

# 40 Years Old Companion



## 2015 Annual Report





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## Field of Activities

- Communications and Information Technologies Business Sector
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- Radar and Electronic Warfare Systems Business Sector
- Transportation, Security, Energy and Automation Systems Business Sector

## Financial Information

- Consolidated Statement of Financial Position
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## Abbreviations

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## Our Vision

Being a national technology company that maintains its sustainable growth by creating value in the global market; preferred due to its competitiveness, trusted as a strategic partner, and caring for the environment and people.

## Our Mission

By focusing primarily on the needs of the Turkish Armed Forces; to provide high-value-added, innovative and reliable products and solutions to both local and foreign customers in the fields of electronic technologies and system integration; continuing activities in line with global targets as well as increasing brand awareness and contributing to the technological independence of Turkey.

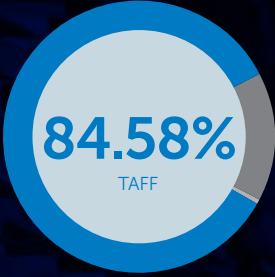
## Our Values;

- National consciousness
- Honesty and trustworthiness
- Customer oriented
- Respect to people and nature
- Innovation and creativeness
- Modesty
- Corporate loyalty
- Research and entrepreneurial spirit
- Objective driven
- Team spirit and solidarity
- Work discipline
- Cost consciousness



# ASELSAN'S Shareholder Structure

## Our Shareholders



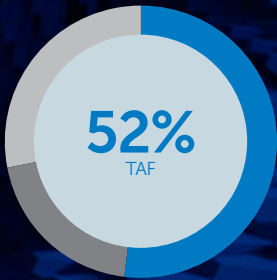
15.30% Quoted on the BIST  
0.12% Axa Insurance Inc.

Our Shareholders	Share Amount (TL)	Share (%)
TAFF	422,912,812.23	84.58
Quoted on the BIST	76,509,342.32	15.30
Axa Insurance Inc.	577,845.45	0.12
Total	500,000,000.00	100.00

ASELSAN, which is one of the companies owned by the Turkish Armed Forces Foundation (TAFF), is a public limited company with 84.58% of its shares belonging to TAFF and 15.3% of the shares quoted on the Borsa İstanbul (BIST).



## Financial Status of ASELSAN



52% Turkish Armed Forces  
20% Exports  
28% Public and Private Institutions

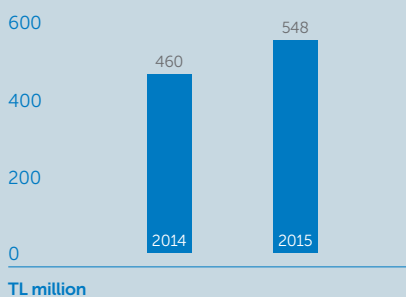
### Sales

ASELSAN realized 52% of its TL 2,780 million in total sales to the TAF with private companies and other corporate customers accounting for 28% of sales. Exports accounted for 20% of sales.

ASELSAN signed contracts/orders amounting to USD 3,879 million in 2015, while its backlog stood at USD 4.3 billion at the end of the year. ASELSAN's share price varied from a minimum of TL 11.20 and a maximum of TL 17.16, ending the year at TL 16.87, posting a gain of 40.58%. Accordingly, the Company's market value ended the year 2015 at USD 2.9 billion.

Exports (TL million)

# 548



### Exports

The total number of countries ASELSAN exports to reached 63 with the deliveries made to Bahrain, Chile and Vietnam in 2015.

A total of TL 548 million in new contracts and orders were signed in foreign markets in 2015, marking an important success.

ASELSAN was ranked as 62<sup>nd</sup> in global defense industry in 2015. The Company continued to move forward in line with its growth targets in the global market.

## Local Affiliates



### ASELANNET Electronic and Communication Systems Industry, Trade, Construction and Contracting Ltd. Co.

ASELANNET was established in 2006 to meet the needs of civilian companies and institutions for electronic and communication devices. Its operations have also included communication system infrastructure turn-key deliveries and installation work since 2009. ASELSAN is the 100% shareholder in this company.



### Mikroelektronik R&D Design and Trading Ltd. Co.

Mikroelektronik was established in İstanbul to design and develop integrated circuit and electronic systems. The partnership with this Company was established through the purchase of 85% of the shares in 2010.



### ROKETSAN Rocket Industry and Trade Inc.

ROKETSAN was established in Ankara in 1988 to manufacture all types of missiles, rockets, rocket launchers and rocket fuel and their engines, warheads and other components, while also undertaking the manufacture, marketing and sales of all types of military and civilian products that require high level and sensitive technology. ASELSAN holds a 14.897% stake in the Company.



### ASELSAN Precision Optics Industry and Trade Inc.

ASELSAN PRECISION OPTICS was established in Sivas in 2014 to conduct research and development studies for optics, optical sets and optical devices in relation to ultraviolet, visible and near infrared bandwidths and to manufacture and sell these optical devices. ASELSAN holds 50% of the shares in this company.



### ASELSAN Bilkent Micro Nano Technologies Industry and Trade Inc.

ASELSAN BİLKENT MICRO NANO TECHNOLOGIES was established in Ankara, Bilkent in 2014 to conduct research and development studies related to all types of semi-conductors and similar applications for technological materials and to manufacture and sell micro- and nano- scaled devices which include these materials. ASELSAN holds 50% of the shares of the company.

## Subsidiaries, Affiliates and Marketable Securities

Subsidiaries, Affiliates and Marketable Securities	Share Amount		Share (%)
ASELANNET Electronic and Communication Systems Industry, Trade, Construction and Contracting Ltd. Co.	1,000,000.00	TL	100.00
ASELSAN Baku Company	1,735,212.00	US Dollar	100.00
Microelectronics R&D Design and Trading Ltd. Co.	55,250.00	TL	85.00
ASELSAN Precision Optics Industry and Trade Inc.	6,500,000.00	TL	50.00
ASELSAN BİLKENT Micro Nano Technologies Industry and Trade Inc.	9,000,000.00	TL	50.00



## Global Affiliates



### ASELSAN Baku Company (Baku - Azerbaijan)

The Company, 100% owned by ASELSAN, was established in 1998 to carry out the publicity/marketing and sales activities of military and civilian communication devices.



### Kazakhstan ASELSAN Engineering LLP. (Astana - Kazakhstan)

The Company was established in Kazakhstan in 2011 to carry out the manufacturing, development and maintenance-repair of electronic devices and systems to meet military and civilian needs in a partnership between ASELSAN 49%, the Undersecretariat for Defense Industries (UDI) 1% and Kazakhstan Engineering 50%.



### ASELSAN Middle East Psc. Ltd. (Amman - Jordan)

The Company was established as a joint venture company to meet the night vision needs of the Jordanian Military Force with the KADDB Investment Group (KIG) holding a 51% stake in the Company and ASELSAN holding 49% of the shares.



### IGG ASELSAN Integrated Systems LLC. (Abu Dhabi - UAE)

IGG ASELSAN Integrated Systems was established with the aim of manufacturing, testing, and integrating ASELSAN's products in the UAE and selling and providing after-sales support in Gulf countries, and the UAE in particular, in 2011 in a partnership between ASELSAN 49% and IGG 51%.



### ASELSAN South Africa Branch (Pretoria - Republic of South Africa)

This Company is the branch we established to operate in the fields of design of optical systems and introduction and marketing of ASELSAN's products in South Africa and nearby countries in 2011.

Subsidiaries, Affiliates and Marketable Securities	Share Amount		Share (%)
IGG ASELSAN Integrated Systems LLC	98,000.00	UAE Dirham	49.00
Kazakhstan ASELSAN Engineering LLP	2,974,300,000.00	KAZAKHSTAN Tenge	49.00
ASELSAN Middle East PSC. Ltd.	1,225,000.00	JORDANIAN Dinar	49.00
ROKETSAN Rocket Industry and Trade Inc.	21,906,222.86	TL	14.897
ASPİLSAN Military Battery Industry Trading Inc.	56,000.00	TL	1.00

## Facilities in Turkey



### Macunköy Facility

The Macunköy Facility was established over a total area of 186,000 m<sup>2</sup>, of which 110,000 m<sup>2</sup> is closed. ASELSAN Macunköy Facility is home to the President & CEO, Communications and Information Technologies Business Sector and Defense System Technologies Business Sector and Transportation, Security Energy and Automation Sector.



### Akyurt Facility

The Akyurt Facility was established on a total area of 231,000 m<sup>2</sup> of which 54,000 m<sup>2</sup> is closed. The Microelectronics Guidance and Electro-Optic Business Sector is located in the ASELSAN Akyurt Facility.

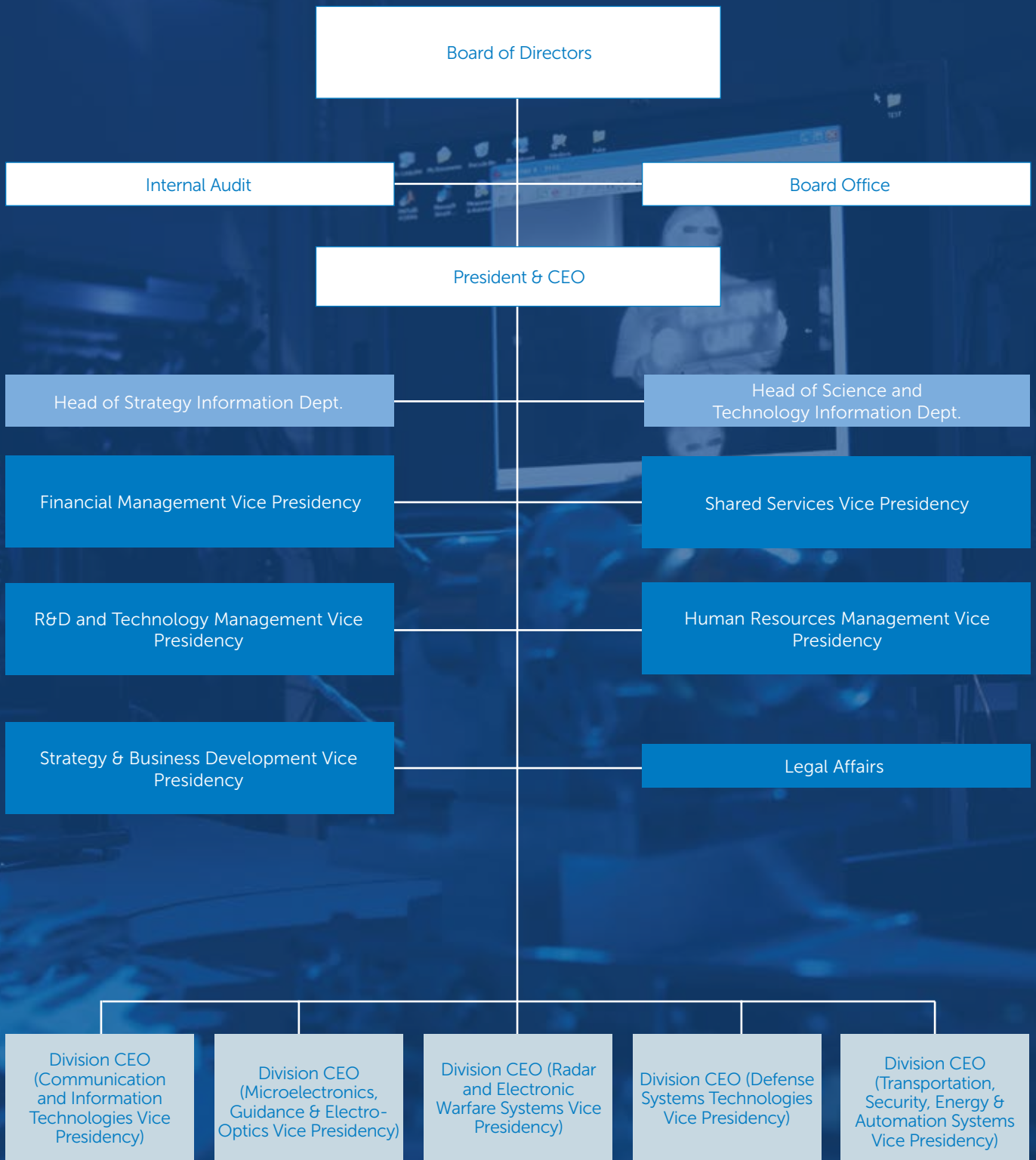


### Gölbaşı Facility

The Facility was established in the Gölbaşı district of Ankara, and houses production plants for radar and electronic warfare systems for land, air, sea, space and unmanned platforms. This Facility was established on a total area of 350,000 m<sup>2</sup>, of which 75,000 m<sup>2</sup> is closed. The Facility of which construction began in 2013, was inaugurated in 2015.



# Organization

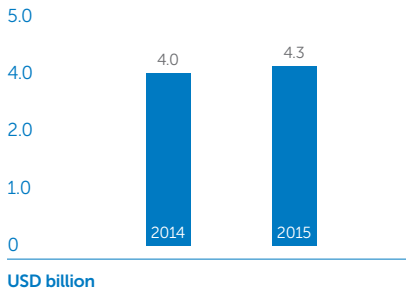


## Main Financial Indicators

### Financial Highlights

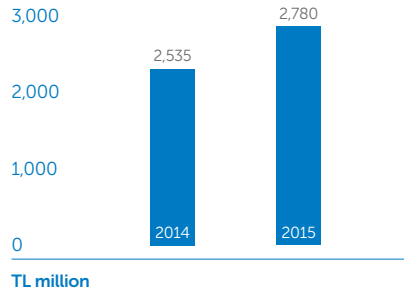
Backlog (USD billion)

# 4.3



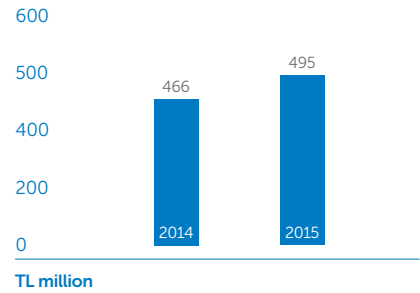
Sales Revenue (TL million)

# 2,780



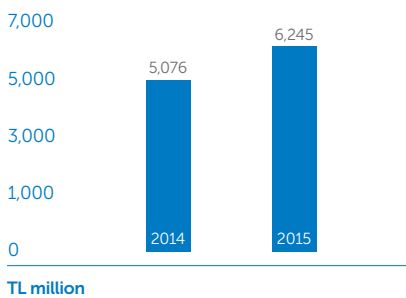
EBITDA\* (TL million)

# 495



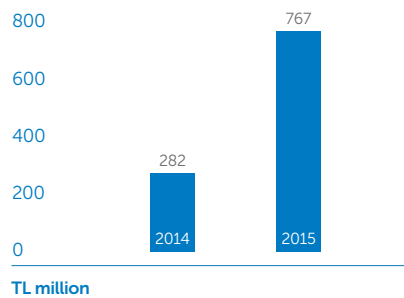
Total Assets (TL million)

# 6,245



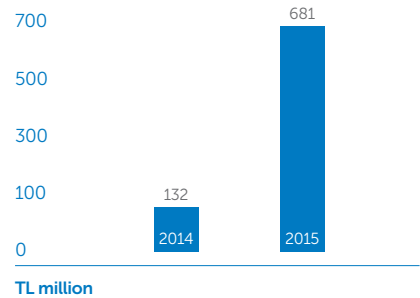
Net Cash Provided by Operations (TL million)

# 767



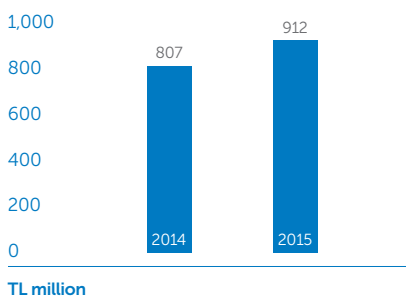
Net Cash (TL million)

# 681



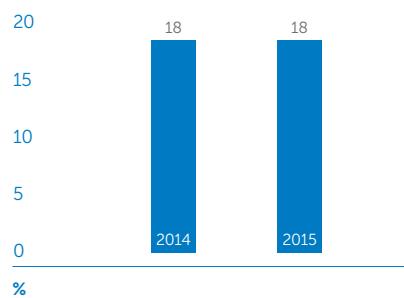
R&D Expenses (TL million)

# 912



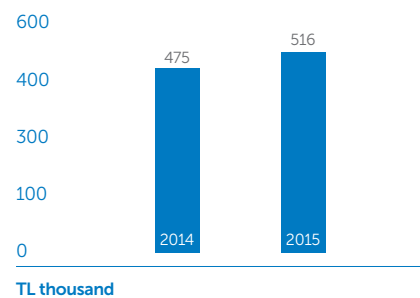
EBITDA Margin (%)

# 18



Sales per Employee (TL thousand)

# 516



\* Includes one-off adjustments made according to TAS 21 (The Effects of Foreign Exchange Rates) and excludes provisions.



<b>Summary Balance Sheet (TL million)</b>	<b>2015</b>	<b>2014</b>
Total Assets	6,245	5,076
Fixed Assets	925	853
Intangible Assets	538	439
Total Equity	2,841	2,539

<b>Summary Income Statement (TL million)</b>	<b>2015</b>	<b>2014</b>
Sales Revenue	2,780	2,535
EBITDA	495	466
Net Profit for the Year	213	392

	<b>2015</b>	<b>2014</b>
R&D Expenses (TL million)	912	807
Sales per Employee (TL thousand)	516	475
EBITDA Margin (%)	18	18
Net Cash Provided by Operations (TL million)	767	282



## Human Resources

### Number of Personnel



60% Engineer  
27% Technician  
8% Other Faculties  
5% Other Personnel

### Educational Background

3% Post Doc. and Ph.D

35% Postgraduate

33% Bachelor's degree

29% Other

ASELSAN pursues a management style which adds value, always supports its personnel, brings successful and dynamic talented individuals to the Company and contributes to the Company's sustainable success by following a personnel focused approach in line with its vision.

## R&D Activities

### Total R&D Expenditures



Customer-Funded R&D Expenditures: TL 712 million

Company-Funded R&D Expenditures: TL 200 million

5 R&D Center

2,200 R&D engineer

TL 912 million  
Total R&D Expenditures

TL 712 million  
Customer-Funded R&D Expenditures

TL 200 million  
Company-Funded R&D Expenditures

ASELSAN embraced the target of being a national technology company that maintains its sustainable growth by creating value in the global market; preferred due to its competitiveness, trusted as a strategic partner, and caring for the environment and people. As well as the development activities carried out within the scope of the contracts, which are important means of reaching this target, ASELSAN also allocates on average 6% of its annual revenue to R&D activities.



## Collaboration with Universities

**36** Universities

ASELSAN collaborated with 36 universities from different cities in Turkey in 2015.

**172** Projects

Projects conducted with the universities

TL **376** Million

Value of projects assigned to the universities

## Collaboration with Suppliers

TL **530** million

ASELSAN completed a payment of TL 530 million to sub-contractors for tasks carried out in 2015.

**441** sub-contractors

ASELSAN has 441 domestic sub-contractors, 363 of which are SMEs.

TL **2,675** million

SMEs and domestic sub-contractors total backlog

## Message from the Chairman



2015 was a year in which economic indicators all around the world turned negative and uncertainty in our region mounted. Despite these uncertainties, ASELSAN sustained its stable growth.

### Dear ASELSAN Shareholders,

Rapid advances in technology and competitive conditions have gradually become more challenging in both domestic and international markets. Continuous development and change in both the competitive playing field and technology require companies to act in a dynamic manner which gradually accelerates in the areas of innovation, efficiency, communication and risk management. 2015 was a year in which economic indicators all around the world turned negative and uncertainties in our region increased. Despite these uncertainties, ASELSAN continued its stable growth.

### We Climbed 5 More Steps in the World Ranking

ASELSAN continues to rise in the global league by improving its recognition, with its products in 5 continents of the world, its depth in technology, its R&D power and design-production capabilities. ASELSAN ranked 62<sup>nd</sup> in the Defense News Top 100 List in 2015 while the Company was ranked 67<sup>th</sup> in 2014. Exports, as well as domestic sales, contributed greatly to this success.

### We Brought Many Happy Returns to Our Investors on the BIST

We maintained our continuous sales growth with 10% growth in this year in which we proudly celebrated our 40<sup>th</sup> year of operation. ASELSAN completed TL 2.8 billion of deliveries in 2015 while its backlog increased to USD 4.3 billion, having received TL 3.9 billion of new orders. We boosted our cash assets from TL 132 million to more than TL 681 million during the year, realizing important savings on all budget items. ASELSAN was one of the few stocks on the Borsa İstanbul to post an impressive return, with ASELSAN shares rising by 40% in a year when the Borsa İstanbul indices suffered a 15% loss. I would like to thank all my friends who have contributed so much to these achievements.

## We Are Also Present in Civil Projects

ASELSAN, which has a presence in all fields of defense electronics, is proud to meet the Turkish Armed Forces' needs to a large extent. The know-how, skills and qualified human resources obtained from military projects will be utilized to meet the electronic system needs of our country's other public institutions. We will be attentive in enhancing our competitive power by focusing on innovative, environmentally sensitive, highly energy efficient systems and products by developing our technology in our area of activity.

The following examples can be cited as civil projects in 2015:

- ASELSAN signed a contract for the establishment of Toll Collection Systems for the İstanbul-Izmir Highway. This highway includes the İzmit Körfez Bridge, which is the highest bridge in Turkey and the 4<sup>th</sup> biggest bridge in the world. The Toll Collection System will be established in the Gebze-Iznik section of the highway. Six Toll Collection Systems will be established, one of which systems will be on the bridge.
- The Free Flow System (OGS) is effective with full capacity on the Fatih Sultan Mehmet Bridge in İstanbul. The system installed on gantries collect fees while the traffic is running. This system fully removed the need for pay-desks.
- ASELSAN and TEMSA agreed to integrate electric vehicle components such as motor and motor driver, battery and battery management systems, vehicle control and management systems, radar, night vision systems, ultrasonic sensors and communication systems into transportation vehicles developed by TEMSA.
- ASELSAN signed an agreement for three new projects with the General Directorate of Agricultural Research and Policies (TAGEM) at the Ministry of Food, Agriculture and Livestock.

- In line with framework text signed between ASELSAN and TURKCELL, these two companies agreed to conduct long term cooperation to develop the mobile technologies for the future.
- ASELSAN will develop a new generation robot that can be carried by two person crew within the scope of the "Bomb Disposal Robot" project for the Turkish National Police.
- ASELSAN will develop software that enables data collection, analysis and process with the Acoustic Emission (AE) method for detection of Flat Wheel for Railway Research Technology Center Operation Department (DATEM) at the Turkish State Railways.

ASELSAN aims to be involved in large scale civil projects such as the National Train Project, the Nuclear Power Plant, the 3<sup>rd</sup> Airport and the Regional Passenger Plane. The Company will enhance its presence in civil areas with its activities regarding the National Radio Project and Border Security fields.

## We Are Working Much More Closely with Universities

ASELSAN carried out 172 projects with 36 universities in 2015. A fund amounting to TL 376 million was transferred from ASELSAN to universities. Scientific research activities and technological developments are continuously followed up by consciously being in contact with universities, research centers and technology transfer offices. ASELSAN informs these institutions of its needs, and by doing so, ASELSAN seeks to direct research activities not only within the Company but also in other institutions. An example of these activities is the cooperation between ASELSAN and Bilkent University National Magnetic Resonance Research Center (UMRAM) - Compressive Sensing Magnetic Resonance (MR) Imaging Project.

## ASELSAN Is Always on the List of R&D Centers


The "4<sup>th</sup> Private Sector R&D Centers Summit" was organized by the Ministry of Science and Industry where our Company was listed as one of the top R&D centers. ASELSAN was awarded the grand prize in the Performance Index this year. In the same organization, Fikri Işık, the Minister for Science, Industry and Technology, issued the certificate of Transportation, Security, Energy and Automation Business Sector for ASELSAN's fifth R&D center.

## We Have Been Together for 40 Years

ASELSAN was established in 1975 with the donations of our citizens. Today the Company is one of the leading defense companies of Turkey and the world. We successfully continue on our way forward as a global, assuring and innovative Company that respects people and supports dynamic thinking.

On behalf of the Board of Directors and myself, I would like to take this opportunity to thank our stakeholders, managers and employees who have always been with us, sharing their support. I wish you the most successful results next year.

With the greatest respect,



**Mustafa Murat ŞEKER**  
Chairman of Board of Directors



## Members of the Board of Directors



### Mustafa Murat ŞEKER

Chairman of the Board of Directors and Managing Member

Mustafa Murat ŞEKER began working at the Undersecretariat for Defense Industries in 1992. He has been working as a Deputy Undersecretary since June 2015. Mustafa Murat ŞEKER, who was elected as a Member of Board of Directors with the resolution of Board of Directors in May 2013, has been serving as the Chairman of Board of Directors since 1 March 2015.



### Murat ÜÇÜNCÜ

Vice Chairman of the Board of Directors and Managing Member

Murat ÜÇÜNCÜ was awarded his PhD in 1989. He was appointed as a Board Member of ASELSAN in 2013 after his retirement as a brigadier general from the Turkish Armed Forces in 2012. He was appointed as the Vice Chairman of the Board on 31 March 2014.



### Ziya AKBAŞ

Board Member (Independent)

Ziya AKBAŞ became a Certified Public Accountant in 1997. He has worked in different institutions and companies as an Independent Auditor, Member of the Auditing Committee and as an Ombudsman since 1997. He was appointed as an Independent Board Member of ASELSAN on 31 March 2014 and he is also the Head of the Auditing Committee.



### Nazım ALTINTAŞ

Board Member (Independent)

Nazım ALTINTAŞ retired as a lieutenant general from the Turkish Armed Forces in 2013. Nazım ALTINTAŞ has knowledge and experience about project management, supply and modernization of warfare weapon platforms and fighting against terrorism, along with his expertise on military training and education. He has written a book named "Rethinking Fight Against Terrorism" published by War Colleges and has various articles published in military magazines. Nazım ALTINTAŞ was elected as an Independent Member of Board of Directors of ASELSAN A.Ş. in the General Assembly Meeting held on 31 March 2015.



### Prof. Dr. Oğuz BORAT

Board Member

Prof. Dr. Oğuz BORAT became an assistant professor in 1968, associate professor in 1972 and professor in 1983. He served as the President of Fatih University in 2006-2010, and the Dean of Engineering and Design Faculty in İstanbul Commerce University in 2010-2013, where he also carried the duties of senator, university board member and interuniversity board member and he has been serving as a lecturer in Engineering and Design Faculty in İstanbul Commerce University since 2013. Prof. Dr. Oğuz BORAT was elected as a Member of Board of Directors of ASELSAN A.Ş. in the General Assembly Meeting held on 31 March 2015.



**Hasan CANPOLAT**

[Board Member](#)

Hasan CANPOLAT completed his PhD in 2002. He carried out a number of duties between 2003 and 2012, including the positions of Governor, Assistant Undersecretary of the Ministry of Interior Affairs and Deputy Undersecretary. He is currently working as an advisor to the Minister of National Defense. He was elected as a Member of Board of Directors with the resolution of Board of Directors in May 2013. He served as the Chairman of the Board between 31 March 2014 and 31 March 2015. Assoc. Prof. Dr. Hasan CANPOLAT is still serving as a member of Board of Directors at ASELSAN.



**Prof. Dr. Oral ERDOĞAN**

[Board Member \(Independent\)](#)

Prof. Dr. Oral ERDOĞAN became an Assoc. Prof. Dr. in 2000 and Full Professor in 2005. He worked in a number of different institutions and companies as a Dean, Assistant Chancellor, Consultant and Member of Board between 2001 and 2013. As the President of Piri Reis University, he was appointed as an Independent Board Member of ASELSAN on 31 March 2014.



**İsmail GÜMÜŞTEKİN**

[Board Member](#)

İsmail GÜMÜŞTEKİN retired as brigadier general from the Turkish Armed Forces in 2014. He has been serving as a Member of Board of Directors since the General Assembly Meeting held on 31 March 2015.



**Assoc. Prof. Dr. Sedat NAZLIBİLEK**

[Board Member](#)

Sedat NAZLIBİLEK was awarded his PhD in 1993. He retired with colonel rank from the Turkish Armed Forces in 2010. Since 2012, he has been serving as full time Associate Professor Doctor in ATILIM University. He earned the title of Associate Professor in 2013 and was appointed as a Member of Board of ASELSAN in 2014.

## Corporate Governance

### ASELSAN maintained its growth by bringing value to its stakeholders and by enhancing its devotion to corporate governance in its 40<sup>th</sup> year.

ASELSAN unwaveringly improves its corporate governance applications in the knowledge that it can reach the target of being a global brand in the defense industry if it meets expectations in a balanced manner in its relations with all stakeholders.

The Company management gives importance to conducting all of its activities regarding corporate governance under the basic principles of fairness, transparency, accountability and responsibility in the Company's way of sustaining its profitable growth. The Company also gives importance to maintaining its ethical principles which have been enshrined through 40<sup>th</sup> years of history.

ASELSAN, which has adopted the concept of corporate governance as a core principle, has been publishing a Compliance Report on the Principles of Corporate Governance every year since 2004. The rights of shareholders, Annual General Meetings, dividend distribution policy, disclosure policy, human resources and ethical principles, relations with stakeholders, the structure, formation, activity essentials and committees of members of board, risk management and internal audit including minority rights which are under the headings of shareholders, informing the public and transparency, interest groups and members of the board within the scope of the Corporate Governance Principles regulated by Capital Markets Board are detailed within the report. The Report on the Compliance of Corporate Governance Principles and its activity reports are published on the Company's website ([www.aselsan.com.tr](http://www.aselsan.com.tr)) and in the annual reports.

### ASELSAN's Management Structure

#### ASELSAN Board of Directors

ASELSAN's management structure consists of only one layer, which is the Members of the Board elected by the General Assembly. There are no member of the board responsible for execution.

In other words, the Chairman and CEO roles are separate at ASELSAN. Three members of the Board, which consist of 9 members in total, are independent. All members of the Board are responsible for the economic performance of the Company. The CEO has an execution responsibility in the fields of social responsibility and the environment.

Three committees have been formed in accordance with the Principles of Corporate Governance set out by the Capital Markets Board. They operate to enable the Board to fully execute its duties and responsibilities.

#### Audit Committee

The committee consists of three independent members of the board. The main responsibilities of the committee are to inform the public regarding financial issues and monitor ASELSAN's accountancy systems, independent internal and external auditing and internal control systems' effectiveness and efficiency. The Internal Auditing Office Head reports directly to the Audit Committee and Members of the Board. The Audit Committee convenes a minimum of four times a year.

#### Corporate Governance Committee

The committee consists of four members of the board. The head of the committee is an independent member of the board. The investor relations manager also is a member of the committee in accordance with the regulations of the Capital Markets Commission. The committee proposes suggestions to members of the board for the compliance with corporate governance principles and the realization of improvement activities. It also observes the activities conducted by the Investor Relations Department. The committee convenes a minimum of four times a year.

### Early Detection and Management of Risk Committee

This Committee was established to identify operational, strategic, financial and other risks and to manage them in accordance with the Company's corporate risk profile. Three Members of the Board serve on the committee, which is headed by an independent Member of the Board. The Committee convenes a minimum of six times a year.

The principles regarding the formation of committees and the manner in which they work, meet and report are determined by the Members of the Board. Detailed information regarding the corporate management structure of ASELSAN, Members of the Board and the committees may be obtained from the [www.aselsan.com.tr](http://www.aselsan.com.tr) website.

### ASELSAN's Corporate Governance Rating Rose to 9.13.

ASELSAN was awarded a score 8.77 out of 10 on 13 December 2012 by the SAHA Corporate Governance and Credit Grading (SAHA) in 2012. This mark is the second best preliminary mark among the corporate governance grading marks given in Turkey. Since then, our Company's level of compliance of corporate governance principles is evaluated and updated by an independent rating institution.

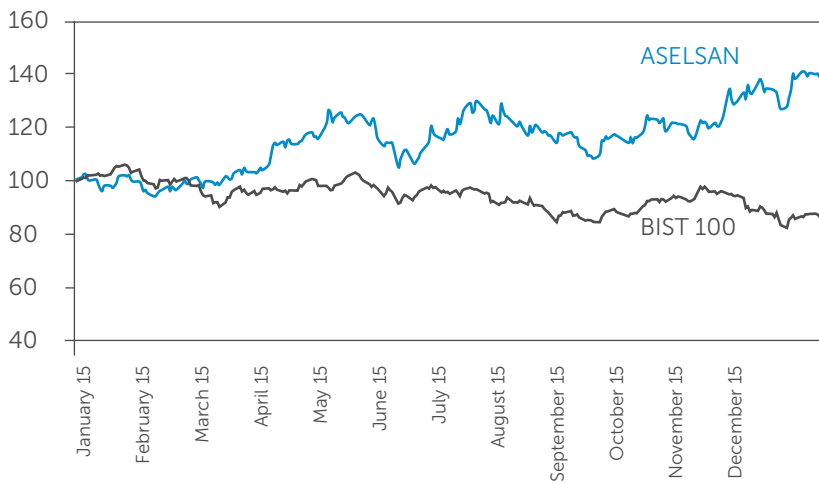
ASELSAN's Corporate Governance rating was revised to 9.13 out of 10 according to the report published by SAHA on 11 December 2015 as a result of the activities conducted to improve the Corporate Governance rating during 2015. Our rating was updated to this level from the previous rating of 9.09 out of 10 in 2014. Corporate governance ratings in 2014 and 2015 and their sub topics are presented on the next page.

ASELSAN's Corporate Governance Rating Reports published by SAHA are available on [www.aselsan.com.tr](http://www.aselsan.com.tr).

ASELSAN has been included in the İstanbul Stock Exchange Corporate Governance Index since the Company obtained its first corporate governance rating.



2014 Rating Distribution	2015 Rating Distribution
Shareholders: 83.30/100	Shareholders: 84.09/100
Public Disclosure and Transparency: 98.21/100	Public Disclosure and Transparency: 98.46/100
Stakeholders: 93.78/100	Stakeholders: 94.48/100
Board of Directors: 90.00/100	Board of Directors: 90.07/100
Average: 9.09	Average: 9.13



**ASELSAN provides a 41% return to its investors in 2015.**

ASELSAN was one of the best performing stocks on the Borsa İstanbul, providing a return in excess of 40% in 2015 despite a decline of 15% in the indices.

## Committees at ASELSAN

Three committees have been formed in accordance with the Capital Markets Board's Principles of Corporate Governance by ASELSAN's Members of Board.

### Auditing Committee

Ziya AKBAŞ\*  
(Committee Chairman)

Oral ERDOĞAN\*  
(Committee Member)

Nazım ALTINTAŞ\*  
(Committee Member)

### Corporate Governance Committee\*\*

Oral ERDOĞAN\*  
(Committee Chairman)

Murat ÜÇÜNCÜ  
(Committee Member)

Oğuz BORAT  
(Committee Member)

Pınar ÇELEBİ  
(Committee Member)

### Early Detection and Management of Risk Committee

Nazım ALTINTAŞ\*  
(Committee Chairman)

Sedat NAZLIBİLEK  
(Committee Member)

İsmail GÜMÜŞTEKİN  
(Committee Member)

\*Independent Board Member

\*\*The Nomination Committee and Remuneration Committee were not formed due to the structure of the Members of Board. The duties and responsibilities of these committees are undertaken by the Corporate Governance Committee.



For detailed information please visit the Corporate Governance section at [www.aselsan.com.tr](http://www.aselsan.com.tr).

## Message from the CEO



ASELSAN brought value to its stakeholders in its 40<sup>th</sup> year. Maintaining its upward trend, ASELSAN continued to work towards achieving sustainable and permanent growth in the long term.

ASELSAN, the most deeply rooted corporation in the Turkish defense industry, brought value to its stakeholders in its 40<sup>th</sup> year. ASELSAN maintained its upward trend and has continued to work towards achieving sustainable and permanent growth in the long term.

Our stable growth was reflected in our financial results, with our Company posting revenues of TL 2,780 million, an increase of 10% compared to the previous year. This was triggered by both domestic and international activities. Exports accounted for a 20% share in total sales.

Our shareholders' equity increased to TL 2,841 million in 2015 while our gross profit jumped to TL 626 million and our net profit surged to TL 213 million. In

light of these results, ASELSAN's average return on equity was 17% in 2015. The additions to the contract backlog in 2015 surpassed TL 3.9 billion.

### The New ASELSAN Campus

The ASELSAN Radar and Electronic Warfare Technology Center, which was established in Gölbaşı district of Ankara was opened in a glittering ceremony by attendance of President Recep Tayyip Erdoğan, the Prime Minister Prof. Dr. Ahmet Davutoğlu, and General Hulusi Akar, the Commander of the Turkish Armed Forces.

ASELSAN will conduct activities regarding the development of radar and electronic warfare systems for land, air, naval, space and unmanned platforms in the Center. The Center was established on a 350,000 m<sup>2</sup> area

of which 75,000 m<sup>2</sup> is closed area. The Radar and Electronic Warfare Business Sector R&D Center, which was approved by the Ministry of Science, Industry and Technology, will also operate from this Center.

ASELSAN attended the IDEF-2015 International Defense Industry Fair which was organized in İstanbul between 5-8 May 2015. In what has become a tradition, the Company had the biggest stand area and widest product range in the fair. ASELSAN, Turkey's biggest corporation in defense technologies, had a 2,200 m<sup>2</sup> area in IDEF-2015.

ASELSAN maintained its activities with the mission of being a world-class company in the defense industry sector. ASELSAN, which exports to

63 countries, conducted activities in line with co-production target with technology transfer in its export markets.

Within this context, ASELSAN signed preliminary framework agreement with TAQNIA Defense and Security Technologies (DST), the Saudi Arabian state company. Both parties agreed to establish a company that will conduct development and production activities in Saudi Arabia in the areas of Radar, Electronic Warfare and Electro-Optic operations as part of the agreement. ASELSAN will also transfer technology for the production of software-based radios in Jordan. Both parties agreed to research the possibilities of establishing a radio production line at ASELSAN's Middle East (Jordan) factory for the production of software based radios in Jordan through the transfer of technology, and acquiring capability in tactical communication.

### TL 912 million for R&D

Almost 2,600 personnel works in ASELSAN's 5 R&D Centers. ASELSAN works not only to develop products and systems but also to possess critical technologies. ASELSAN set aside TL 912 million for R&D, of which TL 712 million of which was from external resources and the remaining TL 200 million was from shareholders' equity.

### Strategic Partners

ASELSAN completed a payment of TL 530 million to 441 domestic subcontractors 363 of which are SMEs for tasks carried out in 2015. Again in 2015, the total value of contracts signed with sub-contractors reached TL 2,675 million. ASELSAN perceives supporting all companies with which it works to help them reach their targets with its unrivaled know-how in the domestic market as its duty. Many small companies developed their production and test infrastructures to work with ASELSAN. ASELSAN is the company that will carry out the tasks marked as "cannot to be done" by utilizing its current capabilities to the maximum.

### Also Protecting the Environment

To leave a livable world to next generations, ASELSAN works to reduce its greenhouse emissions, which have an important role in global warming. Figures are published by the CDP (Carbon Disclosure Project) in the Climate Change Report. The CDP is the sole independent organization that globally reports companies' management of climate change risks. ASELSAN increased its grade from 73D (73: Transparency Score, D: Performance Score) in 2013 to 85C in 2014 and 95B in 2015. According to a study which evaluated large companies, 35 of which are listed on the Borsa İstanbul, ASELSAN was listed among the companies with the highest performance in the management of climate change risks and greenhouse emission management.

### Our Biggest Capital is Our Employees

ASELSAN's most important asset is its employees who are graduates from some of the best universities in Turkey and the world. Our 5,000 employees, 60% of which are engineers, work day-and-night to meet the requirements of the Turkish Armed Forces.

According to research studies conducted over a two year period, ASELSAN become the first preference for students seeking to work in Engineering and Information Technology. When the results of the survey, in which 35,000 students from 31 universities took part in, are analyzed, it is found that students prefer companies that introduce themselves very well, that have a presence in the digital world, that have social responsibility activities which reflect the company's values and, most importantly, companies that are like "school".

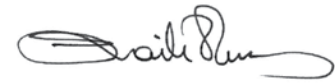
One of our most important missions is to introduce our Company and the values that it represents to potential ASELSAN employees; to help young people overcome the obstacles that they face in their career path, and to offer opportunities for their personal and academic development if they become an ASELSAN employee.

The history of Turkey's modern defense industry can be considered almost the same as ASELSAN's history. We keep on walking and getting stronger in the road we embarked on in 1975. I owe all of Turkey's military-civil managers, who have placed their trust in us and have helped us reach the position we are in today, a debt of gratitude.

An innovative approach to R&D, trust in the capability to generate our own technology, a flexible and fast business model and highly competent human resources will be the most important factors that will help us achieve new successes and meet our targets in new period.

We have supported ASELSAN with sustainable growth targets. The Company will continue to enhance its position by evaluating opportunities for global expansion with the principle of a single brand, five sectors and one mission.

I would like to take this opportunity to extend my gratitude and respect to all of our stakeholders and customers for their trust in our products, and to our shareholders, whose continuous support we have always felt.



**Faik EKEN**  
CEO



## Members of the Executive Board



### Dr. Faik EKEN

CEO, Head of the Executive Board

He graduated with a BSc. in Electrical/Electronics Engineering from the Michigan Technical University in the USA and was awarded a PhD from Tulane University in 1985. He started working as an electronic engineer in the Digital Systems Department in 1986. He was appointed as the President of the Communications and Information Technologies Group and as Vice President in 2006. He was appointed as the CEO of ASELSAN in 2014.



### Yavuz Suat BENGÜR

Vice President,  
Transportation, Security,  
Energy and Automation  
Systems Business Sector  
CEO

He graduated with a BSc. in Electrical/Electronics Engineering from the Middle East Technical University and a MSc. in Electrical/Electronics Engineering from the same university. He started working as an R&D engineer at ASELSAN in 1981. He was appointed as Naval Systems Program Director in 2008 and as Sector CEO and Vice President in 2014.



### Yavuz BAYIZ

Vice President,  
Communications and  
Information Technologies  
Business Sector CEO

He graduated with a BSc. in Electrical/Electronics Engineering from the Middle East Technical University, and a masters' degree from the same university in 1988. He started working as a hardware designer in the R&D group in 1984 before being appointed as a Professional Systems Programs Director in 2006 and Sector CEO and Vice President in 2014.



### Mustafa KAVAL

Vice President, Defense  
System Technologies  
Business Sector CEO

He earned his BSc. in Mechanical Engineering from Middle East Technical University, and MSc. in Mechanical Engineering from the same university in 1989. He started working as an engineer in 1986 and was appointed as a Director in 2012. He was then appointed as Sector CEO and Vice President in 2014.



### Oğuz ŞENER

Vice President, Radar and  
Electronic Warfare Systems  
Business Sector CEO

He graduated with a BSc. in Electrical/Electronics Engineering from the Middle East Technical University, and an MSc. in Electronic Engineering from the same university in 1990. He started working as a co-op engineer in 1986. He worked with an Electronic Hardware Manager in Microwave System Technologies Group between 2000 and 2007. He was then appointed as Sector CEO and Vice President in 2014.



### Baki ŞENSOY

Vice President,  
Microelectronics,  
Guidance and Electro-  
Optic Business Sector CEO

He graduated with a BSc. in Electrical/Electronics Engineering from the Middle East Technical University, and a Masters degree in management from the same university. He started working as design engineer in the MGEO Group Division in 1994. He was appointed as the Strategy Management Director in 2008 and Sector CEO and Vice President in 2014.



**İsmet ATALAR**  
Vice President, R&D and  
Technology Management

He graduated with a BSc. and an MSc. in Electrical/Electronics Engineering from the Middle East Technical University. He started his career in ASELSAN as an engineer in the R&D Department in 1980. He worked as a Director of Defense Systems Technologies Engineering between 2005 and 2014. Additionally, he also worked as supreme board director of ASELSAN Technology Supreme Board between 2004 and 2011. He was appointed as the R&D and Technology Management Vice President in 2014.



**Dr. Hüseyin YAVUZ**  
Vice President, Human  
Resources Management

He graduated with a BSc. in Electrical/Electronics Engineering from the Middle East Technical University in 1985, and an MSc. in Electrical/Electronics from the same university in 1987 and a PhD, also in Electrical Engineering, from the same university in 1993. He started working as a co-op engineer in 1984. He was appointed as the Weapon and Missile Systems Engineering Manager in the Defense Systems Technologies Group in 2005 and Human Resources Vice President in 2014.



**Özcan KAHRAMANGİL**  
Vice President,  
Strategy and Business  
Development

He graduated with a BSc. and master's degrees in Mechanical Engineering from the Middle East Technical University. He started working as a mechanical engineer in the Manufacture Preparations Department in 1984. He was appointed as the CEO of the Microelectronic, Guidance and Electro-Optic Systems Group and Vice President in 2006 and as Vice President responsible of Strategy and Business Development in 2014.



**Hezarfen ORUÇ**  
Vice President, Shared  
Services

He graduated with a BSc. in Electrical/Electronics Engineering from the Istanbul Technical University in 1985. He started working as an electronic engineer in the Defense Systems Department in 1988. He was appointed as a Business Development Manager in 1996, an International Marketing Manager in 2011 and a Shared Services Vice President in 2014.



**Okan TURAN**  
A. CFO and Vice President,  
Financial Management

He received his undergraduate degree (BSc) from Istanbul Technical University, Aeronautical and Astronautical Engineering Faculty in 1989 and Master's degree (MSc) Istanbul Technical University, Faculty of Management, Management Engineering in 1992. He began his professional career in 1992 and he has vast experience and expertise in the areas such as Financial Analyst, Vice President for Finance - Chief Financial Officer and Corporate Control Director. He has been working as a Vice President in the Financial Management department of ASELSAN since 4 January 2016.

## Strategy and Business Development



ASELSAN is preparing to celebrate its 41<sup>st</sup> year of operation. During this period, ASELSAN has not only brought the world's most advanced defense technologies genuinely to the Turkish Armed Forces but it also made our country proud in the field of advanced technology products export by exporting to many number of countries over five continents.

However, ASELSAN did not rest on its laurels with these achievements and went on to strengthen its organization to make its self a world company that competes at the highest level globally. As of the end of 2015, with the planned new offices and manufacturing and R&D facility openings globally, along with the activities of our subsidiaries in Azerbaijan, Jordan, Kazakhstan, the UAE and the Republic of South Africa, ASELSAN is making preparations in order to expand its global presence and make international operations more productive and beneficial.

ASELSAN, which will exist in the competitive global market, achieve its goals among global companies, and maintain its existence by growing, will also create higher values by further increasing local content in defense and other fields.

### Strategic Planning and Corporate Performance

The corporate strategy was developed in line with ASELSAN's goal of being global, competitive, productive, while growing, adding value to its customers, building itself financially, and strengthening its R&D activities and human resources. Activities include strategy planning, keeping track of strategy realizations and measuring corporate performance to become better.

### Global Strategies

Region, country, and country related product/company based new market entry strategies are developed by closely following global political and economic developments.

ASELSAN formed its strategy with the aim of entering new markets by becoming globalized and enhancing its competitiveness.

### Risk Measurement and Analysis

Activities are carried out to coordinate the identification and management of the risks for reaching the targets. As such, it is expected to become a different company through the implemented Risk Management System.

### Business Excellence

Activities are primarily orientated at maximizing our operational productivity. Accordingly, the goal is to have continuously developing and improving operations via progress realizations in all processes, including management processes. This aspect is deemed as one of the indispensable conditions for competitiveness.

### Mergers & Acquisitions Strategies

M&A strategies are developed to support ASELSAN's growth and efforts are coordinated with Affiliated Companies Department to ensure that the companies established or acquired add the expected value to ASELSAN through these defined strategies. The activities are aimed at domestic companies as well as international companies in line with the globalization goal.

### Business and Marketing Development

Activities are carried out with partnership focus in global markets to create business models with the prominent defense and technology companies worldwide. Accordingly, the goal is to increase the value-add for all customers, especially for the Turkish Armed Forces.





## R&D and Technology



ASELSAN is Turkey's largest base of R&D in view of its technological depth and density.

ASELSAN has placed a particular importance on human resources and developing new technologies since it was founded and sustained investments in these fields. R&D and Technology Management Vice Presidency continues its activities to enhance technological capabilities, establishing and developing necessary infrastructure and carrying out advanced research activities that will bring a competitive advantage to our products. The department focuses mainly on the transfer of technology, R&D cooperation, R&D incentives and the management of technology and innovation.

### Technology Management and Innovation Activities

Besides ongoing experience gained on developing and creating Technology Road Maps in line with ASELSAN's Strategic Plan, the studies are being continued on the establishment of ASELSAN's Technology Targets via analysis of technologies that should be gained or expired.

Permanent and efficient collaborations have been established with national/international research centers, institutions, industrial companies

and universities to create open innovation environment and ensure its sustainability.

In addition to the idea management system carried out to keep the intra-company innovation culture and atmosphere alive and active, ASELSAN organizes intra-company themed idea contests. With the idea contest organized in 2015, innovative ideas of ASELSAN personnel were evaluated, the ones which were deemed to provide contribution were rewarded and the regarding implementation plans were developed.

### Technology Transfer Activities

Within the scope of technology transfer, ASELSAN focused commercialization of military technologies into civilian areas. Possible civilian applications were determined and some feasibility analysis was conducted. On the other hand, technology transfer activities for required technologies were continued. In addition to these activities, technology transfer of our products are proposed to increase our export.

### R&D Incentives Activities

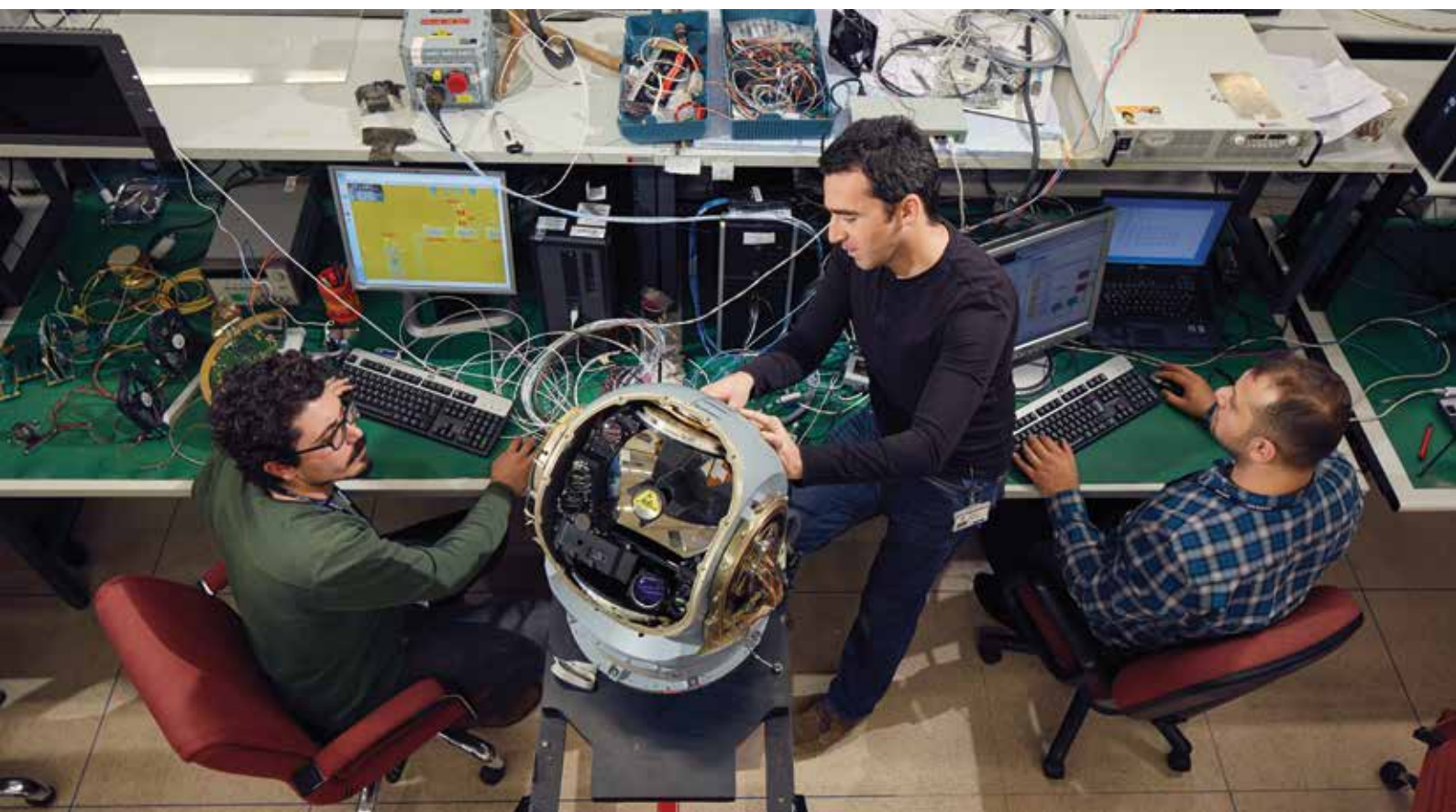
ASELSAN carries out activities to utilize national (TÜBİTAK Teydeb-Ardeb, Ministries, etc.) and international (Horizon 2020 R&D Program, EUREKA Technology Networks, Bilateral and Multilateral International Cooperation Programs etc.) R&D support programs at the highest level in R&D projects that are conducted within the scope of the technological targets.

ASELSAN aims to effectively use R&D Support Programs in line with the Company's needs by collaborating with funders that provide support with this regard. The Company also aims to increase the success rate in programs with the feedback obtained from these funders.

### R&D Collaboration Activities

ASELSAN keeps track of the scientific researches and technological developments at universities, research centers, technology transfer offices, technoparks and SMEs. These organizations are informed and oriented about the R&D needs of ASELSAN regularly to manage the R&D activities in these institutions, in addition to the R&D activities performed in ASELSAN





with own infrastructures. The common R&D project is initiated with research institutions by establishing connections with R&D studies carried out in research institutions and the breakthrough technologies that ASELSAN needs and related research works are monitored to maintain the consistency of established coordination.

ASELSAN signed R&D cooperation protocols with TÜBİTAK BİLGEM, İstanbul Technical University, Uludağ University, Gediz University, and Ankara University - Institute of Accelerator Technologies in 2015.

The "Design and Manufacturing of Cooling Component with Additive Manufacturing Technique" and "High Performance Aluminum and Magnesium Casting Alloys with Ultrasonic Operation" studies started with the TOBB University of Economics and Technology can be cited as examples of R&D collaboration with universities. These projects were initiated with the support under TÜBİTAK 1003 Projects.

Moreover, Training Researcher for Industrialist Program (SAYP), an

incentive program of Undersecretaries of Defense Industries (SSM), Protocols were signed with Bilkent University, TOBB ETU, Ankara University, Gazi University, Gebze Technical University.

It is attempted to initiate the common R&D studies with different R&D Institutes from all over the world such as Fraunhofer Institutions from Germany, Circe from Spain, ITRI from Taiwan, EPFL from Switzerland and TNO from the Netherlands during 2015. Related to these common interests, it is still in progress to look for funding opportunities through the incentive programs such as Horizon 2020 Program, EUREKA Technology Networks, International Bilateral and Multiple Cooperation Programs.

The participation in NATO collaborative research and technology programs is coordinated, by this way, it is contributed to our country the establishment of cooperations that will bring gains in the most recent technological developments.

#### **Internal (Intra-Company) and External Workshops**

ASELSAN organized internal and external workshops in which design

teams that work on similar areas within ASELSAN share their knowledge and experiences, where technical knowledge is also shared with institutions and universities outside ASELSAN.

Within ASELSAN:

- "Image Processing, Target Detection and Target Tracking Workshop",
- "5G Technologies Workshops",
- "Material Science Workshop"

With institutions outside ASELSAN:

- "5G Workshop with Turkcell",
- "IBM-ASELSAN Workshop",
- "ASELSAN Material Science Workshop with Universities"

#### **5G Technology Activities**

It is ensured that its activities are in line with the flow of current 5G communication technologies. Domestic and international studies are followed closely to be in the international research projects. For this purpose, it is contacted with the companies and universities that have strong impact in this area. As a member of 3GPP, which studies on 5G standards, ASELSAN started to participate in the activities of this organization.



## ASELSAN Research Center



### Applied Research Activities for Future Technologies

ASELSAN Research Center was established in 2014 to conduct applied research activities to fulfill ASELSAN's objective of becoming a global scale company and further its leading competitive position in its operation areas. ASELSAN Research Center aims to reinforce the research function of ASELSAN and allow it to become a part of a greater R&D ecosystem. In addition to the research studies in the medium and long-term technology road-maps of ASELSAN's Business Sectors; the technology areas that are not yet included in ASELSAN's existing product range are also studied at ASELSAN Research Center. The novel technological outputs emerged as a result of the research activities will be transferred to the Business Sectors to be commercialized.

### Innovative and Cooperative Research Environment

In order to create an atmosphere that encourages creativity, an innovative and cooperative research environment that gathers researchers, post-graduate students and scientists exists at ASELSAN Research Center. Research studies are carried out by researchers and academicians that are specialized in their areas.

ASELSAN Research Center provides following opportunities to researchers:

- An innovative and cooperative research environment that supports innovation,
- Opportunities for career development in academic and scientific areas,
- Development of novel technologies, concepts, patents and academic publications,
- Substantial funds for research projects,
- Active participation in international conferences and study groups,
- Effective collaborations with leading universities in the world.

### Joint Research Projects with Universities

ASELSAN Research Center with its applied research activities, contributes to enhancing the network between basic research activities carried out in universities and product development activities conducted in ASELSAN's engineering departments. R&D know-how is obtained through joint research programs that are carried out with national/international universities, research centers and world's leading R&D companies. Moreover, for supporting the research subjects which are in ASELSAN's fields of activity, ASELSAN Research Center participates in the specialized graduate and post-graduate programs in world wide universities. Hence, academic and technological excellence will be strengthened.

### Cooperation between ASELSAN Research Center and METU/OGAM

The "Development of Deep Learning Based Image Analysis Algorithms Project" contract between ASELSAN Research Center and Middle East Technical University Center for Image Analysis (METU/OGAM) was signed and

initiated in 2015 to render our expertise in visual analysis useful, efficient and permanent for our country. Deep Learning is a machine learning approach that imitates a stratified biological structure - providing the superiority of the human brain in solving perceptual problems. With the use of Deep Learning technology, autonomous systems can acquire a capability which approaches the perception capability of humans regarding visual analysis. Deep Learning Technology that will be developed in this Project will be used in military and civil systems, primarily in ground, air, and maritime unmanned vehicles that include image sensor and need automatic classification.

#### Cooperation between ASELSAN Research Center and Bilkent University/UMRAM

The project "Compressive Sensing Magnetic Resonance Imaging (MRI)" is a joint effort by ASELSAN Research Center and Bilkent University – National Magnetic Resonance Research Center (UMRAM), aiming to bring Compressive Sensing techniques to clinical application. As a result, MRI scans will be performed more conveniently for adults and children who have difficulty staying motionless in an enclosed area for a long period of time. The project aims to reduce the scan-times nearly 5-fold for several MRI applications, enabling wider clinical use of Compressive Sensing techniques. Accelerating MRI scans potentially improves patient comfort and imaging resolution, while reducing scan costs.

#### Technology Areas

##### Data Analytics

Data Analytics technology uses statistics, machine learning, digital calculation, natural language processing and similar methods to create valuable information from high volume data (text, video, image etc.). Data Analytics provide greater value added in areas where it is utilized. Data obtained from sensors used by ASELSAN in various areas becomes valuable. By doing so, ASELSAN

systems are targeted to gain new skills. The Company also aims to pioneer new systems. ASELSAN aims to obtain important gains in areas of the Command Control System, Electronic Warfare, Cyber Security and Security Systems with data analytics activities in the ASELSAN Research Center.

##### Signal and Image Processing

Signal and image processing remains one of the indispensable elements of systems engineering and electronics engineering as these areas are applicable to various fields such as control systems, communication systems and radars. ASELSAN carries out advanced research in the fields of signal and image processing at its Research Center. ASELSAN aims to obtain advanced technologies for all of its systems and equipments in ASELSAN's fields of activity with the know-how gained in this area.

##### Compressive Sensing

Compressive Sensing is an area of research that will enable the development of high resolution imaging systems. ASELSAN works on high resolution infrared imaging and MRI imaging at its Research Center. The Company aims to follow up on the results of these studies by developing alternative to high resolution infrared sensors that are difficult to procure, as well as developing software that will shorten MRI scan times.

##### Deep Learning

Deep Learning is a new generation Machine Learning method. It uses multi-layer forms of neural networks that are inspired by the human brain, on data such as image/text. The algorithms that have reached maximum performance in the areas of image processing and natural language processing in recent years are based on deep learning. This is a technology that will be used in ASELSAN's Weapon Systems, Security Systems and Unmanned Systems, that will bring new skill and improve current skills. ASELSAN Research Center works with the METU Center for Image Analysis (OGAM) in projects conducted in this field.

##### Medical Imaging

Medical Imaging requires advanced technologies with complex synthesis of medical physics, biomedical, electronics engineering and computer engineering. Advanced research studies are carried out at the ASELSAN Research Center in the area of MRI and Magnetic Particle Imaging (MPI). ASELSAN Research Center aims to develop real time imaging methods that will enable clinical use of MPI, which is a new medical technology.

##### Biotechnology

Biotechnology is composed of technologies acquired through using molecular biology, genetics and engineering sciences and it is one of the key technology areas that covers the development of products either used for improving human health or commercialized for industrial utilization. Within the scope of ASELSAN's activities that were initiated in the area of healthcare, a protein diagnosis kit is being developed at ASELSAN Research Center. This kit will be utilized in clinical diagnostics and it will enable multiplexed testing with high sensitivity. As a result of these research studies, a sensitive, portable and low-cost platform will be developed for diagnosis of viral infections and allergies from bodily fluids.

## Human Resources at ASELSAN



### ASELSAN - The Most Ideal Employer

Among our most important missions are; to introduce our Company and the values it represents to potential ASELSAN employees, to help young people to overcome the obstacles that they face in their career path and to offer opportunities for their personal and academic development if they become an employee of ASELSAN. With this purpose, we participated in career days in 32 universities in addition to reaching young people with presentations and panels. We create awareness about designing their future.

In a research study carried out by Universum which conducts activities on employer brand perception in more than fifty countries, ASELSAN was found to be the first choice of students for two consecutive years in the area of Engineering/IT. When the results of this research which was carried out with the participation of 34,465 students in 31 universities is analyzed, it was found that students prefer companies that introduces themselves well, that have a presence in the digital world, that carry out social responsibility activities which reflect the company's values and, most importantly, are companies that are like "school".

### Evaluation and Development Center Application

The Talent Management team consciously reviews and renews applications and tools in the selection and placement processes in line with today's needs. The team added the "Evaluation Center" application to its competencies. This application contributes to giving right and objective decisions in the selection of candidates and determining the areas of development for employees.

