**ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş.**

REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD
BETWEEN 1 JANUARY – 30 JUNE 2014

## 1. Principles on preparation

The interim 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.

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

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

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

The Company has an office in United Arab Emirates, Abu Dhabi with the contact address Industrial City of Abu Dhabi 1, Plot 22J1 PO Box: 133627 Abu Dhabi/UAE.
Phone: +971 2 550 88 08, Fax: + 971 2 550 88 12.

## 3. Organizational structure of the company

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

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

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

The capital structure as of 30 June 2014 and 31 December 2013 are as follows:

| Partners | Share (%) | 30 June 2014 (TL) | Share (%) | 31 December 2013 (TL) |
|---|---|---|---|---|
| Turkish Armed Forces Foundation (TAFF) | 84,58 | 422.912.812 | 84,58 | 422.912.812 |
| Other shareholders (Axa Sigorta A.Ş.) | 0,12 | 577.846 | 0,12 | 577.846 |
| Quoted in stock exchange | 15,30 | 76.509.342 | 15,30 | 76.509.342 |
| Nominal capital | 100 | 500.000.000 | 100 | 500.000.000 |
| Share capital adjustment | | 98.620.780 | | 98.620.780 |
| Inflation adjusted capital | | 598.620.780 | | 598.620.780 |

The Company's registered capital cealing is TL 1.000.000.000. (TL one billion)

The nominal capital of the Company is TL 500.000.000 (TL fivehundred million) and is divided into 50.000.000.000 (fifty billion) shares, each having a nominal value of 1 Kuruş (1% of 1 Turkish Lira). 30.272.727.273 (Thirtybillion twohundred and seventytwomillion sevenhundred and twentyseventhousand twohundred and seventythree) of the shares are Group A shares and 19.727.272.727 (nineteenthousand sevenhundred and twentysevenmillion twohundred and seventytwothousand sevenhundred and twentyseven) of the shares are Group B Shares. All shares are in the name of the holder. Group A shares are nominative preferred shares and 6 of the Members of the Board of Directors are elected among the Group A preferred shareholders or among the candidates designated by them.

No change has occured 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-30 June 2014. The title of the partnership taking place 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 comprises 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 CMB regulations which make 9 members in total.

Information regarding the Members of the Board of Directors elected during the General Board Meeting held on 31 March 2014 is as follows:

| **Members of the Board of Directors (*)** | | | |
|---|---|---|---|
| **Name and Surname** | **Position** | **Date of General Assembly for Assignment** | **End of Term of Office** |
| Hasan CANPOLAT | Chairman/ Managing Member | March 2014 | March 2015 |
| Murat ÜÇÜNCÜ | Vice Chairman/ Managing Member | March 2014 | March 2015 |
| Ziya AKBAŞ | Independent Member (**) | March 2014 | March 2015 |
| Ahmet Can ÇEVİK | Member | March 2014 | March 2015 |
| Celalettin DÖVER | Independent Member (**) | March 2014 | March 2015 |
| Oral ERDOĞAN | Independent Member (**) | March 2014 | March 2015 |
| Ahmet KESİK | Member | March 2014 | March 2015 |
| Sedat NAZLIBİLEK | Member | BoD decision on 25 June 2014 | First General Assembly to be held |
| Mustafa Murat ŞEKER | Member | March 2014 | March 2015 |

*(*) There is no executing member in the Board of Directors.*
*(**) The independence statements of the Independent Members, which comply with the Corporate Governance Principles of Capital Market Board, are exist.*

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

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

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

Changes of Members of the Board of Directors During the Period 1 January – 30 June 2014:

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

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

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

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

Given the nature of defence industry, the project lifetime varies between 4-5 years in average. In this context, 2008 global financial crisis and the subsequent fluctuations did not have an adverse effect on the Group. Group takes actions for long-term and has signed contracts worth approximately TL 9,4 Billion (approximately USD 4 Billion) as of 30 June 2014. The Group's aims are parallel to designating target regions/countries, focusing on these markets and concentrating on marketing projects, direct sale, joint productions, technology transfer, strategic expansions with international firms for sales to third countries.

The revised dividend distribution policy that has been presented to shareholders' information on the Geneneral Assembly of 2014 regarding 2013 operations is as follows.

