

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

Convenience Translation Of The
Independent Auditor's Report And
Consolidated Financial Statements
For The Year Ended 31 December 2014
Originally Issued in Turkish

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of ASELSAN Elektronik Sanayi ve Ticaret A.Ş. (the "Company") and its subsidiaries (together referred as the "Group") which comprise the statement of financial position as at 31 December 2014, 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

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

Auditor's Responsibility

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 issued by Capital Markets Board and Independent Auditing standards which is a part of Turkish Auditing standards published by Public Oversight Accounting and Auditing Standards Authority ("POA"). 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.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the financial position of Aselsan Elektronik Sanayi ve Ticaret A.Ş. and its subsidiaries as at 31 December 2014, and of their financial performance and their cash flows for the year then ended in accordance with Turkish Accounting Standards.

Reports on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 402 of the Turkish Commercial Code No. 6102 ("TCC"), nothing has come to our attention that may cause us to believe that the Group's set of accounts and financial statements prepared for the period 1 January-31 December 2014 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of Turkish Commercial Code, the Board of Directors provided us all the required information and documentation with respect to our audit.

In accordance with paragraph four of the Article 398 of TCC, the auditor's report on the system and the committee of early detection of risk has been submitted to Board of Directors of the company on 2 March 2015.

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

Erdem Taş
Partner

Ankara, 6 March 2015

CONTENT	PAGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	1-3
CONSOLIDATED STATEMENT OF PROFIT OR LOSS	4
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME	5
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	6
CONSOLIDATED STATEMENT OF CASH FLOWS	7-8
NOTES FOR THE CONSOLIDATED FINANCIAL STATEMENTS	9-103
NOTE 1 ORGANIZATION AND OPERATIONS OF THE GROUP	9-11
NOTE 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS.....	11-41
NOTE 3 INTERESTS IN OTHER ENTITIES.....	41-42
NOTE 4 RELATED PARTY TRANSACTIONS.....	42-47
NOTE 5 TRADE RECEIVABLES AND PAYABLES	48-50
NOTE 6 OTHER RECEIVABLES AND PAYABLES.....	51
NOTE 7 INVENTORIES	52
NOTE 8 PREPAID EXPENSES AND DEFERRED INCOME.....	53
NOTE 9 PROPERTY, PLANT AND EQUIPMENT	54-56
NOTE 10 INTANGIBLE ASSETS	57-58
NOTE 11 GOVERNMENT GRANTS AND INCENTIVES	59-60
NOTE 12 BORROWING COSTS.....	60
NOTE 13 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES.....	61-63
NOTE 14 COMMITMENTS AND CONTINGENCIES	63-65
NOTE 15 EMPLOYMENT BENEFITS.....	66-67
NOTE 16 OTHER ASSETS AND LIABILITIES	68
NOTE 17 SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS	69-70
NOTE 18 SALES REVENUE AND COST OF SALES	71
NOTE 19 ASSETS AND LIABILITIES REGARDING CONSTRUCTION CONTRACTS	72
NOTE 20 GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH.....	73-74
AND DEVELOPMENT EXPENSES	
NOTE 21 OTHER OPERATING INCOME AND EXPENSES	75
NOTE 22 INCOME FROM INVESTING ACTIVITIES	75
NOTE 23 FINANCIAL INCOME.....	76
NOTE 24 FINANCIAL EXPENSES.....	76
NOTE 25 ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS.....	76-77
NOTE 26 INCOME TAXES.....	78-82
NOTE 27 EARNINGS PER SHARE	82
NOTE 28 FINANCIAL INSTRUMENTS	83-87
NOTE 29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES	87-100
NOTE 30 FINANCIAL INSTRUMENTS FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING.....	101-102
NOTE 31 EVENTS AFTER THE REPORTING PERIOD.....	103
NOTE 32 EXPLANATORY NOTES TO THE STATEMENT OF CASH FLOWS	103

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014**

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

	Note References	Current Period Audited 31 December 2014	Prior Period Audited 31 December 2013
ASSETS			
Current Assets			
2.355.673.667			
2.049.564.480			
Cash and Cash Equivalents	32	131.941.264	103.683.817
Trade Receivables			
Trade Receivables from Related Parties	4-5	120.292.826	145.157.039
Trade Receivables from Third Parties	5	823.429.292	611.089.356
Other Receivables			
Other Receivables from Related Parties	4-6	19.746	32.771.269
Other Receivables from Third Parties	6	41.933.886	48.741.727
Inventory	7	837.426.476	645.849.543
Prepaid Expenses	8	199.811.629	277.369.147
Other Current Assets	16	200.818.548	184.902.582
Non-Current Assets			
2.629.760.107			
1.958.410.870			
Financial Investments	28	355.622.999	12.724.210
Trade Receivables			
Trade Receivables from Related Parties	4-5	31.855.852	26.392.887
Trade Receivables from Third Parties	5	278.592.305	312.343.820
Other Receivables			
Other Receivables from Related Parties	4-6	-	-
Other Receivables from Third Parties	6	261.988	197.085
Property, Plant and Equipment	9	853.969.422	741.988.200
Intangible Assets	10	438.506.438	372.807.645
Prepaid Expenses	8	383.548.025	274.439.651
Deferred Tax Assets	26	281.235.324	212.862.628
Other Non-Current Assets	16	6.167.754	4.654.744
TOTAL ASSETS		4.985.433.774	4.007.975.350

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

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014**

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

	Note References	Current Period Audited 31 December 2014	Prior Period Audited 31 December 2013
LIABILITIES			
Current Liabilities		1.201.245.567	936.244.985
Short-term Financial Liabilities	28	235.273.838	157.226.761
Short-term Portion of Long-term Financial Liabilities	28	48.608.193	22.832.818
Trade Payables			
Trade Payables to Related Parties	4-5	22.690.240	16.265.805
Trade Payables to Third Parties	5	584.535.619	377.182.297
Employee Benefit Obligations	15	22.998.224	19.226.599
Other Liabilities			
Other Liabilities to Related Parties	4-6	306.817	30.320
Other Liabilities to Third Parties	6	475.644	418.061
Government Grants and Incentives	11	15.043.829	11.280.034
Deferred Income	8	143.632.654	214.035.003
Corporate Tax Liability	26	651.558	480.904
Short-term Provisions			
Short-term Provisions for Employee Benefits	15	33.924.548	25.395.640
Other Short-Term Provisions	13	88.902.178	88.973.470
Other Current Liabilities	16	4.202.225	2.897.273
Non-Current Liabilities		1.565.294.681	1.459.244.914
Long-term Financial Liabilities	28	195.267.475	173.227.412
Trade Payables			
Trade Payables to Related Parties	4-5	9.769.454	-
Trade Payables to Third Parties	5	57.384.419	12.163.376
Long-Term Payables			
Other Payables to Related Parties	4-6	-	-
Other Payables to Third Parties	6	31.832	30.518
Government Grants and Incentives	11	2.233.448	1.878.514
Deferred Income	8	1.170.227.711	1.162.027.069
Long-term Provisions			
Long-term Provisions for Employee Benefits	15	127.420.265	107.067.815
Other Long-Term Provisions	13	2.960.077	2.850.210

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

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014**

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

	Note References	Current Period Audited 31 December 2014	Prior Period Audited 31 December 2013
EQUITY		2.218.893.526	1.612.485.451
Equity Attributable to Equity Holders of the Parent		2.218.893.526	1.611.967.650
Share Capital	17	500.000.000	500.000.000
Share Capital Adjustments	17	98.620.780	98.620.780
Other Comprehensive Income / Expense that will not to be Reclassified Subsequently to Profit or Loss			
Gain/Loss on Remeasurement of Defined Benefit Plans		(14.924.138)	(3.866.000)
Gain on Revaluation of Property	25	177.700.751	177.532.454
Other Comprehensive Income or Expenses that may be Reclassified Subsequently to Profit or Loss			
Gain on Revaluation of Available for Sale Financial Assets	25	293.018.605	-
Restricted Reserves Appropriated From Profit	17	73.708.407	69.677.755
Prior Years' Profit		740.674.202	531.921.172
Net Profit for the Period		350.094.919	238.081.489
Non-Controlling Interests		-	517.801
TOTAL LIABILITIES AND EQUITY		4.985.433.774	4.007.975.350

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

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

**AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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

	Note References	Current Period Audited 1 January- 31 December 2014	Prior Period Audited 1 January- 31 December 2013
PROFIT OR LOSS			
Sales Revenue	18	2.498.108.745	2.171.425.296
Cost of Sales (-)	18	(1.897.226.927)	(1.612.641.153)
GROSS PROFIT		600.881.818	558.784.143
General Administrative Expenses (-)	20	(124.248.781)	(103.256.327)
Marketing Expenses (-)	20	(46.531.957)	(38.427.719)
Research and Development Expenses (-)	20	(72.037.415)	(63.852.597)
Other Operating Income	21	516.009.465	317.096.874
Other Operating Expenses (-)	21	(576.641.543)	(495.310.890)
OPERATING PROFIT		297.431.587	175.033.484
Income from Investing Activities	22	1.914.324	10.369.803
OPERATING PROFIT BEFORE FINANCIAL EXPENSE		299.345.911	185.403.287
Financial Income	23	44.490.097	6.536.436
Financial Expense (-)	24	(73.482.443)	(44.595.198)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		270.353.565	147.344.525
Tax Income from Continuing Operations		79.741.354	91.202.409
- Current Corporate Tax Expense(-)	26	(1.288.840)	(735.616)
- Deferred Tax Income	26	81.030.194	91.938.025
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		350.094.919	238.546.934
Profit for the Period Attributable to:			
Non-Controlling Interest		-	465.445
Owners of the Company	27	350.094.919	238.081.489
		350.094.919	238.546.934
Earnings per 100 Shares	27	0,70	0,48

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

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**AUDITED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014**

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

	Note References	Current Period Audited 1 January- 31 December 2014	Prior Period Audited 1 January- 31 December 2013
PROFIT FOR THE PERIOD		350.094.919	238.546.934
OTHER COMPREHENSIVE INCOME			
Items that will not to be Reclassified Subsequently in Profit or Loss		(11.058.138)	187.010.667
Gain on Revaluation of Property		-	187.053.422
Gain/Loss on Remeasurement of Defined Benefit Plans	15	(13.822.672)	11.637.395
Deferred Tax Expense(-)/Income	26	2.764.534	(11.680.150)
Items that may be reclassified subsequently to profit or loss		293.018.605	-
Gain on Revaluation of Available for Sale Financial Assets	25	308.440.637	-
Deferred Tax Expense	25-26	(15.422.032)	-
OTHER COMPREHENSIVE INCOME		281.960.467	187.010.667
TOTAL COMPREHENSIVE INCOME		632.055.386	425.557.601
Total Comprehensive Income for the Period Attributable to:			
Non-Controlling Interests		-	633.742
Owners of the Company		632.055.386	424.923.859
		632.055.386	425.557.601

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

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

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

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

	Share Capital	Share Capital Adjustments	Other Comprehensive Income / Expense that will not to be Reclassified Subsequently to Profit or Loss		Other Comprehensive Income or Expenses that may be Reclassified Subsequently to Profit or Loss	Retained Earnings			Equity Attributable to Owners of the Company	Non-Controlling Interests	Total
			Accumulated Gain/Loss on Revaluation of Property	Accumulated Gain/Loss on Remeasurement of Defined Benefit Plans	Accumulated Gain on Revaluation of Available for Sale Financial Assets	Restricted Reserves Appropriated From Profit	Prior Years' Profit	Net Profit for the Period			
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 (Closing Balance)	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
Balance as of 1 January 2014(Opening Balance)	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
Transfers	-	-	-	-	-	3.983.319	209.098.170	(213.081.489)	-	-	-
Total Comprehensive Income	-	-	-	(11.058.138)	293.018.605	-	-	350.094.919	632.055.386	-	632.055.386
Dividends	-	-	-	-	-	-	-	(25.000.000)	(25.000.000)	-	(25.000.000)
Transactions with Non-Controlling Interests (*)	-	-	168.297	-	-	47.333	(345.140)	-	(129.510)	(517.801)	(647.311)
Balance as of 31 December 2014 (Closing Balance)	500.000.000	98.620.780	177.700.751	(14.924.138)	293.018.605	73.708.407	740.674.202	350.094.919	2.218.893.526	-	2.218.893.526

(*)The shares of HAVELSAN-Hava Elektronik San. ve Tic. A.Ş. , ASELSANNET and Undersecretariat for Defense Industries ("UDI") in MİKES have been purchased by the Company.

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

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

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

	Note References	Current Period Audited 1 January- 31 December 2014	Prior Period Audited 1 January 31 December 2013
Cash Flows from Operating Activities		281.181.796	119.119.644
Net Profit for the Period		350.094.919	238.546.934
Adjustments to Reconcile Profit for the Period		86.595.687	36.956.083
- Adjustments Related to Depreciation and Amortization Expenses	9-10	96.668.194	82.553.064
- Adjustments Related to Research and Development Expenses	10	28.848.597	12.669.413
- Provision for Employee Benefits		22.006.430	26.760.530
- Allowance for Doubtful Trade Receivables / (Reversals) – Net	5	(1.362.431)	236.057
- Provision for Guarantee Expenses / (Reversals) – Net	13	(1.224.624)	14.701.052
- Provision for Delay Penalties and Fines – Net	13	(1.663.532)	(8.688.682)
- Provision for Lawsuits – Net	13	491.300	(400.995)
- Allowance for Impairment on Inventories – Net	7	5.893.311	(146.730)
- Other Provisions		2.435.431	408.990
- Adjustments Related to Interest Income	21	(5.139.957)	(7.317.219)
- Adjustments Related to Interest Expense	24	9.141.206	7.875.925
- Unrealized Foreign Exchange Differences Related to Financial Borrowings – Net		12.157.440	9.876.890
- Adjustments Related to Tax Expense/Income	26	(79.741.354)	(91.202.409)
- Income from Investing Activities	22	(1.914.324)	(10.369.803)
Movements in Working Capital		(147.243.054)	(149.864.490)
- Adjustments for Increase/Decrease in Inventory		(197.470.244)	(60.879.919)
- Adjustments for Increase/Decrease in Trade Receivables		(157.665.875)	(322.590.805)
- Adjustments for Increase/Decrease in Other Receivables		39.548.892	(38.825.365)
- Prepaid Expenses	8	(31.550.856)	(10.850.762)
- Other Current Assets		(14.641.234)	(8.565.564)
- Other Non-Current Assets		(1.513.010)	(2.130.888)
- Adjustments for Increase/Decrease in Trade Payables	5	268.768.254	99.004.665
- Adjustments for Increase/Decrease in Other Payables		335.394	(548.461)
- Employee Benefit Obligations	15	3.771.625	3.141.533
- Government Grants and Incentives	11	4.118.729	4.938.676
- Deferred Income	8	(62.201.707)	188.349.739
- Other Liabilities		1.304.952	(907.339)
- Adjustments for Other Increase/Decrease in Working Capital		(47.974)	-

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

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014**

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

	Note References	Current Period Audited 1 January- 31 December 2014	Prior Period Audited 1 January 31 December 2013
Net Cash Provided by Operations		289.447.552	125.638.527
Interest Paid		(3.851.753)	(4.649.858)
Interest Received		3.651.927	4.440.998
Tax Payments/Refunds		(1.118.186)	(558.987)
Employee Termination Benefits Paid	15	(6.947.744)	(5.751.036)
Cash Flows from Investing Activities		(324.166.611)	(287.103.946)
Proceeds from Disposal of Property, Plant and Equipment and Intangible Assets		321.849	222.194
Payments for Property, Plant and Equipment	9	(157.533.671)	(172.368.006)
Payments for Intangible Assets - Net	10	(133.811.624)	(123.956.048)
Change in Financial Investments		(35.057.489)	(1.371.889)
Dividends Received	22	1.914.324	10.369.803
Cash Flows from Financing Activities		71.242.262	(80.865.451)
Proceeds from Borrowings		523.895.854	612.218.353
Repayments of Borrowings		(427.540.525)	(614.542.147)
Repayments of Obligations Under Finance Leases		(113.067)	(39.157)
Dividend Payments	17	(25.000.000)	(78.502.500)
NET CHANGE IN CASH AND CASH EQUIVALENTS		28.257.447	(248.849.753)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	32	103.683.817	352.533.570
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	32	131.941.264	103.683.817

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

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. (the Company) was established in order to engage principally in research, development, engineering, production, tests, assembly, integration and sales, after sales support, consultancy and trading activities, to provide and conduct all sorts of activities for project preparation, engineering, consultancy, service providing, training, contracting, construction, publishing, trading, operation and internet services regarding various software, equipment, system, tools, material and platforms in the fields of electrical, electronics, microwave, electro-optics, guidance, computer, data processing, encryption, security, mechanics, chemistry and related subjects within the army, navy, air force and aerospace applications to all institutions, organizations, companies and individual consumers.

The Company was established at the end of 1975 as a corporation by Turkish Land Forces Foundation. The Company commenced its production activities in Macunköy facilities in early 1979.

The Company has been organized in five main divisions: The Communication and Information Technologies Division (HBT), Radar, Electronic Warfare Systems (REHİS), Defense Systems Technologies (SST), Microelectronics, Guidance & Electro-Optics Division (MGEO) and Transportation, Security, Energy & Automation Systems (UGES) based on the investment and production requirements of projects carried out.

The Company has ten separate Vice General Directorates besides Sector Presidency General Management including Financial Management Vice General Directorate, Support Services Vice General Directorate, Strategy and Business Development Vice General Directorate and Human Resources Management Vice General Directorate.

The Company performs production and engineering operations in three different locations in Ankara Macunköy, Akyurt and Gölbaşı while General Management is organized 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 2014 (31 December 2013: 15,30%) (Note 17).

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

The Company's trade registry address is Mehmet Akif Ersoy Mahallesi 296. Cadde No:16 06370 Yenimahalle/Ankara. Average number of personnel employed by the Group as of 31 December 2014 is 5.335 (31 December 2013: 5.343).

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:

Company name	Operation	31 December 2014	31 December 2013
MIKES (*)	Research and development (R&D) on microwave projects	100,00	96,37
ASELSANNET	Communication systems	100,00	100,00

(*) The shares of HAVELSAN-Hava Elektronik San. ve Tic. A.Ş. , ASELSANNET and UDI in MIKES have been purchased by the Company.

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

The Company opened up branch as "Aselsan Elektronik Sanayi ve Ticaret A.Ş. EP Co." in 2011 in South Africa and as "ASELSAN Macedonia Corridore 10 Highway Electronic Road Toll System Project" in 2014 in Macedonia. Branches are excluded from consolidation as its inclusion does not materially affect the 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 financial results of the Group.

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

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

In March 2014, "ASELSAN Hassas Optik Sanayi ve Ticaret A.Ş." company was established. 50% of the company belongs to ASELSAN and other 50% belongs Sivas Optik Malzemeleri Sanayi ve Ticaret A.Ş. After the completion of the facility in Sivas, production of sensitive optic technology which is designed by ASELSAN and produced abroad for Ultraviolet, visible and close infrared bands will be realized. The company is excluded from consolidation as its inclusion does not materially affect the financial results of the Group.

In November 2014, "ASELSAN Bilkent Mikro Nano Teknolojileri Sanayi ve Ticaret A.Ş." company was established. 50% of the company belongs to ASELSAN and other 50% belongs to İhsan Doğramacı Bilkent Üniversitesi. The firm, which is established for production of micro and nano sized devices which contain all kinds of conductive and similar technological materials, is excluded from consolidation as its inclusion does not materially affect the financial results of the Group.