### Intra-Company Coaching Application

"Intra-Company Coach" applications were initiated in 2015 to contribute to our employees' personal development and performance. The coaching service is given in all areas that each employee needs to adopt, and these applications are spread. In addition, the application is enriched by accrediting Professional Internal Coaches in different units.

### Career and Performance Management Systems

While moving towards common targets with our employees, which represent our most important asset, our top priority is to provide opportunities that will reveal their

ASELSAN is a deeply rooted company with high capabilities based on qualified human resources which transform R&D into innovation based products.

potential. Our performance based career management approach was restructured in 2015. Thanks to the new approach, our employees can see their contribution to the Company, are informed about the Company's targets for the future, and their performances are evaluated fairly. By rewarding successes and developments through this infrastructure, our employees have the opportunity to gain more rapid progress in their career steps when compared to their peers.



## ASELSAN Academy

ASELSAN Academy aims to achieve the integrated development of activities, individuals and teams at ASELSAN, individual and corporate learning, to increase levels of knowledge and know-how and to support ASELSAN's corporate targets and strategies by forming corporate memory.

### Workshops with the Purpose of Sharing Knowledge

ASELSAN organized four workshops in 2015 with participation of universities, research and government organizations for the purpose of protecting corporate memory and expanding knowledge and lessons obtained. Around 250 people from 41 universities and 11 government organizations, along with 300 ASELSAN employees attended these workshops. A total of 40 oral and 22 poster presentations were featured in these workshops. Moreover, within the scope of evaluating need for training, the sharing of knowledge was ensured by gathering related units in the Business Sectors.

### Manager Development and Leadership

"Effective Communication" and "Effective Leadership" training in the areas of leadership, innovation, communication, feedback and change management were organized in addition to the standard personal development and managerial skills training. About 300 managers from various management levels participated in these training programs.

### Competence Development

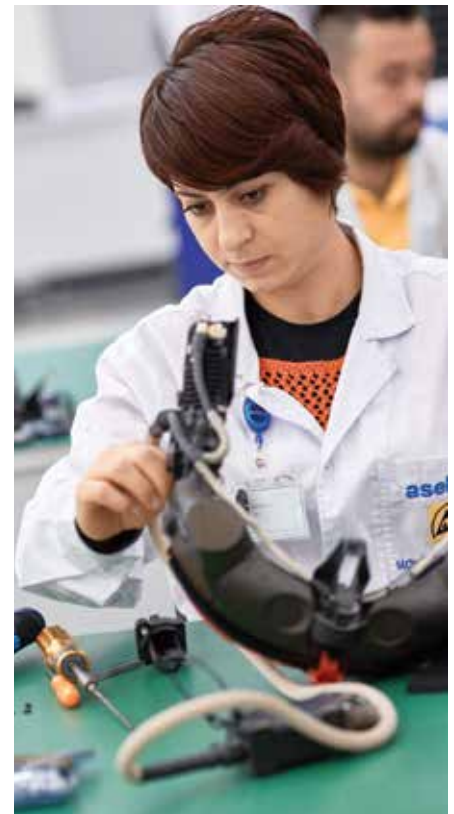
Competence can be defined as the combination of knowledge that an employee can obtain during their education or life-long training process and the skills that can be obtained or enhanced with experience during their work-life. It can be defined as the entirety of the capability for applying this information and skill within the business and processes followed. Developing employees' competences increases process capabilities and, therefore, the company's performance. Activities to develop the ASELSAN Competence Model (competences and levels required within the scope of business descriptions) started for the purpose of defining training as competence based and in line with ASELSAN's strategies and business plans. Additionally, activities for evaluating the competency of employees were initiated for the same purpose. This ensured a transition to competence based human resources management.

### Raising Long Term Human Resources Program

Scholarship and internship programs are carried out to contribute to the power of ASELSAN's human resources. Within this scope, 811 university students were given internship placements and 250 high school and vocational school of higher school students were also given the chance to receive vocational training. 11 individuals in Turkey and abroad were awarded scholarships for PhD and post-PhD research.

### Training Activities

The performance of design and development activities which create positive value in ASELSAN depends closely on qualified and sustainable intellectual capital. Investment carried out into the training and development of our employees will help ASELSAN to increase efficiency, innovation, employee satisfaction and intellectual capital. This will create an employee profile which is loyal to the Company, adopts the ASELSAN culture and is highly motivated. In 2015, ASELSAN trainers provided 10,000 man hours of training. A total of 39 training programs were coordinated for ASELSAN employees and almost 22,000 man hours of mandatory occupational health and safety training was provided. ASELSAN Academy gives training to subcontractors in addition to intra-company training. ASELSAN Academy provides support to training activities which are repeated every year to cover the products in customers' inventories, and for trainings activities carried out within the framework of our exports.



## Integrated Logistics Support (ILS)



The contract for "Maintenance and Repair of System/Equipment in the Turkish Naval Forces Inventory that are produced or procured by ASELSAN" was signed between İstanbul Naval Shipyard Command of the Turkish Naval Forces and ASELSAN. This contract is ASELSAN's most comprehensive maintenance and repair contract which belongs to four business sectors (SST, HBT, MGEO, REHİS) and includes 111 different systems.

### ASELSAN Integrated Logistics Support Practices

In defense industry, the most important criteria for development projects to achieve their targets are, not only systems' capability to fulfill duties and cost effectiveness but also ability to be used during systems' life cycle and supportability with reasonable costs. ASELSAN conducts "Integrated Logistics Support (ILS)" activities to carry out gathering all supportability criteria that systems will need during their life cycle under one roof, to ensure cost effective operation and to lead design activities accordingly.

### Maintenance/Repair Contracts

ASELSAN has intensively continued after-sale support activities regarding domestic and export sales. The Company signed various maintenance and repair contracts with the Turkish Armed Forces and other users in 2015, including the following;

- Maintenance and Repair Contract with TNF İstanbul Naval Shipyard Command regarding ASELSAN products in the Turkish Naval Forces' inventory
- Maintenance and Repair Contract with Electro Optical Systems Maintenance Center Management regarding VOLKAN Fire Control System and Pedestal Mounted Stinger System
- Maintenance and Repair Contract with 1<sup>st</sup> Main Maintenance Center Command regarding FIRTINA Fire Control System
- Maintenance and Repair Contract with MOD Modernization Product and Service Procurement Department regarding TAF X-Band Satellite Communication System
- Maintenance and Repair Contract with General Command of Gendarmerie regarding Gendarmerie's Integrated Communication System (JEMUS)
- 4<sup>th</sup> Main Maintenance Center Command 's MEBS Devices Maintenance Repair Contract with the 11<sup>th</sup> Supply Center Command
- Maintenance and Repair Contract with İzmir Metropolitan Municipality regarding Trunked Radio System
- Maintenance and Repair Contract with Ministry of Health regarding 112 Emergency Aid System and Digital Communication System that is integrated into JEMUS
- Maintenance and Repair Contract with TAI-UDI regarding the EDH (ATAK) Helicopter
- Maintenance and Repair Contract with Turkish Air Force Logistics Command regarding avionic units of F-16 and KT-1T
- Maintenance Repair Contract regarding Avionic Systems, Helicopter Electronic Warfare Systems and Test Devices with 5<sup>th</sup> Main Maintenance Center Command
- Maintenance Repair Contract regarding Electronic Target Systems to be installed in Tank Fire Areas
- Maintenance and Repair Contract with UDI regarding Modular Security System Solution
- Maintenance and Repair Contract with 11<sup>th</sup> Supply Center Command regarding KALKAN Air Defense Radar
- Spare Part Contracts with Naval Supply Center Command and Naval Air Command
- Maintenance and Repair Contract with General Management of Highways regarding Automatic Toll Collection System
- Maintenance and Repair Contract with 1<sup>st</sup> Region Management of Highways regarding Traffic Management System
- Maintenance and Repair Contract with İstanbul Deniz Otobüsleri Sanayi ve Ticaret A.Ş. (İstanbul Fast Ferries) regarding the IDO Fee Collection System.

ASELSAN Integrated Logistics Support activities require to be with customers everywhere, all the time.

### Customer Relations Management

All kinds of maintenance/repair and technical support services have been carried out with an international quality approach in ASELSAN's premises or in customers' premises for equipment and systems delivered to the Turkish Armed Forces and other users. Activities necessary to meet our customers' maintenance/repair needs were conducted by our trained, dynamic and experienced technical personnel. These activities were conducted in line with the related contracts and military standards. SAP's CRM (Customer Relationship Management) module was taken into operation for receiving failure notifications and following up repair activities to accelerate maintenance and repair process during the systems' period of use. CRM is targeted to be used by all customers within the scope of contracts during and after warranty periods. Customers may instantly follow up failure notifications and status of repairs during and after warranty periods. These can be reported upon demand.

The following activities are performed with CRM:

- Submitting failure notifications by the related customers,
- Providing approval of Repair Services Proposals,
- Following-up of repair process,
- Following-up of acceptance examination, progress payment and payment status,
- Forming and reporting statistical information regarding repair processes.

Communication and Information Technologies Business Sector (HBT) also initiated customer call center application. ASELSAN customers were informed about it. Within the scope of Maintenance Contracts for the JEMUS, EHHAS, 112 Emergency Aid System and the Ministry of Health Digital Communication System, our customers may obtain information to their questions by calling our call center. Our customers will also submit failure notifications via call center.

Microelectronics, Guidance and Electro-Optics Business Sector (MGEO) holds the "ISO 10002 - Customer

Satisfaction Management System" certificate. The "customer satisfaction" process within the scope of Logistics Support Activities is conducted in line with this quality standard. The "ISO 10002 - Customer Satisfaction Management System" certificate was renewed in November 2015 following quality control activities conducted by the BSI.

### Troop Visits

ASELSAN conducted visits to troops that use ASELSAN systems and products which are in TAF's inventory for providing logistics support to these systems and products during their life cycle, observing their performances and for measuring and increasing customer satisfaction. ASELSAN plans to sustain these activities in the coming years.

The below listed activities were conducted within the framework of a plan formed in cooperation with the Turkish Land Forces:

- Users provided their evaluations and suggestions regarding problems, system performance and tactical use.
- System functional tests and periodical maintenance were performed with the participation of users and maintenance personnel.
- On site trainings on the system were provided to users and maintenance personnel.

- Information was given concerning the scope of maintenance/repair contracts signed with the Logistic Commands and about ASELSAN's responsibilities and business flows.

### Technical Publication and Coding Activities

A number of necessary technical publications were prepared on user level and demanded maintenance level basis regarding the maintenance, repair, operation and sustainability of current equipment and systems. The following activities were carried out within the scope of the related works:

- User manuals, maintenance/repair manuals, illustrated part catalogues and data modules are produced for different equipment and systems.
- Technical publications were prepared in line with international standards (MIL-STD-38784, ATA 100, S1000D etc.)
- Data modules of the ATAK project were delivered by preparing them with "ASD STE 100 Simplified Technical English", in line with the S1000D standard.

In addition, coding activity was performed for the equipment and systems delivered. Nato Stock Numbers (NSN) were acquired for materials that will be in the Turkish Armed Forces' inventory.









# A 40 year relationship

## ASELSAN reborn



**1975**

November 17, 1975  
Trade Registry of  
ASELSAN's incorporation



**1980**

The Macunköy plant in  
1980



**1982**

4200/4500 series  
professional/military  
radio developed.



**1988**

First ASELSAN avionics  
equipment made for the  
F-16 program



**199**

ASELSAN ini  
offer

In the course of its 40-year history ASELSAN has repeatedly shown what can be accomplished by a handful of people who set out to free Turkey's armed forces from having to depend on foreign sources for the communications equipment they need, who seize the opportunity to be the first combatants in the struggle for national technological independence, and who are concerned about their country's welfare and survival.



## ASELSAN going public



1975  
Initial public offering



**1993**  
ASKARAD, the first military radio delivered to the Ministry of National Defense



**1996**  
The Tactical Area Communication System (TASMUS) agreement signed



**1998**  
Thermal cameras, thermal weapon binoculars and thermal detectors delivered to Turkish Armed Forces



**2001**  
Contract signed for the serial production of Pedestal Mounted STINGER Systems

The struggle for Turkey's national technological independence began with ASELSAN, a company which was founded in 1975 with the donations made by unselfish citizens to the Turkish Armed Forces Foundation and which set out with just a single licensed product and a technical staff of only four engineers.

## 2000s: New systems and R&D



**2005**

Contract signed to modernize the avionics of Turkish Armed Forces helicopters.



**2008**

First National Air Defense Radar System delivered to Turkish Armed Forces.



**2010**

Submarine Acoustic Warfare System (SAWS)



**2012**

ARI-1 rotary-wing mini unmanned aerial vehicle



**2013**

ASELSAN signed concept demonstration contract for the M-Function Phased Radar Project with the Undersecretariat of Defence Industry.

ASELSAN's struggle for existence shows what can be achieved when dedication, confidence in the Turkish people, hard work, visionary and intelligent management, and a skilled technical team all come together.

## 2015: ASELSAN ascends to the summit.



In the course of its forty-year history ASELSAN has grown from that original company founded in 1975 into a group of domestic and international companies with thousands of square meters of operating space, more than five thousand employees, a host of original designs and patents, annual revenues worth over a billion dollars, and total equity of nearly USD 1.5 billion.

Founded with the charitable donations of its country's citizens, ASELSAN today is a national treasure and a global brand that are the result of the struggle to make a dream a reality.

In the struggle to achieve national technological independence, ASELSAN will remain one of Turkey's most important forces—just as it has always been.





## Highlights in 2015

1

### Opening of the ASELSAN Radar and Electronic Warfare Technology Center

ASELSAN Radar and Electronic Warfare Technology Center, established in Gölbaşı - Ankara, was opened.



2

### ASELSAN visited Anıtkabir with its 5,000 employees on the 40th anniversary.



3

### ASELSAN was again the biggest in IDEF 2015.

ASELSAN undertook the most extensive participation in the fair and presented its wide range of products.



4

### ASELSAN rises in the Defense News Top 100.

ASELSAN was ranked in 62nd place in the world's list of biggest defense industry companies, rising 5 places.



6

### National Cooperation for Qatar

The Antalya based ARES shipyard chose to place ASELSAN Weapon Systems on boats produced for the Qatar Coast Guard Command.

8

### Cooperation between EGO and ASELSAN

With the joint work protocol signed between Dr. Faik Eken, ASELSAN's CEO, and Necmettin Tahiroğlu, the CEO of EGO, three important projects will be conducted jointly.

5

### ASELSAN to develop the Active Protection System (AKKOR) for the ALTAY Tank.

7

### ASELSAN Radios to be produced in Jordan.

ASELSAN will conduct technology transfer to Jordan for the production of software base radios.



9

### Payment kiosks for İstanbul İzmir Highway completed.



10

### The most Environmentally Aware Company



## Highlights in 2015

### Opening of the ASELSAN Radar and Electronic Warfare Technology Center



ASELSAN Radar and Electronic Warfare Technology Center, established in Gölbaşı - Ankara, was opened in 2015.

The President Recep Tayyip Erdoğan, the Prime Minister Prof. Dr. Ahmet Davutoğlu, the Commander of the Turkish Armed Forces Necdet Özel, the Vice Prime Minister Yalçın Akdoğan, the Minister for the Interior, Sebhattin Öztürk, the Minister of Youth and Sport, Akif Çağatay Kılıç the Minister for Science, Industry and Technology, Fikri Işık; the Minister of Justice, Kenan İpek and the Minister of National Defense, İsmet Yılmaz attended the opening ceremony along with the Qatari Minister of Defense, Hamad Bin Ali el-Atiyye, representatives of foreign countries and a large number of guests. President Recep Tayyip Erdoğan and other guests opened the center by cutting the ribbon.

In his speech to mark the ceremony, the President Recep Tayyip Erdoğan congratulated everybody, primarily the administrators of Turkish Armed Forces Foundation for their efforts in

bringing this center to Turkey. He also stated that ASELSAN remained a source of pride for Turkey with its successes, which grow every year in Turkey and the world. President Erdoğan said "I would like to say maşallah 41 times for ASELSAN, who have reached their 40<sup>th</sup> year, and I would like to say we expect great achievements from this distinguished institution".

Prime Minister Ahmet Davutoğlu stated "The Establishment of Radar and Electronic Warfare Technology Center in ASELSAN's 40<sup>th</sup> year is a historic moment. These steps arouse pride in our people, fear in those who expect negative sentiment towards Turkey and a sense of power, support and excitement in our allies. When you are not independent in terms of technology, when the technology you depend on at troubled times leaves you alone you can show heroism by forcing your capacity, however your technological infrastructure should be in line with this. ASELSAN was established with this purpose and it has achieved great strides in 40 years."



## Highlights in 2015

**ASELSAN visited Anıtkabir with its 5,000 employees on the 40<sup>th</sup> anniversary.**



Mustafa Murat Şeker, the Chairman of ASELSAN, stood in homage together with managers and employees at the Anıtkabir. Mr. Şeker, the Chairman, placed a wreath on Atatürk's mausoleum and signed the special book of Anıtkabir after paying homage.

Mustafa Murat Şeker, Chairman of ASELSAN, wrote the following passage in the book: "Great Leader Atatürk, We are again in your presence as the ASELSAN Family, with the excitement of celebrating our 40<sup>th</sup> anniversary since our foundation.

With our leading position in the national defense industry, we continue to work with great will and effort to advance our technology to the highest level possible. We have been growing stronger every day in competition with the world's leading defense industry companies thanks to our technological know-how.

In line with our target of "reaching the level of modern civilizations" that you showed us 92 years ago while the Republic of Turkey was being founded, we have been progressing faithfully and we are in awe of your presence.

May God bless your soul."



**ASELSAN was again the biggest in IDEF 2015.**



Visitors to ASELSAN's stand included Turkish President Recep Tayyip Erdoğan, Commander Necdet Özel, Dr. İsmet Yılmaz, the Minister of National Defense, Fikri Işık, the Minister of Science, Industry and Technology and Prof. Dr. İsmail Demir, the Undersecretary of National Defense. Visitors were hosted by Mustafa Şeker, Chairman, and Dr. Faik Eken, the CEO.

Hulusi Akar, the Commander of the Turkish Land Forces, Admiral Bülent Bostanoğlu, the Commander of the Turkish Naval Forces and General Akın Öztürk, the Commander of the Turkish Air Force visited ASELSAN's stand and received information. Various domestic and foreign delegates had high-level meetings in ASELSAN's stand.

ASELSAN undertook the most extensive participation in the fair. The Company presented its wide range of products

including Air Defense Systems, Border Security, Naval Systems, the Electro-Optical System, Communication Systems, Radar and Electronic Warfare Systems, Guidance and Navigation Systems and Avionic Systems.

ASELSAN conducts direct sales to 48 countries including Azerbaijan, Kazakhstan, Pakistan and Jordan. The Company also exports to countries which have common production work with technology transfers. ASELSAN promoted its new products and systems to potential customers.

ASELSAN participated in IDEF 2015, which is the biggest in its region and one of the world's four defense industry fairs. ASELSAN employees and managers went before the cameras for a group photo in the morning of the third day.

## Highlights in 2015

**ASELSAN rises in the Defense News Top 100.**

# DefenseNews

A GANNETT COMPANY



ASELSAN was ranked in 62<sup>nd</sup> place in the world's list of biggest defense industry companies, rising 5 places.

ASELSAN is an entity of Turkish Armed Forces Foundation. The Company has steadily advanced its ranking every year in the list published by Defense News, which is a US based military publication institution.

ASELSAN entered the list of the world's top 100 defense industry companies (Defense News Top 100) in 2006, when it was in 93<sup>rd</sup> place. The Company,

which has gradually improved its success with the projects it has undertaken, rose to 67<sup>th</sup> place in 2014, while increased its ranking by 5 places in 2015 to rank in 62<sup>nd</sup> place, with sales of over USD 1 billion.

The "Defense News Top 100" is prepared by the Defense News magazine based on the previous year's sales. It is accepted as the world's most prestigious defense industry list. ASELSAN, which is the most important resource for the Turkish army in the area of equipment and systems, continues to strive to raise its position in the list.

**ASELSAN to develop the Active Protection System (AKKOR) for the ALTAY Tank.**



The contract related to developing Active Protection System (AKKOR), which will detect and destroy anti-tank rockets and missiles in the air was signed between the Undersecretaries of the Defense Industry and ASELSAN.

**A Skill which Few Armies Have**

The AKKOR System will be developed to be utilized in the ALTAY National Tank. This is an active protection system that can be applicable to various armored vehicles thanks to its modular architecture. ASELSAN has been working on this system, which is used only by a few armies in the world, since 2008 by utilizing its own resources. The Company has successfully conducted tests on radar, central computer and hard kill ammunition related to the system since 2010.

**Tanks to Have Protection Shield**

AKKOR will be developed by ASELSAN in a genuine manner. It will form a 360 degree full protection shield. In a very short period of time, AKKOR will detect any rocket or anti-tank missile that approaches the tank. Hard kill ammunition that will be directed will deactivate the threat by exploding when it is in the nearest position to any anti-tank threat, thanks to its sensors.

**Superior to Its Peers in the World**

With a smart sensor above the ammunition, the AKKOR System will command superior performance compared to its peers in the world. This sensor works like a mini-radar. Defense ammunition will terminate the threat by directing an explosion.



## Highlights in 2015

### National Cooperation for Qatar



#### National Union of Forces for Qatar

The Antalya based ARES shipyard chose to place ASELSAN Weapon Systems on boats produced for the Qatar Coast Guard Command.

Within the scope of the Qatar Coast Guard Command, which is administered by the Qatar Interior Ministry, the contract regarding the sale of various type 17 boats by the ARES Shipyard was signed in 2014.

ARES produces and exports advanced-performance patrol boats and assault boats in its modern shipyard established in the Antalya Free Zone. In line with negotiations between ASELSAN and ARES, both companies reached an agreement on cooperation for the sale of 30mm MUHAFIZ and 12.7mm STAMP Remote Controlled Stabilized Weapon Systems owned by ASELSAN to ARES and on the integration of these systems on boats.

The aforementioned Memorandum of Understanding was signed on 7 October 2015 between Assoc. Prof. Sedat Nazlıbilek, a member of ASELSAN's Board of Directors, Dr. Faik Eken, ASELSAN'S CEO and Kerim Kalafatoğlu, the Chairman of the ARES

Shipyard with the evidence of Dr. Celal Sami Tüfekçi, Deputy Undersecretary of National Defense and Asuman Vangözü, Department Head of SSM International Cooperations.

#### Remote Controlled Weapon Systems

A laser distance meter, thermal and night imaging devices which have long range and high sensitivity are present on the system which is referred to as SARP, STAMP, STOP and Muhafız according to its characteristics and areas of use. Targets that cannot be seen with naked eye under night, day and negative vision conditions can be detected and scanned with these units. These targets can also be covered effectively by fire with ballistic calculations made within the part of distance information.

This system, which is popular with the armed forces of many countries, can be controlled remotely with a remote control unit. The shooter can therefore effectively use the system without being exposed to counter fire or negative weather conditions. The target can be tracked automatically with the automatic video target tracking feature.

## ASELSAN Radios to be produced in Jordan.



ASELSAN will conduct technology transfer to Jordan for the production of software base radios.

A Memorandum of Understanding was signed between ASELSAN, which is the leader of the Turkish Defense Industry, the King Abdullah Design and Development Bureau (KADDB), which is an independent unit within the Jordanian Armed Forces and responsible for the design, development, production and marketing of military products, and ASELSAN Middle East (AME), which is a joint venture between ASELSAN and KADDB and which operates in Jordan. This memorandum of understanding extends strategic cooperation between these companies in a manner that also covers the area of tactical communication.

All parties are agreed on researching the viability of establishing a radio production line in AME for the production of ASELSAN's software based radio in Jordan through technology transfer, and to support efforts to boost capability in the area of tactical communication. Signatures for the agreement were appended by Dr. Faik Eken, ASELSAN's CEO, Major General Omar Al-kahtbi, KADDB'S CEO and Nurfer Oğuz, AME'S CEO.

## Highlights in 2015

### Cooperation between EGO and ASELSAN



With the joint work protocol signed between Dr. Faik Eken, ASELSAN's CEO, and Necmettin Tahiroğlu, the CEO of EGO, three important projects will be conducted jointly.

The Rail Transportation System and Security Projects developed by ASELSAN can be tested and put into practice with Metro vehicles and infrastructure opportunities provided by the General Directorate of EGO.

Two distinguished institutions in Ankara reached cooperation within the scope of the following projects:

- The "Design and Development of National Modular Traction System Project" which has genuine

hardware, software and algorithms that are developed with domestic means and which will be used in Metro and Light Rail Vehicles,

- The "Urban Transportation Signalization and Control System Project" which has been developed nationally for intra-city Light Rail and Metro transportation systems,
- The "Metro Open Lines Security System Project" for ensuring the security of parts of Light Rail and Metro transportation lines that pass through the ground (about 13,400 m) by following these lines by camera.

Rail Transportation and Security Systems Projects that are conducted by ASELSAN will be developed in line with EGO's needs and brought into use accordingly thanks to protocol signed between the parties. As a result of the work that will be carried out jointly regarding the Transportation and Security Systems, ASELSAN will gain an important reference especially for Metro Vehicle, Signaling and Infrastructure Security system solutions.

### Payment kiosks for İstanbul-İzmir Highway completed...



ASELSAN started to deliver the Toll Collection System for the Gebze-İzmir Highway which will the driving time between İstanbul and İzmir to as little as 3.5 hours. In the Gebze-Orhangazi part of the project, which is expected to be the first section open to traffic, toll collection kiosks were delivered in the Main Control Center, the Region Control Center and the Altınova Intersection Pay-Desk Area were. User training for the delivered systems was also initiated. The delivery of the Orhangazi, Kılıç and Gemlik Intersections will also be carried out in the near future.

#### Important Technological Firsts

The toll collection system in the İstanbul-İzmir highway includes important firsts that ASELSAN has developed in this area. The system utilizes pay-kiosks that accept OGS, HGS, credit card and cash payments. At these points it will be possible to carry out balance queries instantly for electronic payments such as OGS and HGS, thus checking whether users have sufficient balances to pass. Automatic plate recognition technology was used for front and back plates of vehicle in all entrances and exits. The system also includes independent car counting and classifying features for audit purposes.



The most Environmentally Aware Company



In order to leave a sustainable world for future generations, ASELSAN reduces greenhouse gas emissions, which have an important role in global warming.

The Climate Change Report - Turkey 2015 was published by the CDP (Carbon Disclosure Project) which is the sole international organization reporting on how companies manage climate change risks. ASELSAN's high score stands as testament to

the Company's ability to integrate advanced environmental awareness with its corporate strategies. Thanks to the fact that CDP publicly discloses greenhouse gas emissions and climate change strategies, companies and governments are able to improve their performance by targeting a reduction in carbon emissions.

10

## Awards in 2015



### ASELSAN, a 'Superbrand'

**Turkey's Superbrands poll, which includes Turkey's most respected brands, placed ASELSAN in the list from the Defense Industry Sector.**

The Superbrands poll is organized in 87 countries. ASELSAN was one of 134 brands to receive the Superbrand reward in Superbrands Turkey 2014, which was organized in Turkey.

1,023 brands were shortlisted in the first phase of Superbrands Turkey 2014, with the Selection Committee of experts awarding 300 of these companies. Nielsen held face-to-face interviews with 1,677 people in İstanbul, Ankara and İzmir concerning these 300 brands. With this consumer evaluation, categories were formed.

According to a research study conducted by Nielsen, domestic companies made up 92 of the 134 Superbrands, 69% of the total - up from 62% in 2012. Brands such as Paşabahçe, Uğur Derin Dondurucu, Ülker çikolatalı gofret entered for the first time among the 134 selected brands this year.

In addition to the scale of the companies, the technology,

investments, quality of human resources, innovation, their investment in branding and brand continuity, contribution to social responsibility projects, sensitivity to the environment, compliance with ethical values and place in tax ranking also have importance in the selection of Superbrands.

#### Among the World's top 100

ASELSAN maintains its position as a leading Turkish company which is among world's top 100 defense industry companies. ASELSAN reached this position where it can compete in the international sector with its genuine products/systems solutions by virtue of the importance that it attaches to research and development, which was set as a self-target. ASELSAN has continuously raised its level for the last 10 years. ASELSAN has reached a position where it is a brand that comes to people's minds when they hear about the defense industry in Turkey.

#### What is a Superbrand?

A brand is called a 'Superbrand' if it offers a higher level of emotional and physical advantages than other brands, and if consumers consciously or subconsciously desire for the brand; and if consumers are aware of it and want to have it, by paying money.



### ASELSAN is handed the Golden Reward

ASELSAN participated in Raytheon Integrated Defense Systems (Raytheon IDS) Operational Excellence Supplier Conference which was held in Boston. Raytheon's many stakeholders that are based in the USA and with whom it conducts international cooperation took part in this organization, which was held in the Foxborough Gillette Stadium.

Informative seminars on Raytheon's activities such as design, production and quality control were prepared during the event which was organized for the 8<sup>th</sup> time this year. In the conference, National and international companies that Raytheon cooperates with are also evaluated with respect

to cooperation activities and their performance in the areas of program management, quality control, design and production.

ASELSAN was handed the golden award in the "International Cooperation" category. The award was received by Mustafa Kaval, Deputy General Manager and Head of the Defense System Technologies Sector.

Our Company was also handed the "Supplier Excellence Award" in the organization held in 2014. This award was given to ASELSAN in recognition of its superior success in production, integration and test activities of Antenna Mast Group (AMG) system which is one of the main components of the PATRIOT long range air and missile defense system which meets the needs of the United Arab Emirates.

## ASELSAN handed the Islamic World Technology Award

The “Islamic World İstanbul Awards” were organized for the first time this year to honor and promote successful people and companies that enhance the vision, depth and integration of the Islamic World.



The Awards Presentation Ceremony was hosted by the Pakistan Senate Security Committee. Mamnoon Hussain, the President of Pakistan, attended the organization. ASELSAN was handed the İstanbul Technology Award in the ceremony. The award was given by Mr. Mamnoon Hussain, the President of Pakistan, to Tuğrul Özkan, the International Marketing Manager, who was attending the ceremony on behalf of ASELSAN.

Awards will be given every year starting from this year in the following areas: state, private, diplomacy, business, science, culture, art, technology, strategy and public diplomacy. This year’s awards were handed out within the scope of the 6<sup>th</sup> Forum organized in Islamabad, the capital of Pakistan,

by members of the Islamic Countries Think Tanks Platform (ISTTP).

The ISTTP was established with the “İstanbul Declaration” which was published at the end of Islamic Countries Think Tanks Forum that was organized in January 2010. The ISTTP took the decision to hand out Islamic World İstanbul Awards in the Islamic Countries Think Tanks Forum and Wise People Committee Meetings that were organized in İstanbul, Baku, Cairo and Baghdad. The awards will be given regularly starting from 2015 in the areas of state, private, diplomacy, business, science, culture, art, technology, strategy, public diplomacy for honoring and promoting successful people and companies that enhance the Islamic World’s vision, depth and integration.





## Awards in 2015

### Again present at the R&D Centers Summit

The 4<sup>th</sup> Private Sector R&D Centers Summit, which has been organized by the Ministry of Science, Industry and Technology since 2012, was held in Ankara.

Successful R&D Centers are rewarded in the meeting. ASELSAN was ranked the top of the list in the Performance Index Ranking. The award was received by İsmet Atalar, the R&D and Technology Deputy General Manager, who attended the Summit on behalf of ASELSAN.

Companies received R&D center certificates from Fikri Işık, the Minister of Science, Industry and Technology. Mr. Işık handed out the certificate to Yavuz Suat Bengür, the Head of the Business Sector, on behalf of the Transportation, Security, Energy and Automation Business Sector, which will operate as ASELSAN'S 5<sup>th</sup> R&D Center.

This summit was organized to discuss the role of Private Sector R&D centers in reaching targets, to present technological products that are developed in these centers, to publicly share R&D Centers Performance Index and to evaluate financial applications and legislative regulations in R&D centers. This summit had also an exhibition area in which 70 R&D centers had stands. ASELSAN'S products, that were developed as genuine and national products, attracted a great deal of interest.





## METU Teknokent Award

The METU TEKNOKENT was the most successful techno-city in the "Technology Development Zones Performance Index" which was conducted by the Ministry of Science, Industry and Technology according to data pertaining to the 2011-2014 period. METU TEKNOKENT was ranked in first place for four consecutive years. The index, in which Technology Development Zones are evaluated, considers R&D projects, export data, patents, useful model and brand applications and registrations, incubation programs, technology transfer office services, collaboration

between universities and industry, cooperation between companies and international collaborations.

With the awareness that academics and entrepreneurs who operate in the region are behind this important success, an award ceremony was organized in the İkiizler Building on 30 November 2015 to determine the best names in each category. Yavuz Bayız, the Deputy General Manager and Communication and Information Technologies Business Sector Head received the "Anchor Company" reward that was given to ASELSAN.





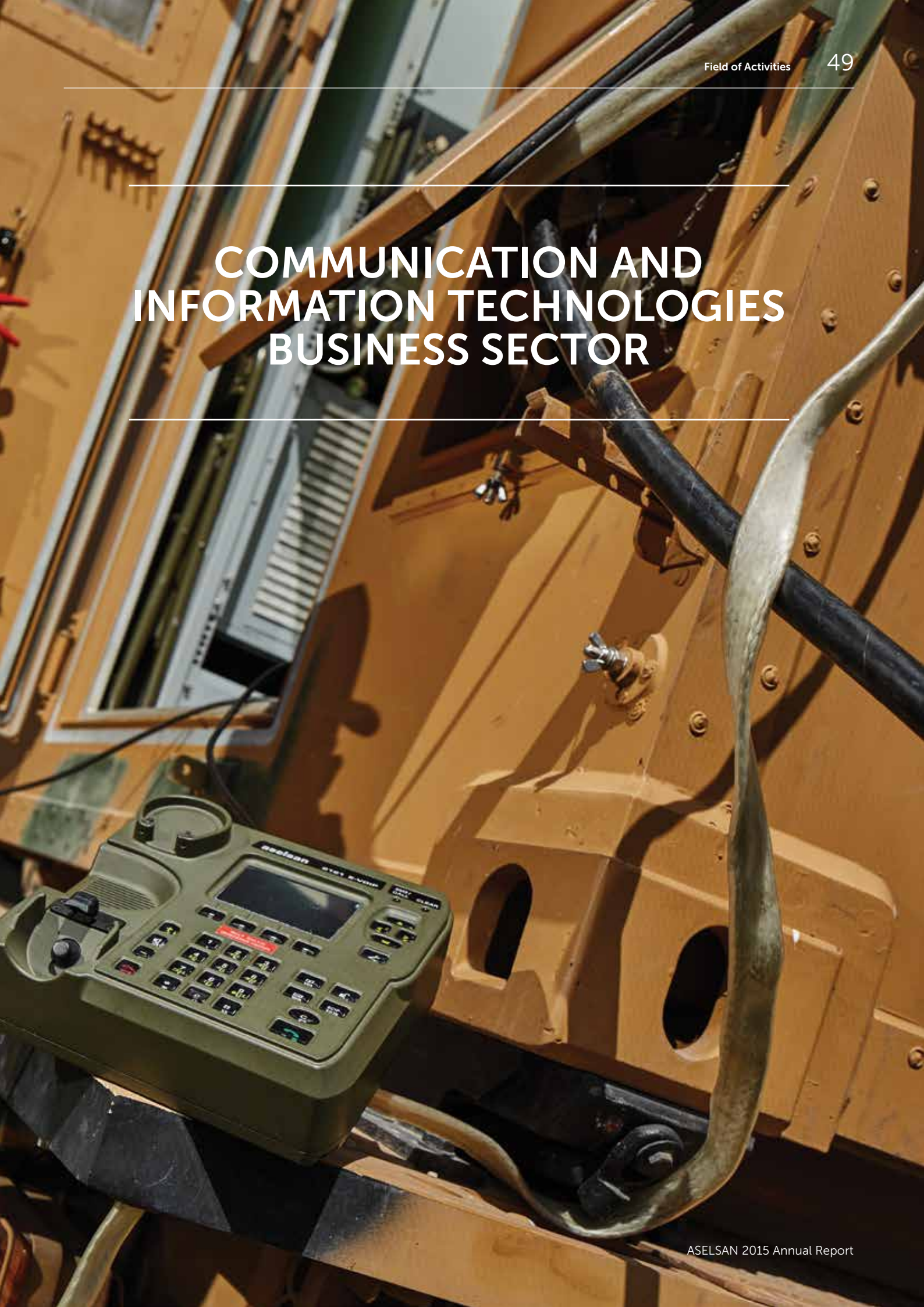




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# COMMUNICATION AND INFORMATION TECHNOLOGIES BUSINESS SECTOR

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## Communication and Information Technologies Business Sector

Communication and Information Technologies Business Sector unwaveringly continues its activities, playing roles in Communication, Information and Space Technologies.

### MILITARY COMMUNICATION SYSTEMS

#### Tactical Field Communication Systems

The effectiveness of C4ISR (Command, Control, Combat, Communication, Computer, Intelligence, Surveillance and Reconnaissance) systems is the most important factor determining superiority in a combat zone. The fundamental component that provides the connection between all warfare skills and fulfills voice, data and image communication is the communications system. The effectiveness of C4ISR is determined by the reliability, speed, flexibility, and security of the communication system.

TASMUS was nationally designed to fulfill the Turkish Armed Forces' needs for communication such as voice, data and video in the tactical field. Communication infrastructure obtained by TASMUS was improved with the work on TASMUS-G in line with today's technological developments and to meet the demands of the new requirements. The TASMUS System is an integrated solution that meets all needs in the tactical field with its compliance with network based combat concept, a strong IP (Internet Protocol) infrastructure, compliance with other communication systems, increased bandwidth and its architecture which is open to improvements.



The TASMUS Tactical Area Communication System is the most important application of network based combat skill which was brought to the Turkish Armed Forces' inventory. This system was successfully used in various military exercises and shows throughout the year.

ASELSAN signed a contract with the Turkish Armed Forces regarding the modernization of TASMUS System

(TASMUS-G+) that it has delivered so far and regarding the development of the TASMUS-II Prototype System that will define the next generation TASMUS system. Delivery of the TASMUS-G+ Systems that will be developed within the scope of modernization will start in 2016. The TASMUS-II Prototype System will be delivered in 2018.





# Communication and Information Technologies Business Sector

## MILITARY RADIO SYSTEMS

### Software Defined VHF/UHF Radio Family

A contract has been signed in line with efforts to expand TAF use of the Handheld/Manpack/Vehicular Radio Systems that are currently being mass-produced. Deliveries under this contract have begun.

Exports of these radios to Pakistan and Saudi Arabia and the production of these under license in Pakistan continue. Infrastructure activities in Saudi Arabia within the scope of domestic production activities with the license transfer were completed. Accordingly, production activities will be initiated in due course.

ASELSAN continues its design activities regarding the Electronic Warfare Protected Handheld Radio for the TAF. Contract activities were started.

Design activities that were initiated for the Naval Platform V/UHF Radio Systems continue. A contract was signed regarding the mass production within the scope of design of these radios and their procurement by the TAF.

Design activities and the delivery of Airborne V/UHF Radio Systems were completed.

### Software Base HF Radio Family

ASELSAN signed a contract to extend the activities regarding Land Platform HF Radio Systems in the TAF, the mass production of which continues. Deliveries were initiated within the scope of the contract.

Exports of these radios to Pakistan and Indonesia continue.

ASELSAN started installation and integration activities regarding the Naval Platform HF Radio Systems, which have various power levels (150W, 400W, 1000W) in the Naval Forces and Cost Guard Command.

Design activities and mass production deliveries of the Airborne HF Radio Systems were completed.

### Recognition Identification Systems

The national development of the Combat Zone Recognition Identification System, which is line with NATO STANAG 4579 requirements, was completed. ASELSAN started activities for extending this system in TAF's other ground platforms.

ASELSAN started contract activities regarding the use of IFF Mod 5/S Transponder and Short/Medium Ranged Inquisitive systems that are indigenous and compatible with NATO STANAG 4193, in platforms in the Turkish Land Forces' inventories. The Company also maintains its activities for the development of other IFF systems which have different features in line with the TAF's needs.

### Data Link Systems

Assembly Line Qualification processes and delivery of all Products and Documents within the scope of UMTAS/OMTAS RF Data

Link Development Projects were completed. ASELSAN continued the deliveries within the scope UMTAS Mass Production Launcher RF Data Link procurement contract. The Company successfully completed acceptance tests regarding Functional Prototypes within the scope of the HİSAR-A and HİSAR-O RF Data Link Development Projects. Design activities regarding this project continue.

### Air Communication Systems

ASELSAN completed qualification of HF Air Radios which were developed as genuine for air platforms. Deliveries started of these radios for the ATAK Helicopter.

ASELSAN signed contracts regarding the procurement of a communication system for the Anka-S Program, the genuine Helicopter Program and the Free F-16 Modernization Program.





JEMUS, which enables queries of criminal suspects, loss material, driving licenses, vehicle licenses, license plates and weapon licenses to be performed over centralized databases, is Turkey's biggest installed Public Safety Communication System.

Activities regarding the DO-178 and DO-254 Air Worthiness Certification for air radios that we will provide within the scope of Hürkuş-B Program were completed.

The National Fighter Aircraft Project, which is Turkey's first national aircraft project is being carried out under the leadership of SSM. ASELSAN was selected as the main integrator for the communication infrastructure of the Project. Considering this development, our military communication systems on air platforms will grow rapidly.

#### Naval Communication Systems

The Company continued design, materials procurement, production and testing activities for the New Type Patrol Boat, Underwater Rescue Mother Ship (MOSHIP), Rescue and Towing Ship (RATHIP), MİLGEM 3-4, the Turkmenistan SERHED Boat, Landing Ship Tank (LST) and New Type Submarine Integrated Communication Systems.

The Company completed acceptance tests for Integrated Communication Systems of the New Type Patrol Boat, Internal Communication Systems of the Turkmenistan SERHED Boat and LST Integrated Communication

System. Pre-acceptance Tests regarding New Type Submarine Integrated Communication Systems were successfully completed.

Contracts were signed regarding the Landing Platform Dock (LPD) and the Logistics Support Ship (LDG). The Company also signed a contract regarding the Pakistan Supply at Sea Tanker as an export project.

Business development and contract negotiations with various foreign countries within the scope of Emergency Intervention and Diving Training Boat (AMDEB), New Type SAT Vessel and exports continued.

## PUBLIC SAFETY COMMUNICATION SYSTEMS

### Gendarmerie Integrated Communication and Intelligence Systems

Installation of the radio systems began at 2005 within the scope of Gendarmerie Integrated Communication and Intelligence Systems (JEMUS) and has already been completed in 50 cities as of 2015 year-end. Installation activities in 18 cities from Erzurum, Giresun and Tokat regions cities, whose contracts were signed, continue.

The system has central databases and query applications related to criminal, equipment loss, driving licenses, license plates and gun licenses. The 156 Gendarmerie Emergency Help number which is used in Operational Centers under Provincial Gendarmerie Command is effectively used with several additional applications such as Messaging, Vehicle Tracking, Geographical Information System and Radio Call and Tracking. With the features, fast and effective security-intervention services can be given to public thanks to JEMUS which is Turkey's biggest installed Public Safety Communication System.

Covering new cities within the scope of JEMUS project has continued. On the other hand, communication need of the Ministry of Health Immediate Health Services is met through JEMUS Communication System in 50 cities were the installation of JEMUS was completed.

### EGM National Encrypted DMR Digital Radio System

Radio System Installations which started in 2011 within the scope of Turkish National Police (EGM) National Encrypted DMR Digital Radio System Project were completed in 15 cities by making updates as of 2015 year-



## Communication and Information Technologies Business Sector

end. A contract was signed for 7 cities more in December 2015 to expand the system. Delivery within the scope of this contract will be conducted in 2016-2017.

National Encrypted DMR Digital Radio System enables EGM to have encrypted communication with high coverage in city centers. The DMR communication solution developed by ASELSAN provides the following advantages: a four-fold capacity increase in current licensed channels (25 KHz), short message, software exchange, vehicle tracking and voice recording features.

### Delivery of TAF Digital Encrypted (SK2) Radio

ASELSAN conducted the delivery of Digital Encrypted radios to TAF Land, Air and Special Forces in 2015.

### AFAD Mobile Coordination Center Vehicle Communication System

Communication applications such as mobile phones, fixed lines and internet are interrupted during big disasters and emergency situations due to damages in infrastructures and intensive usage. Therefore the fact that alternative communication systems are always active is very important with following regard: to intervene quickly, to ensure coordination, to use resources effectively, to provide sustainable communication between public institutions, in short to fully manage disaster and emergency situation.

Communication opportunities should be provided by mobile units to quickly activate disaster and immediate situation. ASELSAN brought advanced communication technologies to Mobile Coordination Center vehicle which is used by Disaster and Emergency Management Authority (AFAD) in 2015. With pilot application, this vehicle

An environment of sustainable and secure communication between intervention teams in the field and the vehicle, between the vehicle and the AFAD Authority and between AFAD and public institutions was established thanks to the AFAD Mobile Coordination Center developed by ASELSAN.







was procured to register refugees and to be utilized during disasters. It is equipped with equipment that will provide uninterrupted and secure communication.

Communication channels are connected automatically or via operators primarily through satellite and then HF radios, VHF radios, cabled/ fiber optical infrastructure and GSM infrastructure, respectively thanks to the system that is installed in mobile coordination center. A sustainable and secure communication atmosphere between intervention teams in the field and the vehicle; the vehicle and AFAD Authority; AFAD and public institutions were established thanks to this installed system.

#### Expansion of İzmir Metropolitan Municipality Digital Communication System

ASELSAN installed 13 sited APCO Digital Wide Area Communication System for İzmir Metropolitan Municipality in 2011. The system was added with 9 new sites in 2015 as the city border of the municipality was expanded. With the addition of new sites, 8 more districts are included in digital wide area radio system. All municipality units (including rail transportation) belonging

to Metropolitan Municipality and District municipalities can utilize digital communication system throughout the city.

#### APCO and Digital Encrypted Radio Export

In what has been an ongoing activity since the end of 2006, ASELSAN continued to export APCO Digital Radios to the United States of America in 2015. ASELSAN expects to continue its international sales in the upcoming years through its efforts to develop new products.

The Pakistani Armed Forces have been effectively using ASELSAN's Encrypted Digital (SK2) Radio Systems since 2007. In addition to sales of SK2 system, ASELSAN conducted the delivery of Encrypted APCO radios for the first time in 2015.

Within the scope of the technology transfer agreement signed with the Pakistan National Radio Telecommunications Company (NRTC) in December 2011 for the production of Digital Handheld and Vehicle Radios - designed by ASELSAN - in Pakistan, the Company increased its deliveries of equipment in 2015.

In 2014, a contract was signed between a North African country and ASELSAN for the procurement of Encrypted Digital Radio Systems. ASELSAN completed the deliveries in 2015 within this context.

Activities for the distribution of ASELSAN's communication solutions in Saudi Arabia as well as North African countries are ongoing.

Encrypted APCO Wide Area communication system was installed in Turkish Republic of Northern Cyprus for the communication of TRNC Security Forces.

#### TETRA Base Station

Activities for the development of the domestic TETRA base station within the scope of the ULAK project signed with the Undersecretaries of the Defense Industry for developing solutions regarding the needs of Public Safety Communications were carried out. The ASELSAN Tetra base station will have a modular design and will have different versions with up to 8 carriers. ASELSAN achieved serious progress regarding the design activities during 2015. Design activities will be completed in 2016 and mass production will start.

# Communication and Information Technologies Business Sector

## MOBILE COMMUNICATION SYSTEMS

### Communication System Development (ULAK) Project

As a part of the Communication System Development (ULAK) Project, ASELSAN completed Pre Design activities for Commercial and Public Safety LTE-Advanced Macro-Cell Base Stations, LTE-Advanced Mobile Terminal Security Software and the LTE-Advanced Based Military Communication System. After the announcement by the Information and Communication Technologies Authority setting out that the IMT Service and Infrastructure Licensing Tender would be held in 2015, the launching of the Base Station that was developed within the scope of ULAK Project was performed in April 2015 with the participation of the press. Intensive technical and administrative activities were carried out with operators for the use of products that are outputs of ULAK project to meet the local purchase ratio determined within the scope of IMT Service and Infrastructure Licensing Tender.

Fifth (5G) and Next Generation Communication Technologies ASELSAN aims to develop 5G and post-5G technologies by using its infrastructure and design experience obtained within the scope of 4.5G/LTE-A Communication System Development (ULAK) Project. By doing so, ASELSAN will provide an important contribution to Turkey's target of being one of the first countries to use 5G. This target can be achieved with domestic products thanks to ASELSAN's efforts in this area.

ASELSAN became a member of international organizations in line with primary targets. The Company started to closely follow standardization activities for 5G and the way that the technology progresses. ASELSAN is a member of ETSI, Network-2020 and 3GPP. ASELSAN is the only Turkish corporation to have attended the 3GPP's meetings related to 5G.

By establishing cooperation with operators, ASELSAN aims to jointly plan the transition to 5G process, carry out joint projects and utilize the country's potential for research to the maximum level. Within this framework, ASELSAN

and TURKCELL signed a Cooperation Protocol for 5G in July 2015. In October 2015, a workshop on 5G was organized with the participation of teams from TURKCELL and ASELSAN.

A project proposal which includes the development of critical technologies related to 5G was presented to the 'R&D Support Program of the Ministry of Transportation, Maritime and Communication' on 30 September 2015 on the subject of "5G Communication Solutions".

An important step was taken towards the target of introducing 4.5G technology to Turkey with the indigenous base station project (ULAK) which was developed by ASELSAN, NETAS and ARGELA with the support of the Undersecretaries of the Defense Industry.







The SAHAB Project was tested in real conditions by the armed forces of NATO countries. SAHAB, which successfully passed all of the tests, has attracted great interest.

## INFORMATION TECHNOLOGIES AND CYBER SECURITY

### Computer Aided Dispatch and Management System for 112 Emergency Assistance

ASELSAN completed infrastructure and software activities in 10 cities, whose location deliveries were made within the scope of the contract signed with the Ministry of the Interior covering 13 cities. The acceptance process regarding these activities was also completed. Calls to the 110, 112, 122, 155 and 156 numbers were activated in Ankara in September and October 2015. Calls to the 110, 112, 122 and 177 numbers in Kocaeli, Yalova, Muğla, Kahramanmaraş, Hatay, Sivas, Kütahya, Düzce are diverted and related corporations were activated. Moreover calls to 156 were activated in Yalova, Kütahya, Muğla and Kocaeli and calls to 155 and 156 were activated in Sivas. The acceptance of the project in Manisa was realized and activation studies will start in January 2016.

### KOYDES Investment Surveillance System Project

Within the scope of the KOYDES Investment Surveillance System Project, materials that include

procurement and installation of ready software and hardware, relational database software, ArcGIS for Server Enterprise Advanced and ArcGIS for Desktop Standard were delivered. ASELSAN visited 21 special provincial administrations and 4 metropolitan municipalities as part of its feasibility study. The feasibility report (preliminary evaluation) was approved by the administration. The work program, analysis report and design report were prepared, delivered to the administration and approved by the administration.

### Governorship of İstanbul Establishment of System Room and Procurement of Hardware and Software Project

ASELSAN signed the Governorship of İstanbul Establishment of System Room and Procurement of Hardware and Software Project with the Ministry of Interior Information Technologies Directorate on 16 April 2015. ASELSAN carried out the revision of the system room which was in line with high accessibility and security standards by meeting the requirements for physical infrastructure, hardware and software needs so uninterrupted services could be provided. ASELSAN also established a second system room. Acceptance of the project was realized

on 18 September 2015 following the completion of infrastructure, hardware and software activities.

### Virtual Air Gap System (SAHAB)

The Virtual Air Gap System was developed for providing real time data sharing between networks that have different security levels. This system was approved by the TSE at the Common Criteria EAL 4+ level. The Virtual Air Gap System was improved with the XML label inspection feature that is compatible with NATO STANAG standards. In order to test the newly added XML label inspection support with secure data sharing ability, SAHAB attended the CWIX 2015 drill that was held in Poland between 8-24 June 2015. SAHAB was tested by 6 countries; Austria, Canada, the Netherlands, France, the Czech Republic and Finland that are in Data Centric Labelling group which was led by Canada. SAHAB successfully passed all tests. Both SAHAB's "air gap" and "XML label inspection" abilities attracted a great deal of interest in these countries.

In addition, the Network Security Gateway System Project was signed between ASELSAN and the Ministry of National Defense on 5 October 2015. This project will enable the Turkish Armed Forces to carry out secure









## Communication and Information Technologies Business Sector

ASELSAN put every component, from strategic military communication systems to the smallest hardware, under protection with crypto.



data transfer between networks with various security levels. The project will also provide voice communication. The SAHAB system will be enriched with new skills within the scope of the project. It will be positioned on three different gateway points in the TAF TAFICS infrastructure. The project will be delivered in 2017 and be included in the Turkish Armed Forces Cyber Security inventory.

### Secure Satellite Telephone

The Secure Satellite Telephone was produced as a prototype in 2014 in line with the General Staff's needs. This telephone was tested by the General Staff and the decision to procure it was taken in 2016. ASELSAN started to work on introducing additional features demanded for this telephone. Contract preparations are still on progress. The contract is expected to be signed in February 2016.

### YATMES - Foreign Military Representative Offices Messaging System

The Foreign Military Representative Offices Messaging System (YATMES) has been actively used by the foreign military attaché and representative offices since 2013. This system provides secure sharing of folders that are labeled "confidential" through its national encryption solution. It is

composed of national software and hardware components. YATMES is successfully used in more than 100 foreign representative offices and the decision was taken to expand its usage to cover new foreign representative offices. ASELSAN signed an additional purchase contract with the Ministry of National Defense in July. Delivery of this system within the scope of this contract was conducted successfully in October and November.

### Mini IP Crypto Device

ASELSAN completed development activities to increase the performance and enrich the remote control features of the Mini IP Crypto Device which supports New Generation mobile IP Crypto Technologies, and which is a small and light version of the device.

The delivery of the export version of the Mini IP Crypto Device with the Key Production Center and Security Administrator to the TRNC Police was successfully carried out in November 2015.

### TEMPEST Products

ASELSAN signed a contract with the Ministry of Foreign Affairs in December regarding the purchase of desktop computers and printers that include TEMPEST features. Within the scope of the contract, the delivery of

desktop computers and printers that have A-level compatibility with NATO SDIP/27 will be carried out during 2016.

### Secure USB Memory

ASELSAN started activities to develop Secure USB Memory that has USB 3.0 support, up to 128 GB of memory and high read and write speeds. The preliminary design was completed and is targeted for mass production in 2016.

## SPACE TECHNOLOGIES SATELLITE GROUND SYSTEMS

### ASELSAN Satellite Communications Terminal Solutions

ASELSAN offers a wide range of its own design terminals for different platforms and various frequency bands, covering customer requirements.

Stabilized Satellite Communication Terminals that provide secure and continuous communication on the move for Airborne, Naval and Land platforms are designed and produced to be stabilized, compact, lightweight and compatible with military standards. Moreover, Mobile and Fixed Satellite Communication Terminal solutions are included in the ASELSAN product family.



### Satellite Communication Control Centers and Satellite Ground Stations (SAR and Electro-Optical)

Satellite Communication Control Centers that are designed and installed by ASELSAN carry out the following activities in line with customers' needs and expectations:

- Remote control of satellite communications terminals,
- Connection between terrestrial and satellite networks,
- Development of networks in order to communicate among terminals,
- Management of terminals and frequency band selection,
- Services such as encryption and network acceleration,
- Fulfilling the channel requirement management,
- Enabling interfaces for national and corporate networks.

The design, installation and integration activities for Surveillance and Reconnaissance Satellites' Fixed and Mobile Ground Stations are carried out by ASELSAN in line with users' tactical needs.

**TUMSIS X-Band Earth Section**  
The TAF X-Band Satellite Communication System (TUMSIS) project covers the design, production, integration, infrastructure activities, installation to related platforms, confirmation, testing and acceptance activities of Primary and Backup Satellite Communication Network Control Centers, Seagoing, Manpack, and Flyaway and Vehicular Satcom Terminals. The Requirement Analysis Phase and Preliminary Design Phase were completed and the Critical Design Phase of the Project was initiated.

### Ku-Band Satellite Communication System Project

Within the scope of the Ku-Band Satellite Communication System Project, ASELSAN will deliver two satellite communication control centers and 315 satellite terminals to the Turkish Armed Forces with the purpose of providing voice, fax, data and imaging services. The system Requirements Review and Critical Design Review phases of the project were completed. Field analysis studies were conducted for the project, the delivery of which will start in 2016. Sub-system orders were given for the project.



## Communication and Information Technologies Business Sector



### Supply of Military Satellite Communication System to Kılıç-Class Patrol Boats (KASUMSIS)

The contract of the KASUMSIS Project was signed in 2015. It covers the communication terminal that will be integrated into Kılıç-Class Patrol Boats on 3 axes as well as the control centers that it will communicate to.

### Air Vehicle Ku-Band Satellite Communication Terminal Development Project

ASELSAN started work on the Air Vehicles Ku-Band Satellite Communication Terminal Development Project. The Company continued design activities for the satellite communication terminal with its own resources. This terminal will be a solution for Unmanned Air Vehicles (IHA) and air platforms.

### New Type Submarine and Landing Ship Tank (LST), Multi-Purpose Landing Helicopter Dock (LHD), MİLGEM 3-4

ASELSAN continued the design, production and integration activities for Satellite Communication Systems within the scope of Naval Projects. The following activities were carried out:

- PRE-FAT activities for X-Band Satellite Communication Terminal as part of New Type Submarine Project,
- FAT activities for X-Band Satellite Communication Terminal as part of the LST Project,

- Generating X-Band, Ku-Band and UHF-Band Satellite Communication solution as part of the LHD Project,
- Critical design activities for the X-Band Satellite Communication System as part of the MİLGEM 3-4 Project.

### GÖKTÜRK-1 Surveillance and Reconnaissance Satellite Project

As part of the GÖKTÜRK-1 Surveillance and Reconnaissance Satellite Project, ASELSAN is responsible for providing the S/X Band Antenna Systems for Fixed and Mobile Ground Stations, Image Processing and Exploitation and User Interface Software, as well as the Meteorology System. ASELSAN continued qualification activities regarding sub-units and sub-systems as part of the project. The installation of the Fixed Antenna System was completed in the field.

### SATELLITE PAYLOAD

#### TÜRKSAT6A Indigenous Communication Satellite

The contract of the Development and Production of the TÜRKSAT6A Indigenous Communication Satellite Project was signed on 15 December 2014 between the TÜBİTAK and Project partners (TÜBİTAK Space Technologies Research Institute, ASELSAN, TUSAS and CTECH). ASELSAN is responsible

for development of Ku-Band Satellite Communication Payloads in the TÜRKSAT-6A Satellite Program through indigenous resources to the maximum level. In this context, ASELSAN will conduct system design of Payloads, integration of the Payload, functional and environmental tests and orbital tests (In-Orbit Test). Moreover, the following Ku-Band Payload equipment will be indigenously designed, produced and tested by ASELSAN:

- Ku-Band Receiver
- Low Noise Amplifier (LNA)
- Frequency Down Converter (DOCON)
- Payload Interface Unit (PIU) which will provide communication between Payload Units and the Flight Computer
- INET, which will provide channel separation
- ONET, which will provide channel integration
- Antenna for the Turkey coverage area.

The "Defining Duties", "Determining Preliminary Requirements", "Determining System Requirement" and "Preliminary Design" phases of the project were completed in line with the project schedule.



Satellite Communication Systems are an indispensable means of communication for military troops. Satellite technologies are used for secure voice, image and data communication which are components of command control systems. The importance of these technologies has increased during cross-border operations.



#### TUMSİS X-Band Payload

ASELSAN is responsible for developing the X-Band Satellite Communication Payload, as much as possible indigenously. Within this context, the system design, integration, functional and environmental tests and In-Orbit tests will be conducted by ASELSAN. Moreover, the following X-Band Payload equipment will be designed, produced and tested indigenously by ASELSAN:

- Frequency Down Converter (DOCON)
- Channel Amplifier (CAMP)
- Harmonic Filter

Moreover, within the scope of Technology Acquisition Requirement of the Project, studies continued regarding the development of the Low Noise Amplifier with METEKSAN A.Ş.

The X-Band Satellite Communication Payload is a sub-satellite system that will be integrated to the satellite platform. It will be used for satellite communication. The X-Band Payload is planned to be sent to space by integrating it with the TÜRKSAT6A satellite.

Determining the System Requirement phase of the TAF Satellite Communication System (TUMSIS) X-Band Payload Project was completed in line with the project schedule.

#### GÖKTÜRK-3 SAR Satellite

As part of the contract signed between TUSAŞ and ASELSAN, activities for the development of the preliminary design of the GÖKTÜRK-3 SAR Satellite System are currently underway. Within this context, the SAR Payload Sub-system, Communication Sub-system and Fixed/Mobile Ground Stations are being developed by ASELSAN.

Determining the System Requirement and System Design phases, which are among the important phases of the GökTürk-3 SAR Satellite System Development Project, was completed in line with the Project schedule.

The subcontractor contract for the preliminary design of security components within the scope of the project was signed with TÜBİTAK BİLGEM.

The Preliminary Design Review phase in the project had been started at the end of 2015. Activities for this phase have continued.

#### EHF Operational Satellite Payload

Work regarding the Engineering Model of EHF Operational Satellite Payload was completed successfully. Work on the Flight Model has continued.