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

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

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

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

According to the Capital Markets Law and the other legislation as well as the provisions of the articles of association, and as per the resolutions of the General Assembly, in the year 2014 TL 25.000.000 (TL 0,05 per TL 1 share, 5% gross over capital) and (net TL 21.250.000 per TL 0,0425 - TL 1 share, 4,25% over capital) of the profit for 2013 has been decided to distributed to shareholders. TL 7.036.707 of the amount was paid in cash.

## 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-30 June 2014 period, the cash requirements was met with the existing cash, cash inflows and use of Türk Eximbank export discounted foreign currency loan with low cost. In the scope of Eximbank Loan Program, during 1 January-30 June 2014 period, "Discounted Foreign Currency Loan" was obtained with the following maturities respectively: USD 32 Million with 240 days of maturity, and EURO 7,5 Million, USD 10 Million with 120 days of maturity.

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

## 8. Risk management policies of the company

### a. Corporate Risk Management

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

In the Corporate Risk Management studies, "top down" and "bottom up" approaches are applied together and the significant risks which are at a critical level to affect the Company to reach its long term targets are defined and classified under Strategic, Operational, Managerial, Financial and External Factors and are submitted to the Board of Directors and Independent Audit Company 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 Risk Detection and Management Committee was established in 2012.

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

**Single Customer Dependency in Sales**

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

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

**Cut-Backs in Defense Expense Budgets**

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

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

**Supplier and Subcontractor Risks**

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

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

**Compliance with Technological Developments**

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

**Fixed Price and Fixed Term Contracts**

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

**Global Economic Slowdown and Financial Crisis**

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

**b. Financial Risk Management**

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

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

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

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

### (1) Foreign Exchange Risk and Management Policy

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

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

During the periods when Turkish Lira devalues, net foreign exchange loss is incurred but the sales revenues and operating margin increase due to the reason that the 82,5% of the Company's backlog is denominated in foreign currency. Therefore, the adverse impact of the net foreign exchange loss is balanced with the increase in the operating margin.

As of 30 June 2014, as per financial statements prepared according to the Turkish General Notification of Accounting System Application (TGNASA), the Company has a short position of TL 1.467.878.435 (31 December 2013: TL 1.112.855.063).

80% of the related position is USD (31 December 2013: 72%) and 20% of the balance is EURO (31 December 2013: 28%).

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

| **Foreign Exchange Sensitivity Analysis Table of the Company Prepared According to TGNASA** | | |
|---|---|---|
| As of 30 June 2014 | | |
| Profit/Loss | | |
| | Foreign currency gaining value | Foreign currency losing value |
| **In the event USD changes by 10% against TL:** | | |
| 1- USD Net Assets/Liabilities | (117.706.746) | 117.706.746 |
| **In the event EURO changes by 10% against TL:** | | |
| 2- Euro Net Assets/Liabilities | (29.183.615) | 29.183.615 |

**(2) Interest Risk and Management Policy**

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

As of 30 June 2014 the Company has a credit balance obtained from the Defence Industry Support Fund, for the first portion worth USD 40 Million with a grace period of 3 years, with a maturity of 5 years (last payment date 18 August 2016) and with a fixed interest rate of 2,1% and for the second portion worth USD 25 Million with a grace period of 3 years, with maturity of 5 years (last payment date 21 March 2018) and with a fixed interest rate of 2,1%, which sum up to USD 65 Million. No interest risks are deemed to exist. In order to finance the export, as of 30 June 2014 the Company has USD 92 Million loan balance obtained from Türk Eximbank. USD 82 Million part of the discounted foreign currency has 240 maturity date and USD 10 Million has 120 days. Since LIBOR levels tend to remain low and Türk Eximbank demands 1% additional spread rate for 240 days and 0,75% for 120 days in order to support export, the Company's sensitivity to floating rate loans is kept at minimum.

**(3) Liquidity Risk and Management Policy**

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

Liquidity risk is managed by considering short term liabilities, assets with high liquidity, anticipated cash flows and balance sheet maturity ladder. In this scope, sufficient level of cash and assets which may be convertible to cash is maintained, attention is paid that the Company finances its activities without using any loans and the resources of funding are varied by keeping the commercial bank credit limits ready for any instant cash requirement. As of 30 June 2014, 53% of the total resources are comprised by the advance payments taken and when this is considered, the liquidity risk is at low levels as no maturity inconsistencies are experienced in the working capital management.

