

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 management 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.

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	Weight	Score (%)
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.

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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 judgement 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 necessasry efforts in order to achieve full compliance with Corporate Governance Principles.

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

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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,
- 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 allocated by Corporate Governance Board,
- Operation of transactions regarding capital increase, profit distribution, changes on Articles of Association and studies of Corporate Governance Board,
- 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 timely and accurately 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.

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 Notification 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 agenda, place, time, copy of

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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 sharing, 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 Notification 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 thousand (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.

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. Profit Share Rights

There is no privilege with respect to the participation in the profit gained by the Company. The profit sharing 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.

7. Transfer of Shares

The transfer of the nominated Group A shares representing majority part of the capital and which are not treated 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 exists 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 demands of investors and shareholders on information,
 - Regulations related to General Assembly,
 - 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 and accurate, complete, comprehensible, interpretable manner, easily accessible with low costs and equally and in a manner to support the beneficiaries to make decisions.

Investor Relations and Subsidiaries Department personnel have been assigned to pursue and monitor all kinds of issues related to public disclosure. 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 extra 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 Communique 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 judgements 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 Notification Regarding Determination and Implementation of Corporate Governance Principles issued by the CMB, Serial: IV, No: 56 which also includes the judgements noted in 2.1.1. numbered governance principle of Corporate Governance Communique numbered II-17.1 issued on 03.01.2014.

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 (Regulation) issued by the Ministry of Customs and Trade, the Notification Regarding the Principles Related to financial Reporting in the Capital Market and

the Notification Regarding the Determination and Implementation of the Corporate Governance Principles, both issued by the Capital Markets Board.

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 through the internet and regular visits are paid to their side. 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 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, company employees and other related parties and uploaded to the website right after it is published.

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 not proper 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, which adds values 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 makes 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.

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 Behaviour Rules” document are 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 personel and training programs about these changes are organized if seen neccessasry.

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.

Etchical 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 Committe 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 behaviours 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 favour 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.

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.

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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
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

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				and OSTİM Finance and Business Centre Construction Real Estate Electronic Production LTD.; Ankara Development Agency Member of Board of Directors, Aydın Insurance LTD Partnet and Manager, Ankara Chamber of Industry Discipline Committe 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.

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 inform 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 and the non-attendants and the excuses of the non-attendants, if any,

the agenda of the meeting, proposals and negotiations, the decision, dissenting opinions, if any and the signatures of the attendants to be recorded in the book.

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 acceptance 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. In scope of 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 Notification 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 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 made 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

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

In order to strengthen the contact with the Presidency of Internal Audit and Assessment Board (IAAB), 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 Studies and Activities Regarding the Audited Financial Statements:

“Communique 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 2013 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.

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 Department 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 Communique. 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.

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
Biröl ERDEM	Member / Board of Directors Vice Chairman
Erhan AKPORAY	Member / Member of the Board of Directors

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.
- ii. "2012 Evaluation Report" was prepared and submitted to Board of Directors 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 placed 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.

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.

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 Communique 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.

Statement of Independence

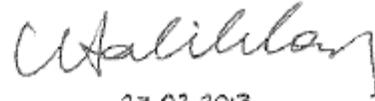
To the Board of Directors of ASELSAN Elektronik Sanayi ve Ticaret A.Ş.;

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

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

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