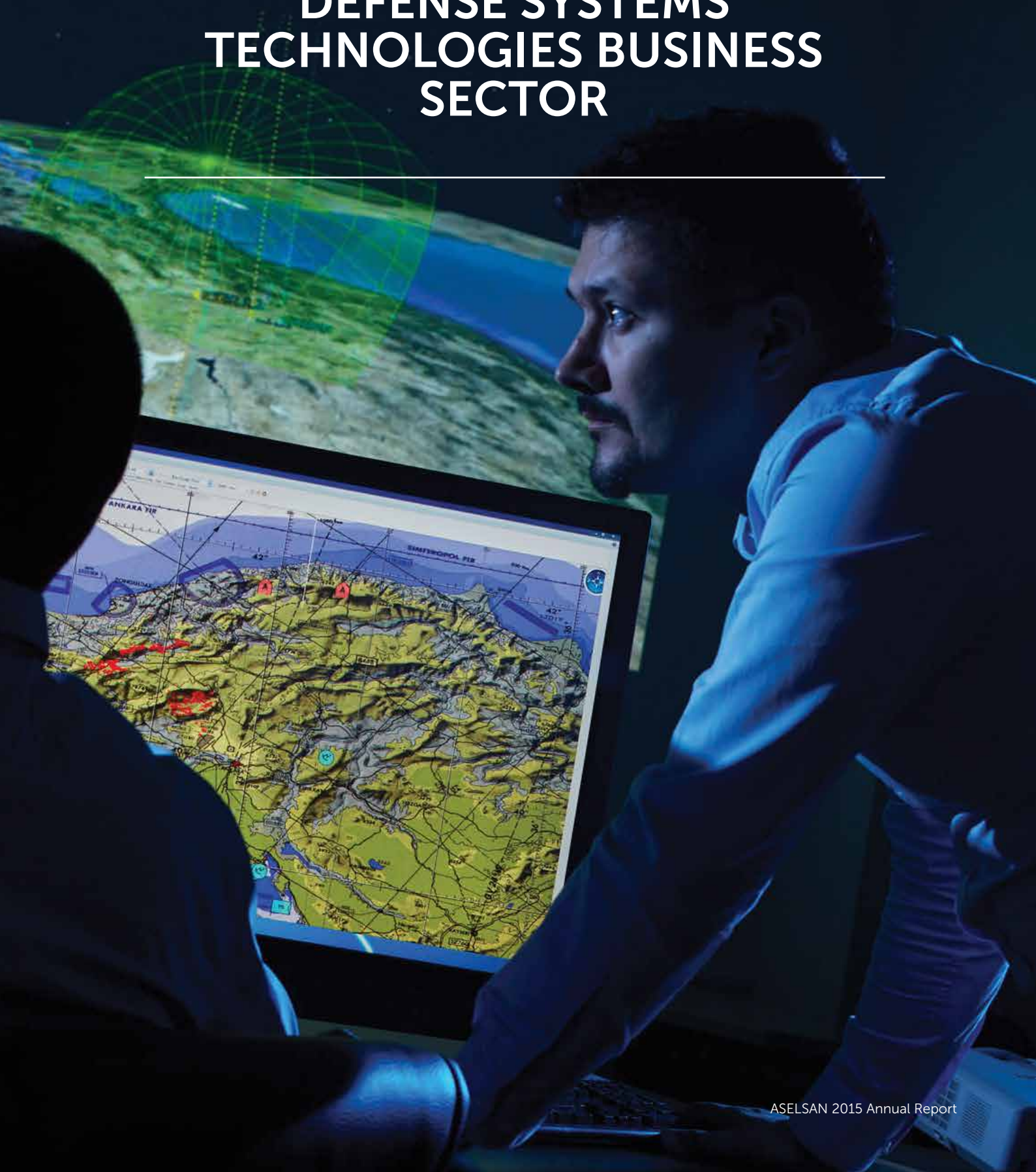




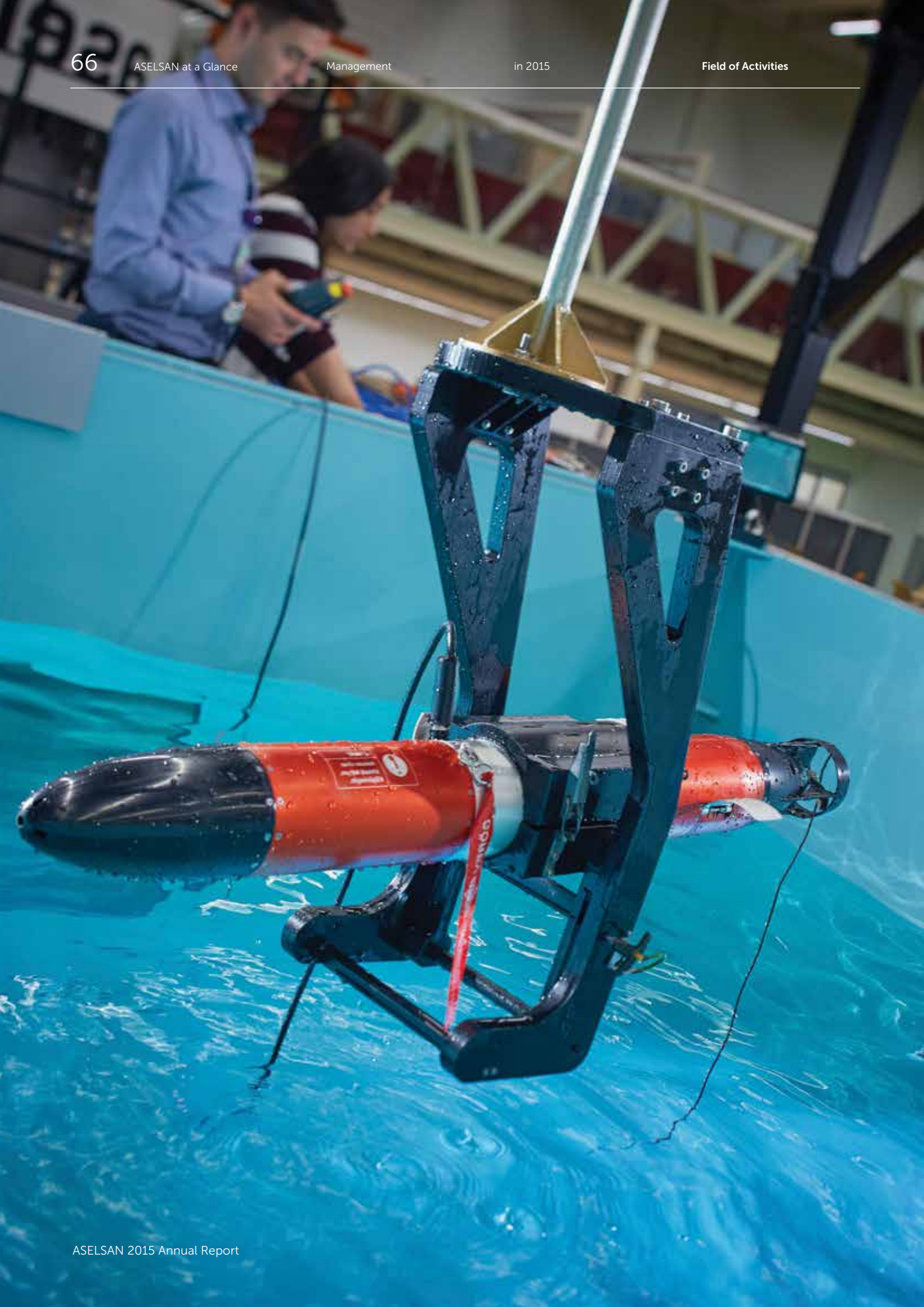
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# DEFENSE SYSTEMS TECHNOLOGIES BUSINESS SECTOR

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## Defense Systems Technologies Business Sector

### NAVAL SYSTEMS

Naval systems include activities conducted with the establishment of integrated battle and mission systems by utilizing ASELSAN's product, systems and know-how for surface and submarine platforms that are needed primarily by the Turkish Naval Forces but also the Coastguard Command and public offices. Important export potential in this area of activity was secured with the cooperation with private shipyards to provide military systems to naval platforms constructed in foreign countries.

#### Surface Systems

ASELSAN carries out the development of combat or mission systems of military and civil naval platforms, system design and system integration.

#### Battleships

Within the scope of MİLGEM Naval Combat Systems that are designed primarily to improve the air defense, surface and underwater combat capabilities of TCG HEYBELİADA and TCG BÜYÜKADA, the Company developed, delivered and integrated the combat system comprising; integrated communication, satellite communication, navigation, electro-optics, laser warning, electronic warfare, radars, sonar, guided missile, naval gun control, remote control weapon and self-defense systems. The Company tested these systems by integrating them with platforms and the ships were delivered to the Turkish Navy. A contract was signed with the Undersecretariat for Defense Industries regarding the procurement of MİLGEM 3<sup>rd</sup> and 4<sup>th</sup> combat systems. The domestic contribution rate will be increased further by using the HIZIR Torpedo Jamming and Deception System and the KULAÇ Sounder System in the 3<sup>rd</sup> and 4<sup>th</sup> ships which will be constructed under different methods compared to the TCG HEYBELİADA and TCG BÜYÜKADA. Contracts regarding the procurement of Point Defense Guidance Missiles Systems and Surface-to-Surface Guidance Missiles Systems which will be integrated on MİLGEM 3<sup>rd</sup> and 4<sup>th</sup>

were signed with RAMSYS and BOEING in 2015. ASELSAN conducted the planning, procurement and subsystem production activities for these systems.

ASELSAN participated in the design and vessel settlement activities for "I" Class Frigates with Business Descriptions within the scope of MİLGEM Contract. Within this context, SADM (Ship Air Defense Model) models were formed for potential systems that will be installed on "I" Class Frigates by using SADM software. Activities on the effectiveness analysis were carried out within the framework of operational scenarios.

In addition to these activities and the experience gained in developing and integrating the combat system, especially MİLGEM, ASELSAN worked on combat systems for Turkish naval shipyards' platform proposals to other countries such as for corvettes and patrol boats.

#### Coast Guard and Patrol Boats

ASELSAN completed the procurement and integration of the combat system for 16 TUZLA class patrol boats. The boats were delivered to the Turkish Naval Forces. The Company completed the procurement and integration activities of the weapons and electronic systems for the DOST class 4 Search and Rescue Ships that were built for the Coastguard.

The Company developed the ASELSAN VATOZ® system within the scope of export sales of the SERHET Ship Class Boats. ASELSAN completed the procurement, integration and testing activities of the weapons and electronic systems for ships and integration activities of various guided missiles for the VATOZ® system. The boats were delivered. Moreover, within the scope of the order for 6 High Speed Patrol boats, the delivery of 3 boats were completed while ASELSAN continues production and test activities of other boats.

Defense Systems Technologies Business Sector operates with research and development, production, integration, integrated logistic support activities in the areas of Air and Missile Defense Systems, Command Control and Computer Systems, Fire Support Systems, Weapon Systems, Naval Systems and Submarine Acoustic Systems.

#### Landing Ships

In line with the contract schedule, ASELSAN completed the delivery of Remote Controlled 25 mm Stabilized Gun Systems, Navigation Systems and Communication Systems for Landing Craft Tank (LCT).

ASELSAN initiated efforts for a warfare system comprising Radar, Electro-Optics, Communication, Navigation, Electronic Warfare and Stabilized Weapon Systems for Landing Ship Tank (LST). The Company also initiated the development/production and procurement activities as part of the integration of systems.

Within the scope of the Multi-Purpose Landing Helicopter Dock (LHD) Project, ASELSAN signed contracts for the procurement and integration of the Combat System, which is composed of these systems: the Communication and Satellite System, IFF System, Stabilized Weapon Systems, Submarine Acoustic and Sonar Systems, Radar Systems, Electronic Warfare Systems, Infrared Research and Tracking System, Laser Warning System (LIS), Electro-Optical Director and Navigation Systems. The Company carried out design activities throughout the year.

## Defense Systems Technologies Business Sector

ASELSAN Naval Systems successfully operates in many navies, principally the Turkish Navy.



### Support Ships

Within the scope of the Underwater Rescue Mother Ship (MOSHIP) and Rescue and Towing Ship (RATSHIP) Project, ASELSAN continued its efforts in the procurement and integration of the underwater acoustics systems, communication system and navigation systems used in vessels. As part of the project, the Company completed its production activities for the navigation systems (gyro), communication systems and electro-optic (IR/LLTV) systems developed by ASELSAN. Harbor Tests for the Underwater Rescue Mother Ship (MOSHIP) was initiated.

In the Seismic Research Ship Project, ASELSAN completed its efforts for the procurement and production of Scientific Research equipment and systems and for the production of navigation systems (gyro) developed by ASELSAN. Delivery of the systems to the shipyard was completed. ASELSAN continued its installation and integration activities on the ship.

ASELSAN provides communication, navigation and weapon systems to meet the needs of Naval Forces within the scope of the Logistic Support Ship

(LDG) Project. ASELSAN continued design work including the procurement and integration of systems.

ASELSAN provides a weapon (STOP) and communication switching system for the Fleet Tanker Project of a foreign client. The Company conducted design activities including its integration.

Moreover production and test/acceptance activities have been carried out for the Hydrography and Oceanographic Research Vessel and one tug.

### Weapon Sensor Management for Naval Systems

ASELSAN carried out activities in the development of "Weapon Sensor Management for Naval Systems" and their integration into platforms in 2015. In this respect, the VATOZ® system, developed for naval systems, has been integrated on more than 30 platforms within the scope of domestic and international projects.

### Navigation and Platform Management Systems

ASELSAN started work on developing sub systems with the purpose of bringing modern navigation and

platform management systems to naval platforms. Within this scope, work primarily started on the Multi-Purpose Landing Helicopter Dock (LHD), Electronic Chart Display Information System (WECDIS) and Digital Plot Table (SIM). The Company applied to the Ministry of Transportation, Maritime and Communication for the development of a New Generation Integrated Navigating Bridge System (EKU). ASELSAN submitted project application regarding the provision of WECDIS, SIM and EKU systems for various platforms in Turkey and abroad.

### Torpedo and Underwater Systems

ASELSAN directed its know-how and infrastructural capabilities in the area of electronic warfare systems to underwater acoustic systems. By doing so, the Company achieved important progress in a military area that is not well developed in Turkey. ASELSAN, considering the activities and studies of other domestic institutions in the area of underwater acoustic systems, placed weight on the development of the underwater acoustic system and equipment projects, primarily torpedo countermeasure systems which are not well developed in Turkey.



### Submarine and Sonar Systems

Within the scope of the Turkish Naval Forces' new-type weather independent submarine project, ASELSAN continued work on the development of the Integrated Communication System and X-Band Satellite Communication System as well as Electronic Support Systems. In order to increase the domestic contribution rate in the project, ASELSAN carried out work in the areas of radar absorptive color and alarm announce system. The alarm announce system was added to the project.

Within the scope of active and passive sonar systems, the installation and integration of the KULAÇ echo sounder system, which was developed by ASELSAN, into Ay-Class submarines was completed. Its first export was carried out to Indonesia to be integrated into submarines. Developmental activities of the KULAÇ system for its use on surface ships was conducted. It was included in the warfare system configurations of the MILGEM 3<sup>rd</sup> and 4<sup>th</sup> ships and LHD Ship.

ASELSAN started development of active/passive products regarding submarine acoustic tracking

applications for ports and passive sonobuoa and mine avoidance sonar (MATESS) that are expected to be needed in the coming projects.

### Torpedo and Torpedo Countermeasure Systems

Within the scope of the "Development of Acoustic Jamming and Deception System for Submarines (DAKA)" project, Acoustic Decoys and Jammers were delivered to the Naval Forces. ASELSAN started preliminary design activities of the Development of Lancer System Project that will enable fast launching in addition to water cannon in Preveze and Gur class submarines. Thanks to Lancer System that will work in an integrated manner with Decision Support Systems that were developed within the scope of DAKA project, integration of torpedo countermeasure in submarines will be ensured.

ASELSAN has also maintained its efforts for the sale of the export version of the DAKA system (ZARGANA).

ASELSAN continued work in the area of the Torpedo Countermeasure Systems with its investments using its own resources.

The Company completed production of the HIZIR Torpedo Jamming and Deception System that was developed for defending surface ships against torpedo fire. ASELSAN continued tests of the system with various scenarios at sea with the participation of personnel from the Naval Forces Command. Production activities of the HIZIR system were initiated for the MILGEM 3<sup>rd</sup> and 4<sup>th</sup> and Multi-Purpose Landing Helicopter Dock (LHD). The Company also maintained its efforts for the export of the HIZIR system.

ASELSAN continued development activities of the Counter Defense Torpedo against Torpedo (TORK) that will support the platforms' own defense operations against torpedo fire. The test prototype of TORK was developed and field tests were initiated.

Moreover, ASELSAN started field tests regarding acoustically communicating submarine vehicles in the development project that was started with the Company's own resources with support from for the establishment of acoustic communication network under the water. This project is expected to bring technological infrastructure that will be needed by all submarine systems.



## Defense Systems Technologies Business Sector

### AIR AND MISSILE DEFENSE SYSTEMS

ASELSAN is Turkey's first air defense system producer. The Company has more than 30 years of experience in air defense. With its know-how, ASELSAN develops genuine air and missile defense systems. Air Defense Early Warning Command Control System (HERIKKS) and Pedestal Mounted Stinger System (KMS), which are our first national systems in the area of air defense, are highly important air defense projects that have brought expertise to ASELSAN in various areas. More than 500 HERIKKS units are actively used in 40 different units of the Turkish Armed Forces. 150 Pedestal Mounted Stinger System works under HERIKKS. The export contract for the procurement of the Stinger Weapon Platform to the Dutch Army which was signed in 2005 marks one of ASELSAN's successes in the international air defense arena. This project was completed in 2008, proving ASELSAN's success.

Success in Very Low Altitude Air Defense Systems placed ASELSAN as the main contractor in a number of projects including KORKUT - 35 mm Self-Propelled Air Defense Gun Systems, Air Defense Fire Control System (AIC), Modernization of 35 mm Towed Air Defense Guns, 35 mm Airburst Ammunition project, Low/Medium Altitude Air Defense Missile System: HİSAR-A and the HİSAR-O project. ASELSAN continuously improves its expertise in air defense systems. The Company offers its own systems that are in line with customers' requirements by focusing on making system solutions modular. In addition to the mass production potential for the Turkish Armed Forces, ASELSAN's new air defense systems also offers opportunities for international cooperation such as proposing the HİSAR system to Poland's Narew Program. ASELSAN's important advantage in the field of air defense is that it develops and produces sensor, command control, fire control and communication products that are of critical importance. ASELSAN is prepared to undertake ballistic

missile solutions for Turkey with the Company's experience in system engineering, system level analysis/modeling and system development. ASELSAN's air defense systems already attract interest from foreign customers in line with trust gained from mass production projects that will be signed with the TAF and from the Company's remarkable success. ASELSAN continues contract negotiations following a fire test which was attended by representatives of foreign countries' armed forces and procurement offices.

ASELSAN keeps on increasing its expertise and product range in the air defense field that will have an important contribution to its future.

#### Fire Control System, Modernized Towed Gun and Airburst Ammunition

The Fire Control System is responsible for the fire and command control of the modernized 35 mm Towed Air Defense Gun and HİSAR-A Low Altitude Air Defense Missile Launching System. The System is responsible for the detection, identification and





tracking of the target. The 35 mm Towed Air Defense Guns have the capability of firing 35 mm Airburst Ammunition that is developed by ASELSAN. Airburst Ammunition enables 35 mm air defense guns to fulfill their duties against air threats such as air-to-ground missiles, cruise missiles and unmanned air vehicles.

### 35 mm Self-Propelled Low Altitude Air Defense Gun Systems - KORKUT

KORKUT System shall operate in platoons which are composed of 3 Gun Systems and 1 Command Post. Each KORKUT platoon can operate in coordination with Air Defense Early Warning and Command Control System (HERIKKS) as well as fulfilling target detection, tracking and interception functions autonomously. Together with the ability to fire 35 mm Air Burst Ammunition, KORKUT System provides an effective air defense solution against modern air threats such as cruise missiles, air-to-ground missiles and UAVs.

### Testing Activities

ASELSAN reached the final phase in development activities carried out within the scope of the development contract signed with the

Undersecretariat for Defense Industries in 2010. The Company produced the prototypes of all systems and completed system integration and testing activities, which include firing and non-firing tests.

ASELSAN's air defense gun systems shot down target aircraft in the tests that apply missile attack scenario with high speed target planes with the participation of customers in December 2015. These systems proved their effectiveness against air-to-ground missiles. ASELSAN air defense gun systems indicated that they deserve the name of "Missile Hunter" as a result of tests conducted with tough scenarios.

### Preparation for Mass Production

The installation of the assembly line, which is the contractual requirement regarding the Modernized Towed Gun and Airburst Ammunition was carried out. Qualification of assembly line was completed with tests in which customers participated. The systems are being prepared for mass production.

**The KORKUT System was tested under various scenarios and achieved direct hits in all firing.**

The request for proposal was published by the Undersecretariat for Defense Industries regarding mass production of the KORKUT system. The request for the proposal of the Fire Control System, Towed Gun and Airburst Ammunition is expected to be published in due course.

### Electromagnetic Launching System

The electromagnetic launching systems are new generation weapon systems that have emerged as an alternative to weapon systems with classical barrels that use dispatch powder for launching ammunition. ASELSAN started a project which is supported by TÜBİTAK for the development of a weapons system based on electronic launching technology.



## Defense Systems Technologies Business Sector



### Short and Medium Range Air Defence Missile Systems (HİSAR-A and HİSAR-O)

The Low and Medium Altitude Air Defense Missile Systems will eliminate low and medium altitude threats within the scope of point and area defence. Within the scope of the HİSAR-A Project, the Company has been developing the Low Altitude Air Defense Missile can be launched from either the Self Propelled Autonomous Missile System at the Missile Launching System. The Company will also conduct qualification of the product and production line. The Missile Carrying Loading System and Training Classroom were developed as support equipment. The Self-Propelled Autonomous Missile System currently under development may autonomously perform their missions fully, thanks to their 3D search radar, command control and fire control systems. On the other hand, the command control and fire control functions in the Missile Launching System are performed by the Fire Control System.

Distributed architecture which is composed of battalions and batteries that are linked to battalions' air defense systems has been developed in

HİSAR-O Project. Within the scope of the project, the Battalion Fire Control Center, Battery Fire Control Center, Medium Altitude Air Defense Radar, Early Notification Centers Link-16 Interface, Electro-Optic System, Missile Launching System, Missile Carrying and Loading System and Medium Altitude Missile will be developed and produced. Product/production line qualification will be conducted as part of the project. The Missile Carrying Loading System and Training Classroom have been developed as support equipment.

The Defining Requirement (Phase-1) and System Design (Phase-2) phases were successfully completed in the HİSAR projects. Work on the Subsystem Development and Test Phase continues. Subsystem integration and testing activities for the Self-Propelled Low Altitude Air Defense Gun Systems, Missile Launching System, Low Altitude Missile and Missile Carrying Loading System were conducted in June 2015. The KTF-1 and BTF-2 firing which provided important data for ground systems and missiles were successfully carried out in June 2015.

HİSAR projects can be defined as the systems of systems with a high number of components. ASELSAN carries out system engineering processes in HİSAR projects. Model based system development tools and modeling/simulation tools are used in the projects. Within this scope, system requirements analysis, system design, formation of sub system requirement (radar, missile, communication, command control, firing control etc.), and launching sub system developments with related stakeholders are performed. ASELSAN conducts requirement management in the development of sub systems process. The Company manages decision processes by evaluating the impact of updated requirements on other sub systems and system. In this process, ASELSAN determines system requirements by using simulation tools starting from the beginning of the project, manages system requirement and confirms the level of the system with test infrastructure. ASELSAN reinforces its current know-how with HİSAR projects. A serious foundation has been developed for Long Range Air and Missile Defense Systems through qualified human resources, development/test/modeling infrastructures, to the benefit of stakeholders.

ASELSAN is ready to play a role in the development of Turkey's Long Range Air and Missile Defense Systems thanks to its know-how and expertise gained in the development of Low and Medium Altitude Air Defense Missile Systems.



### Long Range Air and Missile Defense Systems

The Undersecretariat for Defense Industries plans to procure Long Range Air and Missile Defense Systems from other countries through the direct procurement method. ASELSAN received offers with foreign candidate companies regarding the Long Range Air and Missile Defense Systems. However, in November 2015 the Defense Industry Executive Committee announced that the tender had been canceled and development activities with domestic resources would be given importance.

Through the use of its own resources, ASELSAN carried out the tracking of technologies and developments in the Long Range Air and Missile Defense area, determining the requirements of these systems, the conceptual design and the work to establish and develop the effectiveness of the system, as well as the analytical infrastructure of the system.

ASELSAN participated in the RAYTHEON Integrated Defense Systems (Raytheon IDS) Operation Excellence Supplier Conference in Boston on 27 May 2015 within the

scope of Patriot AMG (Antenna Mast Group) project which was produced by ASELSAN as a subcontractor of Raytheon and delivered in 2014. ASELSAN was handed the Golden Award in the "International Cooperation" category thanks to its performance in the project whose delivery was completed in 2014. The award was received by Mr. Mustafa KAVAL, ASELSAN Vice President and President of Defense Systems Technologies Business Sector.

### ASELSAN is part of the team led by Leidos (the USA) in the NATO Ballistic Missile Defense (BMD) Program

Within the scope of the project for which Leidos is the main contractor, ASELSAN will conduct activities with eight companies from Germany, the USA, the United Kingdom, the Netherlands and Canada. Within this scope, the Leidos Team will carry out activities to bring NATO BMD capability including the improvement of Ballistic Missile Defense systems regarding the NATO Command Control (C3) system and the simplification and administration of NATO Ballistic Missile Defense (BMD).

This activity will be held in Lahey in the Netherlands. This is of considerable importance as it is the first activity where ASELSAN's experience in the area of Ballistic Missile Defense will be utilized in NATO BMD activities.

ASELSAN started system architecture development activities for future Ballistic Missile Defense system needs. With this project, ASELSAN uses its capabilities and expertise in the areas of system engineering and test integration within the scope of NATO activities.

### Air Defense Systems against Mini/Micro UAV Threats

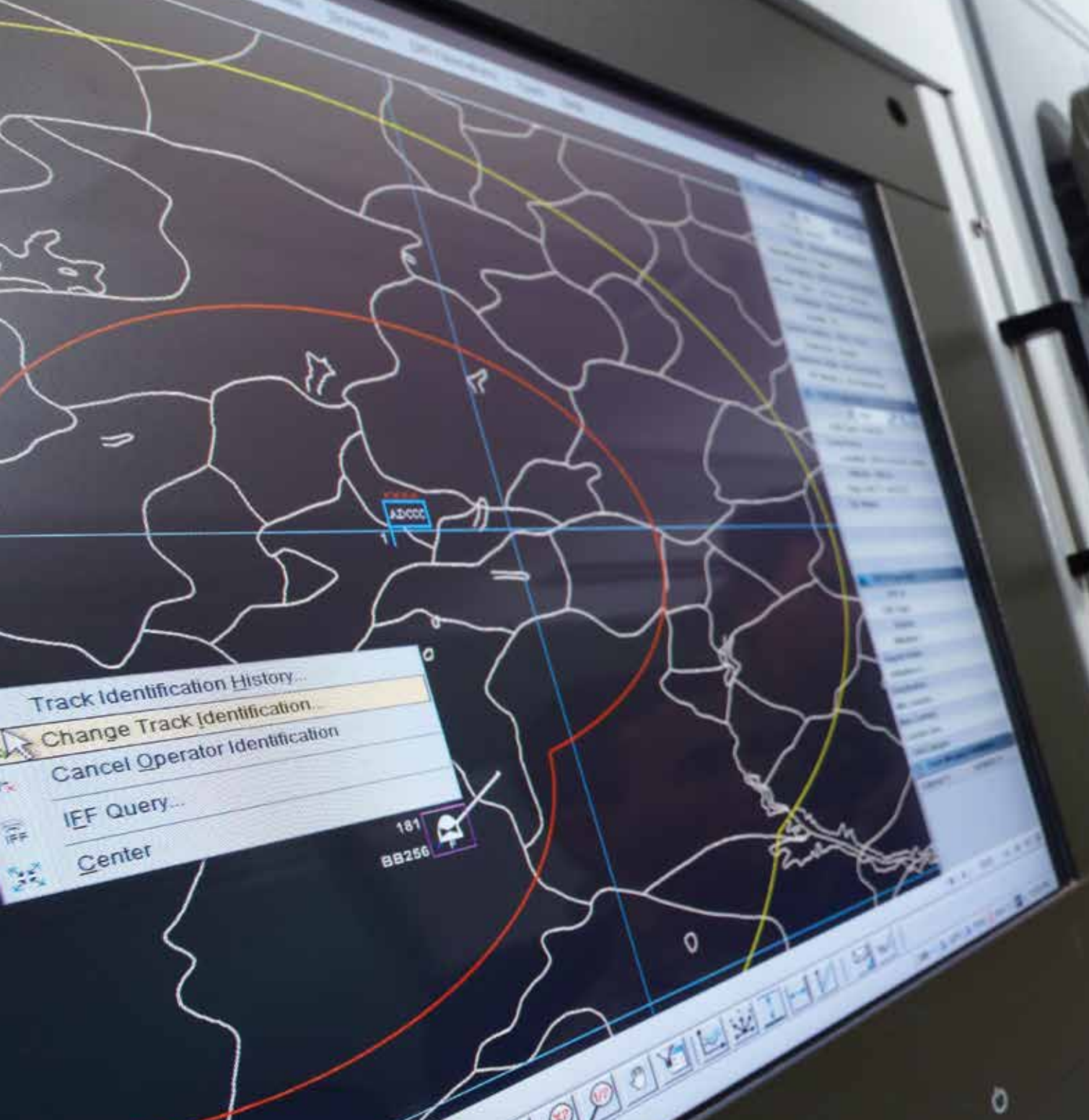
Mini UAVs have gradually become a big threat globally as their use in symmetric and asymmetric war has increased. Such UAVs can be used for reconnaissance, harassment or attack purposes. To prevent such threats, ASELSAN performs updates in current systems and development of new systems. ASELSAN generated a system solution for a critical plant and installation activities regarding the plant have continued. The system solution provided for critical plants is composed of radar, an electro-optic sub system, a jamming sub system (GERGEDAN) and a command control system.



aselsan

Track Operations

Current View



- Track Identification History...
- Change Track Identification...
- Cancel Operator Identification
- IFF Query...
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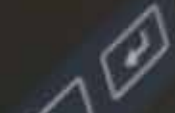
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## Defense Systems Technologies Business Sector

### LAND AND WEAPON SYSTEMS

ASELSAN conducts business development and project management activities locally as well as within international arena, regarding the development, production, modernization and after sale support of Land Systems as well as Land, Air and Naval Weapon Systems and Command Control Communication and Computer Systems (C4I).

Within this context, ASELSAN conducts project and business development activities regarding Weapon and Weapon Fire Control Systems and Command Control Communication and Computer Systems.

### COMMAND CONTROL COMMUNICATION AND COMPUTER SYSTEMS

With its wide product range, ASELSAN offers its users Fire Support, Reconnaissance, Surveillance and Intelligence, Integrated Battlefield Management, Electronic Warfare, Strategic Operational and Tactical Level Command Control Information Systems and Tactical Communication Systems.

#### Fire Support Command Control Systems

The Fire Support Automation System automates the command, control and communication functions of fire support in the combat zone and ensures that fire support units operate in tandem with other functional units in the combat zone.

ASELSAN completed the delivery of the systems within the scope of Fire Support Automation System Project (ADOP- 2000) in 2015. As part of ASELSAN's efforts to export Fire Support Systems to foreign markets, ASELSAN carried out various international demonstration and presentation activities in a number of countries.

#### Tank Command Control Communication Information System

BATUR Battle Management and Unit Tracking System is a command control system which provides common tactical picture, decision aids and functionalities to support the preparation, execution and after mission phases of operation for the contact units, multiplying the effectiveness of the maneuvers. BATUR enables the command control activities





All ASEL SAN systems that will support the users tactically as well as increase their effectiveness are being developed domestically.

to be carried in a computer aided environment ensuring that military personnel have access to required information in the shortest time possible.

Within the scope of the National Tank Project (ALTAY Project), Tank Command Control Communication and Information System qualification tests have been completed and the system's testing on the tanks has continued.

In order to ensure the integration of ALTAY Tank and all the aspects that it will work together under a common command control information system architecture, development activities has been conducted regarding the use of BATUR Battle Management System in all combat and support vehicles that are in or will be in the inventory of Turkish Land Forces.

#### **Soldier Command and Control System**

Soldier Command and Control System is an integrated command control and information system aimed at increasing the team's effectiveness, operational capability, situational awareness and integrated warfare ability. With the use of the system every personnel is capable of sharing their location and situation, emergency reports, digital images and military messages among the team organization. The system, which includes functionalities for use by infantry platoons/sections and the Special Forces, is designed for use in extreme weather and field conditions,

meeting the environmental conditions of the battlefield.

#### **Military Mission Computer Systems**

ASEL SAN develops and manufactures military mission computers, military handheld computers, monitors and keyboards and respective cards (including processors, interface, power management, video target detection and tracking cards), which can be used as an integrated part of land, air, naval and submarine system solutions and which are suitable for the challenging environmental conditions of the battlefield.

ASEL SAN manufactured a range of products such as the EuroCard-3U (conduction/air cooled), EuroCard-6U (conduction/air cooled), Hybrid (both EuroCard-3U and EuroCard-6U) (conduction/cooled) and HT-7244 and HT-7250 Military Handheld Computers. These family of mission computers and handheld computers have already been deployed in various system solutions, such as fire control, fire direction, command control, weapon control and data communication systems including the Tank, Howitzers, Mortars Fire Control Systems, Helicopter Electronic Warfare System (HEWS), Stabilized Machine Gun System (STAMP), Stabilized Naval Gun System (STOP), ALTAY and Fire Direction Handheld Computer. The Company started the mass production of the "Integrated Mission Computer" to meet the requirements of the Air Defense Systems.

The design activities for the Fire Control and Command Control Computer, the "HT-7245 4<sup>th</sup> generation Handheld Military Computer", the "MP-7262 Military Panel Computer" and 19 Military Empowered Monitors continued.

#### **Network Enabled Battlefield Command and Control Systems**

Activities continued regarding the integration of the following systems and components under a common command control architecture; systems that are in the Land Forces' Command inventory and that were developed by ASEL SAN; maneuver, intelligence, electronic warfare, fire support and air defense functional area command control information systems, tactical communication systems, command location components and mobile components assigned in the tactical area, the development of which continues.

Network Enabled Battlefield Command and Control Systems provide digital information sharing and duty execution at all levels being in line with the Land Forces' Command control architecture through secure military communication networks and computer networks. Network Enabled Battlefield Command and Control Systems provide this facility for all units starting from army level to Corps, Brigade, Battalion, Troop, Team and Sole Platform/ Soldier such that these systems form the basis of information sharing between forces.



## Defense Systems Technologies Business Sector

### Artillery, Howitzers, Mortars and Rocket Launcher Fire Direction Systems

Design, production and delivery activities were conducted for the Artillery, Howitzer, Mortar and Rocket Launcher Fire Direction Systems that automate the technical fire direction processes and enable the fire direction center and the weapon to perform fire missions fast and accurately.

### Air and Missile Defense Command Control Systems

Activities to roll out HERIKKS to all troops in the Land Forces Command and to bring new skills to HERIKKS have continued. The HERIKKS components are expected to move their current fast, secure and real time communication skills to higher levels with the transition to new communication infrastructure. Bringing Link-16 and JREAP Tactical Data Links in addition to current Tactical Data Links to HERIKKS will enable the system to work more smoothly with Air Forces' Systems. HERIKKS can manage command control of new generation air defense systems such as

KORKUT, AIC, HİSAR-A and HİSAR-O which have been under development and which are planned to enter the inventory in the next period. HERIKKS, which has proven itself by being utilized in the field for many years, is expected to require new software skills and decision support algorithms considering usage experiences and user needs. With the ongoing activities, HERIKKS will continue to fulfill the air defense duties expected from it in the best manner with the latest technology command control software/ hardware, communication infrastructures and integration skills.

ASELSAN continues its activities for ensuring effective air defense by using air defense systems that have duties in various layers and that differentiate themselves in the Integrated Air Defense network. ASELSAN can offer air defense solutions at all levels from command control system at the top level to weapon/sensor units on the field. The Company enables all air defense systems to work under a single roof. ASELSAN generates solutions by considering the air defense systems

of different forces and their common operation needs. The aim is to provide an integrated air defense solution which considers information sharing needs and the interoperability of Turkish Land Forces, Turkish Air Forces and Turkish Naval Forces.

### Combat Support Systems

ASELSAN conducted the mass production and delivery of systems such as the Reconnaissance-Surveillance System, the Ground Measure System and the Artillery Meteorology System. With regard to modern military platforms that are shaped in line with today's changing needs and increased asymmetric threats, ASELSAN carried out activities in situational awareness, augmented reality and vehicle tracking. ASELSAN presented its activities regarding the establishment of system architecture for ground platforms in technology panels. The Company drew up a road map for the coming period.



ASELSAN will manufacture SARP Remote Controlled Weapon Systems (UKSS) to meet the needs of the Kazakh Land Forces by using the opportunities offered by Kazakhstan's local industry, pursuant to the contract signed on 13 August 2015.

## WEAPON AND WEAPON FIRE CONTROL SYSTEMS

ASELSAN develops and manufactures weapon and weapon fire control systems in various types and calibers for land, air and naval battlefield. These weapon systems are also in service of international clients.

Within the scope of rocket and missile launching systems, for close protection purposes against land, air, underwater and surface threats, ASELSAN can integrate machine guns with a modular structure enabling the integration of various types of missiles and rockets.

### Remote Controlled Weapon Systems

With the contracts signed in 2015, the number of countries that prefer ASELSAN Remote Controlled Weapon Systems in their inventories has reached to 12. In scope of a patrol boat tender opened for the requirements of the Croatian Navy, a contract was signed comprising ASELSAN's 30mm MUHAFIZ Systems to be integrated on the patrol boats. With the recent contract signed, it will be the first delivery of ASELSAN Remote Controlled Weapon Systems to an EU country.

ASELSAN continued the production and delivery of STAMP (Stabilized Machine Gun System), STAMP-G (12.7 mm GAU- 19/A Gatling Gun mountable STAMP), STAMP-L (Lightweight STAMP System), STOP (25 mm Stabilized Naval Gun System) and MUHAFIZ (30 mm Stabilized Naval Gun System) Remote Controlled Weapon Systems in line with domestic and international orders.

ASELSAN continued the production and delivery of the 12.7 mm SARP Remote Controlled Weapon System to meet the needs of the Land Forces Command and Turkish National Police. The 12.7 mm SARP Remote Control Weapon system was developed for low and medium-caliber weapons to support the close defense for tactical vehicles and stationery facilities against land based and aerial threats. Delivery of SARP-NSV, a version of the SARP

System which can mount Russian based weapons, to Kazakhstan was carried out.

Prototype production of the Remote Controlled Weapon System (SARP-L) on which a 7.62mm machine gun can be integrated was carried out. Qualification tests regarding the system have continued.

ASELSAN conducted development activities for the SARP DUAL System in which two different weapons can be integrated and which enables users to choose weapons by remote control within the scope of operational needs.

ASELSAN continues its efforts for the development of the 12.7mm STAMP (STAMP-2) which is small, light and offers more technological features. STAMP-2 system supports the usage of both NATO and Russian based weapons at the same time, provides high stabilization sensitivity, automatic target tracking and improvement of fire hit performance, by which it is aimed to create a technological advantage in competition.

Development activities regarding 25mm, 30mm and other caliber open and closed tower Remote Controlled Weapon System have been carried out. Domestic and international business development activities were conducted.

### 155mm FIRTINA Self-Propelled Howitzer Fire Control System

FIRTINA Howitzer Fire Control System enables T-155 K/M FIRTINA Howitzer to realize its deployment, preparation for firing, fire control and management functions by computerized processes and allows digital integration with other fire support measures. The production and delivery of final batch of these systems have been realized.

ASELSAN carried out activities regarding the use of the Howitzer Fire Control System in modernization and development projects of other howitzers by adding new features.

### Light Towed Air Transportable Howitzer Fire Control System

Light Towed Air Transportable Howitzer Fire Control System has been developed by ASELSAN, within the scope of the BORAN Light Towed Air Transportable Howitzer Development Project, which has been conducted to fulfill the modern, light and air transportable artillery weapon as required by present combat conditions.

### Modernization of 155mm Towed Howitzer

Modernization activities have been carried out to improve and add new features to the 155mm Towed Panter Howitzer in order to increase its effectiveness in use. Moreover, ASELSAN carried out activities regarding the use of 155mm howitzers on heavy vehicles.

### Multiple Launch Rocket Weapon Management Systems

Multiple Rocket Launcher Weapon Management System manages the movement, deployment, fire preparation and fire control processes of the Multiple Launch Rocket Systems (CNRA).

ASELSAN continued design, production and delivery activities within the scope of contracts signed for the export sales of the Multiple Launch Rocket Weapon Management Systems.

### Mortar Fire Control Systems

With respect to various caliber mortar weapons, ASELSAN conducted development activities to determine the location and direction of the weapon, in line with the calculated fire principles and developing systems that provide functions such as directing barrels and bullet load.

### Altay Tank Fire Control and Electronic Systems

Within the scope of the ALTAY Project, which ASELSAN is involved in as the main supplier of Electronics, Electro-Mechanical and Electro-Optical systems, the Company delivered the Tank Fire Control System, the Electrical Gun Turret Drive System, the Remote Weapon Station Tank Command Control Communication

## Defense Systems Technologies Business Sector

and Information System, the Tank Laser Warning System, the Tank Driver's Sight System, the Remote Controlled Weapon System and the Battlefield Identification and Introduction. These systems were delivered and their integration into the tanks was completed. Qualification and testing activities have continued.

ASELSAN conducted activities regarding the use of the Tank Fire Control System in modernization and development projects of other tanks with the addition of new features.

### Modernization of Main Battle Tanks

ASELSAN has created new solutions for the development, integration and modernization of tank electronic systems with projects that the Company has conducted in the areas of tank and weapon systems, supported by its expertise. The Company establishes solution partnerships.

Solutions developed for various tanks are offered to international markets. ASELSAN conducted the business development, promotion and presentation activities regarding tank modernization within the scope of electronic and electro-mechanic solutions that the Company generated regarding the T-72 Tank, the prototype modernization of which was developed with KAE which is ASELSAN's subsidiary in Kazakhstan, and the M60, Leopard-1 and Leopard-2 tanks within the framework of international agreements.

### Tower/Turret Propulsion Systems

Design and development activities of direction systems needed in Ammunition Feeding and Storage and similar areas in Weapon Systems (such as tank, howitzer, artillery, mortar, multi barrel rocket, rocket and missile launcher and machine guns), Reconnaissance Surveillance Systems, Unmanned Systems, Sensitive and Fast Direction and Launch Systems,

Electro-optical Radar and Antenna Direction Systems were carried out. In addition to these activities, ASELSAN also conducted design, manufacturing and test activities of motor driver, move control algorithms, actuators, motors, slip ring and various sensors that these systems need. ASELSAN has continued activities for domestic sales and exports of the tower/turret system solution that were developed for various systems. ASELSAN maintains its activities in this area in line with the contracts signed.

### High Accuracy Stabilized Gimbal

ASELSAN conducted design, development, manufacturing and test activities of High Accuracy Stabilized Gimbal that are needed in many different areas such as Reconnaissance/Surveillance Systems, Target Detection and Tracking Systems, Directors that have High Stabilization and Pointing Sensitivity used in ground and naval platforms.





ASELSAN continued activities for domestic sales and exports of High Accuracy Stabilized Gimbal that are developed for various systems. ASELSAN continued activities regarding contracts signed for the needs of Turkey, Croatia and Saudi Arabia.

#### **Anti-Submarine Warfare (DSH) System**

Anti-Submarine Warfare (DSH) System is a rocket launcher system which provides deterrence against enemies' submarines in order to protect critical bases and ports in operation areas. The system was developed as part of National DSH Rocket and Launcher System Project which was conducted by Research and Development Department of Turkish Ministry of Defense to meet the needs of the Turkish Naval Forces. The project was completed in February 2012. Within the scope of the project, four DSH Systems were integrated into the New Type Patrol Boats (YTKB).

Tests that are required by the Turkish Naval Forces regarding DSH Rocket were successfully conducted in 2015. The production and construction activities of 12 DSH Systems were completed. The Mass Production Project contract which covers their integration to 12 of the New Type Patrol Boats is expected to be signed in the coming period.

As part of the business development activities for the system, 10 DSH Systems and 300 DSH Rockets were exported to the Turkmenistan Armed Forces in May 2012. Systems were integrated into the SERHET Vessel Class Boats (SGSB) and their live fire tests were conducted successfully. The warranty period started for all systems.

#### **MILAS (LMM. Missile Launching System)**

Two different configurations of the system with 4/8 missile launching capability have been developed jointly with company THALES mainly considering export opportunities to third countries. Intensive marketing activities are ongoing with special emphasis on the Gulf Region.

#### **KORNET Launching System**

ASELSAN continued technical and administrative activities regarding the launching platforms on which KORNET missile is integrated. Within this scope, an offer was submitted to the SSM for the Weapon Carrier Vehicle Project and the Undersecretariat for Defense Industries evaluation activities still continue. Middle East countries have expressed an interest in the system. Besides, export activities have continued.

#### **Ammunition Transfer Systems**

ASELSAN continued manufacturing and delivery activities of Ammunition Transfer Systems that are used in the POYRAZ Ammunition Resupply Vehicle. The main mission of the Ammunition Transfer System, which was integrated into the POYRAZ Ammunition Resupply Vehicle, is to load ammunition from the ammunition supply point to the POYRAZ Ammunition Vehicle quickly and easily, and then to transfer the ammunition automatically to the FIRTINA Howitzers which are located in the combat zone. The POYRAZ Ammunition Vehicle may operate in accordance with voice or digital orders received from the upper command post. With the aid of the vehicle's Global Positioning System (GPS), it may change its position and move quickly and information concerning the Ammunition Transfer System's locations, friend and foe troops, known points and command locations may be displayed on the digital map.

#### **Automatic Feeding Mechanisms for Beltless Ammunition (OŞMBM)**

Within the scope of the KORKUT Self-Propelled Low Altitude Air Defense Gun Systems Project, ASELSAN developed Automatic Strapless Ammunition Feed Mechanism (OŞMBM) which enables the loading of two different types of ammunition to the weapon tower at the same time and the use any of ammunition whenever desired. Automatic Feeding Mechanisms for Beltless Ammunition subsystem allows two 35mm weapons to be loaded at the same time with high reliability. The subsystem was tested

in the laboratory and in difficult field conditions with fire and non-fire tests. The subsystems demonstrated a high level of performance in all tests. Automatic Feeding Mechanisms for Beltless Ammunition subsystem is world's first system that offers a choice of ammunition in feeding mechanisms. This feature contributes to the cost effective operation of air defense systems.

## **R&D AND TECHNOLOGY**

- TORK: Hard-Kill Torpedo Counter Measure Activities
- National ECDIS/WECDIS and Digital Track Desk Development Activity
- Electromagnetic Launching System
- Underwater communication network (ad-hoc)
- Directed Energy Systems
- Energy Harvest Technologies
- Single Crystal Piezoelectric Based Acoustic Transducer/Hydrophone Development
- Slip Ring Technologies
- Wearable Technologies
- Material Technologies
- New Generation Motion Control Technologies and High Accuracy Stabilized Gimbal Subsystems
- High Performance and Security/ Mission Critical Computer Systems
- Video Target Tracking Technologies
- Smart Ammunition Technologies
- Ballistic Missile Defense System Technologies





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# MICROELECTRONICS, GUIDANCE AND ELECTRO- OPTICS BUSINESS SECTOR

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## Microelectronics, Guidance and Electro-Optics Business Sector



**ASELSAN continues manufacturing and R&D activities to satisfy electronic needs of the Turkish Army.**

### AVIONIC SYSTEMS

ASELSAN continued manufacturing and delivery activities regarding the Gendarmerie Helicopter Modernization, ATAK, ANKA, EO/IR and SAR GMTI Reconnaissance Systems, ATAKSIM, ARI and Sea Hawk-II Programs as main avionic integrator. Avionic system development and integration activities have been continued for Turkish Utility Helicopter, Turkish Light Utility Helicopter and HÜRKUŞ-B New Generation Basic Trainer Aircraft Programs.

#### Helicopter Programs

ASELSAN is responsible for the development of hardware and software of Avionic Central Control Computer (ACCC), and the integration of all avionic and weapon systems managed by ACCC for T-129 ATAK Helicopter Program. Besides, serial production, delivery of avionic systems and logistics support activities has been carried out.

Within the scope of T-129 ATAK Helicopter Program, deliveries of indigenously developed and manufactured avionics systems,

primarily Avionic Central Control Computer, E/O targeting system, cockpit display and control systems, navigation, communication, electronic warfare and self-protection, mission and weapon management systems for nine (9) EDH Helicopters and twenty-nine (29) ATAK Phase-1 Helicopters were completed.

Nine (9) EDH and first ATAK Phase-1 Helicopters have been delivered to Turkish Land Forces. The acceptance test and qualification activities are still ongoing for twenty-eight (28) ATAK Phase-1 Helicopters. Within this context, ASELSAN provides Technical and Integrated Logistic Support services to TUSAŞ.

The design and integration of Helmet Integrated Cueing System (AVCI), specifically developed for T-129 ATAK Helicopter, are accomplished. AVCI is the world's first helmet system with hybrid (optic-inertial) head tracker integrated on a specific helicopter platform. With high performance tracking capability, AVCI can automatically be aligned with E/O targeting and weapon systems to the pilot's line of sight. The serial production and kit deliveries of AVCI has been continued.



## Microelectronics, Guidance and Electro-Optics Business Sector



Deliveries of avionic systems as part of the T-129 ATAK Helicopter Simulator (ATAKSIM) Program for HAVELSAN are accomplished.

To the scope of the contract signed with Sikorsky for Turkish Utility Helicopter Program (TUHP), ASELSAN will execute the development, production and integration of primary avionic systems including mission, navigation, communication and electronic warfare systems. After integration of ASELSAN indigenously developed IMAS (Integrated Modular Avionics System) System, S-70i helicopter will be renamed as T-70. Within the context of the program, development activities are still ongoing, and Turkish and US Government approvals are needed to activate the TUHP.

Within the scope of the Avionic Modernization of Gendarmerie Helicopter Program, ASELSAN is responsible for the avionic modernization of Sikorsky S-70, AB-205 and Mi-17 Helicopters currently existing in inventory of Turkish Gendarmerie. Integration activities

for Mi-17 and AB-205 helicopters are completed and activities for S-70 helicopters are still running.

ASELSAN has signed an export contract with TUSAŞ for the modernization of fourteen (14) AH-1E Cobra Helicopters. This contract has been a leading milestone in achieving progress in development and integration capabilities for ASELSAN export potential. Within the scope of the contract, existing electronics systems of the helicopter including mission computer, cockpit display systems, E/O targeting system, weapon systems and navigation systems will be retrofitted by ASELSAN advanced avionics systems. Spare parts and ground support equipments will also be supplied.

As part of the Light Utility Helicopter Program, executed by SSM, ASELSAN will develop civil certified cockpit avionics, automatic flight control computer, health and usage monitoring computer, mission and flight management software. Besides development activities of the program, currently existing ASELSAN avionic systems will be integrated to the helicopter as well.

Within the scope of the Sea Hawk-II Program, ASELSAN provides avionic systems for S-70B helicopters for Turkish Naval Forces. Inertial navigation and E/O targeting systems are delivered.

### Aircraft Programs

Within the context of Turkish Airborne Reconnaissance Program (TARP), site acceptance of four (4) EO/IR Reconnaissance Pods and two (2) Ground Image Exploitation Systems with Ground Data Link Terminals were successfully completed. Site acceptance of the last Transportable Ground Image Exploitation System is ongoing. In addition, operations and maintenance equipment are also delivered to Turkish Air Forces.

As part of the ANKA Program, Flight Control Computer, Mission Computer and Electro-Optical Reconnaissance, Surveillance and Targeting System (CATS), Inertial Navigation System are indigenously developed and integrated by ASELSAN. The deliveries of systems are completed in compliant with the delivery schedules.





**ASELSAN Inertial Navigation Systems** provide precise position and alignment data for land, airborne and naval platforms.

Under the scope of the New Generation Basic Trainer Aircraft (HÜRKUŞ-B), avionics equipments used on platform will be integrated to ASELSAN developed mission computer and cockpit displays. Mission/Flight Management Software and Digital Map Software are also developed by ASELSAN. Product development and integration activities are still ongoing.

As a part of the T-38 Trainer Aircraft Avionic Modernization (ARI) Program, deliveries of multi function displays are completed and deliveries of Central Control Computer are ongoing. Regarding C-130 Modernization and MELTEM-III Programs, deliveries of inertial navigation systems and multi function displays are completed.

As part of the JSF Program, ASELSAN continued its activities with prime contractor companies Lockheed Martin, regarding the manufacturing of optics of E/O targeting system and Northrop Grumman on manufacturing of sub-assemblies of integrated communication systems.

### Navigation Systems

The navigation necessity of Turkish Armed Forces has been supplied by integration of ANS-510 and ANS-310 indigenous ASELSAN navigation systems to various land, naval and airborne platforms through different programs since 2010. Under formerly awarded Co-Production License Agreements with Northrop Grumman, shipments of LN Series (LN-100, LN-260 and LN-270) navigation systems has been continuing.

The deliveries of LN-260 units for C-130 Modernization (ERCİYES) Program are still ongoing.

The deliveries of ANS-510K for Forward Observer Vehicle (ADESTİM), Survey Post (YİTP) and Mobile Counter Mortar Radar (CMR) Programs are accomplished. Shipments of LN-270 Inertial Navigation System for KASIRGA Program and ANS-510D for Inertial Navigation System for Logistic Support Ship Program are completed.

### ELECTRO-OPTIC SYSTEMS

The Electro-Optic Group, which is under the ASELSAN MGEO Business Sector manufactures land, air, naval and space platform applications of thermal vision systems, day vision systems, night vision devices with image enhancers, laser systems, electro-optic countermeasure systems and multisensory electro-optic systems.

### TARGETING SYSTEMS

Within the scope of the ASELPOD Development and Integration Project, flight tests (six of which were for engineering purposes and nine of which were for functional/performance purposes) were conducted on F16 PO-III aircraft. Functional/performance based flight tests are still continuing. Acceptance activities will start following these tests. In parallel with this, qualification tests on the engineering prototype have continued. Qualification tests and all acceptance activities are expected to be completed in the first half of 2016.

## Microelectronics, Guidance and Electro-Optics Business Sector

As part of the Laser Warning Receiver System (LIAS), ASELSAN completed four sets of deliveries in 2015. Within the scope of these deliveries, 62 sets of LIAS were delivered to customers. In addition, deliveries of the First Product Inspection, HEHDM 1<sup>st</sup> Part, 1<sup>st</sup> Qualification and Integration Sampling Tests were conducted.

Within the scope of the ATAK Project, ASELSAN completed the delivery of six ASEFLIR-300T Systems between January and June 2015. In June 2015, the Company signed the Modernization of the Bahrain Kobra Helicopter with the TAI. As part of this project, 14 ASEFLIR-300T Systems were delivered and one ASEFLIR-300T Mockup was produced and delivered.

The progress situation of design activities for the CATS System was successfully demonstrated to participants of the Turkish Air Forces, the SSM and TUSAS during 2015. Examination and acceptance tests regarding the CATS unit that will be delivered within the scope of ANKA-S Project Useful Load Sub Contract were initiated on December 4<sup>th</sup>, 2015. It was evaluated that the acceptance process of this system would be completed by January 2016. Mass production activities will gain pace within 2016. Deliveries of systems that are the output of mass production are targeted to be carried out.

**ASELSAN Electro-Optic Systems are proud to be the eyes of the Turkish Army which can see at night.**

### NAVAL SYSTEMS

The production of one prototype Sensor Unit was completed for the PIRI Infrared Search and Tracking System (PIRI KATS). A 120 degree panoramic image was received in the 3-5 $\mu$ m and 8-12 $\mu$ m bandwidths. Design activities of the PIRI KATS, which is the first national IRST system, continue as part of the development project. PIRI KATS is one of the products that will be delivered as part of LHD (Multi-Purpose Landing Helicopter Dock).

Within the scope of bringing electro-optical skills to the Barbaros Class Frigate that are in the inventory of the Turkish Naval Forces, delivery of the equipment to the Turkish Naval Forces and final acceptance of the first two vessels was completed.

Regarding the Electro-Optical Director (EOD) System in Naval Platforms, projects for the development of the DENIZGOZU-AHTAPOT System and DENIZGOZU-KIRLANGIC were initiated during 2015. Design activities for these projects continued within the year. The DENIZGOZU-AHTAPOT System is one of the products that will be delivered as part of LHG (Multi-Purpose Amphibious Attack Boat) Project.

ASELSAN conducted the delivery of the Cayro System and IR/LLTV System within the scope of MOSHIP-KURYED Vessels. Activities regarding the

activation of systems on the vessels still continue. The MOSHIP vessel Cayro System Port Acceptance Test was completed.

Design and equipment supply activities for the Electro-Optical subsystem regarding the need of Coast Guard Command continued within the scope of the Coast Surveillance Radar System (SGRS) project. Delivery of Electro-Optical Systems is planned to be conducted in 2016.

As part of Submarine Periscope Thermal Camera Project, two system deliveries were carried out to German Airbus DS.

### RECONNAISSANCE SYSTEMS

System Qualification Tests continue regarding the PV1 Prototype Tank within the scope of the Altay Project Period I Turkish Main Battle Tank Electronic, Electro-Optic Systems Procurement Sub contract. The PV1 Tank was sent to Sarıkamış as part of SKT activities. Subsystem qualification tests were completed regarding the PV2 tank at the end of November 2015 and were delivered to OTOKAR. ASELSAN has been working on necessary changes to the PV2 tank as well as additional requirements. The tower of the FTR Prototype Tank was detached from its body and directed to ASELSAN to correct incompatibilities







observed in the PV2 system. Activities for the PV1 and PV2 tanks have continued.

ASELSAN signed the ATS-30 Thermal Sight Component contract with OTOKAR on March 16<sup>th</sup>, 2015 regarding the thermal imaging component of the remote controlled weapon system in KOBRA vehicles that are needed by the Gendarmerie General Command. The contract includes 70 units, and sales reached 174 units with extensions to the contract.

Within the scope of the NATO Security System Project which increases plant control of the Incirlik Air Base that services NATO Forces and which enhance situational awareness, ASELSAN successfully conducted deliveries of ASIR Thermal Cameras, GUNGOR Day Vision Cameras, SONEC IP Based Thermal and Day Vision Cameras.

ASELSAN signed the On-vehicle Reconnaissance Surveillance System Project such that it can be integrated with the KIRPI Armored Personnel Carrier which is protected against mines, which was exported by BMC to Tunisia. Deliveries as part of the project are expected to be conducted in 2016.



ASELSAN signed six contracts with Kazakhstan, Belarus and Ukraine which include the delivery of 31 cameras during 2015 as part of the PERI EYE Thermal imaging product group sales. Four of these cameras were delivered in 2015. Business development activities were regularly carried out in these regions within the scope of various projects for the PERI EYE product family. ASELSAN delivered the Sahingozy-OD System which is installed on ten Tripod-Pan & Tilts which have motion detection, which will meet the Gendarmerie General Command's needs within the scope of Sahingozy Electro-Optic System Development Project.

As part of the KORKUT-AIC Project, two Laser Distance Measure units were delivered to the Defence Systems Technologies Business Sector. With this, the delivery of four sets of Air Electro-Optic Systems which are comprised of a Thermal Camera, a Day Camera and a Laser Measurement Unit were completed.

Two Thermal Cameras and one Day Camera were delivered to the Defence Systems Technologies Business Sector as part of the HISAR-A Project.

Within the scope of the project to acquire 26 ENGEREK-GOZ Seespot

devices with the option for five additional purchases, approval which was signed with the MSB in 2012 to meet the needs of the Turkish Land Forces, ASELSAN delivered 31 ENGEREK Devices and Accessories and 31 Eye Seespot Thermal Camera and Accessories.

ASELSAN conducted the delivery of 10 Eye Seespot Thermal Cameras and Accessories to meet the needs of the Special Forces Command in 2015.

Within the scope of project to acquire 12 Laser Target Pointing Systems to meet the needs of the Special Forces Command, ASELSAN completed the delivery of Engerek Laser Target Pointing Devices and Accessories. The Company delivered three Eye Seespot Thermal Cameras and Accessories in 2015. Production of the nine remaining Eye Seespot Thermal Cameras continues.

Within the scope of the project to acquire 10 sets of ENGEREK- GOZ Seespots, the procurement which was signed with STSM A.S. in 2013 to meet the needs of the Turkish Air Forces, the delivery was extended to 21 sets with the change in the contract for the need of Special Forces Command in 2014. Accordingly, 21 Engerek Devices and Accessories and 6 Eye Seespot Thermal Camera and Accessories were delivered. Production continues for the remaining deliveries.

The purchase approval for four additional units was received as part of the order for 20 Laser Target Accessories Systems to meet the needs of the Turkish Land Forces. A total of 24 ENGEREK Laser Target Pointing Devices and Accessories were delivered. Production activities started for Eye Seespot Thermal Camera and Accessories.

The order was extended within the scope of the project to acquire 95 pairs of Thermal Handheld Binoculars and 91 Thermal Cameras which was signed with STM in 2014 to meet the needs of the Turkish Air Forces. A total of 115 pairs of thermal handheld binoculars were delivered. Production activities started for the delivery of 119 Thermal Cameras.

## Microelectronics, Guidance and Electro-Optics Business Sector

ASELSAN completed the delivery of 9 Goz-M Thermal Camera Systems as part of the contract signed with HAVELSAN A.S in 2015 to meet the needs of the Turkish Air Forces. The Company also completed the delivery of 8 GOZ-I Thermal Camera Systems that were to meet the needs of the Saudi Arabian Air Forces.

### MOBILE TACTICAL SYSTEMS

ASELSAN completed the critical design phase of the Mobile Uncooled Thermal Handheld Binocular project. The Device qualification is expected to be completed in July 2016.

ASELSAN delivered 280 sights, goggles and pairs of binoculars as part of the night vision product range to the Turkish Armed Forces. The Company signed a contract with STM regarding the procurement of 55 Pilot Night Vision goggles that are needed by the Gendarmerie General Command. Deliveries will be completed in 2016. ASELSAN continued negotiations regarding the various night vision systems needs, 10,000 of which belong to Turkish Land Forces and 300 of which belong to Gendarmerie General Command.

Within the scope of the Vanguard Thermal Binocular project, the delivery of 115 devices was conducted as domestic sales. Negotiations continue as part of Turkish Naval Forces' need of 300 units.

ASELSAN delivered more than 800 units of Mini Thermal Weapon Binocular, New Generation Thermal Weapon Binocular, to Turkish Armed Forces. Besides, the Company signed contract with Gendarmerie General Command in December 2015 for 200 Thermal Weapon Binoculars as part of their need. ASELSAN completed development activities of Wireless Eye Vizör which enable fire opportunity behind cover and which was developed for being utilized with Mini Thermal Binoculars. The Company delivered 470 devices as part of Gendarmerie General Command's needs.



150 Keskingoz E/O Sensor Units were delivered Turkish Armed Forces. Within the scope of Night Vision-Thermal Fusion (Van Cat) Project, optic, mechanic, electronic and hardware activities came to completion phase. As part of the project, 4 different device configurations, Handheld Binocular, Binocular installed on Helmet, Sight and Clip on, are evaluated. Design is planned to be completed in the first quarter of 2016 and prototype is planned in the middle of 2016. Device delivery on the hand is planned to be made toward the year-end.

In addition to these, ASELSAN conducted design activities regarding establishing optic sight family in 2015. Accordingly, ASELSAN designed 4x, 6x, 1x-4x, 1,5x-6x, Reflex Sight, 3-12x Sniper Binoculars. The Company conducted design activities for the products to meet the needs of the Turkish Armed Forces.

As part of its export targets, ASELSAN delivered 62 units of the KESKINGOZ, 140 Units of the Thermal Handheld Binoculars within the scope of the Electro-Optic Systems contract signed with the Tunisia Ministry of Defense in 2014, for an amount of USD 7 million.