**(4) Credit Risk and Management Policy**

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

**(5) Capital Risk Management**

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

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

- As of 30 June 2014, the Company has a backlog of TL 9,4 Billion (approximately USD 4 Billion) and these orders include the period until 2024.
- No Extraordinary General Assembly was held during the period 1 January and 30 June 2014.

## 10. Significant events between 1 January – 30 June 2014 accounting period and the Board of Directors Meeting date when the relevant financial statements shall be negotiated

a. As of 1 July 2014, Traffic Systems Directorate of SST Group has moved from İzmir to Ankara, Macunköy facility.

b. As stated in Company BIST disclosure dated 09 May 2014, the Company has applied to its parent TAFF regarding the merger of Aselsan and Mikes by the way of acquisition and in accelerated form. The Company has been informed by the letter of TAFF dated 09 July 2014 that, it has been resolved to end the legal entity of Mikes by merger with Aselsan by the way of acquisition and in accelerated form.

c. An agreement concerning sales of Professional Communication Systems, valuing USD 9.249.677 has been signed between Aselsan and a foreign customer on 10 July 2014. The deliveries within this context will be made in 2015.

d. Aselsan has received an order from a foreign customer regarding the sub-components of Radar Systems valuing EURO 3.319.000. The deliveries within this context will be made in 2015. This disclosure is made with respect to the permission of the customer that has arrived to the Company on 11 July 2014.

e. In accordance with the article 4.2.8 of CMB Corporate Governance Communiqué dated 03 January 2014; Executive Liability Insurance Policy was signed on 18 July 2014 with the total liability amount of USD 60.000.000 which corresponds to more than 25% of the paid-in-capital of the Company, with a validity period of 1 year.

f. The Company's organization is being restructured both at home and abroad with respect to its vision of becoming a global company. Main objectives of the restructuring are; strengthening the critical technologic capabilities the company holds, reaching to new technologic capabilities that are targeted, improving the ability of research and development on a global level, enhancing the human resources and education, scaling up the company by accessing new domestic and foreign markets.

   Within this context below resolutions are taken in the Board of Directors meetings dated 26 June 2014 and 24 July 2014.

   Five new Vice Presidencies are set up in order the General Management to more efficiently carry out its planning, monitoring and assessment functions on the strategic level and following assignments have been made to be effective:

   - Financial Management Vice General Directorate
   - Corporate Governance Vice General Directorate
   - R&D and Technology Management Vice General Directorate
   - Strategy and Business Development Vice General Directorate
   - Human Resources Management Vice General Directorate

All business activities have been organized under five Business Sectors as follows:
-Communication and Information Technologies Sector Directorate (Vice General Management)
-Microelectronic, Guidance and Electro-Optics Sector Directorate (Vice General Management)
-Radar and Electronic Warfare Systems Sector Directorate (Vice General Management)
-Defence Systems Technologies Sector Directorate (Vice General Management)
-Transportation, Security, Energy and Automation Systems Sector Directorate (Vice General Management)

Internal Audit Directorate was established, connected to Board of Directors.

Connected to General Manager;
- Strategy Advisory Board Directorate
- Science and Technology Advisory Board Directorate
were established.

g. Computer Aided Dispatch and Management System for “112 Emergency Assistance” agreement valuing TL 68.903.829 has been signed between Aselsan and R.T. Ministry of Interior Provincial Administration within the framework of 112 Emergency Call Centers Project on 25 July 2014. 112 Emergency Call infrastructure will be put into operation in Ankara, Aydın, Düzce, Hatay, Kahramanmaraş, Kütahya, Kocaeli, Manisa, Muğla, Sivas, Trabzon, Yalova, Yozgat provinces within the scope of the project. The project will be completed in 2015.

h. The first part of the loan obtained for the financing of Gölbaşı investment from Defence Industry Executive Committee worth total USD 40 Million was used in the third quarter of 2011 and for the second part of the loan USD 47 Million, USD 25 Million part of it was used on March 2013 while the remaining USD 22 Million was used in July 2014.

i. “Traffic Management System Installation between 1st Regional Directorate O-4 Highway Gebze Junction and İzmit West Junction” task between Aselsan and General Directorate of Highways İstanbul 1st Regional Directorate shall be started following the delivery of site. The value of the contract is TL 18.745.789 and this disclosure is made with respect to the permission of customer that has arrived to the Company on 08 August 2014. The tasks within the context of this agreement will be completed within 330 days.

