

# aselsan

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

**REPORT OF THE BOARD OF DIRECTORS  
FOR THE PERIOD BETWEEN  
1 JANUARY – 31 MARCH 2018**

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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.

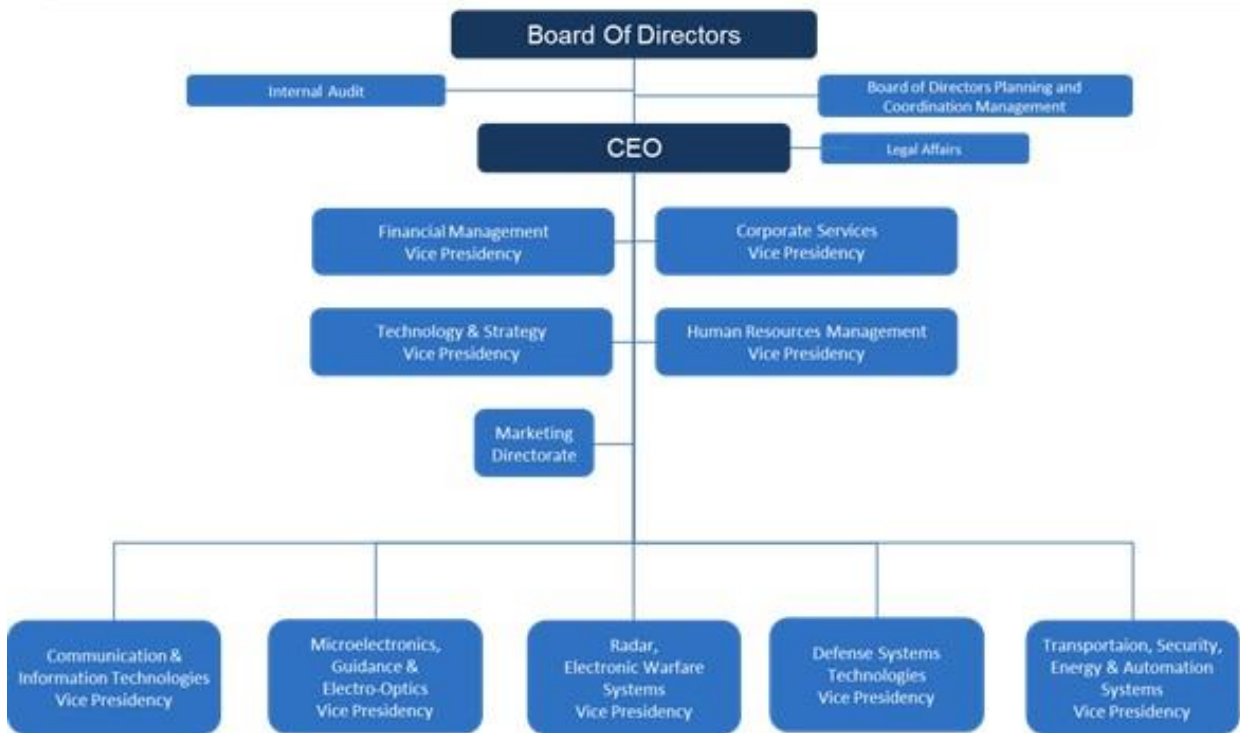
The Company and ASELSAN Bakü Şirketi (“ASELSAN Bakü”), Mikroelektronik Ar-Ge Tasarım ve Ticaret Limited Şirketi (“Mikro AR-GE”), ASELSANNET Elektronik ve Haberleşme Sistemleri Sanayi Ticaret İnşaat ve Taahhüt Limited Şirketi (“ASELSANNET”), and ASELSAN Malaysia Sdn. Bhd. (ASELSAN Malezya) which are subsidiaries 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 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	Tel: +90 (312) 592 1000 Fax: +90 (312) 354 1302	<a href="http://www.aselsan.com.tr">www.aselsan.com.tr</a>
ASELSAN South Africa Branch	Branch	Republic of South Africa/ Pretoria	Building 4, Room 005 CSIR Campus, Meiring Naude Drive, Pretoria Gauteng, 0001, South Africa	Tel: +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	Tel: +971 2 550 8808 Faks: +971 2 550 8812	--
Saudi Arabia Contact Office	Project Office	Saudi Arabia/ Riyadh	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	Qatar/ Doha	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