### JORDAN - AME Factory

The following activities were conducted in the AME factory in Jordan between January and December 2015:

- 1033 units of A340 monobloc (A341) devices were dispatched as SKD Kit and 398 units of A360 monoblock (A361) devices were dispatched as SKD Kit.
- Delivery of 56 units of the SAGER was carried out.
- ST/STE and GPE deliveries were conducted as part of Technology Transfer.

### KAZAKHSTAN – KAE FACTORY

The following activities were conducted in the KAE factory in Kazakhstan between January and December 2015:

- 1050 units of A230 devices were dispatched as CKD kit, with 4297 units of A100 devices; 915 CBU's, 2432 SKD Kits and 950 CKD kits. 1550 units of A340 devices were dispatched as CKD, and 500 units of A360 devices were dispatched as CKD.
- The delivery of two Perieye devices was carried out.
- ST/STE and GPE deliveries were carried out as part of Phase I, II and III.

## GUIDANCE SYSTEMS PROGRAMS

### Missile Guidance and Seeker Systems Projects

Within the scope of Infrared Seeker development activities for Long and Medium Range Antitank Missiles (UMTAS/OMTAS), ASELSAN successfully completed the confirmation, product and production line phases. Seekers demonstrated an excellent performance against fixed and mobile targets in guided fire from helicopter or ground tests. Successful firing tests were accomplished from F-16 platform and LGK F-16 platform certification was completed.

Within the scope of Infrared Seeker design and development activities for Low/Medium Altitude Air Defense Systems (HISAR A/O), ASELSAN continued its efforts as part of Sub

System Development and Test Phases. Functional seeker prototypes were delivered.

### Guidance Kits Projects

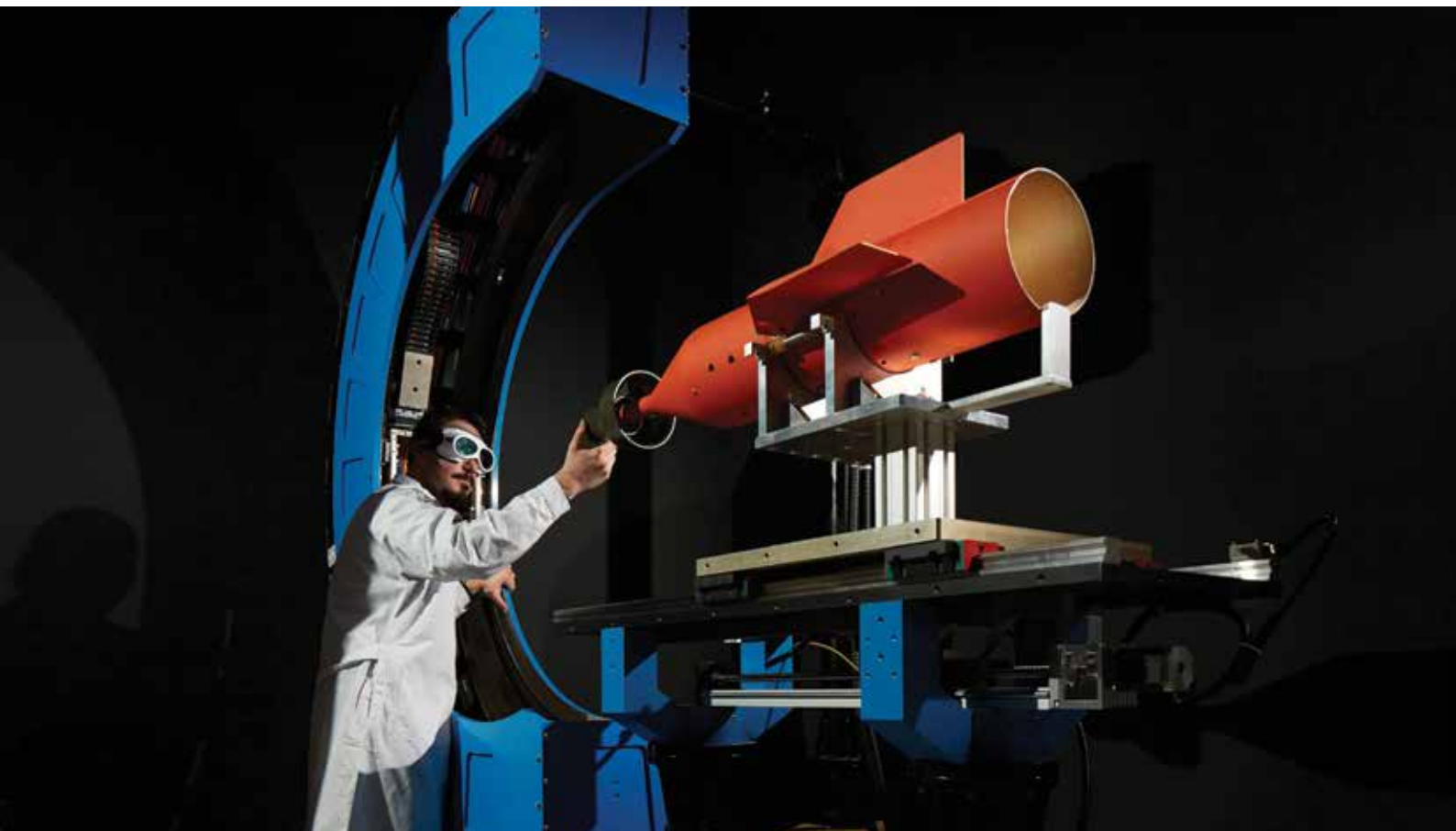
As part of its work for the Development of Guidance Kits, ASELSAN completed design of national Laser Guidance Kits (LGK), which will be mounted on MK-82 (500 lb) and MK-84 (2,000 lb) bombs. Mass production infrastructure was established for LGK and first productions were conducted. Successful firing tests were accomplished from F-16 platform and LGK F-16 platform certification was completed.

ASELSAN conducted mass production activities for Precision Guidance Kits (HGK) which are installed to the Mk-84 (2,000 lb) general purpose bombs and designed by TÜBİTAK SAGE MK-84 (2,000 lb) and delivered HGK-1 kits to Turkish Air Forces. Mass production of HGK-2 kits have continued.

## UNMANNED SYSTEMS PROGRAMS

### Unmanned Maritime Vehicles Projects

ASELSAN continued design and concept development efforts for surface/underwater platforms. In Deniz Kurdu 2015 drill, mobile vessel which was made unmanned by ASELSAN conducted guided fire for the first time in Turkey. Unmanned Surface Vehicles - that can be integrated to vessel platforms to be used in drills by Turkish Naval Forces- and target pulling activities were carried out.









## Microelectronics, Guidance and Electro-Optics Business Sector



### Unmanned Ground Vehicles Projects

Bomb Disposal Robot Project was signed with SSM on October 19<sup>th</sup>, 2015 for meeting the need of Turkish National Police. 100 units of Bomb Disposal Robot and 16 units of Light Armored Vehicle will be provided within the scope of the Project. 5 Light Armored Vehicles were delivered in December 2015. ASELSAN continued development and production efforts in KAPLAN Unmanned Ground Vehicle family which can fulfill multipurpose duty in mobile class in the vehicle.

In this context the Company:

- Conducted demonstration activities for IED detection systems composed of GPR (Ground Penetrating Radar) and metal detector whose integration to the KAPLAN Unmanned Ground Vehicle was completed.
- Conducted the sale of 2 Kaplan Bomb Disposal Robots to Turkish National Police and the sale of Bomb Disposal Equipment set which includes Kaplan Bomb Disposal Robot to Azerbaijan.
- Continued to effectively participate in NATO activities to standardize co-working of unmanned vehicles.

ASELSAN started its efforts for Automatic Tractor Steering and Control System R&D Project with the Ministry of Food, Agriculture and Livestock General Directorate of Agricultural Research and Policies. Development of national automatic steering systems that can be utilized in sensitive agriculture was aimed with the Project.

### Unmanned Aerial System Projects

ASELSAN continued development efforts for the ARI-1T Rotary Wing Unmanned Aerial System. Integration of the ARI-1T, Turkey's first aircraft to take off from or land on moving ships, into vessel platforms was enabled. Automatic tracking of mobile target pulled by the ASELSAN LEVENT Unmanned Surface Vehicle was enabled for the first time in Turkey. This provided the capability to conduct common operation with unmanned air and maritime vehicles.

ASELSAN continued work on the development of the Fixed Wing Mini Drone Unmanned Aerial System by adding autonomous flight capabilities to the system.

ASELSAN continued work on the development of the Multi Rotor Unmanned Aerial System.

ASELSAN continued its development activities for the KARAGOZ Ballooned Surveillance System family which can operate at various altitudes and which can carry various useful loads. The prototype of the KARAGOZ Ballooned Surveillance System - which operate at altitudes of up to 500m, is mobile and will have a useful electro-optic load - was developed and underwent field tests.

ASELSAN started Sensitive Agriculture Applications Based on Image Processing with Unmanned Aerial Vehicle project with the Ministry of Food, Agriculture and Livestock General Directorate of Agricultural Research and Policies. Within this context, activities for integration of the multispectral camera to unmanned aerial vehicles were carried out.



ASELSAN's intensive activities in the area of microelectronics in line with technology acquisition targets have produced concrete results.



## MICROELECTRONICS

ASELSAN continued product based activities in the area of microelectronics having a sustainable and competitive technology basis in the Company's equipment and systems.

### Microelectronic Fields of Activity

ASELSAN continued design and manufacturing activities regarding following systems and products that are in the Company's product and system solutions: Cooled and Uncooled Infrared Photon Detectors, Uncooled Infrared Thermal Detectors (Microbolometers), Inertial Navigation Sensors, Near Infrared (NIR) and Ultraviolet Image Enhancer Tubes, Sensors based on Micro Electro Mechanic System (MEMS).

### Cooled Infrared Photon Detectors

ASELSAN conducted mass production of Quantum Well Infrared Photodetectors that have 640 x 512 format; 20 $\mu$ m pixel size to be used in thermal cameras working in Long Wavelength (LWIR). As such, first party production activities of national cameras which include domestic detectors, primarily for use on border physical security, got underway.

ASELSAN maintains its efforts to gain skills (substrate development, MCT material enlargement, process processes, design and integration of reading circuit, packaging) that are necessary for the development of detectors that have Mercury Cadmium Tellur (MCT) detector layer. As a concrete phase of these activities, first successful images were received in 2015 from sensor that are developed by enlarging MCT detector layer.

### Uncooled Infrared Photon Detectors

Development activities of short wave infrared (SWIR) uncooled infrared photon detectors, which have high performance in inclement conditions such as fog, smoke and mist have continued. The first successful images were received with SWIR sensors in 2015 and product based activities got underway.

### Uncooled Infrared Thermal Detectors (Microbolometer)

ASELSAN successfully continued its product based development efforts for the Microbolometer Type Uncooled Infrared Detectors that are used in Thermal Weapon Binoculars, Armored Vehicle Thermal Sight Systems and Missile Seeker Systems.

Within this scope, ASELSAN conducted activities regarding development, system level integration and qualification of 384 x 288, 25 $\mu$ m imaging that was taken in the laboratory in 2015, and 640 x 480 17 $\mu$ m detectors, whose pixel levels are completed.

## Microelectronics, Guidance and Electro-Optics Business Sector

ASELSAN brings advanced capabilities to its customers with its micro-electronic systems, a culmination of the Company's activities conducted in the design and production of the laser distance meter, laser pointer, laser warning systems, day vision cameras and image enhancing night vision devices.

### ENGINEERING GROUP DEPARTMENT

Within the scope of the SANTEZ and TUBITAK projects, the following activities were conducted in the Microelectronics, Guidance and Electro-Optic (MGEO) sector:

- Pre-design of a two color SWIR sensor and optical structure of QWIP pixel
- Development of high performance 17 um pitch uncooled infrared detector
- Development of digital CMOS read-out circuit with high charge capacity and low quantization noise for 640x512 LWIR sensor arrays
- Development of digital read-out circuit for cooled HgCdTe mid-wave infrared detectors
- Development of flexible displays based on organic light emitting diode (OLED) with conjugated electron donor-acceptor polymers
- Development of electrochemical processes for production of cooled infrared detector dewar structure
- Development of low power read-out circuit with digital TDI for 720x8 MCT long wave infrared detector which is used in scanning thermal cameras
- Development of high SNR read-out circuit for high dynamic range infrared detectors
- Lithium-Air battery technology development project
- Development of long wave infrared quantum cascade laser
- Development and prototype production of quantum cascade laser

- Design of wide screened Stereoscopic Avionic Digital Cockpit Display,
- Development of electro-magnetic interference shielding germanium
- Development of High Power Laser systems,
- Development of Joule-Thomson Cryocooler

#### Laser Technologies

Military solid state lasers are among the core competencies of ASELSAN. We supply a range of laser designators and laser range-finders for air, land and naval platforms based on flashlamp and diode pumped technologies, both in the eye-safe and non-eye safe bands.

We also develop laser sources for E/O counter measure systems, LIDAR and active target tracking systems. Some of these lasers utilize fiber technology.

#### Control Systems

ASELSAN has been working on system control activities (stabilization, vision line directing etc.) using classical and robust control methods for many years. The Company offers solutions which meet World standards for the system control design and optimum controller design.

#### Guidance and Auto-pilot Systems

ASELSAN carries out guidance, autopilot and control system design, development and modification studies for various types of air vehicles (projectiles, bombs, missiles, unmanned air vehicles, etc.) by pursuing detailed analysis on certain topics as aerodynamic flow, thermal

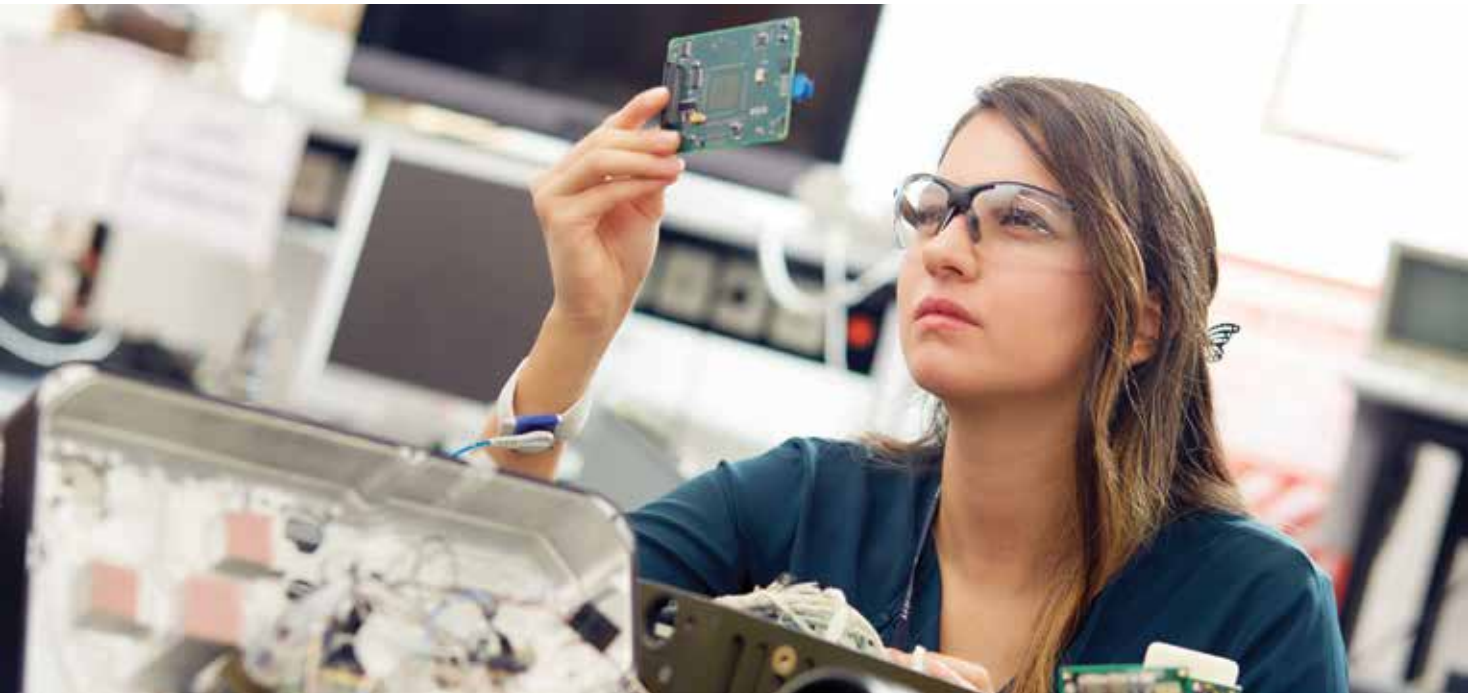
and structural dynamics, release and/or launch dynamics and confirmation with wind tunnel tests when necessary. These detailed analysis activities lead to the generation of Flight Simulation Models including the air vehicle system and its prime sub-systems. The mentioned models also include the avionic sensor systems, that the designed guidance and control algorithms are tested within the software and hardware in the loop tests with high fidelity. Regarding various flight and mission requirements of air vehicles, ASELSAN designs different guidance and autopilot algorithms that will successfully perform in real time test scenarios.

#### Unmanned and Autonomous Systems

ASELSAN carries out capability enhancement activities regarding sensing, realizing, analyzing, communicating, planning, decision making and execution for Unmanned and Autonomous Systems. Within this scope, the remote operations in which the computers do certain pre-programmed automatic tasks but mainly the human operators decide and execute are under investigation to increase autonomy levels and share the intelligence and decision work between the human operator and the machine. These activities mainly focus on construction of sense and avoid, fault diagnosis and isolation functionalities which mainly increase the autonomy level of any unmanned system during execution of a pre-programmed yet operator unguided mission.

#### Integration of Weapon Systems

ASELSAN develops system engineering solutions to integrate air to air, air to ground, rocket and artillery weapon systems to Rotary and Fixed Wing Aircrafts. The Company conducts External Load Certification enabling secure transportation and operation of all bombs, launcher, pylons, fuel tanks, pods and counter measure systems internally and externally.



ASELSAN continues compatibility design activities for the Universal Armament Interface (UAI) within the scope of avionic integration projects and weapon development projects.

The Company conducts mathematical modeling of ballistic trajectory of unguided ammunition that are integrated into air platforms and facilitators that enable the platforms to be directed to available conditions. ASELSAN develops advanced air to air gun engagement solutions enabling the neutralization of high speed air vehicles through gun system.

#### **Navigation Systems**

ASELSAN develops navigation systems that use inertial navigation technology for use in ground, air and maritime vehicles. The Company also develops inertial sensors that are used in these navigation systems.

ASELSAN has the capabilities to develop navigation algorithms. The Company also has the capability to develop Kalman Filter algorithms that integrate other sensors data (GPS, barometer, odometer, logspeed etc.) to navigation data with respect to platform requirements.

Moreover, thanks to collaboration with universities, ASELSAN also conducts activities regarding the development of gyroscopes and accelerometers that are used in inertial navigation devices. As part of these activities, ASELSAN has developed gyroscopes and accelerometers using MEMS (Micro Electro Mechanical Systems) technology, gyroscopes using fiber optic technology (FOG) and inertial measure units (IMU) that integrate these sensors.

#### **Micro/Nano Devices**

ASELSAN conducts the design, production, testing and characterization of Compound semiconductors and MEMS devices. The Company also carries out the design of application specific integrated circuits (ASIC) which provides an interface between these devices and systems. Work areas are related to Electronic, Physics, Metallurgy, Mechanical and Chemistry Engineering.

ASELSAN works intensively regarding the development of cooled and uncooled infrared technologies to be used in electro-optic systems. In this context, ASELSAN conducts the design of sensors' pixel structures, the production of advanced technology materials that sense infrared radiation and fabrication of pixel structures by using these materials. In addition, the Company also designs read-out circuits that are electrically and mechanically compatible with sensors and integrates pixel structures and read-out circuits with special methods.



# Microelectronics, Guidance and Electro-Optics Business Sector

As infrared detectors are required to be packed hermetically vacuum packed, the Company also carries out design activities in packaging technologies. As vacuum conditions provided by the detector packages are required to ensure the performance of the detectors lasting for years, atmosphere vacuum interfaces that are in the structure of the packages must have a very low level of leakage rate.

MGEO has a 1,500 m<sup>2</sup> clean area to fulfill this requirement. This infrastructure is composed of following elements: molecular beam epitaxy reactor in which compound semiconductor structures can be grown and material characterization equipments which are used for electrical, optical and mechanical characterization of epitaxially grown layers. Moreover, it also includes infrastructure that is necessary for production of substrates compatible with crystal structure of the epitaxial layers.

The cleanroom is also equipped with lithography systems, dielectric and metal thin film coating systems and plasma etching systems.

## Thermal/Night Vision Technologies and Electro-Optic Systems

ASELSAN has a strong heritage of night vision based on image intensifier and thermal camera technologies. We continued our long lasting efforts to design and develop new thermal cameras using emerging technologies, operating in the midwave (MWIR) and longwave (LWIR) infrared bands of the spectrum, utilizing both cooled and uncooled detectors.

ASELSAN has full technological competency in the design and manufacture on:

- EO reconnaissance, surveillance and targeting systems
  - IR missile seekers
  - Laser seekers for laser guided bombs
  - Laser warning systems
- and integrating those systems to all platforms including jet aircrafts.

We continued our efforts to mature our technology on

- EO counter measure systems
- IR missile warning systems
- Directed IR counter measure systems.

We put considerable effort on IR scene generation technology, to use in the development and test activities of missile seekers, IR missile warners, IR search & track systems and EO counter measure systems. By the help of this technology it is possible to simulate both platform and target movements and test hardware in the loop; resulting in more realistic simulation close to real world operation.

## Optical Design

Besides conventional optical designs for IR/visible imaging and laser systems, we also worked on multi-band optical designs such as MWIR-SWIR, visible-LWIR, MWIR-LWIR combinations.

We continuously work to improve our existing thin film optical coating technology for visible, near IR and IR bands. A new coating design for sapphire substrate has been developed. Investments for precision sapphire window production have been initiated, and first production is planned for mid 2016.

Besides optics manufacturing and coating, we also work on the development of optical bulk materials such as transparent ceramics, ZnS, ZnSe, sapphire and germanium with close collaborations of universities.

## Avionic Systems and Avionic Integration

ASELSAN conducts system engineering solutions, hardware design and software design activities for the design and integration of systems into Aircraft.

ASELSAN gained full competence in the development of smart multi-functional displays, helmet mounted displays, keyboard display units, motor/fuel displays, internal communication system, flight control computers, data collection and recording systems, video processing and distribution systems, control panels and handheld control systems.

ASELSAN is fully compliant with DO-178 and DO-254 standards, which air platforms, are required to comply with.

## System Safety

To design systems and devices in manner that they fulfill international airworthiness certification requirements, ASELSAN conducts safety and reliability analyses, determines safety and reliability requirements that need to be applied and confirms that safety and reliability requirements are applied in the products that are designed.

ASELSAN applies the following standards to ensure that the products that are developed can compete in international area and can be used in all military and civil platforms: MIL STD-882, ARP-4754A, ARP-4761, AC 23.1309, AC 23.1311, AC 25.1309, AC 25-11, AC 27-1B, AC 20-174, AC 29-2C, MIL-STD-1629, MIL-HDBK-217, MIL-STD-756, MIL-HDBK-2165, MIL-HDBK-338, MIL-HDBK-472.

The MGBP-R6-001 System Design safety Procedure was published for the standardization of competencies and experience gained for system safety and reliability analyses. Work continued on the updating of the MGBP-R1-008 Reliability Analyses procedure.



### Digital Map and Mission Support Systems

ASELSAN conducts systems engineering solutions regarding the design and integration of digital moving map systems for aircraft and helicopters. The Company also carries out design and integration of mission support systems for pilots to allow preparing database needed in the aircraft, the planning and rehearsing of the mission before the flight and the post-flight analyses.

ASELSAN gained competence in the design and development of digital map software that increases situational awareness of pilots and have capability of displaying all rasters (such as aerial maps and satellite photographs) and vectors (such as the navigation database, obstacles, threats, tactical information, borders and air spaces)

data and generating terrain, obstacle, threat and airspace warning/caution/advisory messages to pilots. ASELSAN also gained competence in the design and development of mission planning ground software that will assist pilots in their mission planning/rehearsal/database preparation and post-flight analysis.

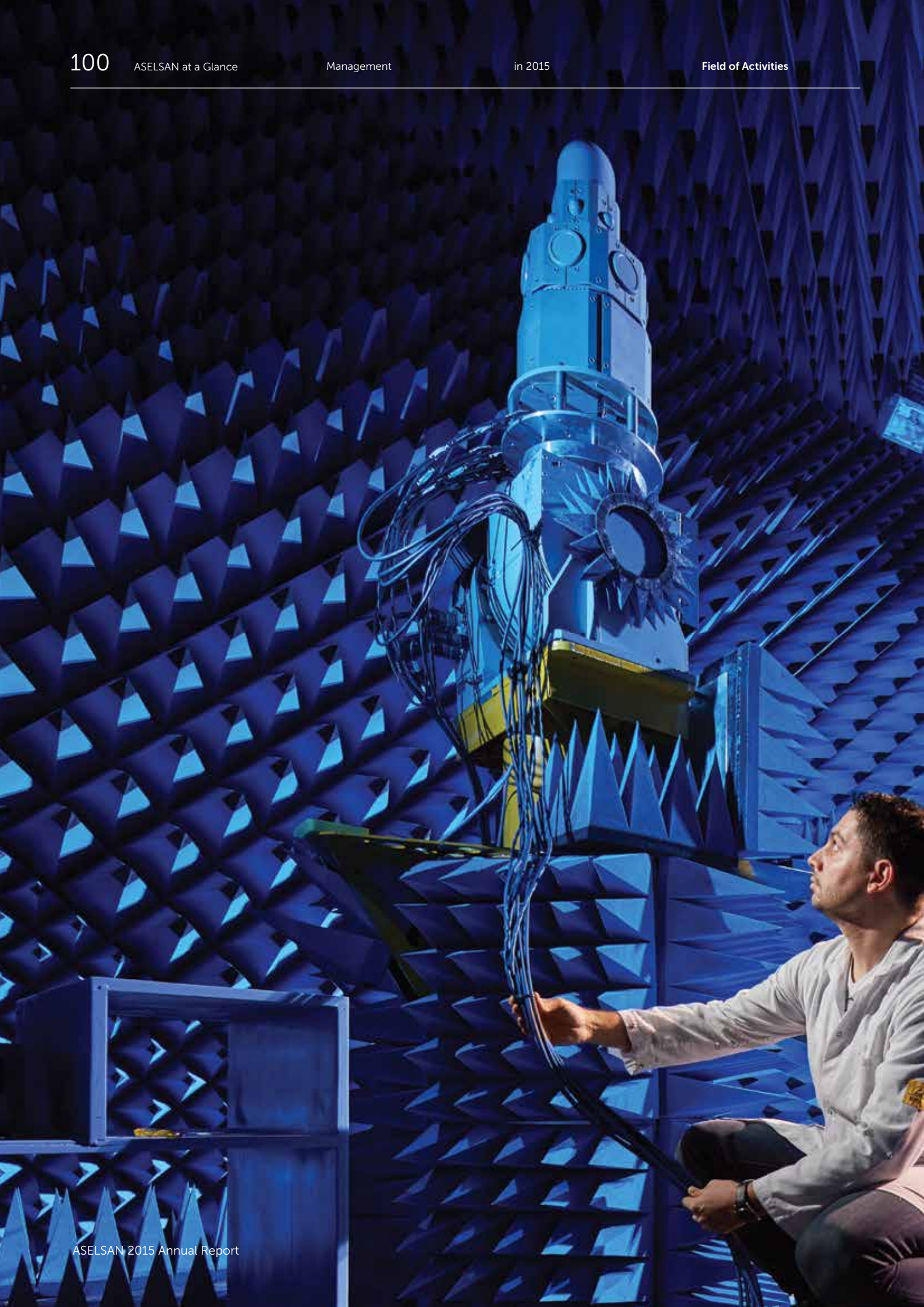
The HTAWS (Helicopter Terrain Awareness and Warning System) software development processes are conducted in line with the secure flight critical software development processes within the scope of RTCA DO-178 and TSO-C194 standards. The mission planning software development processes are conducted within the scope of RTCA DO-200.

### Display Technologies

ASELSAN conducts development activities on enhanced LCD modules for avionic displays that have flight-critical importance. To enhance the compatibility of these display modules with military conditions, ASELSAN undertakes activities in test laboratories established in the clean room.

ASELSAN works on OLED display devices and 3D imaging displays in collaboration with universities.



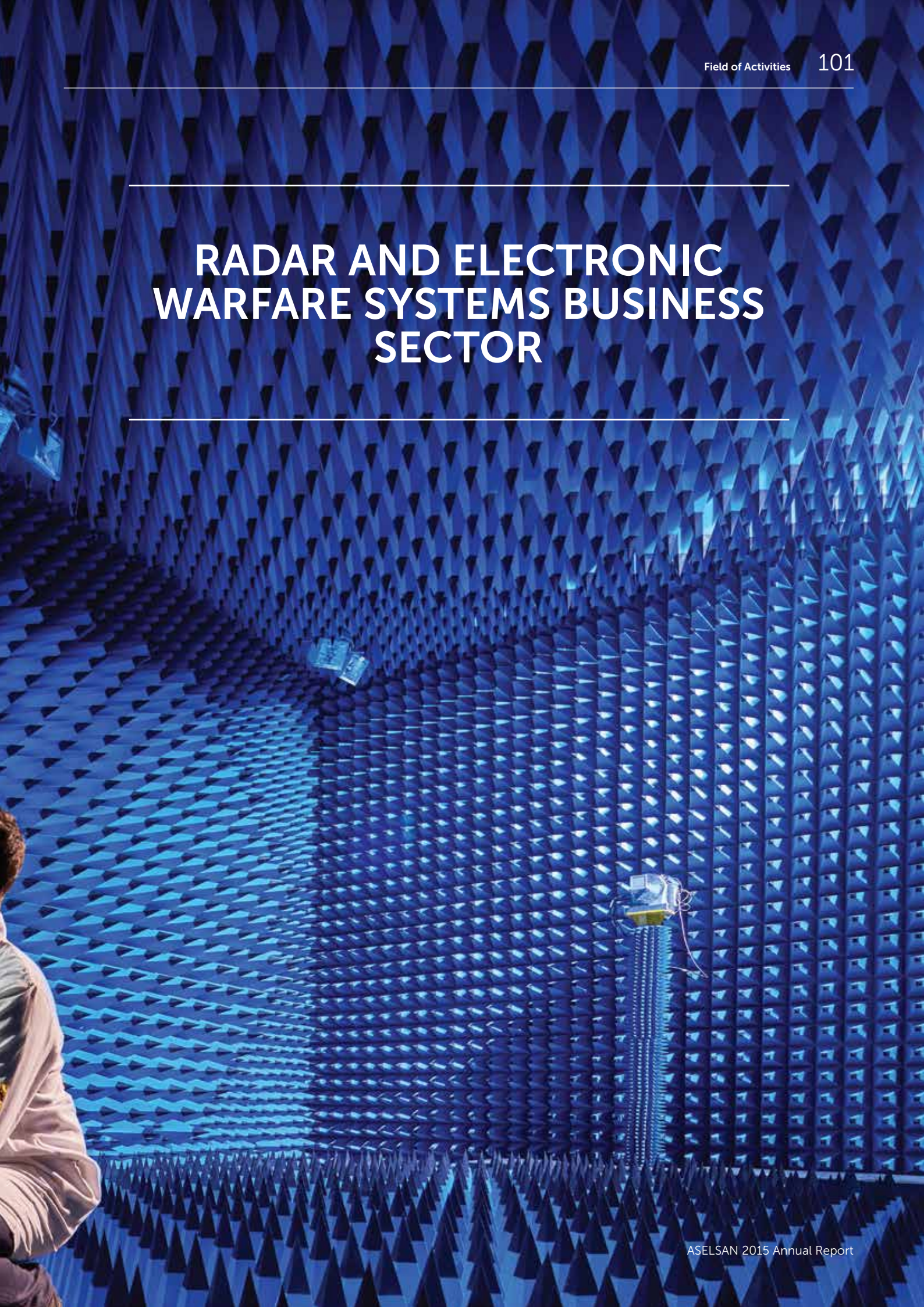




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# RADAR AND ELECTRONIC WARFARE SYSTEMS BUSINESS SECTOR

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## Radar and Electronic Warfare Systems Business Sector

In line with the decision taken by the Defense Industry Executive Committee in 1991, ASELSAN, as Turkey's Radar Technology Center, unwaveringly continues its activities in this area to meet the radar needs of the Turkish Armed Forces with advanced technology radar systems.

### MICROWAVE PRODUCTS

#### Microwave Modules

Microwave modules are the critical building blocks of Radar, Electronic Warfare and Satellite Systems. Microwave Products Group has capabilities of design and production of high performance Transmitter, Transmitter/Receiver Modules, Front-End Modules, Frequency Converters, Power Amplifier Modules, Digital Frequency Discriminators (DFD), Logarithmic Video Amplifiers (DLVA), Filters, Monolithic Microwave Integrated Circuits (MMIC), and Thin-Film Based Components to be used in Radar, Electronic Warfare and Satellite Systems.

#### Battlefield Target Identification System (BTIS) Project

Interrogator and Transponder RF Units and Antennas are designed and produced by REHİS Business Sector in the Battlefield Target Identification System project. After successfully performed Qualification and Factory Acceptance Tests, Customer Prototypes and Technical Data Package delivery was completed. Platform Verification Tests are planning to be performed on ALTAY National Main Battlefield Tank. Serial production proposal of BTIS was given for ALTAY Tank Program.

#### Gallium Nitride (GaN) Technologies

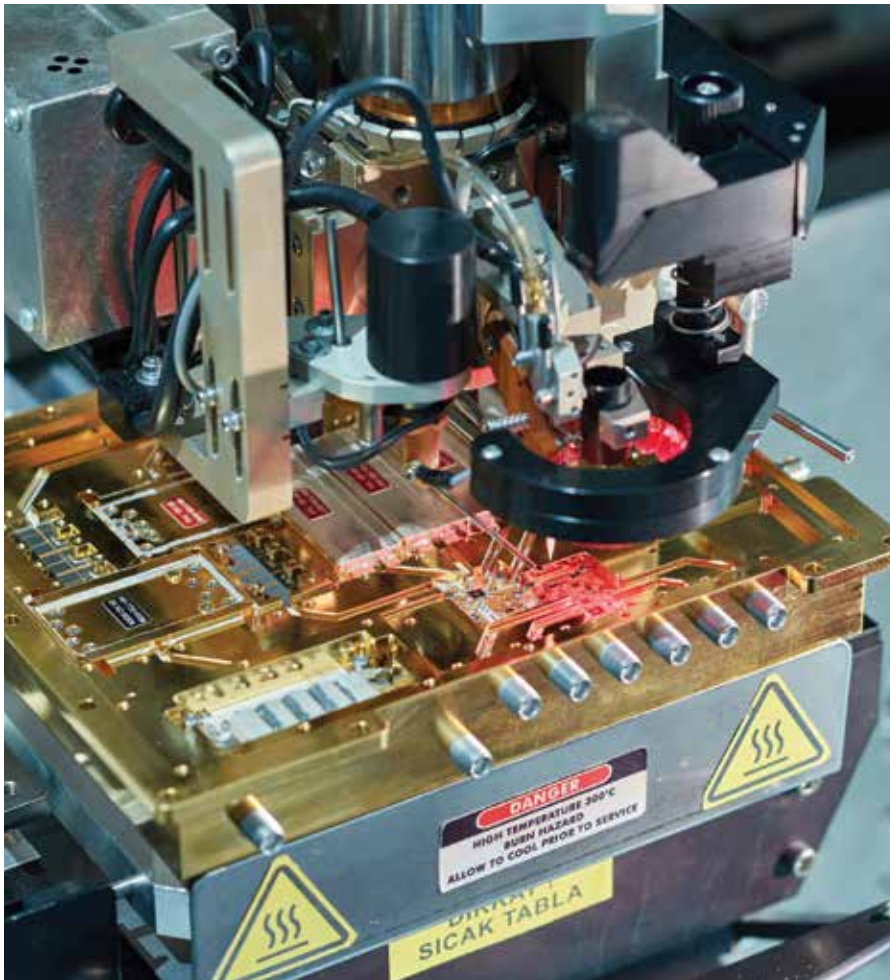
Project activities within the scope of Silicon Carbide (SiC) Based GaN Switch Integrated Circuits and Radio Frequency (RF) Power Transistor Development Projects, which were signed with The Undersecretariat for Defense Industries (SSM), have been carried on with the cooperation of Bilkent University. For both projects, Design Phases were completed and Prototype production activities are in progress.

#### Silicon Germanium (SiGe) Technologies

Within the scope of Generation of the Standard Cell Library for the 0.25 $\mu$ m SiGeC BiCMOS Technology Project, which was signed with The Undersecretariat for Defense Industries (SSM), ASELSAN is in cooperation with TÜBİTAK-BİLGEM and Mikroelektronik Araştırma Geliştirme Tasarım ve Ticaret Ltd. Company (MKR-IC). Critical Design Phase activities have been carried out in the project.

#### X-Band Satellite Communication System Project

X-Band Satellite Communication System Project signed between The Undersecretariat for Defense Industries (SSM) and ASELSAN Communication and Information Technologies Business Sector. Microwave Products Group will design and produce the microwave parts of manpack and platform type satellite ground stations in the project. The design activities were started.





## Radar and Electronic Warfare Systems Business Sector

### R&D Activities

Microwave Products Group application for "4-channel phased array unit for 5G Applications" project within the scope of EUREKA Program was approved. VIPER-RF Company will be a partner to support the project. Application had been made to the TÜBİTAK 1509 Program.

In addition, two more applications are in place for "TÜBİTAK 1003 Primary R&D Projects Support Program", namely, "Metamaterial Integrated CMOS and Integrated MEMS Based Terahertz Detector" Project coordinated by Boğaziçi University and "Photonics Based New Generation Microwave Signal Generator Development" Project coordinated by Bilkent University. Applications had been made to the TÜBİTAK 1003 Primary R&D Projects Support Program.

### ELECTRONIC WARFARE SYSTEMS

ASELSAN conducts activities to equip the Turkish Armed Forces, Turkish National Police and platforms that are in civil use with national and indigenous Land-based/ Naval/ Airborne Electronic Warfare systems that have advanced technology in order to extend their operational capabilities and provide a maximum level of situational awareness. In addition to meeting domestic and international customers' needs for our state-of-the-art electronic warfare systems, ASELSAN also undertake efforts to boost exports of these systems.

Within the scope of Electronic Warfare Projects, new contracts were signed with Undersecretariat of the Defense Industry, the National Intelligence Organization, the Ministry of Foreign

Affairs, TÜBİTAK, the Turkish National Police and various foreign customers.

- High Frequency (HF) Electronic Attack (EA) System Contract
- Mobile V/UHF Electronic Attack System Contract
- Manpack V/UHF Direction Finding (DF) System Contract
- High Frequency (HF) Direction Finding (DF) System Contract
- Radar Electronic Support/Attack System Contract
- Portable HF Monitoring and Direction Finding System Project
- Active Protection System Development Project
- Procurement of Portable Jammer System Project
- Mobile ELINT System Project
- Vehicular RCIED Jammer System Project
- Modular Temporary Base Area Jammer (GERGEDAN) Project
- Landing Platform Dock (LPD) Project
- Naval Electronic Warfare Suite
- RF Seeker System for KARGI Platform

Moreover, ASELSAN signed a contract for meeting the Electronic Warfare System needs in Latin America. Project activities have started accordingly.

For each contract signed with the SSM, the Industrial Participation/Offset (SK/O) contract was also signed with Industrialization Department. Within

Electronic warfare systems offer seamless solutions with receiver, processor and antenna units in today's battle concept. ASELSAN has a wide array of Electronic Support (ES) and Electronic Attack (EA) System solutions that can be deployed in the battlefield.



the scope of our SK/O commitments, all kinds of goods and service purchases will be procured from domestic resources if their production is available in Turkey, by working with SMEs and sub industry companies in line with our strategic plans. Besides, as part of these projects, the target is to procure as many electronic/ electro mechanic materials as possible where these had been supplied from foreign countries.

Within the scope of Technology Acquisition Requirements (TKY), following projects were signed and activated: "Development of Microorganism Based Explosive Material Detection and Identification (BIRMO)" within the scope of High Frequency Direction Finding System Project; "Analyzing Explosive Materials with LIBS and Raman Spectroscopy Techniques" within the scope of the contract for the Manpack Direction

Finding System that can be carried by a single soldier with BEAM R&D, and the "Smart HF Antenna Connector" within the scope of the High Frequency (HF) Electronic Attack (EA) System Project.

In 2015 ASELSAN intensively continued design, development, production and test activities in programs whose contracts were previously signed and for which work had started.

Within this scope, in addition to newly signed contracts, ASELSAN continued the design, development and production activities as part of the following projects; Airborne Platform Communication Direction Finding System; Radar Jamming and Deception Simulator (RAKAS) and Communication Jamming and Deception Simulator (MUKAS); Active/Passive Convoy Protection System; Handmade Explosive Circuits Detection System, Integration of the ARES-2N Electronic

Support Systems used in the TCG BÜYÜKADA and TCG HEYBELİADA MİLGEM platforms to the 3<sup>rd</sup> and 4<sup>th</sup> MİLGEM platforms; the Self Protection Electronic Warfare Systems (SPEWS-II) for F-16 Aircrafts; the Electronic Warfare Self Protection Systems for the Atak Helicopter; the A400M Processor Unit- Power Source Project; the Sea Patrol Aircraft Electronic Warfare Self Protection System (ASES-235M); the Barış Kartalı (Peace Eagle) Program - ESM System Project and the Utility Helicopter Project.

Within this scope, deliveries of the KORAL Land-based Stand-off Jammer, Vehicular Type Jammer, Mobile Direction Finding System, Fixed V/ UHF Direction Finding and Monitoring System as well as RCIED Jammer systems which were delivered to Ministry of Foreign Affairs/Turkey and the Ministry of the Interior/Tunisia were realized. In addition, ASELSAN













## Radar and Electronic Warfare Systems Business Sector

completed its activities regarding the domestic production of Vehicular/ Manpack Type RCIED Jamming systems.

Within the scope of the contract regarding the Procurement of the AY Class Submarine System Renewal Project, Electronic Support Measure (ESM) System modernization contract signed with STM. TCG DOĞANAY's Sea Acceptance Tests of the ARES-2SC Submarine ESM System, as our first National Submarine Electronic Support System, were successfully completed in April 2015.

Within the scope of the Procurement of RWR/GPS Combined Warning Antenna signed between AIRBUS DS Optronics GmbH and ASELSAN, the Harbor and Factory Acceptance tests were successfully completed for the second Antenna Set. The RWR/GPS Combined Warning Antenna and Signal Distribution Component developed by ASELSAN have been exported to Germany in accordance with the contract. After integration with the periscope systems of the Company, acceptance tests were completed successfully.

Within the scope of the National Electronic Warfare Suit (MEHS) that will be integrated to four Yavuz Class Frigates which are in the inventory of the Turkish Naval Forces, the mass production of four MEHS systems were carried out and they were prepared accordingly. Factory Acceptance Tests were successfully completed for the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> mass production systems. System integration into the TCG FATİH, the first vessel, was completed on time and the Harbor Acceptance Tests were successfully completed. The Sea Acceptance Test process still continues.

Factory Acceptance Tests were successfully conducted regarding the 1<sup>st</sup> vessel that was developed within the scope of Landing Ship Tank (LST) contract that was signed between ASELSAN and the ADIK Shipyard. The production activities of the 2<sup>nd</sup> system is still in process.

Within the scope of the New Type Submarine Project, ASELSAN has been conducting development activities with Airbus DS Optronics GmbH and Gabler to cover the periscope and ESM Antenna masts with ASELSAN state of the art Radar Absorbing Material (RAM).

The deliveries of the EW Systems whose qualifications had been completed, within the scope of the Supply and Integration of HEWS RWR/RFJ/LWR/SCPU Project, have been started. The first batch of serial production deliveries of these systems were conducted as part of the Helicopter Electronic Support Center (HEHDM). ASELSAN conducted integration activities on the S-70A-28D and S-70A-28DSAR helicopters in 2015. Activities for the construction of the Electronic Warfare Support Center (EHDM) Service Building, which will be used by the Turkish Armed Forces, started in July 2015 and continued throughout the year. Within the scope of the HEWS-CMDS/CFD Project, M1/ M2 hardware that will be used in the HITL (Hardware in the Loop) Simulator were delivered to ROKETSAN. All deliveries were completed as part of MWS-TU Missile Warning System

Project. Integration activities for the Mi-17 prototype helicopter (FHIT) were completed in respect to the platform integration activities that were conducted jointly as part of the HEWS-CMDS/CFD and MWS-TU projects. Moreover, the delivery of the Group-A kit for the Mi-17 helicopter mass installation was conducted.

ASELSAN proposed various offers to domestic and foreign customers in the following projects; the Mobile V/ UHF Direction Finding System Project; the Electronic Warfare Command, Control and Coordination System (EHKKKS) Project; the Barbaros Class Frigate EW suite; the Electronic Attack and Electronic Warfare Suite Systems for Test and Measure Vessel SIGINT projects; the reduction of the New SAT Boat's Radar Section Area; and the SIGINT System Simulator Project.

Moreover, ASELSAN participated in workshops with Land-based Electronic Warfare Systems which are currently in the inventory of TAF and took part in Electronic Warfare, Communication Electronic Support and Attack symposiums, and joint military exercises which were organized by TAF.





The possession of technology for Radar Systems is of critical importance for countries. Know-how and infrastructure that are necessary for the national development and production of land-based, naval and airborne radars in all ranges and functions were brought to Turkey with ASELSAN's radar activities.



ASELSAN completed the Active Imaging System that works in Millimeter/Terahertz Wavelengths Project which was conducted with METU (Middle East Technical University) and the project for the Terahertz Wave Sensitive Fast Bolometric Detector System SANTEZ which was conducted with the Izmir Institute of Technology. These projects are supported by the Ministry of Industry.

ASELSAN started activities for combined ELINT and COMINT antenna structures which were developed by the Company in a compact manner and which form a combined antenna structure. ASELSAN conducts these activities to modify this structure for surface and ground platforms. This design is planned to represent an important milestone that will nationally meet Turkey's needs and which can compete in the world market, while being able to be integrated into various platforms.

Indigenous ASELSAN solutions were proposed to calls opened by TÜBİTAK SAVTAG for the Development of Composite Radar Cooling Structure Project and the Development of

Electromagnetic Bomb, both of which have applications on Air Platforms. The SANTEZ project, under the heading of the "Design, Development and Production of Domestic Lithium-Ion Battery Group with an Uninterrupted Power Source" was initiated by METU/ Gazi University and Yiğit Akü.

Land-based/Naval/Airborne Electronic Warfare products were exhibited at the IDEF-2015 (International Defense Industry Fair) held in İstanbul in May 2015.

## RADAR SYSTEMS

ASELSAN conducts its activities regarding radar systems in the Gölbaşı Radar and Electronic Technology Center, which was opened in 2015. The Company operates in this area by using advanced design, production and test infrastructures. Through the activities conducted in the radar activity field, the Company aims to meet the needs for radar of the Turkish Armed Forces with indigenous systems that have advanced technology and to expand the area of activity with civil radar applications as well as to export radar systems.

In line with these targets, ASELSAN continued the business development, concept design, design, production, test, delivery, and post-delivery support activities regarding radars that will operate in land-based, naval, air and satellite platforms in 2015 as part of various projects. The Company stepped up its radar activities for civil applications in 2015. Within this context, ASELSAN started to develop radar systems which have various areas of use.

In 2015, ASELSAN conducted activities with universities and solution partners in Turkey for genuine development, production and tests of the radar systems. The Company attended NATO working groups which sought to define the radar needs and technologies of the future. ASELSAN also continued its activities regarding the radar solutions for the future within the scope of R&D panels organized by the Turkish Ministry of Defense.

In line with the international cooperation, ASELSAN continued to work with the International Business Machines Corporation (IBM) for the co-development of phased array and scalable Silicon- Germanium (SiGe)

## Radar and Electronic Warfare Systems Business Sector

based integrated circuits to be used in transmit/receive modules of civilian millimeter wave radar applications. In civilian radar applications and integrated circuits which operate in millimeter wavelength, border protection, detection of unidentified objects in the airports, short range naval target detection, meteorology, flight safety and auxiliary autonomous landing systems are targeted.

The 3D Active Phased Array Electronic Scanning Mobile Search Radar and Fire Control Radar developed for Air Defense Systems were both integrated into the KORKUT Self-Propelled Low Altitude Air Defense Gun System and Fire Control Device. The target acquisition and tracking features of both radars were verified with aircraft and helicopter flight tests, with a rate of success which exceeded the performance target. Regarding the confirmation of Fire Control Device's detection and elimination of air-to-ground missile with a test in real atmosphere, detection and elimination of a fast drone was successfully conducted with the effective use of the radars in the Karapınar firing range.

ASELSAN continued its activities aimed at bringing a scalable and adjustable structure to the KALKAN Air Defense Early Warning Radar for various applications. The Company also maintained design activities regarding the use of original components developed in Turkey, rather than importing critical components from abroad.

The design, development and validation activities of the SERHAT Mortar Detection Radar were completed in 2014. ASELSAN intensively continued the production and delivery of the Radar. The Company provided field support for the effective use of radars that are in use. SERHAT radars play an important role for the protection of areas under mortar threat. These radars are successfully utilized in Turkey's different regions that are under mortar threat. The SERHAT Radar is in demand from foreign countries due



to its superiority compared to its peer systems. ASELSAN continues to work on the export of the SERHAT Radar.

ACAR Surveillance Radar, which is being used by the Turkish Armed Forces in scope of the Domestic Modular Temporary Base Project, has been delivered to Uruguay in 2015 for the Border Surveillance System purposes. ASELSAN intensively maintained its activities regarding the use of the ACAR Surveillance Radar in various domestic and foreign applications. Those activities were followed by the sales of the radar to Poland within the same year. Moreover, new usage features were added to the ACAR Radar for various applications, thus expanding the radar's area of usage. Within this context, special algorithms were developed and integrated to the radars for the detection of naval targets in various maritime situations and detection and tracking of mini and micro Unmanned Air Vehicles (UAVs) often used in terrorist activities.

Within the scope of the Coastal Surveillance Radar System (CSRS) Project, the SERDAR-7M Radar was developed by improving the SERDAR

Coastal Surveillance Radar's antenna to meet the requirements of the IALA V128 Standard. Prototype production and design validation activities of the SERDAR-7M Radar were completed in 2015. ASELSAN also conducted production activities for the radar and prepared the radars to delivery. Port and maritime acceptance tests regarding the delivery of SERDAR Radar within the scope of YUNUS Project were successfully completed.

In the scope of National Fighter Aircraft Development Project, ASELSAN continued the studies for the technology demonstration of the Multi-Function Fighter Aircraft Nose Radar. The Company has begun designing the critical components of the Radar.

Design efforts continued for the development of a Synthetic Aperture Radar Payload in the first phase of the GÖKTÜRK-3 SAR Satellite Project. ASELSAN completed the System Requirements Review (SRR), System Design Review (SDR) and entered into the Preliminary Design Review (PDR) Phase.





To detect and identify underground metal/plastic mines and Hand Made Improvised Explosives Devices (IEDs) within the scope of counter terrorism activities, the development of new generation Imaging Radar with Ground Penetration capability (YENER) was initiated. YENER has particularly improved imaging algorithms and can be used on both manned or unmanned vehicles.

The 3D Imaging Radar Project, with the support of TÜBİTAK - Technology and Innovation Support Programs Directorate (TEYDEB), is started to be developed to detect and identify threats such as explosives, weapons that are hiding on persons in places where crowds are present such as airports, train stations, shopping malls and meeting areas.

In 2015 ASELSAN continued its activities for the original development of Air Traffic Control Radars that are required by the airports. ASELSAN reached the contract phase in the project which was initiated by SSM for the procurement of genuinely produced radars which are required by the Turkish Air Forces in military airports. The Company reached a memorandum of agreement with the General Directorate of the State Airports Authority to use these radars in commercial airports.

In 2015, ASELSAN worked intensively to develop the Demonstration Prototype for the Multifunction Active Phased Array Radar System, which is an integrated suit that fulfills the radar functions regarding Air and Surface Battle of Turkish Naval Forces' TF2000 Air Defense Frigate. This Multi Face, Multi-Function and Active Phased Array Radar System is comprised of Long Range Radar, the IFF Subsystem that has Electronically Scanned antenna structure, Multi-Function Radar, and Illuminator System.

The final configuration of the Multi-Functional Radar which will be produced as scaled within the scope of the Technology Demonstration Prototype will be comprised of 4

ASELSAN successfully completed the tests which were carried out with test aircraft regarding adding Naval Search and ISAR features to the SARPER Synthetic Aperture Radar Payload. The Company continued its efforts for the integration of the system to the TAI ANKA platform. ASELSAN started production of radars required by TAI and installed them on the ANKA platform.

ASELSAN intensively continued development of radar seeker subsystems, prototype productions and validation activities including

hardware in the loop test for use in guided missile systems. Within this scope, during 2015 ASELSAN successfully conducted installation and activations of sub structures that are required, notably of the Dynamic RF Test Laboratory which is essential for hardware in the loop tests.

In line with the AKKOR Active Protection System Development Project, which was signed in 2015, ASELSAN started the development activities of the Active Protection Radar (APR) to detect and track, with high accuracy, RPG and Antitank guided missiles that are fired from close distance.

## Radar and Electronic Warfare Systems Business Sector



Active Phased Array antenna faces. The 20,000 T/R (Transmit/Receive) Modules (5000 T/R for each face), will be built from GaN chips that will be produced in the MikroNano Factory. Multi-functional radar can detect and track Air and Surface targets and provide engagement support for artillery and missile systems thanks to its Fire Control function. Similarly, Illuminator System will also be comprised of 4 antenna faces and will have 20,000 T modules (each face having 5,000 T modules), and will be produced with GaN chips that will be manufactured in the MikroNano Factory. Illuminator System will provide illumination and guidance functions for missile systems. The IFF system, on the other hand, will have a cylindrical spineless tube Active Phase Scanning antenna structure. It can conduct enquiries up to the 250 NM range.

In 2015, ASELSAN successfully completed the Preliminary Design and Critical Design phases in the Multifunction Active Phased Array Radar System Technology Demonstration Prototype development activities. The design of units was completed and the realization of prototypes continued. In 2016, the integration and design validation

activities will be conducted with prototype units.

Within the scope of the modernization of GABYA and BARBAROS class frigates that are in the inventory of the Turkish Naval Forces, acceptance activities of the first seven vessels were completed. ASELSAN delivered the 8<sup>th</sup> and final radar of the 3D Search Radar Project in 2015. Integration of the radar started and acceptance activity will begin in 2016. In 2016, ASELSAN will continue Integrated Logistic Support activities for the systems that were previously delivered.

Within the scope of Landing Ship Tank (LST) Project which will be added to the inventory of the Turkish Naval Forces, production of radar systems that belong to the first vessel was completed. Factory acceptance activities were finalized in 2015. ASELSAN will continue integration acceptance for the first vessel and production of radars for the second vessel in line with the plans set out.

Radar production activities were initiated for the 3<sup>rd</sup> and 4<sup>th</sup> vessels of the Turkish Naval Forces' MILGEM class corvette series. The first factory acceptances are planned to be completed in 2018.

The Multifunction Active Phased Array Radar System is a structure which can fulfill radar functions - such as search, tracking, fire-control and guidance together in real time and with high performance. The Multifunction Active Phased Array Radar System will have a multi face antenna structure enabling real time performance which cannot be provided by rotary antenna structures.

In line with the plans set out, ASELSAN continues the design, production, and integration of radar systems to the platform and battle system of the first vessel which will be added to the fleet of Turkish Naval Forces within the scope of the Multi-Function Amphibious Assault Ship (Landing Helicopter Dock - LHD) Project. Factory acceptance tests will be started in 2018.

Procurement and integration activities for Turkmenistan SGB class boats were completed with the delivery of 10<sup>th</sup> and final radar in 2015. ASELSAN will continue Integrated Logistic Support activities for the delivered systems during 2016.

ASELSAN successfully completed the production, qualification, field test and delivery of ground platform mobile search and fire control radars in 2015. The Company also completed the prototype development of radars to modify them for assault boats on similar naval platforms. While the field tests of radars have been initiated, the integration of radars into naval platforms as well as the naval tests are planned to be carried out in 2016.











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# TRANSPORTATION, SECURITY, ENERGY AND AUTOMATION SYSTEMS BUSINESS SECTOR

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aselsan

Hörsel Batı-Mahmutbey ÜTS Edirne Yönü: Mahmutbey 48 dk



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

ASELSAN uses its technological know-how that has been accumulated in the defense industry since 1975 to Turkey's other strategic technology areas, which are; Transportation, Security, Energy and Traffic-Automation.



### TRANSPORTATION SYSTEMS

ASELSAN develops traction, control systems, main line and metro signaling system solutions within the scope of Railway Vehicle systems. In addition, ASELSAN is continuing its activities on the assumption that the future of transportation systems will be heavily depending on electrical cars and systems based on information, communications and sensor technologies. ASELSAN aims to offer solutions that will provide competitive edge regarding projects for local electrical public transportation and freight transportation vehicles and/or "Locally Produced Electrical Car", which will represent important milestone as of being nationally developed Electrical Vehicles. ASELSAN have plans for investing to undertake a "Transportation Systems Production Tests and Integration Center. ASELSAN developed Rail Vehicle Systems, Railway Signaling and Control Systems as well as Electrical Car Systems.

#### Railway Vehicle Systems

##### Traction Systems

Traction system consists of traction motor control/drive unit, traction motor, transmission unit and traction

control unit. Hardware, software and algorithms of these systems are developed by ASELSAN. The Project that is carried out is in the stage of system integration and test phase, and the laboratory tests have been carried out. After this stage, it is planned to carry out the management, validation and certification activities of the traction system that will be integrated onto a tram and a metro vehicle.

With the system whose certification has been completed, it is aimed to realize the metro modernizations and supply traction systems to railway vehicle producers. In addition to this, the fact that the system has been designed in a modular way will enable it to be easily adapted to the rail vehicles such as high speed train, regional train and locomotives.

##### Train Control and Management Systems

A national Train Control and Management System which has high safety and reliability level also includes innovative architecture, advanced algorithms, hardware and software for rail transportation vehicles such as high speed train, regional train and metro.

Modular computer system which will be developed within the scope of this activity can be configured as Central Control Unit (CCU), in Automatic Train Operation System (ATO), Automatic Train Protection System (ATP), Human Machine Interface (HMI), Signalization and suchlike critical computer system.

##### Energy Control and Management Systems

ASELSAN started the development of Energy Control and Management System which increases efficiency and decreases cost for railway vehicles. This system will enable decrease in rail transportation vehicles' electricity consumption in addition to their operation catenary free.

##### Railway Signaling and Control Systems

ASELSAN continued operations in the fields of rail transportation signalization, telecommunication and electrification. ASELSAN maintains its work on the system, design, integration and modernization of the National Main Line and Metro Signaling Solutions.

ASELSAN develops technology such as information systems, communication solutions, smart rail vehicle management applications, traffic management systems which

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

meet international standards, control Hardware and software for the safe, secure, energy-efficient and autonomous railway transportation systems of the future.

### Electrical Vehicle Systems

Development, manufacturing and testing activities are carried out in order to provide the battery, battery management system, traction system (motor drive unit and electrical motor), vehicle control and management system, advanced sensor (day/night vision camera, LIDAR, RADAR, etc.) units and vehicle safety software and hardware (autonomous vehicle control, automatic brake, etc.) which are the basic critical components for the electrical vehicles used on land, sea and air.

First prototypes of electrical traction system that can be used in heavy vehicles like buses and trucks are produced, also test and integration activities are being carried out on prototype vehicles.

Range extender which also includes an internal-combustion engine is being developed together with domestic companies and universities which are expert on internal-combustion engine and its control technologies to support electrical vehicle solution family. These solutions are also suitable for military vehicle requirements.

Project activities for the electrical public transportation vehicles are being carried out at the level of feasibility studies and preliminary design with the authorities in need.

Feasibility and pre-design activities are carried out for indigenous, high-tech products intended for main electrical drive system of surface ships and submarines which are becoming the preferred and used drive technology for them.

Especially by investing on the battery technologies of the future (Li-Air), it is planned to eliminate the barriers in front of electrical vehicles penetration into the market, thus enabling longer ranges and shorter charging times.

### SECURITY SYSTEMS

The activities in the field of Security Systems are being carried out in the Border Security Systems, Coastal Security Systems, Pipeline Security Systems, Patrol and Base Security Systems, Infrastructure Security Systems, Public Safety and Security Technologies.

#### Border Security Systems

ASELSAN continued her efforts and work in the Land Border Security Programs. In this scope, ASELSAN conducted logistic support activities related with ASUR Mobile @ Border Security Systems delivered to Uruguay Army in December 2014. ASELSAN integrated Security Management Center Software to the delivered mobile Systems.

ASELSAN continued her business development activities in domestic and foreign markets.

In the successive terms, ASELSAN will continue her efforts on the Turkish border security per Turkish Army's requirements and business development activities in foreign markets, especially in South America.

#### Coastal Security Systems

Within the scope of the YUNUS (Aksaz and Foça Surface and Underwater Surveillance and Identification System) Project, ASELSAN completed Harbor and Site Acceptance Tests of systems at the Aksaz and Foça Naval Bases.

#### Pipeline Security Systems

The activities to develop solutions for Liquid Natural Gas (LNG) and Oil Pipelines security have been continued. ASELSAN continued her efforts and work for the security of BOTAŞ Natural Gas and Oil Pipelines in TURKEY. Within these efforts the proposed solution in





2014 has been improved and updated according to the requirements. The proposed solution includes solutions for the security of pipelines, manned and unmanned stations and coastal terminals that exist over the pipelines. This modular system solution was set up in a manner where it can be used in all pipelines if required, and can be integrated into various products developed by ASELSAN, such as electro-optical systems, land & sea surveillance radars, unmanned vehicles and telecommunication systems.

Critical system components of the proposed solutions were identified and started working on to develop these components by ASELSAN. With this purpose "Fiber Optic Intrusion Detection System Project" was initiated and development activities have been continued in collaboration with universities and local industries.

MIDAS offers utmost capability of sensing by measurement at thousands of different points simultaneously, using a simple and unmodified fiber optic communications cable.

MIDAS uses either pre-existing or structured new cable lines in order to detect, classify and locate activity/threat to pipelines as well as real-time tracking of pigs, leak detection and seismic monitoring. MIDAS sensing capability covers as long as a required distance via implementing necessary power and communications infrastructures at every 80 km.

Furthermore, MIDAS also monitors facilities i.e. block valve stations, refineries and/or pumping stations, providing perimeter protection by utilizing existing or new structured fiber optic cables.

#### Patrol and Base Security Systems

In the scope of Station and Base Security programs, activities regarding the Modular Base Security (MGUB) Project have been continued during the year. In this context, MKGS Armored Security Vehicle installation and infrastructure works related to Modular Habitation Units,

## Within the field of Station and Base Security, ASELSAN carries on her activities regarding the Modular Security Systems (MGUB) Project.