**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**

The expectations of Group on consolidated financial results under normal circumstances for 2014 are not updated and are as follows:

- Consolidated income growth (TL): 15-17%
- EBITDA (Consolidated and adjusted without foreign exchange rate differences): 18-20%
- Consolidated investment expenditure: Approximately TL 175 Million
- Ratio of the consolidated Research and Development (R&D) expenses financed by Company resources to the consolidated sales: 6%

The Guidance is based on the year average of USD/TL parity to be 2,20; EURO/TL parity to be 2,95.

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

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

In order to achieve the sustainable growth:

- The new facility investment continues in line with the plan in the field of Radar and Electronic Warfare in Gölbaşı, Ankara. The facility is expected to become operational in the second half of 2014.
- The joint ventures, United Arab Emirates, Kazakhstan and Jordan established in during the last three years, received purchase orders approximately USD 25 Million during the first half of 2014 from the authorities in their own countries'.
- On March 2014, "ASELSAN Hassas Optik Sanayi ve Ticaret A.Ş." was established 50% of which belong to the Company and the remaining to Sivas Optik Malzemeleri Sanayi ve Ticaret A.Ş.. Ultraviolet, visible, close infrared line sensitive optical instruments which are normally designed by Aselsan and produced abroad will be produced in Sivas facility after the construction of the facility.

- 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.

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

- Cash dividend payments of 2013 profit began as of 30 May 2014.
- The decision made to amend the 6th article of Articles of Association was registered together with the General Assembly Meeting Decisions on 2 April 2014, disclosed on 7 April 2014. The amendment in the Articles of Association was sent together with a copy of Trade Registry Gazette to CMB and Customs and Trade Ministry.

## 12. Corporate Governance Principles Compliance Report

The Report will be disclosed with the year-end annual report.

## 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 4 R&D centers namely SST, REHİS, MGEO and

HBT. MİKES, which is an affiliate subject to consolidation and which also, has 1 R&D center. 2.302 people are employed at the Group R&D centers.

The Company also is active in Teknokent facility within Middle East Technical University in scope of the Law numbered 4691 on Technology Development Regions. 175 people are employed within this region.

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

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

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

None.

## 16. The sector the company operates in and its position within the sector

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

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

The Company has increased its rankings to 67$^{th}$ in 2013 from 74$^{th}$ in 2012 in the “Defense News Top 100” list. In addition Aselsan has increased its rankings to 85$^{th}$ in 2012 in the “SIPRI Top 100” List from 86$^{th}$ in 2011 in which the Company is the first Turkish firm that has taken place within 8 consecutive years.

The Company has increased its rankings to 35$^{th}$ in 2013 from 46$^{th}$ in 2012 in ISO 500 from-production-to-sale list and 31$^{th}$ in the category of privately owned companies in 2013. Also, the Company became 51$^{th}$ of “Fortune 500 Turkey” list in 2013 where it was 63$^{th}$ in 2012. The Company became 76$^{th}$ of “Capital 500 Turkey” list in 2012 rankings where it was 79$^{th}$ in 2011.

The Company is in the 1$^{st}$ position in the ranking of Deloitte “Deloitte Technology Fast: 50 Turkey-Big Stars in 2013”.

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

The Company took the 1st ranking in "R&D 250 Research" in 2012 which is prepared by Turkish Time on the basis of annual R&D expenditures where it was 4th in 2011.

The Company was selected as "Most Successful R&D Center" in defence industry and the general grading of "R&D Centers Performance Evaluation Index" where R&D centers of 69 firms are evaluated by Science, Industry and Technology Ministry in 2014.

The Company became 2nd in "2013 Defense Industry Awards", organized by Undersecretary of Defense Industry, based on the financial and performance results.

The Company is 38th in 2013, Brand-Finance "published by the Turkey's Most Valuable Brands - 100 Company" list. In addition, Company has achieved to take a place in "Turkey 159 Super Brand" ranking published by British-based brand assessment firm Superbrands.

