. All shares are in the name of the holder. Group A shares are nominative preferred shares and 6 of the Members of the Board of Directors are elected among the Group A preferred shareholders or among the candidates designated by them. Furthermore, while issuing a new share, the proportion of the Group A nominative shares in the capital is preserved.

No change has occurred in the shareholders' structure and the Company's capital during the period.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and Its Subsidiaries

Annual Report of Board of Directors with Respect to the Period 1 January - 31 December 2013

5. Reporting period, title of the partnership, names, surnames and jurisdiction of the chairman, members and the managing members who served in the board of directors during the period, the term of office of the duties (with commence and end dates)

Members of the Board of Directors

Pursuant to the provisions of the Company Articles of Association, the Board of Directors comprise 6 members to be elected among the Group A preferred shareholders or among the candidates designated by them along with the 3 independent members to be elected in scope of the CMB regulations which make 9 members in total. Information regarding the Members of the Board of Directors are as follows:

Members of the Board of Directors (*)

Name and Surname	Position	Date of General Assembly for Assignment	End of Term of Office
Necmettin BAYKUL	Chairman/ Managing Member	March 2013	March 2014
Erhan AKPORAY	Vice Chairman/ Managing Member	March 2011	March 2014
Halil SARIASLAN	Independent Member (**)	March 2013	March 2014
Lamia Zeynep ONAY	Independent Member (**)	March 2013	March 2014
Cumhur Sait Şahin TULGA	Independent Member (**)	March 2013	March 2014
Hasan CANPOLAT	Member	BoD decision on 16.05.2013	First General Assembly to be held
Orhan AYDIN	Member	BoD decision on 16.05.2013	First General Assembly to be held
Mustafa Murat ŞEKER	Member	BoD decision on 16.05.2013	First General Assembly to be held
Murat ÜÇÜNCÜ	Member	BoD decision on 16.05.2013	First General Assembly to be held

(*) There is no executing member in the Board of Directors.
(**) The independence statements of the Independent Members, which comply with the Corporate Governance Principles of Capital Market Board, are exist. Statement of Independence of independent members are attached at the end of Corporate Governance Principles Compliance Report.

The Members of the Board of Directors are entitled with the authorizations stipulated in the Turkish Code of Commerce (TCC) and in article 13 of the Articles of Association of the Company.

There is no authorization granted to the ruling shareholders with regard to the Company Management, members of the board of directors, senior executives and to their spouses and relatives up to second degree and kins by marriage for them to perform acts which would cause conflict of interest with the Company or its affiliates or to compete.

There is not any forbidden operation with the Company which board members perform their own or on behalf of someone. There is no operation regarding prohibition of competition by member of the board.

Changes of Members of the Board of Directors During the Period 1 January - 31 December 2013:

During the ordinary General Assembly Meeting held on 29 March 2013, Necmettin BAYKUL, Birol ERDEM, Ahmet ŞENOL, Osman Kapani AKTAŞ and Aykud Alp BERK were elected for 1 year of service, Erhan AKPORAY was decided to continue service for 1 year; Halil SARIASLAN, Lamia Zeynep ONAY ve Cumhur Sait Şahin TULGA were elected as independent members of the Board of Directors for 1 year of service.

The Vice Chairman of Board of Directors Birol ERDEM and members of the Board of Directors Osman Kapani AKTAŞ, Ahmet ŞENOL and Aykud Alp BERK, have resigned as of 15 May 2013. For the vacant positions with the resignations Hasan CANPOLAT, Mustafa Murat ŞEKER, Orhan AYDIN and Murat ÜÇÜNCÜ were elected on the Board of Directors meeting held on 16 May 2013 according to the article 363 of Turkish Commercial Code and it was decided to be submitted to the approval on the upcoming General Assembly.

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6. Main factors that affect the performance of the company, significant changes occurred in the environment where company is active, policies implemented by the company with respect to these changes, investment and dividend policy of the company to strengthen its performance

The Company operates in the field of defense industry. Regarding the uncertainty after the global crisis, the resources allocated for defence expenditures by the countries varies. Since 2008, Turkey has preserved the level of resources it has allocated to defense industry while it has increased the share of domestic procurement.

Given the nature of defence industry, the project lifetime varies between 4-5 years in average. In this context, 2008 global financial crisis and the subsequent fluctuations did not have an adverse effect on the Group. Group takes actions for long-term and has signed contracts worth approximately TL 8,3 Billion (approximately USD 3,7 Billion) as of 31 December 2013. The Group's aims are parallel to designating target regions/countries, focusing on these markets and concentrating on marketing projects, direct sale, joint productions, technology transfer, strategic expansions with international firms for sales to third countries.

The revised dividend distribution policy that has been presented to shareholders' information on the General Assembly of 2013 regarding 2012 operations is as follows.

The amount of dividends shall be calculated by taking into consideration the pertinent legislation, the provisions of the articles of association, the equity capital ratio of the Company, the sustainable growth rate, market value and cash flows as the distributable profit by referring to the annual profit that is indicated in the financial statements of the Company, which had been prepared according to the laws and regulations (after subtracting from the reserves that had to be set aside according to the law, tax, funds, financial liabilities and the losses from previous years and adding the donations). Then, the recommendation prepared by the Board of Directors on the way such dividends would be distributed, i.e. as cash on the set dates, or as bonus shares that represent the profit which would have been added to the capital, is submitted to the approval of the General Assembly.

Following the approval of the General Assembly, the designated profit distribution is made on the determined dates by General Assembly within the legal timelines to the shareholders. There are no privileges in the Company regarding entitlement to the Company's profit. The profits are distributed for all of the shares evenly without considering the acquisition or disposal dates of the shares.

According to the Capital Markets Law and the other legislation as well as the provisions of the articles of association, and as per the resolutions of the general assembly, in the year 2013 TL 78.500.000 (TL 0,157 per TL 1 share, 15,70% gross over capital) and (net TL 66.725.000 per TL 0,13345 - TL 1 share, 13,345% over capital) of the profit for 2012 has been distributed to shareholders as cash dividend.

7. Financial resources of the company

The most substantial financial resource of the Company comprises the advance / interim payments taken in scope of the executed agreements and by the profit gained by the main activities.

During 1 January-31 December 2013 period, the cash requirements was met with the existing cash, cash inflows and new loans received in accordance with the decreasing interest rates in the first half of the year. In the scope of Eximbank Loan Program, during 1 January-31 December 2013 period, "Discounted Foreign Currency Loan" was obtained with the following maturities respectively: USD 10 Million with 120 days of maturity, USD 24,5 Million and EUR 17,5 Million with 180 days of maturity, USD 60 Million with 240 days of maturity. In the same period, the entity has obtained USD 25 Million loan with fixed rate of 2,1% for 5 years maturity (21 March 2018) with a grace period of 3 years from Defense Industry Support Fund.

8. Risk management policies of the Company

a. Corporate Risk Management

The Company's risk management policy is to develop and implement efficient and productive methods and systems in order to manage (define, rate, monitor, evaluate and form activity plans aimed at minimizing the effects) and anticipate the potential risks which it may be exposed to.

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In the Corporate Risk Management studies, "top down" and "bottom up" approaches are applied together and the significant risks which are at a critical level to affect the Company to reach its long term targets are defined and classified under Strategic, Operational, Managerial, Financial and External Factors and are submitted to the Board of Directors and Independent Audit Company with the measures to be taken.

In order to identify the potential risks beforehand and to enable the management of these risks in compliance with the Company's risk-taking approach, an Early Risk Detection and Management Committee was established in 2012.

In the scope of the operations carried out by the committee, the inventory related to the risks which could prevent the Company to reach its strategic targets were defined and prioritized pursuant to the opinions and proposals of the Company top management. The most significant risk factors defined in this scope are explained below.

Single Customer Dependency in Sales

The main customers of the Company are State Institutions such as Turkish Armed Forces. This brings about the steering of the Company's operations in accordance with the public demands.

The minimization of this risk is anticipated by the Company as the result of the studies carried out pursuant to the targets aimed at increasing export sales and transferring existing knowhow to the private sectors.

Cut-Backs in Defense Expense Budgets

The Company realizes its sales both domestic and abroad in particular to the armed forces and governmental institutions. Defense expenditures in these markets depend on political and economic factors and may vary from year to year. The Governments' substantial cut-backs in the defense budget equipment items shall have a significant impact on the Company's activities and sales.

In recent years in our country, possible cuts in defense expenses are expected to be financed with other items such as personnel and logistics instead of equipment. Such improvements, as they increase the need for equipments produced with high technology, will bring new opportunities to the Company.

Supplier and Subcontractor Risks

As for the Company which works with various number of local and foreign suppliers and subcontractors, provision of material quality and sustainable supply is essential in terms of operational results.

The probable inter-country political or economic developments constitute a supply risk for the critical materials supplied from abroad. In order to minimize this risk, importance is given to the domestic supply of these critical materials.

Compliance with Technological Developments

An important feature of defense sector is high level technology and continuous progress in the technology utilized. This situation leads changes in demands of the customers with regards to the product, systems, services and etc. Investing in and utilizing new technologies in the products is necessary to increase the Company's power of competition and success. Effective and systematical technology management and timely investment of value added technology is a priority for the profitability and sustainability of the Company. Relations developed with the armed forces and related procurement authorities support the predetermination of the demands. The engineering directorates and "Technology Supreme Board" are compatible with the developments in technologies which shape the future.

Fixed Price and Fixed Term Contracts

The products and systems produced by the Company have a complex structure when their technology, high quality and performance requirements, tough working conditions and sales contract stages are considered. This complexity, being a general feature of the sector in which the activities are carried out, is an element to cause the design, development and production cost estimations and contract terms to go above their initial planned status. The deviations (inflation, exchange rate and interest) in the assumptions made during the contract term may change as a result of an increase or decrease in profits for the fixed price contracts.

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Global Economic Slowdown and Financial Crisis

Recession and crisis in global economy have an adverse impact on the economic activities of the countries and as a result may cause cut-backs in the defense budgets. This situation brings along the risks of decrease or cancellation in local or foreign customer requests, pressure of the customers regarding price and profitability, slowdown of investments with respect to the Company. Another impact of the global crisis is the increase of costs in connection with the vagueness caused by the fluctuation in financial markets. When the economic situation of Turkey is considered, it is anticipated that the possibility of the mentioned risks to be realized in the prospective period shall be low, yet the markets are still monitored very closely.

b. Financial Risk Management

In forming the financial risk management model of the Company, “Asset- Liability Management (ALM) Model” has been taken as the basis and foreign exchange risk, interest risk and liquidity risks have been defined as financial risks.

In the balance-sheet financial risk management, exchange risk, interest risk and liquidity risk which shall affect the assets and liabilities of the Company are defined, measured, managed and reported. Therefore, the adverse affects of the changes in financial markets on the Company’s financial performance are minimized. In order to minimize the risks, the derivative financial tools are also utilized.

Off-balance-sheet financial risks arise from the inconsistency of cash inflows and outflows on the basis of currency or the deviation of the cash flow dates. Pursuant to off-balance-sheet financial risk management, financial risk management techniques aimed at protecting the targeted profitability of the projects are used.

Financial risk management is also applied by the Company’s subsidiaries and affiliates pursuant to the policies approved by their own managing bodies.

(1) Foreign Exchange Risk and Management Policy

The main principle in foreign exchange management is to minimize the impact of the foreign exchange fluctuations by preventing foreign exchange short or long positions.

To define foreign exchange risks, taking the periodical foreign exchange position into consideration, loss and profits which would arise from upwards or downwards changes are calculated and the possible impacts of the foreign exchange risk incurred are measured. In this scope, the possible changes in foreign currency sensitive assets and liabilities for prospective financial periods are considered and the foreign currency position is estimated. The short foreign exchange position of the Company is monitored in balance sheet and off balance sheet. The Company finances its activities mainly with the advance payments received in foreign currency and the advances taken are subject to revaluation as they are denominated in foreign currency. Although substantial part of the advances taken is used in foreign currency denominated material purchases , monitoring the purchased material in terms of TL as they are recorded in the balance sheet causes the Company to be in short position. Such short position is structural as it is obligatory that the stocks and research and development costs are monitored in terms of TL and derivative tools out of cash portfolio are not used in its management.

During the periods when Turkish Lira devalues, net foreign exchange loss is incurred but the sales revenues and operating margin increase due to the reason that the 78,2% of the Company’s backlog is denominated in foreign currency. Therefore, the adverse impact of the net foreign exchange loss is balanced with the increase in the operating margin.

As of 31 December 2013, as per financial statements prepared according to the Turkish General Notification of Accounting System Application (TGNASA), the company has a short position of TL 1.112.855.063 (31 December 2012: 839.601.463 TL). 72% of the related position is USD (31 December 2012: 80%) and 28% of the balance is EURO (31 December 2012: 20%).

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The foreign exchange gain and loss noted in the financial statements are mainly comprised of the information indicated in the financial statements prepared in accordance with the TGNASA including the subsidiaries Mikes and AselsanNet which are subject to consolidation.

Foreign Exchange Sensitivity Analysis Table of the Company Prepared According to TGNASA

As of 31 December 2013		
Profit/Loss		
	Foreign currency gaining value	Foreign currency losing value
In the event USD changes by 10% against TL:		
1- USD Net Assets/Liabilities	(80.691.917)	80.691.917
In the event EURO changes by 10% against TL:		
2- Euro Net Assets/Liabilities	(31.356.086)	31.356.086

(2) Interest Risk and Management Policy

The interest risk is defined by using the difference between the assets sensitive to interest in a certain term and liabilities sensitive to interest (gap analysis) and such difference is calculated by the help of the maturity ladder of the balance sheet. In the scope of fund management, a sensitivity test is carried out to measure the interest risk of the interest sensitive assets in the portfolio.

As of 31 December 2013, the Company has a credit balance obtained from the Defence Industry Support Fund, for the first portion worth USD 40 Million with a grace period of 3 years, with a maturity of 5 years (18 August 2016) and with a fixed interest rate of 2,1% and for the second portion worth USD 25 Million with a grace period of 3 years, with maturity of 5 years (21 March 2018) and with a fixed interest rate of 2,1%, which sum up to USD 65 Million. No interest risks are deemed to exist. In order to finance the export, as of 31 December 2013 the Company has USD 60 Million loan balance obtained from Turkish Eximbank. The loans have a maturity of 240 days and they are indexed to LIBOR. Since LIBOR levels tend to remain low and Türk Eximbank demands 1% additional spread rate in order to Support export, the Company's sensitivity to floating rate loans is kept at minimum.

(3) Liquidity Risk and Management Policy

Liquidity Risk comprises the risks when the matured liabilities cannot be fulfilled, when the increase in assets cannot be funded and the risks which arise due to the transaction realized in non-liquid markets.

Liquidity risk is managed by considering short term liabilities, assets with high liquidity, anticipated cash flows and balance sheet maturity ladder. In this scope, sufficient level of cash and assets which may be convertible to cash is maintained, attention is paid that the Company finances its activities without using any loans and the resources of funding are varied by keeping the bank credit limits ready for any instant cash requirement. As of 31 December 2013, 58% of the total resources are comprised by the advance payments taken and when this is considered, the liquidity risk is at low levels as no maturity inconsistencies are experienced in the working capital management.

(4) Credit Risk and Management Policy

The substantial part of the Company's present credit balance are comprised by the performance bonds and advance payment guarantees (letter of guarantees) granted to the customers in scope of agreements and which are monitored off balance sheet. Within this scope to manage the credit limits at the banks, risk balances are monitored periodically and necessary transactions are done for the letter of guarantees related to the agreements of which the liabilities are fulfilled to be deducted from the risk.

(5) Capital Risk Management

In the capital management of the Company, enabling a debt-equity balance that would minimize the financial risks and costs to the lowest level is taken care of. The objective of the Company is to guarantee a consistent growth by means of the funds gained through its activities while providing its shareholders a regular dividend income and. The Company aims to keep its capital structure in balance by means of dividend payments as cash or in return for shares and issuance of new shares.

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9. Other issues not included in the financial statements but which would be beneficial to the users

As of 31 December 2013, the Company has a backlog of TL 8,3 Billion (approximately USD 3,7 Billion) and these orders include the period until 2020.