Approval of the consolidated financial statements

These consolidated financial statements have been approved for issue by the Board of Directors with the decision number 849 on 6 March 2015. 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, MİKES 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 consolidated financial statements are prepared in accordance with the requirements of 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 and Interpretations ("TAS") that has been put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA") under Article 5 of the Communiqué.

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

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

2.1 The basis of presentation (cont'd)

Statement of Compliance to TAS (cont'd)

In addition, the consolidated 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 and some financial investments. 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 ("Functional Currency") in which the entity operates. 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 inflation accounting. Consequently, in the accompanying financial statements No 29 "Financial Reporting in Hyperinflationary Economies" (IAS/TAS 29) was not applied since 1 January 2005.

Comparative Information and Restatement of Prior 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.

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

2.1 The basis of presentation (cont'd)

Basis of Consolidation

Subsidiaries:

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

Subsidiaries	Location	Functional Currency	Group's proportion of ownership and voting power held (%)		Principal Activity
			31 December 2014	31 December 2013	
MİKES (*)	Turkey	TL	100	96,37	Microwave R&D projects
ASELSANNET	Turkey	TL	100	100	Telecommuni- cation systems Marketing and sales of the group products
ASELSAN Bakü (**)	Azerbaijan	AZN	100	100	
Mikroelektronik Ar- Ge Tasarım ve Tic. Ltd Şti. (**)	Turkey	TL	85	85	Microelectronic R&D projects

(*) The shares of HAVELSAN-Hava Elektronik San. ve Tic. A.Ş. , ASELSANNET and UDI in MİKES have been purchased by the Company.

(**) 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.

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

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

2.1 The basis of presentation (cont'd)

Basis of Consolidation (cont'd)

Subsidiaries (cont'd):

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.

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

2.1 The basis of presentation (cont'd)

Basis of Consolidation (cont'd)

Subsidiaries (cont'd):

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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

Interests in Joint Ventures:

The details of the Group's interests in joint ventures as of 31 December 2014 and 31 December 2013 are as follows:

Joint Ventures	Principal Activity	Country of incorporation and operation	Group's proportion of ownership and voting power held (%)	
			31 December 2014	31 December 2013
ASELSAN Hassas Optik Sanayi ve Ticaret A.Ş.	Sensitive optic technologies Production of micro and nano sized devices which contains semi-conductive and similar technological materials	Turkey	50	-
ASELSAN Bilkent Mikro Nano Teknolojileri Sanayi ve Ticaret A.Ş	Marketing and sales of the group products	Turkey	50	-
IGG Aselsan Integrated Systems LLC	Marketing and sales of the group products	U.A.E.	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.

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

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

2.1 The basis of presentation (cont'd)

Basis of Consolidation (cont'd)

Interests in Joint Ventures (cont'd):

IGG ASELSAN Integrated Systems LLC (United Arab Emirates) and Kazakhstan ASELSAN Engineering LLP (Kazakhstan) established in 2011, ASELSAN Middle East PSC LTD (Jordan) established in 2012, ASELSAN Hassas Optik Sanayi ve Ticaret A.Ş. and ASELSAN Bilkent Mikro Nano Teknolojileri Sanayi ve Ticaret A.Ş. established in 2014 which are classified as non-current financial assets and accounted with acquisition cost after impairment, are not included in the consolidation, as 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.

ROKETSAN-Roket Sanayi ve Ticaret A.Ş. which is classified as financial investment of Group is revalued and presented with its fair value as of 31 December 2014. Gain on revaluation of ROKETSAN is accounted as revaluation reserve 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.

2.4 New and Revised Turkish Accounting Standards

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

None.

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

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

2.4 New and Revised Turkish Accounting Standards (cont'd)

b) New and Revised TASs applied with no material effect on the financial statement which are effective since 2014

TFRS 10, 11, TAS 27 (Amendments)	<i>Investment Entities¹</i>
TAS 32 (Amendments)	<i>Offsetting Financial Assets and Financial Liabilities¹</i>
TAS 36 (Amendments)	<i>Recoverable Amount Disclosures for Non-Financial Assets¹</i>
TAS 39 (Amendments)	<i>Novation of Derivatives and Continuation of Hedge Accounting¹</i>
TFRS Comment 21	<i>Levies¹</i>
TAS 21 (Amendments)	<i>The Effects of Changes in Foreign Exchange Rate²</i>

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

2 Effective as of 12 November 2014 which is the publication date of amendment.

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 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 net-off” and “simultaneous realization and settlement”.

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.

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

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

2.4 New and Revised Turkish Accounting Standards (cont'd)

b) New and Revised TASs applied with no material effect on the financial statement which are effective since 2014 (cont'd)

TFRS Comment 21 Levies

TFRS Comment 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.

Amendments to TAS 21 *The Effects of Changes in Foreign Exchange Rate*

TAS 21 The Effect of Changes in Foreign Exchange Rate's (b) subparagraph of paragraph 39 is amended as follows:

“(b) Income and expenses for each statement of comprehensive income or separate income statement presented (ie including comparatives) shall be translated at exchange rates at the dates of the transactions.”

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

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

TFRS 9	<i>Financial Instruments</i>
TFRS 9 ve TFRS 7 (Amendments)	<i>Mandatory Effective Date of TFRS 9 and Transition Disclosures</i>
TAS 19 (Amendments)	<i>Employee Benefits¹</i>
Annual Improvements to 2010-2012 cycle	<i>TFRS 2, TFRS 3, TFRS 8, TFRS 13, TAS 16 and TAS 38, TAS 24, TFRS 9, TAS 37, TAS 39¹</i>
Annual Improvements to 2011-2013 cycle	<i>TFRS 3, TFRS 13, TAS 40¹</i>
TAS 16 ve TAS 38 (Amendments)	<i>Clarification of Acceptable Methods of Depreciation and Amortization²</i>
TAS 16 ve TAS 41 (Amendments) with TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40 (Amendments)	<i>Agriculture: Bearer Plants²</i>
TFRS 11 ve TFRS 1 (Amendments)	<i>Accounting of Acquisition of Interests in a Joint Operation²</i>

¹ Effective for financial periods beginning on or after 30 June 2014.

² Effective for financial periods beginning on or after 31 December 2015.

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

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

2.4 New and Revised Turkish Accounting Standards (cont'd)

c) New and revised TASs in issue but not yet effective (cont'd)

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 19 Employee Benefits

The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. When contributions are eligible for the practical expedient, a company is permitted (but not required) to recognize them as a reduction of the service cost in the period in which the related service is rendered.

Annual Improvements to 2010-2012 Cycle

TFRS 2: Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'.

TFRS 3: Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

TFRS 8: Requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.

TFRS 13: Clarify that issuing TFRS 13 and amending TFRS 9 and TAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).

TAS 16 and TAS 38: Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

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

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

2.4 New and Revised Turkish Accounting Standards (cont'd)

c) New and revised TASs in issue but not yet effective (cont'd)

Annual Improvements to 2010-2012 Cycle (cont'd)

TAS 24: The amendment clarifies the identification and disclosure requirements for related party transactions that take place when key management personnel services are provided by a management entity that is not otherwise a related party of the reporting entity.

Annual Improvements to 2011-2013 Cycle

TFRS 3: The amendment clarifies that it only excludes the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself from the scope of TFRS 3.

TFRS 13: This amendment clarifies the scope of exception in paragraph 52.

TAS 40: This amendment clarifies the interrelationship of TFRS 3 and TAS 40 when classifying property as investment property or owner-occupied property.

Amendments to TAS 16 and TAS 38 *Clarification of Acceptable Methods of Depreciation and Amortization*

This amendment clarifies that that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment, and introduces a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendment also adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

Group, assesses the effects of standards on financial situation and performance.

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

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

2.4 New and Revised Turkish Accounting Standards (cont'd)

c) New and revised TASs in issue but not yet effective (cont'd)

Annual Improvements to 2011-2013 Cycle (cont'd)

Amendments to TFRS 11 and TFRS 1 Accounting for Acquisition of Interests in Joint Operations

This amendment requires an acquirer of an interest in a joint operation in which the activity constitutes a business to:

- apply all of the business combinations accounting principles in TFRS 3 and other TASs, except for those principles that conflict with the guidance in TFRS 11
- disclose the information required by TFRS 3 and other TASs for business combinations.

Amendments in TFRS 11 cause amendments in related parts of the TFRS 1.

2.5 Summary of Significant Accounting Policies

Related Parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the 'reporting entity').

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity;
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Related Parties (cont'd)

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Transaction with related party is a transfer of resources, services or liabilities between the reporting entity and the related party, disregarding it is with or without a value.

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;

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Sale of goods (cont'd)

- 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.

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

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 profit or 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.

Property, Plant and Equipment

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 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.

Property, plant and equipment other than lands are carried at cost less accumulated depreciation and any accumulated impairment losses.

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Property, Plant and Equipment (cont'd)

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.

The useful lives of fixed assets are as follows:

	<u>Useful life</u>
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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

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.

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Intangible Assets (cont'd)

Internally generated intangible assets – R&D expenditure (cont'd)

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.

The useful lives of the intangible assets are as follows:

	<u>Useful life</u>
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.

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

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

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. Financial assets are recognised on transaction (delivery date) date. Financial assets are measured at fair value on initial recognition. In the initial recognition of financial assets and financial liabilities that are not classified their fair value through profit or loss, transaction costs directly attributable to the acquisition of related assets are added to the fair value.

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Financial assets (cont'd)

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. Financial assets stated at fair value, gains and losses resulting from valuation are recognized in the statement of profit or loss.

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 AFS financial assets and are stated at fair value at the end of each reporting period. The Group also has investments in unquoted equity investments that are not traded in an active market but that are also classified as AFS financial assets and stated at cost value at the end of each reporting period since their fair value can't be reliably measured. The Group also has AFS financial assets stated at fair value in the consolidated financial tables since their fair value can 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. When 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.

The fair value of available-for-sale monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing 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.

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Financial assets (cont'd)

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.

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.

Financial Liabilities

Financial liabilities are recognized at fair value in the initial recognition. In the initial recognition of financial liabilities that are not classified their fair value through profit or loss, transaction costs directly attributable to the undertaking related liabilities are added to the fair value. Financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Finance Lease Operations

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

Foreign currency transactions and balances

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 in foreign currencies (other than TL) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items (including advances) 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.

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;

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Foreign Currency Transactions (cont'd)

Foreign currency transactions and balances (cont'd)

- 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 statement of profit or loss, 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.

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

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.

Operating Segments

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), Transportation, Security, Energy & Automation Systems Business Sector (UGES). 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 sectors are generally determined according to the volume of orders at the Group level instead of differences of fields of operations. Due to the level of orders new sectors may be established in order to increase the management activities.

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

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.

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Construction Contracts (cont'd)

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.

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

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 statement of profit or loss 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.

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Taxes Calculated on the Basis of the Company's Earnings (cont'd)

Deferred tax (cont'd)

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

Tax, provided that it is not related with a transaction directly recognized in equity, is classified in the statement of profit or loss. Otherwise, tax is recognized in equity.

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

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 statement of cash flows is categorized and reported as operating, investing and financing.

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

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 Entity, disposal group as a single fixed asset.

2.6 Critical Accounting Judgments and Estimates

Critical judgments in applying the Group’s accounting policies

In the process of applying the 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 provision is set for some portion of or all of the deferred tax assets. (Note 26).

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

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

2.6 Critical Accounting Judgments and Estimates (cont'd)

Critical judgments in applying the entity's accounting policies (cont'd)

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).

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

2.6 Critical Accounting Judgments and Estimates (cont'd)

Critical judgments in applying the entity's accounting policies (cont'd)

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 2014 and 31 December 2013 are as follow:

Name of Subsidiary	Place of incorporation and operation	Currency	Group's proportion of ownership and voting power held (%)		Principal Activity
			31 December 2014	31 December 2013	
MİKES	Turkey	TL	100	96,37	R&D on microwave projects
ASELSANNET	Turkey	TL	100	100	Communication systems
ASELSAN Bakü	Azerbaijan	AZN	100	100	Marketing and sales of group products
Mikroelektronik Ar-Ge Tasarım ve Tic. Ltd Şti.	Turkey	TL	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 remaining shares of MİKES and increased its shares in subsidiary to 100%.

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

3. INTERESTS IN OTHER ENTITIES (cont'd)

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 (United Arab Emirates) and Kazakhstan Aselsan Engineering LLP (Kazakhstan) established in 2011 and Aselsan Middle East PSC LTD (Jordan) established in 2012, and ASELSAN Hassas Optik Sanayi ve Ticaret A.Ş. and ASELSAN Bilkent Mikro Nano Teknolojileri Sanayi ve Ticaret A.Ş. established in 2014 which are recorded as long-term financial investments, were excluded from the consolidation and as they do not significantly affect the consolidated results of the Group.

c) Marketable Securities

The shares of the Company in "Havaalanı İşletme ve Havacılık Endüstrileri A.Ş." was sold to TAFF in November 2014, as required by "Sale of Shares Contract".

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 trade receivables from related parties usually arise from sales activities and are due 1 - 4 months after the date of sales. The receivables are unsecured by nature and bear no interest.

The trade payables to related parties usually arise from the purchase activities and are due 1 - 3 months after the date of purchase. The receivables bear no interest.

Total amount of salaries and other short-term benefits paid for key management for the year ended as of 31 December 2014 is TL 5.873.910 (31 December 2013: TL 4.555.169).

The details of transactions between the Group and other related parties are disclosed in the following page.:

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

4. RELATED PARTY TRANSACTIONS (cont'd)

	31 December 2014									
	Receivables					Payables				
	Short-term			Long-term		Short-term			Long-term	
	Trading	Advances given	Non-trading	Trading	Advances given	Trading	Advances received	Non-trading	Trading	Advances received
Balances with related parties										
<u>Main shareholder</u>										
TAFF- Turkish Armed Forces Foundation	5.734	-	-	-	-	-	-	-	-	-
<u>Other shareholder</u>										
Axa Sigorta A.Ş.	-	-	-	-	-	-	-	51.581	-	-
<u>Main shareholder's subsidiaries and associates</u>										
HAVELSAN EHSİM-Hava Elektronik Harp Sis. Müh. Tic. A.Ş.	-	32.370	-	-	740.788	1.935.252	-	-	-	-
HAVELSAN-Hava Elektronik San. ve Tic. A.Ş.	1.628.237	580.868	-	-	-	27.619	5.122.993	-	5.000.206	27.712
HTR-HAVELSAN Teknoloji Radar San. ve Tic. A.Ş.	-	-	-	-	-	935.075	-	-	-	-
İŞBİR-İşbir Elektrik San. A.Ş.	-	543.920	-	-	-	1.251.651	-	-	-	-
Mercedes-Benz Türk A.Ş.	-	-	-	-	-	-	-	-	-	-
Netaş Telekomünikasyon A.Ş.	-	4.353.095	-	-	8.832.266	5.553.303	-	-	-	-
STM-Savunma Teknolojileri Müh. ve Tic. A.Ş.	10.255.264	6.259.085	-	-	1.040.392	13.265	4.703.835	-	-	-
TUSAŞ-Türk Havacılık ve Uzay San. A.Ş.	5.527.419	-	-	11.357.844	-	1.367.648	6.443.528	-	3.377.455	38.593.327
<u>Subsidiaries</u>										
ASELSAN Bakü	265.345	-	-	189.433	-	203.572	-	-	-	-
Mikroelektronik Ar-Ge Tas. ve Tic. Ltd. Şti.	137.114	775.363	8.284	-	-	1.137.445	-	-	-	-
<u>Marketable securities</u>										
ASPİLSAN-Askeri Pil San. ve Tic. A.Ş.	-	37.567	-	-	-	1.610.723	-	-	-	-
ROKETSAN-Roket San. ve Tic. A.Ş.	21.826.561	1.324.342	-	20.308.575	291.024.933	8.327.273	3.866.209	-	1.391.793	46.399.872
<u>Branch</u>										
ASELSAN South Africa Branch	-	640.557	-	-	-	-	-	255.236	-	-
ASELSAN Macedonia Branch	-	-	-	-	-	3.687	-	-	-	-
<u>Joint ventures and its related parties</u>										
ASELSAN Bilkent Mikro Nano Teknolojileri Sanayi ve Ticaret A.Ş.	-	-	11.462	-	-	-	-	-	-	-
International Golden Group	43.238.775	-	-	-	-	-	-	-	-	-
IGG ASELSAN Integrated Systems LLC	2.328.656	1.940.427	-	-	-	-	-	-	-	-
Kazakhstan Engineering	-	-	-	-	-	323.727	-	-	-	-
Kazakhstan ASELSAN Engineering LLP	21.551.579	-	-	-	-	-	-	-	-	-
ASELSAN Middle East PSC LTD	13.528.142	-	-	-	-	-	-	-	-	-
	<u>120.292.826</u>	<u>16.487.594</u>	<u>19.746</u>	<u>31.855.852</u>	<u>301.638.379</u>	<u>22.690.240</u>	<u>20.136.565</u>	<u>306.817</u>	<u>9.769.454</u>	<u>85.020.911</u>

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

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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

4. RELATED PARTY TRANSACTIONS (cont'd)

	31 December 2013									
	Receivables					Payables				
	Short-term		Non-trading	Long-term		Short-term		Non-trading	Long-term	
Trading	Advances given	Trading		Advances given	Trading	Advances received	Trading		Advances received	
Balances with related parties										
<u>Main Shareholder</u>										
TAFF- Turkish Armed Forces Foundation	3.207.644	-	-	-	-	-	43.306	-	-	-
<u>Other shareholder</u>										
Axa Sigorta A.Ş.	-	-	-	-	-	1.948	-	30.320	-	-
<u>Main shareholder's subsidiaries and associates</u>										
ESDAŞ-Elektronik Sis. Destek San. ve Tic. A.Ş.	21.239	-	-	-	-	-	-	-	-	-
HAVELSAN EHSİM-Hava Elektronik Harp Sis. Müh. Tic. A.Ş.	-	1.017.379	-	-	698.852	-	-	-	-	-
HAVELSAN-Hava Elektronik San. ve Tic. A.Ş.	4.757.070	682.547	-	1.513.701	-	44.899	-	-	-	1.545.427
HTR-HAVELSAN Teknoloji Radar San. ve Tic. A.Ş.	-	75.791	-	-	-	503.104	-	-	-	-
İŞBİR-İşbir Elektrik San. A.Ş.	-	1.601.645	-	-	-	659.529	-	-	-	-
Mercedes-Benz Türk A.Ş.	-	72.094	-	-	-	1.193.994	-	-	-	-
Netaş Telekomünikasyon A.Ş.	-	3.342.557	-	-	9.428.841	8.435.774	-	-	-	-
STM-Savunma Teknolojileri Müh. ve Tic. A.Ş.	2.779.311	9.519.270	-	-	957.570	-	10.643.377	-	-	-
TUSAŞ-Türk Havacılık ve Uzay San. A.Ş.	11.315.342	-	-	435.006	-	1.114.573	889.434	-	-	4.164.209
<u>Subsidiaries</u>										
ASELSAN Bakü	16.312	-	-	332.402	-	-	-	-	-	-
Mikroelektronik Ar-Ge Tas. ve Tic. Ltd. Şti.	-	1.260.456	-	-	-	-	-	-	-	-
<u>Marketable Securities</u>										
ASPİLSAN-Askeri Pil San. ve Tic. A.Ş.	-	37.567	-	-	-	717.378	-	-	-	-
ROKETSAN-Roket San. ve Tic. A.Ş.	19.158.362	6.035.892	-	15.490.970	168.352.153	3.594.606	1.635.803	-	-	32.092.157
<u>Branch</u>										
ASELSAN South Africa Branch	-	792.439	90.646	-	-	-	-	-	-	-
<u>Joint ventures and its related parties</u>										
International Golden Group	55.710.667	-	-	8.617.662	-	-	-	-	-	-
IGG ASELSAN Integrated Systems LLC	2.980.497	2.321.156	-	-	-	-	-	-	-	-
Kazakhstan ASELSAN Engineering LLP	38.899.450	-	32.680.623	-	-	-	-	-	-	-
ASELSAN Middle East PSC LTD	6.311.145	-	-	3.146	-	-	-	-	-	-
	<u>145.157.039</u>	<u>26.758.793</u>	<u>32.771.269</u>	<u>26.392.887</u>	<u>179.437.416</u>	<u>16.265.805</u>	<u>13.211.920</u>	<u>30.320</u>	<u>-</u>	<u>37.801.793</u>