The Company took the 1st ranking in "Electronic Machinery and Technology Sectors-2012 Most Successful Exporters- Other Durable Consumption Goods Category" which is organized by İstanbul Electronic Machinery and Technology Exporters Association.

The Company became 9th in 2014 in the research of Bloomberg Businessweek between Universities of Turkey: "Most Anticipated 50 Companies" where it was 11th in 2013.

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

The Company, deserved the reward "The Exporter of the Year" in "The Stars of Export Encouragement Awards" competition in 2014 where 421 companies attend in several categories, organized since 12 years to support export and exporter firms.

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

**Progress in Investments**

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

- A new facility investment is being made in the field of Radar and Electronic Warfare in Ankara province, Gölbaşı district. The construction works continue pursuant to the project plan and the activities are planned to be initiated in the second half of the year 2014. Upon the realization of this investment in scope of a structural growth, the product range of engineering, production, test and logistics support services in the field of Radar and Electronic Warfare shall be extended.
- Investments to meet the infrastructure and equipment requirements to be used with the R&D projects within the year are being carried out in compliance with the investment plan prepared pursuant to the efficient resource utilization principle.
- A land investment approximately 400 decares was purchased in Temelli in parallel with the growth target in air defence programs and other production operations in progress.

**Degree of incentive utilization**

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. 91 projects were found appropriate for the incentive by The Scientific and Technological Research Council of Turkey (TÜBİTAK) for and benefited from TL 1,7 Million incentive amount in the first half of 2014.

5 new projects within the scope of 1511-Prioritized fields research Technologies development and innovation program were signed in 2013 and started being executed and benefited from TL 1,5 Million incentive amount in the first half of 2014.

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

Within the scope of the European Union 7th Cooperation Framework Programs, 3 integration projects were executed and went into effect in September 2011 and 1 project which was initiated in 2008 was completed in June 2012 with success. In the "Circulation of the Researchers, Return Grants; Individual Support Private Programme" within the scope of the European Union 7th Cooperation Framework Programmes, incentive applications for 4 projects were accepted and implied in the years 2010 and 2011. The support process of the 3 projects have been initiated as of July 2010 by EUREKA-International Industrial R&D Projects Support Program where market oriented projects for developing products and processes to be commercialized in short term are supported and benefited from TL 553 Thousand incentive amount in the first half of 2014. Within the financial support mechanism for the European Union nominee and potential nominee countries, namely IPA - Instrument for Pre-accession Assistance, 1 out of 2 border security projects was executed at the end of 2010 and the other was executed in March 2012 and came into effect.

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

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

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

Income tax withholding incentive, insurance premium support, stamp tax exemption and R&D discount are utilized within the scope of the Law numbered 5746. Income tax withholding incentive, insurance premium support and stamp tax exemption is utilized by being calculated over the salaries of the R&D personnel and not being paid to the relevant institution and the R&D discount is utilized by means of applying a discount on the corporate tax return. The related law is valid until 31 December 2023.

Within the scope of the Teknokent Law numbered 4691, incentive on withholding income tax, insurance premium support and stamp tax exception is applied. These are utilized by making calculations on R&D and software personnel wages and not being paid to the related institution.

The gain obtained with reference to the execution of Technology Development Zones Law numbered 4691 is exempted from the corporate tax of 31 December 2023.

As a result of being an R&D Center, in the scope of income tax withholding incentives, insurance premium support and stamp tax exemptions TL 18 Million and because of operating in METU Teknokent TL 2,4 Million incentives were used.

With reference to R&D Law No.5746 and Tekonokent Law No. 4691, total TL 22 Million corporate tax advantage was obtained.

When the Group's R&D expenditures subject to R&D incentives is higher than R&D incentives stated in Corporate Tax Declaration, 20% of Corporate Tax of the difference is recognised as deferred tax revenue.