10. Significant events between 1 January - 31 December 2013 accounting period and the Board of Directors Meeting date when the relevant financial statements shall be negotiated

a) An agreement concerning the development of a radar valuing TL 32.975.000,- has been signed between ASELSAN and TÜBİTAK-SAGE. The deliveries within the context of this agreement will be made between 2014 and 2017. This disclosure is made according to the permission of TÜBİTAK-SAGE dated 02.01.2014.

b) An agreement concerning the supply of Laser Guidance Kits for the need of Turkish Air Force valuing TL 31.000.000,- has been signed between ASELSAN and Ministry of National Defense. This disclosure is made according to the permission of Ministry of National Defense that has arrived to our company on 06.01.2014.

c) An agreement concerning the supply of Precision Guidance Kits for the need of Turkish Air Force valuing TL 57.891.200,- has been signed between ASELSAN and Ministry of National Defense. This disclosure is made according to the permission of Ministry of National Defense that has arrived to our company on 06.01.2014.

d) ASELSAN has received an order from a foreign customer concerning electronic warfare systems valuing USD 26.070.132,-. The deliveries within this context will be made in 2014.

e) An agreement concerning ANKA-S Project/Payload Systems Sub-Contract valuing USD 33.576.675,- has been signed between ASELSAN and TUSAS on 22.01.2014. The deliveries within this context will be made in 2015-2018.

f) An agreement concerning General Utility Helicopter Program valuing USD 491.468.585,- has been signed between ASELSAN and TUSAS on 21.02.2014. The deliveries within this context will be made in 2018-2025.

11. Anticipations for the development of the company, significant developments with respect to company activities and financial status, to observe whether past period targets were reached or not, whether the general assembly resolutions were fulfilled or not, and in the event the targets were not reached and the resolutions were not fulfilled, information regarding the grounds and assessments

On 5 March 2013, the guidance on Group's financial results of 2013 shown below were disclosed to public:

- Consolidated income growth (TL): 15-17%
- EBITDA (Consolidated and adjusted): 18-20%
- Consolidated investment expenditure: Approximately TL 150 Million
- Ratio of the consolidated Research and Development (R&D) expenses financed by Company resources to the consolidated sales: 7%

The guidance is based on the year average of USD/TL parity to be 1,85; EUR/TL parity to be 2,33. In 2013, the average USD/TL parity was 1,91 and 2,53 for EUR/TL parity. The growth in consolidated income in line with this increase in exchange rates is 33% in 2013. EBITDA (Consolidated and adjusted) was 20%. Ratio of the consolidated Research and Development (R&D) expenses was 6%.

The expectations of Group on consolidated financial results for 2014 under normal circumstances are as follows:

- Consolidated income growth (TL): 15-17%
- EBITDA (Consolidated and adjusted):18-20%
- Consolidated investment expenses: Approximately TL 175 Million
- Ratio of the consolidated Research and Development (R&D) expenses financed by Company resources to the consolidated sales: At the level of %6

These expectations are based on the yearly average of USD/TL parity to be 2,20: EUR/TL parity to be 2,95.

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The Company's vision is "to become one of the first 50 defence industry companies in the World". 5 year strategic plans are prepared in the context of this vision. All operations are realized consistent with the strategic plan, in order to reach the defined targets. In this respect, qualified labor force, maturized procedures, resources reserved for R&D, infrastructure and organization and technology at World level have been maintained.

The Company has been in the most prestigious list, "Defense News Top 100", which is published by "Defense News" magazine since 7 years and is aimed to increase its ranking in the list.

In order to achieve the sustainable growth:

- The new facility investment continues in line with the plan in the field of Radar and Electronic Warfare in Golbasi, Ankara The facility is expected to become operational in 2014.
- Technology development and conversion investments have continued in Macunkoy facility with the new Printed Circuit Facility with a closed area of 6.587 m^2 where production started in 2012.
- The joint ventures, United Arab Emirates and Kazakhstan established in 2011 and joint venture in Jordan established in 2012, have completed most of their investments.
- The quality and technological perspectives of the cooperations formed with the universities have been increased.
- The efforts to form an eco-system with the sub-industry companies and SME's have continued.
- Since the entity is the biggest R&D center of the country, it is strategically important to have matured processes with technological depth and concentration. All Group Directorates have completed the certification process of Capability Maturity Model Integration-L3.
- The company aims to use its knowledge in civil areas other than defence industry. In this context, a cooperation contract was signed for domestic production of numerical tacograph. In addition, an R&D contract was signed for the base stations in the context of 4th generation communication technology with local opportunities.

With reference to the decisions taken on General Assembly Meeting held on March 29, 2013;

- The registered capital ceiling has been raised from TL 500.000.000 to TL 1.000.000.000.
- The profit distribution payments for 2012 period began on 31 May 2013.
- The amendment on 6th article regarding the upper limit of registered capital in the Company's Articles of Association's and amendments on articles 1., 3., 4., 5., 9., 11., 12., 13., 14., 15., 16., 17., 18., 19., 21., 23., 24., 25., 26., 27., 28., 29., 30., 31., 32., 33., 34., 35., 36., and 37 in order to comply with Turkish Commercial Code numbered 6102 and Capital Market Law numbered 6362, was registered on 4 April 2013 and announced on 9 April 2013 by the Ordinary General Assembly Meeting Decisions, and copies of the related Trade Registry Gazette was sent to CMB and the Ministry of Customs and Trade.

12. Corporate Governance Principles Compliance Report

The report is provided with Annex-1.

13. Research and Development Activities Realized

The Group, being a leading defense industry establishment developing advanced technology system solutions on land, air, naval and aerospace platforms, has given importance to R&D activities and technological gains and targets to spend approximately 6% of the annual turnover to its R&D activities financed with its own resources.

By monitoring all kinds of technological developments with respect to product/technology systems for land, air, naval and aerospace platforms, the design, development and production of product/technology which includes advanced technology on the basis of not only using the technology but also having a structure to transfer/sell the technology it develops in national and international cooperation environments.

In order to increase the national contribution share in the projects, great effort is being paid for utilizing the existing local technological possibilities. For this purpose, cooperations with universities and some R&D institutions are formed and using of local subcontractors and sub-industry have become significant.

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As for the projects carried out within the Group, the R&D discount in compliance with the provisions of the Law on Corporate Tax numbered 5520 and R&D central application pursuant to the Law regarding the support of R&D activities numbered 5746 are being implemented together. For the R&D projects which are not aimed for public, the approval of TEYDEB (Technology and Innovation Support Programs Directorate) is taken and they are supported by this institution. Within the Company, there are 4 R&D centers namely SST, REHİS, MGEO and HBT. MİKES, which is an affiliate subject to consolidation and which also has 1 R&D center. 2.293 people are employed at the Group R&D centers.

The Company also is active in Teknokent facility within Middle East Technical University in scope of the Law numbered 4691 on Technology Development Regions. 163 people are employed within this region.

14. Amendments to the Articles of Association during the period along with the grounds

The amendment on 6th article regarding the upper limit of registered capital in the Company's Articles of Association's and amendments on articles 1., 3., 4., 5., 9., 11., 12., 13., 14., 15., 16., 17., 18., 19., 21., 23., 24., 25., 26., 27., 28., 29., 30., 31., 32., 33., 34., 35., 36., and 37 in order to comply with Turkish Commercial Code numbered 6102 and Capital Market Law numbered 6362, was registered in the Trade Registry and noticed in the Turkish Trade Registry Gazette.

The increase of capital ceiling from TL 500.000.000 to TL 1.000.000.000 which is decided with the Board of Directors meeting on 31 October 2012 was approved on the general assembly meeting dated 29 March 2013 and registered and noticed with the general assembly decisions.

Between 1 January - 31 December 2013 period, no extraordinary General Assembly meeting was held.

15. The kinds of issued capital market instruments and their amounts, if any

None.

16. The sector the Company operates in and its position within the sector

The Company is a leading defense industry institution developing advanced technology system solutions in land, air, naval and aerospace platforms.

The Company being an institution of TAFF is in a position of a technology center in the fields of design, development, manufacturing, system integration, modernization and after sales services of military and civil communication systems, avionic systems, electronic warfare and intelligence systems, radar systems, command and control systems, naval warfare systems, electro-optic systems and products.

The Company has increased its rankings to 74th in 2012 from 76th in 2011 in the "Defense News Top 100" list. In addition Aselsan has increased its rankings to 85th in 2012 in the "SIPRI Top 100" List from 86th in 2011 in which the Company is the first Turkish firm that has taken place within 7 consecutive years.

The Company is 46th in ISO 500 from-production-to-sale list and 41st in the category of privately owned companies in 2012. Also, the Company became 63rd of "Fortune 500 Turkey" list where it was 69th in 2011 and 33rd in "The Companies to Increase their Exports the Most" 76th of "Capital 500 Turkey" list in 2012 rankings where is was 79th in 2011.

The Company is in the first position in the ranking of Deloitte "Deloitte Technology Fast: 50 Turkey-Big Stars".

The Company became 128th in 2012 from 527th in 2011 in Turkish Exporters Council's "First 1000 Exporter Firms".

The Company took the first ranking in "R&D 250 Research" in 2012 which is prepared by Turkish Time on the basis of annual R&D expenditures where it was 4th in 2011.

The Company became the second in "2013 Defense Industry Awards", organized by Undersecretary of Defense Industry, based on the financial and performance results.

The company is 37th in 2012, Brand-Finance "published by the Turkey's Most Valuable Brands - 100 Company" list. In addition, Company has achieved to take a place in "Turkey 159 Super Brand" ranking published by British-based brand assessment firm Superbrands. The Company took the first ranking in "Electronic Machinery and Technology Sectors-2012 Most Successful Exporters- Other Durable Consumption Goods Category" which is organized by İstanbul Electronic Machinery and Technology Exporters Association.

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The Company is 11th in the research of Bloomberg Businessweek Turkey and Realta Consultancy amongst 96 Universities: "Most Anticipated 50 Companies.

The Company took the 3rd ranking in "Engineering and Information Technologies" branch of the analysis of Universum research company "Turkey's Ideal Employees: 2013" prepared among 7.835 university students for the first 100 companies.

17. Progress in investments and degree of incentive utilization if any

Progress in Investments

Directing the Company resources to profitable fields with high added value where advanced technology is used is anticipated in the first place by considering the global tendencies, technological developments and the actual and prospective requirements of all customers in particular the Turkish Armed Forces. The investments in the Company are realized by considering the technological plans, strategic plans and project requirements. Below are the leading investments in scope of these:

- A new facility investment is being made in the field of Radar and Electronic Warfare in Ankara province, Gölbaşı district. The construction works continue pursuant to the project plan and the activities are planned to be initiated in the second half of the year 2014. Upon the realization of this investment in scope of a structural growth, the product range of engineering, production, test and logistics support services in the field of Radar and Electronic Warfare shall be extended.
- Investments to meet the infrastructure and equipment requirements to be used with the R&D projects within the year are being carried out in compliance with the investment plan prepared pursuant to the efficient resource utilization principle.
- A land investment was made in Temelli organized industrial site in order to facilitate our production operations in progress.

Degree of incentive utilization if any

The 1501 Industrial R&D Projects Support Programme has been formed in order to encourage the R&D operations of the companies creating added values at company level and to contribute to the enhancement of the R&D ability of the Turkish industry by this means. Within this scope, applications were filed to The Scientific and Technological Research Council of Turkey (TÜBİTAK) for 95 projects and 84 of the projects found appropriate for the incentive benefited from the allocated incentive amount.

5 new projects within the scope of 1511-Prioritized fields research Technologies development and innovation program were signed in 2013 and started being executed.

The 1007 Public Institutions R&D Project Support Program has been formed in order to meet the requirements of the Public Institutions with R&D or to support the projects aimed at solving their problems. In scope of this support, 5 R&D projects have been completed and 4 R&D projects are still ongoing.

Within the scope of the European Commission 7th Cooperation Framework Programs, 2 integration projects were executed and went into effect in 2011 and 1 project which was initiated in 2008 was completed in June 2012 with success. In the "Circulation of the Researchers, Return Grants; Individual Support Private Programme" within the scope of the European Commission 7th Cooperation Framework Programmes, incentive applications for 4 projects were accepted and implied in the years 2010 and 2011. The support process of the 3 projects have been initiated as of July 2010 by EUREKA-International Industrial R&D Projects Support Program where market oriented projects for developing products and processes to be commercialized in short term are supported. Within the financial support mechanism for the European Commission nominee and potential nominee countries, namely IPA - Instrument for Pre-accession Assistance, 1 out of 2 border security projects was executed at the end of 2010 and the other was executed in March 2012 and came into effect.

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22 projects were executed in the year 2011, 2012, 2013 and came into effect within the SAN-TEZ R&D support programme aimed at supporting the postgraduate and/or doctorate thesis works which shall contribute to increasing the competitiveness in international markets by means of commercializing the scientific studies at the universities and institutionalizing the University - Industry cooperation.

Expenses regarding the foreign market research travels realized with respect to the products and the foreign office expenses are used up by the rate and amount of subsidies implemented within the scope of Governmental Grants for Export.

Within the Decision Regarding the Governmental Grant in Investments, there are 4 Investment Incentive Certificates taken from the Turkish Republic Prime Ministry Undersecretariat for Treasury General Directorate of Incentives and Implementation. With such incentive certificates, VAT exemption and customs tax exclusion are utilized. VAT exemption is applied in domestic and foreign purchases and customs tax exemption is used in foreign purchases.

Income tax withholding incentive, insurance premium support, stamp tax exemption and R&D discount are utilized within the scope of the Law numbered 5746. Income tax withholding incentive, insurance premium support and stamp tax exemption is utilized by being calculated over the salaries of the R&D personnel and not being paid to the relevant institution and the R&D discount is utilized by means of applying a discount on the corporate tax return.

Within the scope of the Teknokent Law numbered 4691, incentive on witholding income tax, insurance premium support and stamptax exception is applied. These are utilized by making calculations on R&D and software personnel wages and not being paid to the related institution. The gain obtained with reference to the execution of Technology Development Zones Law numbered 4691 is exempted from the corporate tax of 31 December 2013.

18. Comments including the qualities of the production units of the company along with the capacity utilization rates and their developments, general capacity utilization rate, developments in the manufacturing of the products and services which are subjects of activity, amounts, quality, circulation and the prices compared with the previous period figures

The capacity utilization for the period between 1 January- 31 December 2013 was realized at the level of 97%.

Substantial part of the production is realized as order based production. R&D activities are carried out for the products designed to be tailored for the customer requirements and the qualities of the system and products alone with their quantities and prices may be subject to change. Upon the usage of Enterprise Resource Planning (ERP) system, the production processes have been managed more efficiently.

19. The prices, sales revenues, sales conditions of the products and services which are subjects of activity with their improvements within the year, developments in the yield and productivity parameters and the reasons of the substantial changes in these compared to the previous years

The Company carries out its operations in the basic fields of: “Communication and Information Technologies”, “Defense System Technologies”, “Radar, Electronic Warfare and Intelligence Systems” and “Microelectronics Guidance and Electro-Optics.”

The Company’s project revenues comprise, according to the relevant sales agreement terms and conditions, order based production, mass production product sales, services, commodities and progress billing sales. Sales terms and conditions are subject to change as for the respective agreements.

As for the consolidated amount of the Group realized during the period 1 January-31 December 2013 TL 1.773 Million of this realized as the domestic sales and TL 398 Million as it realized as the foreign sales.

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20. The basic ratios regarding profitability and liabilities, as calculated on the basis of the financial statements, sales, efficiency, income generation capacity, profitability and liabilities/equity ratios in comparative basis with prior period and information about other matters and future expectations and risks that has been prepared in accordance with Capital Markets Board Communiqué Series:II and No:14.1

BASIC RATIOS / CONSOLIDATED BALANCE SHEET	31 December 2013	31 December 2012
Current Ratio (Current Assets/Current Liabilities)	2,19	2,50
Liquidity Ratio (Cash and Cash Equivalents+Financial Investments+Trade Receivables+Other Receivables /Current Liabilities)	1,01	1,18
Equity /Total Liabilities	0,40	0,38
Current Liabilities/Total Liabilities	0,23	0,23
Non-Current Liabilities/Total Liabilities	0,36	0,39

BASIC RATIOS / CONSOLIDATED PROFIT TABLE	31 December 2013	31 December 2012
Operating Profit/ Revenue	0,26	0,24
Profit for the Period (Parent Company Shares) / Revenue	0,11	0,19

As of 31 December 2013, based on Group's financial statements prepared in accordance with the Communiqué Series II, No:14.1 "Communiqué on Capital Market Financial Reporting Standards" issued by Capital Market Board, the net sales amount has increased 33% compared to the same period of prior year. The profit for period amounts to TL 238,5 Million, with a decrease of 22%. Equity has increased by 27% compared to December 2012. The liabilities of the Group are mainly consist of the short and long term order advances received. The Group's liquidity ratio is above the acceptable levels.