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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

4. RELATED PARTY TRANSACTIONS (cont'd)

	1 January– 31 December 2014	1 January– 31 December 2013
Transactions with related parties	Purchases	Purchases
<u>Main Shareholder</u>		
TAFF- Turkish Armed Forces Foundation	513.900	524.580
<u>Main shareholder's subsidiaries and associates</u>		
ESDAŞ-Elektronik Sis. Destek San. ve Tic. A.Ş.	186.484	321.830
HAVELSAN EHSİM-Hava Elektronik Harp Sis. Müh. Tic. A.Ş.	2.971.977	842.420
HAVELSAN-Hava Elektronik San. ve Tic. A.Ş.	1.046.226	2.889.537
HTR-HAVELSAN Teknoloji Radar San. ve Tic. A.Ş.	4.376.733	3.169.534
İŞBİR-İşbir Elektrik San. A.Ş.	6.655.545	3.485.237
Mercedes-Benz Türk A.Ş.	-	1.845.996
Netaş Telekomünikasyon A.Ş.	28.477.183	21.888.888
STM-Savunma Teknolojileri Müh. ve Tic. A.Ş.	6.338.440	279.636
TUSAŞ-Türk Havacılık ve Uzay San. A.Ş.	430.992	164.993
<u>Subsidiaries</u>		
ASELSAN Bakü	199.191	340.281
Mikroelektronik Ar-Ge Tas. ve Tic. Ltd. Şti.	6.302.810	4.280.597
<u>Marketable securities</u>		
ASPİLSAN-Askeri Pil San. ve Tic. A.Ş.	4.113.217	2.733.635
ROKETSAN-Roket San. ve Tic. A.Ş.	90.357.325	60.542.851
<u>Branch</u>		
ASELSAN South Africa Branch	5.139.334	3.668.989
ASELSAN Macedonia Branch	149.049	-
<u>Joint ventures and its related parties</u>		
IGG ASELSAN Integrated Systems LLC	1.495.684	2.707.606
Kazakhstan Engineering	323.727	-
Kazakhstan ASELSAN Engineering LLP	2.202.156	2.868
ASELSAN Middle East PSC LTD	-	1.745.790
	<u>161.279.973</u>	<u>111.435.268</u>

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

4. RELATED PARTY TRANSACTIONS (cont'd)

	1 January – 31 December 2014	1 January– 31 December 2013
Transactions with related parties	Sales	Sales
<u>Main shareholder</u>		
TAFF- Turkish Armed Forces Foundation	1.728.166	4.782.175
<u>Main shareholder's subsidiaries and associates</u>		
ESDAŞ-Elektronik Sis. Destek San. ve Tic. A.Ş.	5.658	18.988
HAVELSAN-Hava Elektronik San. ve Tic. A.Ş.	15.876.455	19.666.170
HTR-HAVELSAN Teknoloji Radar San. ve Tic. A.Ş.	3.989	8.095
İŞBİR-İşbir Elektrik San. A.Ş.	23.881	-
Netaş Telekomünikasyon A.Ş.	264.626	-
STM-Savunma Teknolojileri Müh. ve Tic. A.Ş.	56.836.714	18.701.468
TUSAŞ-Türk Havacılık ve Uzay San. A.Ş.	40.094.357	39.818.362
TEI-TUSAŞ Motor Sanayii A.Ş.	19.321	-
<u>Subsidiaries</u>		
ASELSAN Bakü	329.067	121.294
Mikroelektronik Ar-Ge Tas. ve Tic. Ltd. Şti.	225.303	199.091
<u>Marketable securities</u>		
ROKETSAN-Roket San. ve Tic. A.Ş.	54.032.435	76.253.422
<u>Joint ventures and its related parties</u>		
ASELSAN Bilkent Mikro Nano Teknolojileri Sanayi ve Ticaret A.Ş.	9.714	-
International Golden Group	11.120.195	27.067.397
IGG ASELSAN Integrated Systems LLC	671.208	1.084.717
Kazakhstan ASELSAN Engineering LLP	31.508.645	53.981.448
ASELSAN Middle East PSC LTD	21.582.615	12.612.298
	<u>234.332.349</u>	<u>254.314.925</u>

The transaction with related parties are generally due to the purchase and sale of materials and services for the projects which are within the scope of TAS 11.

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

4. RELATED PARTY TRANSACTIONS (cont'd)

31 December 2013		Interest		TL
<u>Non-trade receivables from related parties (*)</u>	<u>Maturity</u>	<u>Rate (%)</u>	<u>Currency</u>	<u>Equivalent</u>
<u>Joint Ventures</u>				
Kazakhstan Aselsan Engineering LLP	January 2014	3,8-4,41	USD	32.680.623
<u>Branch</u>				
Aselsan South Africa Branch	January 2014	4,76	ZAR	90.646
				<u>32.771.269</u>

(*) Collection of non-trade receivables from related parties was realized in 2014.

The amount of the letter of guarantees given in favor of subsidiary included in consolidation, MİKES, is TL 57.972.500 (31 December 2013: TL 53.357.500) (Note 14).

The amount of the letter of guarantees given in favor of subsidiary not included in consolidation, Mikroelektronik Ar-Ge Tas. ve Tic. Ltd. Şti, is TL 988.000 (31 December 2013: TL 988.000) (Note 14).

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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

5. TRADE RECEIVABLES AND PAYABLES

a) Trade receivables

Details of Group's trade receivables are as follows:

	31 December 2014	31 December 2013
Short-term trade receivables		
Trade receivables	619.128.868	455.002.013
Trade receivables from related parties (Note 4)	118.949.325	144.530.836
Uninvoiced receivables from construction contracts in progress	199.262.681	157.715.412
Uninvoiced receivables from construction contracts in progress – Related party (Note 4)	1.343.501	626.203
Notes receivable	7.620.624	2.019.535
Discount on trade and notes receivable (-)	(1.723.416)	(1.458.796)
Other trade receivables	-	33.088
Allowance for doubtful trade receivables (-)	(859.465)	(2.221.896)
	943.722.118	756.246.395
	31 December 2014	31 December 2013
Long-term trade receivables		
Trade receivables	25.229.201	48.386.358
Trade receivables from related parties (Note 4)	1.851.982	564.224
Uninvoiced receivables from construction contracts in progress	253.913.575	265.534.652
Uninvoiced receivables from construction contracts in progress – Related party (Note 4)	30.003.870	25.828.663
Notes Receivable	250.286	-
Discount on trade and notes receivable (-)	(800.757)	(1.577.190)
	310.448.157	338.736.707

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

5. TRADE RECEIVABLES AND PAYABLES (cont'd)

a) Trade receivables (cont'd)

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

	1 January- 31 December 2014	1 January- 31 December 2013
Opening balance	2.221.896	1.985.839
Provision for the period	176.975	236.914
Provision released	(1.539.406)	(857)
Closing balance	859.465	2.221.896

The distribution of trade receivables for different sectors is as follows:

	31 December 2014	31 December 2013
Public sector	631.736.127	561.853.149
Private sector	354.313.904	266.514.035
Receivables from companies operating abroad	268.120.244	266.615.918
Total	1.254.170.275	1.094.983.102

Receivables from public sector represent the receivables that are due from Ministry of Defense, Undersecretariat for Defense Industries ("UDI") 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 ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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

5. TRADE RECEIVABLES AND PAYABLES (cont'd)**b) Trade payables**

Details of Group's trade payables are as follows:

	31 December 2014	31 December 2013
Short-term trade payables		
Trade payables	496.803.620	279.899.705
Payables related to construction contracts in progress	81.825.586	90.119.079
Payables related to construction contracts in progress- Related party (Note 4)	1.690.669	1.466.911
Due to related parties (Note 4)	20.999.571	14.798.894
Notes payable (*)	6.262.069	6.748.296
Discount on trade payables and notes payable (-)	(2.226.048)	(1.729.224)
Other trade payables	1.870.392	2.144.441
	<u>607.225.859</u>	<u>393.448.102</u>
	31 December 2014	31 December 2013
Long-term trade payables		
Trade payables	913.646	6.141.424
Payables related to construction contracts in progress	56.484.713	842.181
Payables related to construction contracts in progress - Related party (Note 4)	9.769.454	-
Notes payable (*)	-	6.262.069
Discount on trade payables and notes payable (-)	(13.940)	(1.082.298)
	<u>67.153.873</u>	<u>12.163.376</u>

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

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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

6. OTHER RECEIVABLES AND PAYABLES**a) Other receivables**

	31 December 2014	31 December 2013
<u>Other current receivables</u>		
Receivables from tax office (*)	31.149.198	42.557.843
Other receivables from related parties (Note 4)	19.746	32.771.269
Deposits and guarantees given	471.561	348.801
Other (**)	10.313.127	5.835.083
	<u>41.953.632</u>	<u>81.512.996</u>

(*) Mainly due to Value Added Tax (VAT) returns and which are expected to be offset in the subsequent period.

(**) Consists of project delay penalties which will be revoked to companies and blocked receivables due to Eximbank loan.

	31 December 2014	31 December 2013
<u>Other non current receivables</u>		
Deposits and guarantees given	<u>261.988</u>	<u>197.085</u>

b) Other payables

	31 December 2014	31 December 2013
<u>Other current payables</u>		
Other current payables	455.152	393.947
Deposits and guarantees received	20.492	24.114
Other current payables due to related parties (Note 4)	306.817	30.320
	<u>782.461</u>	<u>448.381</u>
	31 December 2014	31 December 2013
<u>Other non-current payables</u>		
Deposits and guarantees received	<u>31.832</u>	<u>30.518</u>

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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

7. INVENTORIES

	31 December 2014	31 December 2013
Raw materials	470.031.395	332.256.254
Work in progress	242.988.123	222.874.833
Finished goods	59.647.788	41.372.762
Other inventories	19.165.516	12.804.786
Trade goods	8.245.865	7.007.692
Goods in transit (*)	51.292.906	37.585.022
Allowance for impairment on inventories (-)	(13.945.117)	(8.051.806)
	<u>837.426.476</u>	<u>645.849.543</u>

(*) Goods in transit includes the goods for which significant risks and rewards of ownership has passed to the Group due to their shipping terms.

The Group has allocated an impairment allowance 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 set allowance for impairment amounting to TL 5.918.748 (31 December 2013: TL 7.879.728) of inventory.

The Group reversed TL 25.437 (31 December 2013: TL 8.026.458) of inventory allowance set in previous years. The amount reversed has been included in "cost of sales" in the statement of profit or loss.

	1 January- 31 December 2014	1 January- 31 December 2013
<u>The movement of the allowance for impairment on inventories:</u>		
Opening balance	8.051.806	8.198.536
Provision released	(25.437)	(8.026.458)
Provision for the period	5.918.748	7.879.728
Closing balance	<u>13.945.117</u>	<u>8.051.806</u>

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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

8. PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2014	31 December 2013
<u>Short-term prepaid expenses</u>		
Order advances given for inventory purchases	148.528.650	222.473.292
Short-term order advances given to related parties for inventory purchases (Note 4)	16.487.594	26.758.793
Prepaid expenses	34.795.385	28.137.062
	<u>199.811.629</u>	<u>277.369.147</u>
	31 December 2014	31 December 2013
<u>Long-term prepaid expenses</u>		
Order advances given for inventory purchases	47.374.080	65.361.147
Long-term order advances given to related parties for inventory purchases (Note 4)	301.638.379	179.437.416
Order advances given for fixed asset purchases	33.187.181	24.325.736
Prepaid expenses	1.348.385	5.315.352
	<u>383.548.025</u>	<u>274.439.651</u>
	31 December 2014	31 December 2013
<u>Short-term deferred income</u>		
Order advances received	122.461.442	192.644.590
Order advances received from related parties (Note 4)	20.136.565	13.211.920
Deferred income	1.034.647	8.178.493
	<u>143.632.654</u>	<u>214.035.003</u>
Short-term order advances received consists of the advances received from 44 customers (31 December 2013: 43 customers) of which first 10 customers form 96,68% (31 December 2013: 98,75%) of the total advances.		
	31 December 2014	31 December 2013
<u>Long-term deferred income</u>		
Order advances received	1.085.204.567	1.124.223.301
Order advances received from related parties (Note 4)	85.020.911	37.801.793
Deferred income	2.233	1.975
	<u>1.170.227.711</u>	<u>1.162.027.069</u>

Long-term order advances received consists of the advances received from 25 customers
(31 December 2013: 25 customers) of which first 10 customers form 99,31%
(31 December 2013: 99,84%) of the total advances.

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

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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

9. PROPERTY, PLANT AND EQUIPMENT

	Land	Land improvements	Buildings (**)	Machinery and equipment	Vehicles	Furniture and fixtures	Other fixed assets (*)	Leasehold improvements	Construction in progress	Total
<u>Cost value and revaluation</u>										
Opening balance as of										
1 January 2014	210.733.964	15.243.274	145.914.815	521.373.071	3.534.318	91.803.991	46.704.261	5.198.282	182.651.707	1.223.157.683
Additions	-	4.262.184	40.609.159	41.695.240	306.247	28.724.159	20.712.745	59.452	33.337.845	169.707.031
Disposals	-	-	-	(715.259)	(350.441)	(228.084)	(1.213.777)	(356.730)	(46.959)	(2.911.250)
Transfers	-	-	128.248.831	4.717.036	-	37.400	-	-	(133.003.267)	-
Closing balance as of										
31 December 2014	210.733.964	19.505.458	314.772.805	567.070.088	3.490.124	120.337.466	66.203.229	4.901.004	82.939.326	1.389.953.464
<u>Accumulated Depreciation</u>										
Opening balance as of										
1 January 2014	-	7.434.007	53.087.327	314.559.078	2.881.294	71.235.901	28.800.200	3.171.676	-	481.169.483
Charge for the period	-	752.053	5.581.787	34.553.124	325.967	10.510.188	5.272.093	409.201	-	57.404.413
Disposals	-	-	-	(700.885)	(333.427)	(220.973)	(1.209.713)	(124.856)	-	(2.589.854)
Closing balance as of										
31 December 2014	-	8.186.060	58.669.114	348.411.317	2.873.834	81.525.116	32.862.580	3.456.021	-	535.984.042
Net book value as of										
31 December 2014	210.733.964	11.319.398	256.103.691	218.658.771	616.290	38.812.350	33.340.649	1.444.983	82.939.326	853.969.422

(*) Includes the mould model devices manufactured by the Group with net book value of TL 33.340.649 (31 December 2013: TL 17.889.997).

(**) The finance expenses capitalized in the current period is TL 3.426.792 and capitalized foreign exchange loss is TL 12.173.360 (31 December 2013: Finance expense amounting to TL 4.658.230 and foreign exchange gain TL 17.082.807).

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

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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

9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Other fixed assets (*)	Leasehold improvements	Construction in progress (**)	Total
<u>Cost Value</u>										
Opening balance as of										
1 January 2013	19.680.542	14.067.553	145.621.719	466.325.620	3.552.228	87.113.705	39.615.189	5.173.031	68.089.222	849.238.809
Additions	4.000.000	1.194.382	293.096	56.448.824	8.593	5.546.031	7.088.571	25.251	114.846.065	189.450.813
Revaluation fund	187.053.422	-	-	-	-	-	-	-	-	187.053.422
Disposals	-	(18.661)	-	(1.597.863)	(26.503)	(863.325)	-	-	(79.009)	(2.585.361)
Transfers	-	-	-	196.490	-	7.580	501	-	(204.571)	-
Closing balance as of										
31 December 2013	210.733.964	15.243.274	145.914.815	521.373.071	3.534.318	91.803.991	46.704.261	5.198.282	182.651.707	1.223.157.683
<u>Accumulated Depreciation</u>										
Opening balance as of										
1 January 2013	-	6.789.474	48.106.382	285.285.614	2.516.695	66.392.027	25.331.928	2.723.953	-	437.146.073
Charge for the period	-	655.962	4.980.945	30.766.458	391.102	5.676.616	3.467.771	447.723	-	46.386.577
Disposals	-	(11.429)	-	(1.492.927)	(26.503)	(832.308)	-	-	-	(2.363.167)
Transfers	-	-	-	(67)	-	(434)	501	-	-	-
Closing balance as of										
31 December 2013	-	7.434.007	53.087.327	314.559.078	2.881.294	71.235.901	28.800.200	3.171.676	-	481.169.483
Net book value as of										
31 December 2013	210.733.964	7.809.267	92.827.488	206.813.993	653.024	20.568.090	17.904.061	2.026.606	182.651.707	741.988.200

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The breakdown of the depreciation expenses with respect to the plant, property and equipment is as follows:

	31 December 2014	31 December 2013
Marketing expenses	507.836	465.462
General administrative expenses	8.382.617	5.225.753
Inventories (*)	20.170.206	17.950.069
Cost of sales	28.343.754	22.745.293
	<u>57.404.413</u>	<u>46.386.577</u>

(*) Significant portion of the amount classified under inventories is related with cost of sales as part of TAS 11 "Construction Contracts".

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 CMB for property revaluation. The fair value of the freehold land was determined based on "Market Comparable Approach".

The gains on revaluation of lands attributable to owners of the company in the amount of TL 186.876.267, net of taxes of TL 177.532.454 has been included as a component of other comprehensive income. There are no restrictions on the distribution of the revaluation surplus to the equity holders of the Group.

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

	31 December 2013	Fair value as at 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
	<u>210.733.964</u>	-	-	<u>210.733.964</u>

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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

10. INTANGIBLE ASSETS

	Rights	Development Costs	Other intangible assets (*)	Total
<u>Cost Values</u>				
Opening balance as of 1 January 2014	18.205.397	435.023.896	60.460.117	513.689.410
Additions	5.327.239	120.190.139	8.294.246	133.811.624
Disposals	-	(28.848.597)	(49.869)	(28.898.466)
Transfers	384.703	(384.703)	-	-
Closing balance as of 31 December 2014	23.917.339	525.980.735	68.704.494	618.602.568
<u>Accumulated Amortization</u>				
Opening balance as of 1 January 2014	18.035.677	75.705.620	47.140.468	140.881.765
Charge for the period	292.534	28.769.355	10.201.892	39.263.781
Disposals	-	-	(49.416)	(49.416)
Closing balance as of 31 December 2014	18.328.211	104.474.975	57.292.944	180.096.130
Net book value as of 31 December 2014	5.589.128	421.505.760	11.411.550	438.506.438

(*) Other intangible assets include computer software licenses.

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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

10. INTANGIBLE ASSETS (cont'd)

	Rights	Development Costs	Other intangible assets (*)	Total
<u>Cost Values</u>				
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
<u>Accumulated Amortization</u>				
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.

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

	31 December 2014	31 December 2013
Marketing expenses	40.398	11.756
General administrative expenses	2.733.871	2.804.097
R&D expenses	29.909.640	28.231.991
Inventories (*)	4.877.085	2.922.900
Cost of sales	1.702.787	2.195.743
	<u>39.263.781</u>	<u>36.166.487</u>

(*) Significant portion of the amount classified under inventories is related with cost of goods sold as part of TAS 11 "Construction Contracts".

