

**ASELSAN ELEKTRONİK
SANAYİ VE TİCARET ANONİM ŞİRKETİ
AND ITS SUBSIDIARIES**

REPORT OF THE BOARD OF DIRECTORS
FOR THE PERIOD BETWEEN
01 JANUARY – 31 DECEMBER 2015

**INDEPENDENT AUDITOR'S REPORT
ON THE BOARD OF DIRECTORS ANNUAL REPORT**

To Board of Directors of Aselsan Elektronik Sanayi ve" Ticaret Anonim Őirketi;

Report on the Audit of Board of Directors' Annual Report Based on Standards of Auditing

We have audited the accompanying annual report of Aselsan Elektronik Sanayi ve Ticaret Anonim Őirketi (the "Company") and its subsidiaries (the "Group"), for the year ended 31 December 2015.

Board of Directors' Responsibility for the Annual Report

Pursuant to the article 514 of the Turkish Commercial Code numbered 6102 ("TCC") and Communiqué on the Principles of Financial Reporting In Capital Markets numbered II – 14.1 ("Communiqué"), management is responsible for the preparation of the annual report fairly and consistent with the (consolidated) financial statements and for such internal control as management determines is necessary to enable the preparation of such annual report.

Auditor's Responsibility

Our responsibility is to express an opinion on the Group's annual report based on our audit in accordance with article 397 of the TCC and Communiqué whether the financial information included in the accompanying annual report is consistent with the audited consolidated financial statements expressed in the auditor's report of the Group dated 7 March 2016 and provides fair presentation.

Our audit has been conducted in accordance with the Standards on Auditing which is a component of the Turkish Auditing Standards ("TAS") published by the POA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial information included in the annual report is consistent with the consolidated financial statements and provide fair presentation. An audit also includes performing audit procedures in order to obtain audit evidence about the historical financial information. The procedures selected depend on the auditor's judgment. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial information included in the annual report is consistent, in all material respects, with the audited financial statements and provides a fair presentation.

Report on Other Regulatory Requirements

In accordance with the third clause of the article 402 of TCC, no material issue has come to our attention that shall be reported about the Group's ability to continue as a going concern in accordance with TAS 570 Going Concern.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

A member of KPMG International Cooperative

Hakkı Özgür Sivacı

Partner

7 Mart 2016

İstanbul, Türkiye

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

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.

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 2015 (TL)	Share (%)	31 December 2014 (TL)
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	End of
		Assembly for	Term of
		Assignment	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
Nazım 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.

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.

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.

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.

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

a) As of 31 December 2015, the Company has a backlog of USD 4,3 Billion and these orders include the period until 2025.

b) No Extraordinary General Assembly was held during the period 1 January and 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’s 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 investmet 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.

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.

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

Corporation	Research/Study	Related Period*	Ranking	
			Current	Current
International Ratings				
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	-
National Ratings				
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	<i>No ranking</i>	
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. Akın 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 Emmissions in the Companies (Türkiye)	2015	6	15
TESİD	Innovation and Creativity Awards – Innovative Product Award in the Large Company Branches	2016	<i>No ranking</i>	
CIO Journal	CIO Awards	2015	<i>No ranking</i>	
(*) "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.

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 7th 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 7th Cooperation Framework Programmes, 3 projects have gone into effect in the years 2010 and 2011.

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

Within the Decision Regarding the Governmental Grant in Investments, there are 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 along 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.

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.

BASIC RATIOS / CONSOLIDATED BALANCE SHEET	31 December 2015	31 December 2014
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
BASIC RATIOS / CONSOLIDATED PROFIT TABLE	31 December 2015	31 December 2014
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.

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.

24. 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).

25. 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)

26. 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.(*)	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
ASPILSAN Askeri Pil Sanayi ve Ticaret A.Ş.	1	147.462
TOTAL		475.417.542

(*) 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.

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.

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.

The ratings of 2014 and 2015 and the subtitles are given below:

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

The compliance with all the mandatory principles of Corporate Governance Principles was achieved. 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,

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

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.

Investor Relations Department has been using Turkish website 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 1st 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 40th 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.

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 seperate 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.

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 in Turkish and 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.

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 standarts 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 standarts 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, standarts, 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 standarts. These certificates are renewed every year with the audits performed. Changes and improvements of international standarts 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 activites 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 standarts 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.

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 personel 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.

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 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 6th 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 İstanbul.

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 BİST 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) 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.

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 33rd 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.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş.ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD
BETWEEN 1 JANUARY – 31 DECEMBER 2015

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
Oral ERDOĞAN (****)	Independent Member (*)	March 2014	March 2016	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 Turksat Satellite Communication and Cable TV Operating Inc.
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.*

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.

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.

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
Pınar 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
Pınar ÇELEBİ..... Member/Investor Relations and Subsidiaries Manager

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

- To carry out studies for the implementation of Corporate Governance Principles in the Company,
- To observe whether the Corporate Governance Principles have been implemented or not and if not implemented to determine the grounds for this and the conflicts of interest arising due to not complying with these principles and to make proposals for improving the status,
- To monitor the 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:

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.

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 KESİKMember/Member of the Board of Directors
Ahmet Can ÇEVİK.....Member/Member of the Board of Directors

Committee Members (2015 April - December)

Nazım ALTINTAŞChairman/Independent Member of the Board of Directors
İsmail GÜMÜŞTEKİN.....Member/Member of the Board of Directors
Sedat NAZLIBİLEKMember/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.

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 39th 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 40th 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.

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 AKBAS



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,


Saygılarımla,
Prof Dr. Oral ERDOĞAN

Statement of Independence

February, 20 2015

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

I hereby agree, represent and undertake that I comply with the regulations of the Capital Market Board related to Independence Board Membership and with the criteria determined for Independence Board Membership within the scope of Corporate Governance Principles.

I hereby submit this to the knowledge of the Board of Directors, shareholders and all relevant parties.

Sincerely yours,


Nazım ALTINTAŞ

**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)