21. Measures planned to be taken to improve the financial structure of the Company

The Group and the Company, as for their annual budgets and implementations for the period 2012 - 2014, have adopted the principles as the basis to take care of savings in all kinds expenditures, to closely follow up the advances and receivables, to pay attention to the proportion of the term and currency in purchasing and sales agreements with the risk status of the domestic/foreign sellers.

USD 40 Million portion of the credit line allocated to the Company with the decision of Defense Industry Executive Committee in order to finance the Gölbaşı investment was used in the third quarter of 2011 while USD 25 Million of the second portion amounting to USD 47 Million was used in March 2013 and USD 22 Million is planned to be used in 2014.

22. Changes in the top management within the period and the names and surnames of the ones who are on duty

Changes in the top management within the period 1 January-31 December 2013 and information regarding the ones on duty are given in the below table:

LIST OF UPPER MANAGEMENT IN SERVICE

No	Name Surname	Duty	Date of Appointment
1	Necmettin BAYKUL	Chairman/Managing Member	29 March 2013
2	Erhan AKPORAY	Vice Chairman / Managing Member	31 March 2011
3	Cumhur Sait Şahin TULGA	Member of the Board of Directors	29 March 2013
4	Lamia Zeynep ONAY	Member of the Board of Directors	29 March 2013
5	Halil SARIASLAN	Member of the Board of Directors	29 March 2013
6	Hasan CANPOLAT	Member of the Board of Directors	16 May 2013
7	Orhan AYDIN	Member of the Board of Directors	16 May 2013
8	Mustafa Murat ŞEKER	Member of the Board of Directors	16 May 2013
9	Murat ÜÇÜNCÜ	Member of the Board of Directors	16 May 2013
10	Cengiz ERGENEMAN	CEO/President	02 January 2006
11	Ahmet DEMİR	CFO/Vice President	01 February 2005
12	Özcan KAHRAMANGİL	Division CEO/Vice President	05 January 2006
13	Faik EKEN	Division CEO/Vice President	21 January 2006
14	Fuat AKÇAYÖZ	Division CEO/Vice President	01 February 2006
15	Ergun BORA	Division CEO/Vice President	01 January 2008

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23. Total amounts of the financial benefits such as attendance fee, remuneration, premium, bonus payments, share profit provided to the managing members and senior executives

The total amount of the remuneration and similar benefits paid to the senior executives by the Company as for the period 31 December 2013 is TL 4.555.169 (31 December 2012: TL 4.356.770). A monthly payment of net TL 2.200 is made to the Member of the Board of Directors and Managing Members.

24. Information regarding the allowances granted to the managing members and the senior executives with the travel, accommodation and representation expenses and financial benefits in kind, insurances and total amounts of the similar guarantees

Information regarding the domestic and foreign allowances, travel, accommodation and representation expenses and financial benefits in kind and total amounts of insurances granted to the senior executives and members of the board of directors of the Company for the year 2012 and 2013 are summarized as follows:

Travel and Entertainment Expenses

	January-December 2013 (TL)		January-December 2012 (TL)	
	Members of the Board of Directors	Senior Executives	Members of the Board of Directors	Senior Executives
Travel Expenses	65.655	330.015	24.634	280.913
Entertainment Expenses	-	13.554	-	1.663
TOTAL	**65.655**	**343.569**	**24.634**	**282.576**

Health Insurance Expenses

	January-December 2013 (TL)	January-December 2012 (TL)
Senior Executives-Members of the Board of Directors	959	1.284
Senior Executives	11.088	11.648 (*)
TOTAL	**12.047**	**12.932**

(*) The expenses of 2012 included the annual health insurance payments made for the audit committee members. However, the aforementioned health insurance expenses exist only for the first three months of 2013, since the audit committee members services have ended as of the regular General Assembly held on 29 March 2013.

25. Personnel and workers turnover, collective agreement implementations, rights and benefits provided to the personnel and workers

The Group recruited a total number of 333 people (119 personnel with fixed term contract) as the personnel including fixed-term contracted personnel, disabled and terror-stricken personnel during the period 1 January - 31 December 2013 and the number of people quit for the same period is 200 (28 personnel with fixed-term contracted).

The rights and benefits provided to the personnel by the Company are bonus payments, meal allowances, marriage benefits, maternity benefits, death allowances, transportation, private health insurance, childcare and kindergarten benefits.

The average number of personnel employed by the Group as of 31 December 2013 is 5.343 (The average number of personnel employed by the Group as of 31 December 2012: 5.088).

There is no collective bargaining agreement in the Company.

26. Information regarding the donations realized within the year and social responsibility

There is no donation made by the Group between the period 1 January- 31 December 2013.

In May 2013, Republic of Turkey Ministry of Health, Public Health Agency of Turkey Institution had given the Company a plaquet named “Baby Friendly Workplace” because of fulfilling the criteria for the promotion of breastfeeding. In addition, a tree has been planted for each personnel recruited since the beginning of 2013 and it is planned to continue.

27. The Existence of Organizations outside the Center

- Branch in Republic of South Africa; Pretoria
- Office in United Arab Emirates; Abu Dhabi

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28. Information regarding the shares of the companies subject to consolidation in the parent company

There is no cross ownership relation between the companies subject to consolidation (MİKES and AselsanNet) and the Company.

29. As for the preparation process of the consolidated financial statements; comments with respect to the principal factors of the internal audit, internal control and risk management systems of the Group and opinion of the managing body

The controls are carried out by the Internal Audit and Assessment Board (IAAB), Audit Committee and members of the Board of Auditors within the parent company in order to minimize the substantial error risk on the financial statements of the Group. IAAB and Audit Committee carry out their duties independent from each other but within the direction of common objectives and targets by subject to maintain an internal control system which provides required controls in matters such as the reliability of the financial reporting system, the efficiency of the activities in order to eliminate the operational risks and compliance with the law. Furthermore, the efficiency and sufficiency of the internal control are supported with the directives in effect.

In order to determine the potential risks which may affect the Company and to govern them, the Committee for Early Determination and Management of Risks operates. The committee meets on a periodical basis and reports in every two months to the Board of Directors. The report is also shared with the independent audit firm.

30. Direct and indirect affiliates of the Company and information regarding the share ratios

Aselsan is the 96,37% owner of the Mikes and 100% owner of the AselsanNet and these companies are consolidated in financial tables.

The affiliated partnerships, subsidiaries subject to joint management and affiliates of the Group recorded as financial investments with their participation ratios and amounts are as follows:

Company Name	Share (%)	31 December 2013 (TL)
Aselsan Baku	100	3.059.234
Roketsan A.Ş.	14,897	5.141.213
Mikroelektronik Ar-Ge Tasarım ve Ticaret Ltd. Şti.	85	624.714
Aspilsan A.Ş.	1	147.462
Havaalanı İşletme ve Havacılık End. A.Ş.	0,051	86.953
Kazakhstan Aselsan Engineering LLP	49	388.023
IGG Aselsan Integrated Systems LLC	49	42.837
Aselsan Middle East PSC LTD	49	3.233.774
TOTAL		**12.724.210**

The above mentioned investments of the shares valuing TL 12.724.210 are ready to be sold and which do not have quoted market value and of which the realistic value cannot be reliably estimated due to the reason that the estimated value ranges are wide and that the probabilities related to the estimated values cannot be measured reliably and which are not traded in the stock exchange.

31. Information regarding the Company's own shares acquired by itself

No such event has occurred within the activity period.

32. Comments with respect to the private audit and governmental audit realized within the activity period

"Risk Analysis Investigations" for the year 2010 was performed by tax inspection board of Finance Ministry and "Import and Export Transactions" investigation for the period between 2011-2013 was performed by Ministry of Customs and Trade in Company's affiliate Mikes.

No private or governmental audit was realized at Aselsan and AselsanNet.

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33. Information regarding the lawsuits filed against the Company which would have an impact on the financial status and activities of the Group and their probable outcomes

The lawsuits and execution proceedings filed by or against the Group as of 31 December 2013 are summarized below:

	Description	31 December 2013 (TL)
a)	Ongoing lawsuits filed by the Group	3.757.739
b)	Execution proceedings carried on by the Group	5.048.050
c)	All types of ongoing lawsuits filed against the Group	445.573
d)	Lawsuits finalized in favor of the Group within the period	1.019.456
e)	Lawsuits finalized against the Group within the period	430.231

34. Comments with respect to the administrative and judicial sanctions applied to the Company and the managing members due to the acts contrary to the legislation provisions

No penalties with substantial amounts were paid by the Group within the activity period.

35. If it is an affiliate company, the legal transactions carried out in favor of the parent company or its affiliate with the parent company, with an affiliate company connected to the parent company with the direction of the parent company and all other measures taken or avoided to be taken in favor of the parent company or its affiliate in the previous activity year

No such event occurred within the period.

36. If it is an affiliate company, whether any counter performance was realized for each legal transaction according to the known status and conditions at the time the legal transaction mentioned in article 33 was realized or at the time the measures were taken or avoided to be taken and whether the company incurred losses due to the taken or avoided measure and if the company incurred losses to observe whether this was equalized or not

No such event occurred within the activity period.

37. The determination and management assessment with respect to the Company's unpaid capital or whether the Company is deeply in debt

No such event occurred within the activity period.

38. The status of owning directly or indirectly five, ten, twenty, twenty five, thirty three, fifty, sixty seven or one hundred percent of the shares representing the capital of an equity company or in the event that the proportions go below these percentages and ground for this

No such event occurred within the activity period.

39. Related Party Transactions

Detailed table is disclosed in Note 4 under Consolidated Financial Statements of 31 December 2013.

ANNEX-1 Corporate Governance Principles Compliance Report

1. STATEMENT FOR COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

ASELSAN, in scope of the Corporate Governance Principles which has been implemented by Capital Markets Board (CMB) since 2003, has been making efforts to work in compliance with the principles under the titles shareholders, public disclosure and transparency, stakeholders and Board of Directors.

ASELSAN, adopting the corporate governance understanding as a principle, was rated with a grade of 87,73 (8,77) as the result of the Corporate Rating Studies realized by SAHA Corporate Governance and Credit Rating Services Inc (SAHA) in 2012 and therefore was included in the Borsa Istanbul Corporate Governance Index. As a result of the efforts carried out through 2013 in order to improve the compliance with corporate governance principles to the maximum level; according to the report of SAHA which was published on 13.12.2013, ASELSAN's corporate governance rating grade was updated to 9,07 out of 10 points.

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Corporate governance rating grade shows to what extent the companies comply with the corporate governance principles set out by the CMB and the Company's compliance level with the principles is defined with a methodology measuring under the main titles Shareholders, Public Disclosure and Transparency, Stakeholders and Board of Directors.

ASELSAN, being considered as a relatively closed Company by the capital market participants due to the defense sector which it is active in, increased its grade on Public Disclosure and Transparency to 99,19, which was 93,47 in 2012. The importance given to provide timely and accurate information to the investors and stakeholders by ASELSAN with respect to transparency and public disclosure shall continue as it is.

Main Titles	Score (%)	Weight
Shareholders	0,25	80,90
Public Disclosure and Transparency	0,25	99,19
Stakeholders	0,15	94,85
Board of Directors	0,35	89,87
Total	**1,00**	**90,71**
Company Score	**9,07**	

ASELSAN Corporate Governance Ranking Report published by SAHA can be accessed at the company website: www.aselsan.com

SAHA, has revised the 2013 corporate governance ratings of all its customers on 03.03.2014, regarding the resolution of Capital Market Board's meeting numbered 4/105 held on 01.02.2014. Our company's corporate governance rating grades announced on 13.12.2013 have been updated for every subtitle within the context of the CMB's regulations without making any change for the weights used in scoring.

As per the new methodology, in case the company fulfills all the compulsory requirements of a principle, the maximum rate it can achieve shall be 85 over 100, and according to the additional good corporate governance practices regarding the related principles, the rate shall be converged to the maximum rating, 100. Within this context, ASELSAN's corporate governance rating grades are updated as given below.

Main Titles	Weight	Score (%)
Shareholders	0,25	82,70
Public Disclosure And Transparency	0,25	85,30
Stakeholders	0,15	94,80
Board of Directors	0,35	84,34
Total	**1,00**	**85,74**
Company Score	**8,57**	

The compliance with all the compulsory principles of Corporate Governance Principles was achieved. The titles regarding the arbitrary principles where compliance has not been achieved yet are given below and are explained in detail through the Compliance Report.

- Non-existence of a judgment in the Articles of Association; declaring that shareholders may individually demand the investigation of certain incidents from the General Assembly even if it is not on the meeting agenda, under the condition that the right to ask for information and investigation has been used before and if the appliance of shareholders rights is necessary,
- Non-existence of an article in the Articles of Association regarding the General Assembly meetings to be held as open to public including media and shareholders without the right to speak,
- No recognition of minority rights to those who own less than twentieth of the capital indicated in the Articles of Association,
- Non-existence of models supporting the participation of stakeholders, mainly the company personnel to the management of the company without interfering with the company's operations.

Corporate Governance Committee will carry on the necessary efforts in order to achieve full compliance with Corporate Governance Principles.

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Cumhur Sait Şahin TULGA
Independent Member of Board of Directors
Corporate Governance Committee Chairman

Erhan AKPORAY
Vice Chairman of Board of Directors
Member of Corporate Governance Committee

Hasan CANPOLAT
Member of Board of Directors
Member of Corporate Governance Committee

Orhan AYDIN
Member of Board of Directors
Member of Corporate Governance Committee

Mustafa Murat ŞEKER
Member of Board of Directors
Member of Corporate Governance Committee

Murat ÜÇÜNCÜ
Member of Board of Directors
Member of Corporate Governance Committee

PART I -SHAREHOLDERS

2. Relations with Shareholders Department

The information regarding Investor Relations and Subsidiaries Department responsible for the relations with shareholders is given below.

Ahmet DEMİR	Chief Financial Officer / Vice President
Aykan ÜRETEN	Finance Director
Pınar ÇELEBİ	Manager of Investor Relations and Subsidiaries Department
Bâni Betül GÖKÇE	Investor Relations and Subsidiaries Department/Senior Expert
Başak YÜCEKAYALI	Investor Relations and Subsidiaries Department/Expert

Contact information

Phone: (312) 592 12 33 - 42 - 45 - 70
e-mail: ortaklar_servisi@aselsan.com.tr

Main operations carried out by Investor Relations Department during 2013 are as follows:

- Maintenance of exercise of partnership rights of shareholders, updated and safe records regarding shareholders,
- Coordination of public disclosure of material events,
- Answering the written inquiries of shareholders regarding the company excluding the information considered as private and trade secret not disclosed to public,

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- Ensurance of execution of General Assembly meeting in compliance with the regulation in force, Articles of Association and other company regulations, records being kept regarding the ballots and the results being reported to shareholders,
- Monitoring of every issue regarding the public disclosure including the regulations and company policies on information,
- Execution of tasks assigned by Corporate Governance Board,
- Operation of transactions regarding capital increase, profit distribution, amendments on Articles of Association and works of Corporate Governance Principles,
- Coordination of updating the list of people who have access to insider information; informing those people in purpose of protecting the insider information and obeying the privacy rules until financial and operational results are disclosed to public,
- Coordination of preparation and publishment of Sustainability Report.

The information and explanations which may affect the exercise of shareholders rights are provided in the company website.

3. Exercising of Information Acquisition Rights of the Shareholders

Investor Relations Department has taken care of every written and verbal inquiry of all shareholders, particularly of Turkish Armed Forces Foundation, in 2013 with most accurate and fastest way. It is paid attention to respond to all the information demands of shareholders with complete and comprehensible responses.

Investor Relations Department has been using the English website www.aselsan.com and Turkish website www.aselsan.com.tr actively in order to inform the ASELSAN's investors on a timely and accurate basis and has been updating the information given on the web constantly. Full compliance of both Turkish and English chapters on "Investor Relations" on the website with the regulations was achieved.

Within the context of regulations of Capital Market Board, in 2013;

- General Assembly documents were published on the website in Turkish and English within legal deadlines,
- General Assembly minutes and participants list were published on the website in Turkish and English,
- 2012 Annual Report was uploaded to the website in Turkish and English.
- The investor presentations which are updated every 3 months were published on the website in Turkish and English,
- Disclosures of material events made in 2013 were published on the website in Turkish and English and the announcements began to be published on the website in Turkish and English simultaneously after March 2013,
- "Analyst Coverage" page was updated,
- Corrections were made on "Capital Increases" page,
- The missing content in "Dividend Info" page was completed,
- "Compensation Policy" was added to "Policies" page,
- "Investor Presentations" page was published,
- ASELSAN Sustainability Report was published on the website in Turkish and English.