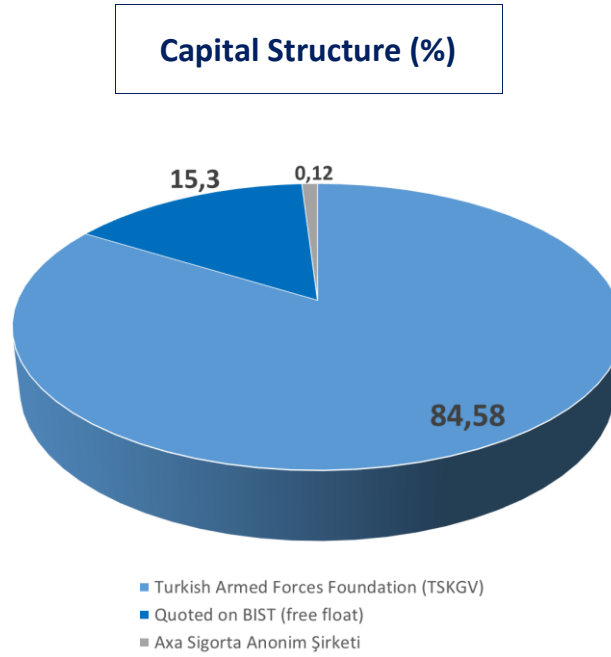
The Company has been restructured under five Vice Presidencies that will carry the production and engineering tasks, which are; Communication and Information Technologies (HBT), Microelectronics, Guidance and Electro-Optics (MGEO), Defense Systems Technologies (SST), Radar, Electronic Warfare and Intelligence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

In order for General Management to fulfill planning at strategic level, pursuing and assessing functions in a more efficient way, 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 REHIS 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 (%)	31 March 2018 (Thousand TL)	Share (%)	31 December 2017 (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-31 March 2018. 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 during the period 1 January – 31 March 2018 are as follows:

<b>MEMBER OF THE BOARD OF DIRECTORS</b>			
<b>Name and Surname</b>	<b>Position</b>	<b>Date of Assignment</b>	<b>End of Term of Office</b>
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

Information regarding the Members of the Board of Directors elected during the General Assembly Meeting held on 2 April 2018 are as follows:

<b>MEMBER OF THE BOARD OF DIRECTORS</b>			
<b>Name and Surname</b>	<b>Position</b>	<b>Date of Assignment</b>	<b>End of Term of Office</b>
Haluk GÖRGÜN	Chairman/ Executive Member	2 April 2018	Next General Assembly Meeting
Mustafa Murat ŞEKER	Vice Chairman/ Executive Member	15 May 2013	Next General Assembly Meeting
Mehmet ARIK	Independent Member	2 April 2018	Next General Assembly Meeting
Ercümend ARVAS	Independent Member	31 March 2016	Next General Assembly Meeting
Bayram GENÇCAN	Member	15 March 2017	Next General Assembly Meeting
İbrahim ÖZKOL	Independent Member	15 March 2017	Next General Assembly Meeting
Ercan TOPACA	Member	15 March 2017	Next General Assembly Meeting
Celal Sami TÜFEKÇİ	Member	2 April 2018	Next General Assembly Meeting
Murat ÜÇÜNCÜ	Member	15 May 2013	Next General Assembly Meeting

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 – 31 March 2018:**

There are no changes of Members of the Board of Directors during the period 1 January – 31 March 2018. During the Ordinary General Assembly Meeting held on 2 April 2018, Haluk GÖRGÜN, Mustafa Murat ŞEKER, Bayram GENÇCAN, Celal Sami TÜFEKÇİ, Ercan TOPACA and Murat ÜÇÜNCÜ were elected as Member of Board of Directors until the next General Assembly Meeting and İbrahim ÖZKOL, Mehmet ARIK and Ercümend ARVAS were elected as Independent Member of Board of Directors until the next General Assembly Meeting.