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

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 2014	31 December 2013
Current government grants and incentives	15.043.829	11.280.034
Non-current government grants and incentives	2.233.448	1.878.514
	<u>17.277.277</u>	<u>13.158.548</u>

As part of the Decision on Government Incentives on Investments, there are 4 investment incentives taken from General Directorate of Turkish Undersecretariat of the Treasury. The incentives allow VAT exemption and customs tax exemption. VAT exemption is applied in both domestic and international purchases while customs tax exemption is applied for international purchases.

In Corporate Tax Calculation, no tax payable is calculated because of R&D deduction and deductions due to investment incentive certificates cannot be applied. For this reason, no deferred tax effect is calculated for the temporary differences arising from investment incentives.

Government grants show 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.

In accordance with Law on Technology Development Zones 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 law on Technology Development Zones numbered 4691 is exempt from corporate income tax until 31 December 2023.

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

11. GOVERNMENT GRANTS AND INCENTIVES (cont'd)

Development Zones numbered 4691 is exempt from corporate income tax until 31 December 2023.

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 , the amended article 89 of Law numbered 193 and 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. The remaining amount from previous year is increased according to revaluation ratio defined at Tax Procedure Law. 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.

12. BORROWING COSTS

As of 31 December 2014 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 37.341.189 (31 December 2013: TL 21.741.037).

Foreign currency exchange loss related to the investment loan received from Undersecretariat for Defense Industries amounting to USD 87.000.000 (2011: USD 40.000.000 2013: USD 25.000.000; 2014: USD 22.000.000) is recognized under the balance sheet in accordance with the limits defined by TAS 23 "Borrowing Costs". In August 2014 USD 8.000.000 principal payment of USD 40.000.000 loan is made. 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 40.000.000 portion of UDI loan is capitalized since the amount has not exceeded the capitalization ceiling as of 31 December 2014. Related with USD 25.000.000 portion of the UDI loan, since the total amount of the foreign currency exchange loss exceeded the capitalization ceiling, loss amounting to TL 84.188 and related with USD 22.000.000 UDI loan, the total amount of the foreign currency exchange loss exceeded the capitalization ceiling, loss amounting to TL 3.433.052 is recognized in the statement of profit or loss for the year ended 31 December 2014.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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

13. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

	31 December 2014	31 December 2013
<u>Other short-term provisions</u>		
Provision for delay penalties and fines (*)	7.465.249	9.238.648
Provision for lawsuits	936.873	445.573
Provision for guarantee expenses (**)	71.402.241	72.626.865
Provision for expenses related to costing	1.826.999	1.386.218
Provision for insurance expense	6.132.220	4.135.875
Other	1.138.596	1.140.291
	<u>88.902.178</u>	<u>88.973.470</u>

(*) Provision for delay penalties and fines are calculated in accordance with the delay interest rate indicated in the terms of contract due to the delays resulting from non-compliance with the delivery terms outlined in the contract.

(**) Provision for guarantee expenses is calculated 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.

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

	1 January- 31 December 2014	1 January- 31 December 2013
Opening balance	9.238.648	11.738.479
Provision for the period	5.757.192	9.392.825
Provision released (-)	(7.530.591)	(11.892.656)
Closing balance	<u>7.465.249</u>	<u>9.238.648</u>

The movement of the provision for lawsuits is as follows:

	1 January- 31 December 2014	1 January- 31 December 2013
Opening balance	445.573	846.568
Provision for the period	703.199	95.486
Provision released	(211.899)	(496.481)
Closing balance	<u>936.873</u>	<u>445.573</u>

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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

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

a) Provisions (cont'd)

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

	1 January- 31 December 2014	1 January- 31 December 2013
Opening balance	72.626.865	57.925.813
Provision for the period	55.673.430	52.765.333
Provision released	(56.898.054)	(38.064.281)
Closing balance	71.402.241	72.626.865
	<u>31 December 2014</u>	<u>31 December 2013</u>
Other long-term provisions		
Provision for delay penalties and fines	2.960.077	2.850.210

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

	1 January- 31 December 2014	1 January- 31 December 2013
Opening balance	2.850.210	9.039.061
Provision for the period	109.867	-
Provision released	-	(6.188.851)
Closing balance	2.960.077	2.850.210

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

b) Lawsuits

As of 31 December 2014 and 31 December 2013, 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 2014	31 December 2013
a) Ongoing lawsuits filed by the Group	4.693.387	3.757.739
b) Execution proceedings carried on by the Group	5.811.678	5.048.050
c) Ongoing lawsuits filed against the Group	936.873	445.573
d) Lawsuits finalized in favor of the Group within the period	119.195	1.019.456
e) Lawsuits finalized against the Group within the period	300.415	430.231

14. COMMITMENTS AND CONTINGENCIES

a) Letters of guarantees received

	31 December 2014	31 December 2013
Letters of guarantees received from the customers	1.944.400	1.388.066
Letters of guarantees received from the suppliers	601.879.993	567.030.787
Collaterals received from the customers	8.462.100	17.630.657
Collaterals received from the suppliers	4.851.036	3.773.895
Guarantee received from the customers	6.000	6.000
Guarantee received from the suppliers	68.040	64.460
Mortgages received from the customers	450.000	599.600
	<u>617.661.569</u>	<u>590.493.465</u>

b) Deposits and guarantees given

The collaterals/pledges/mortgages ("CPM") given by the Group as of 31 December 2014 and 31 December 2013 is as in the following page:

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

14.COMMITMENTS AND CONTINGENCIES (cont'd)

b) Deposits and guarantees given (cont'd)

31 December 2014	TL Equivalent	TL	USD	EURO	UAE Dirham	Polish Zloty	Indian Rupee	British Pound	Qatari Rial
A. Total amount of CPM given on behalf of the legal entity									
-Collateral	6.037.294.933	810.262.582	1.520.234.817	594.501.289	26.759.651	2.424.322	10.000.000	1.654.349	60.000
-Pledge	-	-	-	-	-	-	-	-	-
-Mortgage	-	-	-	-	-	-	-	-	-
B. Total amount of CPM given on behalf of the subsidiaries included in full consolidation									
-Collateral	57.972.500	-	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	6.096.255.433	811.250.582	1.545.234.817	594.501.289	26.759.651	2.424.322	10.000.000	1.654.349	60.000

The ratio of the given other CPM to the Group's equity as of 31 December 2014 is 0,04%.

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

14. COMMITMENTS AND CONTINGENCIES (cont'd)

b) Deposits and guarantees given (cont'd)

31 December 2013	TL Equivalent	TL	USD	EURO	UAE Dirham	Polish Zloty	Indian Rupee	British Pound
A. Total amount of CPM given on behalf of the legal entity								
-Collateral	5.248.241.056	765.818.119	1.368.123.658	501.172.743	26.759.651	2.424.322	79.694.000	1.654.349
-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	766.806.119	1.393.123.658	501.172.743	26.759.651	2.424.322	79.694.000	1.654.349

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

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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

15. EMPLOYMENT BENEFITS

a) Payables for employment benefits

	31 December 2014	31 December 2013
Due to personnel	2.477.425	2.168.590
Social security premiums payable	10.601.982	9.565.489
Taxes and funds payable	9.918.817	7.492.520
	<u>22.998.224</u>	<u>19.226.599</u>

b) Short-term provisions for employment benefits

	31 December 2014	31 December 2013
Provision for annual leave and overtime	<u>33.924.548</u>	<u>25.395.640</u>

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

	1 January - 31 December 2014	1 January - 31 December 2013
Opening balance	25.395.640	18.656.924
Provision released	(13.985.592)	(11.023.503)
Provision for the period	22.514.500	17.762.219
Closing balance	<u>33.924.548</u>	<u>25.395.640</u>

c) Long-term provisions for employment benefits

	31 December 2014	31 December 2013
Provision for severance pay	116.485.609	97.341.311
Provision for retirement pay	10.934.656	9.726.504
	<u>127.420.265</u>	<u>107.067.815</u>

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

	1 January - 31 December 2014	1 January - 31 December 2013
Opening balance	107.067.815	104.434.432
Actuarial gain/loss	13.822.672	(11.637.395)
Cost of service	10.087.303	6.469.027
Interest cost	3.390.219	13.552.787
Severance and retirement benefits paid	(6.947.744)	(5.751.036)
Closing balance	<u>127.420.265</u>	<u>107.067.815</u>

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

15. EMPLOYMENT BENEFITS (cont'd)

Retirement pay provisions:

Under the Turkish Labor Law, the Group is required to pay employment termination benefits to each employees who retire after 25 year service by completing at least one year service (for women 58 and for men 60 age), whose employment is terminated, who is called to military duty, and who passed away.

The amount payable consists of one month's salary limited to a maximum of TL 3.438,22 (31 December 2013: TL 3.254,44) for each period of service at 31 December 2014.

Ceiling amount of TL 3.541,37 which is in effect since 1 January 2015 is used in the calculation of Group's provision for retirement pay liability.

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.

Compensation pension provisions:

Compensation pension provision is booked for every personnel with service of more than 20 years within the Group.

Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	31 December 2014 (%)	31 December 2013 (%)
Interest rate	8,85	10,07
Inflation rate	6,72	6,37
Discount ratio	2,00	3,48
Estimation of probability of retirement ratio	98,64	98,92

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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

16. OTHER ASSETS AND LIABILITIES

a) Other current assets

	31 December 2014	31 December 2013
VAT carried forward (*)	169.514.149	156.974.183
Other VAT	7.750.293	8.145.372
Prepaid taxes and funds	-	234.325
Job advances given	969.452	358.294
Blocked deposits (**)	22.163.233	18.805.762
Other	421.421	384.646
	<u>200.818.548</u>	<u>184.902.582</u>

(*) 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 2014	31 December 2013
Prepaid taxes and funds	6.167.754	4.654.744

c) Other current liabilities

	31 December 2014	31 December 2013
Taxes and funds payable	3.855.604	2.814.105
Other	346.621	83.168
	<u>4.202.225</u>	<u>2.897.273</u>

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

17. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Capital

<u>Shareholders</u>	Share (%)	31 December 2014	Share (%)	31 December 2013
Turkish Armed Forces Foundation	84,58	422.912.812	84,58	422.912.812
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		<u>98.620.780</u>		<u>98.620.780</u>
Inflation adjusted capital		<u>598.620.780</u>		<u>598.620.780</u>

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

As of 31 December 2014, The Group's restricted reserves set aside from profit consists of the legal reserves. The total of the Group's legal reserves are TL 73.708.407 (31 December 2013: TL 69.677.755).

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

17. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (cont'd)

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 2014 the extraordinary reserves balance presented in retained earnings is TL 559.092.120 (31 December 2013: TL 508.504.057). According to the statutory records, the Company's profit for the year is TL 184.598.383 TL (31 December 2013: TL 79.566.382) and its other funds available for profit distribution is TL 579.989.599 (31 December 2013: TL 521.044.181).

	31 December 2014	31 December 2013
Capital reserves and ve extraordinary reserves	579.989.599	521.044.181

Profit distribution

Publicly traded companies perform dividend distribution in accordance with Dividend Communique No. II-19.1 of CMB effective as of 1 February 2014.

Shareholders, distribute dividend with general assembly decision, within the context of profit distribution policies set by general assembly and related regulations. As part of the communique, no specific minimum distribution ratio is indicated. Companies pay dividend as defined in their articles of association or dividend distribution policies.

In the Annual Meeting dated 31 March 2014 based on the consolidated financial statements, the General Assembly of the Company has decided to allocate capital reserve amounting to TL 3.978.319 of the TL 238.081.489 which is based on the profit distribution, and to distribute TL 25.000.000 in cash to shareholders for dividend payment by leaving the amount of TL 209.103.170 within the Group. Thus, the cash dividend amount for 1 TL nominal value per share is TL 0,05 (31 December 2013: TL 0,157).

Besides, in the Annual Meeting of ASELSANNET dated 14 March 2014, General Assembly of the company has decided to distribute dividend amounting to TL 100.000 and allocate capital reserve amounting to TL 5.000. As a result total amount of the funds remaining within the Group after profit distribution and transfers is TL 208.998.170 (31 December 2013: TL 210.233.473)

The dividend paid to shareholders during 2014 is TL 0,05 per 100 shares (total dividend paid is TL 25.000.000) (31 December 2013: TL 0,0157 per 100 shares, total dividend paid TL 78.500.000). The Group Management plans to distribute a dividend of TL 0,05 per 100 shares with the Board of Members Minute dated 6 March 2015 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.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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

18. SALES REVENUE AND COST OF SALES

	1 January- 31 December 2014	1 January- 31 December 2013
a) Sales Revenue		
Domestic sales	2.040.277.265	1.773.479.945
Export sales	459.653.673	398.126.535
Other revenues	78.066	1.388.349
Sales returns (-)	(664.534)	(541.838)
Sales discounts (-)	(1.235.725)	(892.138)
Other discounts (-)	-	(135.557)
	<u>2.498.108.745</u>	<u>2.171.425.296</u>
b) Cost of Sales (-)		
Cost of raw materials used	798.604.248	609.698.452
Personnel expenses	85.120.704	80.606.786
Production overheads	141.463.718	147.396.557
Change in work in progress	(20.113.290)	(67.088.288)
Change in finished goods	(18.275.026)	(4.349.520)
Development expenses (*)	685.192.101	583.051.423
Cost of services given	72.559.596	93.941.713
Cost of merchandise goods sold	16.073.433	18.072.977
Cost of other sales	136.601.443	151.311.053
	<u>1.897.226.927</u>	<u>1.612.641.153</u>

(*) Development expenses consist of raw material, design, personnel, amortization and depreciation expenses. Total development expenses amounting to TL 685.192.101 (2013: TL 583.051.423) comprise labour costs worth TL 294.632.603 (2013: TL 244.881.598).

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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

19. ASSETS AND LIABILITIES REGARDING CONSTRUCTION CONTRACTS

	31 December 2014	31 December 2013
Construction costs incurred plus recognized profits less recognized losses to date	6.978.059.260	5.229.103.266
Less: earned allowances	(6.643.306.055)	(4.871.826.507)
Total	334.753.205	357.276.759
Amounts due from customers under construction contracts (Note 5)	484.523.627	449.704.930
Amounts due to customers under construction contracts (Note 5)	(149.770.422)	(92.428.171)
	334.753.205	357.276.759

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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

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

	1 January - 31 December 2014	1 January - 31 December 2013
General administrative expenses (-)	(124.248.781)	(103.256.327)
Marketing expenses (-)	(46.531.957)	(38.427.719)
R&D expenses (-)	(72.037.415)	(63.852.597)
	<u>(242.818.153)</u>	<u>(205.536.643)</u>

a) General administrative expenses (-)

	1 January - 31 December 2014	1 January - 31 December 2013
Personnel expenses	(83.024.604)	(74.537.509)
Depreciation and amortization expenses	(11.116.488)	(8.029.850)
Maintenance and repair expenses	(2.606.214)	(1.389.436)
Electricity expenses	(4.891.511)	(3.798.160)
Personnel transportation expenses	(1.688.500)	(1.582.146)
Course and seminar expenses	(695.761)	(482.943)
Insurance expenses	(1.734.500)	(1.358.453)
Personnel meal expenses	(948.748)	(871.423)
Furniture and fixture expenses	(753.665)	(162.877)
Expertise expenses	(1.909.633)	(1.484.403)
Rent expenses	(1.376.951)	(1.301.178)
Stamp duty expenses	(3.026.039)	(122.973)
Outsourcing expenses	(2.357.057)	(346.772)
Other	(8.119.110)	(7.788.204)
	<u>(124.248.781)</u>	<u>(103.256.327)</u>

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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

20. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, R&D EXPENSES (cont'd)**b) Marketing expenses (-)**

	1 January - 31 December 2014	1 January - 31 December 2013
Personnel expenses	(12.588.899)	(12.527.664)
Stamp duty expenses	(4.935.954)	(4.532.307)
Overseas travel expenses	(2.893.038)	(1.362.469)
Exhibition expenses	(3.020.669)	(4.634.572)
Shipping and delivery expenses	(3.089.030)	(3.317.086)
Advertising expenses	(2.355.953)	(1.713.123)
Insurance expenses	(622.386)	(431.919)
Commission expenses	(9.215.415)	(4.121.389)
Depreciation and amortization expenses	(548.234)	(477.218)
Packaging expenses	(1.035.218)	(600.948)
Domestic travel expenses	(601.518)	(454.943)
Specimen expenses	(666.881)	(685.516)
Electricity expenses	(364.232)	(420.126)
Maintenance and repair expenses	(215.556)	(213.690)
Agency and entertainment expenses	(418.605)	(469.885)
Personnel transportation expenses	(249.121)	(239.533)
Rent expenses	(169.101)	(183.764)
Other	(3.542.147)	(2.041.567)
	<u>(46.531.957)</u>	<u>(38.427.719)</u>

c) R&D expenses (-)

	1 January - 31 December 2014	1 January - 31 December 2013
Equipment costs	(8.470.834)	(7.837.429)
Personnel expenses	(26.827.879)	(24.582.472)
Depreciation and amortization expenses	(29.909.640)	(28.231.991)
Other	(6.829.062)	(3.200.705)
	<u>(72.037.415)</u>	<u>(63.852.597)</u>

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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

21. OTHER OPERATING INCOME AND EXPENSES**a) Other operating income**

	1 January- 31 December 2014	1 January- 31 December 2013
Foreign currency exchange gains from activities (*)	500.149.485	301.137.588
Discount income	6.106.609	3.695.019
Interest income	5.139.957	7.317.219
Provisions released	211.899	496.481
Insurance income for damages	401.550	307.220
Income from letter of guarantees and interest income due to delays	167.991	92.037
Non-cost material income	209.836	864.854
Income from personnel	336.530	522.807
Other income	3.285.608	2.663.649
	<u>516.009.465</u>	<u>317.096.874</u>

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

b) Other operating expense

	1 January- 31 December 2014	1 January- 31 December 2013
Foreign currency exchange losses from activities (*)	(566.017.125)	(489.560.851)
Discount expense	(6.137.949)	(3.154.482)
Damage expense	(359.833)	(254.207)
Special communication tax	(153.137)	(24.994)
Other expense and losses	(3.973.499)	(2.316.356)
	<u>(576.641.543)</u>	<u>(495.310.890)</u>

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

22. INCOME FROM INVESTING ACTIVITIES

	1 January- 31 December 2014	1 January- 31 December 2013
Gain on sale of securities	39.983	-
Dividend income	1.874.341	10.369.803
	<u>1.914.324</u>	<u>10.369.803</u>

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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

23. FINANCIAL INCOME

	1 January - 31 December 2014	1 January - 31 December 2013
Foreign currency exchange gain from bank loans	44.490.097	6.536.436

24. FINANCIAL EXPENSES

	1 January - 31 December 2014	1 January - 31 December 2013
Foreign currency exchange losses from bank loans	(64.341.237)	(36.719.273)
Short-term borrowing expense	(6.206.648)	(6.105.776)
Long-term borrowing expense	(2.934.558)	(1.770.149)
	<u>(73.482.443)</u>	<u>(44.595.198)</u>

25. ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

	31 December 2014	31 December 2013
Property Revaluation Reserve	177.700.751	177.532.454
Revaluation Reserve Available for Sale Financial Assets	293.018.605	-
	<u>470.719.356</u>	<u>177.532.454</u>
	1 January- 31 December 2014	1 January- 31 December 2013
Property Revaluation Reserve:		
Opening balance	177.532.454	-
Transactions with non-controlling interests (*)	168.297	-
Fixed asset revaluation increases	-	186.876.267
Deferred tax on revaluation	-	(9.343.813)
Closing balance	<u>177.700.751</u>	<u>177.532.454</u>

(*)The shares of HAVELSAN-Hava Elektronik San. ve Tic. A.Ş., ASELSANNET and UDI in MİKES have been purchased by the Company.