Due to the reason that a regulation is present within the Turkish Code of Commerce (TCC) numbered 6102 according to which the shareholders will be able to request from the General Assembly the assignment of a private auditor for the inspection and disclosure of the financial status of the shareholders and due to the reason that the law and the relevant legislation are considered for the issues not present in the Articles of Association of the Company, there is no respective provision with regard to this issue in the Articles of Association. There was no request of any shareholders with respect to the assignment of a private auditor in 2013.

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4. General Assembly Meetings

The agenda and invitation related to the 38th Ordinary General Assembly Meeting dated 29.03.2012 with regard to 2012 operations realized at the Company headquarters were duly announced comprising all the necessary information in the Turkish Trade Registry Gazette dated 07.03.2013 along with five daily newspapers in Turkey. Furthermore the invitation was sent to the main shareholders and the shareholders attended to the previous meeting by post two weeks before the General Assembly. The General Assembly was held with the attendance of 106 shareholders, 19 physically, 87 electronically representing 45.015.835.266 shares (450.158.352,66 nominal) of 50.000.000.000 total shares. Media members did not participate in the General Assembly Meeting which was held for the first time simultaneously both physically and electronically.

In scope of the Communiqué related to the Determination and Implementation of the Corporate Governance Principles of the CMB, Serial: IV, No:56, three weeks before the Ordinary General Assembly on date 07.03.2013, the Ordinary General Assembly Meeting agenda, place, time, copy of the power of attorney, total number of shares as of 07.03.2013 and the voting rights, the number of shares representing the privileged shares and their voting rights, the reasons for the changes by the election of the members of Board of Directors, which is present in the agenda, the decision of the Board of Directors related to the amendment to the Articles of Association, the old and new versions of the Articles of Association with the approvals of the CMB and the Ministry of Customs and Trade, the list of independent members of the Board of Directors, the proposal of the Board of Directors with respect to the 2012 year profit distribution, the CV's of the independent members of the Board of Directors and their statements of independence were published on our Company website. The annual report was made available for the review of the shareholders at the headquarters 15 days before the General Assembly and handed to the shareholders to participate in the General Assembly and to the ones who made requests.

For the facilitation of physical attendance to General Assembly Meeting in 2013, transportation from central spots to our Company head office was provided for our shareholders, and our shareholders who attended the General Assembly had a site visit.

In the Ordinary General Assembly Meeting in 2013, the shareholders were informed regarding the presence of managing members, all the Board of Directors members and auditors at the meeting. No proposals were set forth by the shareholders during the meeting regarding the agenda. The shareholders exercised their rights to ask questions regarding the topics in the agenda and the answers to the questions took place in the General Assembly Meeting minutes. The minutes of the General Assembly Meeting held in 2013 can be reached from the website of the Company.

In connection with article 1.3.7 of the Communiqué No:56 Serial: IV, a topic was added to the agenda of the Ordinary General Assembly in 2013 and in this scope information was provided to the Board of Directors stating that there was no authorization granted to the ruling shareholders with regard to the Company Management, Members of the Board of Directors, senior executives and to their spouses and relatives up to second degree and kins by marriage for them to perform acts which would cause conflict of interest with the Company or its subsidiaries, or to compete.

No Extraordinary General Assembly Meeting was held during the year 2013.

The shareholders were informed regarding the amount of donations and aids made in 2012 and the beneficiaries with a separate agenda item. The policy regarding the donations and aids formed in 2013 was submitted to the shareholders in the general assembly meeting in the agenda; a decision was made regarding the upper limit of donations and aids to be made in 2013 and the donation and aid limit was designated as 5 of thousandth (TL 146.000) of net income of consolidated financial statements prepared according to CMB regulations to be valid until general assembly meeting of the Company and group companies that will be held in 2014.

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5. Right to Vote and Minority Rights

In article 25 of the Articles of Association titled “Right to Vote”, there is a provision stating that “the Shareholders and their representatives who are present at the Ordinary and Extraordinary General Assemblies shall have one right to vote for each share” and there is no privilege or no upper limit pertaining to the numbers of votes. The right to vote arises as soon as the share is acquired and there is no regulation setting forth that the vote shall be used when a certain time passes after the acquisition date of the share.

The regulations regarding the voting of the shareholders through their representatives are followed by; in the event of a legal representation, it is certified and the open proxy rule is applied. In the General Assembly in 2013, the amendment to the Articles of Association regarding the Electronic General Assembly was approved.

Particular attention is paid in exercising the minority rights in our Company and the provisions of Turkish Code of Commerce and the relevant legislation regarding minority rights are applied as is. All shareholders are treated equally in our Company, including the minority and foreign shareholders.

There are no prevailing partners in our Company. In the Articles of Association, there is no provision with respect to the representation of the minority shares in the management and their accumulated casting of votes. Due to the voluntary implementation of this issue regarding the capital market legislation, provision with respect to the current General Assembly quorum is applied.

6. Dividend Rights

There is no privilege with respect to the participation in the profit gained by the Company. The profit distribution policy was revised in 2013 and was submitted to General Assembly meeting. The profit distribution policy published on our website is given below.

“The dividend amounts which shall be calculated considering the sustainable growth rate, market values and cash flows, the company equity, with the relevant legislation and the provisions of the articles of association over the distributable profit amount calculated taking the period profit as the basis which is shown on the financial statements of our Company prepared pursuant to the existing legal regulations (after the compulsory legal reserves are reserved and the taxes, funds and financial liabilities and losses of the previous year, if any, are deducted and the donations are added), The profit distribution proposal which shall be prepared by the Board of Directors in order for the shares which shall be issued by means of adding the cash or the dividend on the capital on the date(s) determined pursuant to the regulations of the Capital Markets Board to be distributed in cash in the defined amounts or as bonus shares or bonus shares in defined amounts, shall be submitted to the approval of the General Assembly. Following the approval of the General Assembly, the determined profit share distribution amounts are distributed to the shareholders within the legal periods on the date determined by the General Assembly.

There is no privilege to participate to the profit of our Company. The profit shares are distributed equally regardless of all the existing shares and their issue and acquiring dates.”

As per the decision taken in the General Assembly pursuant to the provisions of the Articles of Association and to the Capital Market Law and other legal regulations in 2013 and within the legal periods, out of the profit gained from 2012 operations, the gross amount of TL 78.500.000 (TL 0,157 per TL 1 of share, gross 15,7% over the capital) (net TL 66.725.000- TL 0,13345 per TL 1 of share, net 13,345% over the capital) was distributed to our shareholders as cash dividend.

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7. Transfer of Shares

The transfer of the nominated Group A shares representing majority part of the capital and which are not traded in Borsa Istanbul has been restricted with the provision of article 6 of the Articles of Association stating “Group A shares shall not be sold or transferred without the consent of the Board of Directors; in the event that these shares are transferred or sold to third parties partially or completely without the consent of the Board of Directors, the Board of Directors is entitled to abstain from recording this sale in the records without stating a reason”. However, in 2013, the amendment of the related Article 6th in the following respect “Group A shares shall not be sold or transferred without the consent of the Board of Directors because of the Company’s operations in security and defence industry; in the event that these shares are transferred or sold to third parties partially or completely without the consent of the Board of Directors, the Board of Directors is entitled to abstain from recording this sale in the records” will be submitted to the shareholders’ approval in General Assembly meeting for which the permissions were attained from Capital Markets Board and Ministry of Customs and Trade.

PART II - PUBLIC DISCLOSURE AND TRANSPARENCY

8. Disclosure Policy

The Disclosure Policy of our company was revised in accordance with the Communiqué on Material Events numbered II-15.1 and will be submitted to the shareholders’ information in the General Assembly meeting in 2014. The Disclosure Policy of our company is published in the Annual Report of 2013.

In our Disclosure Policy;

- Carrying the relations with capital market participators and following the capital market regulations,
- Exercise of shareholders’ right and meeting the information demands of investors and shareholders,
- Regulations related to General Assembly Meetings,
- Information flow including the website

and the coordination of related matters are indicated.

Board of Directors is responsible from forming the Disclosure Policy, its follow-up, evaluation and development. Corporate Governance Committee informs and proposes to Board of Directors on issues regarding Disclosure Policy.

Any question or explanation can be made regarding ASELSAN by:

- Chairman and Members of Board of Directors
- CEO
- Vice CEO

either verbally or in written form. Personnel other than indicated here are not authorized to answer any written or verbal inquiry demand received from capital market participators. Received information demands are forwarded to Investors Relations and Subsidiaries Department.

The information to be disclosed to the public is submitted in a timely, accurate, complete, comprehensible and interpretable manner, easily accessible with low costs and equally and in a manner to support the beneficiaries to make decisions.

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Investor Relations Department personnel have been assigned to pursue and monitor all kinds of issues related to public disclosure. Capital market participators such as investors and financial analysts are directed to this department. Meetings with the capital markets participants are seen as a significant part of developing investor relations for our Company. However, no new information is provided in these meetings but only already disclosed information is updated and ASELSAN does not disclose any insider information which shall affect the value of ASELSAN shares and the decision of the investors and which have not yet been disclosed to the public. The reports and presentations shared with a certain group of investors are also published on the website along with a material event disclosure. In compliance with the transparency principle, accounting policies and activity results are also disclosed to the public in a realistic manner.

Pursuant to the CMB regulations, 43 material event disclosures were made within 2013 via Public Disclosure Platform. These are made available on our website as well. There were no additional explanation requests by the CMB or by Borsa Istanbul within the year.

During 2014, the disclosures regarding financial statements -except notes- will be declared in English simultaneously with the Turkish version in Public Disclosure Platform. Explanations in English will be prepared in summary in accordance with the Turkish explanation in a precise, direct and comprehensible manner.

Pursuant to the Disclosure Policy of our Company, prospective expectations are also disclosed to the public. Within this context, our expectations for the 2013 consolidated financial results were disclosed on 05.03.2013 and the management evaluation regarding the realization of our expectations are included in article 9 of the Board of Directors Annual Report.

Disclosure of the “People who have Access to Insider Information” to the Public

The list of people who have access to insider information which has been prepared in accordance with CMB regulations since 2004 was reviewed in accordance with the Communiqué on Material Events dated 23.01.2014 numbered II-15.1 and it has been followed by being loaded to the system of Central Registry Agency.

9. Company Website and its Content

In order to inform our shareholders in a timely and accurate manner within the context of public disclosure and transparency; the website of the Company at the address www.aselsan.com.tr in Turkish and www.aselsan.com in English is actively used and the information published on the web are updated regularly. In 2013, full compliance acquired to related regulations and judgments under “Investor Relations” section in both the Turkish and English versions of our Company’s website.

The section “Investor Relations” is included on our website also comprising the issues listed in article 2.2 of the Communiqué Regarding Determination and Implementation of Corporate Governance Principles issued by the CMB, Serial: IV, No: 56 which also includes the judgments noted in 2.1.1. numbered governance principle of Corporate Governance Communiqué numbered II-17.1 issued on 03.01.2014.

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Under "Investor Relations" section;

1. Corporate Governance
    - 1.1 Shareholder Structure
    - 1.2 Board of Directors
    - 1.3 Board Committees
    - 1.4 Articles of Association
    - 1.5 Company Profile
    - 1.6 Policies
    - 1.7 Ethical Principles
    - 1.8 General Assembly Meeting
    - 1.9 Compliance with Corporate Governance Principles
    - 1.10 Corporate Governance Rating
2. Stock Info
    - 2.1 Stock ID
    - 2.2 Non-Deposit Shares
    - 2.3 Capital Increases
    - 2.4 Dividend Info
    - 2.5 Analyst Coverage
    - 2.6 Registration Statement and Public Offering Circular
3. Annual Reports
4. Financial Data
    - 4.1 Financial Reports
    - 4.2 Financial Highlights
    - 4.3 Investor Presentations
5. BIST Disclosures
6. Frequently Asked Questions
7. Contact

chapters exist. Necessary records and information are included under these titles. The information given on the Turkish website under "Investor Relations" section is included entirely on the English website.

10. Annual Report

The Board of Directors prepare the annual report in detail regarding the Company activities and which enable the public to reach complete and accurate information that can be comprehensive. The 2013 annual report of our Company was prepared as per the Turkish Code of Commerce numbered 6102, the Regulation Regarding the Determination of the Minimum Content of the Annual Reports of Companies issued by the Ministry of Customs and Trade, the Communiqué Regarding the Principles Related to Financial Reporting in the Capital Market and the Communiqué Regarding the Determination and Implementation of the Corporate Governance Principles, both issued by the Capital Markets Board.

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PART III - STAKEHOLDERS

11. Informing the Stakeholders

The information requests of stakeholders are keenly handled and attention is paid in responding these accurately and in an understandable manner. Our employees are informed with a personnel hand book and informing presentations over the intranet. As for our suppliers, strategic cooperation and certified suppliers policy is followed and our suppliers are informed via internet or e-platforms and face to face meetings are held through visits. The studies are being carried on in order to establish “ASELSAN Suppliers Portal” in order to enrich the content, efficiency and quality of our communication with the suppliers. While web-based electronic purchase platform is already used in the internet, the platform will be upgraded to a more comprehensive content. In the suppliers’ portal, it is targeted for the suppliers to reach and govern the information regarding them.

Our Company’s main principle is the continuous development, improvement and verification of processes, services and products and to provide its customers with services and products without any defects in order to meet all their requirements. For this purpose, a quality system has been established where the Quality Handbook, directives, quality plans, standards, audit and test directives are documented, exercised and constantly improved.

Our core principle related to customer satisfaction is to deliver products/services meeting the expectations and requirements of the customers. For this purpose, requirements are defined in an accurate and complete manner and products tailored for these requirements are designed and produced and the logistics support is provided accordingly. Customer satisfaction evaluations are open to access of every director within the context of Management Reports and the results and tendencies of customers are evaluated on a yearly basis by the upper management.

Our products are designed and produced in accordance with the military, civil and international standards. Starting with the design phase, these quality standards are fulfilled throughout the life-cycle of our high-end technology products and strict tests and controls are applied in every stage of production starting at the material procurement stage in order to guarantee that all products are produced in the same quality. Our products and services have been certified by internationally accepted standards such as AS9100, ISO 9001, AQAP and CMMI. The conformity of our products and services are approved every year with the audits performed.

To minimize quality problems, the suppliers are subject to commercial, technical and qualitative evaluations in order to assure that, materials and software or related services are supplied from reliable suppliers. The result of the evaluation is submitted to the suppliers and qualified ones are chosen to work with. Within this context, in 2013 orders, half of which were domestic orders, were given to 3.700 suppliers.

The quotations of the suppliers and the written communications are deemed confidential and not disclosed to third parties or unauthorized people. With the directives formed, provision and implementation of unfair benefit with respect to the relations between the customers and the suppliers have been prevented.

ASELSAN Magazine published every 4 months provides information regarding the activities, technical issues and up-to-date social events. Hardcopies of ASELSAN Magazine is delivered to the end users of ASELSAN products, shareholders who participated to the General Assembly Meeting, company employees and other related parties and uploaded to the website right after it is published.

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The Compensation Policy can be accessed from our company's website under Corporate Governance title.

The members of the Board of Directors and the executives do not perform any activities that may cause shareholders to incur losses or may diminish the Company assets.

It is resolved that the actions to be taken with regard to the article of Corporate Governance Principles "The company builds the necessary mechanisms through which the stakeholders may inform the corporate governance committee or audit committee about the transactions of the company which are in contradiction with the related regulation and are ethically inappropriate." shall be coordinated by the Audit Committee and the studies regarding this issue are carried on.

12. Participation of Stakeholders in the Management

In the Articles of Association, there are no provisions regulating the participation of the stakeholders in the management. However, their participation to management shall be supported provided that it does not corrupt the Company activities.

The corporate governance structure of the Company gives the opportunity to all stakeholders including the employees and representatives to convey their worries with regard to transactions which are inappropriate in terms of legality and ethics.

The Company employees have the opportunity to convey their expectations and requests through the representatives. The Company employees are informed about their financial and social rights over the intranet. Besides, there is an Employee Representative Agency in the Company where 40 representatives are present and which is formed by the Company personnel to enable the contact between the Company personnel and the management.

The periodical meetings held with the employee representatives are the platforms where employers and employees exchange their wishes, requests and opinions regarding the implementations. The meeting minutes formed as the result of these meetings are announced to all personnel through the employee representatives page on the intranet. The presidency of the employee representative is performed by Yasin Zengin and the coordinator role is carried out by Mert Kovuk. The duties and authorizations of the Employee Representative Agency is to convey the wishes, proposals and problems of the group personnel represented and to share the received opinions with the group personnel and to pay efforts to provide an open and efficient communication between the personnel and the management.