**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 within the last five years due to the effect of foreign exchange rates, 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 31 March 2018 long term plans which have been accordingly signed as contracts spread over years amounts to USD 7,5 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](http://www.aselsan.com.tr) website under Investor Relations/ Corporate Governance/Policies.

At the Ordinary General Assembly Meeting held in 2 April 2018; from the remaining distributable profit obtained after subtracting taxes and statutory obligation from Company's operating profit in 2017,

- In accordance with Article 519/(1) of the Turkish Commercial Code, TL 44.487.397,02 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 84.600.000 (Kurus 8,46 per share of TL 1 and 8,46 % on the basis of the capital) (net profit TL 71.910.000 – Kurus 7,191 per share of TL 1 and 7,191 % on the basis of the capital) as in the form of cash,
- In accordance with Article 519/(2) of the Turkish Commercial Code, TL 3.460.000 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 19 June 2018, 13 September 2018 and 13 December 2018.

## **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 - 31 March 2018 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 - 31 March 2018 period, "Discounted Foreign Currency Loan" was used as USD 25 Million with 240 days of maturity

As of 31 March 2018, there is a loan balance equivalent to USD 104,2 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 is USD 24,7 Million as of 31 March 2018.

## **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.

## **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 31 March 2018, the sum of SSDF loans is USD 24,7 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 31 March 2018, the loan balance of USD 104,2 million, of which USD 25 million and TL 263,3 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, interest risk is considered to be 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 31 March 2018, 39% 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 31 March 2018, the Company has a backlog of USD 7,5 Billion and these orders include the period until 2025.
- No Extraordinary General Assembly was held during the period between 1 January – 31 March 2018.

## **10. Significant events between 1 January – 31 March 2018 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 382 Million.

İbrahim BEKÂR has been assigned as the Transportation, Security, Energy & Automation Systems (UGES) Business Sector CEO and the Vice President.

During the General Assembly Meeting held on 2 April 2018, the following has been resolved;

- 1.** Increase of our Company's issued share capital in the amount of TL 1.000.000.000 (one billion Turkish Liras) by TL 210.000.000 (two hundred ten million Turkish Liras) to TL 1.210.000.000 (one billion two hundred ten million Turkish Liras) within the registered capital ceiling of TL 2,000,000,000 (two billion Turkish Liras) as per the Capital Markets Law and related communiqués; *(ii)* issuance of 210.000.000 shares with a nominal value of TL 210.000.000 as group B registered shares and public offering of such shares over the offer price to be determined at a later stage, within the price range to be specified as per the related capital markets and stock exchange legislations, which can exceed the nominal value of the shares; *(iii)* sale of the shares to be offered to public by blank endorsement;
- 2** restricting the pre-emption rights of our current shareholders with respect to the shares to be issued through the capital increase in favor of investors within the scope of public offering;
- 3** Authorisation of our Board of Directors for the determination of principles of the sale including, whether the offered shares will be issued as premium or discounted shares and conditions of such shares under such circumstances; authorisation of our Board of Directors for determination of the number of shares to be offered to public and the capital increase ratio, within the limit stated in the first paragraph;
- 4** Preparation of a statement on capital increase by the Board of Directors as per Article 457 of the Turkish Commercial Code ;
- 5** Preparation of the Prospectus as per the Capital Markets Law and related communiqués and submission of such Prospectus to the approval of the Capital Markets Board;
- 6** Application to Borsa Istanbul A.Ş for the quotation of the shares to be issued through capital increase and execution of all necessary transactions before the Central Securities Depository by the Board of Directors;
- 7** Execution of all necessary transactions for the cancellation of the unsold shares in 6 (six) days following the expiry of the sale period of the offered shares as per the Capital Markets Law and related communiqués as per the article 25 of the Communiqué on Shares (VII-128.1) and authorisation of our Board of Directors in that respect,;

8 Adoption of a resolution regarding the completion of the capital increase transactions as per the Article 18/7 of Capital Markets Law and Article 12(2) of the Communiqué on Principles on Registered Capital System (II-18.1), and authorisation of the Board of Directors for performing all necessary transactions for the capital increase including but not limited to the application with the Ankara Registry of Commerce for registration of the capital increase within 10 days following such resolution.

