

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

REPORT OF THE BOARD OF DIRECTORS
FOR THE PERIOD BETWEEN
1 JANUARY – 30 SEPTEMBER 2017

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1. Principles of preparation

The interim period report of the Board of Directors is prepared on the basis of Communiqué Series II, No: 14.1 “Principles of Financial Reporting in Capital Markets” dated 13 June 2013.

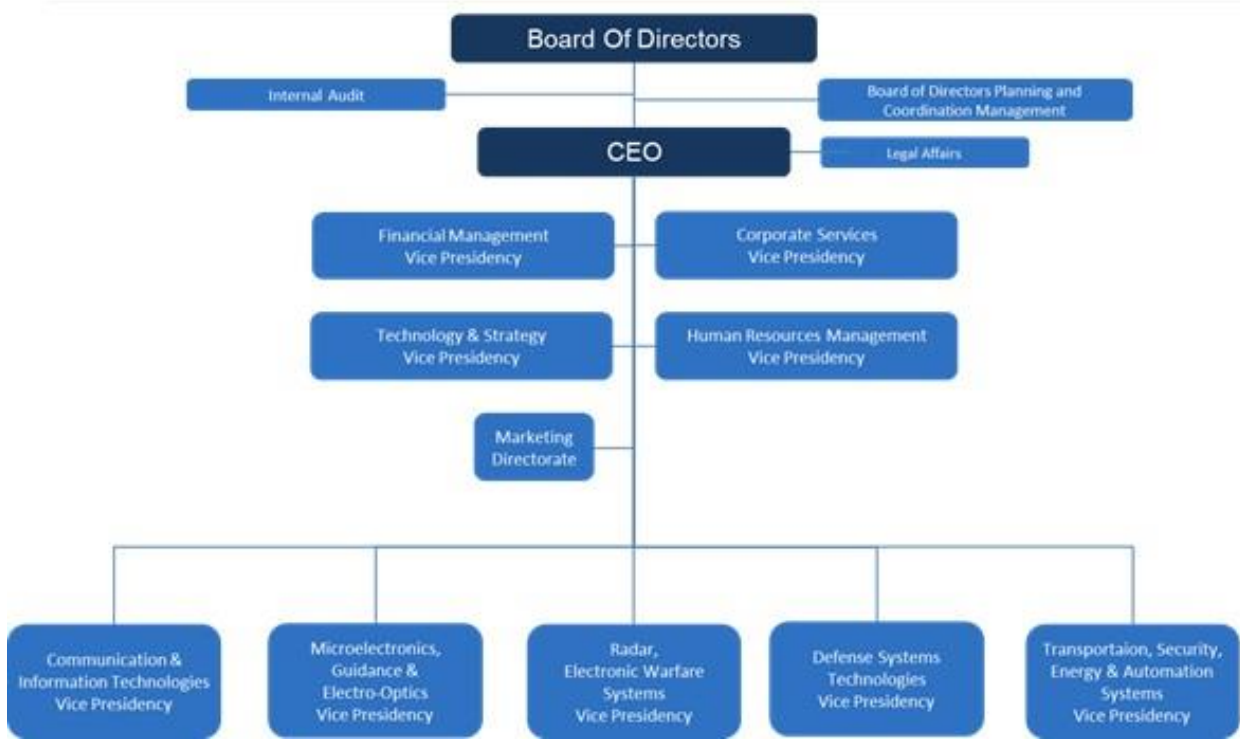
The Company and ASELSAN Bakü Şirketi (“ASELSAN Bakü”), Mikroelektronik Ar-Ge Tasarım ve Ticaret Limited Şirketi (“Mikro AR-GE”), ASELSANNET Elektronik ve Haberleşme Sistemleri Sanayi Ticaret İnşaat ve Taahhüt Limited Şirketi (“ASELSANNET”), and ASELSAN Malaysia Sdn. Bhd. (ASELSAN Malezya) which are subsidiaries of the Company operating in the same industry and whose financial statements are consolidated will be mentioned as “Group” in the report.

ASELSAN Hassas Optik Sanayi ve Ticaret Anonim Şirketi (“ASELSAN Optik”), ASELSAN Bilkent Mikro Nano Teknolojileri Sanayi ve Ticaret Anonim Şirketi (“ASELSAN Bilkent”), IGG ASELSAN Integrated Systems LLC (“IGG ASELSAN”), Kazakhstan ASELSAN Engineering LLP (“ASELSAN Kazakhstan”) and ASELSAN Middle East PSC LTD (“ASELSAN Jordan”) and Saudi Arabian Defense Electronics Corporation LLC (“SADEC LLC”) are consolidated by the equity method. Since the Company has a capital commitment to the YİTAL A.Ş., it has no consolidation effect on the Group’s financial statements.

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

| Company | Type | Country/City | Address | Telephone/Fax | Web site |
|---|----------------|---------------------------------------|---|--|--------------------|
| ASELSAN Elektronik Sanayi ve Ticaret A.Ş. | Headquarters | Turkey/ Ankara | Mehmet Akif Ersoy Mahallesi 296. Cad. No:16 06370 Yenimahalle/Ankara | Telephone: +90 (312) 592 1000 Fax: +90 (312) 354 1302 | www.aselsan.com.tr |
| ASELSAN South Africa Branch | Branch | Republic of South Africa/ Pretoria | Building 4, Room 005 CSIR Campus, Meiring Naude Drive, Pretoria Gauteng, 0001, South Africa | Telephone :+27 (0) 12 349 2613 Fax: +27 (0) 12 349 2544 | -- |
| ASELSAN Macedonia Branch | Branch | Macedonia/Skopje | Ankarska 29A, 1000 Skopje/Macedonia | -- | -- |
| BAE Contact Office | Contact Office | BAE/ Abu Dhabi | Industrial City of Abu Dhabi 1, Plot 22J1 PO Box: 133627 Abu Dhabi/UAE | Telephone: +971 2 550 8808 Fax: +971 2 550 8812 | -- |
| Saudi Arabia Contact Office | Contact Office | Riyadh/ Saudi Arabia | A. Building 17B, 1st Floor, The Business Gate, Riyadh, 11422, Saudi Arabia | Tel: +966 11 211 1111 Fax: +966 11 268 1111 | -- |
| ASELSAN Qatar Office | Project Office | Doha/ Qatar | The Gate Tower II 7th Floor - Office 725 West Bay, Maysaloun Street P.O. Box 14023 Doha / QATAR | Tel: +974 402 06000 Fax:+974 402 06006 | -- |