In addition, since the beginning of 2013, parallel to the mission, vision, aims and sustainable success strategy of ASELSAN, idea management system was put into force which promotes innovation, constant improvement and efficiency. The ideas chosen to be realized by ASELSAN Idea Evaluation Committee are awarded.

13. Human Resources Policy

The human resources policy of our Company is to adopt an understanding which adds successful and dynamic talents to ASELSAN family required pursuant to the vision of ASELSAN, which contributes to the sustainable success of ASELSAN with employee oriented approaches, adds value and which takes side of its employee at all times.

Within this scope and pursuant to the vision, mission and the principles of the Company, regulations have been set out pertaining to the working conditions of the personnel, their qualifications, recruitment, promoting, remuneration, rewarding, dismissal, disciplinary treatments, rights, tasks and liabilities and other personal rights.

55% of our employees stand for the engineering group, 32% for the technician group 7% for the administrative group, 3% for the office personnel and 3% of the worker group.

Among the company personnel, there are 2 leaders, 1 chief, 10 personnel representing the engineers, 21 personnel representing the technicians, 2 personnel representing the bureau personnel and 4 personnel representing the workers, which make up a total of 40 personnel representatives.

There were no complaints related to discrimination from the employees in 2013. Performance and rewarding policies are announced to all of our employees through Company directives.

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14. Ethical Rules and Social Responsibility

The ethical rules of our Company have been written and were published on our website. Furthermore, in order to integrate and develop the ethical rules with the implementations, an Ethical Committee was established to meet the evaluation, direction, consulting and recommendation requirements and create shared knowledge.

"Ethical Principles and Behavior Rules" document is announced to all ASELSAN personnel with all its exhibits and the personnel makes a written commitment that s/he acknowledges the information and ethical values. When an amendment or an update is made on this document, the changes are made known to all the personnel and training programs about these changes are organized if seen necessary.

Ethical Committee comprises of nine members and the secretariat is handled by Human Resources Manager. Other members are the representatives indicated by divisions; the Law Department and Procurement Department charged by the CEO. If there are no changes in the organization, the Ethical Committee members serve at least for five years.

Ethical Committee meets 4 times a year unless an application or disobedience is present. CEO or any member of the committee can call a meeting. Beyond intervening in applications and disobedience, Ethical Committee represents reason and conscience of ASELSAN and works to increase the awareness in ASELSAN family. When there is an application, required research conclusions and necessary documents are forwarded to Ethical Committee. Committee Chairman presents these to the CEO and a parallel investigation is carried out. At the end of this investigation, necessary steps are taken in accordance with relative law and ASELSAN regulations. The applications and disobedience is reported periodically in Board of Directors meeting.

Audit Committee is responsible for establishing the mechanism where the complaints regarding the unethical behaviors and acts against the regulations are evaluated, concluded and operated confidentially. The Committee is expected to complete its studies on this matter during 2014.

A British institution, Carbon Disclosure Project (CDP) which reports how the risks of climate changes are managed by the companies announced the 2012 results of the Turkey Carbon Transparency Project. Our Company, applied to the project for the first time, was ranked in the "highest" category. ASELSAN, being proud to work to leave a better world for the future generations, shall continue to take place in the national and international platforms with respect to sustainability and climate change matters with its leading applications.

Our Company is sensitive on the social activities which are supported in favor of the public in general and are respectful towards its environment. The greenhouse gas emissions of our Company are calculated by taking the TS ISO 14064 and Green House Protocol as the reference and are monitored all the time. We have certifications for ISO 14001 Environmental Management System and OHSAS 18001 Work Health and Safety Integrated Management System. In addition, since 2013 for each new personnel recruited a new tree is planted.

Our company has supported the competition "New Ideas New Jobs" organized by METU and METU Teknokent in 2013 in Defence Industry category.

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PART IV - BOARD OF DIRECTORS

15. Structure and Formation of Board of Directors

3 members of 9 members of Board of Directors are independent members. The duties of Nomination Committee are executed by Corporate Governance Committee. In 2012 General Assembly Meeting, Independent Members of Board of Directors elected for 1 year of service were nominees for 2013 membership. The report on evaluation of list of Independent Members of Board of Directors prepared by Corporate Governance Committee on 05.03.2013 was presented to Board of Directors on the same date and the CV's and independence declarations of 3 nominees were announced on our website to public on 05.03.2013. As a result of the voting at the General Assembly Meeting on 29.03.2013, 3 nominees were elected as Independent Members of Board of Directors. There is a female member among Independent Members of Board of Directors. There were no cases to eliminate the independency of the Independent Members of the Board of Directors in 2013.

The CVs of the Members of the Board of Directors are included in the 2013 annual report and the information with respect to their duty terms is provided in the below table.

Name Surname	Duty	Election Date	Termination Date	Responsibilities other than the Company
Necmettin BAYKUL	Chairman / Managing Member	March 2013	March 2014	-
Erhan AKPORAY	Vice Chairman / Managing Member	March 2011	March 2014	-
Halil SARIASLAN	Independent Member	March 2013	March 2014	Başkent University International Trade Department Chairman
Lamia Zeynep ONAY	Independent Member	March 2013	March 2014	METU Business Administration Department Lecturer
Cumhur Sait Şahin TULGA	Independent Member	March 2013	March 2014	Mentoro Ltd. Şti. Founding Partner, Director
Hasan CANPOLAT	Member	BoD Decision on 16.05.2013	First General Assembly Meeting	Consultant to Ministry of National Defence
Mustafa Murat ŞEKER	Member	BoD Decision on 16.05.2013	First General Assembly Meeting	Head of Department in Undersecretariat for Defence Industries

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Name Surname	Duty	Election Date	Termination Date	Responsibilities other than the Company
Orhan AYDIN	Member	16.05.2013	First General Assembly Meeting	Chairman of Board of Directors in; OSTİM Org. Industry Region, OSTİM Industrial Invest. And Management LTD, OSTİM Middle East Industry and Commerce Centre R&D Educ. And Support Inst., OSTİM Small Industry Cite Cooperative Building House, Kızılcahamam Aksaya Investment Const. Management LTD and OSTİM Finance and Business Centre Construction Real Estate Electronic Production LTD.; Ankara Development Agency Member of Board of Directors, Aydın Insurance LTD Partner and Manager, Ankara Chamber of Industry Discipline Committee Member
Murat ÜÇÜNCÜ	Member	16.05.2013	First General Assembly Meeting	
Cengiz ERGENEMAN	CEO	January 2006		IGG ASELSAN Integrated Sys. LLC Board of Directors Vice Chairman, SASAD Board of Directors Chairman

In article 13 on the Articles of Association titled “Duties and Authorization of the Board of Directors”, the duties and authorization of the Board of Directors have been defined and the amendment to the Articles of Association with regard to the compliance of these with the corporate governance principles was approved in 2013 General Assembly Meeting. Besides, the Board of Directors Working Directive also describes the Duties and Authorization of the Board of Directors. With the article 14 of the Articles of Association titled “Assignment of the Authorization to the CEO”, the assignment of the authorization of the Board of Directors to the CEO has been set out. The duties and authorization of the executives are described in the “Duties and Responsibilities Directive” formed within the Company.

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The duties of the Members of the Board of Directors and of the CEO carried out outside the Company, information regarding the term of office and the statements of the board of members with respect to their independencies:

- There are no members of Board of Directors carrying out an executive duty.
- The statements of independence of the Independent Members of the Board of Directors have been provided at the end of the Compliance Report.
- The Members of the Board of Directors fulfill their duties without any interest or benefit and pursuant; to the liabilities and authorizations undertaken by the Board of Directors and to the regulations of the Turkish Code of Commerce and Capital Markets Board.
- Members of the Board of Directors are liable not to enter into any commercial treatments directly or indirectly with the Company that coincides with the Company objectives, on their behalf or on behalf of others without the consent of the General Assembly.

16. Principles of Activity of Board of Directors

Board of Directors carries out its duties and responsibilities determined with reference to Turkish Commercial Code, Capital Market Law and Articles of Association. In this context, the basis of duties and operations are indicated in details in ASELSAN Board of Directors Operation Directives.

The agenda of the Board of Directors meetings is formed with the proposals of the Members of the Board of Directors and the committees and the CEO, it is afterwards evaluated by the Board of Directors Chairman and finalized. The subjects emerged as urgent and which are considered worthwhile to discuss may be added to the agenda during the Board of Directors meeting.

As per article 10 of the Articles of Association, the Board of Directors assemble when required and at least once a month. The number of Board of Directors Meetings in 2013 was 41 (27 decision in 41 meeting are interim decisions). All of the Members of the Board of Directors attended 20 meetings.

The place, date, time and agenda of the next meeting is decided at the Board of Directors Meetings. Documents pertaining to the meeting agenda are sent to the members of Board of Directors at least 3 work days before the meeting by the General Management.

The Members of the Board of Directors attend the meetings and fulfill their duties as per their authorization and responsibilities. The members who do not attend the meetings submit their excuses.

There is a secretary available for informing and enabling the communication of the Members of the Board of Directors. Additionally, there is a reporter to carry out required tasks.

During recording the meeting resolutions to the Board of Directors Resolution Book, the Board of Directors Reporter acts as per the articles 64, 65 and 390 of Turkish Code of Commerce regulated with respect to the liability to keep books, the method of keeping books and the decisions of the Board of Directors, respectively.

According to this, the reporter enables, the date and number of the decision, names and surnames of the attendants, the names and surnames of the members of Board of Directors who did not attend the meeting and their excuses, if any, the agenda of the meeting, proposals and negotiations regarding the agenda, the decision, dissenting opinions, if any, and the signatures of the attendants to be recorded in the book.

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All members have one right to vote, including the chairman. If the numbers of votes are equal, the vote of the chairman does not change the result. Abstaining is not possible, either rejection or acceptation is voted. The vote of the abstaining member is considered as a rejecting vote. The member casting a reject vote states the ground for this in the meeting minutes and undersigns it. According to the article 11 of the Articles of Association titled “Quorum of Meeting and Decision Making”; “The provisions of the Turkish Commercial Code, Capital Market Law, regulations of the Capital Markets Board in connection with corporate governance and other relevant legislation are taken into account with respect to the meetings and decision making quorums of the Board of Directors as well as with respect to any Board of Directors members assuming duties and positions outside the Company. Any action and resolutions taken by the board of Directors without complying with the Corporate Governance Principles, which are made obligatory as to be complied by the Capital Markets Board, are invalid and considered as in contrary to the Articles of Association”. There were no related party transactions or any other significant issue which had to be submitted to the approval of the general assembly since they were not approved by the Independent Members of the Board of Directors.

The signed decisions are made available to the follow up of the Members of the Board of Directors and Executive Committee Members in the electronic environment.

17. Number of Committees Formed in the Board of Directors with Their Structures and Independency

As per the title “Committees Formed Within the Board of Directors” in the Communiqué Regarding Determination and Implementation of Corporate Governance Principles by the Capital Markets Board, our Company’s Board of Directors, in the meeting dated 10.04.2012, formed an Audit Committee, Corporate Governance Committee and Early Detection and Management of Risk Committee and announced this to the public. There are no Nomination and Remuneration Committees within the Board of Directors and the duties of these are carried out by the Corporate Governance Committee.

The directives of Audit Committee, Corporate Governance Committee and Early Detection and Management of Risk Committee are made available at the website of our Company. The Independent Members of the Board of Directors and four members of the Board of Directors have duties in more than one committee. This is because it is obligatory that all members of the Audit Committee and the chairman of the other committees should be Independent Members of the Board of Directors.

Boards of Directors have made the annual evaluation of the committees composed under its structure and the evaluation report is available in 2013 Annual Report.

AUDIT COMMITTEE

Halil SARIASLAN	Chairman / Independent Member of Board of Directors
Lamia Zeynep ONAY	Member / Independent Member of Board of Directors
Cumhur Sait Şahin TULGA	Member / Independent Member of Board of Directors

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The main duties of the Audit Committee that were set out in the “ASELSAN Audit Committee Work Directives” regulating the working principles of Audit Committee are as follows:

- To enable the disclosure of the financial data of ASELSAN, to pursue the operation and efficiency of the accounting system, independent audit, internal audit and internal control system of the company,
- To assemble at least every 3 months, to share the meeting minutes with the Board of Directors.

Meetings were held by Audit Committee on dates 05.03.2013, 16.05.2013, 22.08.2013 and 11.11.2013 regarding the financial statements with the participation of the relevant independent audit company in 2013.

In order to maintain the efficiency of internal audit, attention was paid to strengthen the cooperation with Internal Audit and Assessment Board (IAAB) and to the supervision of internal audit activities, direct and continuous communication was established between Audit Committee and IAAB. A dimension of this communication; Audit Committee-IAAB coordination meetings, were held four times on dates 27.02.2013, 15.05.2013, 17.09.2013 and 12.12.2013. Audit Committee was informed about the IAAB activities in these meetings.

The Committee was active in two main topics in 2013:

i. Independent Audit Activities and Works Regarding the Audited Financial Statements:

“Communiqué on Financial Reporting in Capital Markets” Serial: II, 14.1 regulated the preparation of financial reports and their basis, principles of presentation to the relevant parties. December 2012 and March 2013 financials were prepared in accordance with the communiqué numbered Serial: XI, No:29 while June 2013 and September 2013 financials and annual report was prepared according to the communiqué numbered Serial: II, 14,1, and submitted to Board of Directors by Audit Committee and presented to the public via Public Disclosure Platform.

As a result of the evaluation of independent audit firm for 2014, the decision making of DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. to give the service was handled by Procurement Department and the purchasing decision was submitted for approval on Board of Directors meeting in 2014 January to be discussed in 31 March 2014 General Assembly Meeting.

ii. Internal Audit and Assessment Committee Activities:

Within the scope of the internal audit activities of the Company, the relations between the Presidency of Internal Audit and Assessment Board (IAAB) and the Board of Directors have been carried out through Audit Committee. A direct and continuous contact between Audit Committee and IAAB is present.

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CORPORATE GOVERNANCE COMMITTEE

Committee Members (2013 January - May)

Cumhur Sait Şahin TULGA	Chairman/Independent Member of the Board of Directors
Ahmet ŞENOL	Member/Member of the Board of Directors
Osman Kapani AKTAŞ	Member/Member of the Board of Directors
Erhan AKPORAY	Member/Member of the Board of Directors
Aykud Alp BERK	Member/Member of the Board of Directors

Committee Members (2013 May - December)

Cumhur Sait Şahin TULGA	Chairman/Independent Member of the Board of Directors
Erhan AKPORAY	Member/Vice Chairman of the Board of Directors
Hasan CANPOLAT	Member/Member of the Board of Directors
Orhan AYDIN	Member/Member of the Board of Directors
Mustafa Murat ŞEKER	Member/Member of the Board of Directors
Murat ÜÇÜNCÜ	Member/Member of the Board of Directors

The main duties of the Corporate Governance Committee were set out in the "ASELSAN Corporate Governance Committee Work Directives" as follows:

- To carry out studies for the implementation of Corporate Governance Principles in the Company,
- To observe whether the Corporate Governance Principles have been implemented or not and if not implemented to determine the grounds for this and the conflicts of interest arising due to not complying with these principles and to make proposals for improving the status,
- To monitor the studies of the Investor Relations Department,
- Corporate Governance Committee assembles every 3 months and in every situation when necessary. The meeting minutes are submitted to the Board of Directors.

The Corporate Governance Committee assembled four times within the activity year 2013 on dates 29.01.2013, 05.05.2013, 22.08.2013 and 28.11.2013. The meeting minutes of the Committee may be reached on our website. The committee was active in three respective tasks in 2013:

i. Operations of Investor Relation Department:

Until December 2013, the responsibilities and duties of investor relations were carried out by Investor Relations and Subsidiaries Unit under Treasury and Fund Department; since December 1st of 2013, Investor Relations has been structured as a separate Department. The representative of this department have attended the meetings of corporate governance committee and informed the committee on the operations periodically.

The duty of monitoring the operations of Investor Relations Department was given to Corporate Governance Committee with reference to the Communiqué. The applications for amendment in Articles of Association, organization of General Assembly meeting for 2013, concluding the record of physical stakes and payments made to Central Registry Agency, material events disclosure with reference to Capital Markets Board declarations, analyst and investors meetings and the update of "Investor Relations" section of our website performed by Investor Relations in 2013 were reviewed.