**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- 30 June 2014 was realized at the level of 97%.

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

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

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

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

As for the consolidated amount of the Group realized during the period 1 January-30 June 2014 TL 933 Million of this realized as the domestic sales and TL 188 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**

| BASIC RATIOS / CONSOLIDATED BALANCE SHEET | 30 June 2014 | 31 December 2013 |
|---|---|---|
| Current Ratio (Current Assets/Current Liabilities) | 2,22 | 2,19 |
| Liquidity Ratio (Cash and Cash Equivalents+Financial Investments+Trade Receivables+Other Receivables /Current Liabilities) | 0,97 | 1,01 |
| Equity /Total Liabilities | 0,42 | 0,40 |
| Current Liabilities/Total Liabilities | 0,24 | 0,23 |
| Non-Current Liabilities/Total Liabilities | 0,34 | 0,36 |

| BASIC RATIOS / CONSOLIDATED PROFIT TABLE | 30 June 2014 | 30 June 2013 |
|---|---|---|
| Operating Profit/ Revenue | 0,24 | 0,25 |
| Profit for the Period (Parent Company Shares) / Revenue | 0,18 | 0,10 |

As of 30 June 2014, based on Group's financial statements prepared in accordance with the Communiqué Series II, No:14.1 "Communiqué on Capital Market Financial Reporting Standards" issued by Capital Market Board, the net sales amount has increased 14% compared to the same period of prior year. The profit for period amounts to TL 199 Million, with an increase of 99%. Equity has increased by 11% compared to December 2013. The liabilities of the Group mainly consist of the short and long term order advances received. The Group's liquidity ratio is above the acceptable levels.

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

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

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

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

Changes in the top management within the period 1 January–30 June 2014 and information regarding the ones on duty are given in the below table:

| **LIST OF UPPER MANAGEMENT IN SERVICE** | | | |
|---|---|---|---|
| **No** | **Name Surname** | **Duty** | **Date of Appointment** |
| 1 | Hasan CANPOLAT | Chairman/Managing Member | 31 March 2014 |
| 2 | Murat ÜÇÜNCÜ | Vice Chairman / Managing Member | 31 March 2014 |
| 3 | Ziya AKBAŞ | Member of the Board of Directors | 31 March 2014 |
| 4 | Ahmet Can ÇEVİK | Member of the Board of Directors | 31 March 2014 |
| 5 | Celalettin DÖVER | Member of the Board of Directors | 31 March 2014 |
| 6 | Oral ERDOĞAN | Member of the Board of Directors | 31 March 2014 |
| 7 | Ahmet KESİK | Member of the Board of Directors | 31 March 2014 |
| 8 | Sedat NAZLIBİLEK | Member of the Board of Directors | 25 June 2014 |
| 9 | Mustafa Murat ŞEKER | Member of the Board of Directors | 31 March 2014 |
| 10 | Faik EKEN (*) | Deputy CEO/President | 28 May 2014 |
| 11 | Ahmet DEMİR | CFO/Vice President | 01 February 2005 |
| 12 | Özcan KAHRAMANGİL | Division CEO/ Vice President | 05 January 2006 |
| 13 | Yavuz BAYIZ | Deputy Division CEO/Vice President | 28 May 2014 |
| 14 | Fuat AKÇAYÖZ | Division CEO/ Vice President | 01 February 2006 |
| 15 | Ergun BORA | Division CEO/ Vice President | 01 January 2008 |

(*) It was decided to delegate Vice General Manager and Information Technologies Group Manager Dr. Faik EKEN for the position of Aselsan General Manager Cengiz ERGENEMAN whose service period has ended due to age limit, with the decision of Board of Directors dated 28 May 2014.

**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 30 June 2014 is TL 2.895.555 (30 June 2013: TL 2.225.164). A monthly payment of net TL 3.000 is made to the Member of the Board of Directors and Managing Members on 31 March 2014.

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

Information regarding the domestic and foreign allowances, travel, accommodation and representation expenses and financial benefits in kind and total amounts of insurances granted to the senior executives and members of the board of directors of the Company for the year 2013 and 2014 are summarized as follows:

| Travel and Entertainment Expenses | | | | |
|---|---|---|---|---|
| | January-June 2014 (TL) | | January-June 2013 (TL) | |
| | Members of the Board of Directors | Senior Executives | Members of the Board of Directors | Senior Executives |
| **Travel Expenses** | 62.521 | 219.662 | 14.529 | 98.244 |
| **Entertainment Expenses** | - | 2.418 | - | 13.480 |
| **TOTAL** | **62.521** | **222.080** | **14.529** | **111.724** |

| Health Insurance Expenses | | |
|---|---|---|
| | January-June 2014 (TL) | January-June 2013 (TL) |
| **Senior Executives-Members of the Board of Directors** | 745 | 599 |
| **Senior Executives** | 5.379 | 5.940 |
| **TOTAL** | **6.124** | **6.539** |

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

The Group recruited a total number of 129 people (17 personnel with fixed term contract) as the personnel including fixed-term contracted personnel, disabled and terror-stricken personnel during the period 1 January – 30 June 2014 and the number of people quit for the same period is 154 (47 personnel with fixed-term contracted).