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

25. ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS (cont'd)

Any revaluation increase arising on the revaluation of lands is recognized in other comprehensive income and accumulated in equity. 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.

	1 January- 31 December 2014	1 January- 31 December 2013
Revaluation Reserve Available for Sale Financial Assets:		
Opening balance	-	-
Gain on Revaluation of Available for Financial Assets	308.440.637	-
Deferred tax on revaluations	(15.422.032)	-
Closing balance	<u>293.018.605</u>	-

Gain on revaluation or reclassification of available for sale financial assets arises due to revaluation of financial investments. On the subsequent sale or retirement of a revalued property, the gain attributable to the sold financial investment is classified directly under period profit or loss.

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

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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

26. INCOME TAXES

	31 December 2014	31 December 2013
<u>Corporate tax liabilities:</u>		
Current corporate tax provision	1.288.840	735.616
Less: Prepaid taxes and funds	(637.282)	(254.712)
	<u>651.558</u>	<u>480.904</u>
	1 January - 31 December 2014	1 January - 31 December 2013
<u>Tax income:</u>		
Current corporate tax expense	(1.288.840)	(735.616)
Deferred tax income	81.030.194	91.938.025
	<u>79.741.354</u>	<u>91.202.409</u>

	1 January-31 December 2014		
	Amount before tax	Tax income/expense	Net of tax amount
Tax effects related to components of Other Comprehensive Income			
Gain on Revaluation of Available for Sale Financial Assets	308.440.637	(15.422.032)	293.018.605
Actuarial gains and losses on defined benefit plans	(13.822.672)	2.764.534	(11.058.138)
Other comprehensive income in the period	<u>294.617.965</u>	<u>(12.657.498)</u>	<u>281.960.467</u>

	1 January-31 December 2013		
	Amount before tax	Tax income/expense	Net of tax amount
Tax effects related to components of Other Comprehensive Income			
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	<u>198.513.662</u>	<u>(11.680.150)</u>	<u>186.833.512</u>

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

26. INCOME TAXES (cont'd)

	1 January- 31 December 2014	1 January- 31 December 2013
Tax recognized directly in equity		
Deferred tax		
Directly recognized in equity:		
- Revaluation on fixed assets	-	(9.352.671)
- Gain on revaluation of available for sale financial assets	(15.422.032)	-
- Actuarial income/expense	2.764.534	(2.327.479)
Deferred tax recognized directly in equity	(12.657.498)	(11.680.150)

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 2014 is 20% (31 December 2013: 20%) for the Group.

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

26. INCOME TAXES (cont'd)

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% (2013: 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.

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

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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

26. INCOME TAXES (cont'd)

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

Deferred tax assets:	31 December 2014	31 December 2013
Discount on receivables	(623.887)	(607.197)
Costs and provision for expected losses of construction contracts	(375.298.702)	(300.837.333)
Allowance for doubtful receivables	-	(288.096)
Allowance for impairment on inventories	(2.754.902)	(1.575.946)
Provision for delay penalties and fines	(2.085.065)	(2.400.107)
Provision for guarantee expenses	(14.280.448)	(14.525.373)
Provision for severance pay	(23.291.877)	(19.468.262)
Provision for retirement pay	(2.186.931)	(1.945.301)
Provision for annual leave and overtime	(6.784.910)	(5.079.128)
Provision for lawsuits	(45.847)	(27.047)
Accumulated tax losses	-	(1.525.204)
Accumulated R&D incentive	(295.240.181)	(206.108.738)
Other	(1.335.086)	(150.931)

Deferred tax liabilities:	31 December 2014	31 December 2013
Discount on payables	580.398	567.304
Adjustment of progress payments for long-term construction contracts	398.967.310	314.891.593
Adjustment on inventories	-	163.022
Depreciation of fixed assets / amortization of intangible assets	18.370.101	16.701.445
Fixed assets revaluation fund	9.352.671	9.352.671
Gain on revaluation of available for sale financial assets	15.422.032	-
Deferred tax assets	(723.927.836)	(554.538.663)
Deferred tax liabilities	442.692.512	341.676.035
Deferred tax assets – net	(281.235.324)	(212.862.628)

The Group realized deferred tax assets amounting to TL 295.240.181 (31 December 2013: TL 206.108.738) on the R&D expenses amounting to TL 1.467.200.905 (31 December 2013: TL 1.030.543.690) in accordance with Law No: 5746 about supporting R&D activities as disclosed in Note 11.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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

26. INCOME TAXES (cont'd)

	1 January- 31 December 2014	1 January- 31 December 2013
<u>Movement of deferred tax (assets)/liabilities:</u>		
Opening balance as of 1 January	212.862.628	132.604.753
Charged to statement of profit or loss	81.030.194	91.938.025
Charged to equity	(12.657.498)	(11.680.150)
	<u>281.235.324</u>	<u>212.862.628</u>
<u>Tax reconciliations:</u>		
Profit before tax from continuing operations	270.353.565	147.344.525
Income tax rate	20%	20%
Tax at the domestic income tax rate of 20%	54.070.713	29.468.905
Tax effects of:		
- revenue that is exempt from taxation	(4.836.519)	(4.862.196)
- expenses that are not deductible in determining taxable profit	2.893.349	2.361.904
- R&D incentives and other income exempt from taxation	(128.547.477)	(114.393.917)
- effect of other adjustments	(3.321.420)	(3.777.105)
Tax income recognized in profit or loss	<u>(79.741.354)</u>	<u>(91.202.409)</u>

27. EARNINGS PER SHARE

	1 January- 31 December 2014	1 January- 31 December 2013
Common stock	50.000.000.000	50.000.000.000
Net profit – TL	350.094.919	238.081.489
Earnings per 100 shares – TL	<u>0,70</u>	<u>0,48</u>

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

28. FINANCIAL INSTRUMENTS

Financial Investments

Non-current financial investments

	31 December 2014	31 December 2013
a) Available for sale financial investments	313.581.850	5.141.213
b) Financial investments valued at cost that do not have a quoted market value	42.041.149	7.582.997
	<u>355.622.999</u>	<u>12.724.210</u>

a) Available for sale financial investments

	31 December 2014	31 December 2013
<u>Marketable securities</u>		
Not traded in an active market	313.581.850	5.141.213
	<u>313.581.850</u>	<u>5.141.213</u>

ROKETSAN-Roket Sanayi ve Ticaret A.Ş. which is Group's marketable security is revalued and stated at fair value. As of 31 December 2014, the revaluation was performed by Oyak Yatırım Menkul Değerler A.Ş. which is an independent valuation company. The fair value was determined according to "Discounted Cash Flow", "Similar Company Comparison" and "Realized Company Mergers and Acquisitions" methodologies. Discount ratio used in "Discounted Cash Flow" method is 13,2%.

As of 31 December 2013 the available for sale financial asset ROKETSAN-Roket Sanayi ve Ticaret A.Ş. amounting to TL 5.141.213 was stated at cost since its value can't be reliably measured.

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

28. FINANCIAL INSTRUMENTS (cont'd)

Financial Investments (cont'd)

b) Financial investments valued at cost that do not have a quoted market value

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

<u>Company Name</u>	<u>Ratio (%)</u>	<u>31 December 2014</u>	<u>Ratio (%)</u>	<u>31 December 2013</u>
ASELSAN Bakü	100	3.059.234	100	3.059.234
Mikroelektronik Ar-Ge Tasarım ve Tic. Ltd. Şti.	85	624.714	85	624.714
ASELSAN Hassas Optik Sanayi ve Ticaret A.Ş. (*)	50	50.000	-	-
ASELSAN Bilkent Mikro Nano Teknolojileri Sanayi ve Ticaret A.Ş. (*)	50	2.250.000	-	-
ASPİLSAN-Askeri Pil San. ve Tic. A.Ş.	1	147.462	1	147.462
Havaalanı İşletme ve Havacılık End. A.Ş. (**)	-	-	<1	86.953
Kazakhstan ASELSAN Engineering LLP	49	32.633.128	49	388.023
IGG ASELSAN Integrated Systems LLC	49	42.837	49	42.837
ASELSAN Middle East PSC LTD	49	3.233.774	49	3.233.774
		<u>42.041.149</u>		<u>7.582.997</u>

(*) March 2014, "ASELSAN Hassas Optik Sanayi ve Ticaret A.Ş." was established. 50% of the company belongs to ASELSAN and other 50% belongs Sivas Optik Malzemeleri Sanayi ve Ticaret A.Ş. In November 2014, "ASELSAN Bilkent Mikro Nano Teknolojileri Sanayi ve Ticaret A.Ş." was established. 50% of the company belongs to ASELSAN and other 50% belongs to İhsan Doğramacı Bilkent University.

(**)The shares of the Company in "Havaalanı İşletme ve Havacılık Endüstrileri A.Ş." was sold to TAFF in November 2014, as required by "Sale of Shares Contract".

The above available-for-sale equity investments amounting to TL 42.041.149 (31 December 2013: TL 7.582.997) 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.

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

28. FINANCIAL INSTRUMENTS (cont'd)

Financial liabilities

	31 December 2014	31 December 2013
Short-term financial liabilities	234.473.082	156.356.529
Current portion of long-term financial liabilities	48.470.658	22.713.765
Current portion of long-term financial leasing liabilities	137.535	119.053
Other short-term financial liabilities	800.756	870.232
Total short-term financial liabilities	<u>283.882.031</u>	<u>180.059.579</u>
Other long-term financial liabilities	195.211.161	173.039.549
Long-term financial leasing liabilities	56.314	187.863
Total long-term financial liabilities	<u>195.267.475</u>	<u>173.227.412</u>
Total financial liabilities	<u>479.149.506</u>	<u>353.286.991</u>

As of 31 December 2014, short-term financial liabilities amounting to TL 10.451.226 consist of interest free loans received for Social Security Institution (SGK) payments with a daily maturity. Current financial liabilities amounting to TL 179.201.856 consist of Preshipment Export Loan with the maturities vary between the January-May 2015 and with interest rates vary between 1,32%-1,33%. The remaining current financial liability amounting TL 44.820.000 was received for short-term financial requirements of the Group with interest rate 10, 50%. Major part of the current portion of the long-term borrowings is composed of the principle amount of USD 16 Million with a maturity of February-August 2015 related to the loan amounting USD 40 Million with an interest rate of 2,1% and the principle amount of USD 3.846.154 with a maturity of April-October 2015 related to the loan amounting USD 25 Million with an interest rate of 3,5%. Both loans are obtained from Undersecretariat for Defense Industries.

As of 31 December 2014, TL 5.289.935 of other current and non-current financial liabilities consist of the interest free borrowings obtained from Technology Development Foundation of Turkey (TTGV). 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 63.000.000 (USD 22.000.000 loan was obtained in 2014) with an interest rate of 2,1% and long-term portion amounting to USD 19.230.769 with an interest rate of 3,5%. A letter of guarantee was given to Undersecretariat for Defense Industries for the loan amounting USD 87.000.000.

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

28. FINANCIAL INSTRUMENTS (cont'd)

Financial liabilities (cont'd)

As of 31 December 2013, short-term financial liabilities amounting to TL 9.905.861 consist of interest free loans received for Social Security Institution (SGK) payments with a maturity of January 2014. Current financial liabilities amounting to USD 59.916.913 (TL 127.880.668) 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 to Undersecretariat for Defense Industries for the loan amounting USD 65.000.000.

Bank Loans

Currency	31 December 2014		
	Weighted average interest rate (%)	Short-term	Long-term
EURO	-	36.728	29.806
TL	8,63	55.335.503	-
USD	1,92	228.509.800	195.237.669
		283.882.031	195.267.475
Currency	31 December 2013		
	Weighted average interest rate (%)	Short-term	Long-term
EURO	-	96	70.500
TL	5,57	28.464.047	-
USD	2,00	151.595.436	173.156.912
		180.059.579	173.227.412

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

28. FINANCIAL INSTRUMENTS (cont'd)

Financial liabilities (cont'd)

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

	31 December 2014	31 December 2013
Within 1 year	283.882.031	180.059.579
Between 1-2 years	73.792.790	42.852.697
Between 2-3 years	42.311.006	64.312.299
Between 3-4 years	40.919.666	30.159.899
Between 4-5 years	29.325.166	19.484.825
Between 5-6 years	8.918.847	8.208.846
Between 6-7 years	-	8.208.846
	<u>479.149.506</u>	<u>353.286.991</u>

The remaining part of the loan limit allocated for the Gölbaşı investment amounting USD 22.000.000 was used in June 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.

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

a) Capital risk management (cont'd)

The Group's general strategy has not changed since 2013 and the ratio of liabilities to share capital as of 31 December 2014 and 2013 is calculated by dividing net liability, which is found by subtracting cash and securities and short term financial investments from financial liabilities, to total share capital. The ratio is as follows:

	31 December 2014	31 December 2013
Total liabilities	2.766.540.248	2.395.489.899
Less: Cash and cash equivalents	(131.941.264)	(103.683.817)
Net debt	2.634.598.984	2.291.806.082
Total equity	2.218.893.526	1.612.485.451
Total capital	4.853.492.510	3.904.291.533
Net debt / total equity ratio	54%	59%

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.

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.

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Credit Risk (cont'd)

Carrying values of the financial assets reflect the maximum exposure to credit risk.

The credit risks as of 31 December 2014 is as follows:

31 December 2014	Receivables				Bank Deposits
	Trade Receivables		Other Receivables		
	Related party	Third party	Related party	Third party	
Maximum net credit risk as of the balance date (A+B+C+D)(*)	152.148.678	1.102.021.597	19.746	42.195.874	153.973.335
- The part of maximum risk under guarantee with collateral etc. (**)	-	1.998.129	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	152.148.678	1.021.977.713	19.746	42.195.874	153.973.335
B. Net book value of financial assets that are past due but not impaired	-	80.043.884	-	-	-
C. Net book value of impaired assets	-	-	-	-	-
- Overdue (gross carrying amount)	-	859.465	-	-	-
- Impairment (-)	-	(859.465)	-	-	-
- 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	-	-	-	-	-

(*) While determining the amount, components which provide increase on credit reliability, like guarantees received are not taken into consideration.

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

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

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Credit Risk (cont'd)

Carrying values of the financial assets reflect the maximum exposure to credit risk.
The credit risks as date of reporting is as follows:

31 December 2013	Receivables				Bank deposits
	Trade receivables		Other receivables		
	Related party	Third party	Related party	Third party	
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. (**)	-	12.647.943	-	-	-
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	-	-	-	-	-

(*) While determining the amount, components which provide increase on credit reliability, like guarantees received are not taken into consideration.

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

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Credit risk (cont'd)

The aging of the overdue receivables is as follows:

	31 December 2014	31 December 2013
Overdue by 1-30 days	44.975	8.887.056
Overdue by 1-3 months	61.599	4.986.160
Overdue by 3-12 months	14.415.814	605.529
Overdue by 12 months	65.521.496	27.013
Total receivables	80.043.884	14.505.758

No collateral is received for the overdue receivables.

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.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)Liquidity risk (cont'd)

The maturities of the financial liabilities determined with respect to the contracts including the expected interest payments as of 31 December 2014 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	478.955.657	487.836.536	141.088.931	146.309.365	191.519.392	8.918.848
Financial leasing liabilities	193.849	216.985	56.451	104.221	56.313	-

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	674.379.732	676.619.720	462.244.753	147.036.687	67.338.280	-
Other payables	814.293	814.293	761.485	20.976	31.832	-

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)Liquidity risk (cont'd)

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	-

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

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.

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Foreign currency risk management (cont'd)

FOREIGN EXCHANGE POSITION				
31 December 2014	TL Equivalent (Functional currency)	USD	EURO	Other
1. Trade Receivables	634.205.928	123.205.255	123.552.757	-
2a. Monetary financial assets (including cash, bank and advances)	175.143.653	47.803.467	21.781.798	2.852.274
2b. Non- monetary financial assets	-	-	-	-
3. Other	11.932.193	2.248.902	1.007.346	3.875.794
4. Current assets (1+2+3)	821.281.774	173.257.624	146.341.901	6.728.068
5. Trade receivables	289.927.324	69.571.343	40.058.147	15.606.320
6a. Monetary trade receivables (including advances)	225.217.589	2.594.671	76.853.745	2.419.449
6b. Non-monetary trade receivables	-	-	-	-
7. Other	5.041.245	392.404	494.324	2.736.960
8. Long-term assets (5+6+7)	520.186.158	72.558.418	117.406.216	20.762.729
9. Total assets (4+8)	1.341.467.932	245.816.042	263.748.117	27.490.797
10. Trade payables	296.935.203	50.134.038	59.789.744	12.030.455
11. Financial liabilities	228.546.528	98.542.325	13.021	-
12a. Other monetary financial liabilities (including advances)	85.987.914	33.874.765	2.535.363	284.223
12b. Other non-monetary financial liabilities	-	-	-	-
13. Current liabilities (10+11+12)	611.469.645	182.551.128	62.338.128	12.314.678
14. Trade payables	13.014.415	5.612.322	-	-
15. Financial liabilities	195.267.474	84.194.087	10.567	-
16a. Other monetary financial liabilities (including advances)	700.559.412	165.072.696	112.657.262	-
16b. Other non-monetary financial liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	908.841.301	254.879.105	112.667.829	-

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Foreign currency risk management (cont'd)

31 December 2014	FOREIGN EXCHANGE POSITION			
	TL Equivalent (Functional currency)	USD	EURO	Other
18. Total liabilities (13+17)	1.520.310.946	437.430.233	175.005.957	12.314.678
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)	(178.843.014)	(191.614.191)	88.742.160	15.176.119
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(195.816.452)	(194.255.497)	87.240.490	8.563.365
22. Fair value of derivative financial instruments used in foreign currency hedge	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-
24. Hedged foreign currency liabilities	459.653.673	144.095.625	46.287.302	9.797.134
25. Exports	877.253.772	237.642.654	101.834.710	38.939.055

As of 31 December 2014, the Company's financial statement prepared according to General Communiqué on Accounting System Application (GCASA), has TL 1.312.097.756 (31 December 2013: TL 1.112.855.063) 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".

Advances given and received in foreign currency which are subject to valuation are showed in the monetary trade receivables and monetary financial liabilities respectively.

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Foreign currency risk management (cont'd)

FOREIGN EXCHANGE POSITION				
31 December 2013	TL Equivalent (Functional currency)	USD	EURO	Other
1. Trade Receivables	517.490.318	127.291.868	83.708.934	-
2a. Monetary financial assets (including cash, bank and advances)	231.170.184	61.627.307	30.422.986	10.301.928
2b. Non- monetary financial assets	-	-	-	-
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	160.060.832	15.897.227	42.111.364	2.471.360
6b. Non-monetary trade receivables (including advances)	-	-	-	-
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 (including advances)	90.868.564	24.933.301	12.812.911	28.305
12b. Other non-monetary financial liabilities	-	-	-	-
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 (including advances)	893.718.012	241.567.213	128.772.726	-
16b. Other non-monetary financial liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	1.071.528.785	324.763.525	128.856.119	-

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Foreign currency risk management (cont'd)

FOREIGN EXCHANGE POSITION				
	TL Equivalent (Functional currency)	USD	EURO	Other
31 December 2013				
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)	(281.955.628)	(142.518.945)	2.948.408	13.564.562
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

Advances given and received in foreign currency which are subject to valuation are showed in the monetary trade receivables and monetary financial liabilities respectively.