3. Organizational structure of the Company

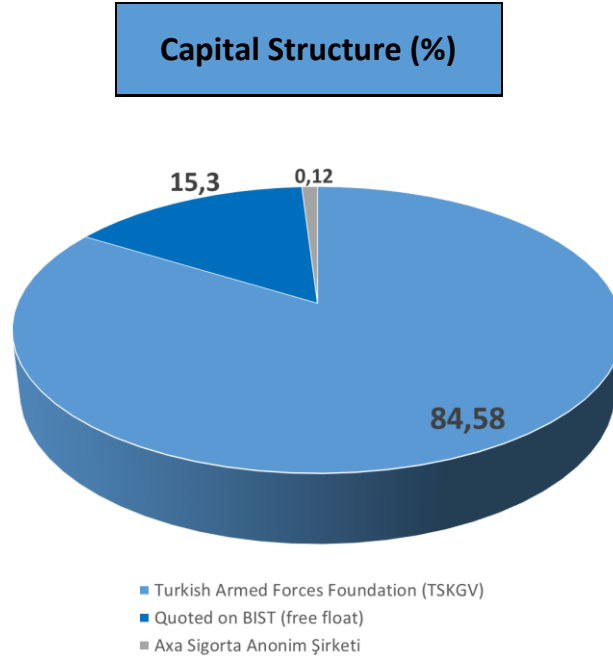


The Company has been restructured under five Vice Presidencies that will carry the production and engineering tasks, which are; Communication and Information Technologies (HBT), Microelectronics, Guidance and Electro-Optics (MGEO), Defense Systems Technologies (SST), Radar, Electronic Warfare and Intelligence Systems (REHİS) and Transportation, Security, Energy and Automation Systems (UGES).

In order for General Management to fulfill planning at strategic level, pursuing and assessing functions in a more efficient way, four different Vice Presidencies have been constituted as Financial Management Vice Presidency, Corporate Services Vice Presidency, Technology and Strategy Vice Presidency and Human Resources Management Vice Presidency in addition to Marketing Directorate and Legal Affairs.

The Internal Audit Department and Board of Directors Planning and Coordination Management have been established under the Board of Directors.

The Company maintains engineering operations in Ankara, METU Teknokent; production and engineering operations in Macunköy, Akyurt and Gölbaşı. General Management is located in Ankara Macunköy. Furthermore, SST and REHİS Vice Presidencies management offices and Product Support Management of UGES Vice Presidency are located in Istanbul Teknopark.

4. The Company's capital and shareholder structure with the changes during the fiscal period

| Partners | Share (%) | 30 September 2017 (Thousand TL) | Share (%) | 31 December 2016 (Thousand TL) |
|---|-----------|---------------------------------|-----------|--------------------------------|
| Turkish Armed Forces Foundation (TSKGV) | 84,58 | 845.826 | 84,58 | 845.826 |
| Quoted on BIST (Free float) | 15,30 | 153.019 | 15,30 | 153.019 |
| Axa Sigorta Anonim Şirketi | 0,12 | 1.155 | 0,12 | 1.155 |
| Paid-in capital | 100 | 1.000.000 | 100 | 1.000.000 |
| Share capital adjustment | - | 98.621 | - | 98.621 |
| Inflation adjusted capital | - | 1.098.621 | - | 1.098.621 |

Registered capital ceiling of the Company is TL 1.000.000 Thousand (TL one billion). The nominal capital of the Company is TL 1.000.000 Thousand (TL one billion) and is divided into 100.000.000.000 (one hundred billion) shares, each having a nominal value of 1 kuruş (1% of 1 Turkish Lira). 60.545.454.546 (sixty billion five hundred and forty five million four hundred and fifty four thousand five hundred and forty six) of the shares are Group A shares and 39.454.545.454 (thirty nine billion four hundred and fifty four million five hundred and forty five thousand four hundred and fifty four) 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 presented 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-30 September 2017. The title of the main shareholder in the report is ASELSAN Elektronik Sanayi ve Ticaret A.Ş.

Members of the Board of Directors

Within the framework of the provisions of the Company's Articles of Association, the Board of Directors consists of a total of 9 members comprising of 6 members to be elected from privileged shareholders or candidates nominated by group A and 3 independent members to be elected under Capital Markets Board (CMB) regulations.

Information regarding the Members of the Board of Directors elected during the General Assembly Meeting held on 15 March 2017 are as follows:

| MEMBERS OF BOARD OF DIRECTORS | | | |
|--------------------------------------|--------------------------------|---------------------------|------------------------------|
| Name and Surname | Position | Date of Assignment | End of Term of Office |
| İbrahim ÖZKOL | Chairman/Independent Member | 15 March 2017 | March 2018 |
| Mustafa Murat ŞEKER | Vice Chairman/Executive Member | 15 May 2013 | March 2018 |
| Ziya AKBAŞ | Independent Member | 31 March 2014 | March 2018 |
| Ercümend ARVAS | Independent Member | 31 March 2016 | March 2018 |
| Bayram GENÇCAN | Member | 15 March 2017 | March 2018 |
| Haluk GÖRGÜN | Member | 15 March 2017 | March 2018 |
| Emin Sami ÖRGÜÇ | Member | 15 March 2017 | March 2018 |
| Ercan TOPACA | Member | 15 March 2017 | March 2018 |
| Murat ÜÇÜNCÜ | Member/Executive Member | 15 May 2013 | March 2018 |

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.

Entitled shareholders, members of the board of directors, senior executives and to their spouses as well as relatives up to second degree are not authorized to perform transactions which may cause conflict of interest or competition with the Company and/or subsidiaries.

There is not any ban on trading for board members with the Company, which they performed on their own or on behalf of a third party. 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 – 30 September 2017:

During the Ordinary General Assembly Meeting held on 15 March 2017, Mustafa Murat ŞEKER, Bayram GENÇCAN, Haluk GÖRGÜN, Emin Sami ÖRGÜÇ, Ercan TOPACA and Murat ÜÇÜNCÜ were elected as Member of Board of Directors for 1 year of service and İbrahim ÖZKOL, Ziya AKBAŞ and Ercümend ARVAS 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 operating, policies implemented by the company with respect to these changes, investment and dividend policy of the company to strengthen its performance

The Company carries on its business interests in defense industry as well as in civil industry. According to the latest data, the five countries which have the largest defense industry expenditures during 2016 are the USA, China, Russia, Saudi Arabia, and India. The declining tendency of the resources which the USA has allocated to defense in recent years has left its place to increase in 2016. Concurrently, in Europe and Asia-Oceania, an increase has been observed compared to the previous year and there has been a decrease in Africa. As of 2016 year-end, despite the fact that Turkey's annual defense expenditure has decreased from USD 17,9 Billion to USD 14,8 Billion due to the effect of foreign exchange rates within the last five years, 2% of the GDP is still comprised of defense expenditures. The ratio of defense expenditures over GDP stands steady while the number of Company's projects have increased by the years.