Security Management Center and Ballistic Protection Systems and site acceptances have been completed successfully. Due to the additional requirements of Land Forces Command, a new contract change has been performed and activities regarding the delivery and installation of MGUB systems to recent military bases are still continuing.

Security solutions for military bases of The General Command of the Gendarmerie and Surveillance/ Area Control Stations of the Turkish National Police are requested and such solutions are still being discussed with the user.

In the forthcoming terms, ASELSAN will continue efforts regarding the on-going projects by expanding with new phases along with carrying out business development activities in domestic and foreign markets, especially in Azerbaijan and Saudi Arabia, in the extent of Station and Base Security.

Infrastructure Security Systems ASELSAN has continued her efforts and work in the Critical Infrastructure Security Programs. As part of its efforts to "İncirlik AB Upgrade WS3 Security System" project signed with Ministry of

Defence in December 2013, ASELSAN has continued development and production of critical infrastructure security systems.

ASELSAN continued her business development activities in domestic and foreign markets.

In the successive terms, ASELSAN will continue her efforts on the military/civil customer requirements and business development activities in domestic and foreign markets.

#### Public Security

For the security needs of the G20 Turkey Summit held in November 2015, a project for the expansion of city surveillance systems in Nevşehir and Ankara is completed.

Surveillance systems are installed in 69 locations and license plate recognition systems are installed in 9 locations in 3 months. Acceptance tests are successfully completed.

For the security of the over ground routes of Ankara Metro, a security system is designed. With the in house CCTV cameras, IR illuminators, Network Video Recorders and ASELSAN video analytics software, intruders are detected automatically.









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

In the field of Security Technologies ASELSAN plays a major role in many national and international projects effectively.



Business development activities in the following areas have been carried out: Nationwide integrated city surveillance systems, city and airport security systems.

### Security Technologies

#### Removing deficiencies in naval surveillance systems with multi sensor networks

APPS (Advancing Plug & Play Smart Surveillance), designed as follow-up project of RECONSURVE, started at the beginning of 2015. The ITEA 2 APPS project aims to advance the state-of-the-art in surveillance systems in two major key areas: plug & play and smart surveillance. Addition to that in scope of this Project, novel sensors will be developed to address the problems such as detection of non-cooperative vessels in heavy-traffic areas or under rainy/windy weather conditions which other maritime sensors can't. ASELSAN is project coordinator and 19 partners from four different countries; Turkey, Netherlands, Spain, Korea; bring their special domain expertise into the project. In first year of project, system design phase was completed. Moreover the early demonstration which exploits project objectives was conducted at Port of Rotterdam in December, 2015. When the project is completed, the integrated maritime surveillance system provides answers

to prevention of illegal activities, protecting of marine environment and safety issues.

#### Enhancing Perception Abilities of Security Systems with Visual and Audio Sensors

This implementation aims to meet the needs of COPCAMS (Cognitive and Perceptive Cameras), security and surveillance systems and for increased situational awareness by combining different types of sensors. The security system architecture of the Project was re-designed to create situational awareness by combining the data of visual and audio sensors. With the latest developments in large-scale security and surveillance system design, the central processing architecture remained. With a distributed approach, processing blocks were taken from the command control center and embedded into the cameras, thus enabling the entirely distributed and scalable system. In 2015, data fusion and multiple camera target tracking algorithms have been designed. After this step, the algorithms will be tested and fine-tuned in real environment.

#### Meeting Calculation Requirements of Smart Surveillance Applications

The ALMARVI (Algorithms and Design Methods and Many-core Execution Platforms for Low Power Massive Data Rate Video and Image Processing) Project aims to meet the increased calculation needs of security and

surveillance systems. The common characteristic of modern hardware which operates with high performance and low power is that they are multicore processing platforms. The ALMARVI approach analyses the calculation and memory needs of security and surveillance applications. By using the results of this analysis, it designs optimal heterogeneous multicore hardware architectures, software layers which are sensitive to context, and the most optimal image and video process algorithms.

#### Removing obstacles for cross border emergency situation and crisis management

The SECTOR (Secure European Common Information Space for the Interoperability of First Responders and Police Authorities) project aims to create solutions for common problems that have occurred in the recent past and are a concern for many countries, and which are faced in emergency and crisis management situations. The Project envisages the coordination of innovative command control systems that will help multinational emergency aid teams and police forces monitor incidents, allowing them to share information and use a common resource and take effective decisions.

#### Guiding Security Officers tackling Suicide Bombers

The SUBCOP (Suicide Bomber Counteraction and Prevention) project, which is funded by the European



Union 7<sup>th</sup> Framework Security program, develops new technological abilities that may be applied to tackle incidences involving suicide bombers. The project aims to equip police forces with new command control systems that can enable them to conduct 3D area management through images by connecting to wireless surveillance cameras, to track suspects and anticipate crowds' movement. Thanks to the developed technology, people may be detected and tracked automatically in the multi camera system. Security forces may determine the distance between a suspect and a crowd in real-time.

## ENERGY SYSTEMS

ASELSAN's Energy Systems Business Line activities are pursued with the goal of becoming a leading supplier of energy system solutions by exploiting the Company's rooted and innovative engineering traditions.

In order to meet the needs of all stakeholders in the global energy systems market with reliable and high quality state-of-the-art products and services in the areas of electricity generation, transmission, distribution, consumption and management, ASELSAN has established programs for the R&D, design, production, integration and after sales support in the following areas:

- Renewable Energy Systems
- Smart Grid Systems
- Energy and Power Management Systems

### Renewable Energy Systems

ASELSAN initiated activities to gain the necessary technologies enabling efficient and uninterrupted electricity generation from renewable energy resources.

Technological requirements were identified by considering the needs of all stakeholders and the development

of technologies required for solar power plants and wind farms were prioritized, with emphasis placed on the design, development and manufacturing of critical components for national needs.

### Smart Grid Systems

ASELSAN aims to develop Smart Grid technologies for national and global market, to provide monitoring, optimization and management of energy generation, transmission, distribution and consumption processes.

Smart Grid Management Systems activities include the development of system hardware and software components in the following areas; SCADA/EMS/DMS Systems, Micro Grid, Energy Storage Systems, Smart City Energy Applications, Electrical Vehicle Charging Systems and Energy Efficiency.



# Transportation, Security, Energy and Automation Systems Business Sector

## Energy and Power Management Systems

Energy and Power Management Systems activities include the development of system, hardware and software components in following areas; Power Plant SCADA Systems, Power Plant Measurement, Control & Management Systems, Power Plant Electronics & Electromechanical Components and technologies for effective, efficient and reliable electricity transmission.

## TRAFFIC AND AUTOMATION SYSTEMS

The activities in the Traffic and Automation Systems area were conducted under three major programs; Highway Toll Collection Systems, Traffic Management Systems and Automation Systems.

### Highway Toll Collection Systems

Highway Toll Collection Systems area is noticed as where most activity was witnessed in year 2015. As part of the contract with the Turkish Directorate of Highways, a new Multi Lane Free Flow Electronic Toll Collection System (MLFF-ETC) was deployed in the İzmir-Çeşme Highway. This system follows the first successful MLFF-ETC deployment in Turkey on the İstanbul Fatih Sultan Mehmet Bridge. MLFF-ETC systems represent the highest technology in toll collection and

make it possible to collect tolls on the highways while the vehicles are freely cruising on the highway. ASELSAN MLFF-ETC systems not only provide a freely flowing traffic but also provides an integrated solution to the tolling administration by integrating different modality of payment means, such as microwave tags (known as OGS in Turkey) and sticker tags (known as HGS in Turkey).

Furthermore, in year 2015, all toll lanes in Turkish Toll Highways were equipped with Automatic Number Plate Recognition (ANPR) cameras in order to identify and toll the vehicles which aren't subscribers of the electronic tolling system. The system provides a practical solution for tolling the occasional users of the highway.

ASELSAN tolling systems were chosen for the Gebze-İzmir Highway where the Project is funded by a Public Private Partnership (PPP) method. Under the contract, in addition to the İzmit Bay Bridge four new tolling stations are installed. The tolling system developed for this Project integrates several payment means such as the electronic tolling (known as OGS and HGS in Turkey), credit cards and cash payment. The system facilitates secure toll collection services for the private tolling administration by providing features such as real time balance checks on electronic payments.

ASELSAN secured its leading place in Turkish highway tolling scene by another important contract for the tolling systems of the Northern Marmara Highway and 3<sup>rd</sup> Bosphorus Bridge. This new 100 km highway and the 3<sup>rd</sup> suspension bridge over the İstanbul strait is also funded by public private partnership. Under the contract ASELSAN will install 9 toll stations and MLFF-ETC system on 4 locations on the newly constructed highway.

As a step towards another important tolling project, ASELSAN continues negotiations with the Eurasia Tunnel administration. The Eurasia Tunnel construction is continued and when finished the tunnel will provide yet another alternative for the vehicles to cross the İstanbul Strait.

Activities on the Republic of Macedonia Electronic Tolling System on Corridor 10 are continued throughout 2015. The works for the first tolling station is commenced. Within the project, ASELSAN will install 7 tolling stations and a tolling center on Corridor 10 spanning from the country's Serbian Border to Greek Border.

### Traffic Management Systems

Activities have been carried out in the Active Traffic Management System project for Gebze-İzmit section of İstanbul-Ankara highway which will be Turkey's first "Smart Highway". The system optimizes traffic flow by determining the optimum traffic scenario based on system measurements through a simulated environment. Accordingly, the system suggests real time speed limitations and lane-management guidelines, which are displayed to drivers via variable message and traffic signs.

The system's other distinctive functionalities are automatic incident detection, travel time calculation, ramp metering, automatic number plate recognition, electronic speed/lane enforcement, road weather information analysis and traffic data analysis.





In the field of Medical Technologies ASELSAN participates in projects that decreases the dependency on external sources and increases local design and production capabilities.

## AUTOMATION SYSTEMS

### Vehicle and License Plate Recognition Systems

Establishments of Vehicle and License Plate Recognition System (A-PTS) installed within the scope of the Gendarmerie's Integrated Communication and Information System (JEMUS), which detects the license plates, the brand and color of the vehicle with high accuracy in free traffic flow conditions in 45 provinces have been completed, and the systems have been commissioned. Acceptance and inspection activities are being continued for the system.

In addition to this, within the scope of the signed JEMUS Erzurum Area and Giresun/Tokat Area Radio System projects between the General Command of Gendarmerie forces and HBT (ASELSAN Communications and Information Technologies Business Sector), Mobile Vehicle and License Plate Recognition System was designed and developed. Within the project, Fixed and Mobile Vehicle and License Plate Recognition System will be established in 18 provinces in total. Delivery of these systems will be started in year 2016.

### Advanced Agriculture and Livestock Automation Systems

Studies are being continued for the transformation of ASELSAN's accumulation of knowledge in the fields of unmanned systems, automation systems



and communication systems into benefits in the field of agriculture and stockbreeding. In this field, ASELSAN is conducting research and development activities related to precision farming in order to optimally utilize the agricultural inputs and effectively measure the yield.

In this context, ASELSAN is conducting research and development projects with Ministry of Agriculture in the fields of autopilot tractor, observation of plants with unmanned aerial vehicles and farm management system in which integrated precision farming related activities are being conducted from tractor level to highest control center.

### Natural Disaster And Emergency Case Management Systems

Business Development efforts have been put in place for realizing nationwide Public Alert and Warning System consisting of control centers, communications infrastructure (wired and wireless - VHF/UHF radios and GSM) and electronic siren units used in order to warn the people against assaults attacks from abroad and dangers.

### Medical Technologies

UGES Business Sector has started domestic design, development and production projects in Medical Technologies in order to overcome import reliance of Turkey in this field. Within this context, Radiology (X-Ray) Imaging Systems, which annually take the highest share in Turkey's medical imaging device imports, are aimed to be developed with local sources. First project in this field, Mobile Digital X-Ray Project, which will be used in field hospitals, temporary mobile health units and clinics, have been initiated and founded in house by ASELSAN.

Ministry of Science, Industry and Technology has initiated political applications to support local suppliers in order to decrease import of industrial goods. Accordingly with this decision, Ministry of Health is planning to implement a new procurement procedure stipulating local design, development and production, in line with medical requirements of Turkey. Conceptual studies for the design and production of critical components of medical devices with local subcontractors have been conducted.

# 40 Years Old Companion



## 2015 Annual Report Financial Information





**Prepared as per CMB Serial II, No: 14.1**

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

## Consolidated Statement of Financial Position As of 31 December 2015

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

	Note References	Audited		
		31 December 2015	31 December 2014	1 January 2014
<b>ASSETS</b>				
<b>Current Assets</b>		<b>3.092.767.310</b>	<b>2.363.261.089</b>	<b>1.978.302.821</b>
Cash and Cash Equivalents	34	680.963.051	131.941.264	103.683.817
Trade Receivables	5	1.068.282.540	1.046.265.478	780.570.624
<i>From Related Parties</i>	4	165.331.068	123.006.267	143.803.785
<i>From Third Parties</i>		902.951.472	923.259.211	636.766.839
Other Receivables	6	48.242.341	41.953.632	81.512.996
<i>From Related Parties</i>	4	--	19.746	32.771.269
<i>From Third Parties</i>		48.242.341	41.933.886	48.741.727
Inventory	8	886.826.856	837.426.476	645.849.543
Prepaid Expenses	9	228.677.758	189.071.895	259.778.895
<i>From Related Parties</i>	4	22.527.030	15.811.275	25.050.301
<i>From Third Parties</i>		206.150.728	173.260.620	234.728.594
Other Current Assets	17	179.774.764	116.602.344	106.906.946
<b>Non-Current Assets</b>		<b>3.152.334.219</b>	<b>2.712.670.621</b>	<b>1.983.201.309</b>
Financial Investments	29	433.501.192	355.622.999	12.724.210
Trade Receivables	5	375.886.147	421.829.733	400.946.981
<i>From Related Parties</i>	4	25.431.437	37.527.873	35.615.010
<i>From Third Parties</i>		350.454.710	384.301.860	365.331.971
Other Receivables	6	288.124	261.988	197.085
<i>From Third Parties</i>		288.124	261.988	197.085
Equity Accounted Investments	7	41.916.350	--	--
Property, Plant and Equipment	10	924.841.904	852.761.857	741.988.200
Intangible Assets	11	537.511.904	438.506.438	372.807.645
Prepaid Expenses	9	410.132.684	352.358.052	228.884.966
<i>From Related Parties</i>	4	284.920.701	275.135.993	140.913.898
<i>From Third Parties</i>		125.211.983	77.222.059	87.971.068
Deferred Tax Assets	27	330.533.397	200.945.590	143.001.842
Other Non-Current Assets	17	97.722.517	90.383.964	82.650.380
<b>TOTAL ASSETS</b>		<b>6.245.101.529</b>	<b>5.075.931.710</b>	<b>3.961.504.130</b>

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



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

## Consolidated Statement of Financial Position As of 31 December 2015

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

	Note References	Audited		
		31 December 2015	31 December 2014	1 January 2014
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Short-term Financial Liabilities	30	1.568.972.887	1.261.590.287	957.434.099
Short-term Portion of Long-term Financial Liabilities	30	357.815.888	235.273.838	157.226.761
Trade Payables	5	89.428.178	48.608.193	22.832.818
To Related Parties	4	577.203.023	606.177.015	393.448.102
To Third Parties		37.695.908	29.080.517	16.265.805
Employee Benefit Obligations	16	539.507.115	577.096.498	377.182.297
Other Payables	6	21.587.810	22.998.224	19.226.599
To Related Parties	4	2.870.595	782.461	448.381
To Third Parties		55.166	306.817	30.320
Government Grants and Incentives	12	2.815.429	475.644	418.061
Deferred Income	9	22.582.761	15.043.829	11.280.034
To Related Parties	4	261.497.435	188.568.923	235.224.117
To Third Parties		15.194.498	19.206.330	20.048.345
Corporate Tax Liability	27	246.302.937	169.362.593	215.175.772
Short-term Provisions		2.633.455	651.558	480.904
For Employee Benefits	16	220.040.913	139.284.021	114.369.110
Other	14	38.114.689	33.924.548	25.395.640
Other Current Liabilities	17	181.926.224	105.359.473	88.973.470
		13.312.829	4.202.225	2.897.273
<b>Non-Current Liabilities</b>				
Long-term Financial Liabilities	30	1.835.392.817	1.275.194.663	1.112.141.441
Trade Payables	5	156.073.773	195.267.475	173.227.412
To Related Parties	4	222.884.252	54.198.334	12.163.376
To Third Parties		34.279.097	9.769.454	--
Other Payables	6	188.605.155	44.428.880	12.163.376
To Third Parties		38.201	31.832	30.518
Government Grants and Incentives	12	38.201	31.832	30.518
Deferred Income	9	--	2.233.448	1.878.514
To Related Parties	4	1.269.467.294	880.127.693	814.923.596
To Third Parties		87.021.381	76.987.617	23.573.411
Long-term Provisions		1.182.445.913	803.140.076	791.350.185
For Employee Benefits	16	186.929.297	143.335.881	109.918.025
Other	14	163.412.033	127.420.265	107.067.815
		23.517.264	15.915.616	2.850.210

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

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

## Consolidated Statement of Financial Position As of 31 December 2015

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

	Note References	Audited		
		31 December 2015	31 December 2014	1 January 2014
<b>EQUITY</b>		<b>2.840.735.825</b>	<b>2.539.146.760</b>	<b>1.891.928.590</b>
<b>Equity Attributable to Equity Holders of the Parent</b>		<b>2.840.283.211</b>	<b>2.539.146.760</b>	<b>1.891.410.789</b>
Share Capital	18	500.000.000	500.000.000	500.000.000
Inflation Adjustment on Share Capital	18	100.320.592	98.620.780	98.620.780
Other Comprehensive Income/(Expense) that will not to be Reclassified Subsequently to Profit or Loss		201.147.383	161.629.426	173.666.454
<i>Gain/(Loss) on Remeasurement of Defined Benefit Plans</i>	26	<i>(14.924.138)</i>	<i>(14.924.138)</i>	<i>(3.866.000)</i>
<i>Gain on Revaluation of Property</i>	26	<i>216.071.521</i>	<i>176.553.564</i>	<i>177.532.454</i>
Other Comprehensive Income/(Expenses) that may be Reclassified Subsequently to Profit or Loss		406.707.139	293.018.605	--
<i>Gain on Revaluation of Available for Sale Financial Assets</i>	26	<i>406.801.891</i>	<i>293.018.605</i>	--
<i>Foreign Currency Exchange Differences</i>	26	<i>(94.752)</i>	--	--
Restricted Reserves	18	86.943.184	73.708.407	69.677.755
Retained Earnings		1.332.234.953	1.020.117.341	811.364.311
Net Profit for the Period		212.929.960	392.052.201	238.081.489
<b>Non-Controlling Interests</b>		<b>452.614</b>	<b>--</b>	<b>517.801</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>6.245.101.529</b>	<b>5.075.931.710</b>	<b>3.961.504.130</b>

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



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

## Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 31 December 2015

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

	Note References	Audited	
		2015	(Restated) 2014
<b>PROFIT OR LOSS</b>			
Revenue	19	2.780.429.591	2.534.501.073
Cost of Sales (-)	19	(2.154.355.913)	(1.915.883.243)
<b>GROSS PROFIT</b>		<b>626.073.678</b>	<b>618.617.830</b>
General Administrative Expenses (-)	21	(138.398.675)	(124.248.781)
Marketing Expenses (-)	21	(74.653.545)	(46.531.957)
Research and Development Expenses (-)	21	(87.980.094)	(72.037.415)
Other Operating Income	22	173.646.848	105.399.088
Other Operating Expense (-)	22	(295.921.740)	(137.166.260)
<b>OPERATING PROFIT</b>		<b>202.766.472</b>	<b>344.032.505</b>
Income from Investing Activities	23	2.477.731	2.122.943
Share of Losses of Equity-Accounted Investees		(9.115.691)	--
<b>OPERATING PROFIT BEFORE FINANCIAL EXPENSE</b>		<b>196.128.512</b>	<b>346.155.448</b>
Financial Income	24	38.348.073	50.127.162
Financial Expense (-)	25	(155.266.839)	(73.482.443)
<b>PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>79.209.746</b>	<b>322.800.167</b>
<b>Tax Income from Continuing Operations</b>			
- Current Corporate Tax Expense(-)	27	134.163.623	69.252.034
- Deferred Tax Income	27	(3.492.670)	(1.288.840)
		137.656.293	70.540.874
<b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>213.373.369</b>	<b>392.052.201</b>
<b>Profit Attributable to:</b>			
Non-Controlling Interest		443.409	--
Owners of the Company		212.929.960	392.052.201
		<b>213.373.369</b>	<b>392.052.201</b>
<b>Earnings per 100 Shares (kuruş)</b>	<b>28</b>	<b>42,6</b>	<b>78,4</b>

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

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

## Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 31 December 2015

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

	Note References	Audited	
		1 January-31 December 2015	(Restated) 1 January-31 December 2014
<b>PROFIT FOR THE PERIOD</b>		<b>213.373.369</b>	<b>392.052.201</b>
<b>OTHER COMPREHENSIVE INCOME</b>		<b>--</b>	<b>--</b>
<b>Items that will not to be Reclassified Subsequently in Profit or Loss</b>		<b>39.517.957</b>	<b>(12.205.325)</b>
Gain on Revaluation of Property	26	41.597.849	(1.207.565)
Loss on Remeasurement of Defined Benefit Plans	16	--	(13.822.672)
Deferred Tax (Expense)/Income	27	(2.079.892)	2.824.912
<b>Items that may be Reclassified Subsequently to Profit or Loss</b>		<b>113.688.534</b>	<b>293.018.605</b>
Gain on Revaluation of Available for Sale Financial Assets	26	119.771.880	308.440.637
Foreign Currency Exchange Differences	26	(94.752)	--
Deferred Tax Expense	26-27	(5.988.594)	(15.422.032)
<b>OTHER COMPREHENSIVE INCOME</b>		<b>153.206.491</b>	<b>280.813.280</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>366.579.860</b>	<b>672.865.481</b>
<b>Total Comprehensive Income Attributable to:</b>			
Non-Controlling Interests		443.409	--
Owners of the Company		366.136.451	672.865.481
		<b>366.579.860</b>	<b>672.865.481</b>

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



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

## Consolidated Statement of Changes in Equity For the Year Ended 31 December 2015

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

	Share Capital	Inflation Adjustment on Share Capital	Other Comprehensive Income/Expense that will not to be Reclassified Subsequently to Profit or Loss		Other Comprehensive Income/Expense that may be Reclassified Subsequently to Profit or Loss			Retained Earnings			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	Foreign Currency Exchange Differences	Restricted Reserves	Retained Earnings	Net Profit for the Period	Equity Attributable to Owners of the Company		Non-Controlling Interests
<b>Balance as of 1 January 2014 (Restated)</b>	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
Restatement effect (Note: 35)	--	--	--	--	--	--	--	279.443.139	--	279.443.139	--	279.443.139
<b>Balance as of 1 January 2014 (Restated)</b>	500.000.000	98.620.780	177.532.454	(3.866.000)	--	--	69.677.755	811.364.311	238.081.489	1.891.410.789	517.801	1.891.928.590
Transfers	--	--	--	--	--	--	3.983.319	209.098.170	(213.081.489)	--	--	--
Total Comprehensive Income	--	--	(1.147.187)	(11.058.138)	293.018.605	--	--	--	392.052.201	672.865.481	--	672.865.481
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)
<b>Balance as of 31 December 2014 (Closing Balance)</b>	500.000.000	98.620.780	176.553.564	(14.924.138)	293.018.605	--	73.708.407	1.020.117.341	392.052.201	2.539.146.760	--	2.539.146.760
<b>Balance as of 1 January 2015 (Opening Balance)</b>	500.000.000	98.620.780	176.553.564	(14.924.138)	293.018.605	--	73.708.407	1.020.117.341	392.052.201	2.539.146.760	--	2.539.146.760
Transfers	--	--	--	--	--	--	13.229.919	271.865.000	(285.094.919)	--	--	--
Total Comprehensive Income	--	--	39.517.957	--	113.783.286	(94.752)	--	41.957.282	170.972.678	366.136.451	443.409	366.579.860
Dividends Paid	--	--	--	--	--	--	--	--	(65.000.000)	(65.000.000)	--	(65.000.000)
Transactions with non-controlling shareholders	--	--	--	--	--	--	--	--	--	--	9.205	9.205
The effect of take over of subsidiaries <sup>(1)</sup>	--	1.699.812	--	--	--	--	4.858	(1.704.670)	--	--	--	--
<b>Balance as of 31 December 2015 (Closing Balance)</b>	500.000.000	100.320.592	216.071.521	(14.924.138)	406.801.891	(94.752)	86.943.184	1.332.234.953	212.929.960	2.840.283.211	452.614	2.840.735.825

<sup>(1)</sup> Represents the effect of merger of MIKES Mikrodalga Elektronik Sistemler Sanayi ve Ticaret Anonim Şirketi with ASELSAN Elektronik Sanayi ve Ticaret Anonim Şirketi as of 20 January 2015.

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

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

## Consolidated Statement of Cash Flows For the Year Ended 31 December 2015

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

	Note Reference	Audited	
		2015	Restated 2014
<b>A. Cash Flows from Operating Activities</b>		<b>767.496.334</b>	<b>281.527.455</b>
Net Profit for the Period		213.373.369	392.052.201
<b>Adjustments to Reconcile Profit for the Year</b>		<b>623.528.768</b>	<b>93.025.184</b>
- Depreciation and Amortization Expense	10-11	103.442.908	89.879.012
- Research and Development Expense	11	23.849.001	28.848.597
- Gain and Sale of Property Plant and Equipment	22	(10.057.380)	--
- Construction in Progress	20	408.516.574	(94.211.531)
- Provision for Employee Benefits		53.869.105	27.725.191
- Allowance for Doubtful Trade Receivables/(Reversals) - Net	5	--	(1.362.431)
- Provision for Warranty/(Reversals) - Net		107.774.838	45.461.549
- Provision for Delay Penalties and Fines - Net		9.217.455	13.268.444
- Provision for Expected Losses of Construction Contracts		35.907.980	29.412.834
- Provision for Lawsuits - Net		1.817.518	503.800
- Allowance for Impairment on Inventories - Net		1.724.554	5.894.784
- Other Provisions		(212.351)	2.435.431
- Interest Income		(14.119.343)	(11.246.566)
- Interest Expense		26.413.270	15.279.155
- Unrealized Foreign Exchange Differences Related to Financial Borrowings - Net		32.482.161	12.157.440
- Tax Expense/Income	27	(134.163.623)	(69.252.034)
- Income from Investing Activities	23	--	(1.914.324)
- Adjustments to reconcile for profit/loss		(22.933.899)	145.833
<b>Changes in Working Capital</b>		<b>16.129.207</b>	<b>(128.133.117)</b>
- Inventory		68.081.733	46.775.876
- Trade Receivables		(245.577.575)	(153.644.858)
- Other Receivables		(6.314.845)	39.548.892
- Prepaid Expenses		(207.114.806)	(290.223.024)
- Trade Payables		(2.163.349)	217.532.612
- Other Payables		2.094.503	335.394
- Employee Benefit Obligations	16	(1.410.414)	3.771.625
- Government Grants and Incentives	12	5.305.484	4.118.729
- Deferred Income	9	462.268.113	18.548.903
- Other Assets and Liabilities		(59.039.637)	(14.849.292)
- Working Capital		--	(47.974)

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



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

## Consolidated Statement of Cash Flows For the Year Ended 31 December 2015

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

	Note Reference	Audited	
		2015	Restated 2014
<b>Net Cash Provided By Operating Activities</b>		<b>853.031.344</b>	<b>356.944.268</b>
Tax Payments		(1.510.773)	(1.118.186)
Employee Termination Benefits Paid	16	(5.927.178)	(6.947.744)
Warranty Provisions Paid	14	(61.368.216)	(46.686.173)
Delay Penalties and Fines Paid		(8.863.757)	(14.931.976)
Other Provisions Paid		(7.865.086)	(5.732.734)
<b>B. Cash Flows from Investing Activities</b>		<b>(256.217.201)</b>	<b>(324.166.611)</b>
Proceeds from Disposal of Property, Plant and Equipment and Intangible Assets		6.697.478	530.468
Payments for Property, Plant and Equipment		(95.154.435)	(157.533.671)
Payments for Intangible Assets - Net	11	(165.259.861)	(133.811.624)
Gain on Sale of Property Plant and Equipment	23	(2.477.731)	(208.619)
Change in Financial Investments		(22.652)	(35.057.489)
Dividends Received	23	--	1.914.324
<b>C. Cash Flows from Financing Activities</b>		<b>14.903.507</b>	<b>71.042.436</b>
Proceeds from Borrowings		487.657.505	523.895.854
Repayments of Borrowings		(412.363.399)	(427.540.525)
Repayments of Obligations Under Finance Leases		(127.034)	(113.067)
Interest Paid	25	(3.462.289)	(3.851.753)
Interest Received		8.198.724	3.651.927
Dividend Payments	18	(65.000.000)	(25.000.000)
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF FOREIGN CURRENCY EXCHANGE DIFFERENCES (A+B+C)</b>		<b>526.182.640</b>	<b>28.403.280</b>
<b>D. EFFECT OF FOREIGN CURRENCY EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS</b>		<b>22.839.147</b>	<b>(145.833)</b>
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS(A+B+C+D)</b>		<b>549.021.787</b>	<b>28.257.447</b>
<b>E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	34	<b>131.941.264</b>	<b>103.683.817</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)</b>	34	<b>680.963.051</b>	<b>131.941.264</b>

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

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

## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2015

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

### 1. ORGANIZATION AND OPERATIONS OF THE GROUP

ASELSAN Elektronik Sanayi ve Ticaret Anonim Şirketi ("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 together with providing and conducting 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 Armed Forces Foundation. The Company commenced its production activities in Macunköy Facilities beginning from 1979.

As of the reporting date, the Company has been organized under five divisions under the Vice Presidential Sector with regard to investment and production requirements of projects. These divisions comprise the Communication and Information Technologies Vice Presidency ("HBT"), Radar, Electronic Warfare and Intelligence Systems Vice Presidency ("REHİS"), Defense Systems Technologies Vice Presidency ("SST") and Microelectronics, Guidance & Electro-Optics Division Vice Presidency ("MGEO") and Transportation, Security, Energy and Automation Systems Vice Presidency ("UGES").

In addition to the Sector Vice Presidencies, the Company has ten separate vice presidencies including the Financial Management Vice Presidency, Shared Services Vice Presidency, Research and Development and Technology Management Vice Presidency, Strategy and Development Vice Presidency, Human Resources Management Vice Presidency.

The Company performs production and engineering operations in three different locations in Ankara Macunköy, Akyurt and Gölbaşı while General Management is located in Ankara Macunköy.

Turkish Armed Forces Foundation ("TAFF") is the main shareholder of the Company which holds 84,58 percent 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 have been quoted in Borsa İstanbul Anonim Şirketi since 1990. As of 31 December 2015 15,30 percent of the Company's shares are publicly traded (31 December 2014: 15,30 percent) (Note 18).

The Company's trade registry address is Mehmet Akif Ersoy Mahallesi 296. Cadde No: 16 06370 Yenimahalle/Ankara. The average number of personnel employed by the Group as of 31 December 2015 is 5.392 (31 December 2014: 5.335).

The Company's consolidated subsidiaries are ASELSAN Bakü Şirketi ("ASELSAN Bakü"), and Mikroelektronik Ar-Ge Tasarım ve Ticaret Limited Şirketi ("Mikro AR-GE") and ASELSANNET Elektronik ve Haberleşme Sistemleri Sanayi Ticaret İnşaat ve Taahhüt Limited Şirketi ("ASELSANNET"). They are collectively referred as the "Group" in the accompanying notes.

The main operations of the companies included in the consolidation and ownership interest of the Company are as follows:

Company Name	Operation	31 December 2015	31 December 2014
		Share (%)	
ASELSANNET	Communication systems Marketing and sales of the Group	100,00	100,00
ASELSAN Bakü	Products Research and development on	100,00	100,00
Mikro AR-GE	microelectronic projects	85,00	85,00
Mikrodalga Elektronik Sistemler Sanayi ve Ticaret Anonim Şirketi ("MİKES")	Research and development on microwave projects	--	100,00

With the Board of Directors resolution numbered 843 dated 5 January 2015 MİKES has merged with the Company by means of take over of all assets and liabilities incurred through simplified merger proceeding which was registered on 20 January 2015 together with the dissolution of MİKES.

Thereby, MİKES has been merged with the Company with its all assets and liabilities through complete succession in accordance with the II-23-2 Consolidation and Division Decree of CMB, 136<sup>th</sup> and other articles of Turkish Commercial Code and 19<sup>th</sup>, 20<sup>th</sup>, 21<sup>st</sup> articles of Corporate Tax Law and MİKES has dissolved without liquidation by 20 January 2015. All rights and liabilities of MİKES have been transferred to the Company by 20 January 2015.



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

## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2015

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

The Company has set up branches in Africa in 2011 and in Macedonia in 2014 as "ASELSAN Elektronik Sanayi ve Ticaret Anonim Şirketi EP Co." ("ASELSAN South Africa Branch") and "ASELSAN Macedonia Corridor-10 Highway Fee Allocation System Project" ("ASELSAN Macedonia Branch") respectively.

### Approval of the consolidated financial statements

These consolidated financial statements have been approved for issue by the Board of Directors with the resolution number 878 on 7 March 2016. No authority other than General Assembly and legal entities 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 accompanying consolidated financial statements have been prepared in accordance with the communiqué No: II, 14.1 "Communiqué on Financial Reporting Standards in Capital Markets" ("Communiqué") promulgated by CMB, which is published at 13 June 2013 in the Official Gazette numbered 28676 and in accordance with the Turkish Accounting Standards ("TAS"), issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). TAS; Turkish Accounting Standards is composed of Turkish Financial Reporting Standards with related additions and interpretations.

In addition, the consolidated financial statements and its notes have been prepared in accordance with the requirements announced by the CMB's on 7 June 2013.

The consolidated financial statements have been prepared on a historical cost basis except for the revaluation of lands and some financial instruments. Fair value of the consideration paid for the assets are considered in determining the historical cost.

#### Functional Currency

The financial statements of each Group entity are presented in the currency of the primary economic environment ("Functional Currency") in which the entity operates. The Company's reporting currency is Turkish Lira ("TL"). 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 for the consolidated financial statements.

#### Preparation of Financial Statements in Hyperinflationary Periods

CMB, with its resolution dated 17 March 2005 numbered 11/367 declared that companies operating in Turkey which prepare their financial statements in accordance with ("CMB") Accounting Standards, effective 1 January 2005, will not be subject to the application of inflationary accounting. Consequently, in the accompanying financial statements ("IAS/TAS 29") "Financial Reporting in Hyperinflationary Economies" was not applied since 1 January 2005.

#### 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
			2015	2014	
ASELSANNET	Turkey	TL	100	100	Telecommunication systems Marketing and sales of the group products
ASELSAN Bakü <sup>(1)</sup>	Azerbaijan	AZN	100	100	Microelectronic R&D projects
Mikro AR-GE <sup>(1)</sup>	Turkey	TL	85	85	

<sup>(1)</sup> The Companies are consolidated on line by line bases.

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

## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2015

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

The consolidated financial statements includes 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 it has control over an investee if there is a change in one of the above criteria mentioned.

Even though the Company has voting rights less than a majority, if it has ability to manage the operation of the investee unintentionally, then the Group assess that it has control over that investee.

- comparison of voting rights of the Company and the others,
- potential voting rights held by the Company and others,
- 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).

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. 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.

Each item of profit or loss and other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if results in the non-controlling interests having a deficit balance.

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

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

### Joint Ventures:

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

Joint Ventures	Principal Activity	Country of incorporation and operation	Group's proportion of ownership and voting power held (%)	
			2015	2014
Hassas Optik Sanayi ve Ticaret Anonim Şirketi ("ASELSAN Optik")	Sensitive optic technologies	Turkey	50	50
Mikro Nano Teknolojileri Sanayi ve Ticaret Anonim Şirketi ("ASELSAN Bilkent")	Production of micro and nano sized devices which contains semi-conductive and similar technological materials	Turkey	50	50
IGG ASELSAN	Marketing and sales of the group products	United Arab Emirates	49	49
ASELSAN Kazakhstan	Marketing and sales of the group products	Kazakhstan	49	49
ASELSAN Jordan	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.



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

## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2015

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

ASELSAN Optik has been established on March 2014 and it is owned by ASELSAN and Sivas Optik Malzemeleri Sanayi ve Ticaret Anonim Şirketi with 50 percent ownership each. The production of precision optical technology for ultraviolet, visible and near infrared bands get designed and produced abroad by ASELSAN will be fulfilled following the completion of the facility established in Sivas.

ASELSAN Bilkent has been established in November 2014 and it is owned by ASELSAN and İhsan Doğramacı Bilkent University with 50 percent ownership each. Construction of the company's facility is ongoing. It has been established to produce all varieties of semiconductive and micro and nano sized devices containing similar technological materials.

The Group's joint ventures; IGG ASELSAN and ASELSAN Kazakhstan which were established in 2011, ASELSAN Jordan which was established in 2012 and ASELSAN Optik and ASELSAN Bilkent which were established in 2014, were included in the consolidated financial statements by using the equity method as of 31 December 2015.

### 2.2 Comparative Information and Restatement of Prior Period Term Consolidated Financial Statements

In order to determine the financial position and performance trends, the Group's consolidated financial tables are prepared comparatively to the previous term. For the purpose of having consistency with the current term's presentation of consolidated financial tables, comparative data is reclassified and significant differences are explained if necessary. These classifications are explained in the paragraphs below, and the effects to the prior year's consolidated financial statements are presented in Note 35.

Amount of warrant in the "Commitments" note under the Note 15's "D-ii" article is revised as 1.473.000 TL instead of 988.000 TL as of 31 December 2014 reporting date.

### 2.3 Changes in the Accounting Policies, Accounting Estimates and Errors

Significant changes in accounting policies and errors are applied retrospectively and prior period financial statements are restated, changes in accounting estimates are reflected to the financial current period profit/loss.

Changes with respect of TAS 8 "Accounting Policies, Changes and Errors in Accounting Estimates" are presented in Note 35.

### 2.4 Errors and Changes in Accounting Estimates

The estimated errors in the accounting policies are applied retrospectively and the prior year's financial statements are restated accordingly.

When change in estimate in accounting policies are related with 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.

### 2.5 New and Revised Turkish Accounting Standards

#### Standards issued but not yet effective and not early adopted

#### TFRS 9 Financial Instruments - Classification and measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2018. Phase 1 of this new TFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option ("FVO") liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

#### TAS 16 and TAS 38 - Clarification of acceptable methods of depreciation and amortization

The amendments to TAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendments to TAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate.

The amendments are effective for annual periods beginning on after 1 January 2016, and are to be applied prospectively. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

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

## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2015

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

### TFRS 11 - Accounting for acquisition of interests in joint operations

The amendments clarify whether TFRS 3 Business Combinations applies when an entity acquires an interest in a joint operation that meets that standard's definition of a business. The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

### TFRS 14 Regulatory Deferral Accounts

International Accounting Standards Board ("IASB") has started a comprehensive project for Rate Regulated Activities in 2012. As part of the project, IASB published an interim standard to ease the transition to International Financial Reporting Standards ("IFRS") for rate regulated entities. The standard permits first time adopters of TFRS to continue using previous GAAP to account for regulatory deferral account balances. The interim standard is effective for financial reporting periods beginning on or after 1 January 2016, although early adoption is permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

### Sale or contribution of assets between an investor and its associate or joint venture (Amendments to TFRS 10 and TAS 28)

The amendments address the conflict between the existing guidance on consolidation and equity accounting. The amendments require the full gain to be recognized when the assets transferred meet the definition of a "business" under TFRS 3 *Business Combinations*. The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

### Equity method in separate financial statements (Amendments to TAS 27)

The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures, but also for subsidiaries. The amendments apply retrospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

### Disclosure Initiative (Amendments to TAS 1)

The narrow-focus amendments to TAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing TAS 1 requirements. In most cases the amendments respond to overly prescriptive interpretations of the wording in TAS 1. The amendments relate to the following: materiality, order of the notes, subtotals, accounting policies and disaggregation. The amendments apply for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

### Investment Entities: Applying the Consolidation Exception (Amendments to TFRS 10, TFRS 12 and TAS 28)

Before the amendment, it was unclear how to account for an investment entity subsidiary that provides investment-related services. As a result of the amendment, intermediate investment entities are not permitted to be consolidated. So where an investment entity's internal structure uses intermediates, the financial statements will provide less granular information about investment performance - i.e. less granular fair values of, and cash flows from, the investments making up the underlying investment portfolio. The amendments apply retrospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

### Improvements to TFRS

The IASB issued Annual Improvements to IFRSs - 2012-2014 Cycle. The amendments are effective as of 1 January 2016. Earlier application is permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.



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

## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2015

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

### Annual Improvements - 2012-2014 Cycle

#### TFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

The amendments clarify the requirements of TFRS 5 when an entity changes the method of disposal of an asset (or disposal group) and no longer meets the criteria to be classified as held-for-distribution.

#### TFRS 7 *Financial Instruments: Disclosures*

TFRS 7 is amended to clarify when servicing arrangement are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. TFRS 7 is also amended to clarify that the additional disclosures required by *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to TFRS 7)*.

#### TAS 19 *Employee Benefits*

TAS 19 has been amended to clarify that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

#### TAS 34 *Interim Financial Reporting*

TAS 34 has been amended to clarify that certain disclosure, if they are not included in the notes to interim financial statements, may be disclosed "elsewhere in the interim financial report" - i.e. incorporated by cross-reference from the interim financial statements to another part of the interim financial report (e.g. management commentary or risk report).

### The new standards, amendments and interpretations that are issued by the International Accounting Standards Board ("IASB") but not issued by POA

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to TFRS by the POA, thus they do not constitute part of TFRS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

#### IFRS 9 *Financial Instruments - Hedge Accounting and amendments to TFRS 9, TFRS 7 and TAS 39 - (2013)*

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging transactions. This standard is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The group is in the process of assessing the impact of the standard on consolidated financial position or performance of the Group.

#### TFRS 9 *Financial Instruments (2014)*

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from TAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is in the process of assessing the impact of the standard on consolidated financial position or performance of the Group.

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### IFRS 15 Contracts with Customers

The standard replaces existing IFRS and US GAAP guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under IFRS. The Group is in the process of assessing the impact of the amendment on consolidated financial position or performance of the Group.

### 2.6 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.

(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 collected or uncollected receivables. Estimated returns, discounts, and allowances are deducted from afore mentioned value.

#### Sale of goods

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

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

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### 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.

### **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 in the accumulated in the equity, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

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.



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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

### 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.

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### *Internally generated intangible assets - R&D expenditure*

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

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

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

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

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

The useful lives of the intangible assets are as follows:

	<u>Useful life</u>
Rights	2-6 years
Computer software	2-3 years
Development expenditures	1-5 years

### **Impairment of Assets**

Assets that have an indefinite useful life, like 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 has impaired are reviewed for possible reversal of the impairment at each reporting date.

### **Borrowing Costs**

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

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

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### Financial Instruments

#### *(i) Non-derivative financial assets*

The Group initially recognizes loans, receivables and deposits on the date that they are originated. All other financial assets including financial assets at fair value through profit or loss are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets as financial assets at fair value through profit or loss, financial assets to be held until maturity, loans and receivables and available for sale financial assets.

#### Financial assets at FVTPL

If a financial asset is held for trading or is designed while recording at the first time in this way, this financial instrument is classified as the financial assets at fair value through profit or loss. If the Group is managing its investments or it deciding its purchases or sales at the fair value based on its written risk management or investment strategies, then those financial assets are designed as financial assets that reflect profit or loss to its fair value. When transaction costs are formed, it is recognized within profit or loss. Financial assets at fair value through profit or loss are measured at fair value and includingly, dividend income, changes in fair value is recognized in profit or loss.

Financial assets held for trading consist of the Government debt securities which are actively managed by the Group's treasury department and held in order to meet the Group's short-term cash needs.

Otherwise, financial assets at fair value through profit or loss include the securities based on stocks which are classified as available for the sale.

If the Group, who has the intention to held until maturity and the ability, has the debt securities, this financial assets are classified as marketable securities to be held until maturity. Held-to-maturity investments are initially measured at fair value plus any direct attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Held-to-maturity-investments consist of debt securities.

#### Loans and receivables

Loans and receivables are financial assets that are not quoted in active market, with fixed or variable payments. These assets are initially measured at fair value plus any direct attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Loans and receivables contain cash and cash equivalent, trade and other receivables.

#### Cash and cash equivalents

Cash and cash equivalents comprise of cash balances that are subject to insignificant risk of change and in value and cash deposits with maturities less than three months. And they are used in order to finance short-term liabilities.



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### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are, defined as available for sale. These assets are initially measured at fair value plus any direct attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available for sale financial assets are comprised of equity securities and debt securities.

### *(ii) Non-derivative Financial Liabilities*

The Group initially recognises and subordinated debt and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Group classifies non-derivative financial liabilities as other financial liabilities category. Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities consist of debt securities including preferred shares, bank overdrafts and trade and other payables.

Bank overdrafts that are reimbursable on demand and used as in cash management of the Group, are included in statement of cash flow in cash and cash equivalents.

### *(iii) Capital*

#### *Common Stocks*

Common stocks are classified as equity. Incremental costs that can be directly attributable to the issue of ordinary shares are recognised as a deduction from equity considering the tax effect.

### *(iv) Derivative Financial Instruments (Including Hedge Accounting)*

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

- If the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- The host contract is not itself carried at fair value through profit or loss; and
- Embedded derivatives are separated from the host contract and accounted for separately.

The Group designates certain derivatives held for risk management as well as certain non-derivative financial instruments as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instrument(s) is(are) expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125%. The Group makes an assessment for a cash flow hedge of a forecast transaction, of whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

Derivatives are initially measured at fair value; any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

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### Financial Lease Operations

#### Leasing- the group as lessor

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

Finance lease receivables are recognised at the amount of the Group's net investment in the leases. Finance lease income is recognised 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.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Start-up costs for the realisation and optimisation of the operational lease agreement are added to the cost of the leased asset and amortised through the leased time on a straight line basis method.

### Foreign Currency Transactions

#### Foreign currency transactions and balances

The 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;
- 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 Period

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

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

### Provisions, Contingent Liabilities and Contingent Assets

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

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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 related with 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 Company are technical system design, development, production and after-sales services for various products for defense industry. One kind of operating segment has occurred in consequence of similarities between methods that are used for products, quality of services and processes, client's type and class, and distribution or presentation of products. It is not required to disclose segment reporting for the consolidated subsidiaries, since revenue profit/loss and assets are below 10 percent of consolidated amounts.

### 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 that it 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 reporting 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 reporting date, are estimated based on the contract details.

Government grants, if any, are also taken into consideration while calculating the profitability of the contract. The grants are recognized by offsetting 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).



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### 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.

### 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 recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. 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 future taxable profits will be available against which they can be used.

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.

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### Employee Benefits

#### *Termination and retirement benefits*

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

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

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

#### *Dividend and bonus plans*

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

The Group recognizes the cost of providing additional retirement bonuses to employees who have completed 20 years of service and earned the right to retirement benefits. In 26 November 2015, according Board of Directors' resolution numbered 869/6c, the Company has decided to terminate payment of retirement bonus employees worked for 20 years for the Company and is qualified pensioner, beginning from 30 July 2016. 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.

### Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability 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.

## 2.7 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 2.6, 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 27).

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

## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2015

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

### Liabilities with respect to employee benefits

The Group makes various assumptions on discount, inflation rate, wage increase rate, the probability of quitting voluntarily for calculating provisions for employee benefits and retirement pays (Note 16).

### 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 10-11).

### 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 20). 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.

If purchases and collections made by more than one currency regarding the projects TAS 11 "Construction Contracts" the upcoming purchasing and invoicing is forecasted with respect of contract amount and cost are determined considering weighted average currency.

### Escalation

As of the reporting 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 (Note 14).

### Development Expenses

As of reporting 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 11).

## 3. INTERESTS IN OTHER ENTITIES

### a) Subsidiaries

Details of the Group's material subsidiaries as of the dates 31 December are as follow:

Name of Subsidiary	Place of incorporation and operation	Currency	Group's proportion of ownership and voting power held (%)		Principal Activity
			2015	2014	
MİKES	Turkey	TL	--	100	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



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## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2015

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### Composition of the Group

Explained in Note 1.

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

Change in the Group's subsidiaries ownership is explained in Note 2.1

### 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 are consolidated by using equity method as of 31 December 2015.

## 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 generally arise from sales activities with maturities of between 1 - 5 months. The receivables are unsecured by nature and bear no interest.

The trade payables to related parties generally arise from the purchase activities with maturities of between 1 - 3 months. 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 2015 is TL 7419.872 (31 December 2014: TL 5.873.910).

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

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## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2015

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

	31 December 2015				
	Receivables				
	Short-term		Non-trading	Long-term	
Trading	Advances given	Trading		Advances given	
<b>Balances with related parties</b>					
<u>Main shareholder</u>					
TAFF	5.332	--	--	--	--
<u>Other shareholder</u>					
Axa Sigorta Anonim Şirketi ("Axa Sigorta")	--	--	--	--	--
<u>Main shareholder's subsidiaries and associates</u>					
Hava Elektronik Harp Sis. Müh. Tic. Anonim Şirketi ("HAVELSAN EHSİM")	--	745.172	--	--	--
Hava Elektronik San. ve Tic. Anonim Şirketi ("HAVELSAN")	10.616.524	283.920	--	2.199.848	--
HAVELSAN Teknoloji Radar San. ve Tic. Anonim Şirketi ("HTR")	--	433.245	--	--	--
İşbir Elektrik Sanayii Anonim Şirketi ("İŞBİR")	--	--	--	--	--
NETAŞ Telekomünikasyon Anonim Şirketi	--	9.446.105	--	--	21.564.766
Savunma Teknolojileri Mühendislik ve Ticaret Anonim Şirketi ("STM")	976.954	9.695.229	--	--	--
Türk Havacılık ve Uzay Sanayi ve Ticaret Anonim Şirketi ("TUSAŞ")	4.821.454	75.245	--	13.490.159	--
<u>Marketable securities</u>					
Askeri Pil Sanayi ve Ticaret Anonim Şirketi ("ASPILSAN")	--	37.567	--	--	--
Roket Sanayi ve Ticaret Anonim Şirketi ("ROKETSAN")	44.951.560	--	--	9.741.430	261.760.774
<u>Joint ventures and its related parties</u>					
ASELSAN Bilkent	1.398	--	--	--	--
İhsan Doğramacı Bilkent University	--	124.983	--	--	1.595.161
International Golden Group	19.410.955	-	--	--	--
IGG ASELSAN	1.414.804	1.685.564	--	--	--
ASELSAN Kazakhstan	52.203.857	--	--	--	--
ASELSAN Jordan	30.928.230	--	--	--	--
	<b>165.331.068</b>	<b>22.527.030</b>	<b>--</b>	<b>25.431.437</b>	<b>284.920.701</b>

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## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2015

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

31 December 2015

Payables					
Short-term			Long-term		
Trading	Advances received	Non-trading	Trading	Advances received	
--	--	--	--	--	--
--	--	55.166	--	--	--
--	--	--	--	--	--
815.563	798.921	--	--	--	--
1.391.298	--	--	--	--	--
868.479	--	--	--	--	--
20.102.241	--	--	--	--	--
2.034.217	4.439.264	--	--	--	--
3.592.799	3.938.610	--	33.712.592	67.999.916	
351.903	--	--	--	--	--
5.109.663	6.008.117	--	566.505	19.021.465	
--	--	--	--	--	--
1.507.027	--	--	--	--	--
--	9.586	--	--	--	--
--	--	--	--	--	--
1.922.718	--	--	--	--	--
--	--	--	--	--	--
<b>37.695.908</b>	<b>15.194.498</b>	<b>55.166</b>	<b>34.279.097</b>	<b>87.021.381</b>	



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

## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2015

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

	(Restated) 31 December 2014				
	Receivables				
	Short-term			Long-term	
<u>Balances with related parties</u>	Trading	Advances given	Non-trading	Trading	Advances given
<u>Main Shareholder</u>					
TAFF	5.734	--	--	--	--
<u>Other shareholder</u>					
Axa Sigorta	--	--	--	--	--
<u>Main shareholder's subsidiaries and associates</u>					
HAVELSAN EHSİM	--	32.370	--	--	740.788
HAVELSAN	1.493.040	580.868	--	--	--
HTR-HAVELSAN	--	--	--	--	--
İŞBİR	--	543.920	--	--	--
NETAŞ	--	4.353.095	--	--	8.832.266
STM	10.255.264	4.120.192	--	--	171.266
TUSAŞ	5.704.315	--	--	12.659.067	--
<u>Subsidiaries</u>					
ASELSAN Bakü	265.345	--	--	189.433	--
Mikro AR-GE	137.114	775.363	8.284	--	--
<u>Marketable Securities</u>					
ASPİLSAN	--	37.567	--	--	--
ROKETSAN	23.929.087	1.324.341	--	24.679.373	263.063.358
<u>Branch</u>					
ASELSAN South Africa Branch	--	660.110	--	--	--
ASELSAN Macedonia Branch	--	--	--	--	--
<u>Joint ventures and its related parties</u>					
ASELSAN Bilkent	--	--	11.462	--	--
Bilkent University	--	1.368.262	--	--	2.328.315
IGG	43.149.146	--	--	--	--
IGG ASELSAN	2.328.656	2.015.187	--	--	--
Kazakhstan Engineering	--	--	--	--	--
ASELSAN Kazakhstan	22.100.793	--	--	--	--
ASELSAN Jordan	13.637.773	--	--	--	--
	<u>123.006.267</u>	<u>15.811.275</u>	<u>19.746</u>	<u>37.527.873</u>	<u>275.135.993</u>

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

## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2015

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

(Restated) 31 December 2014

Payables					
Short-term			Long-term		
Trading	Advances given	Non-trading	Trading	Advances given	
--	--	--	--	--	--
--	--	51.581	--	--	--
1.935.252	--	--	--	--	--
27.619	5.121.076	--	5.000.206	--	--
935.075	--	--	--	--	--
1.251.651	--	--	--	--	--
5.553.303	--	--	--	--	--
13.265	4.100.875	--	--	--	--
2.416.492	5.760.657	--	3.377.455	36.765.615	--
203.572	--	--	--	--	--
1.137.445	--	--	--	--	--
1.610.723	--	--	--	--	--
8.327.273	4.223.722	--	1.391.793	40.222.002	--
--	--	255.236	--	--	--
3.687	--	--	--	--	--
--	--	--	--	--	--
5.341.433	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
323.727	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
<b>29.080.517</b>	<b>19.206.330</b>	<b>306.817</b>	<b>9.769.454</b>	<b>76.987.617</b>	

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

## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2015

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

	1 January- 31 December 2015	1 January- 31 December 2014
<u>Transactions with related parties</u>	<u>Purchases</u>	<u>Purchases</u>
<u>Main Shareholder</u>		
TAFF	614.322	513.900
<u>Main shareholder's subsidiaries and associates</u>		
NETAŞ	34.457.957	28.477.183
İŞBİR	10.519.606	6.655.545
HTR-HAVELSAN	4.297.980	4.376.733
TUSAŞ	1.449.086	430.992
HAVELSAN	1.059.542	1.046.226
STM	566.221	6.338.440
HAVELSAN EHSİM	278.478	2.971.977
Elektronik Sistem Destek Sanayi ve Ticaret Anonim Şirketi ("ESDAŞ")	98.138	186.484
<u>Subsidiaries</u>		
Mikro AR-GE	--	6.302.810
ASELSAN Bakü	--	199.191
<u>Marketable securities</u>		
ROKETSAN	13.060.502	90.357.325
ASPILSAN	3.616.557	4.113.217
<u>Branch</u>		
ASELSAN South Africa Branch	--	5.139.334
ASELSAN Macedonia Branch	--	149.049
<u>Joint ventures and its related parties</u>		
Bilkent University	8.846.760	12.712.905
Kazakhstan Engineering	--	323.727
	<b><u>78.865.149</u></b>	<b><u>170.295.038</u></b>



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## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2015

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

	1 January - 31 December 2015	1 January - 31 December 2014
	Sales	Sales
<b>Transactions with related parties</b>		
<u>Main Shareholder</u>		
TAFF	224.456	1.728.166
<u>Main shareholder's subsidiaries and associates</u>		
TUSAŞ	95.197.423	40.094.357
HAVELSAN	38.400.073	15.876.455
STM	20.162.124	56.836.714
ESDAŞ	--	5.658
HTR-HAVELSAN	56	3.989
İŞBİR	--	23.881
NETAŞ	--	264.626
TUSAŞ Motor Sanayii Anonim Şirketi ("TEI")	--	19.321
<u>Subsidiaries</u>		
ASELSAN Bakü	--	329.067
Mikro AR-GE	--	225.303
<u>Marketable securities</u>		
ROKETSAN	69.284.574	54.032.435
<u>Branch</u>		
ASELSAN Macedonia Branch	--	--
ASELSAN South Africa Branch	--	--
<u>Joint ventures and its related parties</u>		
International Golden Group	5.415.495	11.120.195
	<b>228.684.201</b>	<b>180.560.167</b>

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 "Construction Contracts".

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## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2015

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### 5. TRADE RECEIVABLES AND PAYABLES

#### a) Trade receivables

Details of the Group's trade receivables are as follows:

<b>Short-term trade receivables</b>	<b>31 December 2015</b>	<b>(Restated) 31 December 2014</b>	<b>(Restated) 1 January 2014</b>
Trade receivables	790.096.487	619.760.914	433.052.388
Trade receivables from related parties (Note 4)	165.331.068	121.662.766	143.803.785
Uninvoiced receivables from construction contracts in progress	112.293.020	297.601.089	203.120.624
Uninvoiced receivables from construction contracts in progress - Related party (Not 4)	--	1.343.501	--
Notes receivable	4.657.568	7.620.624	2.019.535
Doubtful trade receivables	859.465	859.465	2.221.896
Other trade receivables	4.419	--	33.088
Trade receivables and discount on notes receivables (-)	(4.100.022)	(1.723.416)	(1.458.796)
Allowance for doubtful trade receivables (-)	(859.465)	(859.465)	(2.221.896)
	<b>1.068.282.540</b>	<b>1.046.265.478</b>	<b>780.570.624</b>

<b>Long-term trade receivables</b>	<b>31 December 2015</b>	<b>(Restated) 31 December 2014</b>	<b>(Restated) 1 January 2014</b>
Uninvoiced receivables from construction contracts in progress	295.694.576	359.623.130	318.522.803
Trade receivables	56.562.580	25.229.201	48.386.358
Uninvoiced receivables from construction contracts in progress-Related Party (Note 4)	23.183.797	35.675.891	35.050.785
Trade receivables from related parties (Note 4)	2.247.640	1.851.982	564.225
Notes receivables	68.242	250.286	--
Discount on trade and notes receivables (-)	(1.870.688)	(800.757)	(1.577.190)
	<b>375.886.147</b>	<b>421.829.733</b>	<b>400.946.981</b>

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

	<b>31 December 2015</b>	<b>(Restated) 31 December 2014</b>	<b>(Restated) 1 January 2014</b>
Opening balance	859.465	2.221.896	1.985.839
Provision for the period	--	176.975	236.914
Provision released	--	(1.539.406)	(857)
<b>Closing balance</b>	<b>859.465</b>	<b>859.465</b>	<b>2.221.896</b>

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

	<b>31 December 2015</b>	<b>(Restated) 31 December 2014</b>	<b>(Restated) 1 January 2014</b>
Public sector	798.789.800	832.667.764	628.916.055
Receivables from companies operating abroad	334.534.305	273.128.159	270.530.527
Private sector	310.844.582	362.299.288	282.071.023
<b>Total receivables</b>	<b>1.444.168.687</b>	<b>1.468.095.211</b>	<b>1.181.517.605</b>

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## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2015

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Receivables from public sector represent the receivables that are due from the Ministry of Defense ("MOD") and other public enterprises. The Group's operations are based on contracts and no collaterals are obtained from the customers.

The characteristics and level of risks with respect to the trade receivables are disclosed in Note 31.

### b) Trade payables

Details of Group's trade payables are as follows:

		(Restated) 31 December 2014	(Restated) 1 January 2014
<b>Short-term trade payables</b>	<b>31 December 2015</b>		
Trade payables	488.196.913	491.462.188	279.899.705
Unearned revenue related to construction contracts in progress	52.451.682	79.727.897	90.119.079
Due to related parties (Note 4)	31.821.447	26.341.003	14.798.894
Unearned revenue related to construction contracts in progress-Related Party (Note 4)	5.874.461	2.739.514	1.466.911
Other trade payables	1.665.587	1.870.392	2.144.441
Notes payable <sup>(1)</sup>	--	6.262.069	6.748.296
Discount on trade payables and notes payable (-)	(2.807.067)	(2.226.048)	(1.729.224)
	<b>577.203.023</b>	<b>606.177.015</b>	<b>393.448.102</b>
<b>Long-term trade payables</b>	<b>31 December 2015</b>	(Restated) 31 December 2014	(Restated) 1 January 2014
Unearned revenue related to construction contracts in progress	188.605.155	43.529.174	842.181
Unearned revenue related to construction contracts in progress- Related party (Not 4)	34.279.097	9.769.454	--
Trade payables	--	913.646	6.141.424
Discount on trade payables and notes payable (-)	--	(13.940)	(1.082.298)
Notes payable <sup>(1)</sup>	--	--	6.262.069
	<b>222.884.252</b>	<b>54.198.334</b>	<b>12.163.376</b>

<sup>(1)</sup> Constitutes notes payable given for the land acquired in Başkent Organized Industrial Zone.

## 6. OTHER RECEIVABLES AND PAYABLES

### a) Other receivables

	31 December 2015	31 December 2014
<b>Short-term other receivables</b>		
Receivables from tax office <sup>(1)</sup>	45.962.824	31.149.198
Deposits and guarantees given	565.370	471.561
Other receivables from related parties (Note 4)	--	19.746
Other <sup>(2)</sup>	1.714.147	10.313.127
	<b>48.242.341</b>	<b>41.953.632</b>

<sup>(1)</sup> Mainly due from Value Added Tax (VAT) returns and which are expected to be offset in the subsequent period.

<sup>(2)</sup> Consists of project delay penalties which will be revoked to companies and blocked receivables due to Eximbank loan.