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ii. Corporate Governance Rating:

The evaluation of corporate governance rating performed by SAHA Corporate Governance and Ranking Services LTD on 13.12.2012 were concluded during the last quarter of 2013. According to the review, the score of 13.12.2013 8,77 out of 10 was revised as 9,07 out of 10. The scores are respectively as follows; for shareholders 80,90, for Public Disclosure and Transparency 99,19, for Stakeholders 94,85 and for Board of Directors, 89,87 out of 100. In this context, our share remained in the same index since 14.12.2012. The report can be accessed on our website.

iii. Election of Independent Board Members

As given by Corporate Governance Principles, the responsibility of evaluating and reporting the nominations and their independency status is given to the Nomination Committee, in companies where this committee is not formed because of the structure of the Board of Directors, the responsibility is given to Corporate Governance Committee. Within this context, the evaluation of nominations which were made until the end of February 2013 was carried on by the Committee and the resulting nominee list was presented at the Board of Directors meeting on 05.03.2013. The list was proposed to shareholders' voting on General Assembly Meeting on 29.03.2013 and as a result Cumhur Sait Şahin TULGA, Lamia Zeynep ONAY and Halil SARIASLAN were elected as independent members to serve for 1 year.

EARLY DETECTION AND MANAGEMENT OF RISK COMMITTEE

"Early Detection and Management of Risk Committee", which was established with the resolution of ASELSAN Board of Directors on 10.04.2012, 720/1 executes its operations within the framework of regulation ASY-01-066.

The member number of the committee which was working with 3 Board of Directors members and 2 consultant members until May 2013, was increased to 6 with 767/1.c. numbered ASELSAN Board of Directors resolution. The members are listed below:

Committee Members (2013 January - May)

Lamia Zeynep ONAY	Chairman / Independent Member of the Board of Directors
Birol ERDEM	Member / Board of Directors Vice Chairman
Erhan AKPORAY	Member / Member of the Board of Directors

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Committee Members (2013 May - December)

Lamia Zeynep ONAY	Chairman / Independent Member of the Board of Directors
Erhan AKPORAY	Member / Member of the Board of Directors
Hasan CANPOLAT	Member / Member of the Board of Directors
Murat ÜÇÜNCÜ	Member / Member of the Board of Directors
Mustafa Murat ŞEKER	Member / Member of the Board of Directors
Orhan AYDIN	Member / Member of the Board of Directors

In order to support the Corporate Risk Governance System development operated by the committee, Chief Financial Officer and Strategic Management Director were involved in the committee as consultants. In addition, the secretary duties are operated by Strategic Management Directorate.

The committee continues its studies in determining the risks which may prevent ASELSAN from reaching its goals; governing these risks in accordance with the company's risk handling profile, its reporting; consideration through decision mechanisms and establishment of internal control. In this respect, in 2013, the committee held 8 meetings on 10.01.2013, 24.01.2013 20.03.2014, 18.04.2013, 12.06.2013, 30.07.2013, 24.10.2013 and 25.12.2013. Committee's works are summarized below.

i. "ASELSAN Risk Map" and "ASELSAN Risk Inventory Report" were completed in January 2013 and submitted to Board of Directors' information and approval.

ii. "2012 Evaluation Report" was prepared and submitted to Board of Directors' information on February 2013.

iii. As a result of legal obligations, the risks to be placed in the annual report were indicated and the evaluations of risks were included in "ASELSAN Annual Report".

iv. "Corporate Risk Evaluation Report" was completed and has been submitted to Board of Directors with a 2 months period since April 2013. Within the context of the operations followed with the report;

- Important risks beared by ASELSAN were identified and risk classification, explanation, rating, strategy, owner, present operations and relevant indicators were included in the report.
- In order to follow the risk developments, for adoptable risks, the utilization of indicators was embraced. In this respect, relevant indicators were evaluated, alternative indicators were investigated and necessary indicators were selected with detailed explanations. The surveillance of risks began with the determination of responsible people about relevant data.
- Warning benchmarks for risk indicators were determined and it was targeted to draw the attention of Board of Directors to the risks which go beyond the benchmark at the end of the report.
- In the meetings held by the committee, present developments regarding the risks began to be evaluated. In order to increase the operation of Corporate Risk Governance System and reducing present risks to minimum, Committee suggestions and proposals are shared with related departments.

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18. Risk Management and Internal Audit Mechanism

Internal audit operations and corporate governance are facilitated via risk management and development of efficiency of internal audit procedures in ASELSAN.

The most important role of internal audit operations is assuring the Audit Committee and Board of Directors that the risks are being managed effectively. Annual audit plan and work programs are prepared on a risk basis and audit results are reported periodically to Audit Committee. Harmonization with legal and firm regulations, the status of application of ethical principles and risk riddling off is evaluated by internal audit department.

19. Strategic Objectives of the Company

The Board of Directors is the top level body to make strategic decisions and to execute and represent. As per the Articles of Association of the Company, the Board of Directors is responsible to determine the strategic plans and control their implementations.

Strategic governance process is a part of Corporate Governance and is managed by Strategic Governance Committee formed by the members of Board of Directors and Strategic Management Director. Reaching ASELSAN's long term goals and sustaining success can be achieved through environment friendly strategies.

ASELSAN's vision is to become one of the biggest 50 defence industry companies. In this respect, perspective plans looking beyond 10 years, 5 year plans updated every year and 3 year budget plans are prepared. With this methodology, short and middle term targets are specified by considering long term goals. The operations to be carried out for these targets are executed by Company Divisions and performance evaluations are made based on Balanced Scorecard.

20. Financial Rights

Monthly remunerations provided to our Members of the Board of Directors are determined by the General Assembly and no other benefits are granted apart from the monthly remuneration. Pursuant to the resolution taken at the 38th Ordinary General Assembly held on 29.03.2013, the Members of the Board of Directors are paid TL 2.200 per month. As for the determination of the financial rights of the board members, no reward system is applied to reflect the Company performance and which is based on the performance of the Members of the Board of Directors.

No Member of the Board of Directors or executives has been provided with loans or credits by our Company.

The remuneration principles for the Board of Directors and the Senior Managers of the Company have been formed and the shareholders were provided with this information at the Ordinary General Assembly Meeting held in 2012 and it was announced to the public through our website. As an obligation of the Corporate Governance Communiqué numbered II-17.1 published in 2014, the remuneration policy was reviewed and it will be submitted to the information of shareholders during General Assembly Meeting of 2014 where 2013 operations will be discussed.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and Its Subsidiaries

Annual Report of Board of Directors with Respect to the Period 1 January - 31 December 2013

Statement of Independence

To the Board of Directors of ASELSAN Elektronik Sanayi ve Ticaret A.Ş.;

I hereby agree, represent and undertake that I comply with the regulations of the Capital Market Board related to Independence Board Membership and with the criteria determined for Independence Board Membership within the scope of Corporate Governance Principles.

I hereby submit this to the knowledge of the Board of Directors, shareholders and all relevant parties.

Sincerely yours,

Prof. Dr. Halil SARIASLAN
27.02.2013

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and Its Subsidiaries

Annual Report of Board of Directors with Respect to the Period 1 January - 31 December 2013

Statement of Independence

To the Board of Directors of ASELSAN Elektronik Sanayi ve Ticaret A.Ş.;

I hereby agree, represent and undertake that I comply with the regulations of the Capital Market Board related to Independence Board Membership and with the criteria determined for Independence Board Membership within the scope of Corporate Governance Principles.

I hereby submit this to the knowledge of the Board of Directors, shareholders and all relevant parties.

Sincerely yours,

Assoc. Prof. Dr. Lamia Zeynep ONAY
27.02.2013

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and Its Subsidiaries

Annual Report of Board of Directors with Respect to the Period 1 January - 31 December 2013

Statement of Independence

To the Board of Directors of ASELSAN Elektronik Sanayi ve Ticaret A.Ş.;

I hereby agree, represent and undertake that I comply with the regulations of the Capital Market Board related to Independence Board Membership and with the criteria determined for Independence Board Membership within the scope of Corporate Governance Principles.

I hereby submit this to the knowledge of the Board of Directors, shareholders and all relevant parties.

Sincerely yours,

Cumhur Sait Şahin TULGA
27.02.2013

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and Its Subsidiaries

Annual Report of Board of Directors with Respect to the Period 1 January - 31 December 2013

APPROVE

Necmettin BAYKUL
Chairman of Board of Directors

Erhan AKPORAY
Vice Chairman of Board of Directors

Halil SARIASLAN
Member of Board of Directors

Lamia Zeynep ONAY
Member of Board of Directors

Cumhur Sait Şahin TULGA
Member of Board of Directors

Hasan CANPOLAT
Member of Board of Directors

Orhan AYDIN
Member of Board of Directors

Mustafa Murat ŞEKER
Member of Board of Directors

Murat ÜÇÜNCÜ
Member of Board of Directors

Cengiz ERGENEMAN
Chief Executive Officer

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and Its Subsidiaries

Statement of Responsibility

TO THE PRESIDENCY OF
BORSA ISTANBUL
34467-Emirgan-İSTANBUL

05/03/2014
AS300-14M-6709

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş.

BOARD OF DIRECTORS MEETING ON APPROVAL OF FINANCIAL TABLES AND ANNUAL REPORTS

DATE OF RESOLUTION: 05/03/2014

RESOLUTION NUMBER: 802

STATEMENT OF RESPONSIBILITY AS PER SECTION TWO, ARTICLE 9 OF THE CAPITAL MARKETS BOARD COMMUNIQUÉ SERIAL NUMBERED II, NUMBERED 14

We hereby declare that;

a) We have examined the consolidated balance sheet dated 31/12/2012 and comparative consolidated balance sheet dated 31/12/2013, consolidated income statement issued for the period 01/01/2012 - 31/12/2012 and comparative consolidated income statement issued for the period 01/01/2013 - 31/12/2013, consolidated additional financial tables, all audited independently, notes dated 31/12/2013 and annual report of the Board of Directors issued for the period ending on 31/12/2013,

b) As per the information we obtained in line with our duties and responsibilities at the company, the financial tables and annual report of the Board of Directors do not include any comments which materially misrepresent the facts and any missing data which might be misleading as of the announcement date,

c) As per the information we obtained in line with our duties and responsibilities at the Company, the consolidated financial statements prepared in accordance with the CMB Communiqué Serial II, No:14.1, accurately represents the assets, liabilities, financial position and profit or loss informations of the Company and the companies in the scope of consolidation; the annual report accurately represents the development and performance of the business, the financial position of the Company and the companies in the scope of consolidation and the significant risks and uncertainties which may company faces.

Regards,
ASELSAN A.Ş.

Halil SARIASLAN
Audit Committee Chairman

Lamia Zeynep ONAY
Audit Committee Member

Cumhur Sait Şahin TULGA
Audit Committee Member

Dr. Ahmet DEMİR
Deputy General Manager

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and Its Subsidiaries

Board of Directors Assessment Report Regarding Committee Activities in 2013

In accordance with the title “Committees Formed within the Structure of Board of Directors” of Capital Markets Board’s (CMB) “Communiqué on Determination and Application of Corporate Governance Principles”; Audit Committee, Corporate Governance Committee and Early Detection and Management of Risk Committee were formed and disclosed to public in our Company’s Board of Directors meeting held on 01.04.2013. There are no Nomination and Remuneration Committees within the formation of Board of Directors and in accordance with the Communiqué the duties of these are carried out by the Corporate Governance Committee.

At our Company’s Board of Directors meeting held on 01.04.2013 following the Ordinary General Assembly Meeting held on 29.03.2013; in accordance with the Communiqué of CMB it was resolved that,

- Independent Member of Board of Directors Halil SARIASLAN shall be assigned as the chairman and Independent Members of Board of Directors Lamia Zeynep ONAY and Cumhur Sait Şahin TULGA shall be assigned as members of the Audit Committee,
- Independent Member of Board of Directors Cumhur Sait Şahin TULGA shall be assigned as the chairman and Ahmet ŞENOL, Osman Kapani AKTAŞ, Erhan AKPORAY and Aykud Alp BERK shall be assigned as the members of Corporate Governance Committee,
- Independent Member of Board of Directors Lamia Zeynep ONAY shall be assigned as the chairman and Birol ERDEM and Erhan AKPORAY shall be assigned as the members of the Early Detection and Management of Risk Committee.
- At the Board of Directors meeting held on 01.04.2013 after the changes made regarding the members of Board of Directors on 16.05.2013, it was resolved that,
- Hasan CANPOLAT, Orhan AYDIN, Mustafa Murat ŞEKER and Murat ÜÇÜNCÜ shall be elected for the chairs emptied by Ahmet ŞENOL, Osman Kapani AKTAŞ and Aykud Alp BERK at the Corporate Governance Committee,
- Hasan CANPOLAT, Orhan AYDIN, Mustafa Murat ŞEKER and Murat ÜÇÜNCÜ shall be elected for the chair emptied by Birol ERDEM at the Early Detection and Management of Risk Committee.

While resolving on the forming of committees, Board of Directors paid attention for the members of the Audit Committee; the chairmen of Corporate Governance Committee and Early Detection and Management of Risk Committee to be chosen from the independent members of the Board of Directors, within the framework of Capital Markets Board regulation.

The work directives, which regulate the field of activities and working principles of the committees, are approved by the Board of Directors and are submitted to public information in our Company website.

In 2013, each Board of Directors Committee fulfilled its duties and responsibilities and worked efficiently, with regard to Corporate Governance Principles and their own work directives.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and Its Subsidiaries

Board of Directors Assessment Report Regarding Committee Activities in 2013

Audit Committee assembled four times within the year 2013 on dates 05.03.2013, 16.05.2013, 22.08.2013 and 11.11.2013. The issues submitted to the information and assessment of Audit Committee and the tasks carried out within the scope of the meetings held, are summarized below:

- The discussion of financial tables dated 31.12.2012, 31.03.2013, 30.06.2013 and 30.09.2013 and their submission to Board of Directors.
- The discussion of 2012 profit distribution proposal.
- Assessments regarding the election of the independent audit company which will carry the audit task in year 2013 and its submission to Board of Directors.
- Pursuant to CMB's resolution of meeting held in 07.06.2013 and numbered 20/670, discussion of new financial table templates and manuals that came into force with regard to the Communiqué on Financial Reporting in Capital Markets.

Corporate Governance Committee assembled four times within the year 2013 on dates 29.01.2013, 05.03.2013, 22.08.2013 and 28.11.2013. The issues submitted to the information and assessment of Corporate Governance Committee and the tasks carried out within the scope of the meetings held, are summarized below:

- Election process of independent board of directors members.
- Investor Relations Department and its operations.
- Corporate governance rating.
- Registration of physically possessed shares.
- Preparation of ASELSAN 2012 Compliance with Corporate Governance Principles Report and its submission to Board of Directors.

Corporate Governance Committee which was formed in order to monitor our Company's compliance to Corporate Governance Principles, to conduct studies about the enhancement of compliance and to propose suggestions to the Board of Directors; have detected whether Corporate Governance Principles are applied in our Company or not, and if not, the reason for it along with the conflicts occurring because of not complying fully to these principles; have submitted proposals for improvement of Corporate Governance practices to the Board of Directors and monitored the activities of Investor Relations Department.

Early Detection and Management of Risk Committee assembled eight times within the year 2013 on dates 10.01.2013, 24.01.2013, 20.03.2013, 18.04.2013, 12.06.2013, 30.07.2013, 24.10.2013 and 25.12.2013. The issues submitted to the information and assessment of Early Detection and Management of Risk Committee and the tasks carried out within the scope of the meetings held, are summarized below:

- The formation of Risk Categories schemas in order to classify ASELSAN's potential risk
- The formation of Risk Evaluation Survey that was conducted in top management level and the monitoring of its implementation.
- Preparation of Risk Inventory Report.
- Preparation of Corporate Risk Assessment Report and its submission to Board of Directors.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and Its Subsidiaries

Board of Directors Assessment Report Regarding Committee Activities in 2013

Early Detection and Management of Risk Committee which carried out studies in order to early-detect the risks that threaten the existence, development and continuity of our Company, to take precautions against detected risks and manage risks; have also inspected our Company's risk management systems in compliance with the Corporate Governance Principles and Early Detection and Management of Risk Committee work directives throughout the year since its establishment.

Necmettin BAYKUL
Chairman of Board of Directors

Erhan AKPORAY
Vice Chairman of Board of Directors

Halil SARIASLAN
Member of Board of Directors

Lamia Zeynep ONAY
Member of Board of Directors

Cumhur Sait Şahin TULGA
Member of Board of Directors

Hasan CANPOLAT
Member of Board of Directors

Orhan AYDIN
Member of Board of Directors

Mustafa Murat ŞEKER
Member of Board of Directors

Murat ÜÇÜNCÜ
Member of Board of Directors

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and Its Subsidiaries

Audit Committee Work Directives

1. PURPOSE

The purpose of these directives is to determine duties, authorities, responsibilities and work principles of the Audit Committee.