Due to the industry's nature defense projects are spread over years, furthermore a system project lasts approximately 4 to 5 years from its start to its delivery. As of 30 September 2017 long term plans which have been accordingly signed as contracts spread over years amounts to USD 6,4 Billion. The determination of target regions/countries and focusing on these markets for marketing and direct sales as well as engaging in joint productions, transfer of technology to/from international platform producers and strategic initiatives for sales to third countries are concurrent to our sustainable growth objectives. Our structure coincides with our objective to operate in civilian electronic fields which require high technology.

The Company's profit distribution policy is posted on www.aselsan.com.tr website under Investor Relations/ Corporate Governance/Policies.

At the Ordinary General Assembly Meeting held in 15 March 2017; from the remaining distributable profit obtained after subtracting taxes and statutory obligation from Company's operating profit in 2015,

- In accordance with Article 519/(1) of the Turkish Commercial Code, TL 26.703.481,27 to be allocated as General Legal Reserves,
- 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 75.500.000 (Kurus 7,55 per share of TL 1 and 7,55 % on the basis of the capital) (net profit TL 64.175.000 – Kurus 6,4175 per share of TL 1 and 6,4175 % on the basis of the capital) as in the form of cash,
- In accordance with Article 519/(2) of the Turkish Commercial Code, TL 2.550.000 to be allocated as General Legal Reserves,
- It has been decided that the remaining profit is to be allocated as Extraordinary Legal Reserves and distribution of the dividends to the shareholders are decreed in three equal installments on the dates of 8 June 2017, 14 September 2017 and 14 December 2017.

7. Financial resources of the company

The most substantial financial resources of the Company comprise the advance and interim payments taken within the scope of the contracts signed and profits generated by the main activities.

During 1 January - 30 September 2017 period, the cash requirements were met with the available cash, cash inflows from other operations and use of Türk Eximbank export discounted foreign currency loan due to low cost. Within the scope of the Eximbank Loan Program, during 1 January-30 September 2017 period, “Discounted Foreign Currency Loan” was used as USD 45 Million with 240 days of maturity and “Discounted TL Loan” was used with the following maturities respectively: TL 195,3 Million with 240 days of maturity. As of 30 September 2017, there is a loan balance equivalent to USD 90,1 Million in total which is used from Türk Eximbank.

Furthermore, loan obtained from Defense Industry Support Fund (DISF) in accordance with Defense Industry Execution Committee’s Decision Risk is USD 36,1 Million as of 30 September 2017.

8. Risk management policies of the Company

The Company’s Board of Directors perform in a transparent, accountable, impartial and responsible manner. The Chairman and Vice Chairman are elected among the Board of Directors members furthermore Board of Directors Committee Presidents and committee members are elected as well.

a. Corporate Risk Management

The Company's Corporate Risk Management Policy; aims to have the appropriate risk reaction against uncertainties threatening the corporate existence of the Company and protect the Company's corporate identity, its employees and the interests of its shareholders and related parties. Risk management has been an integrated part of the corporate management and information generated within the context of risk management process are integrated into decision-making mechanisms.

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 which consists of the members of Board of Directors was established in 2012.

Through Corporate Risk Management practices, “top down” and “bottom up” approaches are applied together and risks that may affect the company’s objectives are identified and evaluated along with the risk reactions and precautions to be taken. The reports prepared by the The Management and Early Detection of The Risk Committee are presented to the Board of Directors and the Independent Audit Company.

The risks which have been defined and prioritized in accordance with the opinion and suggestion companywide and in the scope of the operations carried out by the committee are explained below:

Difficulty to Increase the Number and Variety of Customers

World’s leading defense industry companies, who provide the major portion of the defense needs of their country, face with several sectoral risks including lack of customer diversification caused by selling to mainly a single customer. The main client of the Company is the Public Institutions and Organizations, especially the Turkish Armed Forces. This situation is accompanied by the fact that the activities of the Company are generally directed towards the public demands of our country.

It is aimed to reduce this risk by working on increasing the sales abroad and carrying the existing know-how to the civilian sectors.

Insufficiency in the Number of Qualified Subcontractors and Suppliers

The main contractor companies play an important part in providing deepening to the industry. To build an effective supply chain; the creation of qualified subcontractors/suppliers is highly critical in terms of sector productivity and sustainability. For the Company, which works with a large number of domestic and foreign suppliers and subcontractors, it is of utmost importance to ensure material quality and supply continuity.

Having a strong subsidiary infrastructure is among the elements that will support The Company’s business continuity, steady growth and global competitiveness. In order to reduce the risk arising from the failure of suppliers and subcontractors to achieve the required technical competence, expertise and performance, the Company is making great efforts to develop the subsidiary industry infrastructure and companies.

Changes In The Global Economy and Defense Spending

Global economic variations have significant impacts on the economic activities of the countries and cause changes in projected defense budgets. This situation may bring along the risks of the demands of domestic and foreign customers lower from the expected level and also may affect the operational and functional indicators.

The current and potential economic developments, the countries which the Company have either collaborated or/and exported, and the effect of these matters on the company have been followed and the projection regarding global development have been planned. Financial precautions and strategies that will minimize the negative effects of current and possible economic developments are evaluated and implemented on constant basis.

b. Financial Risk Management

The financial risk in the financial risk management model of the Company have been identified as foreign exchange risk, interest risk, liquidity risk, credit risk and capital risk.

Within the scope of the financial risk management, exchange risk, interest risk, liquidity risk, credit risk and capital risk which can possibly 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. Financial derivatives are also utilized to

minimize the risks. Moreover, financial risk management techniques have put to use in order to protect the return on the project from the effects of the inconsistency of cash inflows and outflows on the basis of currency which was formed within the projects and the deviation of the planned cash flow dates.

The Company's subsidiaries and affiliates utilize financial risk management within the scope of their own management policies.

i. Foreign Exchange Risk and Management Policy

The main principle of the 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 with 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 context, 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 currency of the contracts signed between the company and its clients are mainly currencies other than the functional currency which is Turkish Lira. Advances can be made in different periods of the contracts so that the work can be carried out during the contracts, and the advances received can be in currencies other than the functional currency. All order advances taken and given apart from the functional currency are not subject to valuation according to the TAS 21 "The Effects of Changes in Foreign Exchange Rates Standard".

Due to the nature of the contracts, it is inevitable that there will be no change in the currencies during the term of the contract. As a result of the exchange rate fluctuations; there could be profits/losses from delivery, advance offsetting or collection within the scope of a foreign exchange rate based contract.

Methods which are used to manage the exchange rate risk are on-balance sheet (structural) methods. On-balance sheet (structural) methods are utilized in order to manage the exchange rate risk. In order to keep foreign currency position at desired levels and to ensure currency conformity, applications such as the use of fixed rate TL denominated credit instead of foreign currency denomination, the determination of the contract currency according to the weighted currency of the contract and the signing of the contract in terms of the main contract currency with subcontractors within the scope of contracts.