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## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2015

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<u>Long-term other receivables</u>	<u>31 December 2015</u>	<u>31 December 2014</u>
Deposits and guarantees given	288.124	261.988

b) Other payables

<u>Short-term other payables</u>	<u>31 December 2015</u>	<u>31 December 2014</u>
Short-term other payables	2.798.950	455.152
Short-term other payables to related parties (Note 4)	55.166	306.817
Deposits and guarantees received	16.479	20.492
	<u>2.870.595</u>	<u>782.461</u>

<u>Long-term other payables</u>	<u>31 December 2015</u>	<u>31 December 2014</u>
Deposits and guarantees received	38.201	31.832

### 7. EQUITY ACCOUNTED INVESTMENTS

The Group's financial information for its shareholdings consolidated with equity method not arranged according to the Group's ownership rates is as below:

<u>31 December 2015</u>	<u>Ownership Rate (%)</u>	<u>Current Assets</u>	<u>Non-current Assets</u>	<u>Total Assets</u>	<u>Short-term Liabilities</u>	<u>Long-term Liabilities</u>	<u>Total Liabilities</u>
ASELSAN Optik	50	7.962.670	23.204.677	31.167.346	2.461.747	15.888.000	18.349.747
ASELSAN Bilkent	50	21.241.528	16.432.628	37.674.156	378.403	24.346.400	24.724.803
IGG ASELSAN	49	1.338.907	4.083.033	5.421.940	2.483.660	12.619.279	15.102.939
ASELSAN Kazakhstan	49	42.703.990	62.257.544	104.961.534	55.498.210	1.490.483	56.988.693
ASELSAN Jordan	49	33.121.755	14.247.078	47.368.834	36.090.913	--	36.090.913
		<u>106.368.850</u>	<u>120.224.960</u>	<u>226.593.810</u>	<u>96.912.933</u>	<u>54.344.162</u>	<u>151.257.095</u>

<u>31 December 2015</u>	<u>Ownership Rate (%)</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Net Profit/(Loss)</u>	<u>Group Share of Net Assets</u>	<u>Group Share of Profit/(Loss)</u>
ASELSAN Optik	50	496.722	(637.366)	(140.645)	6.408.800	(70.322)
ASELSAN Bilkent	50	259.866	(757.519)	(497.653)	4.224.677	(248.827)
IGG ASELSAN	49	3.046.224	(5.028.902)	(1.982.678)	--	--
ASELSAN Kazakhstan	49	127.457.245	(132.455.007)	(4.997.762)	23.506.692	(2.448.903)
ASELSAN Jordan	49	16.084.159	(16.011.113)	73.046	5.526.181	35.792
		<u>147.344.216</u>	<u>(154.889.907)</u>	<u>(7.545.692)</u>	<u>41.916.350</u>	<u>(2.732.259)</u>

In joint ventures ASELSAN Kazakhstan, ASELSAN Optik and ASELSAN Bilkent capital increase in cash has been carried out in 2015. The capital increase amounts of joint ventures' shares are for ASELSAN Kazakhstan TL 1.872.301, for ASELSAN Optik TL 6.450.000 and for ASELSAN Bilkent TL 4.500.000 .

### 8. INVENTORIES

	<u>31 December 2015</u>	<u>31 December 2014</u>
Raw materials	469.667.548	470.031.395
Work in progress	274.792.803	242.988.123
Finished goods	74.335.697	59.647.788
Goods in transit <sup>(1)</sup>	58.384.366	51.292.906
Other inventories	14.785.278	19.165.516
Trade goods	10.530.835	8.245.865
Allowance for impairment on inventories (-)	(15.669.671)	(13.945.117)
	<u>886.826.856</u>	<u>837.426.476</u>

<sup>(1)</sup> Goods in transit includes the goods for which significant risks and rewards of ownership has been transferred to the Group due to their shipping terms.

The Group provides an allowance for impairment on inventories when the inventories net realizable values are lower than their costs or when they are determined as slow-moving inventories.

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The Group has identified raw material, work-in progress and finished good inventories below net realizable value within the current year. Consequently, the Group has provided an additional allowance for impairment on inventories amounting to TL 15.669.671 (31 December 2014: TL 13.945.117).

Impaired inventory movements for the period ended in 31 December are as follows:

	2015	2014
Opening balance	13.945.117	8.051.806
Provision released	(1.920)	(25.437)
Provision for the period	1.726.474	5.918.748
<b>Closing balance</b>	<b>15.669.671</b>	<b>13.945.117</b>

### 9. PREPAID EXPENSES AND DEFERRED INCOME

<b>Short-term prepaid expenses</b>	<b>31 December 2015</b>	<b>(Restated) 31 December 2014</b>	<b>(Restated) 1 January 2014</b>
Order advances given for inventory purchases	179.364.697	138.465.235	206.591.532
Prepaid expenses <sup>(1)</sup>	26.786.031	34.795.385	28.137.062
Short-term order advances given to related parties for inventory purchases (Note 4)	22.527.030	15.811.275	25.050.301
	<b>228.677.758</b>	<b>189.071.895</b>	<b>259.778.895</b>

<b>Long-term prepaid expenses</b>	<b>31 December 2015</b>	<b>(Restated) 31 December 2014</b>	<b>(Restated) 1 January 2014</b>
Long-term order advances given to related parties for inventory purchases (Note 4)	284.920.701	275.135.993	140.913.898
Order advances given for inventory purchases	88.933.800	42.686.493	58.329.980
Order advances given for fixed assets purchases	33.528.325	33.187.181	24.325.736
Prepaid expenses <sup>(2)</sup>	2.749.858	1.348.385	5.315.352
	<b>410.132.684</b>	<b>352.358.052</b>	<b>228.884.966</b>

<sup>(1)</sup> Prepaid expenses comprise prepaid insurance costs related to non-current assets, employee health insurance, personnel transportation expenses and rent expenses.

<sup>(2)</sup> Prepaid expenses comprise prepaid insurance costs related to non-current assets and rent expenses.

<b>Short-term deferred income</b>	<b>31 December 2015</b>	<b>(Restated) 31 December 2014</b>	<b>(Restated) 1 January 2014</b>
Order advances received	245.173.037	168.327.946	206.997.279
Order advances received from related parties (Note 4)	15.194.498	19.206.330	20.048.345
Deferred Income	1.129.900	1.034.647	8.178.493
	<b>261.497.435</b>	<b>188.568.923</b>	<b>235.224.117</b>

Short-term order advances received comprises advances received from 34 customers (31 December 2014: 47 customers) of which first 10 customers constitutes 95,83 percent of the total (31 December 2014: 97,44 percent).

<b>Long-term deferred income</b>	<b>31 December 2015</b>	<b>(Restated) 31 December 2014</b>	<b>(Restated) 1 January 2014</b>
Order advances received	1.182.445.913	803.137.843	791.348.210
Order advances received from related parties (Note 4)	87.021.381	76.987.617	23.573.411
Deferred Income	--	2.233	1.975
	<b>1.269.467.294</b>	<b>880.127.693</b>	<b>814.923.596</b>

Long-term order advances received comprises advances received from 23 customers (31 December 2014: 26 customers) of which the first 10 customers constitutes 99,21 percent of the total (31 December 2014: 99,39 percent).

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### 10. PROPERTY, PLANT AND EQUIPMENT

	Land	Land improvements	Buildings <sup>(1)</sup>	Machinery and equipment
<b>Cost value and revaluation</b>				
Opening balance as of 1 January 2015 (Prior reported)	210.733.964	19.505.458	314.772.805	567.070.088
Restatement effect <sup>(3)</sup>	(7.165.000)	(5.748.045)	(160.234.579)	--
Opening balance as of 1 January 2015 (Restated)	203.568.964	13.757.413	154.538.226	567.070.088
Additions	250.457	--	--	67.816.306
Revaluation fund	41.597.849	--	--	--
Disposals	(243.152)	--	--	(1.787.493)
Transfers	--	23.935	18.977.568	6.642.047
<b>Closing balance as of 31 December 2015</b>	<b>245.174.118</b>	<b>13.781.348</b>	<b>173.515.794</b>	<b>639.740.948</b>
<b>Accumulated depreciation</b>				
Opening balance as of 1 January 2015 (Prior reported)	--	8.186.060	58.669.114	348.411.317
Restatement effect	--	(307.700)	(445.096)	--
Opening balance as of 1 January 2015(Restated)	--	7.878.360	58.224.018	348.411.317
Charge for the period	--	624.798	2.580.300	38.559.653
Disposals	--	--	--	(1.770.366)
<b>Closing balance as of 31 December 2015</b>	<b>--</b>	<b>8.503.158</b>	<b>60.804.318</b>	<b>385.200.604</b>
<b>Net book value as of 31 December 2015</b>	<b>245.174.118</b>	<b>5.278.190</b>	<b>112.711.476</b>	<b>254.540.344</b>

<sup>(1)</sup> There is no capitalization of finance expense and foreign exchange difference in the current period. (31 December 2014: The amount of capitalized finance expense is TL 3.426.792 and the amount of capitalized foreign exchange differences TL 12.173.360).

<sup>(2)</sup> Includes the mould model devices manufactured by the Group with net book value of TL 36.020.178. (31 December 2014: TL 33.340.649).

<sup>(3)</sup> Buildings, furniture and fixtures located on Oğulbey parcel rented from General Directorate of National Property as part of a servitude agreement for 49 years have been reclassified to special costs and depreciated in accordance with remaining useful lives. The revaluation of the land amounting to TL 1.207.565 has been reversed.

	Land	Land improvements	Buildings	Machinery and equipments
<b>Cost value and revaluation</b>				
Opening balance as of 1 January 2014	210.733.964	15.243.274	145.914.815	521.373.071
Additions	--	4.262.184	40.609.159	41.695.240
Revaluation fund <sup>(1)</sup>	(1.207.565)	--	--	--
Disposals	--	--	--	(715.259)
Rented investments classification effect <sup>(1)</sup>	(5.957.435)	(5.748.045)	(160.234.579)	--
Transfers	--	--	128.248.831	4.717.036
<b>Closing balance as of 31 December 2014</b>	<b>203.568.964</b>	<b>13.757.413</b>	<b>154.538.226</b>	<b>567.070.088</b>
<b>Accumulated depreciations</b>				
Opening balance as of 1 January 2014	--	7.434.007	53.087.327	314.559.078
Charge for the period	--	752.053	5.581.787	34.553.124
Disposals	--	--	--	(700.885)
Rented investments classification effect <sup>(1)</sup>	--	(307.700)	(445.096)	--
<b>Closing balance as of 31 December 2014</b>	<b>--</b>	<b>7.878.360</b>	<b>58.224.018</b>	<b>348.411.317</b>
<b>Net book value as of 31 December 2014</b>	<b>203.568.964</b>	<b>5.879.053</b>	<b>96.314.208</b>	<b>218.658.771</b>

<sup>(1)</sup> Buildings, furniture and fixtures located on Oğulbey parcel rented from General Directorate of National Property as part of a servitude agreement for 49 years have been reclassified to special costs and depreciated in accordance with remaining useful lives. The revaluation of the land amounting to has been reversed (TL 1.207.565).



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Vehicles	Furniture and fixtures	Other fixed assets <sup>(2)</sup>	Leasehold improvements	Construction in progress	Total
3.490.124	120.337.466	66.203.229	4.901.004	82.939.326	1.389.953.464
--	--	--	171.940.059	--	(1.207.565)
3.490.124	120.337.466	66.203.229	176.841.063	82.939.326	1.388.745.899
673.660	10.081.024	10.318.786	166.601	15.904.981	105.211.815
--	--	--	--	--	41.597.849
(399.265)	(157.536)	--	--	(3.833.728)	(6.421.174)
-	2.634.993	--	20.062.808	(48.341.351)	--
<b>3.764.519</b>	<b>132.895.947</b>	<b>76.522.015</b>	<b>197.070.472</b>	<b>46.669.228</b>	<b>1.529.134.389</b>
2.873.834	81.525.116	32.862.580	3.456.021	--	535.984.042
--	--	--	752.796	--	--
2.873.834	81.525.116	32.862.580	4.208.817	--	535.984.042
292.405	14.164.663	7.639.257	6.648.794	--	70.509.870
(391.359)	(39.702)	--	--	--	(2.201.427)
<b>2.774.880</b>	<b>95.650.077</b>	<b>40.501.837</b>	<b>10.857.611</b>	<b>--</b>	<b>604.292.485</b>
<b>989.639</b>	<b>37.245.870</b>	<b>36.020.178</b>	<b>186.212.861</b>	<b>46.669.228</b>	<b>924.841.904</b>

Vehicles	Furniture and fixtures	Other fixed assets	Leasehold improvements	Construction in progress	Total
3.534.318	91.803.991	46.704.261	5.198.282	182.651.707	1.223.157.683
306.247	28.724.159	20.712.745	59.452	33.337.845	169.707.031
--	--	--	--	--	(1.207.565)
(350.441)	(228.084)	(1.213.777)	(356.730)	(46.959)	(2.911.250)
--	--	--	171.940.059	--	--
--	37.400	--	--	(133.003.267)	--
<b>3.490.124</b>	<b>120.337.466</b>	<b>66.203.229</b>	<b>176.841.063</b>	<b>82.939.326</b>	<b>1.388.745.899</b>
2.881.294	71.235.901	28.800.200	3.171.676	--	481.169.483
325.967	10.510.188	5.272.093	409.201	--	57.404.413
(333.427)	(220.973)	(1.209.713)	(124.856)	--	(2.589.854)
--	--	--	752.796	--	--
<b>2.873.834</b>	<b>81.525.116</b>	<b>32.862.580</b>	<b>4.208.817</b>	<b>--</b>	<b>535.984.042</b>
<b>616.290</b>	<b>38.812.350</b>	<b>33.340.649</b>	<b>172.632.246</b>	<b>82.939.326</b>	<b>852.761.857</b>

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

	31 December 2015	31 December 2014
Cost of sales	54.492.342	42.993.507
General administrative expenses	8.226.401	8.382.617
Inventories	7.554.721	5.520.453
Marketing expenses	236.406	507.836
	<b>70.509.870</b>	<b>57.404.413</b>

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

Land owned by Group has been revalued and shown at fair value as of 31 December 2015. Fair value measurement of Group's land has been realized by an independent valuation company Yatırım Gayrimenkul Değerleme Anonim Şirketi ("Yatırım Gayrimenkul"). Yatırım Gayrimenkul has been authorized by CMB to provide land and property valuation services in accordance Capital Markets Board legislation. Fair value of the land has been determined in accordance with "Market Value Benchmarking" methodology.

Profit to the owners of the Company from tax before in income and after tax amounting to TL 227.443.706 and TL 216.071.521 due to the revaluation of land has been classified to other comprehensive income. There is no restriction on distribution of revaluation funds.

Details of the Group's freehold lands and information about the fair value hierarchy as of 31 December 2015 are as follows:

	31 December 2015	Fair value as of reporting date		
		Level 1 TL	Level 2 TL	Level 3 TL
Macunköy	170.421.269	--	--	170.421.269
Akyurt	74.512.849	--	--	74.512.849
Gölbek	220.000	--	--	220.000
Denizli	20.000	--	--	20.000
	<b>245.174.118</b>	<b>--</b>	<b>--</b>	<b>245.174.118</b>

### 11. INTANGIBLE ASSETS

	Rights	Development Costs	Other intangible assets <sup>(1)</sup>	Total
<b>Cost</b>				
Opening balance as of 1 January 2015	23.917.339	525.980.735	68.704.494	618.602.568
Additions	6.621.027	145.674.399	12.964.435	165.259.861
Disposals	--	(23.855.046)	--	(23.855.046)
Transfers	2.889.324	(2.889.324)	--	--
<b>Closing balance as of 31 December 2015</b>	<b>33.427.690</b>	<b>644.910.764</b>	<b>81.668.929</b>	<b>760.007.383</b>
<b>Accumulated Amortization</b>				
Opening balance as of 1 January 2015	18.328.211	104.474.975	57.292.944	180.096.130
Charge for the period	1.830.442	30.390.508	10.184.444	42.405.394
Disposals	--	(6.045)	--	(6.045)
Transfers	272	(272)	--	--
<b>Closing balance as of 31 December 2015</b>	<b>20.158.925</b>	<b>134.859.166</b>	<b>67.477.388</b>	<b>222.495.479</b>
<b>Net book value as of 31 December 2015</b>	<b>13.268.765</b>	<b>510.051.598</b>	<b>14.191.541</b>	<b>537.511.904</b>

<sup>(1)</sup> Other intangible assets include computer software licenses.

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	Rights	Development Costs	Other intangible assets	Total
<b>Cost</b>				
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)	--	--
<b>Closing balance as of 31 December 2014</b>	<b>23.917.339</b>	<b>525.980.735</b>	<b>68.704.494</b>	<b>618.602.568</b>
<b>Accumulated Amortization</b>				
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)
<b>Closing balance as of 31 December 2014</b>	<b>18.328.211</b>	<b>104.474.975</b>	<b>57.292.944</b>	<b>180.096.130</b>
<b>Net book value as of 31 December 2014</b>	<b>5.589.128</b>	<b>421.505.760</b>	<b>11.411.550</b>	<b>438.506.438</b>

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

	31 December 2015	31 December 2014
Research and development expenses	33.266.289	29.909.640
General administrative expenses	3.689.879	2.733.871
Cost of sales	3.497.643	5.311.143
Inventories	1.917.635	1.268.729
Marketing expenses	33.948	40.398
	<b>42.405.394</b>	<b>39.263.781</b>

### 12. 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 2015	31 December 2014
Current government grants and incentives	22.582.761	15.043.829
Non-current government grants and incentives	--	2.233.448
	<b>22.582.761</b>	<b>17.277.277</b>

As part of the Decision on Government Incentives on Investments, there are 5 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.



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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 reporting 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 research and development 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.

The research and development expenditure deduction rate used as a tax benefit has been increased from 40 percent to 100 percent 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 Research and Development Activities. The aforementioned law was enacted as of April 2008 after its issue in the Official Gazette dated 12 March 2008, numbered 26814. Research and development 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 research and development 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 research and development can be subjected to deduction until 31 December 2023.

### 13. BORROWING COSTS

As of 31 December 2015, there is no borrowing cost regarding the assets that necessarily take a substantial period of time to get ready for their intended use or sale (31 December 2014: TL 37.341.189).

Since Gölbaşı investment was completed in 2014 year-end, foreign currency exchange losses and finance expenses are recognized in the statement of profit or loss.

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### 14. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

#### a) Provisions

<b>Other short-term provisions</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
Provision for warranty <sup>(1)</sup>	117.808.863	71.402.241
Provision for expected losses	41.803.550	16.457.295
Provision for delay penalties and fines <sup>(2)</sup>	10.779.024	7.465.249
Provision for insurance expense	6.334.088	6.132.220
Provision for lawsuits	2.649.323	936.873
Provision for cost expenses	1.994.303	1.826.999
Other	557.073	1.138.596
	<b>181.926.224</b>	<b>105.359.473</b>

<sup>(1)</sup> The Group's provision for warranty is based on sales under warranty are estimated in accordance with historical data.

<sup>(2)</sup> Provision for delay penalties and fines are calculated in accordance with interest for default ratio defined by contract when the contract requirements regarding deliverables are not fulfilled on time.

The movement of the provision for warranty is as follows:

	<b>1 January- 31 December 2015</b>	<b>1 January- 31 December 2014</b>
Opening balance	71.402.241	72.626.865
Provision for the period	113.789.045	55.673.430
Provision realized during the period	(61.368.216)	(46.686.173)
Provision reversed during the period	(6.014.207)	(10.211.881)
Closing balance	<b>117.808.863</b>	<b>71.402.241</b>

The movement of the provision for expected losses is as follows:

	<b>1 January- 31 December 2015</b>	<b>1 January- 31 December 2014</b>
Opening balance	16.457.295	--
Reclass from long-term provisions to short-term provisions	12.955.539	--
Provision for the period	26.628.681	16.457.295
Provision realized during the period	(13.189.120)	--
Provision reversed during the period	(1.048.845)	--
Closing balance	<b>41.803.550</b>	<b>16.457.295</b>

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

	<b>1 January- 31 December 2015</b>	<b>1 January- 31 December 2014</b>
Opening balance	7.465.249	9.238.648
Provision for the period	9.333.209	5.757.192
Provision realized during the period	(4.179.875)	(6.688.957)
Provision reversed during the period	(1.839.559)	(841.634)
Closing balance	<b>10.779.024</b>	<b>7.465.249</b>

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The movement of the provision for lawsuits in progress is as follows:

	1 January- 31 December 2015	1 January- 31 December 2014
Opening balance	936.873	445.573
Provision for the period	2.189.028	703.199
Provision realized during the period	(105.068)	(12.500)
Provision reversed during the period	(371.510)	(199.399)
Closing balance	<b>2.649.323</b>	<b>936.873</b>

### Other long-term provisions

	31 December 2015	31 December 2014
Provision of expected losses	23.517.264	12.955.539
Provision for delay penalties and fines	--	2.960.077
	<b>23.517.264</b>	<b>15.915.616</b>

The movement of the provision for expected loss is as follows:

	1 January- 31 December 2015	1 January- 31 December 2014
Opening balance	12.955.539	--
Reclass from long-term provisions to short-term provisions	(12.955.539)	--
Provision during the period	23.517.264	12.955.539
Closing balance	<b>23.517.264</b>	<b>12.955.539</b>

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

	1 January- 31 December 2015	1 January- 31 December 2014
Opening balance	2.960.077	2.850.210
Provision during the period	--	109.867
Provision reversed during the period	(2.960.077)	--
Closing balance	<b>--</b>	<b>2.960.077</b>



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## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2015

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

### b) Lawsuits

As of the dates 31 December, according to the declarations written by the legal counselors, the lawsuits and executions in favor of and against the Group are as follows:

Description	2015	2014
a) Ongoing lawsuits filed by the Group	2.820.417	4.693.387
b) Execution proceedings carried on by the Group	5.640.006	5.811.678
c) Ongoing lawsuits filed against the Group	2.649.323	936.873
d) Lawsuits finalized against of the Group within the period	5.481.931	300.415
e) Lawsuits finalized in favor of the Group within the period	453.388	119.195

## 15. COMMITMENTS AND CONTINGENCIES

### a) Operating lease

As of 31 December 2015, the Group has two lands that are rented for 49 years and 21 years.

As of 31 December 2015 the Group has paid rent amounting to TL 51.810 (31 December 2014: TL 48.764) and TL 335.116 (31 December 2014: None) for property lands rented for 49 years and 21 years respectively.

As of 31 December 2015, the Group's liability regarding car rental is TL 5.265.206 (31 December 2014: TL 5.106.888).

### b) Guarantees received

	31 December 2015	31 December 2014
Letters of guarantees received from the suppliers	786.688.791	601.879.993
Collaterals received from the customers	9.532.800	8.462.100
Collaterals received from the suppliers	5.105.449	4.851.036
Letters of guarantees received from the customers	4.954.955	1.944.400
Mortgages received from the customers	265.000	450.000
Guarantee received from the suppliers	79.457	68.040
Guarantee received from the customers	6.000	6.000
	<b>806.632.452</b>	<b>617.661.569</b>

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## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2015

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

### c) Letters of guarantees given

The collaterals/pledges/mortgages ("CPM") given by the Group as of 31 December 2015 and 31 December 2014 is as in the following page:

Within the scope of Patrol and Anti-Submarine Warfare Ship Projects (MİLGEM) contract cost amounting to USD 253.261.209, carried out with HAVELSAN's partnership the Group is responsible for the fulfillment of HAVELSAN's obligations if HAVELSAN is unable to fulfill them.

<u>31 December 2015</u>	<u>TL Equivalent</u>	<u>TL</u>	<u>USD</u>
A. Total amount of CPM given on behalf of the legal entity			
-Collateral	7.854.973.508	1.000.552.165	1.609.503.269
-Pledge	--	--	--
-Mortgage	--	--	--
B. Total amount of CPM given on behalf of the subsidiaries included in full consolidation			
-Collateral	--	--	--
-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 <sup>(1)</sup>			
-Collateral	13.118.870	906.950	4.200.000
-Pledge	--	--	--
-Mortgage	--	--	--
iii. Total amount of CPM on behalf of third parties that do not cover C			
-Collateral	--	--	--
-Pledge	--	--	--
-Mortgage	--	--	--
<b>Total</b>	<b><u>7.868.092.378</u></b>	<b><u>1.001.459.115</u></b>	<b><u>1.613.703.269</u></b>

<sup>(1)</sup>The ratio of the other CPM given by the Group to the equity as of 31 December 2015 is 0,46 percent. TL 13.118.870 is the collateral amount pertaining to guarantee letter given on behalf of the entities' affiliate company Mikro AR-GE and joint venture ASELSAN Bilkent.

In addition, the Group is responsible as joint guarantor for the portion amounted EURO 2,5 Million of investment credit amounted EURO 5 Million which will be used by ASELSAN Optik that is the Group's joint venture.

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

<u>EURO</u>	<u>UAE Dirham</u>	<u>Polish Zloty</u>	<u>Indian Rupee</u>	<u>British Pound</u>
674.739.504	26.759.651	2.424.322	10.000.000	1.654.349
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<u>674.739.504</u>	<u>26.759.651</u>	<u>2.424.322</u>	<u>10.000.000</u>	<u>1.654.349</u>



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## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2015

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

<u>31 December 2014</u>	<u>TL Equivalent</u>	<u>TL</u>	<u>USD</u>
A. Total amount of CPM given on behalf of the legal entity			
-Collateral	6.037.294.933	810.262.582	1.520.234.817
-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 <sup>(1)</sup>			
-Collateral	1.473.000	1.473.000	--
-Pledge	--	-	--
-Mortgage	--	-	--
iii. Total amount of CPM on behalf of third parties that do not cover C.			
-Collateral	--	--	--
-Pledge	--	--	--
-Mortgage	--	--	--
<b>Total</b>	<b><u>6.096.740.433</u></b>	<b><u>811.735.582</u></b>	<b><u>1.545.234.817</u></b>

<sup>(1)</sup> The ratio of the other CPM given by the Group to the equity as of 31 December 2014 is 0,06 percent. TL 1.473.000 is the collateral amount pertains to guarantee letter given on behalf of the entities' affiliate company Mikro AR-GE.

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EURO	UAE Dirham	Polish Zloty	Indian Rupee	British Pound	Qatari Rial
594.501.289	26.759.651	2.424.322	10.000.000	1.654.349	60.000
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<u>594.501.289</u>	<u>26.759.651</u>	<u>2.424.322</u>	<u>10.000.000</u>	<u>1.654.349</u>	<u>60.000</u>

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## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2015

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

### 16. EMPLOYEE BENEFITS

#### a) Payables for employee benefits

	31 December 2015	31 December 2014
Social security premiums payable	11.596.478	10.601.982
Taxes and funds payable	8.619.416	9.918.817
Due to personnel	1.371.916	2.477.425
	<b>21.587.810</b>	<b>22.998.224</b>

#### b) Short-term provisions for employee benefits

	31 December 2015	31 December 2014
Provision for vacation pay liability	<b>38.114.689</b>	<b>33.924.548</b>

As of 31 December the movement of the provision for vacation pay is as follows:

	2015	2014
Opening balance	33.924.548	25.395.640
Provision realized during the period	(7.760.018)	(5.718.761)
Provision reversed during the period	(5.696.095)	(8.266.831)
Provision for the period	17.646.254	22.514.500
<b>Closing balance</b>	<b>38.114.689</b>	<b>33.924.548</b>

#### c) Long-term provisions for employee benefits

	31 December 2015	31 December 2014
Provision for severance pay	149.538.938	116.485.609
Provision for retirement pay	13.873.095	10.934.656
	<b>163.412.033</b>	<b>127.420.265</b>

As of 31 December the movement of severance and retirement pays are as follows:

	2015	2014
Opening balance	127.420.265	107.067.815
Service cost	39.175.913	10.087.303
Interest cost	2.325.070	3.390.219
Termination cost	417.963	--
Payments	(5.927.178)	(6.947.744)
Actuarial loss	--	13.822.672
<b>Closing balance</b>	<b>163.412.033</b>	<b>127.420.265</b>

#### Provision for severance pay:

In accordance with the Labor Law Legislations, the Group is obliged to make legal severance indemnity payments to entitled employees whose employment has been terminated. Furthermore, with regard to Social Security Law numbered 506 dated 6 March 1981, number 2422 dated 24 August 1999 and law numbered 4447, article 60 denotes the legal obligation to make severance payments to all employees who are entitled to indemnity by the date of leave of employment.

Certain provisions regarding services before retirement, has been annulled on 23 May 2002 during the revision of the related law. As of 31 December 2015 Severance payments are calculated on the basis of 30 days' pay, limited to a ceiling of TL 3.828,37 (31 December 2014: 3.438,22).

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.



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### Provision for retirement grant:

Retirement provision is booked for employees with service of more than 20 years within the Group and has earned/will earn their retirement.

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

	31 December 2015 (%)	31 December 2014 (%)
Interest rate	9,34	8,85
Inflation rate	7,20	6,72
Discount ratio	2,00	2,00
Estimation of probability of retirement ratio	99	99

### 17. OTHER ASSETS AND LIABILITIES

#### a) Other current assets

	31 December 2015	31 December 2014	1 January 2014
VAT carried forward <sup>(1)</sup>	89.072.419	85.297.945	78.978.547
Blocked deposits <sup>(2)</sup>	61.515.146	22.163.233	18.805.762
Other VAT	7.734.088	7.750.293	8.145.372
Prepaid taxes and funds	2.498.016	--	234.325
Job advances	1.483.050	969.452	358.294
Other <sup>(3)</sup>	17.472.045	421.421	384.646
	<b>179.774.764</b>	<b>116.602.344</b>	<b>106.906.946</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> These amounts consist of the blocked deposits related to 1007 and the European Union projects.

<sup>(3)</sup> Mainly comprised of other current assets of consolidated subsidiaries.

#### b) Other non-current assets

	31 December 2015	31 December 2014	1 January 2014
VAT carried forward <sup>(1)</sup>	85.098.834	84.216.204	77.995.636
Prepaid taxes and funds	6.021.856	6.167.760	4.654.744
Other <sup>(2)</sup>	6.601.827	--	--
	<b>97.722.517</b>	<b>90.383.964</b>	<b>82.650.380</b>

<sup>(1)</sup> The balance of 84.216.204 TL value added tax receivables, which was shown under other current assets as of 31 December 2014, is shown under other non current assets as of 31 December 2015.

<sup>(2)</sup> Mainly comprised of other non current assets of consolidation subsidiaries.

#### c) Other short-term liabilities

	31 December 2015	31 December 2014
Taxes and funds payable	3.306.318	3.855.604
Other <sup>(1)</sup>	10.006.511	346.621
	<b>13.312.829</b>	<b>4.202.225</b>

<sup>(1)</sup> Mainly comprised of other short term liabilities of consolidation subsidiaries.

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### 18. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

#### Capital

Shareholders	Share (%)	31 December 2015	Share (%)	31 December 2014
TAFF	84,58	422.912.812	84,58	422.912.812
Publicly held	15,30	76.509.342	15,30	76.509.342
Axa Sigorta Anonim Şirketi	0,12	577.846	0,12	577.846
Nominal capital	100	500.000.000	100	500.000.000
Share capital adjustment		100.320.592		98.620.780
<b>Inflation adjusted capital</b>		<b>600.320.592</b>		<b>598.620.780</b>

The Group's nominal capital is TL 500.000.000 comprising 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 constitutes "Group A" and 19.727.272.727 of the shares constitutes "Group B" shares. All of the shares are nominative. "Group A" shares are privileged nominative shares and 6 members of the Board of Directors members 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 are preserved. In accordance with the CMB's legislation, other Board of Directors members, not including elected Independent Board of Director Members, are assigned from nominative "Group A" shareholders or elected from among candidate nominated by "Group A" shareholders.

#### Restricted reserves

In accordance with Capital Markets Board's Communique Serial II No: 19.1 "Share of Profit", effective as of 1 February 2014, and with regard to the Turkish Commercial Code ("TCC"), legal reserves in publicly held companies will be generated by 5 percent of income until it reaches 20 percent of paid-in share capital. After the 5 percent of the dividend is paid to shareholders, 10 percent of the total distributed to shareholders and employees can be added in the other legal reserve. Under the TCC, the legal reserves can be used only to offset losses for the going concern of the company or to prevent unemployment as long as the amount does not exceed 50 percent of the paid-in capital.

As of 31 December 2015, The Group's restricted reserves set aside from profit comprises legal reserves. The total of the Group's legal reserves are TL 86.943.184 (31 December 2014: TL 73.708.407).

#### Retained Earnings

Accumulated profits apart from net profit for the year and extraordinary reserves which is accumulated profit by nature are shown under retained earnings. As of 31 December 2015 the extraordinary reserves balance presented in retained earnings is TL 665.460.584 (31 December 2014: TL 559.092.120). According to the statutory records, the Company's profit for the year is TL 103.217.981 (31 December 2014: TL 184.598.383) and its other funds available for profit distribution is TL 704.648.702 (31 December 2014: TL 579.989.599).

	31 December 2015	31 December 2014
<b>Capital reserves and extraordinary reserves</b>	<b>704.648.702</b>	<b>579.989.599</b>

#### Profit distribution

Publicly traded companies perform dividend distribution in accordance with Capital Market Board's Communique Serial II No: 19.1 "Share of Profit", 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.

On 31 March 2015, in accordance with the consolidated financial statements, the General Assembly of the Company has decided to allocate legal reserve amounting to TL 13.229.918 of the TL 392.052.201 which is based on the profit distribution, and to distribute TL 65.000.000 in cash to shareholders for dividend payment by leaving the amount of TL 313.822.283 within the Group. Thus, the cash gross dividend amount for TL 1 nominal value per share is Kuruş 13 gross (31 December 2014: Kuruş 5).

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The dividend paid to shareholders during 2015 is Kuruş 13 per 100 shares gross amount of TL 65.000.000. (Kuruş 11,05 per 100 shares, net TL 55.250.000) (31 December 2014: Kuruş 5 per 100 shares, gross amount of TL 25.000.000 (Kuruş 4,25 per 100 shares, net TL 21.250.000) has been paid.).

### 19. REVENUE AND COST OF SALES

	1 January- 31 December 2015	(Restated) 1 January- 31 December 2014
<b>a) Revenue</b>		
Domestic sales	2.242.008.835	2.076.669.593
Export sales	547.895.496	459.653.673
Other revenues	887.208	78.066
Sales returns (-)	(8.602.152)	(664.534)
Sales discounts (-)	(1.759.796)	(1.235.725)
	<b>2.780.429.591</b>	<b>2.534.501.073</b>
<b>b) Cost of sales (-)</b>		
Cost of raw materials and supplies	929.102.771	801.852.113
Personnel expenses	80.833.805	85.120.704
Production overheads	223.534.806	147.937.227
Depreciation expenses	57.989.985	48.304.650
Change in work in progress	(31.804.680)	(20.113.290)
Change in finished goods	(14.687.909)	(18.275.026)
Development expenses <sup>(1)</sup>	744.752.731	646.026.684
Cost of services sold	82.623.103	72.355.305
Cost of merchandise goods sold	22.331.307	16.073.433
Cost of other sales	59.679.994	136.601.443
	<b>2.154.355.913</b>	<b>1.915.883.243</b>

<sup>(1)</sup> Development expenses consist of raw material, design and personnel expenses. TL 316.370.960 (31 December 2014: 277.791.474 TL) of development expenses amountly to TL 744.752.731 (31 December 2014: 646.026.684 TL) is comprised of labour cost.

### 20. CONSTRUCTION CONTRACTS

	31 December 2015	(Restated) 31 December 2014	(Restated) 1 January 2014
Construction costs incurred plus recognized profits less recognized losses to date	8.131.681.835	7.201.783.627	5.336.092.548
Less: earned allowances	(7.981.720.837)	(6.643.306.055)	(4.871.826.507)
	<b>149.960.998</b>	<b>558.477.572</b>	<b>464.266.041</b>
Amounts due from customers under construction contracts (Note 5)	431.171.393	694.243.611	556.694.212
Amounts due to customers under construction contracts (Note 5)	(281.210.395)	(135.766.039)	(92.428.171)
	<b>149.960.998</b>	<b>558.477.572</b>	<b>464.266.041</b>



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### 21. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

	1 January - 31 December 2015	1 January - 31 December 2014
General administrative expenses (-)	(138.398.675)	(124.248.781)
Marketing expenses (-)	(74.653.545)	(46.531.957)
Research and development expenses (-)	(87.980.094)	(72.037.415)
	<b>(301.032.314)</b>	<b>(242.818.153)</b>
<b>a) General administrative expenses (-)</b>	<b>1 January - 31 December 2015</b>	<b>1 January - 31 December 2014</b>
Personnel expenses	(94.140.813)	(83.024.604)
Depreciation and amortization expenses	(11.916.280)	(11.116.488)
Maintenance and repair expenses	(4.134.672)	(2.606.214)
Expertise expenses	(3.335.732)	(1.909.633)
Electricity expenses	(3.267.395)	(4.891.511)
Outsourcing expenses	(2.454.168)	(2.357.057)
Insurance expenses	(2.159.118)	(1.734.500)
Rent expenses	(2.053.208)	(1.376.951)
Travel expenses	(1.861.091)	(1.271.769)
Personnel transportation expenses	(1.673.709)	(1.688.500)
Personnel meal expenses	(1.136.959)	(948.748)
Course and seminar expenses	(779.461)	(695.761)
Furniture and fixture expenses	(247.135)	(753.665)
Stamp duty expenses	(63.614)	(3.026.039)
Other	(9.175.320)	(6.847.341)
	<b>(138.398.675)</b>	<b>(124.248.781)</b>
<b>b) Marketing expenses (-)</b>	<b>1 January- 31 December 2015</b>	<b>1 January- 31 December 2014</b>
Commission expenses	(26.157.981)	(9.215.415)
Personnel expenses	(12.200.799)	(12.588.899)
Exhibition expenses	(10.973.575)	(3.020.669)
Stamp duty expenses	(10.310.256)	(4.935.954)
Overseas travel expenses	(2.805.786)	(2.893.038)
Shipping and delivery expenses	(2.649.447)	(3.089.030)
Consultancy expenses	(2.338.027)	(2.573.292)
Advertising expenses	(2.179.490)	(2.355.953)
Packaging expenses	(898.878)	(1.035.218)
Specimen expenses	(867.587)	(666.881)
Agency and entertainment expenses	(789.291)	(418.605)
Domestic travel expenses	(753.059)	(601.518)
Insurance expenses	(632.017)	(622.386)
Depreciation and amortization expenses	(270.354)	(548.234)
Electricity expenses	(258.685)	(364.232)
Personnel transportation expenses	(216.021)	(249.121)
Rent expenses	(205.324)	(169.101)
Maintenance and repair expenses	(146.968)	(215.556)
Other	--	(968.855)
	<b>(74.653.545)</b>	<b>(46.531.957)</b>

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c) Research and development expenses (-)	1 January- 31 December 2015	1 January- 31 December 2014
Personnel expenses	(39.235.125)	(26.827.879)
Depreciation and amortization expenses	(33.266.289)	(29.909.640)
Equipment costs	(9.261.525)	(8.470.834)
Other	(6.217.155)	(6.829.062)
	<b>(87.980.094)</b>	<b>(72.037.415)</b>

### 22. OTHER OPERATING INCOME AND EXPENSES

a) Other operating income	1 January- 31 December 2015	(Restated) 1 January- 31 December 2014
Foreign currency exchange differences from operations	150.058.076	95.384.792
Free of charge investment income <sup>(1)</sup>	10.057.380	--
Discount income	3.569.081	6.106.609
Insurance income for damages	2.417.715	401.550
Provisions released	476.578	211.899
Income from letter of guarantees and interest income due to delays	224.134	167.991
Other income	6.843.884	3.126.247
	<b>173.646.848</b>	<b>105.399.088</b>

<sup>(1)</sup> Free of charge investment income comprises fixed assets donated by public bodies and utilized within the scope of research projects conducted with universities. Subsequent to the completion of these projects, the subject matter fixed assets have been incorporated to the Group without any charge.

b) Other operating expenses	1 January- 31 December 2015	(Restated) 1 January- 31 December 2014
Foreign currency exchange differences from operations	(282.180.994)	(126.541.842)
Discount income	(6.431.881)	(6.137.949)
Provision for lawsuits	(2.189.028)	(703.199)
Special communication tax	(11.278)	(153.137)
Damage expense	(2.806)	(359.833)
Other expense and losses	(5.105.753)	(3.270.300)
	<b>(295.921.740)</b>	<b>(137.166.260)</b>

### 23. INCOME FROM INVESTING ACTIVITIES

	1 January- 31 December 2015	1 January- 31 December 2014
Gain on sale of fixed assets	2.477.731	208.619
Gain on sale of securities	--	39.983
Dividend income	--	1.874.341
	<b>2.477.731</b>	<b>2.122.943</b>

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### 24. FINANCE INCOME

	1 January- 31 December 2015	1 January- 31 December 2014
Foreign currency exchange gain from bank loans	25.357.106	44.490.097
Interest income	10.550.262	5.139.957
Option income	1.835.000	--
Other financial income	605.705	497.108
	<b>38.348.073</b>	<b>50.127.162</b>

### 25. FINANCE EXPENSES

	1 January- 31 December 2015	1 January- 31 December 2015
Foreign currency exchange losses from bank loans	(135.285.450)	(64.341.237)
Discount expenses at bank loans	(16.519.100)	(5.289.453)
Interest cost of borrowings	(3.462.289)	(3.851.753)
	<b>(155.266.839)</b>	<b>(73.482.443)</b>

### 26. ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

	31 December 2015	31 December 2014
Revaluation reserve available for sale financial assets	406.801.891	293.018.605
Revaluation of property	216.071.521	176.553.564
Loss on remeasurement of defined benefit plans	(14.924.138)	(14.924.138)
Foreign currency exchange differences	(94.752)	--
	<b>607.854.522</b>	<b>454.648.031</b>

	1 January- 31 December 2015	1 January- 31 December 2014
Revaluation reserve available for sale financial assets		
Opening balance	293.018.605	--
Gain on revaluation and reclassification of available for sale financial assets	119.771.880	308.440.637
Deferred tax liability arising from revaluation	(5.988.594)	(15.422.032)
Closing balance	<b>406.801.891</b>	<b>293.018.605</b>

Gain on revaluation or reclassification of available for sale financial assets arises due to revaluation of financial investments. When available for sale financial assets are sold, any related amount included in revaluation reserve is transferred to profit or loss.



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	<b>1 January- 31 December 2015</b>	<b>1 January- 31 December 2014</b>
Revaluation of property		
Opening balance (Prior reported)	177.700.751	177.532.454
Effects of transactions with non-controlling interest <sup>(1)</sup>	--	168.297
Restatement effect	(1.147.187)	--
Opening balance (Restated)	176.553.564	--
Increase arising from revaluation of property	41.597.849	--
Reversal of revaluation of property	--	(1.207.565)
Deferred tax on revaluation	(2.079.892)	--
Reversal of deferred tax on revaluation	--	60.378
Closing balance	<b>216.071.521</b>	<b>176.553.564</b>

<sup>(1)</sup> The company has bought the shares of MİKES that are owned by HAVELSAN, ASELSANNET and SSM.

Revaluation of property increase arises from revaluation of the lands. 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.

	<b>1 January- 31 December 2015</b>	<b>1 January- 31 December 2014</b>
Foreign currency exchange differences:		
Opening balance	--	--
Currency differences from net asset currency translation of oversea establishments	(94.752)	--
Deferred tax on revaluation	--	--
Closing balance	<b>(94.752)</b>	<b>--</b>
Loss on remeasurement of defined benefit plans		
Opening balance	(14.924.138)	(3.866.000)
Gain/Loss on remeasurement of defined benefit plans	--	(11.058.138)
Closing balance	<b>(14.924.138)</b>	<b>(14.924.138)</b>

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### 27. INCOME TAXES

	(Restated)		
	31 December 2015	31 December 2014	
<b>Corporate tax liabilities:</b>			
Current corporate tax provision	3.492.670	1.288.840	
Less: Prepaid taxes and funds	(859.215)	(637.282)	
	<b>2.633.455</b>	<b>651.558</b>	
		(Restated)	
	1 January- 31 December 2015	1 January- 31 December 2014	
<b>Tax income:</b>			
Current corporate tax expense	(3.492.670)	(1.288.840)	
Deferred tax income	137.656.293	70.540.874	
	<b>134.163.623</b>	<b>69.252.034</b>	
	<b>1 January-31 December 2015</b>		
	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	41.597.849	(2.079.892)	39.517.957
Foreign currency exchange differences	(94.752)	--	(94.752)
Gain on revaluation of available for sale financial assets	119.771.880	(5.988.594)	113.783.286
Other comprehensive income in the period	<b>161.274.977</b>	<b>(8.068.486)</b>	<b>153.206.491</b>
	<b>1 January-31 December 2014</b>		
	Amount before tax	Tax income/expense	Net of tax amount
Tax effects related to components of other comprehensive income			
Accumulated gain/loss on revaluation of property	(1.207.565)	60.378	(1.147.187)
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	<b>293.410.400</b>	<b>(12.597.120)</b>	<b>280.813.280</b>
	<b>1 January-31 December 2015</b>		<b>1 January-31 December 2014</b>
Tax recognized directly in equity			
Deferred tax	--	--	--
Directly recognized in equity:	--	--	--
- Revaluation of property	(2.079.892)	60.378	(1.288.840)
- Gain on revaluation of available for sale financial assets	(5.988.594)	(15.422.032)	(11.058.138)
- Actuarial income/expense	--	2.764.534	(1.147.187)
Deferred tax recognized directly in equity	<b>(8.068.486)</b>	<b>(12.597.120)</b>	<b>(1.147.187)</b>

#### Corporate tax

The Group is subject to Turkish corporate taxes. The corporate income tax is declared until the relevant accounting period-end's following fourth month, twenty-fifth day's evening and it is batch paid until the end of the related month. In accordance with the tax legislation, quarterly 20 percent (31 December 2014: 20 percent) on profits of advance tax is being calculated and paid. The amounts paid in this way are deducted by the tax on annual earning.

In accordance with the tax legislation in Turkey, financial losses could be carried forward for a maximum of five years that the year they appeared. Besides, tax returns and the related accounting records may be reviewed within five years by the tax administration.

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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 rate that will be accrued based on rate able profit of the company is calculated on a basis by including disallowed deductions written of as expense when determining commercial profit with excluding tax-exempt profits and other discounts (also previous year losses and investments allowances used, if preferred)

The effective tax rate in 2015 is 20 percent (31 December 2014: 20 percent).

### Deferred Tax

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

For calculation of deferred tax asset and liabilities, the rate of 20 percent (2014: 20 percent) is used.

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

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

		(Restated)	(Restated)
	31 December 2015	31 December 2014	1 January 2014
Deferred Tax Assets:			
Discount on receivables	1.194.781	623.887	607.197
Costs and provision for expected losses of construction contracts	350.155.118	382.843.653	317.557.276
Allowance for doubtful receivables	--	--	288.096
Allowance for impairment on inventories	3.100.197	2.754.902	1.575.946
Provision for delay penalties and fines	2.155.805	2.085.065	2.400.107
Provision for warranty	23.561.773	14.280.448	14.525.373
Provision for severance pay	29.907.788	23.291.877	19.468.262
Provision for retirement pay	2.774.619	2.186.931	1.945.301
Provision for annual leave and overtime	7.622.938	6.784.910	5.079.128
Provision for lawsuits	7.747	45.847	27.047
Accumulated tax losses	--	--	1.525.204
Accumulated research and development incentive	417.266.923	295.240.181	206.108.738
Other	--	1.335.079	150.930



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

		(Restated)	(Restated)
	31 December 2015	31 December 2014	1 January 2014
<b>Deferred Tax Liabilities:</b>			
Discount on payables	(578.093)	(580.398)	(567.304)
Adjustment of progress payments for long- term construction projects	(450.158.473)	(486.862.366)	(401.472.321)
Adjustment on inventories	--	--	(163.022)
Depreciation of fixed assets/amortization of intangible assets	(23.694.915)	(18.370.101)	(16.701.445)
Fixed assets revaluation fund	(11.372.185)	(9.292.293)	(9.352.671)
Gain on revaluation of available for sale financial assets	(21.410.626)	(15.422.032)	--
Deferred tax assets	837.747.689	731.472.780	571.258.605
Deferred tax liabilities	(507.214.292)	(530.527.190)	(428.256.763)
Deferred tax assets - net	<b>330.533.397</b>	<b>200.945.590</b>	<b>143.001.842</b>
			(Restated)
	1 January- 31 December 2015		1 January- 31 December 2014
<b>Movement of deferred tax (assets)/liabilities:</b>			
Opening balance (prior reported)	200.945.590		212.862.628
Restatement effect	--		(69.860.786)
Opening balance as of 1 January (restated)	200.945.590		143.001.836
Charged to statement of profit or loss	137.656.293		70.540.874
Charged to equity	(8.068.486)		(12.597.120)
	<b>330.533.397</b>		<b>200.945.590</b>
			(Restated)
			1 January- 31 December 2014
<b>Tax reconciliations:</b>			
Profit before tax from continuing operations (prior reported)		79.209.746	270.353.565
Restatement effect		--	52.446.602
Profit before tax from continuing operations (restated)		--	322.800.167
Income tax rate		20%	20%
Tax at the domestic income tax rate	20	15.841.949	64.560.033
Tax effects of:			
- revenue that is exempt from taxation	(6)	(5.422.593)	(4.836.519)
- expenses that are not deductible in determining taxable profit	6	4.922.338	2.893.349
- R&D incentives and other income exempt from taxation	(191)	(151.304.100)	(128.547.477)
- Subsidiaries and associates revenue that is exempt from taxation	1	998.625	--
- effect of other adjustments	1	800.158	(3.321.420)
Tax income recognized in profit or loss	<b>(169)</b>	<b>(134.163.623)</b>	<b>(69.252.034)</b>

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### 28. EARNINGS PER SHARE

Earnings per share is calculated by dividing the portion of profit allocated to the Group's weighted average number of shares outstanding over the reporting term. The Group does not have diluted shares.

For the years ended 31 December 2015 and 2014, earnings per share calculations are as follows:

	1 January- 31 December 2015	(Restated) 1 January- 31 December 2014
Common stock	50.000.000.000	50.000.000.000
Net profit - TL	212.929.960	392.052.201
<b>Earnings per 100 shares</b>	<b>42,06</b>	<b>78,4</b>

### 29. FINANCIAL INVESTMENTS

#### Financial Investments

##### Non-Current Financial Investments

	31 December 2015	31 December 2014
a) Available for sale financial investments	433.353.730	313.581.850
b) Financial investments valued at cost that do not have a quoted market value	147.462	42.041.149
	<b>433.501.192</b>	<b>355.622.999</b>

##### a) Available for sale financial investments

	31 December 2015	31 December 2014
Available for sale financial investments that are not traded in an active market	433.353.730	313.581.850
	<b>433.353.730</b>	<b>313.581.850</b>

ROKETSAN-Roket Sanayi ve Ticaret A.Ş. which is Group's marketable security is revalued and stated at fair value. As of 31 December 2015, 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 14,3 percent.

Company Name	Ratio (%)	31 December 2015	Ratio (%)	31 December 2014
Roketsan Roket Sanayii ve Tic. A.Ş.	14,897	433.353.730	14,897	313.381.850

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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:

Company Name	Ratio (%)	31 December 2015	Ratio (%)	31 December 2014
ASELSAN Bakü <sup>(1)</sup>	100	--	100	3.059.234
Mikroelektronik Ar-Ge Tasarım ve Tic. Ltd. Şti. <sup>(1)</sup>	85	--	85	624.714
ASELSAN Hassas Optik Sanayi ve Ticaret A.Ş. <sup>(2)</sup>	50	--	--	50.000
ASELSAN Bilkent Mikro Nano Teknolojileri Sanayi ve Ticaret A.Ş. <sup>(2)</sup>	50	--	--	2.250.000
Kazakhstan ASELSAN Engineering LLP <sup>(2)</sup>	49	--	49	32.633.128
IGG ASELSAN Integrated Systems LLC <sup>(2)</sup>	49	--	49	42.837
ASELSAN Middle East PSC LTD <sup>(2)</sup>	49	--	49	3.233.774
ASPİLSAN-Askeri Pil San. ve Tic. A.Ş.	1	147.462	1	147.462
		<b>147.462</b>		<b>42.041.149</b>

<sup>(1)</sup> As of 2015 related subsidiaries are consolidated by using "Full consolidation method".

<sup>(2)</sup> As of 2015 related business partnerships are consolidated by using "Equity method".

The above available-for-sale equity investments amounting to TL 147.462 (31 December 2014: TL 42.041.149) 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.

### 30. FINANCIAL LIABILITIES

#### Financial Liabilities

		31 December 2015	31 December 2014
Short-term financial liabilities	Unsecured loan	355.900.608	234.473.082
Current portion of long-term financial liabilities	Secured loan	89.361.363	48.470.658
Current portion of long-term financial leasing liabilities	Unsecured loan	66.815	137.535
Other short-term financial liabilities	Unsecured loan	1.915.280	800.756
Total short-term financial liabilities		<b>447.244.066</b>	<b>283.882.031</b>
Other long-term financial liabilities	Secured loan	152.313.508	190.684.931
Other long-term financial liabilities	Unsecured loan	3.760.265	4.526.230
Long-term financial leasing liabilities	Unsecured loan	--	56.314
Total long-term financial liabilities		<b>156.073.773</b>	<b>195.267.475</b>
Total financial liabilities		<b>603.317.839</b>	<b>479.149.506</b>

As of 31 December 2015, short-term financial liabilities amounting to TL 11.617.515 consist of interest free loans received for Social Security Institution (SGK) payments with a daily maturity. Current financial liabilities amounting to TL 55.293.088 is for the Company's operational expenses with the maturity of August 2016 and with interest rate of 13,70 percent. The remaining current financial liability amounting TL 288.990.005 consist of Eximbank Preshipment Export Loan with maturities vary between January-August 2016 and with interest rates vary between 1,16 percent-1,58 percent. Major part of the current portion of the long-term borrowings are composed of principle amounting to USD 29.846.154 with a maturity of February-October 2016 related to the loan which are obtained from Undersecretariat for Defense Industries with interest rates 2,1 percent-3,50 percent amounting to USD 82.230.769.



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As of 31 December 2015, TL 5.675.546 of other current and non-current financial liabilities consist of the interest free borrowings obtained from TTGV for project finance. The major part of the remaining current and non-current financial liabilities is composed of the loans obtained from Undersecretariat for Defense Industries amounting to USD 52.384.615 with an interest rate of 2,1 percent and 3,50 percent.

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 Exim bank Preshipment Export Loan with the maturities vary between the January-May 2015 and with interest rates vary between 1,32-1,33 percent. 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 percent. 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 percent 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 percent. 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 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 percent and long-term portion amounting to USD 19.230.769 with an interest rate of 3,5 percent.

### Bank Loans

<b>31 December 2015</b>			
	Weighted average interest rate (%)	Short-term	Long-term
Currency			
EURO	--	33.577	--
TL	11,32	66.910.603	--
USD	1,82	380.299.886	156.073.773
		<b>447.244.066</b>	<b>156.073.773</b>
<b>31 December 2014</b>			
	Weighted average interest rate (%)	Short-term	Long-term
Currency			
EURO	--	36.728	29.806
TL	8,63	55.335.503	--
USD	1,92	228.509.800	195.237.669
		<b>283.882.031</b>	<b>195.267.475</b>

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

	<b>31 December 2015</b>	<b>31 December 2014</b>
Within 1 year	447.244.065	283.882.031
Between 1-2 years	54.893.149	73.792.790
Between 2-3 years	53.227.591	42.311.006
Between 3-4 years	36.769.957	40.919.666
Between 4-5 years	11.183.077	29.325.166
Between 5-6 years	--	8.918.847
	<b>603.317.839</b>	<b>479.149.506</b>

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### 31. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS

#### 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 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 30, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

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

The Group's general strategy has not changed since 2014. The ratio of liabilities to share capital as of 31 December 2015 and 2014 is calculated by dividing net liability, which is calculated by subtracting cash and cash equivalent and short term financial investments from financial liabilities, to total capital. The ratio is as follows:

	31 December 2015	31 December 2014 (Restated)
Total liabilities	603.317.839	479.149.506
Less: Cash and cash equivalents	(680.963.051)	(131.941.264)
Net asset/debt	(77.645.212)	347.208.242
Total equity	2.840.735.825	2.539.146.760
Total capital	2.763.090.613	2.886.355.002
Net debt/total equity ratio (%)	(3)	12

#### b) Financial Risk Factors:

The Group has exposure to the credit risk, liquidity risk, market risk and foreign currency risk from its activities. 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 finance department under policies approved by the Board of Directors. Group's finance department identifies and evaluates financial risks and use tools to reduce risks by working with 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. The Group management does not foresee significant credit risk. Additionally, receivables are monitored regularly to minimize the collection risk.

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

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The credit risks as of reporting date is as follows:

31 December 2015	Receivables				Bank Deposits
	Trade Receivables		Other Receivables		
	Related party	Third party	Related party	Third party	
Maximum net credit risk as of the reporting date (A+B+C+D) <sup>(1)</sup>	190.762.505	1.253.406.182	--	48.530.465	742.279.982
- The part of maximum risk under guarantee with collateral etc. <sup>(2)</sup>	--	3.678.917	--	--	--
A. Net book value of financial assets that are neither past due nor impaired	190.762.505	1.163.607.780	--	48.530.465	742.279.982
B. Net book value of financial assets that are past due but not impaired	--	89.798.402	--	--	--
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	--	--	--	--	--

<sup>(1)</sup> While determining the amount, components which provide increase on credit reliability, like guarantees received are not taken into consideration.

<sup>(2)</sup> The guarantees consist of the letters of guarantees, collaterals, checks and mortgages.

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



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The credit risks as of reporting date 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 reporting date (A+B+C+D) <sup>(1)</sup>	160.534.140	1.307.561.071	19.746	42.195.874	153.973.335
- The part of maximum risk under guarantee with collateral etc. <sup>(2)</sup>	--	1.998.129	--	--	--
A. Net book value of financial assets that are neither past due nor impaired	160.534.140	1.227.517.187	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	--	--	--	--	--

<sup>(1)</sup> While determining the amount, components which provide increase on credit reliability, like guarantees received are not taken into consideration.

<sup>(2)</sup> The guarantees consist of the letters of guarantees, collaterals, checks and mortgages.

The aging of the overdue receivables is as follows:

	31 December 2015	31 December 2014
Overdue by 1-30 days	1.846.543	44.975
Overdue by 1-3 months	469.411	61.599
Overdue by 3-12 months	13.805.718	14.415.814
Overdue by 12 months	73.676.730	65.521.496
Total receivables	<b>89.798.402</b>	<b>80.043.884</b>

No collateral is received for the overdue receivables.

It is envisaged that receivables that is overdue but not provisioned are collected.

### 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. When receivables and payables are not constant, amounts are determined in accordance with interest rates generated from return rates as of the reporting date.

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The maturities of the financial liabilities determined with respect to the contracts including the expected interest payments as of 31 December 2015 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	603.251.024	616.531.907	133.889.888	319.364.036	163.277.983	--
Financial leasing liabilities	66.815	76.011	46.504	29.507	--	--
Expected Maturity						
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	800.087.275	802.894.342	486.009.922	94.000.168	222.884.252	--
Other payables	2.908.796	2.908.796	2.870.595	--	38.201	--

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	104.220	56.314	--
Expected Maturity						
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	660.375.349	662.615.337	461.195.909	147.207.154	54.212.274	--
Other payables	814.293	814.293	761.485	20.976	31.832	--

### Market risk management

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

Market risk exposures are evaluated 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 compared to prior year.

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### 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.

#### FOREIGN EXCHANGE POSITION

31 December 2015	TL Equivalent (Functional currency)	USD	TL equivalent by using closing rates	EURO	TL equivalent by using closing rates	Other
1. Trade Receivables	910.896.877	171.863.292	499.709.708	129.400.538	411.183.150	4.019
2a. Monetary financial assets (including cash, bank)	429.992.016	122.076.711	354.950.245	23.608.121	75.017.165	24.605
2b. Non- monetary financial assets	110.384.876	19.415.786	56.453.339	15.334.124	48.725.712	20.499.472
3. Other	3.968.112	42.747	124.291	1.076.552	3.420.852	422.969
<b>4. Current assets (1+2+3)</b>	<b>1.455.241.881</b>	<b>313.398.536</b>	<b>911.237.583</b>	<b>169.419.335</b>	<b>538.346.879</b>	<b>20.951.065</b>
5. Trade receivables	362.210.266	83.984.672	244.193.832	37.140.116	118.016.433	--
6a. Monetary trade receivables	--	--	--	--	--	--
6b. Non-monetary trade receivables	240.446.444	9.646.524	28.048.233	85.369.880	271.271.331	--
7. Other	2.205.927	456.497	1.327.311	198.380	630.372	248.244
<b>8. Long-term assets (5+6+7)</b>	<b>604.862.637</b>	<b>94.087.693</b>	<b>273.569.376</b>	<b>122.708.376</b>	<b>389.918.136</b>	<b>248.244</b>
<b>9. Total assets (4+8)</b>	<b>2.060.104.518</b>	<b>407.486.229</b>	<b>1.184.806.959</b>	<b>292.127.711</b>	<b>928.265.015</b>	<b>21.199.309</b>
10. Trade payables	260.467.533	33.631.482	97.786.897	48.205.719	153.178.493	9.502.140
11. Financial liabilities	380.333.463	130.795.118	380.299.885	10.567	33.578	--
12a. Other monetary financial liabilities	2.191.361	753.667	2.191.362	--	--	--
12b. Other non-monetary financial liabilities	169.799.645	66.071.763	192.110.258	9.912.345	31.497.467	--
<b>13. Current liabilities (10+11+12)</b>	<b>812.792.002</b>	<b>231.252.030</b>	<b>672.388.402</b>	<b>58.128.631</b>	<b>184.709.538</b>	<b>9.502.140</b>
14. Trade payables	--	--	--	--	--	--
15. Financial liabilities	156.073.773	53.677.869	156.073.772	--	--	--
16a. Other monetary financial liabilities	35.701	9.000	26.168	3.000	9.533	--
16b. Other non-monetary financial liabilities	692.332.201	268.224.098	779.888.387	131.589.577	418.139.040	--
<b>17. Non-current liabilities (14+15+16)</b>	<b>848.441.675</b>	<b>321.910.967</b>	<b>935.988.327</b>	<b>131.592.577</b>	<b>418.148.573</b>	<b>--</b>



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### FOREIGN EXCHANGE POSITION

31 December 2015	TL Equivalent (Functional currency)	USD	TL equivalent by using closing rates	EURO	TL equivalent by using closing rates	Other
18. Total liabilities (13+17)	1.661.233.677	553.162.997	1.608.376.729	189.721.208	602.858.111	9.502.140
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)	398.870.841	(145.676.768)	(423.569.770)	102.406.503	325.406.904	11.697.169
21. Net foreign currency asset/ liability position of monetary items (1+2a+5+6a-10-11-12a- 14-15-16a)	903.997.328	159.057.539	462.475.701	141.929.489	450.995.144	(9.473.516)
22. Fair value of derivative financial instruments used in foreign currency hedge	--	--	--	--	--	--
23. Hedged foreign currency assets	--	--	--	--	--	--
24. Hedged foreign currency liabilities	--	--	--	--	--	--
25. Exports	547.895.496	168.248.079	489.198.115	29.951.304	95.173.264	--
26. Imports	782.380.482	140.420.615	408.286.980	93.090.839	295.805.450	78.288.049

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 General Communiqué on Accounting System Application (GCASA). The difference is mainly due to the adjustments and classifications which are related with TAS 11 "Construction Contracts".