**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 expectations of Group on consolidated financial results for 2018 under normal circumstances are as follows:

Financial Targets 2018	Financial Targets 2018 (Ratio/Amount)
Consolidated revenue growth (TL)	25% – 35
EBITDA (Consolidated and adjusted without foreign exchange rate differences)	18% – 20
Capital expenditures (Tangible and Intangible)	~ 650 million TL
Ratio of self-funded R&D to sales	7% level

These expectations are based on the yearly average of USD/TL parity to be 4,02 and EURO/TL parity to be 4,89.

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 57<sup>th</sup> in the list with a USD 1.243 Million defense sales.

In order to achieve the sustainable growth:

- The company titled "YİTAL Mikroelektronik Sanayi ve Ticaret A.Ş." was established in order to operate in the field of micro and nano-sized devices containing semiconductor and similar technological materials. 51% of the company belongs to ASELSAN whereas, TÜBİTAK and Undersecretariat for Defence Industries hold 29% and 20% stake respectively. The company’s capital is TL 17.462.500 and establishment has been registered on 4 October 2017.
- 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.

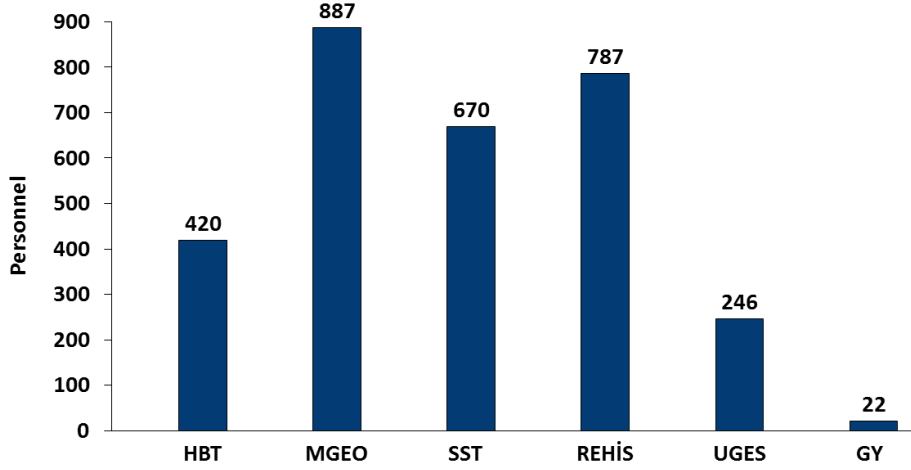
By following up on all kinds of technological developments pertaining to land, air, naval and aerospace platform product/system technologies, the Company not only applies technology but also designs, develops and produces product/system technologies in order to share or sell with/to national and international 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, 3.032 staff are employed at the Group's Research and Development centers.

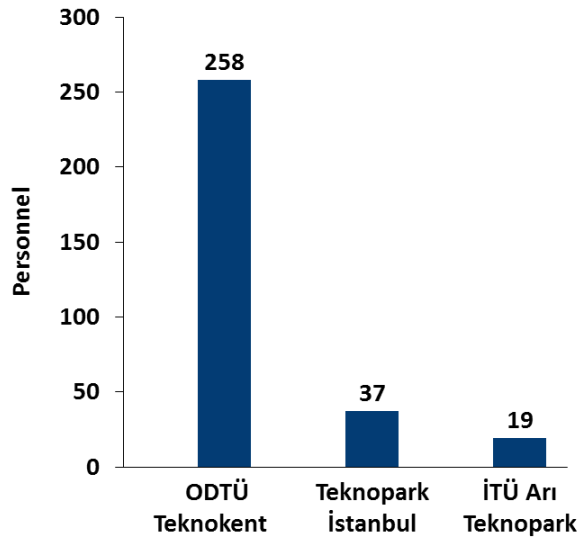


**The Number of Personnel Employed at R&D Centers  
(3.032)**



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 314 staff within this region.