2. SCOPE

These directives cover the works and activities to be performed by the Audit Committee as per the related regulations.

3. DEFINITIONS

3.1. Independent Auditing Firm (IAF): Firms meeting the requirements of the Capital Markets Board Communiqué and granted with the authority of independent audit on the capital market as per Article 22, 4/c of the Act.

3.2. Auditor: Auditor titles of any seniority and rank assigned to make audits by the Independent Auditing Firms.

3.3. Audit Committee: Committee appointed among the company's Board of Directors as per Capital Markets Board Communiqué Serial numbered X, numbered 22.

3.4. Audit Committee Secretariat: ASELSAN personnel arranging operations and meetings of Audit Committee, archiving correspondences and coordinating communication between the members.

3.5. Financial Tables: Balance sheets and incomes statements issued as interim and annual documents, including the footnotes, and tables enclosed to such documents.

3.6. Financial Reports: Reports including financial tables, Board of Directors activity reports and states of responsibility.

3.7. Internal Auditor: Personnel assigned for internal auditing activities.

3.8. Presidency of Internal Audit and Assessment Board (PIAAB): ASELSAN Department in charge of internal audit activities.

3.9. Executives: Persons having titles such as under Financial Affairs, President, Director and Manager that are authorized to represent and bind the company.

3.10. Stakeholders: In achieving the objectives of the Company or with an interest in the activities of employees, creditors, customers, suppliers, various non-governmental organizations as well as individuals, institutions or interest groups.

4. RELATED REFERENCE DOCUMENTS

4.1. Capital Markets Board Communiqué on Independent Audit on Capital Market dated 12.06.2006, Serial numbered X and numbered 22.

4.2. Capital Markets Board Communiqué on Determination and Practice of Corporate Governance Principles dated 03.01.2014, Serial numbered II and numbered 17.

4.3. ASELSAN Board of Directors Work Directives numbered ASY-01-060.

4.4. Turkish Commercial Code (TCC).

5. DUTIES AND RESPONSIBILITIES

5.1. BOARD OF DIRECTORS' DUTIES AND RESPONSIBILITIES REGARDING THE AUDIT COMMITTEE

5.1.1. Appointing Audit Committee members.

5.1.2. Authorizing Committee Members.

5.1.3. Making separate Board of Directors Resolution for approving interim and annual financial tables and reports coordinated by the Committee and submitted to the Board of Directors.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and Its Subsidiaries

Audit Committee Work Directives

5.1.4. Taking necessary actions for facilitating operations of Audit Committee members.

5.2. DUTIES, AUTHORITIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

5.2.1. GENERAL DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

5.2.1.1. The Audit Committee shall ensure; company's accounting system, public disclosure of financial information, independent audit of the Company's internal control and makes supervision of the operation and effectiveness of the internal control system. Selection of independent audit company, prepared independent audit contracts and the initiation of the audit process and the independent auditors' work in each stage is carried out under the supervision of Audit Committee.

5.2.1.2. The Audit Committee notify, their duties and responsibilities identified in the field and their evaluations and recommendations on the subject immediately to the Board of Directors.

5.2.1.3. The Audit Committee's duties include reviewing, settling the complaints forwarded to the Company about ASELSAN's accounting, internal audit system and independent audit; determining the methods and criteria to be practiced on assessing company personnel's statements on company's accounting and independent audit as per the confidentiality principles are determined by Audit Committee.

5.2.1.4. The Audit Committee might seek assistance of independent consultants on matters required for its operations provided that the costs shall be covered by ASELSAN. But in this case the person who received services / organizations with information about these people / organizations of any relationship with the company on the issue of whether information is given in the annual report.

5.2.1.5. The duties and responsibilities of the Audit Committee shall not relive Board of Directors from its responsibilities imposed by the new Turkish Commercial Code.

5.2.2. DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE REGARDING INDEPENDENT AUDIT OF ASELSAN

5.2.2.1. The Audit Committee shall determine the services to be provided by the Independent Auditing Firm and services and submit to the Board of Directors approval.

5.2.2.2. It shall ensure signing a contract with IAF.

5.2.2.3. It shall monitor compliance with contract provisions during IAF operations.

5.2.2.4. It shall always be in contact with the independent auditor for monitoring any incidents having an impact on the independency or objectivity of the independent auditor and shall ensure elimination of such incidents, if any, and efficient performance of the auditor.

5.2.2.5. It shall evaluate the outcomes of audits performed by IAF and financial tables at the joint meetings to be scheduled.

5.2.2.6. It shall evaluate the important findings received from IAF about ASELSAN accounting policy and practices and the auditor's suggestions.

5.2.2.7. It shall obtain the correspondences made between IAF and ASELSAN Management from the Firm.

5.2.2.8. It shall ensure that Independent Audit activities are included on the Board of Directors agenda minimum every 3 months for the purpose of determining efficiency of IAF operations.

5.2.2.9. IAF shall immediately inform the Audit Committee in written about important issues related to ASELSAN's accounting policy and practices, alternative implementation and public disclosure options as per the firm's accounting standards and accounting principles previously declared to the Company management and possible outcomes, practice suggestions as well as important correspondences made with the Company management.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and Its Subsidiaries

Audit Committee Work Directives

5.2.3. DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE REGARDING THE FINANCIAL REPORTS

5.2.3.1. The Audit Committee shall consult the company's authorized executives and IAF about interim and annual financial reports to be disclosed to the public in terms of compliance to the Company's accounting principles and to the actual figures and shall inform the Board of Directors in written with its own evaluation.

5.2.3.2. It shall sign the interim and annual financial tables, activity reports controlled and undersigned by the ASELSAN's authorized executives as well as the statement of responsibility enclosed as Annex-A quarterly and ensure public disclosure of these.

5.2.3.3. Financial Reports approved by the Audit Committee and Board of Directors shall be disclosed to the public on the Public Disclosure Platform and Company's website.

5.2.4. DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE REGARDING TO INTERNAL CONTROLS

5.2.4.1 It shall monitor efficiency and adequacy of the internal control system adopted by the company and its subsidiaries and ensures its acknowledgement by the personnel and support of the management.

5.2.4.2. It shall evaluate auditor and internal auditor suggestions related to internal control and whether or not the necessary ones are applied.

5.2.4.3. It shall monitor the process of forming a mechanism for reviewing and settling complaints received from Stakeholders related to company transactions, which violate the regulation and are unethical, and its operations as per the confidentiality principle.

5.2.5. DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE REGARDING TO THE INTERNAL AUDITS

5.2.5.1. It shall review efficiency of PIAAB directives, structure and activities and ensure settlement of particulars limiting the internal audit operations.

5.2.5.2. It shall monitor the coordination and communication between the PIAAB and Company's other departments, subsidiaries and independent audits for ensuring smooth processes.

5.2.5.3. It shall evaluate the audit plans and internal audit reports issued by PIAAB.

5.3 DUTIES AND RESPONSIBILITIES OF AUDIT COMMITTEE SECRETARIAT

5.3.1. It shall provide communication between the members, prepare committee meetings, keep meeting minutes and duly archive correspondences.

5.3.2. It shall plan, realize and follow up formalities before, during and after the Committee meetings in order to ensure outmost efficiency.

5.3.3. It shall ensure timely communication all of kinds of information to the committee members.

5.3.4. It shall always keep the records available to the members.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and Its Subsidiaries

Audit Committee Work Directives

6. STRUCTURE OF THE AUDIT COMMITTEE

6.1. The Audit Committee shall be as a member of Board of Directors and have minimum 2 (two) members. If the committee has two members the both members shall be Board of Directors Non-executive independent members. If there are more than two members, then the same rule shall be applicable for majority of the members. Members of the Audit Committee should have experience at least five (5) years at audit / accounting and finance subject.

6.2. As per the Capital Markets Board regulations, the Audit Committee shall be formed and authorized on the first Board of Directors Meeting held after the Annual Ordinary ASELSAN General Assembly Meeting.

6.3. At least two Audit Committee members shall be required for the committee meetings and at least two members are required for decisions.

6.4. The Audit Committee shall convene minimum every 3 months and four times a year and outcome of the meeting connecting with the minute submitted to the Board of Directors. The audit committee's activities and about the outcome of the meeting must be disclosed in the annual report. During the period how many times the audit committee makes written notification to the Board shall indicated in the annual report.

6.5. The Committee's secretariat duties related to the financial tables shall be performed by the Chief Office of Capital Markets Board Financial Control and Reporting attached to the Accounting Department and the secretariat duties related to internal control and internal audit activities shall be performed by PIAAB.

7. ENFORCEMENT

These directives have been approved by the Board of Directors as per the resolution dated 22.09.2003 and numbered 443/16 and came into force as of 25.09.2003

8. EXECUTION

The Audit Committee shall be responsible for executing the provisions listed on these directives.

9. CIRCULATION PLAN

The document shall be circulated as per ASELSAN PLAN A. It shall be published to all users via intranet and internet.

10. ANNEX- STATEMENT OF RESPONSIBILITY

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and Its Subsidiaries

Audit Committee Work Directives

ANNEX- STATEMENT OF RESPONSIBILITY

TO THE PRESIDENCY OF
BORSA ISTANBUL
34467-Emirgan-İSTANBUL

.... / .... / 20 ....
AS300-14M

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş.

BOARD OF DIRECTORS MEETING ON APPROVAL OF FINANCIAL TABLES AND ANNUAL REPORTS

DATE OF RESOLUTION:

RESOLUTION NUMBER:

STATEMENT OF RESPONSIBILITY AS PER SECTION TWO, ARTICLE 9 OF THE CAPITAL MARKETS BOARD COMMUNIQUÉ SERIAL NUMBERED II, NUMBERED 14

a) We have examined the consolidated balance sheet dated ...../...../20xx and comparative consolidated balance sheet dated ...../...../20xx, consolidated income statement issued for the period ...../...../20xy - ...../...../20xy and comparative consolidated income statement issued for the period ...../...../20xx - ../../20xx, consolidated additional financial tables, all audited independently, notes dated ...../...../20xx and annual report of the Board of Directors issued for the period ending on ...../...../20xx,

b) As per the information we obtained in line with our duties and responsibilities at the company, the financial tables and annual report of the Board of Directors do not include any comments which materially misrepresent the facts and any missing data which might be misleading as of the announcement date,

c) As per the information we obtained in line with our duties and responsibilities at the Company, the consolidated financial statements prepared in accordance with the CMB Communiqué Serial II, No:14.1, accurately represents the assets, liabilities, financial position and profit or loss informations of the Company and the companies in the scope of consolidation; the annual report accurately represents the development and performance of the business, the financial position of the Company and the companies in the scope of consolidation and the significant risks and uncertainties which may company faces.

Regards,
ASELSAN A.Ş.
Audit Committee Chairman

Audit Committee Member | Audit Committee Member | Deputy General Manager

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and Its Subsidiaries

Board of Directors' Early Detection and Management of Risk Committee Work Directives

1. PURPOSE

The purpose of these directives is to determine the duties, authorities, responsibilities and work principles of the Early Detection and Management of Risk Committee, which is established under Article 378 of the Turkish Commercial Code numbered 6102 and Board of Directors Resolution dated 10.04.2012, as per the Turkish Commercial Code and Corporate Governance Principles announced by the Capital Markets Board.

2. SCOPE

These directives cover works and actions to be performed as per the Turkish Commercial Code and Corporate Governance Principles by the Early Detection and Management of Risk Committee and/or Company personnel not a member of the Committee but assigned by the Committee.

3. DEFINITIONS

3.1. Independent Auditing Firm (IAF): Firms meeting the requirements of the Capital Markets Board Communiqué and granted with the authority of independent audit on the capital market as per Article 22/d of the Act.

3.2. Auditor: Auditor titles of any seniority and rank assigned to make audits by the Independent Auditing Firms

3.3. Early Detection and Management of Risk Committee (Committee): A committee to be appointed by the Board of Directors among the Board of Directors members or third parties specialized in certain areas for the purpose of fulfilling the liabilities listed on the Turkish Commercial Code for systematic early detection and management of company risks and executing, coordinating related risks.

3.4. Early Detection and Management of Risk Committee Secretariat (Secretariat):

ASELSAN personnel arranging operations and meetings of Early Detection and Management of Risk Committee, archiving correspondences and coordinating communication between the members.

3.5. Capital Markets Board: Public legal entity established as per Article 17 of the Capital Market Law.

3.5. Company: ASELSAN Elektronik Sanayi ve Ticaret A.S.

4. RELATED REFERENCE DOCUMENTS

4.1. Turkish Commercial Code.

4.2. Capital Markets Board Regulations.

4.2. Corporate Governance Principles published by the Capital Markets Board

4.3. Regulations, provisions and principles on ASELSAN Articles of Association

5. DUTIES AND RESPONSIBILITIES

5.1. DUTIES AND RESPONSIBILITIES OF ASELSAN EARLY DETECTION AND MANAGEMENT OF RISK COMMITTEE

5.1.1. The main function of the Early Detection and Management of Risk Committee is early detection of risks threatening existence, development and sustainability of ASELSAN as well as taking action for the risks determined and trying to manage the risks determined.

5.1.2. The Committee shall determine, identify the potential risks having an impact on ASELSAN beforehand and ensure duly management of the risks according to the risk-taking approach of the company.

5.1.3. It shall evaluate the situation by means of a report to be submitted to the Board of Directors every two months as well as pointing out the threats, if any, and suggesting solutions. The Committee shall also present the report to the Auditor.

5.1.4. It shall review the risk management systems minimum once a year.

5.1.5. The Committee shall advise the Board of Directors on internal audit systems including risk management and information systems and processes minimizing the risks and related impacts to be suffered by the shareholders and company stakeholders.

5.1.6. The Committee shall prepare an annual assessment report, including meeting frequency of Committee members and activities performed, which shall be included in the Annual Company Activity Report and basis to the Board of Directors assessment related to the work principles and Committee's efficiency.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and Its Subsidiaries

Board of Directors' Early Detection and Management of Risk Committee Work Directives

5.1.7. The resolutions taken at the meetings shall be documented and undersigned by the Committee Members and archived by the Secretariat.

5.2. DUTIES AND RESPONSIBILITIES OF THE EARLY DETECTION AND MANAGEMENT OF RISK COMMITTEE SECRETARIAT

5.2.1. It shall provide communication between the members, prepare committee meetings, keep meeting minutes and duly archive correspondences.

5.2.2. It shall plan, realize and follow up formalities before, during and after the Committee meetings in order to ensure outmost efficiency.

5.2.3. It shall ensure timely communication all of kinds of information to the committee members.

5.2.4. It shall always keep the records available to the members.

6. STRUCTURE AND AUTHORITIES OF THE EARLY DETECTION AND MANAGEMENT OF RISK COMMITTEE

6.1. COMMITTEE'S STRUCTURE

6.1.1. The Committee shall be formed and authorized at the first Board of Directors meeting held after the Annual Ordinary General Assembly Meeting of the company, as per the Capital Markets Board regulations.

6.1.2. The Committee shall have minimum two members. If the committee has two members then both members shall be Board of Directors members not having executive function and if there are more than two members, then majority of the members shall not have executive functions. Third parties specialized in certain areas can also be appointed as Committee members. The Committee chairman shall be appointed among Independent Members of Board of Directors.

6.1.3. The Chief Executive Officer / General Manager shall not take office in the committee.

6.1.4. The secretariat formalities of the Committee shall be performed by Strategy Management Directorate.

6.1.5. One more than half of the total members shall be required for committee meetings and majority is required for decisions.

6.1.6. The Committee shall convene once every two months, unless otherwise is required, and, if required, it shall convene at the Company's registered office following a call to be made by the Secretariat on behalf of the Committee Chairman. The Committee Chairman might reschedule the meeting date, hour and place provided that the Committee Members are informed beforehand.

6.2. AUTHORITIES OF THE COMMITTEE

6.2.1. If required, the Committee shall start special inspections and appoint people specialized in their areas as consultant for the purpose of ensuring assistance in such inspections.

6.2.2. If required, the Committee shall hold meetings with representatives of Company's related parties and specialists, including Company personnel or subsidiaries; and it shall seek external and professional consultancy service.

6.2.3. The Committee shall act according to its authorities and responsibilities and make recommendations to the Board of Directors however the Board of Directors shall always have the final decision making responsibility and the Committee shall not relieve the Board of Directors from its duties and responsibilities arising from the Turkish Commercial Code.