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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Foreign Currency Sensitivity

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

The following table details the Group's sensitivity to a 10% increase and decrease in the USD 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 2014				
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Appreciation of USD against TL by 10%				
1- USD denominated net assets/liabilities	(44.433.415)	44.433.415	-	-
2- Hedged amount against USD risk (-)	-	-	-	-
3- Net effect of USD (1+2)	(44.433.415)	44.433.415	-	-
Appreciation of EURO against TL by 10%:				
4- EURO denominated net assets/liabilities	25.031.501	(25.031.501)	-	-
5- Hedged amount against EURO risk (-)	-	-	-	-
6- Net effect of EURO (4+5)	25.031.501	(25.031.501)	-	-

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Foreign Currency Sensitivity (cont'd)

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 USD 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)	-	-

Interest rate risk management

As of 31 December 2014 and 2013, 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 2014, since the Group does not have interest bearing financial assets,(31 December 2013: null) no significant interest rate risk has been exposed.

Price risk

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

Hierarchy of fair value

As of 31 December 2014 and 31 December 2013, the Group's financial assets at their fair values are as in the following page:

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

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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

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

31 December 2014	Financial assets at fair value	Loans and receivables (including cash and cash equivalents)	Available for sale financial assets	Financial liabilities at amortized cost	Carrying value	Note
<u>Financial assets</u>						
Cash and cash equivalents	-	131.941.264	-	-	131.941.264	32
Blocked deposits	-	22.163.233	-	-	22.163.233	16
Financial investments	-	-	355.622.999	-	355.622.999	28
Trade receivables	-	1.254.170.275	-	-	1.254.170.275	5
<u>Financial liabilities</u>						
Borrowings	-	-	-	479.149.506	479.149.506	28
Trade payables	-	-	-	674.379.732	674.379.732	5
Other payables	-	-	-	814.293	814.293	6
<hr/>						
31 December 2013	Financial assets at fair value	Loans and receivables (including cash and cash equivalents)	Available for sale financial assets	Financial liabilities at amortized cost	Carrying value	Note
<u>Financial assets</u>						
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
<u>Financial liabilities</u>						
Borrowings	-	-	-	353.286.991	353.286.991	28
Trade payables	-	-	-	405.611.478	405.611.478	5
Other payables	-	-	-	478.899	478.899	6

The Group's management assesses that the carrying value besides available for sale financial assets reflects the fair value of financial instruments.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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

30. FINANCIAL INSTRUMENTS FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING (cont'd)

The fair values of financial assets and financial liabilities are determined and grouped as follows:

- Level 1: The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- Level 2: The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- Level 3: The fair value of the financial assets and financial liabilities are determined where there is no observable market data.

Fair value hierarchy of financial assets that are measured at fair value:

Group's available for sale financial asset, ROKETSAN-Roket Sanayi ve Ticaret A.Ş. is measured at fair value as of 31 December 2014. The fair value of ROKETSAN-Roket Sanayi ve Ticaret A.Ş. was determined according to "Discounted Cash Flow", "Similar Company Comparison" and "Realized Company Mergers and Acquisitions" methodologies and its fair value hierarchy is Level 3.

Reconciliation of the Group's assets and liabilities that are measured at Level 3 fair value are presented as follow:

	Available for sale financial assets
	<u>Marketable securities</u>
Opening balance, 1 January 2014	5.141.213
Total gain/loss	
-transferred to other comprehensive income	<u>308.440.637</u>
Closing balance, 31 December 2014	<u><u>313.581.850</u></u>

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

31. EVENTS AFTER THE REPORTING PERIOD

Amount of contracts signed by Group after the reporting date is approximately TL 39 Million, EURO 2 Million and USD 4 Million.

With the decision of Board of Directors' decision on consolidation of MİKES Mikrodalga Elektronik Sistemler Sanayi ve Ticaret A.Ş. (MİKES), by means of take over and ASELSAN Elektronik San. ve Tic. A.Ş (Company) according to simplified merger procedure has been determined and dissolution of MİKES has been registered by 20 January 2015. Thereby, MİKES has been devolved to Company with its all assets and liabilities through complete succession accordingly II-23-2 Consolidation and Division Rescript of CMB, 136th and other articles of Turkish Commercial Code and 19th, 20th, 21st articles of Corporate Tax Law and MİKES has dissolved without liquidation by 20 January 2015. All rights and liabilities of MİKES have been inherited to assignee Company by 20 January 2015.

32. EXPLANATORY NOTES TO THE STATEMENT OF CASH FLOWS

	31 December 2014	31 December 2013
Cash	109.860	112.298
Cheques received	7.662	-
Demand deposits -TL-	35.548.686	997.189
Foreign currency demand deposits	2.301.924	23.180.671
Time deposits -TL-	14.694.285	35.607.471
Foreign currency time deposits	79.264.914	43.776.112
Accrued income	293	50
Other cash equivalents	13.640	10.026
	<u>131.941.264</u>	<u>103.683.817</u>

As of 31 December 2014, the Group has TL 79.264.914 (31 December 2013: TL 43.776.112) of foreign currency time deposits at various banks with maturities in January 2015 (31 December 2013: January 2014) and interest rates between 1,80% and 2,10% (31 December 2013: 0,25% and 2,75%).

As of 31 December 2014, the Group has TL 14.694.285 (31 December 2013: TL 35.607.471) of time deposits at various banks with maturities between January 2015 (31 December 2013: January-February 2014) and interest rates between 10% and 10,45% (31 December 2013: 8,45% and 10,10%).

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.

Entity, Mikrodalga Elektronik Sistemler Sanayi ve Ticaret A.Ş. “MİKES” and ASELSANNET Elektronik ve Haberleşme Sistemleri Sanayi Ticaret İnşaat ve Taahhüt Ltd. Şti. “ASELSANNET”, which are subsidiaries of the Company operating in the same sector and whose financial statements are consolidated will be mentioned as “Group” in the Annual Report of the Board of Directors.

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 a branch in the Republic of Macedonia, Skopje with the contact address: Ankarska 29A, 1000 Skopje, Macedonia.

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, Fax: +971 2 550 8812.

3. Organizational structure of the company

Entity’s domestic and foreign organization has been restructured as of 01 September 2014 in accordance with the vision of becoming a global company. Major goals of restructuring are strengthening critical technological skills which entity possesses, reaching targeted new technological skills, increasing ability of research and development at a global level, developing human resources and its education, growing company by reaching new markets both domestic and foreign.

Within this scope, the Company’s organization has been structured in five divisions which are Communication and Information Technologies (HBT), Microelectronics, Guidance and Electro-Optics (MGEO), Defense Systems Technologies (SST), Radar, Electronic Warfare and Intelligence Systems (REHIS) and Transportation, Security, Energy and Automation Systems (UGES).

In order for General Management to fulfill planning at strategic level, pursuing and assessing functions in a more efficient way, five different Vice General Management have been constituted as Financial Vice General Management, Support Systems Vice General Management, Research and Development Technology Vice General Management, Strategy and Business Development Vice General Management and Human Resources Vice General Management.

Internal Audit Department which is connected to Board of Directors; Strategy Advisory Board and Science and Technology Advisory Board which are connected to General Management have been established.

Company maintains engineering operations in Ankara, ODTÜ Teknokent; production and engineering operations in Macunköy and Akyurt. General Management is present in Ankara Macunköy. Also, Marine Systems Management of SST Sector Presidency and Product Support Management of UGES Sector Presidency are in Istanbul.

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

The capital structure as of 31 December 2014 and 31 December 2013 are as follows:

Partners	Share (%)	31 December 2014 (TL)	Share (%)	31 December 2013 (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	100,00	500.000.000	100,00	500.000.000
Share capital adjustment	-	98.620.780	-	98.620.780
Inflation adjusted capital	-	598.620.780	-	598.620.780

Registered equity ceiling of the Company is TL 1.000.000.000 (TL one billion). The nominal capital of the Company is TL 500.000.000 (TL five hundred 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 (thirty billion two hundred and seventy two million seven hundred and twenty seven thousand two hundred and seventy three) of the shares are Group A shares and 19.727.272.727 (nineteen thousand seven hundred and twenty seven million two hundred and seventy two thousand seven hundred and twenty seven) 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. No change has occurred in the shareholders' structure and the Company's capital during the period.

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)

The report comprises the events took place during the period 01 January-31 December 2014. The title of the main shareholder in the report is ASELSAN Elektronik Sanayi ve Ticaret A.Ş.

Members of the Board of Directors

Pursuant to the provisions of the Company Articles of Association, the Board of Directors comprise of 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 Capital Markets Board (CMB) regulations which make 9 members in total. Information regarding the Members of the Board of Directors are as follows:

Name and Surname	Position	Date of General Assembly for Assignment	End of Term of Office
Hasan CANPOLAT(**)	Chairman/ Managing Member	May 2013	March 2015
Murat ÜÇÜNCÜ(**)	Vice Chairman/ Managing Member	May 2013	March 2015
Ziya AKBAŞ	Independent Member (*)	March 2014	March 2015
Ahmet Can ÇEVİK	Member	March 2014	March 2015
Celalettin DÖVER	Independent Member (*)	March 2014	March 2015
Oral ERDOĞAN	Independent Member (*)	March 2014	March 2015
Ahmet KESİK	Member	March 2014	March 2015
Sedat NAZLIBİLEK(***)	Member	June 2014	First General Assembly to be held
Nilüfer ÖZDOĞAN	Member	March 2014	25 June 2014
Mustafa Murat ŞEKER(**)	Member	May 2013	March 2015

(*)The independence statements of the Independent Members, which comply with the Corporate Governance Principles of Capital Markets Board, exists. Statement of Independence of independent members are attached at the end of Corporate Governance Principles Compliance Report.

(**)Took office by the decision of Board of Directors at date of 16 May 2013 and selected again so that they work 1 years for each at Ordinary Meeting of General Assembly dated 31 March 2014.

(***)Selected by the decision of Board of Directors dated 25 June 2014.

There is no executive member at the Board of Directors.

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 01 January – 31 December 2014:

During the Ordinary General Assembly Meeting held on 31 March 2014, Hasan CANPOLAT, Murat ÜÇÜNCÜ, Mustafa Murat ŞEKER, Ahmet Can ÇEVİK, Ahmet KESİK and Nilüfer ÖZDOĞAN were elected as Member of Board of Directors for 1 year of service for the position of Necmettin BAYKUL, Erhan AKPORAY, Hasan CANPOLAT, Murat ÜÇÜNCÜ, Mustafa Murat ŞEKER and Orhan AYDIN whose service periods have ended and Oral ERDOĞAN, Celalettin DÖVER and Ziya AKBAŞ were elected as Independent Member of Board of Directors for 1 year of service for the position of Halil SARIASLAN, Lamia Zeynep ONAY and Cumhuriyet Şahin TULGA whose service periods have ended.

The Member of Board of Directors Nilüfer Özdoğan resigned as of 25 June 2014. For the vacant position with the resignation, Sedat NAZLIBİLEK was elected on the Board of Directors meeting held on 25 June 2014 according to the article 363 of TCC and it was decided to be submitted to the approval on the upcoming General Assembly.

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. For the last five years, resources which are reserved for defense by the USA has decreased and it is claimed officially that this decrease will continue. Besides, resources reserved for defense in Asia, Middle East and Africa especially in China, Russia, and Saudi Arabia have increased. By the end of 2013, while resources reserved for defense in Turkey for the last five years has increased from USD 16 Billion to USD 19 Billion, local purchase of equipment has also increased with policies.

Given the nature of defense industry, the project lifetime varies between 4-5 years in average. Within this context, 2008 global financial crisis and the subsequent fluctuations did not have an adverse effect on the Group. Group takes actions for the long-term and has signed contracts worth approximately TL 10,3 Billion (approximately USD 4 Billion) as of 31 December 2014. 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, and 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 2014 regarding 2013 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.

In the case of a revision in the dividend distribution policy, decision of the Board of Directors and the reason of the revision is announced to the public in accordance with the CMB regulations.

According to the Capital Markets Board Law and other legislations as well as the provisions of the articles of association, and as per the resolutions of the General Assembly, in the year 2014 TL 25.000.000 (TL 0,05 per TL 1 share, 5% gross over capital) and (net TL 21.250.000 per TL 0,0425 - TL 1 share, 4,25% net over capital) of the profit for 2013 has been decided to distributed to shareholders.

All of the dividend TL 25.000.000 to be distributed was paid to shareholders by 31 December 2014.

7. Financial resources of the company

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

During 01 January-31 December 2014 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 scope of the Eximbank Loan Program, during 01 January-31 December 2014 period, "Discounted Foreign Currency Loan" was obtained with the following maturities respectively: USD 89,5 Million with 240 days of maturity, and EUR 7,5 Million with 240 days of maturity, USD 10 Million with 120 days of maturity.

Furthermore, USD 22 Million which is the last piece of credit of USD 87 Million used in order to finance the Gölbaşı investment by the decision of Defense Industry Execution Committee, was

obtained in July, 2014. USD 8 Million principal payment of USD 40 Million credit was recognized at 2014, August.

On the Board of Directors Meeting held on 19 June 2014, it was decided to issue debt instruments in one or several portions, domestically, with a maturity between 6 months to 3 years which will not exceed TL 250.000.000 Million by private placement and/or to qualified investors without public offering. The Company has applied to CMB on 23 June 2014 with reference to the decision and the approval was given by CMB on 18 July 2014. The approval was given by CMB is valid till 17 July 2015.

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.

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 Detection and Management of Risk 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.

Difficulty in Increasing Customers Variety and Number

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.

Cutting down defense expenses except the percentage which is reserved for equipment for a country can be regarded as an indicator of transformation to a more modern army with more improved equipment. These kinds of developments can provide new opportunities to Company attendantly since they increase demand to equipments which are produced advanced technology.

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. Difficulties have been experienced in settlement of suppliers and subcontractors at defense industry in Turkey until recently. Emphasis is put on having a strong structure of supporting industry in order to minimize risk arising from suppliers and subcontractors which cannot reach intended technical sufficiency, specialty and performance.

Compliance with Technological Developments

An important feature of defense sector is high level technology and continuous progress in the technology utilized. This situation leads to 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. Technology management operations were started to be conducted under R&D and Technology General Vice Management that was established within the company. Moreover, Engineering Group Presidency within Sector Presidency gave a boost to General Vice Management which is mentioned above in preparation of technology roadmap by providing participation to Technology and R&D Management Committee.

Fixed Price and Fixed Term Contracts

The products and systems produced by the Company have a complex structure considering their technology, high quality and performance requirements, tough working conditions and sales contract stages. 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 lead as a result of an increase or decrease in profits for the fixed price contracts.

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.

i. 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 75% 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 2014, as per financial statements prepared according to the Turkish General Notification of Accounting System Application (TGNASA), the company has a short position of TL 1.312.097.756 (31 December 2013: TL 1.112.855.063). 80% of the related position is USD (31 December 2013: 72%) and 20% of the balance is EURO (31 December 2013: 28%).

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 MİKES and ASELSANNET which are subject to consolidation.

Foreign Exchange Sensitivity Analysis Table of the Company Prepared According to TGNASA		
As of 31 December 2014		
Profit/Loss		
	Foreign currency gaining value	Foreign currency losing value
In the event USD changes by 10% against TL:		
1- USD Net Assets/Liabilities	(105.480.362)	105.480.362
In the event EURO changes by 10% against TL:		
2- Euro Net Assets/Liabilities	(25.680.584)	25.680.584

ii. 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.

Company used total amount of USD 87 Million credit with 2,1% fixed interest rate, 3 years non-payment, 5 years fixed term from Defense Industry Support Fund by means of USD 40 Million at 18 August 2011, USD 25 Million at 21 March 2013 and USD 22 Million 31 July 2014 and USD 79 Million credit balance exists by 31 December 2014. There is no interest risk due to since the credits have fixed interest. Company has USD 77,5 Million credit balance from Türk Eximbank by 31 December 2014 order to absorb exportation financing.

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.

iii. 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 2014, 48% 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.

iv. 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.

v. 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.

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

- a) As of 31 December 2014, the Company has a backlog of TL 10,3 Billion (approximately USD 4 Billion) and these orders include the period until 2025.
- b) No Extraordinary General Assembly was held during the period 01 January and 31 December 2014.

10. Significant events between 01 January – 31 December 2014 accounting period and the Board of Directors Meeting date when the relevant financial statements shall be negotiated

- a) With the decision of Board of Directors' decision on consolidation of MİKES Mikrodalga Elektronik Sistemler Sanayi ve Ticaret A.Ş. (MİKES), by means of take over and ASELSAN Elektronik San. ve Tic. A.Ş (Company) according to simplified merger procedure has been determined and dissolution of MİKES has been registered by 20 January 2015. Thereby, MİKES has been devolved to Company with its all assets and liabilities through complete succession accordingly II-23.2 Consolidation and Division Rescript of CMB, 136th and other articles of Turkish Commercial Code and 19th, 20th, 21st articles of Corporate Tax Law and MİKES has dissolved without liquidation by 20 January 2015. All rights and liabilities of MİKES have been inherited to assignee Company by 20 January 2015.
- b) An agreement regarding the Acoustic Decoy System for Submarines (Launcher), valuing TL 34.000.000,- has been signed between ASELSAN and Ministry of National Defense. Within this context, the deliveries of the Launcher Systems which will be developed and produced by our Company will be made in 2018-2019.

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 05 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 175 Million
- Ratio of the consolidated Research and Development (R&D) expenses financed by Company resources to the consolidated sales: 6%

The growth in consolidated income in line with this increase in exchange rates is 15% in 2014. EBITDA (Consolidated and adjusted) was 18%. Ratio of the consolidated Research and Development (R&D) expenses was 6%.

The expectations of Group on consolidated financial results for 2015 under normal circumstances are as follows:

- Consolidated income growth (TL): 16-20%
- EBITDA (Consolidated and adjusted):18-20%
- Consolidated investment expenses: Approximately TL 120 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 2,42: EUR/TL parity to be 3,01.

The Company's vision is "to become one of the first 50 defense 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, maturated 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:

- 75% of machine/device investment which belongs to the new facility in Radar and Electronical Battle area, the greater part of constructing investment was completed in Ankara Gölbaşı Region.
- The joint ventures, United Arab Emirates, Kazakhstan and Jordan established in the last three years, received purchase orders approximately USD 27 Million during 2014.
- On March 2014, "ASELSAN Hassas Optik Sanayi ve Ticaret A.Ş." was established, 50% of which belongs to the Company and the remaining to Sivas Optik Malzemeleri Sanayi ve Ticaret A.Ş. Ultraviolet, visible, close infrared line sensitive optical instruments which are normally designed by ASELSAN and produced abroad will be produced in Sivas facility after the construction of the facility.
- ASELSAN Bilkent Micro Nanotechnology Industry and Trade Inc. titled company, which belongs 50% to ASELSAN and 50% to İhsan Doğramacı Bilkent University, was established with the purpose of producing every kind of semiconductor and micro and nano dimensional instruments which including similar materials. Capital of the company is TL 18.000.000 and establishment was registered officially at 11 November 2014.
- The quality and technological perspectives of the cooperation formed with the universities have been increased.
- The efforts to form an eco-system with the sub-industry companies and SME's have continued.
- Company will operate in civil electronic areas which demand high technology.
- Inorganic expansion will be also evaluated as well as organic expansion.

According to decisions made in the General Assembly Meeting held on 31 March 2014,

- Cash dividend payments of 2013 profit began as of 30 May 2014, finished by the end of 2014.
- The decision made to amend the 6th article of Articles of Association was registered together with the General Assembly Meeting Decisions on 02 April 2014, disclosed on 07 April 2014. The amendment in the Articles of Association was sent together with a copy of Trade Registry Gazette to CMB and Customs and Trade Ministry.

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, cooperation with universities and some R&D institutions are formed and using of local subcontractors and sub-industry have become significant.