**The Number of Personnel Employed at Technopark  
(314)**



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

In the scope of the increase in the registered capital upper limit of the Company which was approved in the General Assembly held on 2 April 2018, the amendment in the Article 6 “The Registered Capital of the Company” in the Articles of Association have been registered on 12 April 2018 and have been published in Turkey Trade Registry Gazette numbered 9560 dated 17 April 2018.

**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 <sup>1</sup>	Ranking	
			Current	Prior
<b>• International Ranking</b>				
Defense News Magazine	Defense News Top 100	2017	57	58
SIPRI	SIPRI Top 100	2017	67	72
European Commision	World R&D Expense Top 2500 Company	2017	1.204	1.228
Mentor Graphics	PCB Technology Leadership Awards (TLA) – Printed Wiring Board Technology 2017: "Computers, Blade & Servers, Memory Systems" category 2016: "Military & Aerospace" category	2017	2	2
<b>• National Ranking</b>				
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	
	Corporate Management Index	2017	No Ranking	
	BIST Top 30 Index	2017	No Ranking	
	BIST Top 30 Market Value Sequence	2017	6	8
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	2017	1	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
Turkish Patent Institute	TÜRKPATENT Leauge (Top Ten Company Making National Patents)	2017	5	-
Ministry of Science, Industry and Technology	Top of the Private Sector R&D Centers / R&D Centers Performance Index / Defence Industry Sector	2017	1	1
CDP (Carbon Disclosure Project)	Firms Which Have Well Management of Climate Changes and Highest Greenhouse Gas Emission Performance (Turkey)	2017	No Ranking	
TESİD	Innovativeness and Creativeness Awards/ Developing Innovative Product Process Awards Between Big Firms	2018	No Ranking	
Fortune Turkey and Data Expert	50 Most Effective Human Resource Manager	2018	No Ranking	

<sup>1</sup> "Related period" is the year which rankings have been explained.

## **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.

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 - 31 March 2018 because of having Research and Development centers, TL 20.000 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 2.978 Thousand incentives have been used.

Within the scope of the Research and Development Law No 5746 and Teknokent Law No 4691, TL 19.177 Thousand Corporate Tax advantage has been gained as of 1 January-31 March 2018 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 is 22% for the years 2018-2019 and 2020 and 20% for the next years 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 3.338 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 7<sup>th</sup> 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 7<sup>th</sup> Cooperation Framework Programmes, 4 projects have gone into effect in the years 2010 and 2011.

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 4.424 Thousand)

VAT exemption is applied in domestic and foreign purchases and customs tax exemption is used in foreign purchases. (TL 191.950 Thousand)

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

The Source of Incentives	Type of Advantage	31 March 2018 Amount (Thousand TL)
VAT Law umbered 3065	VAT Return	191.950
Research and Development Promotion Law numbered 5746	Income tax withholding, Insurance Premium, Stamp Tax	20.000
Research and Development Promotion Law numbered 5746 and Teknopark Law numbered 4691	Corporate Income Tax	19.177
Ministry of Economy Investment Incentive	VAT and Customs Duty Exemptions	4.424
Support Programme (TÜBİTAK 1003, 1501, 1511, 1509)	Monetary Support	3.338
Teknopark Law numbered 4691	Income tax withholding, Insurance Premium, Stamp Tax	2.978
<b>TOTAL</b>		<b>241.867</b>

**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 shows how much of total production capacity is used. It is calculated by dividing the realized production capacity (Realized personnel hours) to the potential production capacity (Number of personnel x 8,5 hours x work day). The capacity utilization for the period 1 January - 31 March 2018 was realized at the level of 103%. 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.