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

## (Restated) FOREIGN EXCHANGE POSITION

31 December 2014	TL Equivalent (Functional currency)	USD	TL equivalent by using closing rates	EURO	TL equivalent by using closing rates	Other
1. Trade Receivables	634.205.928	123.205.255	285.700.666	123.552.757	348.505.262	--
2a. Monetary financial assets (including cash, bank)	58.952.358	19.636.793	45.535.759	4.742.702	13.377.740	38.857
2b. Non- monetary financial assets	105.451.562	28.166.675	65.315.703	17.039.096	48.062.178	2.813.416
3. Other	11.932.193	2.248.902	5.214.979	1.007.346	2.841.421	3.875.794
<b>4. Current assets (1+2+3)</b>	<b>810.542.041</b>	<b>173.257.625</b>	<b>401.767.107</b>	<b>146.341.901</b>	<b>412.786.601</b>	<b>6.728.067</b>
5. Trade receivables	289.927.324	69.571.343	161.328.987	40.058.147	112.992.015	15.606.320
6a. Monetary trade receivables	526.771	227.164	526.771	--	--	--
6b. Non-monetary trade receivables	193.500.845	2.367.507	5.490.012	76.853.745	216.781.359	2.419.449
7. Other	5.041.245	392.404	909.946	494.324	1.394.340	2.736.960
<b>8. Long-term assets (5+6+7)</b>	<b>488.996.185</b>	<b>72.558.418</b>	<b>168.255.716</b>	<b>117.406.216</b>	<b>331.167.714</b>	<b>20.762.729</b>
<b>9. Total assets (4+8)</b>	<b>1.299.538.226</b>	<b>245.816.043</b>	<b>570.022.823</b>	<b>263.748.117</b>	<b>743.954.315</b>	<b>27.490.796</b>
10. Trade payables	296.935.203	50.134.038	116.255.821	59.789.744	168.648.931	12.030.455
11. Financial liabilities	228.546.528	98.542.325	228.509.797	13.021	36.728	--
12a. Other monetary financial liabilities	279.584	10.500	24.348	--	--	255.236
12b. Other non-monetary financial liabilities	64.336.191	33.864.265	78.527.844	2.535.363	7.151.498	28.987
<b>13. Current liabilities (10+11+12)</b>	<b>590.097.506</b>	<b>182.551.128</b>	<b>423.317.810</b>	<b>62.338.128</b>	<b>175.837.157</b>	<b>12.314.678</b>
14. Trade payables	13.014.415	5.612.322	13.014.413	--	--	--
15. Financial liabilities	195.267.474	84.194.087	195.237.668	10.567	29.806	--
16a. Other monetary financial liabilities	311.356	130.620	302.895	3.000	8.462	--
16b. Other non-monetary financial liabilities	282.144.912	164.942.076	382.484.180	112.654.262	317.763.877	--
<b>17. Non-current liabilities (14+15+16)</b>	<b>490.738.157</b>	<b>254.879.105</b>	<b>591.039.156</b>	<b>112.667.829</b>	<b>317.802.145</b>	<b>--</b>

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(Restated) FOREIGN EXCHANGE POSITION						
31 December 2014	TL Equivalent (Functional currency)	USD	TL equivalent by using closing rates	EURO	TL equivalent by using closing rates	Other
<b>18. Total liabilities (13+17)</b>	1.080.835.663	437.430.233	1.014.356.966	175.005.957	493.639.302	12.314.678
<b>19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)</b>	--	--	--	--	--	--
<b>19a. Hedged total financial assets</b>	--	--	--	--	--	--
<b>19b. Hedged total financial liabilities</b>	--	--	--	--	--	--
<b>20. Net foreign currency asset/ liability (9-18+19)</b>	218.702.563	(191.614.190)	(444.334.143)	88.742.160	250.315.013	15.176.118
<b>21. Net foreign currency asset/ liability position of monetary items (1+2a+5+6a-10-11-12a- 14-15-16a)</b>	249.257.821	(25.983.337)	(60.252.759)	108.537.274	306.151.090	3.359.486
<b>22. Fair value of derivative financial instruments used in foreign currency hedge</b>	--	--	--	--	--	--
<b>23. Hedged foreign currency assets</b>	--	--	--	--	--	--
<b>24. Hedged foreign currency liabilities</b>	--	--	--	--	--	--
<b>25. Exports</b>	459.653.673	144.095.625	334.143.345	46.287.302	130.562.593	9.797.134
<b>26. Imports</b>	877.253.772	237.642.654	551.069.550	101.834.710	287.245.166	38.939.055

### Foreign currency sensitivity

The Group is exposed to foreign currency risk with respect to USD and EURO. As of 31 December 2015, USD 1: TL 2.9076 (31 December 2014: TL 2.3189), EURO 1: TL 3.1776 (31 December 2014: TL 2.3189 and T 2.8207).



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The following table details the Group's sensitivity to a 10 percent increase and decrease in foreign exchange rates. 10 percent 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 present 10 percent change in foreign currency rates. This analysis does not include Group companies' balance sheet items which have functional currency other than TL. The effects of 10 percent changes in foreign currency rate on financial statements is as follows:

Foreign currency sensitivity table				
31 December 2015				
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>Appreciation of USD against TL by 10%:</b>				
1- USD denominated net assets/liabilities	46.247.570	(46.247.570)	46.247.570	(46.247.570)
2- Hedged amount against USD risk (-)	--	--	--	--
<b>3- Net effect of USD (1+2)</b>	<b>46.247.570</b>	<b>(46.247.570)</b>	<b>46.247.570</b>	<b>(46.247.570)</b>
<b>Appreciation of EURO against TL by 10%:</b>				
4- EURO denominated net assets/liabilities	45.099.514	(45.099.514)	45.099.514	(45.099.514)
5- Hedged amount against EURO risk (-)	--	--	--	--
<b>6- Net effect of EURO (4+5)</b>	<b>45.099.514</b>	<b>(45.099.514)</b>	<b>45.099.514</b>	<b>(45.099.514)</b>
Foreign currency sensitivity table				
(Restated) 31 December 2014				
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>Appreciation of USD against TL by 10%:</b>				
1- USD denominated net assets/liabilities			(6.025.276)	6.025.276
2- Hedged amount against USD risk (-)	--	--	--	--
<b>3- Net effect of USD (1+2)</b>	<b>(6.025.276)</b>	<b>6.025.276</b>	<b>(6.025.276)</b>	<b>6.025.276</b>
<b>Appreciation of EURO against TL by 10%:</b>				
4- EURO denominated net assets/liabilities	30.615.109	(30.615.109)	30.615.109	(30.615.109)
5- Hedged amount against EURO risk (-)	--	--	--	--
<b>6- Net effect of EURO (4+5)</b>	<b>30.615.109</b>	<b>(30.615.109)</b>	<b>30.615.109</b>	<b>(30.615.109)</b>

### Interest rate risk management

As of 31 December 2015 and 31 December 2014, 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 2015, since the Group does not have interest bearing financial assets, (31 December 2014: None) no 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 2015 and 31 December 2014, the Group's financial assets at their fair values are as in the following page:

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### 32. FINANCIAL INSTRUMENTS FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING

31 December 2015	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
<b>Financial assets</b>						
Cash and cash equivalents	--	680.963.051	--	--	680.963.051	34
Blocked deposits	--	61.515.146	--	--	61.515.146	17
Financial investments	147.462	--	433.353.730	--	433.501.192	29
Equity Accounted Investees	41.916.350	--	--	--	41.916.350	7
Trade receivables	--	1.444.168.687	--	--	1.444.168.687	5
<b>Financial liabilities</b>						
Borrowings	--	--	--	603.317.839	603.317.839	30
Trade payables	--	--	--	800.087.275	800.087.275	5
Other payables	--	--	--	2.908.796	2.908.796	6
<b>31 December 2014</b>						
	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
<b>Financial assets</b>						
Cash and cash equivalents	--	131.941.264	--	--	131.941.264	34
Blocked deposits	--	22.163.233	--	--	22.163.233	17
Financial investments	42.041.149	--	313.581.850	--	355.622.999	29
Trade receivables	--	1.468.095.211	--	--	1.468.095.211	5
<b>Financial liabilities</b>						
Borrowings	--	--	--	479.149.506	479.149.506	30
Trade payables	--	--	--	660.375.349	660.375.349	5
Other payables	--	--	--	814.293	814.293	6

The Group's management assesses that the carrying value reflects the fair value of financial instruments. Related financial assets are presented at cost after deducting impairment allowance if any.

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 data which can be observed by directly or indirectly and which excludes the registered prices described in Level 1 ; 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 2015. The fair value of ROKETSAN-Roket Sanayi ve Ticaret A.Ş. as of 31 December 2015 is TL 433.353.730 and 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.

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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	31 December 2015	31 December 2014
	Marketable Securities	Marketable Securities
Opening balance	313.581.850	5.141.213
Total gain/loss		
- transferred to other comprehensive income	119.771.880	308.440.637
<b>Closing balance</b>	<b>433.353.730</b>	<b>313.581.850</b>

31 December 2015	Fair value level as of reporting date		
	Level 1 TL	Level 2 TL	Level 3 TL
ROKETSAN	433.353.730	--	433.353.730
	<b>433.353.730</b>	<b>--</b>	<b>433.353.730</b>

31 December 2014	Fair value level as of reporting date		
	Level 1 TL	Level 2 TL	Level 3 TL
ROKETSAN	313.581.850	--	313.581.850
	<b>313.581.850</b>	<b>--</b>	<b>313.581.850</b>

The movement of the fair value level as of 31 December 2015 is as follows:

1 January 2015	Fair value level as of reporting date		
	Level 1 TL	Level 2 TL	Level 3 TL
Additions	--	--	119.771.880
<b>31 December 2015</b>	<b>--</b>	<b>--</b>	<b>433.353.730</b>

### 33. EVENTS AFTER THE REPORTING PERIOD

Amount of contracts signed by Group after the reporting date is approximately TL 10 Million, EURO 9 Million and USD 5 Million.

### 34. EXPLANATORY NOTES TO THE STATEMENT OF CASH FLOWS

	31 December 2015	31 December 2014
Cash	119.953	109.860
Cheques received	--	7.662
Demand deposits -TL-	3.201.334	35.548.686
Foreign currency demand deposits	2.273.320	2.301.924
Time deposits -TL-	246.863.100	14.694.285
Foreign currency time deposits	427.617.065	79.264.914
Accrued income	810.017	293
Other cash equivalents	78.262	13.640
	<b>680.963.051</b>	<b>131.941.264</b>

As of 31 December 2015, the Group has TL 427.617.065 (31 December 2014: TL 79.264.914) of foreign currency time deposits at various banks with maturities between January-February 2016 (31 December 2014: January 2015) and interest rates between 1,80 percent and 3,15 percent (31 December 2014: 1,80 percent and 2,10 percent).

As of 31 December 2015, the Group has TL 246.863.100 (31 December 2014: TL 14.694.285) of time deposits at various banks with maturities between January-February 2016 (31 December 2014: January 2015) and interest rates between 7,94 percent and 14 percent (31 December 2014: 10 percent and 10,45 percent).



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### 35. OTHER ISSUES REQUIRED TO BE DISCLOSED THAT HAS SIGNIFICANT IMPACT ON FINANCIAL STATEMENTS OR IN ORDER FINANCIAL STATEMENT TO BE CLEAR, INTERPRETABLE AND UNDERSTANDABLE

As of 31 December 2014 consolidated cash flow statement, has been classified as follows.

Cash flows from operating activities has increased by TL 345.659 ; profit for the year has increased TL 41.957.282 ; adjustments to reconcile for the year increased TL 6.249.497; changes in working capital decreased by TL 19.109.937 TL; cash flows provided (used) from activities increased TL by 67.496.716 ; cash flows from financing activities decreased by TL 199.826; effect foreign currencies exchange differences on the cash and cash equivalents amounting to TL 145.833 is presented separately.

The effects of the reclassifications and adjustments to the Group's prior year consolidated financial statements which are enclosed in Note 2.2 and Note 2.3 are given below:

	<u>Prior reported</u> <u>1 January 2014</u>	<u>Classifications</u>	<u>Adjustments</u>	<u>Restated</u> <u>1 January 2014</u>
<b>ASSETS</b>				
<b>Current Assets</b>	<b>2.049.564.480</b>	<b>(33.216.627)</b>	<b>(38.045.032)</b>	<b>1.978.302.821</b>
Cash and Cash Equivalents	103.683.817	--	--	103.683.817
Trade Receivables	756.246.395	44.779.009	(20.454.780)	780.570.624
<i>Trade Receivables from Related Parties</i>	145.157.039	(1.353.254)	--	143.803.785
<i>Trade Receivables from Third Parties</i>	611.089.356	46.132.263	(20.454.780)	636.766.839
Other Receivables	81.512.996	--	--	81.512.996
<i>Other Receivables from Related Parties</i>	32.771.269	--	--	32.771.269
<i>Other Receivables from Third Parties</i>	48.741.727	--	--	48.741.727
Inventory	645.849.543	--	--	645.849.543
Prepaid Expenses	277.369.147	--	(17.590.252)	259.778.895
Other Current Assets	184.902.582	(77.995.636)	--	106.906.946
<b>Non-Current Assets</b>	<b>1.958.410.870</b>	<b>140.205.910</b>	<b>(115.415.471)</b>	<b>1.983.201.309</b>
Financial Investments	12.724.210	--	--	12.724.210
Trade Receivables	338.736.707	62.210.274	--	400.946.981
<i>Trade Receivables from Related Parties</i>	26.392.887	9.222.123	--	35.615.010
<i>Trade Receivables from Third Parties</i>	312.343.820	52.988.151	--	365.331.971
Other Receivables	197.085	--	--	197.085
<i>Other Receivables from Third Parties</i>	197.085	--	--	197.085
Property, Plant and Equipment	741.988.200	--	--	741.988.200
Intangible Assets	372.807.645	--	--	372.807.645
Prepaid Expenses	274.439.651	--	(45.554.685)	228.884.966
Deferred Tax Assets	212.862.628	--	(69.860.786)	143.001.842
Other Non-Current Assets	4.654.744	77.995.636	--	82.650.380
<b>TOTAL ASSETS</b>	<b><u>4.007.975.350</u></b>	<b><u>106.989.283</u></b>	<b><u>(153.460.503)</u></b>	<b><u>3.961.504.130</u></b>

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

## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2015

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

	Prior reported 1 January 2014	Classifications	Adjustments	Restated 1 January 2014
<b>LIABILITIES</b>				
<b>Current Liabilities</b>	<b>936.244.985</b>	<b>50.103.769</b>	<b>(28.914.655)</b>	<b>957.434.099</b>
Short-Term Financial Liabilities	157.226.761	--	--	157.226.761
Short-Term Portion of Long-term Financial Liabilities	22.832.818	--	--	22.832.818
Trade Payables	393.448.102	--	--	393.448.102
<i>Trade Payables to Related Parties</i>	16.265.805	--	--	16.265.805
<i>Trade Payables to Third Parties</i>	377.182.297	--	--	377.182.297
Employee Benefit Obligations	19.226.599	--	--	19.226.599
Other Liabilities	448.381	--	--	448.381
<i>Other Liabilities to Related Parties</i>	30.320	--	--	30.320
<i>Other Liabilities to Third Parties</i>	418.061	--	--	418.061
Government Grants and Incentives	11.280.034	--	--	11.280.034
Deferred Income	214.035.003	50.103.769	(28.914.655)	235.224.117
Corporate Tax Liability	480.904	--	--	480.904
Short-term Provisions	114.369.110	--	--	114.369.110
<i>Short-term Provisions for Employee Benefits</i>	25.395.640	--	--	25.395.640
<i>Other Short-Term Provisions</i>	88.973.470	--	--	88.973.470
Other Current Liabilities	2.897.273	--	--	2.897.273
<b>Non-current Liabilities</b>	<b>1.459.244.914</b>	<b>56.885.514</b>	<b>(403.988.987)</b>	<b>1.112.141.441</b>
Long-term Financial Liabilities	173.227.412	--	--	173.227.412
Trade Payables	12.163.376	--	--	12.163.376
<i>Trade Payables to Third Parties</i>	12.163.376	--	--	12.163.376
Other Liabilities	30.518	--	--	30.518
<i>Other Liabilities to Third Parties</i>	30.518	--	--	30.518
Government Grants and Incentives	1.878.514	--	--	1.878.514
Deferred Income	1.162.027.069	56.885.514	(403.988.987)	814.923.596
Long-term Provisions	109.918.025	--	--	109.918.025
<i>Long-term Provisions for Employee Benefits</i>	107.067.815	--	--	107.067.815
<i>Other Long-Term Provisions</i>	2.850.210	--	--	2.850.210
<b>EQUITY</b>	<b>1.612.485.451</b>	--	<b>279.443.139</b>	<b>1.891.928.590</b>
<b>Equity Attributable to Equity Holders of the Parent</b>	<b>1.611.967.650</b>	--	<b>279.443.139</b>	<b>1.891.410.789</b>
Share Capital	500.000.000	--	--	500.000.000
Inflation Adjustment on Share Capital	98.620.780	--	--	98.620.780
Other Comprehensive Income/Expense that will not to be Reclassified Subsequently to Profit or Loss	173.666.454	--	--	173.666.454
<i>Gain/Loss on Remeasurement of Defined Benefit Plans</i>	(3.866.000)	--	--	(3.866.000)
<i>Gain on Revaluation of Property</i>	177.532.454	--	--	177.532.454
Restricted Reserves	69.677.755	--	--	69.677.755
Retained Earnings	531.921.172	--	279.443.139	811.364.311
Net Profit for the Period	238.081.489	--	--	238.081.489
<b>Non-Controlling Interests</b>	<b>517.801</b>	--	--	<b>517.801</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>4.007.975.350</b>	<b>106.989.283</b>	<b>(153.460.503)</b>	<b>3.961.504.130</b>

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

## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2015

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

	Prior reported 31 December 2014	Classifications	Adjustments	Restated 31 December 2014
<b>ASSETS</b>				
<b>Current Assets</b>	<b>2.355.673.667</b>	<b>14.122.205</b>	<b>(6.534.783)</b>	<b>2.363.261.089</b>
Cash and Cash Equivalents	131.941.264	--	--	131.941.264
Trade Receivables	943.722.118	98.338.409	4.204.951	1.046.265.478
<i>Trade Receivables from Related Parties</i>	120.292.826	2.713.441	--	123.006.267
<i>Trade Receivables from Third Parties</i>	823.429.292	95.624.968	4.204.951	923.259.211
Other Receivables	41.953.632	--	--	41.953.632
<i>Other Receivables from Related Parties</i>	19.746	--	--	19.746
<i>Other Receivables from Third Parties</i>	41.933.886	--	--	41.933.886
Inventory	837.426.476	--	--	837.426.476
Prepaid Expenses	199.811.629	--	(10.739.734)	189.071.895
Other Current Assets	200.818.548	(84.216.204)	--	116.602.344
<b>Non-Current Assets</b>	<b>2.629.760.107</b>	<b>195.597.780</b>	<b>(112.687.266)</b>	<b>2.712.670.621</b>
Financial Investments	355.622.999	--	--	355.622.999
Trade Receivables	310.448.157	111.381.576	--	421.829.733
<i>Trade Receivables from Related Parties</i>	31.855.852	5.672.021	--	37.527.873
<i>Trade Receivables from Third Parties</i>	278.592.305	105.709.555	--	384.301.860
Other Receivables	261.988	--	--	261.988
<i>Other Receivables from Third Parties</i>	261.988	--	--	261.988
Property, Plant and Equipment	853.969.422	--	(1.207.565)	852.761.857
Intangible Assets	438.506.438	--	-	438.506.438
Prepaid Expenses	383.548.025	--	(31.189.973)	352.358.052
Deferred Tax Assets	281.235.324	--	(80.289.728)	200.945.590
Other Non-Current Assets	6.167.754	84.216.204	--	90.383.964
<b>TOTAL ASSETS</b>	<b>4.985.433.774</b>	<b>209.719.985</b>	<b>(119.222.049)</b>	<b>5.075.931.710</b>



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

## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2015

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

	Prior reported 31 December 2014	Classifications	Adjustments	Restated 31 December 2014
<b>LIABILITIES</b>				
<b>Current Liabilities</b>	<b>1.201.245.567</b>	<b>81.716.859</b>	<b>(21.372.139)</b>	<b>1.261.590.287</b>
Short-Term Financial Liabilities	235.273.838	--	--	235.273.838
Short-Term Portion of Long-term Financial Liabilities	48.608.193	--	--	48.608.193
Trade Payables	607.225.859	(1.048.844)	--	606.177.015
<i>Trade Payables to Related Parties</i>	22.690.240	6.390.277	--	29.080.517
<i>Trade Payables to Third Parties</i>	584.535.619	(7.439.121)	--	577.096.498
Employee Benefit Obligations	22.998.224	--	--	22.998.224
Other Liabilities	782.461	--	--	782.461
<i>Other Liabilities to Related Parties</i>	306.817	--	--	306.817
<i>Other Liabilities to Third Parties</i>	475.644	--	--	475.644
Government Grants and Incentives	15.043.829	--	--	15.043.829
Deferred Income	143.632.654	66.308.408	(21.372.139)	188.568.923
Corporate Tax Liability	651.558	--	--	651.558
Short-Term Provisions	122.826.726	16.457.295	--	139.284.021
<i>Short-Term Provisions for Employee     Benefits</i>	33.924.548	--	--	33.924.548
<i>Other Short-Term Provisions</i>	88.902.178	16.457.295	--	105.359.473
Other Current Liabilities	4.202.225	--	--	4.202.225
<b>Non-current Liabilities</b>	<b>1.565.294.681</b>	<b>128.003.126</b>	<b>(418.103.144)</b>	<b>1.275.194.663</b>
Long-Term Financial Liabilities	195.267.475	--	--	195.267.475
Trade Payables	67.153.873	(12.955.539)	--	54.198.334
<i>Trade Payables to related Parties</i>	9.769.454	--	--	9.769.454
<i>Trade Payables to Third Parties</i>	57.384.419	(12.955.539)	--	44.428.880
Other Liabilities	31.832	--	--	31.832
<i>Other Liabilities to Third Parties</i>	31.832	--	--	31.832
Government Grants and Incentives	2.233.448	--	--	2.233.448
Deferred Income	1.170.227.711	128.003.126	(418.103.144)	880.127.693
Long-term Provisions	130.380.342	12.955.539	--	143.335.881
<i>Long-term Provisions for Employee     Benefits</i>	127.420.265	--	--	127.420.265
<i>Other Long-Term Provisions</i>	2.960.077	12.955.539	--	15.915.616
<b>EQUITY</b>	<b>2.218.893.526</b>	<b>--</b>	<b>320.253.234</b>	<b>2.539.146.760</b>
<b>Equity Attributable to Equity Holders of the Parent</b>	<b>2.218.893.526</b>	<b>--</b>	<b>320.253.234</b>	<b>2.539.146.760</b>
Share Capital	500.000.000	--	--	500.000.000
Inflation Adjustment on Share Capital	98.620.780	--	--	98.620.780
Other Comprehensive Income/ Expense that will not to be Reclassified Subsequently to Profit or Loss	162.776.613	--	(1.147.187)	161.629.426
<i>Gain/Loss on Remeasurement of     Defined Benefit Plans</i>	(14.924.138)	--	--	(14.924.138)
<i>Gain on Revaluation of Property</i>	177.700.751	--	(1.147.187)	176.553.564
Other Comprehensive Income/ Expense that may be Reclassified Subsequently to Profit or Loss	293.018.605	--	--	293.018.605
<i>Gain on Revaluation of Available For     Sale Financial assets</i>	293.018.605	--	--	293.018.605
Restricted Reserves	73.708.407	--	--	73.708.407
Retained Earnings	740.674.202	--	279.443.139	1.020.117.341
Net Profit for the Period	350.094.919	--	41.957.282	392.052.201
<b>Non-Controlling Interests</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>4.985.433.774</b>	<b>209.719.985</b>	<b>(119.222.049)</b>	<b>5.075.931.710</b>

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

## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2015

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

	Prior reported 31 December 2014	Classifications	Adjustments	Restated 31 December 2014
<b>PROFIT OR LOSS</b>				
Sales Revenue	2.498.108.745	11.732.597	24.659.731	2.534.501.073
Cost of Sales (-)	(1.897.226.927)	(18.656.316)	--	(1.915.883.243)
<b>GROSS PROFIT</b>	<b>600.881.818</b>	<b>(6.923.719)</b>	<b>24.659.731</b>	<b>618.617.830</b>
General Administrative Expenses (-)	(124.248.781)	--	--	(124.248.781)
Marketing Expenses (-)	(46.531.957)	--	--	(46.531.957)
Research and Development Expenses (-)	(72.037.415)	--	--	(72.037.415)
Other Operating Income	516.009.465	1.078.035	(411.688.412)	105.399.088
Other Operating Expenses (-)	(576.641.543)	--	439.475.283	(137.166.260)
<b>OPERATING PROFIT</b>	<b>297.431.587</b>	<b>(5.845.684)</b>	<b>52.446.602</b>	<b>344.032.505</b>
Income from Investing Activities	1.914.324	208.619	--	2.122.943
Expense from Investing Activities (-)	--	--	--	--
<b>OPERATING PROFIT BEFORE FINANCIAL EXPENSE</b>	<b>299.345.911</b>	<b>(5.637.065)</b>	<b>52.446.602</b>	<b>346.155.448</b>
Financial Income	44.490.097	5.637.065	--	50.127.162
Financial Expense (-)	(73.482.443)	--	--	(73.482.443)
<b>PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>270.353.565</b>	<b>--</b>	<b>52.446.602</b>	<b>322.800.167</b>
<b>Tax Income from Continuing Operations</b>	79.741.354	--	(10.489.320)	69.252.034
- Current Corporate Tax Expense(-)	(1.288.840)	--	--	(1.288.840)
- Deferred Tax Income	81.030.194	--	(10.489.320)	70.540.874
<b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>	<b>350.094.919</b>	<b>--</b>	<b>41.957.282</b>	<b>392.052.201</b>
<b>Profit for the Period Attributable to:</b>				
Non-Controlling Interest	--	--	--	--
Owners of the Company	350.094.919	--	41.957.282	392.052.201
	<b>350.094.919</b>	<b>--</b>	<b>41.957.282</b>	<b>392.052.201</b>
<b>Earnings per 100 Shares (kuruş)</b>	<b>70,0</b>	<b>--</b>	<b>8,4</b>	<b>78,4</b>

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## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2015

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

	Prior reported 31 December 2014	Classifications	Adjustments	Restated 31 December 2014
<b>PROFIT FOR THE PERIOD</b>	<b>350.094.919</b>	--	<b>41.957.282</b>	<b>392.052.201</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items that will not to be Reclassified Subsequently in Profit or Loss</b>				
Gain on Revaluation of Property	--	(1.207.565)	--	(1.207.565)
Gain/Loss on Remeasurement of Defined Benefit Plans	(13.822.672)	--	--	(13.822.672)
Deferred Tax Expense/Income	2.764.534	60.378	--	2.824.912
<b>Items that may be reclassified subsequently to profit or loss</b>				
Gain on Revaluation of Available for Sale Financial Assets	308.440.637	--	--	308.440.637
Deferred Tax Expense	(15.422.032)	--	--	(15.422.032)
<b>OTHER COMPREHENSIVE INCOME</b>	<b>281.960.467</b>	<b>(1.147.187)</b>	<b>--</b>	<b>280.813.280</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>632.055.386</b>	<b>(1.147.187)</b>	<b>41.957.282</b>	<b>672.865.481</b>
<b>Total Comprehensive Income for the Period Attributable to:</b>				
Non-Controlling Interests	--	--	--	--
Owners of the Company	632.055.386	(1.147.187)	41.957.282	672.865.481
	<b>632.055.386</b>	<b>(1.147.187)</b>	<b>41.957.282</b>	<b>672.865.481</b>

- As of 31 December 2014, the expected loss provision amounting to TL 15.408.451 recognized in "Trade Receivables" has been presented under "Short-Term Provisions" (1 January 2014: None).

Since advance balances has changed as a result of the reversal exchange differences in both advances given and advances received, four reclassifications stated below has been made to related accounts according to this adjustment in the previous periods.

- As of 31 December 2014, TL 66.308.408 is presented under "Short-Term Trade Receivables" in the consolidated balance sheet has been classified under "Short-Term Deferred Income" (1 January 2014: TL 44.779.009).

- As of 31 December 2014, TL 16.621.550 is presented under "Short-Term Trade Receivables" in the consolidated balance sheet has been classified under "Long-Term Deferred Income" (1 January 2014: None).

- As of 1 January 2014, TL 5.324.760 is presented under "Long-Term Trade Receivables" in the consolidated balance sheet has been classified under "Short-Term Deferred Income".

- As of 31 December 2014, TL 111.381.576 is presented under "Long-Term Trade Receivables" in the consolidated balance sheet has been classified under "Long-Term Deferred Income" (1 January 2014: TL 56.885.514).

- As of 31 December 2014, the VAT receivable amounting to TL 84.216.204 recognized in "Other Current Assets" in the consolidated balance sheet has been shown under "Other non-current Assets". (1 January 2014: TL 77.995.636).

- As of 31 December 2014, the expected loss provision amounting to TL 1.048.844 recognized in "Short-Term Trade Payables" in the consolidated balance sheet has been shown under "Short-Term Provisions". (1 January 2014: None).



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

## Notes to the Consolidated Financial Statements For the Year Ended 31 December 2015

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

- As of 31 December 2014, the expected loss provision amounting to TL 12.955.539 recognized in "Long-Term Trade Payables" in the consolidated balance sheet has been shown under "Long-Term Provisions". (1 January 2014: None).
- As of 31 December 2014, the receivable amounting to TL 2.713.441 recognized in "Short-Term Non-Related Trade Receivables" in the consolidated balance sheet has been shown under "Short-Term Trade Receivables From Related Parties".
- As of 1 January 2014, the receivable amounting to TL 1.353.254 recognized in "Short-Term Trade Receivables From Related Parties" in the consolidated balance sheet has been shown under "Short-Term Trade Receivables from Other Parties".
- As of 31 December 2014, the receivable amounting to TL 5.672.021 recognized in "Long-Term Trade Receivables from Other Parties" in the consolidated balance sheet has been shown under "Long-Term Trade Receivables From Related Parties". (1 January 2014: TL 9.222.123).
- As of 31 December 2014, amounting to TL 6.390.277 which is reported in "Short Term Trade Payables to Other Parties" in short-term consolidated balance sheet as related party has been shown under "Short-Term Trade Payables From Related Parties". (1 January 2014: None).
- Expected loss provision cost amounting to TL 15.408.451 presented in "Revenue" in the consolidated income statement belonging to the year ended in 31 December 2014 has been classified under "Cost of Sales".
- Foreign exchange difference amounting to TL 3.675.854 recognized in "Revenue" in the consolidated income statement belonging to year ended in 31 December 2014 has been classified under "Other Operating Income".
- Exchange difference amounting to TL 3.247.865 recognized in "Other Operating Income" in the consolidated income statement belonging to year ended in 31 December 2014 has been classified under "Cost of Sales".
- Amounting to TL 208.619 recognized in "Other Operating Income" in the consolidated income statement belonging to year ended in 31 December 2014 has been classified under "Incomes From Investing Activities".
- Amounting to TL 5.637.065 recognized in "Other Operating Income" in the consolidated income statement belonging to year ended in 31 December 2014 has been classified under "Financial Income".

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

## Independent Auditor's Report

### Convenience Translation Of Independent Auditor's Report Originally Issued In Turkish

To the Board of Directors of ASELSAN Elektronik Sanayi ve Ticaret Anonim Şirketi,

#### Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of Aselsan Elektronik Sanayi ve Ticaret Anonim Şirketi (the "Company") and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Consolidated Financial Statements*

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 standards an auditing issued by Capital Markets Board of Turkey ("CMB") and Independent Standards on Auditing which is a component of the Turkish Auditing Standards published by the 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 our 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, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

**ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and its Subsidiaries***Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects the consolidated financial position of Aselsan Elektronik Sanayi ve Ticaret Anonim Şirketi and its subsidiaries as of 31 December 2015, and its financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Accounting Standards.

*Other Matters*

The consolidated financial statements of Aselsan Elektronik Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries as at and for the year ended 31 December 2014, excluding the adjustments described in the paragraph below to the consolidated financial statements were audited by another auditor who expressed an unmodified opinion on those financial statements on 6 March 2015.

As part of our audit of the consolidated financial statements as at and for the year ended 31 December 2015, we audited the adjustments described in Note 34 that were applied to restate the comparative information presented as at and for the year ended 31 December 2014. We were not engaged to audit, review, or apply any procedures to the consolidated financial statements for the year ended 31 December 2014, other than with respect to the adjustments described in Note 34 to the consolidated financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments described in Note 34 are appropriate and have been properly applied.

*Reports on Other Legal and Regulatory Requirements*

Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") number 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 7 March 2016.

Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2015, the Company's bookkeeping activities and consolidated financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

Akis Bağımsız Denetim ve Serbest Mali Müşavirlik Anonim Şirketi  
A Member of KPMG International Cooperative

Hakkı Özgür SIVACI, SMMM  
Partner

7 March 2016  
İstanbul, Turkey



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

## Annual Report of the Board of Directors For the Period Between 1 January - 31 December 2015

### 1. Principles on preparation

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

Company and ASELSAN Bakü Şirketi ("ASELSAN Bakü"), Mikroelektronik Ar-Ge Tasarım ve Ticaret Limited Şirketi ("Mikro AR-GE") and ASELSANNET Elektronik ve Haberleşme Sistemleri Sanayi Ticaret İnşaat ve Taahhüt Limited Şirketi ("ASELSANNET"), which is a subsidiary of the Company operating in the same sector and whose financial statements are consolidated will be mentioned in the following notes as "Group" in the annual period 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. Its 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. Its Internet address: [www.aselsan.com.tr](http://www.aselsan.com.tr)

The Company has a branch in 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. The contact address is Industrial City of Abu Dhabi 1, Plot 22J1 PO Box: 133627 Abu Dhabi/UAE. Phone: +971 2 550 8808, Fax: + 971 2 550 8812.

### 3. Organizational structure of the company

Company's domestic and foreign organization has been restructured as of 1 September 2014 in accordance with the vision of becoming a global company. Major goals of restructuring are strengthening critical technological skills which the company possesses, reaching targeted new technological skills, increasing ability of research and development (R&D) at a global level, developing human resources and its education, growing company by reaching new markets both domestically and abroad.

Within this scope, the Company has been restructured under five Vice Presidencies that will carry the production and engineering tasks, which are; Communication and Information Technologies (HBT), Microelectronics, Guidance and Electro-Optics (MGEO), Defense Systems Technologies (SST), Radar, Electronic Warfare and Intelligence Systems (REHİS) and Transportation, Security, Energy and Automation Systems (UGES).

In order for General Management to fulfill the planning, pursuing and assessing functions at the strategic level in a more efficient way, five different Vice Presidencies have been constituted as Financial Management Vice Presidency, Shared Services Vice Presidency, R&D and Technology Vice Presidency, Strategy and Business Development Vice Presidency and Human Resources Management Vice Presidency.

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, METU Teknokent; production and engineering operations in Macunköy, Akyurt and Gölbaşı. General Management is located in Ankara Macunköy. Also, SST and REHİS Sector Presidency management offices and Product Support Management of UGES Sector Presidency are located in Istanbul Teknopark.

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

## Annual Report of the Board of Directors For the Period Between 1 January - 31 December 2015

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

The capital structure as of 31 December 2015 and 31 December 2014 are as follows:

Shareholders	Share (%)	31 December		31 December	
		2015 (TL)	Share (%)	2014 (TL)	Share (%)
Turkish Armed Forces Foundation (TAFF)	84,58	422.912.812	84,58	422.912.812	
Axa Sigorta Anonim Şirketi	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	-	100.320.592	-	98.620.780	
Inflation adjusted capital	-	600.320.592	-	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 1 January-31 December 2015. The title of the main partnership 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 is comprised 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 of Turkey (CMB) regulations which make 9 members in total.

Information regarding the Members of the Board of Directors elected during the General Assembly Meeting held on 31 March 2015 are as follows:

#### Members of the Board of Directors

Name and Surname	Position	Date of General Assembly for Assignment	End of Term of Office
Mustafa Murat ŞEKER	Chairman/Managing Member	15 May 2013	March 2016
Murat ÜÇÜNCÜ	Vice Chairman/Managing Member	15 May 2013	March 2016
Ziya AKBAŞ	Independent Member	31 March 2014	March 2016
Nazim ALTINTAŞ	Independent Member	31 March 2015	March 2016
Oğuz BORAT	Member	31 March 2015	March 2016
Hasan CANPOLAT	Member	15 May 2013	March 2016
Oral ERDOĞAN	Independent Member	31 March 2014	March 2016
İsmail GÜMÜŞTEKİN	Member	31 March 2015	March 2016
Sedat NAZLIBİLEK	Member	25 June 2014	March 2016

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.

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

## Annual Report of the Board of Directors For the Period Between 1 January - 31 December 2015

There is not any ban on trading for board members with the Company, which they performed on their own or on behalf of someone else. There is no operation regarding the non-compete obligation by the members of the board.

### Changes of Members of the Board of Directors during the Period 1 January - 31 December 2015:

During the Ordinary General Assembly Meeting held on 31 March 2015, Hasan CANPOLAT, Murat ÜÇÜNCÜ, Mustafa Murat ŞEKER, Sedat NAZLIBİLEK, Oğuz BORAT and İsmail GÜMÜŞTEKİN were elected as Member of Board of Directors for 1 year of service and Ziya AKBAŞ, Nazım ALTINTAŞ and Oral ERDOĞAN were elected as Independent Member of Board of Directors for 1 year of service.

### 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 2014, while resources reserved for defense in Turkey for the last five years has increased from USD 17,7 Billion to USD 22,6 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 USD 4,3 Billion as of 31 December 2015. 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. Furthermore, the Group's organization so as to operate in the field of civil electronics requiring high technology has showed parallelism with the aims mentioned.

The revised dividend distribution policy that has been presented to shareholders' information on the General Assembly arranged in 2014 lastly is as follows:

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

*In case of a revision made on the Dividend 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 Capital Markets Board."*

At the Ordinary General Assembly Meeting made in 31 March 2015; from the remaining distributable profit obtained after subtracting taxes statutory obligation from Company's operating profit in 2014,

- In accordance with Article 519/(1) of the Turkish Commercial Code, General Legal Reserves amounting to TL 9.229.919,15 is going to be allocated, Net distributable profit to the shareholders for the period, calculated in the framework of the profit distribution regulations and decisions of the Capital Markets Board is proposed as:
- Gross profit, TL 65.000.000 (13 cents for a hundred shares, 13% of gross issued capital) (net TL 55.250.000 - 11,05 cents for a hundred shares, 11% of net issued capital) as in the form of cash,
- In accordance with Article 519/(2) of the Turkish Commercial Code, General Legal Reserves amounting to TL 4.000.000 is going to be allocated,
- The remaining profit is going to be allocated as Extraordinary Legal Reserves, and distribution of the dividends to the shareholders are planned to be distributed as of 29 May 2015.

All of the dividend TL 65.000.000 to be distributed was paid to shareholders by 31 December 2015.



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

## Annual Report of the Board of Directors For the Period Between 1 January - 31 December 2015

### 7. Financial resources of the company

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

During 1 January-31 December 2015 period, the cash requirements was met with the existing cash, cash inflows and use of Türk Eximbank export discounted foreign currency loan because of low cost. In scope of the Eximbank Loan Program, during 1 January-31 December 2015 period, "Discounted Foreign Currency Loan" was obtained with the following maturities respectively: USD 170 Million with 240 days of maturity. As of 31 December 2015, the company has 100 Million USD loan used from Türk Eximbank.

Furthermore, of USD 87 Million allocated to in order to finance Gölbaşı Investments provided by Defense Industry Support Fund (DISF) in accordance with Defense Industry Execution Committee's Decision, the second principle payment of the first portion amounting to USD 8 Million has been realized in March 2015 and third principle payment amounting to USD 8 Million has been realized in August 2015. USD 25 Million of the capital loan, the second and third principle payments amounting to USD 1.9 Million have been realized in April 2015 and October 2015 respectively. As of 31 December 2015 DISF's loans amount is USD 82.2 million.

As of December 2015, the Company has TL 54,6 Million loan used from commercial banks.

### 8. Risk management policies of the company

#### a. Corporate Risk Management

Company's Corporate Risk Management Policy; In light of all risk criteria against uncertainties threatening the corporate existence of the Company, the aim is to have the appropriate risk reaction and protecting the Company's corporate identity, its employees, shareholders and parties' interests Risk management, is an integrated part of corporate management. Information produced within the framework of management activities is integrated into decision mechanisms.

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 along 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 who are members of Board of Directors was established in 2012.

In the scope of the operations carried out by the committee, the inventory related to the risks which could threaten the company's existence, progress and persistence were defined and prioritized pursuant to the opinions and proposals of the Company top management. The most significant manageable risks defined in this scope are explained below.

#### Difficulty in Increasing Customer Variety and Number

The main customers of the Company are State Institutions, especially 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 equipment which are produced advanced technology.

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

## Annual Report of the Board of Directors For the Period Between 1 January - 31 December 2015

### Supplier and Subcontractor Risks

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.

### Global Economic Slowdown and Defense Expenses

Recession 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 might mean that local or international client requests declining or cancellations, investments slowing down, or operational and financial markers getting affected.

One other effect of the slowing down of the global economy is that in economies with high current deficits, slowing down has a possibility to turn into a financial crisis. In such a situation, importance is attached to the credit rating agencies' rating notes regarding the country and general economic analysis and during the reevaluation periods of credit ratings; pressure on that country's markets increase. Pressure increasing causes trouble in finding resources in financial markets and an increase in costs. Having said that, this does not cause any issue, but requires close tracking of the markets.

Strategies to minimize current and possible economic developments' negative effects and financial precautions are evaluated constantly, and applied.

### 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. Foreign exchange risk, interest risk, liquidity risk, credit risk and capital risk have been defined as financial risks.

In the balance-sheet financial risk management, exchange risk, interest risk, liquidity risk, credit risk and capital risk which shall affect the assets and liabilities of the Company are defined, measured, managed and reported. Therefore, the adverse effects 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 interim financial periods are considered and the foreign currency position is estimated.

The agreements signed between the company and the clients are heavily outside of the functional currency. According to the agreements, it is possible to take out advances during different periods of the agreements and these advances may be currencies outside of the functional currency. Within the framework of TAS 21 "The Effects of changes in foreign exchange rates" standard, all advances taken outside of the functional currency are not subject to valuation.

Throughout the duration of the agreements, it is unavoidable to have changes in the exchange rates because of the structure of the agreements. As a result of the change of exchange rates, there could be foreign currency exchange profits/losses because of delivery, advance offsetting or collection on a foreign currency type agreement.

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

## Annual Report of the Board of Directors For the Period Between 1 January - 31 December 2015

### 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 112 Million credit from Defense Industry Support Fund by means of USD 25 Million with 3,5% fixed interest rate in 4 September 2009 and USD 40 Million in 18 August 2011, USD 25 Million in 21 March 2013 and USD 22 Million in 31 July 2014 with 2,1% fixed interest rate credit balance.

As of the date 31 December 2015, total credit from Defense Industry Support Fund has been amount to USD 82,2 Million. There is no interest risk due to since the credits have fixed interest. Fixed rate TL credit used from the banks has amounted to USD 54,6 Million.

Company has USD 100 Million credit balance from Türk Eximbank by 31 December 2015. 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 0,75% additional spread rate for 240 days 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 commercial bank credit limits ready for any instant cash requirement. As of 31 December 2015, 45% of the short-term and long-term liabilities 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.

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

- As of 31 December 2015, the Company has a backlog of USD 4,3 Billion and these orders include the period until 2025.
- No Extraordinary General Assembly was held during the period 1 January and 31 December 2015.



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

## Annual Report of the Board of Directors For the Period Between 1 January - 31 December 2015

### 10. Significant events between 1 January - 31 December 2015 accounting period and the Board of Directors Meeting date when the relevant financial statements shall be negotiated

- The amount of contracts signed after the balance date by the Group approximately TL 10 Million, EUR 9 Million and USD 5 Million.
- Shareholders' Agreement was signed in 21 February 2016 between the Company and TAQNIA DST to establish an associated company in Saudi Arabia.

### 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 6 March 2015, the guidance on Group's financial results of 2015 shown below were disclosed to public:

- Consolidated income growth (TL): 16-20%
- EBITDA (Consolidated and adjusted without foreign exchange rate differences): 18-20%
- Consolidated investment (property, plant and equipment) expenditure: Approximately TL 120 Million
- Ratio of the consolidated 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 10% in 2014. EBITDA (Consolidated and adjusted) was 20%. Ratio of the consolidated Research and Development (R&D) expenses was 7%.

The expectations of Group on consolidated financial results for 2016 under normal circumstances are as follows:

- Consolidated income growth (TL): 16-20%
- EBITDA (Consolidated and adjusted without foreign exchange rate differences): 18-20%
- Consolidated investment (property, plant and equipment) expenditure: Approximately TL 340 Million
- Ratio of the consolidated R&D expenses financed by Company resources to the consolidated sales: 6%

These expectations are based on the yearly average of USD/TL parity to be 3,12; EURO/TL parity to be 3,37.

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

In order to achieve sustainable growth:

- The Gölbaşı Campus investments are mostly completed. Remedying some deficiencies and making the large portion of adjustments have been done in 2015, and the remaining will be done in 2016. The point reached with machine device investments have been summarized below:
  - 72,2 million US Dollars worth has been acquired, or ordered to be acquired in the first quarter of 2016.
  - Around 14,8 million dollars worth of devices will be ordered soon.
- The nominal capital of "ASELSAN Hassas Optik Sanayi ve Ticaret A.Ş." which was established in March 2014 with TL 100.000 capital, 50% of which belong to the Company and the remaining to Sivas Optik Malzemeleri Sanayi ve Ticaret A.Ş. was risen to TL 13.000.000 and fully paid. The construction of its facility has been progress and it is planned to come into operation in the first quarter of 2016 and thus, ultraviolet, visible, close infrared line sensitive optical technology and lens which are normally designed by ASELSAN and produced abroad will be produced in Sivas facility.
- ASELSAN Bilkent Mikro Nano Teknolojileri Sanayi ve Ticaret A.Ş., 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 including similar materials. Capital of the company is TL 18.000.000 and establishment was registered officially on 11 November 2014. The construction of facility was completed in January 2016. Works relating to obtain investment materials are continuing. The facility is planned to start production in the third quarter of 2016.
- 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.

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

## Annual Report of the Board of Directors For the Period Between 1 January - 31 December 2015

### 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). 2.572 people are employed at the Group R&D centers.

The Group also have activities in Teknokent facility within Middle East Technical University, in İstanbul Technology Development Area Teknopark and in ITU Arı Teknopark in scope of the Law numbered 4691 on Technology Development Regions. 259 people are employed within this region.

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

None.

### 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.

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

## Annual Report of the Board of Directors For the Period Between 1 January - 31 December 2015

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

Corporation	Research/Study	Related Period*	Ranking	
			Current	Current
<b>International Ratings</b>				
Defense News Journal	Defense News Top 100	2015	62	67
SIPRI	SIPRI Top 100	2015	73	66
European Commission	World R&D Expense The First 2500 Company	2015	1.178	1.169
Mentor Graphics	PCB Technology Leadership Awards (TLA)-2015 - Printed Circuit Board Technology - Defense Aviation and Space Category	2016	2	-
League of American Communication Professionals	Annual Report - World Ranking	2015	11	-
	Annual Report - Earth Defense and Aviation Category	2015	1	-
<b>National Ratings</b>				
İstanbul Chamber of Industry	İCI 500 Biggest Industry Companies	2015	33	35
	İCI 500 - Private Companies	2015	30	31
Fortune Journal	The Biggest 500 Companies	2015	51	51
Capital Journal	The Biggest 500 Private Companies	2015	66	65
TEA (Turkish Exporters' Assembly)	The First 1000 Exporter Companies	2015	107	107
Turkish Time Journal	R&D Top 100 Research	2015	1	1
TPI (Turkish Patent Institute)	In the first 30 Local Applicants which have the most Patent Application	2015	18	-
Brand Finance	The Most Valuable Brands (100 Brands)	2015	47	38
Superbrands	The Most Valuable Brands (134 Brands)	2015	No ranking	
Bloomberg Businessweek	Most Popular 50 Companies (Intercollegiate)	2015	8	9
Universum	Ideal Employers (Engineering and Information Technologies-100 Companies)	2015	1	1
Ministry of Science, Industry and Technology	Top of the Private Sector R&D Centers	2015	1	-
TTGV (Technology Development Foundation of Turkey)	Dr. Akin ÇAKMAKCI Academic Thesis Studies Applied in Industry	2016	1	-
CDP (Carbon Disclosure Project)	Better Managing the Risks of Climate Change and Highest Performance of Greenhouse Gas Emissions in the Companies (Türkiye)	2015	6	15
TESİD	Innovation and Creativity Awards - Innovative Product Award in the Large Company Branches	2016	No ranking	
CIO Journal	CIO Awards	2015	No ranking	

(\*) "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.

In current period, the investments, which will meet the need of substructure and equipment in order to be used R&D project have been sustained in compliance with the investment scheme in accordance with the policy of efficient use of resource.

#### Degree of incentive utilization

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.



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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 till 31 December 2023.

By means of the R&D centers established, as of 1 January-31 December 2015 TL 65 Million (31 December 2014: TL 47 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 and ITU Arı Teknopark TL 10 Million (31 December 2014: TL 7 Million) incentives are used.

TL 33 Million advantage of Corporate Tax was gained from achieved earnings obtained from ASELSAN and Mikro AR-GE within the scope of law of 5746 R&D and 4691 Teknokent by the date of 1 January-31 December 2015. (31 December 2014: TL 41 Million)

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

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. ASELSAN and Mikro AR-GE have benefited from incentives amounting to TL 6.8 Million within the scope of TÜBİTAK TEYDEB projects which are current at 2015.

Projects within the scope of 1511-Prioritized fields' research technologies development and innovation programme came into force as of 2013. ASELSAN and Mikro AR-GE have been benefited from TL 1.6 Million incentive at 2015 which is allocated by TÜBİTAK TEYDEB.

The support process of the 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 ASELSAN and Mikro AR-GE have been benefited from incentive amount of TL 1.2 Million was used at 2015.

Within the scope of 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, 17 Projects are ongoing.

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

Within the scope of the European Commission 7<sup>th</sup> Cooperation Framework Programs, 6 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 7<sup>th</sup> 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 5 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.

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

The capacity utilization for the period between 1 January-31 December 2015 was realized at the level of 99,76%. 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. With the usage of Enterprise Resource Planning System (ERPS), the production processes are managed efficiently.

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### 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, serial production product sales, services, commodities and progress billing sales. Sales terms and conditions are subject to change as for the respective agreements.

As for the consolidated amount of the Group realized during the period 1 January-31 December 2015, TL 2.232 Million of this realized as the domestic sales and TL 548 Million as it realized as the 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 2015, the 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, net sales has increased by 10% compared to the same period of the prior year. Profit has decreased by 46% compared to the same period of the prior year and realized as TL 213 Million. The Company's equity has increased by 12% compared to December 2014.

<b>BASIC RATIOS/CONSOLIDATED BALANCE SHEET</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
Current Ratio (Current Assets/Current Liabilities)	1,97	1,87
Liquidity Ratio (Cash and Cash Equivalents+Financial Investments+Trade Receivables+Other Receivables/Current Liabilities)	1,15	0,97
Equity/Total Liabilities	0,45	0,50
Current Liabilities/Total Liabilities	0,25	0,25
Non-Current Liabilities/Total Liabilities	0,29	0,25
<b>BASIC RATIOS/CONSOLIDATED PROFIT TABLE</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
Operating Profit/Revenue	0,23	0,24
Profit for the Period (Parent Company Shares)/Revenue	0,08	0,15

The liabilities of the Group are mainly consist of the short and long term order advances received.

### 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 2016-2018, 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.

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

Changes in the top management within the period 1 January-31 December 2015 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	Mustafa Murat ŞEKER	Chairman/Managing Member	15 May 2013
2	Murat ÜÇÜNCÜ	Vice Chairman/Managing Member	15 May 2013
3	Ziya AKBAŞ	Member of Board of Directors	31 March 2014
4	Nazım ALTINTAŞ	Member of Board of Directors	31 March 2015
5	Oğuz BORAT	Member of Board of Directors	31 March 2015
6	Hasan CANPOLAT	Member of Board of Directors	15 May 2013
7	Oral ERDOĞAN	Member of Board of Directors	31 March 2014
8	İsmail GÜMÜŞTEKİN	Member of Board of Directors	31 March 2015
9	Sedat NAZLIBİLEK	Member of Board of Directors	25 June 2014
10	Faik EKEN	CEO/President	24 July 2014
11	Okan TURAN (*)	CFO/Vice President	4 January 2016
12	Yavuz BAYIZ	Division CEO/Vice President (Communication & Information Technologies Business Sector)	1 September 2014
13	Baki ŞENSOY	Division CEO/Vice President (Microelectronics, Guidance & Electro-Optics Business Sector)	1 September 2014
14	Oğuz ŞENER	Division CEO/Vice President(Radar & Electronic Warfare Systems Business Sector)	1 September 2014
15	Mustafa KAVAL	Division CEO/Vice President(Defense Systems Technologies Business Sector)	1 September 2014
16	Yavuz Suat BENGÜR	Division CEO/Vice President(Transportation, Security, Energy & Automation Systems Business Sector)	1 September 2014
17	Hezarfen ORUÇ	Division CEO/Vice President(Shared Services)	1 September 2014
18	İsmet ATALAR	Division CEO/Vice President(R&D and Technology Management)	1 September 2014
19	Özcan KAHRAMANGİL	Division CEO (Strategy and Business Development)	1 September 2014
20	Hüseyin YAVUZ	Division CEO (Human Resources Management)	1 September 2014
21	Abdülkadir GÖKTAŞ	Internal Audit President	1 September 2014

(\*) During the Company's Board of Directors meeting held on 24 December 2015, Levent AKKOYUNLU has been replaced by acting vice president Okan TURAN effective as of 4 January 2016.

### 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 ending on 31 December 2015 is TL 7.419.872 (31 December 2014: TL 5.873.910). As a result of the resolution made at the Ordinary General Assembly Meeting held on 31 March 2015, a monthly payment of net TL 3.000 shall be made to the Members of the Board of Directors and Managing Members. (31 December 2014: TL 3.000).

### 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 2015 is TL 1.167.878 (31 December 2014: TL 911.846)



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

The Group recruited a total number of 720 people (136 personnel with fixed term contract) as the personnel including fixed-term contracted personnel, disabled and terror-stricken personnel during the period 1 January - 31 December 2015 and the number of people quit for the same period is 264 (67 personnel with fixed-term contracted).

As mentioned in the paragraph above, 47 of the personnels who quit the job and 367 of the recruited personnels were arisen from the unification with MİKES Mikrodalga Elektronik Sistemler Sanayi ve Ticaret A.Ş. (MİKES).

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 2015 is 5.392 (The average number of personnel employed by the Group as of 31 December 2014: 5.335).

There is no collective bargaining agreement in the Company.

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

The Company has donated TL 25.000 within the scope of maintenance and repair of Bingöl Şehitler Anıtı and 33 Şehit Er Anıtı and TL 135.110 for building of Şehit Şerife Bacı and Şehitlerin Anıtı during the period of 1 January - 31 December 2015. The total amount of the donations is TL 160.110.

### 27. The existence of organizations outside the center

- Republic of South Africa; Pretoria Branch
- Republic of Macedonia; Skopje Branch
- United Arab Emirates; Abu Dhabi 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 (ASELSANNET, ASELSAN Bakü and Mikro AR-GE) 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 guidance of common objectives and targets, with the aim of maintaining an internal control system, which provides required controls in matters such as the reliability of the financial reporting system, the efficiency of the activities in order to eliminate the operational risks and compliance with the law. Furthermore, the efficiency and sufficiency of the internal control are supported with the directives in effect.

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

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

ASELSAN owns a 100% of ASELSANNET and ASELSAN Bakü and 85% of Mikro AR-GE, and these companies have been consolidated in financial statements.

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 2015 (TL)
ROKETSAN-Roket Sanayi ve Ticaret A.Ş. <sup>(*)</sup>	14,897	433.353.730
Kazakhstan ASELSAN Engineering LLP	49	23.506.692
ASELSAN Bilkent Mikro Nano Teknolojileri Sanayi ve Ticaret A.Ş.	50	6.474.677
ASELSAN Middle East PSC LTD	49	5.526.181
ASELSAN Hassas Optik Sanayi ve Ticaret A.Ş.	50	6.408.800
ASPİLSAN Askeri Pil Sanayi ve Ticaret A.Ş.	1	147.462
<b>TOTAL</b>		<b>475.417.542</b>

<sup>(\*)</sup> 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 2015, by Oyak Yatırım Menkul Değerler A.Ş. which is an independent valuation company for the Group.

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About MİKES, which was subsidiaries consolidated in financial tables; it was applied to CMB in an attempt to receive permission for the merger of ASELSAN and MİKES by acquisition via facilitated procedure in November 2014. After completing the necessary legal actions following the permission by CMB on 30 December 2014, the merger of ASELSAN and MİKES was registered in Ankara Register of Commerce as of 20 January 2015 and announced in Turkey Commercial Registry Gazette on 23 January 2015.

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

There has not been such an event within the period.

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

"The review of "VAT Return Process" for the year 2011 performed by the Ministry of Finance Tax Inspection Board has resulted favorably in the year 2015.

### 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 2015 are summarized below:

Description	31 December 2015 (TL)
Ongoing lawsuits filed by the Group	2.820.417
Execution proceedings carried on by the Group	5.640.006
All types of ongoing lawsuits filed against the Group	2.649.323
Lawsuits finalized against the Group within the period	5.481.931
Lawsuits finalized in favor of the Group within the period	453.388

### 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 period.

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

There has not been such an event 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

There has not been any material event that affects the Company's financial statements within the period.

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

There has not been such an event 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

There has not been such an event within the activity period.

### 39. Related party transactions

Detailed table is disclosed in Note 4 in Consolidated Financial Statements of 31 December 2015.

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### ANNEX-1

#### CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2015

##### 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 effort of giving importance to corporate governance principles, carrying out this effort as a continuous, dynamic process and making improvements accordingly; according to the report of SAHA which was published on 11.12.2015, ASELSAN's corporate governance rating grade was updated to 9,13 out of 10 points from 9,09 in 2014.

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. Within this context, the methodology that is based on the "Corporate Governance Principles" published by CMB in January 2014, was used in the rating made by SAHA.

ASELSAN also stands in the first group at World Corporate Governance Index (WCGI) that was published on 07.08.2015 by SAHA. As a result of the efforts made for improving Corporate Governance Rating during 2015, ASELSAN's corporate governance rating was updated as 9,13 over 10 on 11.12.2015 by SAHA A.Ş.

2014 Rating Distribution		2015 Rating Distribution	
Shareholders:	83,30/100	Shareholders:	84,09/100
Public Disclosure And Transparency:	98,21/100	Public Disclosure And Transparency:	98,46/100
Stakeholders	93,78/100	Stakeholders	94,48/100
Board of Directors	90,00/100	Board of Directors	90,07/100
<b>Average</b>	<b>9,09</b>	<b>Average</b>	<b>9,13</b>

The ratings of 2014 and 2015 and the subtitles are given below:

ASELSAN Corporate Governance Ranking Reports published by SAHA can be accessed at the company website: [www.aselsan.com](http://www.aselsan.com).

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

- 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 special audit of certain incidents from the General Assembly even if it is not on the meeting agenda, under the condition that the right to ask to obtain information and examine has been used before and if the exercise 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 defense 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,



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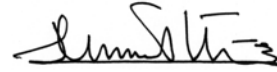
## Annual Report of the Board of Directors For the Period Between 1 January - 31 December 2015

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



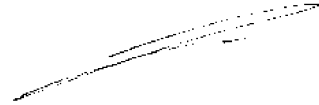
Murat ÜÇÜNCÜ

Member of Board of Directors  
Member of Corporate Governance Committee



Oğuz BORAT

Member of Board of Directors  
Member of Corporate Governance Committee



Pınar ÇELEBİ

Investor Relations and Subsidiaries Manager  
Member of Corporate Governance Committee

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### 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.

Okan TURAN	:	Chief Financial Officer (A.)/Vice President
Aykan ÜRETEN	:	Finance Director
Pınar ÇELEBİ	:	Investor Relations and Subsidiaries Manager
Bâni Betül GÖKÇE	:	Investor Relations and Subsidiaries Department/Senior Specialist
Başak YÜCEKAYALI	:	Investor Relations and Subsidiaries Department/Specialist

#### Contact Information

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

e-mail: aselsan.ir@aselsan.com.tr

Investor Relations Department has submitted the report regarding the tasks carried during 2014, to Board of Directors on 26.02.2015.

Pınar ÇELEBİ, Investor Relations Manager, has Capital Markets Transactions Level 3 and Corporate Governance Rating Expertise Licenses.

Main operations carried out by Investor Relations Department during 2015 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.

Meetings with 110 corporate investors were made in investor conferences, roadshows, visits to ASELSAN and teleconferences; additionally approximately 100 of our shareholders' questions regarding exercising their rights, public disclosures made, financial tables, 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 in 2015 with the most accurate and fastest way. It has paid attention to respond to all the information demands of shareholders with complete and comprehensible responses.

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Investor Relations Department has been using Turkish website [www.aselsan.com.tr](http://www.aselsan.com.tr) and the English website [www.aselsan.com](http://www.aselsan.com) 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 affect exercising of the shareholders rights. The material event disclosures made through Public Disclosure Platform (KAP) incorporated under Borsa İstanbul are being disclosed in Turkish and also in English along with it starting from 26.10.2015, the material event disclosure and other notifications 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 (TCC) 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 2015;

- General Assembly documents within legal deadlines,
- General Assembly minutes and participants list,
- 2014 Annual Report,
- The report for the 1<sup>st</sup> six months' period for 2015,
- The investor presentations which are updated every 3 months,
- Disclosures of material events made in 2015,
- Our Company's Consolidated Financial Statements and Basic Performance Indicators for the last 5 years along with the Financial Report,
- ASELSAN Strategic Plan Summary 2015-2019 were published on the website in Turkish and English.

Due to the reason that a regulation is present within the TCC numbered 6102 according to which the shareholders will be able to request from the General Assembly the assignment of a special auditor for the inspection and disclosure of the financial status, 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 special auditor in 2015.