All public administrations subject to Public Financial Management and Control Law dated 10 December 2003 and numbered 5018 and their revolving fund institutions, dated 8 June 1984 and numbered 233 on State Economic Enterprises State-owned enterprises and subsidiaries subject to Decree Law are subject to special legislation in the privatization program within the scope of Law No. 4046 on Customization Practices dated 24 November 1994, and more than half of the capital of the public sector owned enterprises, Saving Deposits Insurance Fund and special laws having a direct or indirect public share ("CBRT") announced on 2 January 2017 that the liability of the borrower for

domestic currency payment obligations, irrespective of the nature of the liability, until 31 December 2017, as Turkish Lira. The transactions and results within the scope of this article are not related to the budget revenues and expenditures accounts. "With this announcement published by the CBRT on 17 February 2017, Eximbank rediscount foreign currency loan repayments up to 31 May 2017 were made in TL. In addition, the repayment of loans granted by the Defense Industry Support Fund (SSDF) by the decision of the Defense Industry Executive Committee possibly be made in TL until 31 December 2017. Eximbank foreign currency denominated in USD and SSDF loans are repaid in Turkish Lira at the rate of 3,5338 USD/TL until 31 December 2017.

ii. Interest Risk and Management Policy

In determining the interest risk, the difference between the interest rate sensitive assets and liabilities is analyzed and calculated in a certain condition. In the scope of fund management, sensitivity analysis is performed when the interest risk of interest sensitive assets in the portfolio is measured.

As of 30 September 2017, the sum of SSDF loans is USD 36,1 million. It is estimated that the interest rate does not constitute a risk due to the fact that the loans have fixed interest rates.

As of 30 September 2017, the loan balance of USD 90,1 million, of which USD 45 million and TL 160,3 million are used from Türk Eximbank. The interest rate of the loans is fixed for 240 days. Since the Company does not use floating rate loans, it is evaluated that interest rate is low.

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. Through 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 cash requirement. As of 30 September 2017, 36% of the short-term and long-term liabilities comprise of advance payments received therefore as there is no discrepancy in maturity dates, therefore liquidity risk is considered to be low.

iv. Credit Risk and Management Policy

The substantial part of the Company's current credit balance comprises of the performance guarantees and advance payment guarantees (letter of guarantees) granted to the customers in the scope of the contracts and which are showed off-balance sheet. Within this scope, in the context of the management of the credit limits in the bank, periodically risk counterparts are followed and transactions are carried out in order to deduct the letters of guarantees for the completed contracts without delay.

v. Capital Risk Management

Through the capital management of the Company, enabling a debt-equity balance that would minimize the financial risks and costs is taken care of. The objective of the Company is to guarantee a consistent growth by the means of the funds gained through its activities while providing its shareholders a regular dividend income.

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

- As of 30 September 2017, the Company has a backlog of USD 6,4 Billion and these orders include the period until 2025.
- No Extraordinary General Assembly was held during the period between 1 January - 30 September 2017.

10. Significant events between 1 January – 30 September 2017 fiscal period and the Board of Directors Meeting date when the corresponding financial statements shall be negotiated

The amount of contracts signed after the balance-sheet date by the Group is approximately USD 214 Million.

11. Expectations for the progress of the company, significant developments with respect to company activities and financial position, to observe whether past period targets were achieved or not, whether the general assembly resolutions were fulfilled, and in the event the targets were not achieved and the resolutions were not fulfilled, information regarding the reasons and explanations

The forecasts under the normal conditions regarding the Group's consolidated financial results for the 2017 year are presented below;

| Financial Targets 2017 | Ratio/ Amount |
|--|----------------------|
| Consolidated income growth (TL) | ≥ 25% |
| EBITDA (Consolidated and adjusted without foreign exchange rate differences) | 18-20 % |
| Consolidated investment (property, plant and equipment) expenditure | ~ TL 500 Million |
| Ratio of the consolidated R&D expenses financed by the Company resources to the consolidated sales | 7% Level |

These expectations are based on the yearly average of USD/TL parity to be 3,45 and EURO/TL parity to be 3,79.

The Company, which has been in the most prestigious list since 2006, "Defense News Top 100", published by "Defense News" magazine, aims to increase its ranking in the list in following years. In 2017, the Company raised its ranking to 57th in the list with a USD 1.243 Million defense sales.

In order to achieve the sustainable growth:

- The registration of SADEC LLC was completed on December 2016 as part of our efforts to establish a joint venture with TAQNIA DST in Saudi Arabia. The capital of the company is SAR 22.500.000(USD 6 Million) and the share of the Company in the partnership is 50%. SADEC LLC's main field of activity is going to be the production and sales of radar, electronic warfare and electro-optical systems. It is planned that the necessary infrastructure and production facility investments of the Company will be completed within two years.
- The company titled "ASELSAN Malaysia Sdn. Bhd." was established in order to operate in the field of remote controlled weapon systems, of which ASELSAN owns 100%. The company's capital is MYR 100, and the establishment has been registered on 19 July 2017. According to the new business and project potentials in Malaysia, the company is planned to grow and establish local partnerships.
- The quality and technological perspectives of the cooperation formed with the universities have been increased.
- ASELSAN employees are provided with the opportunity to study in the work environment with the initiation of ASELSAN Academy Postgraduate Training Program. The program serves the purpose of having the necessary technologies and developing existing technologies.
- The efforts to form an eco-system with the sub-industry companies and SME's have continued.
- Company is continuing its operations in civil electronic areas which requires high technology.
- Inorganic expansion will be also evaluated as well as organic expansion.

12. Compliance Report on Corporate Governance Principles

The report will be provided with Annex-1 of the year end BOD Report.

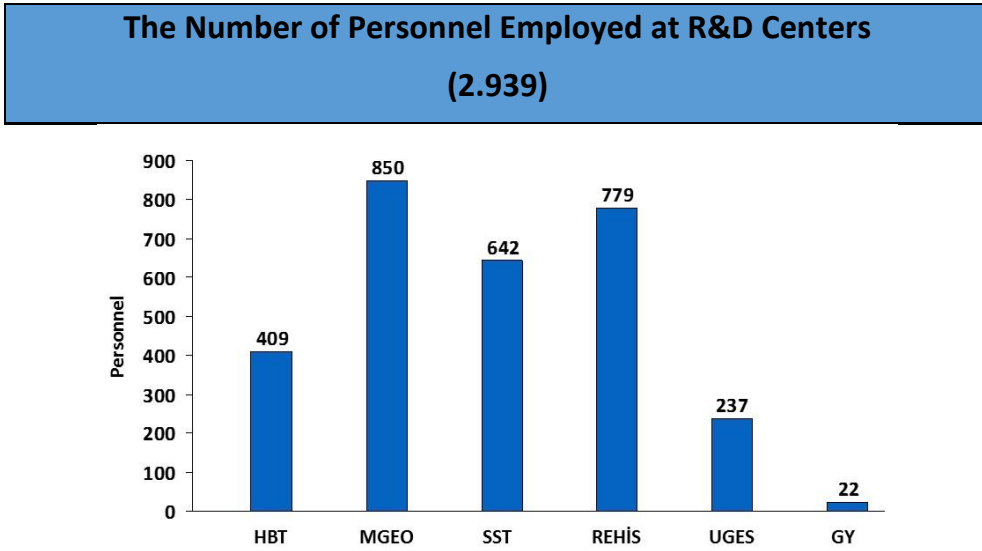
13. Research and Development Activities Performed

The Group, as a leading defense industry establishment, develops advanced technology system solutions on land, air, naval and aerospace platforms, places great importance to Research and Development activities and technological gains since it was founded. Besides, it aims to spend approximately 7% of the annual turnover to its Research and Development activities financed with its own resources.