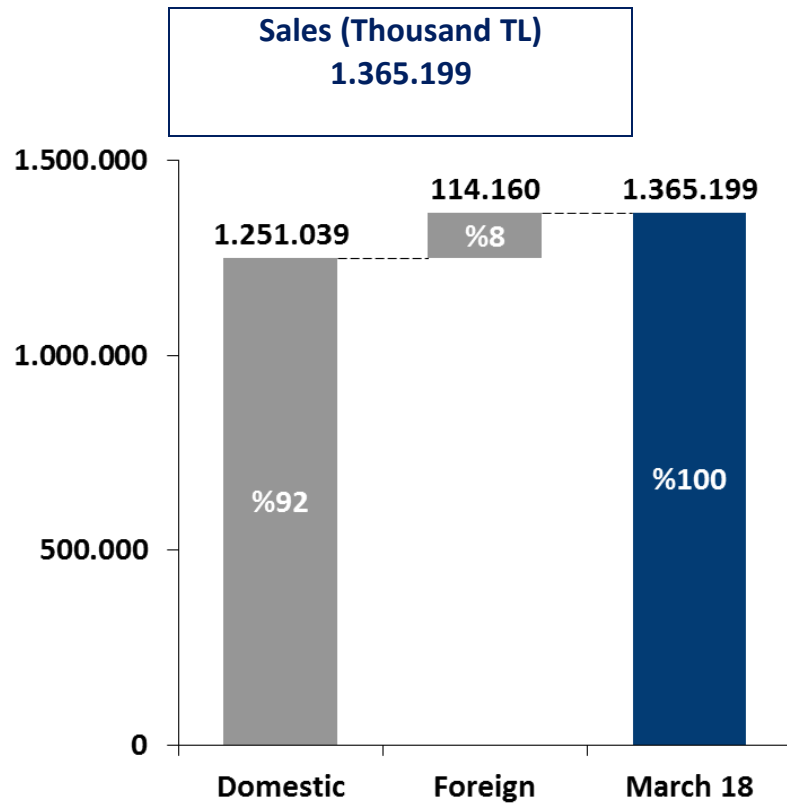
The production processes and resource planning have been managed more efficiently upon the usage of Enterprise Resource Planning System (ERPS).

**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 - 31 March 2018; TL 1.251.039 Thousand of this realized as domestic sales and TL 114.160 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 31 March 2018, 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 18%,

Adjusted EBITDA margin is 21% and Net Profit margin is 26%. At the end of the 1<sup>st</sup> Quarter, Return on Equity (ROE) is 30% and Average Net Working Capital/ Net Sales is 40%.

<b>BASIC RATIOS / CONSOLIDATED FINANCIAL STATEMENT</b>	<b>31 March 2018</b>	<b>31 December 2017</b>
Current Ratio (Acid-test)	1.7	1,6
Liquidity Ratio	0,7	0,8
Short Term Current Liabilities / Total Financial Liabilities	%91	%88
Total Financial Liabilities / Total Assets	%4	%5

<b>BASIC RATIOS / CONSOLIDATED BALANCE SHEET</b>	<b>31 March 2018</b>	<b>31 March 2017</b>
Gross Profit Margin	%24	%29
Operating Profit Margin (EBIT)	%18	%22
Adjusted EBITDA Margin	%21	%25
Net Profit Margin	%26	%32
Return On Equity (ROE)	%30	%32
Average Net Working Capital / Net Sales	%40	%41
Return on Assets (ROA)	%13	%13

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 whose are on duty

Changes in the top management within the period 1 January - 31 March 2018 and information regarding the ones on duty are given in the below table:

LIST OF UPPER MANAGEMENT IN SERVICE			
No	Name and Surname	Duty	Date of Appointment
1.	Haluk GÖRGÜN	Chairman/Executive Member of the Board of Directors/CEO	15.03.2017
2.	Mustafa Murat ŞEKER	Vice Chairman/Executive Member of the Board of Directors	15.05.2013
3.	Mehmet ARIK	Independent Member of the Board of Directors	02.04.2018
4.	Ercümend ARVAS	Independent Member of the Board of Directors	31.03.2016
5.	Bayram GENÇCAN	Member of the Board of Directors	15.03.2017
6.	İbrahim ÖZKOL	Independent Member of the Board of Directors	15.03.2017
7.	Ercan TOPACA	Member of the Board of Directors	15.03.2017
8.	Celal Sami TÜFEKÇİ	Member of the Board of Directors	02.04.2018
9.	Murat ÜÇÜNCÜ	Member of the Board of Directors	15.05.2013
10.	Okan Turan	CFO/Vice President (Financial Management)	04.01.2016
11.	Yavuz BAYIZ	Division CEO/Vice President (Communication & Information Technologies Business Sector)	01.09.2014
12.	Alper ÜNSOY	Division CEO/Vice President (Microelectronics, Guidance & Electro-Optics Business Sector)	25.05.2017
13.	Oğuz ŞENER	Division CEO/Vice President (Radar & Electronic Warfare Systems Business Sector)	01.09.2014
14.	Mustafa KAVAL	Division CEO/Vice President (Defense Systems Technologies Business Sector)	01.09.2014
15.	Hezarfen ORUÇ	Division CEO/Vice President (Support Services)	01.09.2014
16.	Mehmet ÇELİK	Division CEO/Vice President (R&D and Technology Management)	14.05.2017
17.	Hüseyin YAVUZ	Division CEO/Vice President (Human Resource Management)	01.09.2014
18.	İbrahim BEKAR	Division CEO/Vice President (Transportation, Security, Energy and Automation Systems)	12.02.2018
19.	Abdülkadir GÖKTAŞ	Internal Audit President	01.09.2014