7. ENFORCEMENT

These directives have been approved by the Board of Directors as per the resolution dated 29.11.2012 and numbered 750/4.3.e and came into force as of 29.11.2012.

8. EXECUTION

ASELSAN Early Detection and Management of Risk Committee shall be responsible for executing the provisions listed on these directives.

9. CIRCULATION PLAN

The document shall be circulated as per ASELSAN PLAN A. It shall be published to all users via intranet and internet.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and Its Subsidiaries

Board of Directors' Corporate Governance Committee Work Directives

1. PURPOSE

The purpose of these directives is to determine the duties, authorities, responsibilities and work principles of the Corporate Governance Committee established as per the Corporate Governance Principles announced by the Capital Markets Boards (CMB).

2. SCOPE

These directives cover works and actions to be performed as per the Corporate Governance Principles by the Corporate Governance Committee and/or Company personnel not a member of the Committee but assigned by the Committee.

3. DEFINITIONS

3.1. Corporate Governance: Index of relations between the Board of Directors, shareholders and other stakeholders of a company.

3.2. Corporate Governance Committee (Committee): A committee to be appointed by the Board of Directors among the Board of Directors members or third parties specialized in certain areas for the purpose of executing and coordinating Corporate Governance Principles related formalities of the Company, provided that majority of the members are from the Board of Directors and the executive of Investor Relations Department shall be appointed as a member of the Committee.

3.3. Corporate Governance Committee Secretariat (Secretariat): ASELSAN personnel arranging operations and meetings of Corporate Governance Committee, archiving correspondences and coordinating communication between the members.

3.4. Capital Markets Board: Public legal entity established the Capital Market Law numbered 6362.

3.5. Company: ASELSAN Elektronik Sanayi ve Ticaret A.Ş.

4. RELATED REFERENCE DOCUMENTS

4.1. Capital Markets Board Regulations.

4.2. Corporate Governance Principles published by the Capital Markets Board.

4.3. Prepared as per the regulations, provisions and principles on ASELSAN Articles of Association.

5. DUTIES AND RESPONSIBILITIES

5.1. DUTIES AND RESPONSIBILITIES OF ASELSAN CORPORATE GOVERNANCE COMMITTEE

5.1.1. The Corporate Governance Committee shall mainly work on implementing corporate governance principles at the Company.

5.1.2. The Committee shall determine whether or not the Corporate Governance Principles are implemented and if not implemented, the Committee shall determine the reasons as well as conflicts of interest caused by failing to fully comply with these principles.

5.1.3. It shall monitor the operations of Investor Relations Department.

5.1.4. It shall play a leading part in maintaining effective communication between the Board of Directors, Company and shareholders, eliminating and settling any possible disputes as well as advising the Board of Directors accordingly.

5.1.5. The Committee shall advise the Board of Directors on due effectiveness of infrastructures related to management applications aiming at improving company performance as well as acknowledgement by the personnel and support of the management.

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5.1.6. The Committee shall issue the Company's Corporate Governance Compliance Report.

5.1.7. The Committee shall revise the Company's Activity Report to be disclosed to the public and checks whether or not the information included in the Report conform to the information possessed by the Committee.

5.1.8. The Committee shall prepare an annual assessment report, including meeting frequency of Committee members and activities performed, which shall be included in the Annual Company Activity Report and basis to the Board of Directors assessment related to the work principles and Committee's efficiency.

5.1.9. The Committee shall make suggestions ensuring compliance to the law and regulations, company's Information Policy in terms of public disclosures to be made.

5.1.10. The Committee shall present its operations and suggestions to the Board of Directors in the form of a report.

5.1.11. The resolutions taken at the meetings shall be documented and undersigned by the Committee Members and archived by the Secretariat.

5.1.12. If Nomination Committee and Remuneration Committee cannot be established separately due to the structure of the Board of Directors, the Committee shall perform the duties assigned to these committees as per the Corporate Governance Principles published by the Capital Markets Board.

5.1.13. Within the scope of the responsibilities of Nomination Committee; the Committee carries the duties on creating a transparent system for the evaluation of the nominees for Board of Directors and the nominees for the executives with administrative responsibility, their training and setting out policies and strategies regarding these matters. In this context, the Committee also regularly makes assessments on the structure and efficiency of Board of Directors and presents suggestions for improvement related to these issues.

5.1.14. Within the scope of the responsibilities of Remuneration Committee; the Committee determines and monitors the principles, criteria and the practices for the remuneration of the members of Board of Directors and executives with administrative responsibility, considering the long term objectives of the Company. In this context, the Committee also presents suggestions about the remuneration of the members of Board of Directors and executives with administrative responsibility, taking the level of achievement regarding the remuneration criteria met into account.

5.2. DUTIES AND RESPONSIBILITIES OF THE CORPORATE GOVERNANCE COMMITTEE SECRETARIAT

5.2.1. It shall provide communication between the members, prepare Committee meetings, keep meeting minutes and duly archive correspondences.

5.2.2. It shall plan, realize and follow up formalities before, during and after the Committee meetings in order to ensure outmost efficiency.

5.2.3. It shall ensure timely communication all of kinds of information to the Committee members.

5.2.4. It shall always keep the records available to the members.

5.2.5. It shall periodically submit reports on investor questions and content.

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6. STRUCTURE AND AUTHORITIES OF THE CORPORATE GOVERNANCE COMMITTEE

6.1. COMMITTEE'S STRUCTURE

6.1.1. The Committee shall be formed and authorized at the first Board of Directors meeting held after the Annual Ordinary General Assembly Meeting of the company, as per the Capital Markets Board regulations.

6.1.2. The Committee shall be formed by at least 3 (three) members; two of whom shall be members of Board of Directors and one shall be the Investor Relations Department Executive. The majority of the members of Board of Directors in the Committee shall not have executive functions. Investor Relations Department Executive must have the "Capital Markets Activities Advanced Level" and "Corporate Governance Rating Expertise" certificates and must be working full time in the Company.

6.1.3. Third parties specialized in certain areas who are not members of Board of Directors can also be appointed as Committee members. The Committee Chairman shall be appointed among Independent Members of Board of Directors.

6.1.4. The Chief Executive Officer / General Manager shall not take office in the Committee.

6.1.5. The secretariat formalities of the Committee shall be performed by Investor Relations Department.

6.1.6. One more than half of the total members shall be required for Committee meetings and majority is required for decisions.

6.1.7. The Committee shall convene every 3 (three) months as a principle and, if required, it shall convene at the Company's registered office following a call to be made by the Secretariat on behalf of the Committee Chairman. The Committee chairman might reschedule the meeting date, hour and place provided that the Committee Members are informed beforehand.

6.2. AUTHORITIES OF THE COMMITTEE

6.2.1. If required, the Committee shall start special inspections and appoint people specialized in their areas as consultant for the purpose of ensuring assistance in such inspections.

6.2.2. If required, the Committee shall hold meetings with representatives of Company's related parties and specialists, including Company personnel or subsidiaries; and it shall seek external and professional consultancy service.

6.2.3. The Committee shall act according to its authorities and responsibilities and make recommendations to the Board of Directors however the Board of Directors shall always have the final decision making responsibility.

7. ENFORCEMENT

These directives have been approved by the Board of Directors as per the resolution dated 23.02.2006 and numbered 529/2.d and came into force as of 30.05.2006.

8. EXECUTION

ASELSAN Corporate Governance Committee shall be responsible for executing the provisions listed on these directives.

9. CIRCULATION PLAN

The document shall be circulated as per ASELSAN PLAN A. It shall be published to all users via intranet and internet.

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Profit Distribution Proposal

ASELSAN A.Ş. 2013 PROFIT DISTRIBUTION TABLE (TL)

	Distribution under the Capital Markets Board Regulations	Distribution under the Legal Records
Issued Capital	500.000.000	500.000.000
First Legal Reserve (According to Legal Records)	68.109.464,78	68.109.464,78
The information for the profit distribution in the case of privileges according to the Company Articles of Incorporation		
Profit for the Period	238.081.489,00	79.566.382,34
Taxes Payable (-)	0	0
NET PROFIT FOR THE PERIOD (=)	238.081.489,00	79.566.382,34
Accumulated Loss (-)	0	0
First Legal Reserve (-)	3.978.319,12	3.978.319,12
NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)	234.103.169,88	75.588.063,22
Donations Made throughout the Year (+)	0	
Net Distributable profit for the period, donations included in dividend calculation	234.103.169,88	
First Dividend to Shareholders	25.000.000	25.000.000
- Cash	25.000.000	25.000.000
- Non paid-up share	0	0
- Total	25.000.000	25.000.000
Dividends distributed to Preferred Shareholders	0	0
Dividends distributed to;	0	0
- Members of the Board of Directors	0	0
- Employees	0	0
- Others than Shareholders	0	0
Dividends distributed to Holders of Usufruct Right Certificates	0	0
Second Dividend to Shareholders	0	0
First Legal Reserve	0	0
Statutory Reserve	0	0
Special Reserve	0	0
EXTRAORDINARY RESERVE	209.103.169,88	50.588.063,22
Other resources to be distributed	0	0

As presented in the table above, out of the net profit for the period that is generated by our company from its 2013 activities;

- In accordance with Article 519/(1) of the Turkish Commercial Code, General Legal Reserves amounting to TL 3.978.319,12 is going to be allocated,
- Net distributable profit to the shareholders for the period, calculated in the framework of the profit distribution regulations and decisions of the Capital Markets Board is proposed as: Gross profit, TL 25.000.000 (TL 0,05 per share of TL 1 and 5% on the basis of the capital) (net profit TL 21.250.000 – TL 00,0425 per share of TL 1 and 4,25% on the basis of the capital) as in the form of cash,
- The remaining profit is going to be allocated as Extraordinary Legal Reserves, and distribution of the dividends to the shareholders to be started as of May 30, 2014.

Yours Faithfully,

Board of Directors

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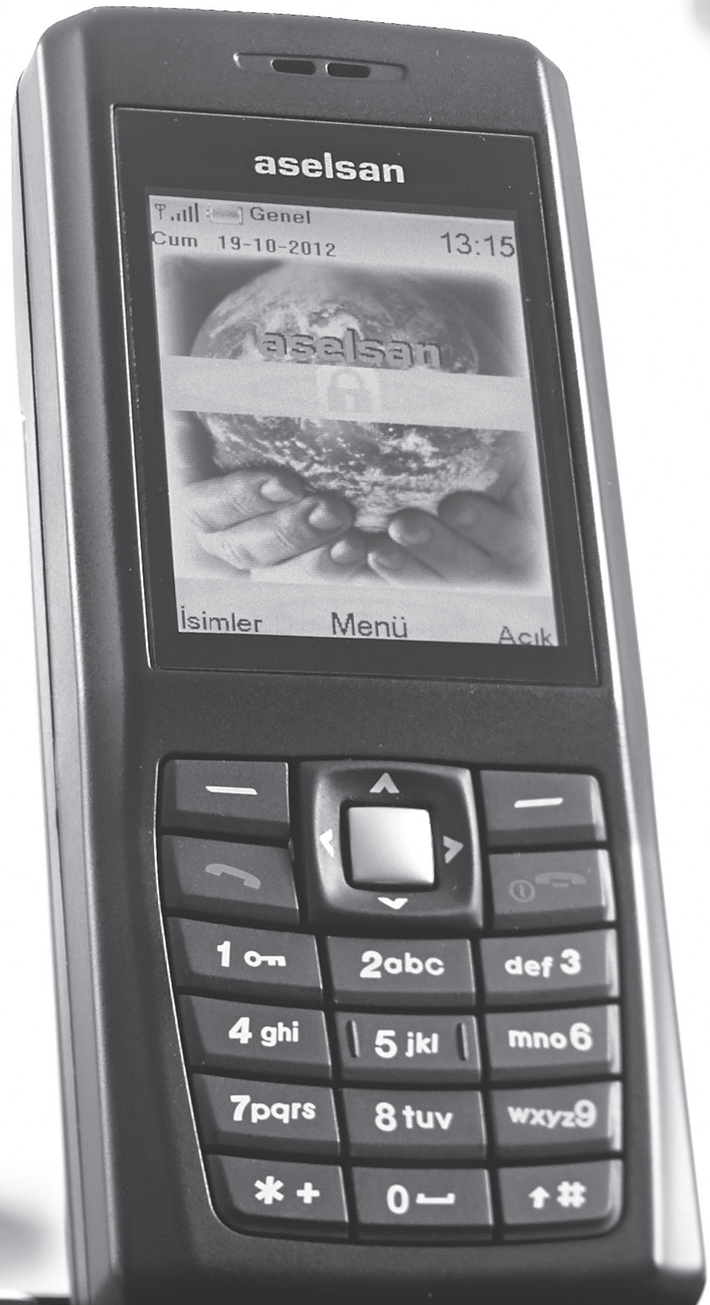
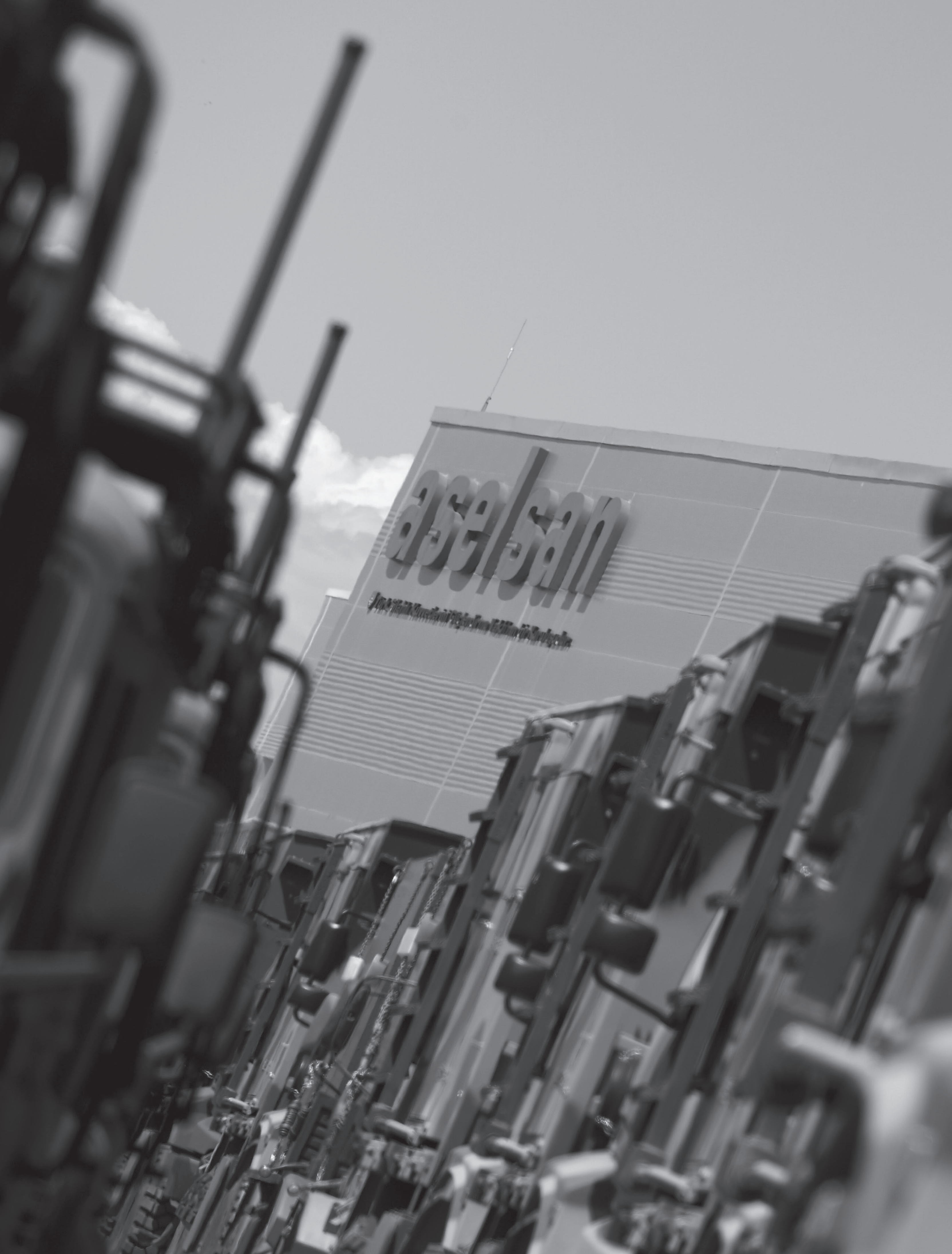


ASELSAN Encrypted Mobile Phone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