By following up on all kinds of technological developments pertaining to land, air, naval and aerospace platform product/system technologies, the Company not only applies technology but also designs, develops and produces product/system technologies in order to share or sell with/to national and international collaborations.

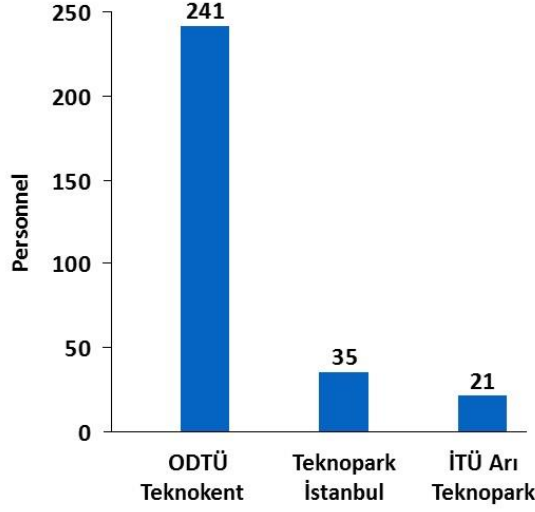
Projects are striving at maximum level in order to benefit from the technological opportunities existing in the country aiming to increase the national contribution share. For this purpose, cooperation is made with universities and various R&D organizations and importance is given to the use of local suppliers and subcontractors.

As for the projects carried out within the Group, the Research and Development incentive in compliance with the provisions of the Law on Corporate Tax numbered 5520 and Research and Development center application pursuant to the Law regarding the support of Research and Development activities numbered 5746 are being implemented together. As for non-public R&D projects, the approval of TEYDEB (Technology and Innovation Support Programs Directorate) and ARDEB (Research Support Programs Presidency) is received and are supported by the institutions. Within the Company, there are 6 Research and Development centers within the scope of Defense System Technologies (SST), Radar Electronic Warfare and Intelligence Systems (REHİS), Microelectronics, Guidance and Electro-optics (MGEO), Communication and Information Technologies (HBT), Transportation, Security, Energy & Automation Systems (UGES) Vice Presidencies as well as ASELSAN Research Center of Vice Presidency of Technology and Strategy Management. Currently, 2.939 staff are employed at the Group’s Research and Development centers.



The Group also carry on its activities in Teknokent facility within Middle East Technical University, İstanbul Technology Development Area Teknopark and İTÜ Arı Teknopark within the scope of the Law numbered 4691 on Technology Development Regions. Group employed 297 staff within this region.

**The Number of Personnel Employed at Technopark
(297)**



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

There has not been such an event within the period.

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

There has not been such an event within the period.

16. The industry that the Company operates in and its position within the sector

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

The Company, being an establishment of TSKGV, stands in a position of a technology center within the fields of design, development, manufacturing, system integration, modernization and after sales services of military and civil communication systems, avionics systems, electronic warfare and intelligence systems, radar systems, command and control systems, naval warfare systems, security systems, transportation systems, energy systems, traffic and automation systems electro-optic systems and products.

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

| Corporation | Research/Study | Related Period ¹ | Ranking | |
|--|---|-----------------------------|------------|-------|
| | | | Current | Prior |
| International Ranking | | | | |
| Defense News Dergisi | Defense News Top 100 | 2017 | 57 | 58 |
| SIPRI | SIPRI Top 100 | 2016 | 69 | 74 |
| European Commission | World R&D Expense Top 2500 Company | 2016 | 1.228 | 1.178 |
| Mentor Graphics | PCB Technology Leadership Awards (TLA)-2015 - Printed Wiring Board Technology The category of Defence, Aviation and Space | 2016 | 2 | -- |
| National Ranking | | | | |
| Istanbul Chamber of Industry | ICI 500 Top Industry Companies | 2017 | 20 | 23 |
| | ICI 500 - Private Companies | 2017 | 19 | 21 |
| Fortune Magazine | The Top 500 Companies | 2017 | 41 | 54 |
| Capital Magazine | The Top 500 Private Companies | 2017 | 50 | 65 |
| BIST (Borsa Istanbul) | Sustainability Index | 2017 | No Ranking | |
| BIST (Borsa Istanbul) | Corporate Management Index | 2017 | No Ranking | |
| BIST (Borsa Istanbul) | BIST Top 30 Index | 2017 | No Ranking | |
| BIST (Borsa Istanbul) | BIST Top 30 Market Value Sequence | 2017 | 8 | 10 |
| TEA (Turkey Exporters’ Assembly) | Top 1000 Exporters | 2017 | 108 | 101 |
| Turkish Time Journey | Study of Research and Development Top 100 | 2017 | 1 | 1 |
| Deloitte | Technology Fast 50 / Big Star Category | 2016 | 1 | - |
| Brand Finance | Most Valuable Firms (100 Brands) | 2017 | 33 | 46 |
| Bloomberg Businessweek | Top 50 Firms (Between Universities) | 2017 | 4 | 9 |
| Universum | Ideal Employers (Engineering and Information Technologies- 100 Companies) | 2017 | 1 | 4 |
| Ministry of Science, Industry and Technology | Top of the Private Sector R&D Centers / R&D Centers Performance Index / Defence Industry Sector | 2016 | 1 | 1 |
| CDP (Carbon Disclosure Project) | Firms Which Have Well Management of Climate Changes and Highest Greenhouse Gas Emission Performance (Turkey) | 2016 | No Ranking | |
| TESİD | Innovativeness and Creativeness Awards, Innovative Product Awards Between Big Firms | 2017 | No Ranking | |

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

Progress in Investments

Directing the Company’s resources to profitable, high value added fields, 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, particularly Turkish Armed Forces. The investments within the Company are carried out after detailed consideration of the technological plans, strategic plans and project requirements.

¹ "Related period" is the year which rankings have been explained.

During the current period, the investments, which will meet the needs of substructure and equipment in order to be used in research and development project have been sustained in compliance with the investment scheme in accordance with the policy of efficient use of resource.