## 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 31 March 2018 is TL 2.249 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 and Surname	Duty	Total Amount Paid Thousand TL (Wage and Health Insurance)
1.	Haluk GÖRGÜN	BOD Chairman/Executive Member	20
2.	Mustafa Murat ŞEKER	BOD Vice Chairman/Executive Member	14
3.	Ziya AKBAŞ	BOD Member	11
4.	Ercümend ARVAS	BOD Member	17
5.	Bayram GENÇCAN	BOD Member	11
6.	İbrahim ÖZKOL	BOD Member	18
7.	Emin Sami ÖRGÜÇ	BOD Member	11
8.	Ercan TOPACA	BOD Member	17
9.	Murat ÜÇÜNCÜ	BOD Member	11
10.	CEO/President and Vice Presidents	Higher Level Executives	1.007
<b>TOTAL</b>			<b>1.137</b>

**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 31 March 2018 is TL 298 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 58 people (38 with fixed term contract) as the personnel including fixed-term contracted personnel, disabled and terror-stricken personnel during the period 1 January - 31 March 2018 and the number of people quit for the same period is 69 (9 with fixed- term contracted).

The rights and benefits provided to the personnel by the Company are bonus payments, meal allowances, marriage benefits, maternity benefits, death allowances, transportation, private health insurance, childcare, and kindergarten benefits. The average number of personnel employed by the Group as of 31 March 2018 is 5.544.

There is no collective bargaining agreement in the Company.