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 5 R&D centers namely Defense System Technologies (SST), Radar Electronic Warfare and Intelligence Systems (REHİS), Microelectronics, Guidance and Electro-optics (MGEO), Communication and Information Technologies (HBT) and Transportation, Security, Energy & Automation Systems Business Sector (UGES). MİKES, which is an affiliate subject to consolidation and which also has 1 R&D center. 2.283 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. 167 people are employed within this region.

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

In the General Assembly Meeting held on 31 March 2014, it was decided to amend the 6th article of Articles of Association in order to become coherent with Turkish Trade Law and the amendments were registered and disclosed in Trade Registry Gazette.

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.

Ranking of Company international, country-wide, sectoral rating systems is showed at table below:

Corporation	Research/Study	Related Period*	Ranking	
			Current	Previous
International Ratings				
Defense News Journal	Defense News Top 100	2014	67	74
SIPRI	SIPRI Top 100	2014	65	87
European Commission	World R&D Expense The First 2500 Company	2014	1.169	-
National Ratings				
İstanbul Chamber of Industry	İCI 500 Biggest Industry Companies	2014	35	46
	İCI 500 - Private Companies	2014	31	41
Fortune Journal	The Biggest 500 Companies	2014	51	63
Capital Journal	The Biggest 500 Private Companies	2014	65	77
TEA (Turkish Exporters' Assembly)	The First 1000 Exporter Companies	2014	107	128
Turkish Time Journal	R&D Top 100 Research	2014	1	1
Brand Finance	The Most Valuable Brands (100 Brands)	2014	38	37
Superbrands	The Most Valuable Brands (134 Brands)	2015	No raking.	
Bloomberg Businessweek	Most Popular 50 Companies (Intercollegiate)	2014	9	11
Universum	Ideal Employers (Engineering and Information Technologies- 100 Companies)	2014	1	3
Ministry of Science, Industry and Technology	Top of the Private Sector R&D Centers	2014	1	-
World Newspaper and DHL Express	Incentive Awards Stars of Exporters –Award of Exporter of the Year			

* "Related period" is the period when last explanation has been made.

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. Moving to compound has been started by the end of 2014, commissioning of compound is aimed at the first quarter of 2015. 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.

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. It has benefited from incentives amounting to TL 4,5 Million within the scope of TÜBİTAK TEYDEB projects which are current at 2014.

5 new projects within the scope of 1511-Prioritized fields' research Technologies development and innovation program were signed in 2013 and started being executed. It has benefited from TL 2,2 Million incentive at 2014 which is allocated by TÜBİTAK TEYDEB.

The support process of the 3 projects have been initiated as of July 2010 by 1509 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 and an incentive amount of TL 1,3 Million was used at 2014.

29 projects were executed in the year 2011, 2012, 2013, 2014 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.

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 4 R&D projects are still ongoing.

Within the scope of the European Commission 7th Cooperation Framework Programs, 4 integration projects were executed and went into effect 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, 3 projects have gone into effect in the years 2010 and 2011.

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. Aforesaid law is valid until the date of 31 December 2023.

Within the scope of the Teknokent Law numbered 4691, incentive on withholding income tax, insurance premium support and stamp tax 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.

Because of being an R&D center as of 01 January-31 December 2014, TL 47 Million (31 December 2013: TL 44 Million) within the scope of income tax withholding incentive, promotion of insurance premium, stamp duty exception; as a result of being active at ODTÜ Teknokent TL 7 Million (31 December 2013: TL 6 Million) incentives are used.

TL 41 Million advantage of Corporate Tax (31 December 2013: TL 18 Million) was gained from achieved earnings within the scope of law of 5746 R&D and 4691 Teknokent by the date of 01 January-31 December 2014.

At periods when Group’s R&D expenses which is subject of R&D discount higher than principal amount of R&D discount which is indicated at corporate tax return, Corporate Tax ratio 20% of distinction amount evaluated as deferred tax income at financial tables.

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 01 January and 31 December 2014 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", "Microelectronics Guidance and Electro-Optics" and "Transportation, Security, Energy and Automation".

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 01 January-31 December 2014 TL 2.038 Millions was generated from domestic sales and TL 460 Million was generated from foreign sales.

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

As of 31 December 2014, 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 Markets Board, the net sales amount has increased 15% compared to the same period of prior year. The profit for period amounts to TL 350 Million, with an increase of 47%. Equity has increased by 19% compared to December 2013.

BASIC RATIOS / CONSOLIDATED BALANCE SHEET	31 December 2014	31 December 2013
Current Ratio (Current Assets/Current Liabilities)	1,96	2,19
Liquidity Ratio (Cash and Cash Equivalents+ Financial Investments+ Trade Receivables+ Other Receivables/ Current Liabilities)	0,93	1,01
Equity /Total Liabilities	0,45	0,40
Current Liabilities/Total Liabilities	0,24	0,23
Non-Current Liabilities/Total Liabilities	0,31	0,36
BASIC RATIOS / CONSOLIDATED PROFIT TABLE	31 December 2014	31 December 2013
Operating Profit/ Revenue	0,24	0,26
Profit for the Period (Parent Company Shares) / Revenue	0,14	0,11

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.

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 01 January–31 December 2014 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	Hasan CANPOLAT (*)	Chairman/Managing Member	31 March 2014
2	Murat ÜÇÜNCÜ (*)	Vice Chairman / Managing Member	31 March 2014
3	Ziya AKBAŞ	Member of the Board of Directors	31 March 2014
4	Ahmet Can ÇEVİK	Member of the Board of Directors	31 March 2014
5	Celalettin DÖVER	Member of the Board of Directors	31 March 2014
6	Oral ERDOĞAN	Member of the Board of Directors	31 March 2014
7	Ahmet KESİK	Member of the Board of Directors	31 March 2014
8	Sedat NAZLIBİLEK	Member of the Board of Directors	25 June 2014
9	Mustafa Murat ŞEKER (*)	Member of the Board of Directors	31 March 2014
10	Faik EKEN	CEO/President	24 July 2014
11	Levent AKKOYUNLU	CFO/Vice President	01 September 2014
12	Yavuz BAYIZ	Division CEO/Vice President (Communication & Information Technologies Business Sector)	01 September 2014
13	Baki ŞENSOY	Division CEO/Vice President (Microelectronics, Guidance & Electro-Optics Business Sector)	01 September 2014
14	Oğuz ŞENER	Division CEO/Vice President(Radar & Electronic Warfare Systems Business Sector)	01 September 2014
15	Mustafa KAVAL	Division CEO/Vice President(Defense Systems Technologies Business Sector)	01 September 2014
16	Yavuz Suat BENGÜR	Division CEO/Vice President(Transportation, Security, Energy & Automation Systems Business Sector)	01 September 2014
17	Hezarfen ORUÇ	Division CEO/Vice President(Support Services)	01 September 2014
18	İsmet ATALAR	Division CEO/Vice President(R&D and Technology Management)	01 September 2014
19	Özcan KAHRAMANGİL	Division CEO/Vice President(Strategy and Business Development)	01 September 2014
20	Hüseyin YAVUZ	Division CEO/Vice President(Human Resources Management)	01 September 2014
21	Abdülkadir GÖKTAŞ	Internal Audit President	01 September 2014

(*)Period of service of aforementioned Members of Board of Directors before last General Assembly Meeting is 10 months.

It was decided to delegate Vice General Manager and Information Technologies Group Manager Dr. Faik EKEN for the position of ASELSAN General Manager Cengiz ERGENEMAN whose service period has ended due to age limit, with the decision of Board of Directors dated 28 May 2014. Dr. Faik EKEN assigned to position of General Manager, Yavuz BAYIZ assigned to position Vice General Manager principally with the decision of Board of Directors dated 24 July 2014. With same decision, Levent AKKOYUNLU, Hezarfen ORUÇ, İsmet ATALAR, Hüseyin YAVUZ, Baki

ŞENSOY, Oğuz ŞENER, Mustafa KAVAL and Yavuz Suat BENGÜR assigned to Vice General Manager which is valid from the date of 01 September 2014.

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 2014 is TL 5.873.910 (31 December 2013: TL 4.555.169). A monthly payment of net TL 3.000 is made to the Member of the Board of Directors and Managing Members on 31 March 2014.

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

Total amount of 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 Group for the period ended by 31 December 2014 is TL 911.846 (31 December 2013: TL 421.271)

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

The Group recruited a total number of 185 people (35 personnel with fixed term contract) as the personnel including fixed-term contracted personnel, disabled and terror-stricken personnel during the period 01 January – 31 December 2014 and the number of people quit for the same period is 314 (108 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 2014 is 5.335 (The average number of personnel employed by the Group as of 31 December 2013: 5.343).

There is no collective bargaining agreement in the Company.

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

Group's subsidiary ASELSANNET has donated TL 200 to Türk Eğitim Vakfı during the period 01 January- 31 December 2014.

27. The existence of organizations outside the center

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

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 Presidency (IAP), 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. IAP 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

Company owns 100% of MİKES and ASELSANNET and these companies are consolidated. Company owns 100% of MİKES by acquiring 3% share of the entity in November, 2014 which previously belonged to Undersecretariat for Defense Industries (UDI). Company applied to CMB with for the permission for merging of Company and MİKES in the form of consolidation with simplified procedure, consolidation process registered officially by 20 January 2015 at Ankara Trade Registry Directorship and declared at Turkey Trade Registry Gazette at 23 January 2015 by completing necessary legal actions after Council permission which was taken in 30 December 2014.

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 2014 (TL)
ASELSAN Bakü Şirketi	100	3.059.234
ROKETSAN-Roket Sanayi ve Ticaret A.Ş. (*)	14,897	313.581.850
Mikroelektronik Ar-Ge Tasarım ve Ticaret Ltd. Şti.	85	624.714
ASELSAN Hassas Optik Sanayi ve Ticaret A.Ş.	50	50.000
ASELSAN Bilkent Mikro Nano Teknolojileri Sanayi ve Ticaret A.Ş.	50	2.250.000
ASPİLSAN Askeri Pil Sanayi ve Ticaret A.Ş.	1	147.462
Kazakhstan ASELSAN Engineering LLP	49	32.633.128
IGG ASELSAN Integrated Systems LLC	49	42.837
ASELSAN Middle East PSC LTD	49	3.233.774
TOTAL		355.622.999

(*)Group's marketable security ROKETSAN-Roket Sanayi ve Ticaret A.Ş. was revaluated and stated at fair value. Fair value determination was performed as of 31 December 2014, by Oyak Yatırım Menkul Değerler A.Ş. which is an independent valuation company from the Group.

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

"VAT Return Process" inspection for the year 2010 which is performed in Company by Ministry of Finance Tax Inspection Board at 2014 was completed and controls of the year 2011 continues.

"Risk Analysis Study" inspection for the year 2010 is performed in MİKES which is one of the Company's subsidiary by Ministry of Finance Tax Inspection Board at 2014. At the same time, import and export processes of MİKES are inspected by Ministry of Customs and Trade Customs and Trade Inspectorship for the period between 2011 and 2013 within the scope of "Afterwards Control Programme/Analyzing".

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 2014 are summarized below:

Description	31 December 2014 (TL)
Ongoing lawsuits filed by the Group	4.693.387
Execution proceedings carried on by the Group	5.811.678
All types of ongoing lawsuits filed against the Group	936.873
Lawsuits finalized in favor of the Group within the period	119.195
Lawsuits finalized against the Group within the period	300.415

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 favour 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 favour 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 35 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

- In order to produce ultraviolet, visible, close infrared cycle sensitive optical instruments, the company named "ASELSAN Hassas Optik Sanayi ve Ticaret A.Ş.", 50% of which belongs to the Company and the remaining belongs to Sivas Optik Malzemeleri Sanayi ve Ticaret A.Ş. was established. The capital of the company is TL 100.000 and the registration was made on 07 March 2014.
- ASELSAN Bilkent Mikro Nano Teknolojileri Sanayi ve Ticaret A.Ş. titled company, which belongs 50% to ASELSAN and 50% to İhsan Doğramacı Bilkent University, has established on the purpose of producing every kind of semiconductor and micro and nano dimensional instruments which including similar materials. Capital of the company is TL 18.000.000, and establishment was registered officially at 11 November 2014.
- TL 126.937 share transfer due to "Share Sales Agreement" on the subject of sale of all shares with 0,051% ratio of Company which are present at HEAŞ A.Ş. to TSKGV was paid to Company at 24 November 2014. Company no longer owns shares in HEAŞ A.Ş.

- 1.170.000 shares with 3% ratio and nominal price of TL 1.170.000 of UDI which are owned in Mikrodalga Elektronik Sistemler Sanayi ve Ticaret A.Ş. were taken over by Company with price of TL 675.174,58 and Company's ownership in Mikrodalga Elektronik Sistemler Sanayi ve Ticaret A.Ş. became 100%. Transfer of shares was registered officially at 03 December 2014.
- Merger process was completed with the decision of Board of Directors about consolidation of Mikrodalga Elektronik Sistemler Sanayi ve Ticaret A.Ş, by means of devolvement of MİKES according to simplified consolidation procedure, and ASELSAN Elektronik Sanayi ve Ticaret A.Ş. registered officially at 20 January 2015 and declared at 23 January 2015.

39. Related party transactions

Detailed table is disclosed in Note 4 under Consolidated Financial Statements of 31 December 2014.

ANNEX-1

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

CHAPTER I - 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 8,77 out of 10 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 İstanbul 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.

SAHA has revised the corporate governance ratings of all its customers on 03/03/2014, regarding the resolution of CMB's meeting numbered 4/105 held on 01/02/2013. The update is caused by the revision of 2013 corporate governance ratings within the context of renewed rating principles and is a result of change in methodology.

As per the new methodology, in case the company fulfills all the mandatory 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, our rating has been revised as 8,57 over 10.

As a result of the efforts made for improving Corporate Governance Rating during 2014, ASELSAN's corporate governance rating was updated as 9,09 over 10 on 12/12/2014 by SAHA A.Ş.

The ratings of 2013 and 2014 and the sub titles are given below:

2013 Rating Distribution	2014 Rating Distribution
Shareholders : 82,70 / 100	Shareholders : 83,30 / 100
Public Disclosure And Transparency : 85,30 / 100	Public Disclosure And Transparency : 98,21 / 100
Stakeholders : 94,80 / 100	Stakeholders : 93,78 / 100
Board of Directors : 84,34 / 100	Board of Directors : 90,00 / 100
Average 8,57	Average 9,09

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

The compliance with all the mandatory 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. There are no conflicts of interest arising because of the arbitrary principles where compliance has not been achieved.

- No recognition of minority rights to those who own less than twentieth of the capital indicated in the Articles of Association,
- 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,
- The article “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” in the Articles of Association of the company,
- Not disclosing the remuneration of Board Members and executive managers or the benefits provided to them per each individual,
- 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,
- Non-existence of female members in the Board of Directors and not setting a policy, target rate which is a minimum of 25% or a target date for female members’ ratio.

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

Oral ERDOĞAN

Independent Member of Board of Directors
Corporate Governance Committee Chairman

Ahmet Can ÇEVİK

Member of Board of Directors
Member of Corporate Governance Committee

Mustafa Murat ŞEKER

Member of Board of Directors
Member of Corporate Governance Committee

Pınar ÇELEBİ

Investor Relations and Subsidiaries Manager
Member of Corporate Governance Committee

CHAPTER II - SHAREHOLDERS

2.1. Investor Relations Department

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

Levent AKKOYUNLUChief Financial Officer / Vice President

Aykan ÜRETEN.....Finance Director

Pınar ÇELEBİInvestor Relations and Subsidiaries Manager

Bâni Betül GÖKÇE.....Investor Relations and Subsidiaries Department/Senior Specialist

Başak YÜCEKAYALIInvestor Relations and Subsidiaries Department/Specialist

Contact Information

Phone: (312) 592 12 33 - 42 - 45 - 70

e-mail: ortaklar_servisi@aselsan.com.tr

Investor Relations Department has submitted the report regarding the tasks carried during 2013, to Board of Directors on 27/02/2014.

Pınar ÇELEBİ, Investor Relations Manager, has Capital Markets Transactions Advanced Level and Corporate Governance Rating Expertise Licenses.

Main operations carried out by Investor Relations Department during 2014 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,
- Ensuring the 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 Committee,
- Operation of transactions regarding capital increase, dividend 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 publishing of Sustainability Report.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD
BETWEEN 1 JANUARY – 31 DECEMBER 2014

Within the period, approximately 100 of our shareholders' questions regarding exercising their rights, public disclosures made, financial tables and etc. were answered either written or verbally.

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

2.2. 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 (TAFF), in 2014 with the 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. The electronic platform is being effectively used regarding the issues that may effect exercising of the shareholders rights. The material event disclosure and other notifications made through Public Disclosure Platform (KAP) incorporated under Borsa İstanbul, are being published on our corporate website in Turkish and in English on the same day. In general, any changes occurred in the Company structure are immediately announced on our website and the investor presentations are constantly updated. Capital increases and dividend distribution information are also submitted to our investors' knowledge on the website. In addition, notifications regarding the attendance of shareholders to the General Assembly and electronic general assembly principles within the context of the new Turkish Code of Commerce are being made.

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 CMB, in 2014;

- 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,
- 2013 Annual Report was uploaded to the website in Turkish and English,
- The report for the 1st six months' period for 2014 has been uploaded on 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 2014 were published on the website in Turkish and English,
- "Analyst Coverage" page was updated,

H.C. M.Ü. Z.A. A.C.Ç. C.D. O.E. ~~A.K.~~ ~~S.N.~~ M.M.Ş.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD
BETWEEN 1 JANUARY – 31 DECEMBER 2014

- Corrections were made on “Capital Increases” page,
- “Investor Calendar” page was added on the website and the important dates for the investors were published,
- “Key Board Resolutions” page was added on the website,
- “Chronology of Amendments on Articles of Association” was published,
- Stakeholders Policy was formed and published on the website in Turkish and English,
- Corporate Governance Rating 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 2014.

2.3. General Assembly Meetings

The agenda and invitation related to the 39th Ordinary General Assembly Meeting dated 31/03/2014 with regard to 2013 operations realized at the Company headquarters were duly announced comprising all the necessary information in the Turkish Trade Registry Gazette dated 05/03/2014 along with five daily newspapers in Turkey and on the website. 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 91 shareholders, 14 physically, 77 electronically representing 45.455.182.577 shares (TL 454.551.825,77 nominal) of 50.000.000.000 total shares. Media members did not participate in the General Assembly Meeting which was held simultaneously both physically and electronically.

In scope of the Communiqué on Corporate Governance numbered II.17-1 of CMB, three weeks before the Ordinary General Assembly on date 05/03/2014, the Ordinary General Assembly Meeting agenda, place, time, copy of the power of attorney, total number of shares as of 05/03/2014 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 2013 year dividend 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.

H.C. M.Ü. Z.A. A.C.Ç. C.D. O.E. ~~A.K.~~ ~~S.N.~~ M.M.Ş.

For the facilitation of physical attendance to General Assembly Meeting in 2014, transportation from central spots to our Akyurt facility was provided for our shareholders, and our shareholders who attended the General Assembly had a site visit.

In the Ordinary General Assembly Meeting in 2014, 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. There are no questions which has not been answered in the Ordinary General Assembly Meeting and answered by the Investor Relations Department later on. Within the period, there have not been any transactions of which their resolutions were submitted to General Assembly because the confirmative vote of the majority of the independent members are required where as they have voted negatively. The minutes of the General Assembly Meeting held in 2014 can be accessed from the website of our Company.

No Extraordinary General Assembly Meeting was held during the year 2014.

The shareholders were informed that no donations and aids were made in 2013, with a separate agenda item. Our Company's policy regarding the donations and aids, which was revised by the Board of Directors pursuant to the CMB legislation, was put to shareholders' vote with a separate agenda item at the ordinary general assembly meeting and the revised policy was accepted by the majority of votes.