Incentives that Company has benefitted

Income tax withholding incentive, insurance premium support, stamp tax exemption and Research and Development incentive are utilized within the scope of the Law numbered 5746. In accordance to the Law regarding the Incentive of Research and Development Activities numbered 6676 published on Official Gazettes numbered 29636 on 26 February 2016 and The Law Regarding the Amendments on Delegated Legislation, the content of the law and incentives has been broadened and additional exceptions has been given. Income tax withholding incentive, insurance premium support and stamp tax exemption is utilized by being calculated over the salaries of the Research and Development personnel and not being paid to the relevant institution and the Research and Development 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 exemption is applied. These are utilized by making calculations on Research and Development and software personnel wages and not being paid to the related institution. The gain obtained with reference to the execution of Technology Development Zones Law numbered 4691 is exempted from the corporate tax of 31 December 2023.

Between the period 1 January-30 September 2017 because of having Research and Development centers,

TL 76.220 Thousand within the scope of income tax withholding incentive, promotion of insurance premium, stamp duty exception; as a result of being active at ODTÜ Teknokent, İstanbul Technology Development Area Technopark and ITU Arı Technopark TL 11.338 Thousand incentives have been used. Within the scope of the Research and Development Law No 5746 and Teknokent Law No 4691,

TL 120.291 Thousand Corporate Tax advantage has been gained as of 1 January-30 September 2017 period.

At periods when Group's Research and Development expenses, which is subject of Research and Development discount, is higher than the principal amount of Research and Development 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 Research and Development Projects Support Programme has been established in order to encourage the Research and Development operations of the companies creating added values at company level and to contribute to the enhancement of the Research and Development ability of the Turkish industry by this means. Projects within the scope of 1511-Prioritized fields' research technologies development and innovation programme came into force as of 2013. The support process of the projects have been initiated as of July 2010 by 1509 EUREKA-International

Industrial Research and Development Projects Support Program where market oriented projects for developing products and processes to be commercialized in short term are supported the Group have benefited from the incentives. In addition to these, TÜBİTAK 1003 Research Support programs were implemented within the scope of the projects entered into implementation in 2017 and the Company benefited from the incentives. (TL 10.415 Thousand)

Within the scope of SAN-TEZ Research and Development 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, 4 Projects are ongoing.

The 1007 Public Institutions Research and Development Project Support Program has been formed in order to meet the requirements of the Public Institutions with Research and Development or to support the projects aimed at solving their problems. In scope of this support 8 Research and Development projects are still ongoing.

Within the context of the European Commission 7th Cooperation Framework Programs, 6 integration projects were executed. In the “Circulation of the Researchers, Return Grants; Individual Support Private Programme” within the scope of the European Commission 7th Cooperation Framework Programmes, 4 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. (TL 421 Thousand)

Within the Decision Regarding the Governmental Grant in Investments, there are 6 Investment Incentive Certificates taken from the Turkish Republic Prime Ministry Under secretariat for Treasury General Directorate of Incentives and Implementation. With such incentive certificates, VAT exemption and customs tax exclusion are utilized. (TL 24.089 Thousand)

VAT exemption is applied in domestic and foreign purchases and customs tax exemption is used in foreign purchases. (TL 89.058 Thousand)

The sources, amounts and types of the incentives utilized are summarized in the table below collectively.

| The Source of Incentives | Type of Advantage | 30 September 2017 The Amount (Thousand TL) |
|--|--|--|
| Research and Development Promotion Law numbered 5746 and Teknopark Law numbered 4691 | Income tax withholding, Insurance Premium, Stamp Tax | 120.291 |
| VAT Law numbered 3065 | VAT Return | 89.058 |
| Research and Development Promotion Law numbered 5746 | Corporate Income Tax | 76.220 |
| Ministry Of Economy Investment Incentive | VAT and Customs Duty Exemptions | 24.089 |
| Teknopark Law numbered 4691 | Income tax withholding, Insurance Premium, Stamp Tax | 11.338 |
| Support Programme (TÜBİTAK 1501,1511,1509) | Monetary Support | 10.415 |
| Ministry Of Economy Fair and Market Research Incentives | Monetary Support | 421 |
| TOTAL | | 331.832 |

18. Explanations 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 to activity, amounts, quality, circulation and the prices compared with the previous period figures

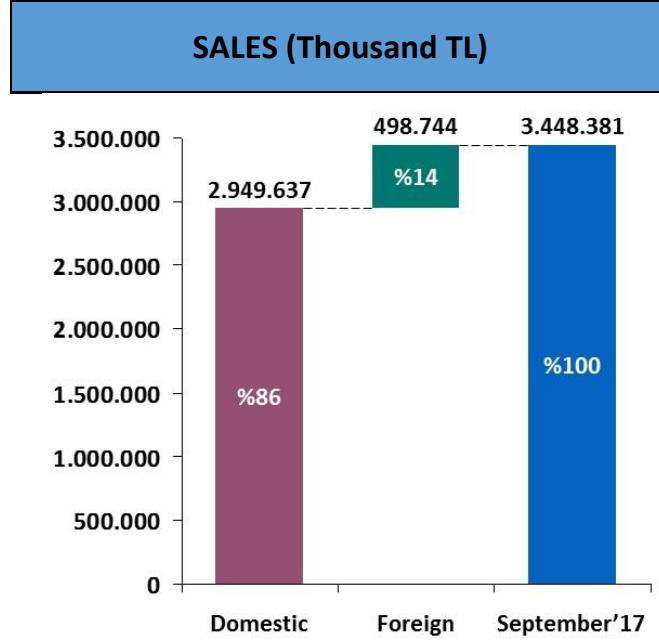
The capacity utilization for the period 1 January - 30 September 2017 was realized at the level of 101%. Substantial part of the production has occurred as order based production. Research and Development activities are carried out for the products designed to be tailored through customer requirements. There is variation between qualities, quantities and prices between the systems and the products. The production processes have been managed more efficiently upon the usage of Enterprise Resource Planning System (ERPS).

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".

According to the relevant sales agreement terms and conditions, the Company's revenue from projects contains order based production, mass production product sales, services, commodities and progress billing sales. Sales terms and conditions are subject to change as for the respective agreements.