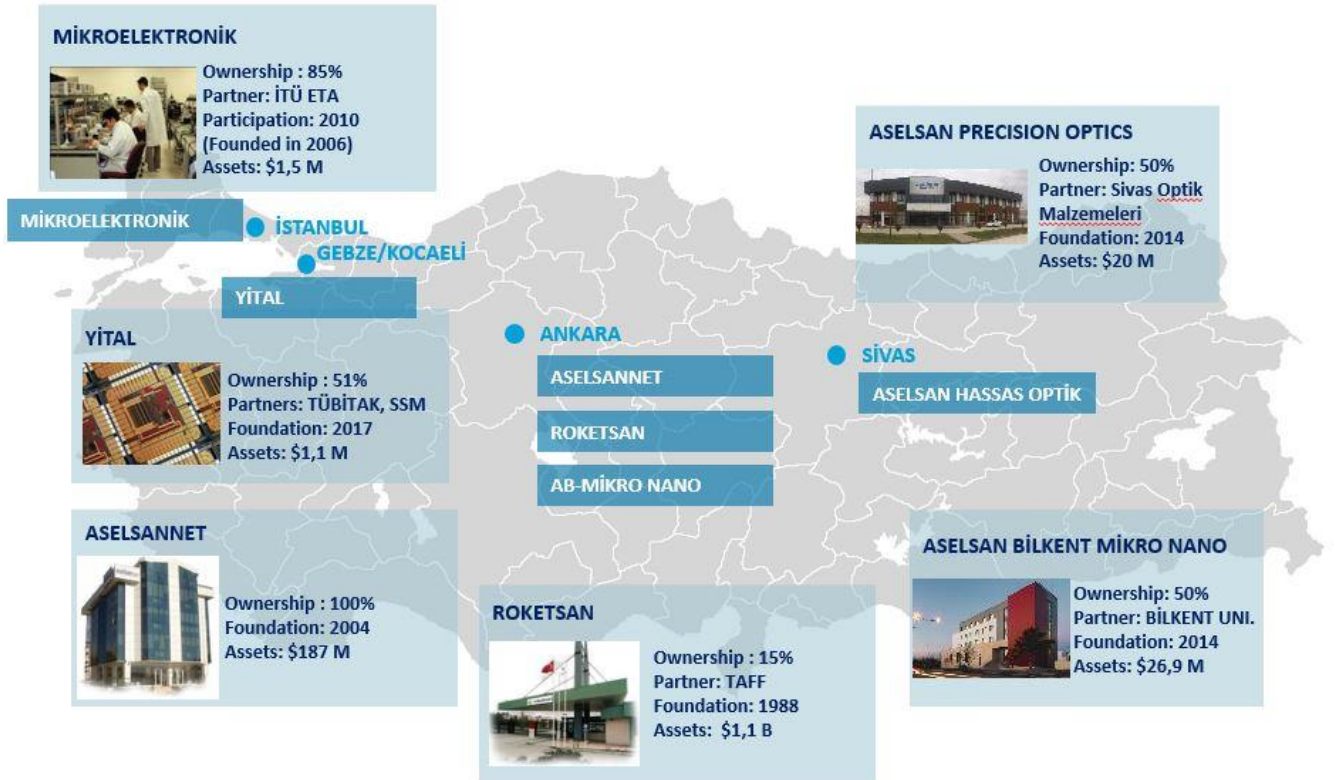
**26. Information regarding the donations within the year and social responsibility**

Within the period of 1 January 2017 - 31 March 2018, the Group donated TL 100 Thousand to Kartal Vakfı Genel Müdürlüğü 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 30.03.2018.

• Foreign Associates and Subsidiaries



Assets are given as of 30.03.2018.

**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 YITAL 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 Enterprise Risk Management and Internal Control Department, 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.

### 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 and investments valued by equity method, with their participation ratios and amounts are as follows:

Company	Main Activity Area	Share (%)	31 March 2018 (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	568.768
ASELSAN Kazakhstan	Manufacture, sale and technical service of electronic and electro-optical devices and systems	49	39.576
ASELSAN Jordan	Marketing sales and joint production of group products	49	12.736
SADEC LLC	Manufacture and sale of radar, electronic warfare and electrooptic products	50	8.173
ASELSAN Bilkent	Manufacture of micro and nano-sized devices containing semiconductors and similar technological materials	50	8.463
ASELSAN Optik	Precision optic technology	50	7.359
IGG ASELSAN	Production, integration, sales and technical service of high technology products	49	4.820
YİTAL A.Ş.	Production of micro and nano-sized devices containing semi-conductor and similar technological materials	51	2.197
ASPIİLSAN 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

### 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.

**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 31 March 2018 are summarized below:

Description	31 March 2018 (Thousand TL)
Ongoing lawsuits filed by the Group	1.025
Execution proceedings carried on by the Group	8.709
Lawsuits proceedings carried against the Group	8.222
Lawsuits finalized in favor of the Group within the period	40
Lawsuits finalized against the Group within the period	80

**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 Interim Financial Statements of 31 March 2018.



**ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş.**  
**SIGNATURE SECTION OF ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD**  
**BETWEEN 1 JANUARY – 31 MARCH 2018**

Haluk GÖRGÜN  
Chairman of the Board of  
Directors

Mustafa Murat ŞEKER  
Vice Chairman of the Board of  
Directors

Mehmet ARIK  
Member of the Board of  
Directors

Ercümend ARVAS  
Member of the Board of  
Directors

Bayram GENÇCAN  
Member of the Board of  
Directors

İbrahim ÖZKOL  
Member of the Board of  
Directors

Ercan TOPACA  
Member of the Board of  
Directors

Celal Sami TÜFEKÇİ  
Member of the Board of  
Directors

Murat ÜÇÜNCÜ  
Member of the Board of  
Directors