### 2.3. General Assembly Meetings

The agenda and invitation related to the 40<sup>th</sup> Ordinary General Assembly Meeting dated 31.03.2015 with regard to 2014 operations realized at the Company headquarters were duly announced comprising all the necessary information in two daily newspapers published in Turkey and on the website on 09.03.2015 and in the Turkish Trade Registry Gazette dated 10.03.2015. 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 96 shareholders, 6 physically, 90 electronically representing 45.939.672.880 shares (TL 459.396.728,807 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 06.03.2015, the Ordinary General Assembly Document including the meeting agenda, place, time, copy of the power of attorney, total number of shares as of 06.03.2015 and the voting rights, the number of shares representing the privileged shares and their voting rights, the reasons for the changes in the members of Board of Directors, which is present in the agenda, the list of independent members of the Board of Directors, the proposal of the Board of Directors with respect to the 2014 year dividend distribution, the CV's of the independent members of the Board of Directors and their statements of independence and explanations regarding the agenda items were disclosed on Public Disclosure Platform and 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 participating in the General Assembly and to the ones who made requests.

For the facilitation of physical attendance to General Assembly Meeting in 2015, 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.

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In the Ordinary General Assembly Meeting in 2015, 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 board members are required where as they have voted negatively. The minutes of the General Assembly Meeting held in 2015 can be accessed from the website of our Company.

No Extraordinary General Assembly Meeting was held during the year 2015.

The shareholders were informed about donations and aids were made in 2014, with a separate agenda item.

### 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.

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 policy was revised in 2014 and was submitted to General Assembly meeting. The dividend policy published on our website is given below.

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

In case of a revision made on the Dividend 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 Capital Markets Board.

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 2015 and within the legal periods, out of the profit gained from 2014 operations, the gross amount of TL 65.000.000,- (TL 0,13 per TL 1 of share, gross 13% over the capital) (net TL 55.250.000,- TL 0,1105 per TL 1 of share, net 11,05% over the capital) was distributed to our shareholders as cash dividend.



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### 2.6. Transfer of Shares

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".

## 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](http://www.aselsan.com.tr) in Turkish and [www.aselsan.com](http://www.aselsan.com) in English is actively used and the information published on the web are updated regularly.

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.

Under "Investor Relations" section;

1. Corporate Governance
  - 1.1 Shareholder Structure and Privileged Shares
  - 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 and Trade Register Information
  - 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 Board of Directors Reports
7. BİST Disclosures
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.

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## Annual Report of the Board of Directors For the Period Between 1 January - 31 December 2015

### 3.2. Annual Report

The Board of Directors prepare the annual report in detail regarding the operations of the Company and 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 informative presentations over the intranet; continuous access to data and support is provided through help desk application over the intranet. Nonetheless, general and personal data that can be necessary outside the company are provided to access over the internet.

As for our suppliers, they are informed via internet, e-platforms and our website, in addition, information share is provided through face to face meetings. The efforts are being carried on to build the ASELSAN Suppliers Portal in order to provide efficient information transfer, thus an effective management shall be achieved by transferring, observing and reporting the data process between ASELSAN and its suppliers to the Enterprise Resource Planning (ERP) system.

High quality standards and high technological solutions are offered for services or delivered products with regard to customer needs and expectations so as to meet customer satisfaction. Requirements of these quality standards are met and inspections, tests are applied through every process from projects' start till the delivery phases. Our all processes are administered by directives, quality plans, standards, audits and test instructions. Our processes have been certified by internationally accepted standards such as AS9100, ISO 9001, AQAP and CMMI so that our products and services are secured to protect quality standards. These certificates are renewed every year with the audits performed. Changes and improvements of international standards are being followed and our processes are developed accordingly. Customer satisfaction, which is the primary objective, is evaluated and reported for the access of related executives. In addition, results and trends are evaluated by the upper management in an annual basis and required recovery activities are planned.

It is possible to increase the quality of product and service correspondingly increasing customer satisfaction by supplying the materials used in products from the right and trusted sources. For this purpose, suppliers are subject to product and/or field of activity based selection and evaluation processes. These activities that target continuous improvement and high quality standards for suppliers are regarded as playing an important role in eventual product quality. In this direction, trainings, technology/equipment transfers, on the job trainings are for creating a high quality supplier portfolio. All information share is done within the context of confidentiality with our suppliers, who have the status of our business partners, and it is not permitted to share this information with unauthorized persons and third party firms. Through related directives, handling any kind of relations between ASELSAN and the suppliers within the scope of law and ethical values, minimizing the occurrence of unsuitable conditions for protecting parties and securing the justice and transparency.

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. The subject that no debt shall be given, no loans shall be granted or no pledges such as guarantees in favor thereof may be extended to any members of the Board of Directors or to any employees through the use of ASELSAN assets, is declared within the "ASELSAN Ethical Principles, Values and Conduct Rules Document which is available on our Company's website.

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.

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### 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.

Our Board of Directors resolved on 30.09.2015 that; employee representatives shall attend to the Board of Directors meetings at least once a year for submitting their opinions, suggestions and requests, in order to further comply with the article "Supporting the Participation of the Stakeholders in the Corporation's Management" of Corporate Governance Principles of Capital Board, numbered II-17.1.

In ASELSAN, an Employee Representative is formed in order to increase the motivation and the sense of identity through providing the ASELSAN employees with the opportunities to,

- Submit their expectations and problems to upper management,
- Share the decisions related with themselves timely and accurately,
- To participate in the decision making processes
- Increase communication with upper management.

The resolution of our Board of Directors dated 30.09.2015 is included in the Employee Representative Directive, which became effective on 17.11.2015. As per the directive published, within the new structure;

- Electing of representatives shall be made by the involvement of all employees to the election process via Intranet Portal,
- 1 personnel representative shall be representing every 100 employees and a balanced participation shall be ensured for all titles,
- A fractional bottom-up structure shall be formed that includes sub-committees and a supreme board,
- "Person in Charge for Solutions" shall be appointed to provide faster solutions where problems occur,
- Filter mechanisms shall be developed for agenda setting,
- Representatives shall attend to the Board of Directors meeting at least once a year.

Coordination of representative meetings is held by the Shared Services Vice Presidency, where the meeting chairman is the CEO. Nevertheless, Human Resources Management Vice Presidency is represented at least at the level of Director.

Election of employee representative will be done through the Portal. The road map of the employee representative from now on is given below;

- Sub-committees shall be formed,
- "Person in Charge for Solutions" and Personnel Representative Coordinators shall be assigned by upper management,
- Sub-committees will hold their initial meetings and the supreme boards will be formed along elections that will be performed in sub committees,
- Sub-committees and supreme boards will start performing as described in internal regulations.

### 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.

57% of our employees stand for the engineering group, 30% for the technician group 7% for the administrative group, 3% for the office personnel and 3% of the worker group.

There were no complaints related to discrimination from the employees in 2015. Performance and rewarding policies are announced to all of our employees through Company directives.

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### 4.4. Ethical Rules and Social Responsibility

#### 4.4.1 Ethical Rules

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.

"ASELSAN Ethical Principles, Values and Conduct 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 five 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 consist of the representatives of Legal Affairs Department, Central Procurement Department or Financial Management Vice Presidency, charged by the approval of the CEO, and two personnel; one shall have at least 15 years, other shall have at least 5 years of ASELSAN experience among the Top 5 ranked nominees with the votes of ASELSAN personnel and assigned by the Board of Directors. If there are no changes in the organization, the Ethical Committee members serve at least for two years.

Ethical Committee meets once a month unless an application or disobedience is present. However, Committee, Board of Directors, Corporate Governance Committee, CEO or the Chairman of the Ethical Committee can call a meeting. Beyond evaluating applications, Ethical Committee represents reason and conscience of ASELSAN and works to increase the awareness about ethical values in ASELSAN family. When there is an application, ethical committee conducts the required assessment and submit a report to the CEO. At the end of this investigation, necessary steps are taken in accordance with relative law and ASELSAN regulations and directives. The applications for last six months and assessment result is reported to Board of Directors each year within the months January and July.

#### 4.4.2 Social Responsibility

An independent British institution, Carbon Disclosure Project (CDP) which reports how the risks of climate changes are managed by the companies announced the 2015 results of the Turkey Carbon Transparency Project. ASELSAN is ranked 6<sup>th</sup> among the firms that most successfully manage climate change risks through production process and has the highest gas emission performance on the outcome of the research conducted by evaluating big firms including 35 firms listed on Borsa Istanbul.

In ASELSAN, where decreasing carbon emission is one of the strategic goals, carbon emission is monitored since 2009. ASELSAN's CDP score was 85C in 2014 and it is upgraded to 95B in 2015. Also, ASELSAN is the first company that is ranked with the highest initial score among Defence Industry firms in Turkey by participating in CDP survey.

ASELSAN has decreased carbon emission significantly through its efforts, and continues its operations by increasing momentum in the fields of increasing energy efficiency in production, giving priority to production technologies that decrease carbon emission, switching to use of energy that does not cause carbon emission.

Having certifications for ISO 14001 Environmental Management System and OHSAS 18001 Work Health and Safety Integrated Management System; we will proceed to take part in pioneer applications through actualization of national and international initiatives.

In November 2014, Borsa Istanbul (BIST) has launched Sustainability Index that display the performance of January-March 2014 time period for BIST-30 firms in the fields of financial, environmental, social issues and corporate governance. With respect to that, as of this date, ASELSAN started publishing sustainability reports. As a result of the evaluation of our Company on the ASELSAN Sustainability Report, published in Turkish and English for the first time before the Index assessments, ASELSAN was among the 15 firms that were approved to be included in BIST Sustainability Index. In November 2015, ASELSAN held its place in the index as a consequence of the re-evaluation of ASELSAN Sustainability Report that was published in June, 2015.

Sustainability reports that are published on our website ([www.aselsan.com.tr](http://www.aselsan.com.tr)) include the details of sustainable applications in the fields of strategic governance, corporate governance, ethical principles, internal audit, bribery and corruption, risk management, communication with stakeholders, supply chain, information systems, facility management, employee development, human rights, occupational health and safety, environmental management.



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In 2015 our Company made donations to the construction of Şehit Şerife Bacı and Martyrs Monument that is located on İstiklal Highway in Kastamonu/Seydiler district and the construction of Bingöl Martyrs Monument and 33<sup>rd</sup> Soldier Monument. Also, our Company sponsored the activities of Turkish Armed Forces Rehabilitation and Care Center Handicapped Sports Club and furnishing of Anıtkabir command exhibition hall.

### CHAPTER V- BOARD OF DIRECTORS

#### 5.1. Structure and Formation of Board of Directors

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 06.03.2015 was presented to Board of Directors on 06.03.2015 and the CV's and independence statements of the 11 nominees were announced to public on our website on 06.03.2015. As a result of the voting at the General Assembly Meeting on 31/03/2015, 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 2015.

The CVs of the Members of the Board of Directors are included in the 2015 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
Mustafa Murat ŞEKER (**)	Chairman/Managing Member	May 2013	March 2016	Deputy Undersecretary of Undersecretariat for Defence Industries
Murat ÜÇÜNCÜ (**)	Vice Chairman/Managing Member	May 2013	March 2016	-
Ziya AKBAŞ (****)	Independent Member (*)	March 2014	March 2016	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
Nazım ALTINTAŞ	Independent Member (*)	March 2015	March 2016	-
Oğuz BORAT	Member	March 2015	March 2016	Member of Engineering and Design Faculty Board, Consultant of the Rector, Member of Interuniversities Board in İstanbul Trade University
Hasan CANPOLAT (**)	Member	May 2013	March 2016	Consultant of Minister of National Defence Rector of Piri Reis University, Consultant of Chamber of Shipping, Consultant of Turkey Ship Building Businessman Union, Member of the Board of İstanbul Maritime R&D Publishing and Consultant Inc., Member of the Board of Türksat Satellite Communication and Cable TV Operating Inc.
Oral ERDOĞAN (****)	Independent Member (*)	March 2014	March 2016	-
İsmail GÜMÜŞTEKİN	Member	March 2015	March 2016	-
Sedat NAZLIBİLEK (***)	Member	June 2014	March 2016	Lecturer in Atılım University Mechatronics Engineering Department
Faik EKEN	CEO	May 2014	-	-

(\*) Statements of Independence of the Independent Members of Board of Directors, which declare that the independent members conform with the regulations and the specified criteria for being an Independent Board of Directors Member, within the context of Capital Markets Board's corporate governance principles, are available. Statements of Independent Members take part at the end of the Corporate Governance Principle Compliance Report.

(\*\*) Assigned by decision of Board of Directors dated 16.05.2013. In the Ordinary General Assembly Meetings dated 31.03.2014 and 31.03.2015, reelected to serve for one year.

(\*\*\*) Assigned by the decision of Board of Directors dated 25.06.2014. In the Ordinary General Assembly Meeting dated 31.03.2015, reelected to serve for one year.

(\*\*\*\*) Reelected to serve for one year; on the General Assembly Meeting dated 31.03.2014 for the first time, and on the General Assembly Meeting dated 31.03.2015 for the second time.

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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.
- Members of the Board of Directors, in accordance with the Working Directive of 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.

With regard to the resolution of the Corporate Governance Committee meeting dated 05.11.2015, it has been discussed in the Board of Directors meeting on 26.11.2015 that; membership of women in the board of directors as it used to be the case in the past would be beneficial in order to increase compliance with the Corporate Governance Principles in our Company.

### 5.2. Principles of Activity of Board of Directors

Board of Directors carries out its duties and responsibilities determined with reference to 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 2015 was 30, where 14 of the decisions in the meetings are interim decisions. All of the Members of the Board of Directors attended 67% 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". In the operation year 2015, 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.

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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 17.07.2015 with the total liability amount of USD 50.000.000,- 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.

#### AUDIT COMMITTEE

Committee Members (January - March 2015)

Ziya AKBAŞ	:	Chairman/Independent Member of Board of Directors
Oral ERDOĞAN	:	Member/Independent Member of Board of Directors
Celalettin DÖVER	:	Member/Independent Member of Board of Directors

Committee Members (March - December 2015)

Ziya AKBAŞ	:	Chairman/Independent Member of Board of Directors
Oral ERDOĞAN	:	Member/Independent Member of Board of Directors
Nazım ALTINTAŞ	:	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 06.03.2015, 11.05.2015, 19.08.2015 and 06.11.2015 regarding the financial statements with the participation of the relevant independent audit company in 2015.

Furthermore, two more meetings were held on dates 25.03.2015 and 30.12.2015 regarding the financial statements.

In order to increase 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 ten times on dates 15.01.2015, 18.02.2015, 22.04.2015, 22.05.2015, 19.06.2015, 23.07.2015, 30.09.2015, 22.10.2015, 06.11.2015 and 17.12.2015.

The Committee was active in two main topics in 2015.

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## Annual Report of the Board of Directors For the Period Between 1 January - 31 December 2015

### 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 2014, March 2015, June 2015 and September 2015 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 for the year 2015 as per the CMB'S communiqué numbered II-14:1, was handled by the Procurement Department and the purchasing decision that the service shall be provided by "AKİS Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş." (KPMG) was taken by Board of Directors. The resolution was submitted for approval on the General Assembly Meeting dated 31.03.2015 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 Committee. A direct and continuous contact between Audit Committee and Internal Audit Presidency is present.

### CORPORATE GOVERNANCE COMMITTEE

Committee Members (2015 January - March)

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

Committee Members (2015 March - December)

Oral ERDOĞAN	: Chairman/Independent Member of the Board of Directors
Murat ÜÇÜNCÜ	: Member/Board of Directors Vice Chairman
Oğuz BORAT	: Member/Member of the Board of Directors
Pinar 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 activities 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 seven times within the activity year 2015 on dates, 18.02.2015, 25.02.2015, 06.03.2015, 11.05.2015, 19.08.2015, 05.11.2015 and 30.12.2015. The meeting minutes of the Committee may be reached on our website. The committee was active in three respective tasks in 2015:



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

## Annual Report of the Board of Directors For the Period Between 1 January - 31 December 2015

### i. Operations of Investor Relations Department:

Investor Relations Department have attended all the meetings in 2015, 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.

In 2015, the subjects discussed and tasks carried by the Corporate Governance Committee within the context of the meetings made are given below:

- Independent Board Member election process
- Investor Relations Department and its operations
- Corporate Governance Committee Evaluation Report
- Corporate Governance Rating
- Corporate Governance Committee 2014 Report
- ASELSAN 2014 Compliance with the Corporate Governance Principles Report
- BİST Sustainability Index and sustainability tasks performed in ASELSAN
- ASELSAN Dividend Policy
- ASELSAN Scholarship Directives
- ASELSAN Corporate Governance Plan
- ASELSAN Ethical Principles
- ASELSAN Personal Performance Management System Directive
- ASELSAN Wage and Career Management System Directive
- Tasks carried for the revision of ASELSAN score cards

### ii. Corporate Governance Rating:

The evaluation of corporate governance rating performed by SAHA Corporate Governance and Credit Rating Services were concluded during the last quarter of 2015. According to the review, as a result of the enhancements made throughout 2015, the score of 12.12.2014, 9,09 out of 10, was revised as 9,13 out of 10 on 11.12.2015.

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 06.03.2015. The list was submitted to shareholders' voting on General Assembly Meeting on 31.03.2015 and as a result, Oral ERDOĞAN, Ziya AKBAŞ and Nazım ALTINTAŞ were elected as independent members to serve for 1 year.

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

## Annual Report of the Board of Directors For the Period Between 1 January - 31 December 2015

### EARLY DETECTION AND MANAGEMENT OF RISK COMMITTEE

"Early Detection and Management of Risk Committee", which was established with the resolution of ASELSAN Board of Directors on 10.04.2012 numbered 720/1 decision, executes its operations as per the directive numbered ASY-01-066, which was approved and taken into force with the decision of Board of Directors dated on 29.11.2012, numbered 750/4.3e.

Committee Members (2015 January - March)

Celalettin DÖVER	:	Chairman/Independent 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

Committee Members (2015 April - December)

Nazım ALTINTAŞ	:	Chairman/Independent Member of the Board of Directors
İsmail GÜMÜŞTEKİN	:	Member/Member of the Board of Directors
Sedat NAZLIBİLEK	:	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 taking profile, its reporting; consideration through decision mechanisms and establishment of internal control. In this respect, in 2015 the committee held 6 meetings on 25.02.2015, 28.04.2015, 24.06.2015, 18.08.2015, 21.10.2015 and 23.12.2015. Committee's works are summarized below:

- "2014 Evaluation Report" was prepared and submitted to Board of Directors' information in February 2015.
- "Corporate Risk Evaluation Report" was completed and has been submitted to Board of Directors in February 2015, April 2015, June 2015, August 2015, October 2015 and December 2015. 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 and data indicators 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.
- "ASELSAN Corporate Risk Management System Directive" is approved and came into force by the Board of Directors' resolution dated 24.12.2015 numbered 871/6b decision.

The secretariat formalities of the Committee were performed by Risk Measurement and Analysis Department of Strategy Management Directorate in 2015.

### 5.4. Risk Management and Internal Audit Mechanism

Internal audit operations and corporate governance are facilitated via risk management and development of efficiency of internal audit procedures in ASELSAN. The most important role of internal audit operations is assuring the Audit Committee and Board of Directors that the risks are being managed effectively. Annual audit plan and work programs are prepared on a risk basis and audit results are reported periodically to Audit Committee. Harmonization with legal and firm regulations, the status of application of ethical principles and the effectiveness of risk mitigation is evaluated by internal audit department.

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

## Annual Report of the Board of Directors For the Period Between 1 January - 31 December 2015

### 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 Directorate. Reaching ASELSAN's long term goals and sustaining success can be achieved through environment friendly strategies.

ASELSAN's vision is to become a national technology company that preserves its sustainable growth with the values created in the global market, is preferred for its competitive power, is trusted like a strategic partner and is sensitive about the environment and the people. Within this concept, 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 39<sup>th</sup> Ordinary General Assembly Meeting held on 31.03.2014 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 40<sup>th</sup> Ordinary General Assembly held on 31.03.2015, 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.

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

## Annual Report of the Board of Directors For the Period Between 1 January - 31 December 2015

### Statement of Independence

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

Date: 13/02/2015

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,

Ziya AKBAŞ





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

## Annual Report of the Board of Directors For the Period Between 1 January - 31 December 2015

### Statement of Independence

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

Date: 18/02/2015

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



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

## Annual Report of the Board of Directors For the Period Between 1 January - 31 December 2015

### Statement of Independence

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

February, 20/02/2015

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,

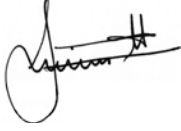
Nazım ALTINTAŞ



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

## Annual Report of the Board of Directors For the Period Between 1 January - 31 December 2015

### ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. SIGNATURE SECTION OF ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2015



Mustafa Murat ŞEKER  
Chairman of Board of  
Directors



Murat ÜÇÜNCÜ  
Vice Chairman of Board of Directors



Ziya AKBAŞ  
Member of Board of Directors



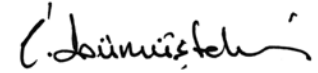
Nazım ALTINTAŞ  
Member of Board of Directors

Oğuz BORAT  
Member of Board of Directors  
(Not Attended)



Hasan CANPOLAT  
Member of Board of Directors  
(Not Attended)

Oral ERDOĞAN  
Member of Board of Directors



İsmail GÜMÜŞTEKİN  
Member of Board of Directors

Sedat NAZLIBİLEK  
Member of Board of Directors  
(Not Attended)

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

## Statement of Responsibility

TO THE PRESIDENCY OF  
BORSA ISTANBUL

Date: 07/03/2016  
No: AS300-16M-2024

ASELSAN ELEKTRONİK  
SANAYİ VE TİCARET A.Ş.

BOARD OF DIRECTORS MEETING ON APPROVAL OF FINANCIAL TABLES AND ANNUAL REPORTS

DATE OF RESOLUTION: 07/03/2016  
RESOLUTION NUMBER: 878

STATEMENT OF RESPONSIBILITY AS PER SECTION TWO, ARTICLE 9 OF THE CAPITAL MARKETS BOARD COMMUNIQUÉ SERIAL NUMBERED II, NUMBERED 14

We hereby declare that;

- We have examined the consolidated balance sheet dated 31 December 2014 and comparative consolidated balance sheet dated 31 December 2015, consolidated income statement issued for the period 01 January 2014 - 31 December 2014 and comparative consolidated income statement issued for the period 01 January 2015 - 31 December 2015, consolidated additional financial tables, all audited independently, notes dated 31 December 2015 and annual report of the Board of Directors issued for the period ending on 31 December 2015,
- As per the information we obtained in line with our duties and responsibilities at the company, the financial tables and annual report of the Board of Directors do not include any comments which materially misrepresent the facts and any missing data which might be misleading as of the announcement date,
- As per the information we obtained in line with our duties and responsibilities at the Company, the consolidated financial statements prepared in accordance with the CMB Communiqué Serial II, No: 14.1, accurately represents the assets, liabilities, financial position and profit or loss informations of the Company and the companies in the scope of consolidation; the annual report accurately represents the development and performance of the business, the financial position of the Company and the companies in the scope of consolidation and the significant risks and uncertainties which may company faces.

Regards,  
ASELSAN A.Ş.



Ziya AKBAŞ  
Audit Committee Chairman



Prof. Dr. Oral ERDOĞAN  
Audit Committee Member



Nazım ALTINTAŞ  
Audit Committee Member



Okan TURAN  
Chief Financial Officer  
Vice President(A.)



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

## Assessment Report Regarding Committee Activities in 2015

ASELSAN A.Ş. BOARD of DIRECTORS

In accordance with the title "Committees Formed within the Structure of Board of Directors" of Capital Markets Board's (CMB) "Communiqué on Determination and Application of Corporate Governance Principles"; Audit Committee, Corporate Governance Committee and Early Detection and Management of Risk Committee were formed and disclosed to public in our Company's Board of Directors meeting held on 31.03.2015. There are no Nomination and Remuneration Committees within the formation of Board of Directors and in accordance with the Communiqué the duties of these are carried out by the Corporate Governance Committee.

At our Company's Board of Directors meeting held on 31.03.2015 following the Ordinary General Assembly Meeting; in accordance with the Communiqué of CMB it was resolved that,

- Independent Member of Board of Directors Ziya AKBAŞ shall be assigned as the chairman and Independent Members of Board of Directors Nazim ALTINTAŞ and Oral ERDOĞAN shall be assigned as members of the Audit Committee,
- Independent Member of Board of Directors Oral ERDOĞAN shall be assigned as the chairman and Murat ÜÇÜNCÜ, Oğuz BORAT and pursuant to Capital Markets Board's Communiqué on Corporate Governance numbered II-17.1, Pınar ÇELEBİ shall be assigned as the members of Corporate Governance Committee,
- Independent Member of Board of Directors Nazim ALTINTAŞ shall be assigned as the chairman and Sedat NAZLIBİLEK and İsmail GÜMÜŞTEKİN shall be assigned as the members of the Early Detection and Management of Risk Committee.

While resolving on the forming of committees, Board of Directors paid attention for the members of the Audit Committee; the chairmen of Corporate Governance Committee and Early Detection and Management of Risk Committee to be chosen from the independent members of the Board of Directors and Investor Relations Department executive is a member of the Corporate Governance Committee within the framework of Capital Markets Board regulation.

The work directives, which regulate the field of activities and working principles of the committees, are approved by the Board of Directors and are submitted to public information in our Company website.

In 2015, each Board of Directors Committee fulfilled its duties and responsibilities and worked efficiently, with regard to Corporate Governance Principles and their own work directives.

Audit Committee assembled four times with the participation of authorities from the financial table related audit company within the year 2015 on dates 06.03.2015, 11.05.2015, 19.08.2015 and 06.11.2015. The issues submitted to the information and assessment of Audit Committee and the tasks carried out within the scope of the meetings held, are summarized below:

- The discussion of financial tables dated 31.12.2014, 31.03.2015, 30.06.2015 and 30.09.2015 and their submission to Board of Directors.
- The discussion of 2014 dividend distribution proposal.
- Assessments regarding the election of the independent audit company which will carry the audit task in year 2015 and its submission to Board of Directors.

In order to maintain the efficiency of internal audit, coordination meetings were held with the Internal Audit Presidency to strengthen the communication and establish direct and continuous communication between Audit Committee and Internal Audit Presidency. Audit Committee-Internal Audit Presidency coordination meetings are the most important factor in communicating between Audit Committee and Internal Audit Presidency and in this direction, ten meetings were conducted on dates 15.01.2015, 18.02.2015, 22.04.2015, 22.05.2015, 19.06.2015, 23.07.2015 and 30.09.2015, 22.10.2015, 06.11.2015 and 17.12.2015 within the year 2015.

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

## Assessment Report Regarding Committee Activities in 2015

Corporate Governance Committee assembled seven times within the year 2015 on dates 18.02.2015, 25.02.2015, 06.03.2015, 11.05.2015, 19.08.2015 05.11.2015 and 30.12.2015. The issues submitted to the information and assessment of Corporate Governance Committee and the tasks carried out within the scope of the meetings held, are summarized below:

- Election process of independent board of directors members,
- Investor Relations Department and its operations,
- Corporate governance rating,
- Preparation of ASELSAN 2014 Compliance with Corporate Governance Principles Report and its submission to Board of Directors,
- ASELSAN Dividend Policy,
- ASELSAN Scholarship Directives,
- ASELSAN Corporate Governance Plan,
- Task regarding the revision of ASELSAN Ethical Principles,
- ASELSAN Personal Performance Management System Directive,
- ASELSAN Wage and Career Management System Directive,
- Tasks carried for the revision of ASELSAN score cards,
- BİST Sustainability Index and sustainability tasks performed in ASELSAN.

Corporate Governance Committee, which was formed in order to monitor our Company's compliance to Corporate Governance Principles, to conduct studies about the enhancement of compliance and to propose suggestions to the Board of Directors; have detected whether Corporate Governance Principles are applied in our Company or not, and if not, the reason for it along with the conflicts occurring because of not complying fully to these principles; have submitted proposals for improvement of Corporate Governance practices to the Board of Directors and monitored the activities of Investor Relations Department.

Early Detection and Management Risk of Committee has the duties of identifying and assessing the risks that may affect ASELSAN from reaching its goals; managing these risks in conformity with our company's risk taking profile, reporting them, include them in the decision mechanisms and in this direction, auditing and executing the activities for establishing internal control systems. For this reason, Early Detection and Management of Risk Committee assembled six times on dates 25.02.2015, 28.04.2015, 24.06.2015, 18.08.2015, 21.10.2015, and 23.12.2015. The tasks carried out by Early Detection and Management of Risk Committee and assessment of Early Detection and Management of Risk Committee are summarized below:

- "2014 Assessment Report" was prepared and submitted to the information of Board of Directors in February 2015.
- "Corporate Risk Evaluation Report" was submitted to Board of Directors in February 2015, April 2015, June 2015, August 2015, October 2015 and December 2015. Within the framework of the tasks conducted regarding the report:
  - The data on class, statement, level, strategy, owner/responsible, current control activities and the related indicator regarding the risks ASELSAN is exposed to, are included in the report.
  - In order to monitor the developments regarding the risks, for the applicable risks, risk indicators were used and the risks exceeding the alert values were included at the end of the report, aiming to bring them to the Board of Directors' attention.
  - At the meetings held by the Committee, the existing developments regarding the risks and indicator data were evaluated. Committee advices and suggestions aiming to increase the efficiency of the Corporate Risk Management System and to minimize the current risks, are shared with the relevant departments and authorities and control activities are monitored.
- "ASELSAN Corporate Risk Management System Directive" came into force on 24.12.2015.

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

## Audit Committee Work Directives

### 1. PURPOSE

The purpose of These Directives is to determine duties, authorities, responsibilities and work principles of the Audit Committee.

### 2. SCOPE

These Directives cover the works and activities to be performed by the Audit Committee as per the related regulations.

### 3. DEFINITIONS

- 3.1** Independent Auditing Firm (IAF): Firms meeting the requirements of the Capital Markets Board Communiqué and granted with the authority of independent audit on the capital market as per Article 22, 4/c of the Act.
- 3.2** Auditor: Auditor titles of any seniority and rank assigned to make audits by the Independent Auditing Firms.
- 3.3** Audit Committee: Committee appointed among the company's Board of Directors as per Capital Markets Board Communiqué Serial numbered X, numbered 22.
- 3.4** Audit Committee Secretariat: ASELSAN personnel arranging operations and meetings of Audit Committee, archiving correspondences and coordinating communication between the members.
- 3.5** Financial Tables: Balance sheets and incomes statements issued as interim and annual documents, including the footnotes, and tables enclosed to such documents.
- 3.6** Financial Reports: Reports including financial tables, Board of Directors activity reports and states of responsibility.
- 3.7** Internal Auditor: Personnel assigned for internal auditing activities.
- 3.8** Internal Audit Department (IAD): ASELSAN Department in charge of internal audit activities.
- 3.9** Executives: Persons having titles such as under Financial Management Vice Presidency, Vice President, Director and Managers that are authorized to represent and bind the company.
- 3.10** Stakeholders: In achieving the objectives of the Company or with an interest in the activities of employees, creditors, customers, suppliers, various non-governmental organizations as well as individuals, institutions or interest groups.

### 4. RELATED REFERENCE DOCUMENTS

- 4.1** Capital Markets Board Communiqué on Independent Audit on Capital Market dated 12.06.2006, Serial numbered X and numbered 22.
- 4.2** Capital Markets Board Communiqué on Determination and Practice of Corporate Governance Principles dated 03.01.2014, Serial numbered II and numbered 17.
- 4.3** ASELSAN Board of Directors Work Directives numbered ASY-01-060.
- 4.4** Turkish Commercial Code (TCC).

### 5. DUTIES AND RESPONSIBILITIES

#### 5.1. BOARD OF DIRECTORS' DUTIES AND RESPONSIBILITIES REGARDING THE AUDIT COMMITTEE

- 5.1.1.** Appointing Audit Committee members,
- 5.1.2.** Authorizing Committee Members,
- 5.1.3.** Making separate Board of Directors Resolution for approving interim and annual financial tables and reports evaluated by the Committee and submitted to the Board of Directors,
- 5.1.4.** Taking necessary actions for facilitating operations of Audit Committee members.

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

## Audit Committee Work Directives

### 5.2. DUTIES, AUTHORITIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

#### 5.2.1. GENERAL DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

- 5.2.1.1. The Audit Committee shall ensure; company's accounting system, public disclosure of financial information, independent audit of the Company's internal control and makes supervision of the operation and effectiveness of the internal control system. Selection of independent audit company, prepared independent audit contracts and the initiation of the audit process and the independent auditors' work in each stage is carried out under the supervision of Audit Committee.
- 5.2.1.2. The Audit Committee notify, their duties and responsibilities identified in the field and their evaluations and recommendations on the subject immediately to the Board of Directors.
- 5.2.1.3. The Audit Committee's duties include reviewing, settling the complaints forwarded to the Company about ASELSAN's accounting, internal audit system and independent audit; determining the methods and criteria to be practiced on assessing company personnel's statements on company's accounting and independent audit as per the confidentiality principles are determined by Audit Committee.
- 5.2.1.4. The Audit Committee might seek assistance of independent consultants on matters required for its operations provided that the costs shall be covered by ASELSAN. But in this case the person who received services/ organizations with information about these people/organizations of any relationship with the company on the issue of whether information is given in the annual report.
- 5.2.1.5. The duties and responsibilities of the Audit Committee shall not relive Board of Directors from its responsibilities imposed by the Turkish Commercial Code.

#### 5.2.2. DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE REGARDING INDEPENDENT AUDIT OF ASELSAN

- 5.2.2.1. The Audit Committee shall determine the services to be provided by the Independent Auditing Firm and services and submit to the Board of Directors approval.
- 5.2.2.2. It shall ensure signing a contract with IAF.
- 5.2.2.3. It shall monitor compliance with contract provisions during IAF operations.
- 5.2.2.4. It shall always be in contact with the independent auditor for monitoring any incidents having an impact on the independency or objectivity of the independent auditor and shall ensure elimination of such incidents, if any, and efficient performance of the auditor.
- 5.2.2.5. It shall evaluate the outcomes of audits performed by IAF and financial tables at the joint meetings to be scheduled.
- 5.2.2.6. It shall evaluate the important findings received from IAF about ASELSAN accounting policy and practices and the auditor's suggestions.
- 5.2.2.7. It shall obtain the correspondences made between IAF and ASELSAN Management from the Firm.
- 5.2.2.8. It shall ensure that Independent Audit activities are included on the Board of Directors agenda minimum every 3 months for the purpose of determining efficiency of IAF operations.
- 5.2.2.9. IAF shall immediately inform the Audit Committee in written about important issues related to ASELSAN's accounting policy and practices, alternative implementation and public disclosure options from Public Oversight Accounting and Auditing Standards Authority as per the firm's accounting standards and accounting principles previously declared to the Company management and possible outcomes, practice suggestions as well as important correspondences made with the Company management.



## Audit Committee Work Directives

### 5.2.3. DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE REGARDING THE FINANCIAL REPORTS

- 5.2.3.1. The Audit Committee shall consult the company's authorized executives and IAF about interim and annual financial reports to be disclosed to the public in terms of compliance to the Company's accounting principles and to the actual figures and shall inform the Board of Directors in written with its own evaluation.
- 5.2.3.2. It shall sign the interim and annual financial tables, activity reports controlled and undersigned by the ASELSAN's authorized executives as well as the statement of responsibility enclosed as Annex-A quarterly and ensure public disclosure of these.
- 5.2.3.3. Financial Reports approved by the Audit Committee and Board of Directors shall be disclosed to the public on the Public Disclosure Platform and Company's website.

### 5.2.4. DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE REGARDING TO INTERNAL CONTROLS

- 5.2.4.1. It shall monitor efficiency and adequacy of the internal control system adopted by the company and its subsidiaries and ensures its acknowledgement by the personnel and support of the management.
- 5.2.4.2. It shall evaluate auditor and internal auditor suggestions related to internal control and whether or not the necessary ones are applied.
- 5.2.4.3. It shall monitor the process of forming a mechanism for reviewing and settling complaints received from Stakeholders related to company transactions, which violate the regulation and are unethical, and its operations as per the confidentiality principle.

### 5.2.5. DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE REGARDING TO THE INTERNAL AUDITS

- 5.2.5.1. It shall review efficiency of IAD directives, structure and activities and ensure settlement of particulars limiting the internal audit operations.
- 5.2.5.2. It shall monitor the coordination and communication between the IAD and Company's other departments, subsidiaries and independent audits for ensuring smooth processes.
- 5.2.5.3. It shall evaluate the audit plans and internal audit reports issued by IAD.

### 5.3. DUTIES AND RESPONSIBILITIES OF AUDIT COMMITTEE SECRETARIAT

- 5.3.1. It shall provide communication between the members, prepare committee meetings, keep meeting minutes and duly archive correspondences.
- 5.3.2. It shall plan, realize and follow up formalities before, during and after the Committee meetings in order to ensure outmost efficiency.
- 5.3.3. It shall ensure timely communication all of kinds of information to the committee members.
- 5.3.4. It shall always keep the records available to the members.

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

## Audit Committee Work Directives

### 6. STRUCTURE OF THE AUDIT COMMITTEE

- 6.1. The Audit Committee shall be as a member of Board of Directors and have minimum 2 (two) members. If the committee has two members the both members shall be Board of Directors Non-executive independent members. If there are more than two members, then the same rule shall be applicable for majority of the members. Members of the Audit Committee should have experience at least five (5) years at audit/accounting and finance subject.
- 6.2. As per the Capital Markets Board regulations, the Audit Committee shall be formed and authorized on the first Board of Directors Meeting held after the Annual Ordinary ASELSAN General Assembly Meeting.
- 6.3. At least two Audit Committee members shall be required for the committee meetings and at least two members are required for decisions.
- 6.4. The Audit Committee shall convene minimum every 3 months and four times a year and outcome of the meeting connecting with the minute submitted to the Board of Directors. The audit committee's activities and about the outcome of the meeting must be disclosed in the annual report. During the period how many times the audit committee makes written notification to the Board shall indicated in the annual report.
- 6.5. The Committee's secretariat duties related to the financial tables shall be performed by the Chief Office of Capital Markets Board Financial Control and Reporting attached to the Accounting Department and the secretariat duties related to internal control and internal audit activities shall be performed by IAD.

### 7. ENFORCEMENT

These Directives have been approved by the Board of Directors as per the resolution dated 22.09.2003 and numbered 443/16 and came into force as of 25.09.2003

### 8. EXECUTION

The Audit Committee shall be responsible for executing the provisions listed on these Directives.

### 9. CIRCULATION PLAN

The document shall be circulated as per ASELSAN PLAN A. It shall be published to all users via intranet and internet.

### 10. Annex- STATEMENT OF RESPONSIBILITY

Annex - A - Statement of Responsibility

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

## Audit Committee Work Directives

### Annex - A - STATEMENT OF RESPONSIBILITY

TO THE PRESIDENCY OF  
BORSA ISTANBUL

.././20xx  
AS300-16M-

ASELSAN ELEKTRONİK  
SANAYİ VE TİCARET A.Ş.

BOARD OF DIRECTORS MEETING ON APPROVAL OF FINANCIAL TABLES AND ANNUAL REPORTS

DATE OF RESOLUTION:  
RESOLUTION NUMBER:

STATEMENT OF RESPONSIBILITY AS PER SECTION TWO, ARTICLE 9 OF THE CAPITAL MARKETS BOARD COMMUNIQUÉ  
SERIAL NUMBERED II, NUMBERED 14

We hereby declare that;

- We have examined the consolidated balance sheet dated .././20xx and comparative consolidated balance sheet dated .././20xx, consolidated income statement issued for the period .././20xy - .././20xy and comparative consolidated income statement issued for the period .././20xx - .././20xx, consolidated additional financial tables, all audited independently, notes dated .././20xx and annual report of the Board of Directors issued for the period ending on .././20xx,
- As per the information we obtained in line with our duties and responsibilities at the company, the financial tables and annual report of the Board of Directors do not include any comments which materially misrepresent the facts and any missing data which might be misleading as of the announcement date,
- As per the information we obtained in line with our duties and responsibilities at the Company, the consolidated financial statements prepared in accordance with the CMB Communiqué Serial II, No: 14.1, accurately represents the assets, liabilities, financial position and profit or loss informations of the Company and the companies in the scope of consolidation; the annual report accurately represents the development and performance of the business, the financial position of the Company and the companies in the scope of consolidation and the significant risks and uncertainties which may company faces.

REGARDS,

ASELSAN A.Ş.

Audit Committee Chairman

Audit Committee Member

Audit Committee Member

Deputy General Manager

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

## Board of Directors' Early Detection and Management of Risk Committee Work Directives

### 1. PURPOSE

The purpose of these directives is to determine the duties, authorities, responsibilities and work principles of the Early Detection and Management of Risk Committee, which is established under Article 378 of the Turkish Commercial Code numbered 6102 and Board of Directors Resolution dated 10/04/2012, as per the Turkish Commercial Code and Corporate Governance Principles announced by the Capital Markets Board.

### 2. SCOPE

These directives cover works and actions to be performed as per the Turkish Commercial Code and Corporate Governance Principles by the Early Detection and Management of Risk Committee and/or Company personnel not a member of the Committee but assigned by the Committee.

### 3. DEFINITIONS

- 3.1. Independent Auditing Firm (IAF):** Firms meeting the requirements of the Capital Markets Board Communiqué and granted with the authority of independent audit on the capital market as per Article 22/d of the Act.
- 3.2. Auditor:** Auditor titles of any seniority and rank assigned to make audits by the Independent Auditing Firms
- 3.3. Early Detection and Management of Risk Committee (Committee):** A committee to be appointed by the Board of Directors among the Board of Directors members or third parties specialized in certain areas for the purpose of fulfilling the liabilities listed on the Turkish Commercial Code for systematic early detection and management of company risks and executing, coordinating related risks.
- 3.4. Early Detection and Management of Risk Committee Secretariat (Secretariat):** ASELSAN personnel arranging operations and meetings of Early Detection and Management of Risk Committee, archiving correspondences and coordinating communication between the members.
- 3.5. Capital Markets Board:** Public legal entity established as per Article 17 of the Capital Market Law.
- 3.6. Company:** ASELSAN Elektronik Sanayi ve Ticaret A.S.

### 4. RELATED REFERENCE DOCUMENTS

- 4.1.** Turkish Commercial Code.
- 4.2.** Capital Markets Board Regulations.
- 4.3.** Corporate Governance Principles published by the Capital Markets Board
- 4.4.** Regulations, provisions and principles on ASELSAN Articles of Association

### 5. DUTIES AND RESPONSIBILITIES

#### 5.1. DUTIES AND RESPONSIBILITIES OF ASELSAN EARLY DETECTION AND MANAGEMENT OF RISK COMMITTEE

- 5.1.1.** The main function of the Early Detection and Management of Risk Committee is early detection of risks threatening existence, development and sustainability of ASELSAN as well as taking action for the risks determined and trying to manage the risks determined.
- 5.1.2.** The Committee shall determine, identify the potential risks having an impact on ASELSAN beforehand and ensure duly management of the risks according to the risk-taking approach of the company.
- 5.1.3.** It shall evaluate the situation by means of a report to be submitted to the Board of Directors every two months as well as pointing out the threats, if any, and suggesting solutions. Coordinating with the Board of Directors, the Committee shall also present the report to the Auditor.
- 5.1.4.** It shall review the changes suggested to the risk management systems by the Risk Measurement and Analysis Department under Strategy Management Directorate as often as the agenda permits but minimum once a year.
- 5.1.5.** The Committee shall advise the Board of Directors on internal audit systems including risk management and information systems and processes minimizing the risks and related impacts to be suffered by the shareholders and company stakeholders.
- 5.1.6.** The Committee shall prepare an annual assessment report, including meeting frequency of Committee members and activities performed, which shall be included in the Annual Company Activity Report and basis to the Board of Directors assessment related to the work principles and Committee's efficiency.
- 5.1.7.** The resolutions taken at the meetings shall be documented and undersigned by the Committee Members and archived by the Secretariat.



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

## Board of Directors' Early Detection and Management of Risk Committee Work Directives

### 5.2. DUTIES AND RESPONSIBILITIES OF THE EARLY DETECTION AND MANAGEMENT OF RISK COMMITTEE SECRETARIAT

- 5.2.1. It shall provide communication between the members, prepare committee meetings, keep meeting minutes and duly archive correspondences.
- 5.2.2. It shall plan, realize and follow up formalities before, during and after the Committee meetings in order to ensure utmost efficiency.
- 5.2.3. It shall ensure timely communication all of kinds of information to the committee members.
- 5.2.4. It shall always keep the records available to the members.

### 6. STRUCTURE AND AUTHORITIES OF THE EARLY DETECTION AND MANAGEMENT OF RISK COMMITTEE

#### 6.1. COMMITTEE'S STRUCTURE

- 6.1.1. The Committee shall be formed and authorized at the first Board of Directors meeting held after the Annual Ordinary General Assembly Meeting of the company, as per the Capital Markets Board regulations.
- 6.1.2. The Committee shall have minimum two members. If the committee has two members then both members shall be Board of Directors members not having executive function and if there are more than two members, then majority of the members shall not have executive functions. Third parties specialized in certain areas can also be appointed as Committee members. The Committee chairman shall be appointed among Independent Members of Board of Directors.
- 6.1.3. The Chief Executive Officer/General Manager shall not take office in the committee.
- 6.1.4. The secretariat formalities of the Committee including the preparation of the report submitted to the Board of Directors shall be performed by ROAM under Strategy Management Directorate.
- 6.1.5. One more than half of the total members shall be required for committee meetings and majority is required for decisions.
- 6.1.6. The Committee shall convene once every two months, unless otherwise is required, and, if required, it shall convene at the Company's registered office following a call to be made by the Secretariat on behalf of the Committee Chairman. The Committee Chairman might offer to reschedule the meeting date, hour and place provided that the Committee Members are informed beforehand.

#### 6.2 AUTHORITIES OF THE COMMITTEE

- 6.2.1. If required, the Committee shall start special inspections and appoint people specialized in their areas as consultant for the purpose of ensuring assistance in such inspections.
- 6.2.2. If required, the Committee shall hold meetings with representatives of Company's related parties and specialists, including Company personnel or subsidiaries; and under the provision of the Board of Directors and coordinated with the General Manager, it shall seek external and professional consultancy service.
- 6.2.3. The Committee shall act according to its authorities and responsibilities and make recommendations to the Board of Directors however the Board of Directors shall always have the final decision making responsibility and the Committee shall not relieve the Board of Directors from its duties and responsibilities arising from the Turkish Commercial Code.

#### 7. ENFORCEMENT

These directives have been approved by the Board of Directors as per the resolution dated 29/11/2012 and numbered 750/4.3.e and came into force as of 29/11/2012.

#### 8. EXECUTION

ASELSAN Early Detection and Management of Risk Committee shall be responsible for executing the provisions listed on these directives.

#### 9. CIRCULATION PLAN

The document shall be circulated as per ASELSAN PLAN A. It shall be published to all users via intranet and internet.

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

## Board of Directors' Corporate Governance Committee Work Directives

### 1. PURPOSE

The purpose of these directives is to determine the duties, authorities, responsibilities and work principles of the Corporate Governance Committee established as per the Corporate Governance Principles announced by the Capital Markets Board (CMB).

### 2. SCOPE

These directives cover works and actions to be performed as per the Corporate Governance Principles by the Corporate Governance Committee and/or Company personnel not a member of the Committee but assigned by the Committee.

### 3. DEFINITIONS

- 3.1. Corporate Governance:** Index of relations between the Board of Directors, shareholders and other stakeholders of a company.
- 3.2. Corporate Governance Committee (Committee):** A committee to be appointed by the Board of Directors among the Board of Directors members or third parties specialized in certain areas for the purpose of executing and coordinating Corporate Governance Principles related formalities of the Company, provided that majority of the members are from the Board of Directors and the executive of Investor Relations Department shall be appointed as a member of the Committee.
- 3.3. Corporate Governance Committee Secretariat (Secretariat):** ASELSAN personnel arranging operations and meetings of Corporate Governance Committee, archiving correspondences and coordinating communication between the members.
- 3.4. Capital Markets Board:** Public legal entity established the Capital Market Law numbered 6362.
- 3.5. Company:** ASELSAN Elektronik Sanayi ve Ticaret A.Ş.

### 4. RELATED REFERENCE DOCUMENTS

- 4.1.** Capital Markets Board Regulations.
- 4.2.** Corporate Governance Principles published by the Capital Markets Board.
- 4.3.** Prepared as per the regulations, provisions and principles on ASELSAN Articles of Association.

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

## Board of Directors' Corporate Governance Committee Work Directives

### 5. DUTIES AND RESPONSIBILITIES

#### 5.1. DUTIES AND RESPONSIBILITIES OF ASELSAN CORPORATE GOVERNANCE COMMITTEE

- 5.1.1. The Corporate Governance Committee shall mainly work on implementing corporate governance principles at the Company.
- 5.1.2. The Committee shall determine whether or not the Corporate Governance Principles are implemented and if not implemented, the Committee shall determine the reasons as well as conflicts of interest caused by failing to fully comply with these principles.
- 5.1.3. It shall monitor the operations of Investor Relations Department.
- 5.1.4. It shall play a leading part in maintaining effective communication between the Board of Directors, Company and shareholders, eliminating and settling any possible disputes as well as advising the Board of Directors accordingly.
- 5.1.5. The Committee shall advise the Board of Directors on due effectiveness of infrastructures related to management applications aiming at improving company performance as well as acknowledgement by the personnel and support of the management.
- 5.1.6. The Committee shall issue the Company's Corporate Governance Compliance Report.
- 5.1.7. The Committee shall revise the Company's Activity Report to be disclosed to the public and checks whether or not the information included in the Report conform to the information possessed by the Committee.
- 5.1.8. The Committee shall prepare an annual assessment report, including meeting frequency of Committee members and activities performed, which shall be included in the Annual Company Activity Report and basis to the Board of Directors assessment related to the work principles and Committee's efficiency.
- 5.1.9. The Committee shall make suggestions ensuring compliance to the law and regulations, company's Information Policy in terms of public disclosures to be made.
- 5.1.10. The Committee shall present its operations and suggestions to the Board of Directors in the form of a report.
- 5.1.11. The resolutions taken at the meetings shall be documented and undersigned by the Committee Members and archived by the Secretariat.
- 5.1.12. If Nomination Committee and Remuneration Committee cannot be established separately due to the structure of the Board of Directors, the Committee shall perform the duties assigned to these committees as per the Corporate Governance Principles published by the Capital Markets Board.
- 5.1.13. Within the scope of the responsibilities of Nomination Committee; the Committee carries the duties on creating a transparent system for the evaluation of the nominees for Board of Directors and the nominees for the executives with administrative responsibility, their training and setting out policies and strategies regarding these matters. In this context, the Committee also regularly makes assessments on the structure and efficiency of Board of Directors and presents suggestions for improvement related to these issues.
- 5.1.14. Within the scope of the responsibilities of Remuneration Committee; the Committee determines and monitors the principles, criteria and the practices for the remuneration of the members of Board of Directors and executives with administrative responsibility, considering the long term objectives of the Company. In this context, the Committee also presents suggestions about the remuneration of the members of Board of Directors and executives with administrative responsibility, taking the level of achievement regarding the remuneration criteria met into account.

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

## Board of Directors' Corporate Governance Committee Work Directives

### 5.2. DUTIES AND RESPONSIBILITIES OF THE CORPORATE GOVERNANCE COMMITTEE SECRETARIAT

- 5.2.1. It shall provide communication between the members, prepare Committee meetings, keep meeting minutes and duly archive correspondences.
- 5.2.2. It shall plan, realize and follow up formalities before, during and after the Committee meetings in order to ensure utmost efficiency.
- 5.2.3. It shall ensure timely communication all of kinds of information to the Committee members.
- 5.2.4. It shall always keep the records available to the members.
- 5.2.5. It shall periodically submit reports on investor questions and content.

### 6. STRUCTURE AND AUTHORITIES OF THE CORPORATE GOVERNANCE COMMITTEE

#### 6.1. COMMITTEE'S STRUCTURE

- 6.1.1. The Committee shall be formed and authorized at the first Board of Directors meeting held after the Annual Ordinary General Assembly Meeting of the company, as per the Capital Markets Board regulations.
- 6.1.2. The Committee shall be formed by at least 3 (three) members; two of whom shall be members of Board of Directors and one shall be the Investor Relations Department Executive. The majority of the members of Board of Directors in the Committee shall not have executive functions. Investor Relations Department Executive must have the "Capital Markets Activities Advanced Level" and "Corporate Governance Rating Expertise" certificates and must be working full time in the Company.
- 6.1.3. Third parties specialized in certain areas who are not members of Board of Directors can also be appointed as Committee members. The Committee Chairman shall be appointed among Independent Members of Board of Directors.
- 6.1.4. The Chief Executive Officer/General Manager shall not take office in the Committee.
- 6.1.5. The secretariat formalities of the Committee shall be performed by Investor Relations Department.
- 6.1.6. One more than half of the total members shall be required for Committee meetings and majority is required for decisions.
- 6.1.7. The Committee shall convene every 3 (three) months as a principle and, if required, it shall convene at the Company's registered office following a call to be made by the Secretariat on behalf of the Committee Chairman. The Committee chairman might reschedule the meeting date, hour and place provided that the Committee Members are informed beforehand.



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

## Board of Directors' Corporate Governance Committee Work Directives

### 6.2. AUTHORITIES OF THE COMMITTEE

- 6.2.1. If required, the Committee shall start special inspections and appoint people specialized in their areas as consultant for the purpose of ensuring assistance in such inspections.
- 6.2.2. If required, the Committee shall hold meetings with representatives of Company's related parties and specialists, including Company personnel or subsidiaries; and it shall seek external and professional consultancy service.
- 6.2.3. The Committee shall act according to its authorities and responsibilities and make recommendations to the Board of Directors however the Board of Directors shall always have the final decision making responsibility.

### 7. ENFORCEMENT

These directives have been approved by the Board of Directors as per the resolution dated 23.02.2006 and numbered 529/2.d and came into force as of 30.05.2006.

### 8. EXECUTION

ASELSAN Corporate Governance Committee shall be responsible for executing the provisions listed on these directives.

### 9. CIRCULATION PLAN

The document shall be circulated as per ASELSAN PLAN A. It shall be published to all users via intranet and internet.

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

**Profit Distribution Proposal**

<b>ASELSAN A.Ş. ELEKTRONİK SANAYİ VE TİCARET A.Ş.</b>			
<b>2015 PROFIT DISTRIBUTION TABLE (TL)</b>			
		<b>According to Capital Markets Board</b>	<b>According to the Legal Records</b>
1-	Issued Capital		500,000,000.00
2-	First Legal Reserve (According to Legal Records)		54,448,499.40
Information regarding the privileges on profit distribution as per the Company Articles of Association, if there are any			There are no privileges.
3-	Profit for the Period	79,209,746.00	103,217,980.80
4-	Taxes Payable (+) <sup>(1)</sup>	134,163,623.00	0
5-	<b>NET PROFIT FOR THE PERIOD (=)<sup>(2)</sup></b>	<b>212,929,960.00</b>	<b>103,217,980.80</b>
6-	Accumulated Loss (-) <sup>(3)</sup>	0	12,798,812.17
7-	First Legal Reserve (-)	4,520,958.43	4,520,958.43
8-	<b>NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)</b>	<b>208,409,001.57</b>	<b>85,898,210.20</b>
9-	Donations Made throughout the Year (+)	160,110.00	
10-	<b>Net Distributable profit for the period, donations included</b>	<b>208,569,111.57</b>	
11-	First Dividend to Shareholders	25,000,000.00	25,000,000.00
	- Cash	25,000,000.00	25,000,000.00
	- Non paid-up share	0	0
	- Total	25,000,000.00	25,000,000.00
12-	Dividends distributed to Preferred Shareholders	0	0
13-	Dividends distributed to;	0	0
	- Members of the Board of Directors	0	0
	- Employees	0	0
	- Others than Shareholders	0	0
14-	Dividends distributed to Holders of Usufruct Right Certificates	0	0
15-	Second Dividend to Shareholders	3,500,000.00	3,500,000.00
16-	First Legal Reserve	350,000.00	350,000.00
17-	Statutory Reserve	0	0
18-	Special Reserve	0	0
19-	<b>EXTRAORDINARY RESERVE</b>	<b>179,559,001.57</b>	<b>57,048,210.20</b>
20-	Other resources to be distributed	0	0

<sup>(1)</sup> Our Company has gained Continuing Operations Tax Income valuing TL 134.163.623,-, within the scope of the Law regarding the Support of Research and Development Activities, numbered 5746.

<sup>(2)</sup> The net profit for the period attributable to equity holders of the parent valuing TL 212.929.960,- is used, since TL 443.409,- of the net profit for the period corresponds to non-controlling interests, where our Company's net profit for the period is TL 213.373.369,-.

<sup>(3)</sup> The Accumulated Loss arises from MİKES Mikrodalga Elektronik Sistemler San. ve Tic. A.Ş. merger completed on 20.01.2015.

As presented in the table above, of the net profit generated by our company from its 2015 activities;

- In accordance with Article 519/(1) of the Turkish Commercial Code, General Legal Reserves amounting to TL 4.520.958,43 is going to be allocated,
- Net distributable profit to the shareholders for the period, calculated in the framework of the profit distribution regulations and decisions of the Capital Markets Board is proposed as:
  - Gross profit, TL 28.500.000 (Kuruş 5,7 per share of TL 1 and 5,7% on the basis of the capital) (net profit TL 24.225.000 – Kuruş 4,845 per share of TL 1 and 4,845% on the basis of the capital) as in the form of cash,
- In accordance with Article 519/(2) of the Turkish Commercial Code, General Legal Reserves amounting to TL 350.000 is going to be allocated,
- The remaining profit is going to be allocated as Extraordinary Legal Reserves, and distribution of the dividends to the shareholders are planned to be distributed as of May 31, 2016.

Yours Faithfully,  
Board of Directors

## Abbreviations

- ADOP-2000:** Artillery Fire Support Automation Project
- AFAD:** The Disaster and Emergency Management Authority
- AIC:** Fire Control Instrument
- AİHSFS:** Low Altitude Air Defense Missile Launcher
- ALTAY:** Turkish Main Battle Tank
- ALTAY Project:** Project for the production of a Tank with National Resources
- APCO:** Association of Public Safety Communications Officials-International
- A-PTS:** License Plate Recognition System
- ARI:** Avionic Modernization of T-38 Aircrafts
- ARI-1:** Rotating Wing Mini Unmanned Aerial System Project
- ATAK:** T-129 ATAK Helicopter included in the inventory of the Land Forces Command
- AVCI:** Helmet Integrated and Cueing System
- BIST:** Borsa İstanbul
- BTF:** Ballistic Test Missile
- ÇAFRAD:** Multi-Purpose Phased Array Radar
- DAKA:** Development of Acoustic Jamming and Deception System for Submarines
- DMR:** Digital Mobile Radio
- DSH:** Anti-Submarine Warfare
- Dz.K.K.İğji:** Turkish Navy
- ED (ES):** Electronic Support
- EH (EW):** Electronic Warfare
- EHKK:** Electronic Warfare Self-Protection
- EGO:** Ankara Electricity, Gas and Bus Operations Organization
- EO/IR:** Electro-optic/Infrared
- EOS:** Electro-Optic System
- EUREKA Program:** An international cooperation program supporting projects for the development of market-specific products and processes
- F-16:** A type of fighter aircraft included in the inventory of the Air Forces Command
- GaN:** Gallium Nitride
- HBT:** Communication and Information Technologies
- HERİKKS:** Air Defense Early Warning and Command Control System
- HEWS:** Helicopter Electronic Warfare System
- HİSAR-A/O:** Low and Medium Altitude Air Defense Missile Systems - (LALADMIS/MALADMIS)
- Hv.K.K.:** Air Forces Command
- IFF:** Interrogation Friend or Foe
- IR:** Infra Red
- İDEF:** International Defence industry Fair
- İHA:** Unmanned Aerial Vehicle
- İTÜ:** Istanbul Technical University
- JEMUS:** Gendarmerie Integrated Communication and Intelligence System. A radio network that can be used by the Gendarmerie Forces throughout the country
- JSF:** Joint Strike Fighter
- K.K.K.:** Land Forces Command
- KAE:** Kazakhstan Aselsan Engineering
- KURYED:** Rescue and Towing Ship
- LCT:** Landing Craft Tank
- LDG:** Logistics Support Ship
- LİAS:** Laser Warning Receiver System
- LPD:** Landing Platform Dock

**LST:** Landing Ship Tank  
**LWR:** Laser Warning Receiver  
**LLTV:** Low Level Light TV  
**MİLGEM:** Turkish Corvette Program (MİLGEM)  
**MİUS (MUFS):** Mini Unmanned Flying Systems  
**METU (ODTÜ):** Middle East Technical University  
**MGEO:** Microelectronics, Guidance & Electro-Optics  
**MMIC:** Microwave Monolithic Integrated Circuit  
**MR:** Magnetic Resonance  
**MOSHIP:** Submarine Rescue Mother Ship  
**MUHAFIZ:** 30 mm Stabilized Artillery System  
**MWS:** Missile Warning System  
**NATO:** North Atlantic Treaty Organization  
**NRTC:** National Radio&Telecommunication Corporation  
**OGAM:** METU Center for Image Analysis  
**OİHSFS:** Medium Altitude Air Defense Missile System (HİSAR-O)  
**OİHSR:** Medium Altitude Air Defense Radio  
**R&D:** Research and Development  
**REHİS:** Radar & Electronic Warfare Systems  
**RF:** Radio Frequency  
**SAGE:** Defense Industries Research and Development Institute  
**SADM:** Ship Air Defence Model  
**SAR:** Synthetic Aperture Radar  
**SAVTAG:** Defense and Security R&D  
**SAYP:** Researchers Training for Manufacturers Protocol  
**SGRS:** Coastal Surveillance Radar System  
**SiGe:** Silicon Germanium  
**SOJ:** Stand-Off Jammer  
**SSM:** Undersecretariat for Defense Industries  
**SST:** Defense Systems Technologies  
**STAMP:** Stabilized Machine Gun System  
**STAMP-G:** A STAMP version on which the 12.7 mm GAU-19/A Gatling Gun can be mounted  
**STM:** Savunma Teknolojileri Mühendislik ve Ticaret Corp.  
**STOP:** 25 mm Stabilized Artillery System  
**T-38:** A training aircraft included in the inventory of Air Forces Command  
**TASMUS:** Tactical Area Communication System  
**TORK:** Anti-Torpedo-Torpedo System  
**TOBB ETÜ:** The Union of Chambers and Commodity Exchanges of Turkey (TOBB) University of Economics and Technology  
**TNP:** Turkish National Police  
**TKKMBS:** Tank Command Control Combat and Information System  
**TSK:** Turkish Armed Forces  
**TSKGV:** Turkish Armed Forces Foundation  
**TÜBİTAK:** Scientific and Technological Research Council of Turkey  
**TUSAŞ:** Turkish Aerospace Industries, Inc.  
**UAE:** United Arab Emirates  
**UMRAM:** National Magnetic Resonance Research Center  
**WECDIS:** Warship, Electronic Chart Display and Information System  
**YSAT:** New Type SAT Boat



# Contact

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## **Human Resources**

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# Reliable Technology



# aselsan

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ASELSAN is a company of Turkish Armed Forces Foundation.