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

The average number of personnel employed by the Group as of 30 June 2014 is 5.387 (The average number of personnel employed by the Group as of 31 December 2013: 5.343).

There is no collective bargaining agreement in the Company.

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

There is no donation made by the Group between the periods 1 January- 30 June 2014. .

**27. The existence of organizations outside the center**

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

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

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

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

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

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

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

Aselsan is the 97% owner of the Mikes and 100% owner of the AselsanNet and these companies are consolidated in financial tables.

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

| Company Name | Share (%) | 30 June 2014 (TL) |
|---|---|---|
| ASELSAN Baku | 100 | 3.059.234 |
| Roketsan A.Ş. | 14,897 | 5.141.213 |
| Mikroelektronik Ar-Ge Tasarım ve Ticaret Ltd. Şti. | 85 | 624.714 |
| ASELSAN Hassas Optik Sanayi ve Ticaret A.Ş | 50 | 50.000 |
| Aspilsan A.Ş. | 1 | 147.462 |
| Havaalanı İşletme ve Havacılık End. A.Ş. | 0,051 | 86.953 |
| Kazakhstan ASELSAN Engineering LLP | 49 | 32.741.564 |
| IGG ASELSAN Integrated Systems LLC | 49 | 42.837 |
| ASELSAN Middle East PSC LTD | 49 | 3.233.774 |
| **TOTAL** | | **45.127.751** |

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

No such event has occured within the activity period.

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

"The investigation of "Value Added Tax Refund Operations" for the year 2010 was performed by Ministry of Finance Tax Inspection Board during the first 6 months period, while the inspection for 2011 still continues. "Risk Analysis" investigation for 2010 was performed by Ministry of Finance Tax Inspection Board in Company's affiliate Mikes during the first six months period.

**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 30 June 2014 are summarized below:

| | **Description** | **30 June 2014 (TL)** |
|---|---|---|
| a) | Ongoing lawsuits filed by the Group | 4.331.748 |
| b) | Execution proceedings carried on by the Group | 5.741.672 |
| c) | All types of ongoing lawsuits filed against the Group | 434.373 |
| d) | Lawsuits finalized in favor of the Group within the period | 121.767 |
| e) | Lawsuits finalized against the Group within the period | 98.713 |

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

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

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

No such event occurred within the period.

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

**36. If it is an affiliate company, whether any counter performance was realized for each legal transaction according to the known status and conditions at the time the legal transaction mentioned in article 35 was realized or at the time the measures were taken or avoided to be taken and whether the company incurred losses due to the taken or avoided measure and if the company incurred losses to observe whether this was equalized or not**

No such event occurred within the activity period.

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

No such event occurred within the activity period.

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

In order to produce ultraviolet, visible, close infrared cycle sensitive optical instruments, the company named "ASELSAN Hassas Optik Sanayi ve Ticaret A.Ş.", 50% of which belongs to the Company and the remaining belongs to Sivas Optik Malzemeleri Sanayi ve Ticaret A.Ş was established. The capital of the company is TL 100.000 and the registration was made on 7 March 2014.

**39. Related party transactions**

Detailed table is disclosed in Note 3 under Summary Consolidated Financial Statements of 30 June 2014.

Hasan CANPOLAT
Chairman of the Board of Directors

Murat ÜÇÜNCÜ
Vice Chairman of the Board of Directors

Ziya AKBAŞ
Member of the Board of Directors

Ahmet Can ÇEVİK
Member of the Board of Directors

Celalettin DÖVER
Member of the Board of Directors

Oral ERDOĞAN
Member of the Board of Directors

Ahmet KESİK
Member of the Board of Directors

Sedat NAZLIBİLEK
Member of the Board of Directors

Mustafa Murat ŞEKER
Member of the Board of Directors