2.4. 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.

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.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD
BETWEEN 1 JANUARY – 31 DECEMBER 2014

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.

2.5. Dividend Rights

There are no privileges with respect to the participation in the profit gained by the Company. The dividend distribution policy was revised in 2014 and was submitted to General Assembly meeting. The dividend distribution policy published separately in the annual report 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 mandatory 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 dividend 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 CMB 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.

In case of a revision made on the Dividend distribution Policy, the resolution of Board of Directors regarding this revision and the reason for revision shall be publicly announced with respect to the legislation of CMB.”

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 2014 and within the legal periods, out of the profit gained from 2013 operations, the gross amount of TL 25.000.000,- (TL 0,05 per TL 1 of share, gross 5% over the capital) (net TL 21.250.000,- TL 0,0425 per TL 1 of share, net 4,25% over the capital) was distributed to our shareholders as cash dividend.

2.6. Transfer of Shares

H.C. M.Ü. Z.A. A.C.Ç. C.D. O.E. ~~A.K.~~ ~~S.N.~~ M.M.Ş.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD
BETWEEN 1 JANUARY – 31 DECEMBER 2014

The transfer of the nominated Group A shares representing majority part of the capital and which are not traded in Borsa İstanbul 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”. The amendment of this article was put to vote of our shareholders in the 2014 general assembly meeting as “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.” and was accepted with the majority of votes.

CHAPTER III - PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. 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 2014, 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 2.1.1 of the corporate governance principles of Communiqué on Corporate Governance numbered II-17.1 issued by CMB on 03/01/2014.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD
BETWEEN 1 JANUARY – 31 DECEMBER 2014

Under “Investor Relations” section;

1. Corporate Governance
 - 1.1 Shareholder Structure
 - 1.2 Board of Directors
 - 1.3 Key Resolutions of Board of Directors
 - 1.4 Board Committees
 - 1.5 Articles of Association
 - 1.6 Company Profile
 - 1.7 Policies
 - 1.8 Ethical Principles
 - 1.9 Corporate Governance Rating
 - 1.10 General Assembly Meeting
 - 1.11 Compliance with Corporate Governance Principles
2. Sustainability
3. Stock Info
 - 3.1 Stock Info
 - 3.2 Non-Deposit Shares
 - 3.3 Capital Increases
 - 3.4 Analyst Coverage
 - 3.5 Registration Statement and Public Offering Circular
 - 3.6 Dividend Info
4. Investor Calendar
5. Annual Reports
6. Financial Data
 - 6.1 Financial Reports
 - 6.2 Financial Highlights
 - 6.3 Investor Presentations
 - 6.4 BoD Reports
7. BİST Disclosure
8. Frequently Asked Questions
9. 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.

3.2. Annual Report

The Board of Directors prepare the annual report in detail regarding the operations of the Company and which enable the public to reach complete and accurate information that can be comprehensive. The 2014 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 CMB.

CHAPTER IV - STAKEHOLDERS

4.1. 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 2014 orders, nearly 2.000 of which were domestic orders, were given to 3.736 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.

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.

4.2. 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 45 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.

4.3. 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.

56% of our employees stand for the engineering group, 31% 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 1 chief engineer, 1 leader, 17 personnel representing the engineers, 20 personnel representing the technicians, 2 personnel representing the bureau personnel and 4 personnel representing the workers, which make up a total of 45 personnel representatives.

There were no complaints related to discrimination from the employees in 2014. Performance and rewarding policies are announced to all of our employees through Company directives.

4.4. 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 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 deemed necessary.

Ethical Committee comprises of ten members, the chairmanship of the Committee is executed by the Human Resources Management Vice President and the secretariat is handled by Human Resources Director. Other members are the representatives indicated by sectors; the Law

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD
BETWEEN 1 JANUARY – 31 DECEMBER 2014

Department and Central 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.

The setting and execution with respect to confidentiality principles of a mechanism, where the complaints regarding our Company's transactions which are against legislation and unethical, is the responsibility of Audit Committee. Committee's efforts regarding this issue are in progress.

An independent British institution, Carbon Disclosure Project (CDP) which reports how the risks of climate changes are managed by the companies announced the 2014 results of the Turkey Carbon Transparency Project. ASELSAN, who attended the project for the second time, has increased its previous rating and conducted successful activities regarding climate change. 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 tree is planted.

In 2014 our Company sponsored; the activities of Turkish Armed Forces Rehabilitation and Care Center Handicapped Sports Club, the "Workshop of Microelectronic Technology, Signal Detection and Processing of Circuits and Systems for Defence and Space" which was organized by Sabancı University on 19/06/2014 - 20/06/2014 and has supported the competition "New Ideas New Jobs" organized by METU and METU Teknokent in 2014 in Defence Industry category.

CHAPTER V - BOARD OF DIRECTORS

5.1. Structure and Formation of Board of Directors

H.C. M.Ü. Z.A. A.C.Ç. C.D. O.E. ~~A.K.~~ ~~S.N.~~ M.M.Ş.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş.**ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD
BETWEEN 1 JANUARY – 31 DECEMBER 2014**

In our Company, 3 members of 9 members of Board of Directors are independent members. The duties of Nomination Committee are executed by Corporate Governance Committee. The report regarding the evaluation of the list of Independent Members of Board of Directors prepared by Corporate Governance Committee on 26/02/2014 was presented to Board of Directors on 27/02/2014 and the CV's and independence declarations of 3 nominees were announced on our website to public on 05/03/2014. As a result of the voting at the General Assembly Meeting on 31/03/2014, 3 nominees were elected as Independent Members of Board of Directors. There were no cases to eliminate the independency of the Independent Members of the Board of Directors in 2014.

The CVs of the Members of the Board of Directors are included in the 2014 annual report and the information with respect to their duty terms is provided in the table below.

Name Surname	Duty	Election Date	Termination Date	Responsibilities other than the Company
Hasan CANPOLAT	Chairman / Managing Member	March 2014	March 2015	Consultant of Ministry of National Defence
Murat ÜÇÜNCÜ	Vice Chairman / Managing Member	March 2014	March 2015	-
Ziya AKBAŞ	Independent Member	March 2014	March 2015	Turkish Patent Institute – Brand Representative, Public Supervision Institute – Independent Auditor, R.T. Ministry of Labour Social and Security – Official Mediator, TURMOB – Expertise on Author's Rights and Financial Matters
Ahmet Can ÇEVİK	Member	March 2014	March 2015	-
Celalettin DÖVER	Independent Member	March 2014	March 2015	Consultant of the CEO of Türk Telekomünikasyon A.Ş.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD
BETWEEN 1 JANUARY – 31 DECEMBER 2014

Oral ERDOĞAN	Independent Member	March 2014	March 2015	Rector of Piri Reis University, Consultant of Chamber of Shipping, Consultant of Turkey Ship Building Businessman Union, Member of the Board of Istanbul Maritime R&D Publishing and Consultant Inc., Member of the Board of Turksat Satellite Communication and Cable TV Operating Inc.
Ahmet KESİK	Member	March 2014	March 2015	Lecturer in Yıldırım Beyazıt University Faculty of Politics Public Finance Theory Department
Sedat NAZLIBİLEK	Member	BoD Decision on 25/06/2014	First General Assembly Meeting to be held	Lecturer in Atılım University Mechatronics Engineering Department
Mustafa Murat ŞEKER	Member	March 2014	March 2015	Head of Department of Naval Platforms in Undersecretariat for Defence Industries
Faik EKEN	CEO	May 2014	-	-

In article 13 of 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. 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 annex 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 CMB.

H.C. M.Ü. Z.A. A.C.Ç. C.D. O.E. ~~A.K.~~ ~~S.N.~~ M.M.Ş.

- 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.

5.2. Principles of Activity of Board of Directors

Board of Directors carries out its duties and responsibilities determined with reference to Turkish Commercial Code (TCC), 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 Working 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 2014 was 49, where 34 of the decisions in the meetings are interim decisions. All of the Members of the Board of Directors attended 78% of the 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 Presidency.

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.

Board Office is established under Board of Directors in order to coordinate necessary issues in the name of the Board, particularly the relationships with the Presidency and TAFF, to execute planning and support the Board of Directors' operations.

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. According to the article 11 of the Articles of Association titled "Quorum of Meeting and Decision Making"; "The provisions of the TCC, 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 mandatory 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 platform.

In accordance with the article 4.2.8 of Capital Markets Board Corporate Governance Communiqué; Executive Liability Insurance Policy was signed for Board of Directors members on 18/07/2014 with the total liability amount of USD 60.000.000,- which corresponds to more than 25% of the paid-in-capital of our Company, with a validity period of 1 year.

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

As per the title “Committees Formed in 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 mandatory 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 2014 Annual Report.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD
BETWEEN 1 JANUARY – 31 DECEMBER 2014

AUDIT COMMITTEE

Ziya AKBAŞChairman/Independent Member of Board of Directors
Oral ERDOĞANMember/Independent Member of Board of Directors
Celalettin DÖVER.....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 by Audit Committee on dates 05/03/2014, 12/05/2014, 19/08/2014 and 10/11/2014 regarding the financial statements with the participation of the relevant independent audit company in 2014.

In order to maintain the efficiency of internal audit, attention was paid to strengthen the cooperation with Internal Audit Presidency and to the supervision of internal audit activities, direct and continuous communication was established between Audit Committee and Internal Audit Presidency. A dimension of this communication; Audit Committee- Internal Audit Presidency coordination meetings, were held five times on dates 12/05/2014, 24/09/2014, 22/10/2014, 27/11/2014 and 22/12/2014.

The Committee was active in two main topics in 2014.

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 2013, March 2014, June 2014 and September 2014 financials and Board of Directors reports were prepared in accordance with the communiqué numbered II, 14.1, and submitted to Board of Directors by Audit Committee and presented to the public via Public Disclosure Platform.

The procurement process for independent audit services was handled by the Procurement Department and the purchasing decision that the service shall be provided by Deloitte was made by Board of Directors. The resolution was submitted for approval on the General Assembly Meeting dated 31/03/2014 and was accepted.

ii. Internal Audit Presidency:

Within the scope of the internal audit activities of the Company, the relations between the Internal Audit Presidency and the Board of Directors have been carried out through Audit

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD
BETWEEN 1 JANUARY – 31 DECEMBER 2014

Committee. A direct and continuous contact between Audit Committee and Internal Audit Presidency is present.

CORPORATE GOVERNANCE COMMITTEE

Committee Members (2014 January - March)

Cumhur Sait Şahin TULGA Chairman/Independent Member of 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

Committee Members (2014 March - June)

Oral ERDOĞAN Chairman/Independent Member of Board of Directors
Ahmet Can ÇEVİK Member/Member of the Board of Directors
Nilüfer ÖZDOĞAN Member/Member of the Board of Directors
Pınar ÇELEBİ Member/Investor Relations and Subsidiaries Manager

Committee Members (2014 June - December)

Oral ERDOĞAN Chairman/Independent Member of Board of Directors
Ahmet Can ÇEVİK Member/Member of the Board of Directors
Mustafa Murat ŞEKER Member/Member of the Board of Directors
Pınar ÇELEBİ Member/Investor Relations and Subsidiaries Manager

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 five times within the activity year 2014 on dates, 29/01/2014, 26/02/2014, 16/06/2014, 27/08/2014 and 24/12/2014. The meeting minutes of the Committee may be reached on our website. The committee was active in three respective tasks in 2014:

i. Operations of Investor Relations Department:

Investor Relations Department have attended all the meetings in 2014, performed secretariat procedures of the committee with regard to “ASELSAN Corporate Governance Committee Working Directive” and informed the committee periodically about the tasks carried by investor relations department.

H.C. M.Ü. Z.A. A.C.Ç. C.D. O.E. ~~A.K.~~ ~~S.N.~~ M.M.Ş.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD
BETWEEN 1 JANUARY – 31 DECEMBER 2014

The duty of monitoring the operations of Investor Relations Department was given to Corporate Governance Committee with respect to the Communiqué on Corporate Governance. In 2014, the tasks carried by Investor Relations Department which are; the applications for amendment in Articles of Association, organization of General Assembly meeting for 2013, corporate governance rating process, independent board member election process, corporate governance rating report, corporate governance committee report, compliance with the corporate governance principles report, operations regarding the compliance to new Capital Markets Law and the revised Secondary Legislation, BİST Sustainability Index and sustainability tasks performed in ASELSAN, material event disclosures made with respect to Capital Markets Board, analyst and/or investor meetings the department attended and the tasks carried to keep “Investor Relations” page of our Company’s website updated, have been monitored by the Committee.

ii. Corporate Governance Rating:

The evaluation of corporate governance rating performed by SAHA Corporate Governance and Ranking Services 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. SAHA has revised the 2013 corporate governance ratings of all its customers, regarding the resolution of Capital Market Board’s meeting numbered 4/105 held on 01/02/2013. The update is caused by the revision of 2013 corporate governance ratings within the context of renewed rating principles and is a result of change in methodology. Within this context, our rating, which had been confirmed as 9,07 over 10 on 13/12/2013, has been revised as 8,57 over 10. Because of this revision, almost all the companies’ ratings have been effected negatively. As a result of the efforts made for improving Corporate Governance Rating during 2014, ASELSAN’s corporate governance rating was updated as 9,09 over 10 on 12/12/2014 by SAHA A.Ş. Our Company’s share has been listed in the corporate governance index since the date 14/12/2012 which it first entered the index. Rating reports can be accessed on the company 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 2014 was carried on by the Committee and the resulting nominee list was presented at the Board of Directors meeting on 27/02/2014. The list was proposed to shareholders’ voting on General Assembly Meeting on 31/03/2014 and as a result, Ziya AKBAŞ, Celalettin DÖVER and Oral ERDOĞAN were elected as independent members to serve for 1 year.

EARLY DETECTION AND MANAGEMENT OF RISK COMMITTEE

H.C. M.Ü. Z.A. A.C.Ç. C.D. O.E. ~~A.K.~~ ~~S.N.~~ M.M.Ş.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD
BETWEEN 1 JANUARY – 31 DECEMBER 2014

“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 Committee members have changed in accordance with the ASELSAN Board Resolution dated 31/03/2014 and numbered 809/1.e. The members are listed below:

H.C. M.Ü. Z.A. A.C.Ç. C.D. O.E. ~~A.K.~~ ~~S.N.~~ M.M.Ş.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD
BETWEEN 1 JANUARY – 31 DECEMBER 2014

Committee Members (2014 January - March)

Lamia Zeynep ONAY.....Chairman/Independent Member of the Board of Directors
Erhan AKPORAY.....Member/Board of Directors Vice Chairman
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

Committee Members (2014 April - December)

Celalettin DÖVER.....Chairman/Member of the Board of Directors
Ahmet KESİK.....Member/Member of the Board of Directors
Ahmet Can ÇEVİK.....Member/Member of the Board of Directors

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 2014 the committee held 6 meetings on 18/02/2014, 29/04/2014 25/06/2014, 27/08/2014, 22/10/2014 and 25/12/2014. Committee's works are summarized below:

- "2013 Evaluation Report" was prepared and submitted to Board of Directors' information on February 2014.
- "Corporate Risk Evaluation Report" was completed and has been submitted to Board of Directors on February 2014, April 2014, June 2014, August 2014, October 2014 and December 2014. Within the context of the operations followed with the report;
 - Important risks beared by ASELSAN were identified and risk classification, explanation, rating, strategy, owner/responsible, current control operations and relevant indicators were included in the report.
 - 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 Management System and reducing present risks to minimum, Committee suggestions and proposals are shared with related departments.

The secretariat formalities of the Committee were performed by Strategy Management Directorate for January and April 2014 periods, by Internal Audit Presidency for June and August 2014 reporting periods, and following the reorganization of ASELSAN, by Risk Measurement and Analysis Department of Strategy Management Directorate for the October and December 2014 reporting periods.

5.4. Risk Management and Internal Audit Mechanism

H.C. M.Ü. Z.A. A.C.Ç. C.D. O.E. ~~A.K.~~ ~~S.N.~~ M.M.Ş.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD
BETWEEN 1 JANUARY – 31 DECEMBER 2014

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 the effectiveness of risk mitigation is evaluated by internal audit department.

5.5. 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 management process is a part of Corporate Governance and is managed by the CEO in the name of Board of Directors, following the approval of the plans prepared by the Board of Directors with the coordination of Strategic Management Committee. 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 globally and improving its position while strengthening it. In this respect, annually updated 5 year plans and business plans and 3 year budgets 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 Sectors Presidencies and performance evaluations are made based on Balanced Scorecard method, which is widely used in the world.

5.6. Financial Rights

Remuneration procedures, which are set in written form in accordance with the Corporate Governance Principles, were submitted to the information of shareholders in the 39th Ordinary General Assembly Meeting under a separate item named Principles Regarding the Remuneration of Board of Directors Members and Managers with Executive Responsibility. Remuneration principles for Board of Directors Members and Managers with Executive Responsibility are published on our Company's website.

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 39th Ordinary General Assembly held on 31/03/2014, the Members of the Board of Directors are paid TL 3.000,- 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.

H.C. M.Ü. Z.A. A.C.Ç. C.D. O.E. ~~A.K.~~ ~~S.N.~~ M.M.Ş.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD
BETWEEN 1 JANUARY – 31 DECEMBER 2014

No Member of the Board of Directors or executives has been provided with loans or credits by our Company, no credits were used as personal credits and no personal securities were granted with the intermediary of a third person.

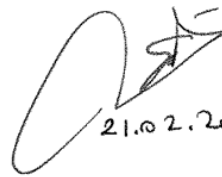
Statement of Independence

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. Oral ERDOĞAN



21.02.2014

H.C. M.Ü. Z.A. A.C.Ç. C.D. O.E. ~~A.K.~~ ~~S.N.~~ M.M.Ş.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD
BETWEEN 1 JANUARY – 31 DECEMBER 2014

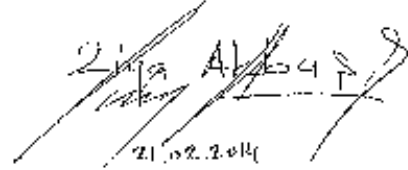
Statement of Independence

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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,



21.02.2014

H.C. M.Ü. Z.A. A.C.Ç. C.D. O.E. ~~A.K.~~ ~~S.N.~~ M.M.Ş.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD
BETWEEN 1 JANUARY – 31 DECEMBER 2014

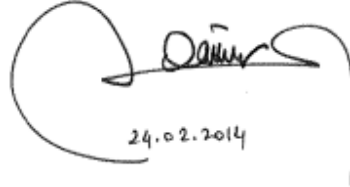
Statement of Independence

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,
Celalettin DÖVER



24.02.2014

H.C. M.Ü. Z.A. A.C.Ç. C.D. O.E. ~~A.K.~~ ~~S.N.~~ M.M.Ş.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD
BETWEEN 1 JANUARY – 31 DECEMBER 2014

ASELSAN Elektronik Sanayi ve Ticaret A.Ş.
Signature Section of Annual Report Of The Board Of Directors For The Period
Between 1 January – 31 December 2014

Hasan CANPOLAT
Chairman of Board of Directors

Murat ÜÇÜNCÜ
Vice Chairman of Board of Directors

Ziya AKBAŞ
Member of Board of Directors

Ahmet Can ÇEVİK
Member of Board of Directors

Celalettin DÖVER
Member of Board of Directors

Oral ERDOĞAN
Member of Board of Directors

Ahmet KESİK
Member of Board of Directors

Sedat NAZLIBİLEK
Member of Board of Directors

Mustafa Murat ŞEKER
Member of Board of Directors

H.C. M.Ü. Z.A. A.C.Ç. C.D. O.E. ~~A.K.~~ ~~S.N.~~ M.M.Ş.