As for the consolidated amount of the Group's realized net sales during the period 1 January - 30 September 2017; TL 2.949.637 Thousand of this realized as domestic sales and TL 498.744 Thousand of it realized as 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 comparison basis with prior period and information about other matters and future expectations and risks that have been prepared in accordance with Capital Markets Board Communiqué Series: II and No:14.1

As of 30 September 2017, 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, Gross margin is 24%, Operating profit margin (EBIT) is 16%, EBITDA margin is 19% and Net Profit margin is 24%. At the end of the 3rd Quarter, Return on Equity (ROE) is 32% and Average Net Working Capital/ Net Sales is 38%.

| BASIC RATIOS / CONSOLIDATED FINANCIAL STATEMENT | 30 September 2017 | 31 December 2016 |
|--|--------------------------|-------------------------|
| Current Ratio | 1,6 | 2,3 |
| Liquidity Ratio | 0,7 | 1,5 |
| Short Term Current Liabilities / Total Financial Liabilities | 85% | 75% |
| Total Financial Liabilities / Total Assets | 5% | 6% |
| BASIC RATIOS / CONSOLIDATED BALANCE SHEET | 30 September 2017 | 30 June 2016 |
| Gross Profit Margin | 24% | 25% |
| Operating Profit Margin (EBIT) | 16% | 15% |
| EBITDA Margin | 19% | 19% |
| Net Profit Margin | 24% | 18% |
| Return On Equity (ROE) | 32% | 14% |
| Average Net Working Capital / Net Sales | 37% | 61% |
| EBITDA / Average Net Working Capital | 52% | 35% |

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

As for the annual budgets and implementations for the period 2017-2019, the Group has adopted the principles as the basis to take care of savings in all kinds of expenditures, to follow up the advances and receivables closely, to pay attention to the proportion of the term and currency in purchasing and sales agreements and the risk status of the domestic/foreign suppliers and sub-contractors.

22. Changes in the top management within the period and the names and surnames of those on duty

Changes in the top management within the period 1 January - 30 September 2017 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 | İbrahim ÖZKOL | Chairman/Independent Member of the Board of Directors | 15 March 2017 |
| 2 | Mustafa Murat ŞEKER | Vice Chairman/Executive Member of the Board of Directors | 15 May 2013 |
| 3 | Ziya AKBAŞ | Independent Member of the Board of Directors | 31 March 2014 |
| 4 | Ercümend ARVAS | Independent Member of the Board of Directors | 31 March 2016 |
| 5 | Bayram GENÇCAN | Member of the Board of Directors | 15 March 2017 |
| 6 | Haluk GÖRGÜN | Member of the Board of Directors | 15 March 2017 |
| 7 | Emin Sami ÖRGÜÇ | Member of the Board of Directors | 15 March 2017 |
| 8 | Ercan TOPACA | Member of the Board of Directors | 15 March 2017 |
| 9 | Murat ÜÇÜNCÜ | Executive Member of the Board of Directors | 15 May 2013 |
| 10 | Faik EKEN | CEO/President | 24 July 2014 |
| 11 | Okan TURAN | CFO/Vice President (Financial Management) | 4 January 2016 |
| 12 | Yavuz BAYIZ | Division CEO/Vice President (Communication & Information Technologies Business Sector) | 1 September 2014 |
| 13 | Alper ÜNSOY | Division CEO/Vice President (Microelectronics, Guidance & Electro-Optics Business Sector) | 25 May 2017 |
| 13 | Baki ŞENSOY | | 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 | Hezarfen ORUÇ | Division CEO/Vice President (Support Services) | 1 September 2014 |
| 17 | Mehmet Çelik | Division CEO/Vice President (R&D and Technology Management) | 14 May 2017 |
| 18 | Hüseyin YAVUZ | Division CEO/Vice President (Human Resource Management) | 1 September 2014 |
| 19 | Abdülkadir GÖKTAŞ | Internal Audit President | 1 September 2014 |

23. Total amounts of the financial benefits such as attendance fee, remuneration, premium, bonus payments, share profit provided to the managing members and senior executives

The total amount of the remuneration and similar benefits paid to the senior executives by the Company as for the period that ended on 30 September 2017 is TL 7.032 Thousand.

In the table below, the annual gross total amount of the wages paid to the members of the Company's Main Shareholder Board of Directors and the interests of private health insurance are given.

| ASELSAN ELECTRONICS INDUSTRY AND TRADE INC. LIST OF TOTAL AMOUNT OF FINANCIAL BENEFITS PROVIDED TO THE BOD MEMBERS AND HIGHER LEVEL EXECUTIVES | | | |
|---|-----------------------------------|---|--|
| No | Name Surname | Duty | Total Amount Paid Thousand TL (Wage and Health Insurance) |
| 1 | İbrahim ÖZKOL | BOD Chairman/Executive Member (Assignment Date 15.03.2017) | 24 |
| 2 | Mustafa Murat ŞEKER | BOD Vice Chairman/Executive Member | 35 |
| 3 | Ziya AKBAŞ | BOD Member | 35 |
| 4 | Ercümend ARVAS | BOD Member | 37 |
| 5 | Bayram GENÇCAN | BOD Member (Assignment Date 15.03.2017) | 24 |
| 6 | Haluk GÖRGÜN | BOD Member (Assignment Date 15.03.2017) | 24 |
| 7 | Emin Sami ÖRGÜÇ | BOD Member (Assignment Date 15.03.2017) | 25 |
| 8 | Ercan TOPACA | BOD Member (Assignment Date 15.03.2017) | 24 |
| 9 | Murat ÜÇÜNCÜ | BOD Executive Member (End of Assignment Date 15.03.2017) | 35 |
| 10 | Nazım ALTINTAŞ | BOD Member (End of Assignment Date 15.03.2017) | 9 |
| 11 | Mehmet Celalettin LEKESİZ | BOD Member (End of Assignment Date 15.03.2017) | 14 |
| 12 | Turan EROL | BOD Member (End of Assignment Date 15.03.2017) | 9 |
| 13 | İsmail GÜMÜŞTEKİN | BOD Member (End of Assignment Date 15.03.2017) | 9 |
| 14 | Sedat NAZLIBİLEK | BOD Member (End of Assignment Date 15.03.2017) | 9 |
| 15 | CEO/President and Vice Presidents | Higher Level Executives | 4.202 |
| TOTAL | | | 4.515 |

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

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 30 September 2017 is TL 1.240 Thousand.

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

The Group recruited a total number of 348 people (131 with fixed term contract) as the personnel including fixed-term contracted personnel, disabled and terror-stricken personnel during the period

1 January - 30 September 2017 and the number of people quit for the same period is 265 (12 with fixed- term contracted).

The rights and benefits provided to the personnel by the Company are bonus payments, meal allowances, marriage benefits, maternity benefits, death allowances, transportation, private health insurance, childcare, and kindergarten benefits. The average number of personnel employed by the Group as of 30 September 2017 is 5.404.

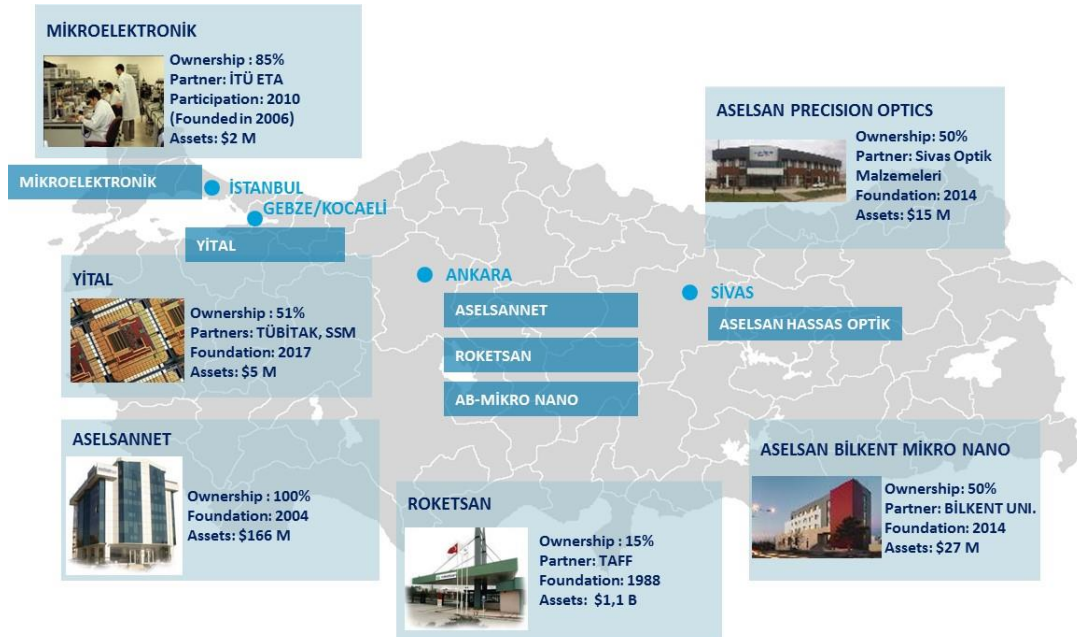
There is no collective bargaining agreement in the Company.

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

Within the period of 1 January 2017 - 30 September 2017, the Group donated TL 10.000 in total.

27. Information on Business Partnerships, Associates, Subsidiaries, Joint Ventures and Branches

- The Republic of Turkey, Sivas, ASELSAN-Optics Joint Venture
- The Republic of Turkey, ASELSAN-Bilkent Joint Venture
- The Republic of Turkey, Gebze, YİTAL A.Ş. Joint Venture
- Jordan, Amman, ASELSAN-Jordan Joint Venture
- Kazakhstan, Astana, ASELSAN-Kazakhstan Joint Venture
- United Arab Emirates; Abu Dhabi, IGG ASELSAN Joint Venture
- Saudi Arabia; Riyadh, SADEC LLC Joint Venture
- Republic of South Africa; Pretoria Branch
- Republic of Macedonia; Skopje Branch
- United Arab Emirates; Abu Dhabi Office
- Saudi Arabia, Riyadh Office
- Qatar, ASELSAN Doha Project Office
- **Domestic Associates and Subsidiaries**



Assets are given as of 30.09.2017.

• **Foreign Associates and Subsidiaries**



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 full consolidation (ASELSANNET, ASELSAN BAKU, Mikro AR-GE, and ASELSAN Malaysia) and equity pick-up method consolidation (ASELSAN Bilkent, ASELSAN Optik, IGG ASELSAN, ASELSAN Kazakhstan, ASELSAN Jordan, SADEC LLC, and YİTAL A.Ş.) 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.

The Committee for Early Determination and Management of Risks' mission is to determine and manage the potential risks which may affect the Company . The committee meets on a periodical basis and directly reports in every two months to the Board of Directors. The report is also shared with the independent audit firm. The Corporate Risk Taking and Internal Control Department operates under the Financial Management Vice Presidency with a mission to coordinate the work of

committee and to carry on a comprehensive and integrative internal control process in order to manage the potential risks effectively. The activities are defined in the company by the guidelines.

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

The Group own 100% of ASELSANNET and ASELSAN Bakü and 85% of Mikro AR-GE, thus these companies are subject to the full consolidation.

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 | Main Activity Area | Share (%) | 30 September 2017 (Thousand TL) |
|---|---|-----------|---------------------------------|
| ROKETSAN-Roket Sanayi ve Ticaret A. Ş. | All kinds of missiles, rockets, guided ammunition and their launch systems and propulsion systems and rocket fuels, guidance and control systems, algorithms and softwares related to these systems, warheads and other parts of these systems, all kinds of plugs and all kinds of ballistic protection (armor) system | 14,897 | 516.032 |
| ASELSAN Kazakhstan | Manufacture, sale and technical service of electronic and electro-optical devices and systems | 49 | 36.494 |
| ASELSAN Jordan | Marketing sales and joint production of group products | 49 | 12.629 |
| SADEC LLC | Manufacture and sale of radar, electronic warfare and electrooptic products | 50 | 9.627 |
| ASELSAN Bilkent | Manufacture of micro and nano-sized devices containing semiconductors and similar technological materials | 50 | 8.869 |
| ASELSAN Optik | Precision optic technology | 50 | 6.810 |
| YİTAL A.Ş. | Production of micro and nano-sized devices containing semi-conductor and similar technological materials | 51 | 2.226 |
| ASPİLSAN Askeri Pil Sanayi ve Ticaret A. Ş. | Manufacture and sale of Ni-Cd, Ni-MH, Li-Ion battery / battery blocks and aircraft battery systems | 1 | 147 |
| IGG ASELSAN ¹ | Production, integration, sales and technical service of high technology products | 49 | -- |

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

There has not been such the private and governmental audit within the period.

¹ As of 30 September 2017, IGG ASELSAN’s equity is of negative value therefore subsidiary capital share amounts have not been disclosed.

33. Information regarding the lawsuits filed against the company which would have an impact on the financial position and activities of the Group and their possible outcomes

The lawsuits and execution proceedings filed by or against the Group as of 30 September 2017 are summarized below:

| Description | 30 September 2017 (Thousand TL) |
|--|------------------------------------|
| Ongoing lawsuits filed by the Group | 854 |
| Execution proceedings carried on by the Group | 8.533 |
| Lawsuits proceedings carried against the Group | 6.651 |
| Lawsuits finalized in favor of the Group within the period | 1.331 |
| Lawsuits finalized against the Group within the period | 140 |

34. Explanations 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's 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 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 period.

39. Related party transactions

Detailed table is disclosed in Note 4 in condensed Consolidated Financial Statements of 30 September 2017.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş.

**SIGNATURE SECTION OF ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD
BETWEEN 1 JANUARY – 30 SEPTEMBER 2017**

İbrahim ÖZKOL
Chairman of the Board of
Directors

Mustafa Murat ŞEKER
Vice Chairman of the Board of
Directors

Ziya AKBAŞ
Member of the Board of
Directors

Ercümend ARVAS
Member of the Board of
Directors

Bayram GENÇCAN
Member of the Board of
Directors

Haluk GÖRGÜN
Member of the Board of
Directors

Emin Sami ÖRGÜÇ
Member of the Board of
Directors

Ercan TOPACA
Member of the Board of
Directors

Murat ÜÇÜNCÜ
Member of the Board of
Directors