2012 Annual Report



aselsan

Reliable technology...

ASELSAN at a glance

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Maintaining its steady growth for 37 years, ASELSAN has reached such a high level as a result of the importance that it attaches to its qualified man power and R&D activities.

Educational Background



- 35% Graduate (Masters, Ph.D.)
- 33% Undergraduate
- 32% Others

USD 911 million

ASELSAN's turnover in 2012

USD 329 million

Total amount of resources allocated by ASELSAN to R&D in 2012

Corporate Profile

An institution that turns knowledge into power and trust

The Land, Naval and Air Forces Foundations were founded during 1970s with the donations of the Turkish people in order to cover Turkey's military defense needs through national means. ASELSAN became operational in 1975 under the Land Forces Foundation. Today, ASELSAN is an institution under the Turkish Armed Forces Foundation (TAFF). As underlined by the founders of ASELSAN during the foundation of the company, our basic strategy is to develop unique products and systems by making use of critical technologies.

Our Vision;

To become one of the top fifty defense industry companies in the world by creating values with customer oriented approach and state-of-the-art technology.

Our Mission;

To design and develop indigenous systems in the fields of defense electronics by using high-end technologies surpassing customer expectations, to utilize our accumulated know-how for commercial applications, and to increase the value of our assets and resources.

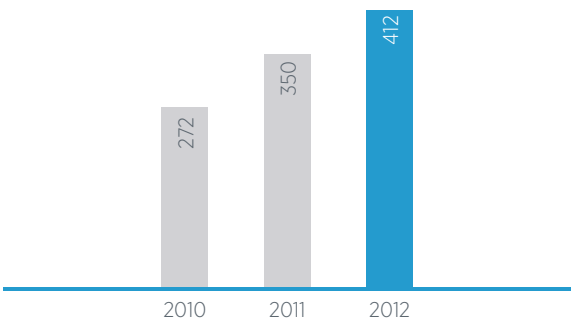
Our Values;

Customer Oriented
Dynamic
Effective
Innovative
Modest
Socially and Environmentally Aware
Reliable
Team Spirit
Work Discipline

Financial Highlights

SUMMARY BALANCE SHEET (TL MILLION)	2010	2011	2012
Fixed Assets	272	350	412
Intangible Assets	113	172	298
Total Assets	2,273	2,392	3,324
Total Shareholders' Equity	885	1,019	1,266

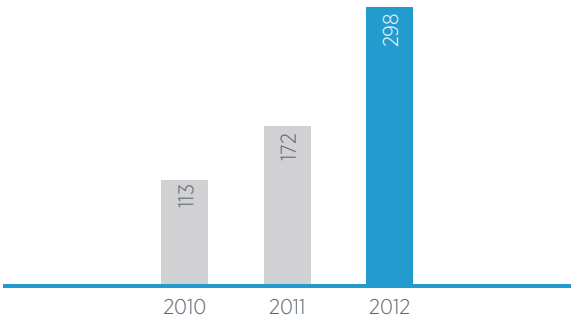
Fixed Assets (TL million)



17.7%

Increase in Fixed Assets

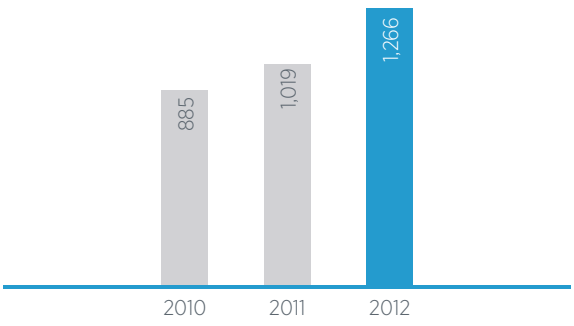
Intangible Assets (TL million)



73.2%

Increase in Intangible Assets

Total Shareholders' Equity (TL million)



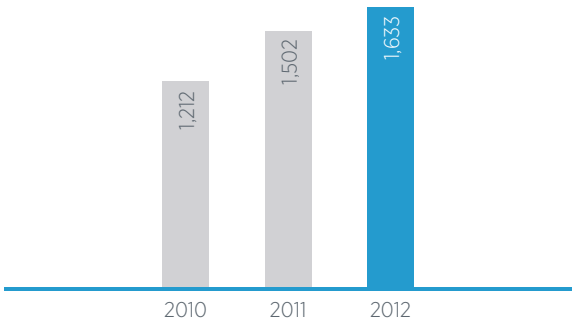
24.2%

Increase in Total Shareholders' Equity

SUMMARY INCOME STATEMENT (TL MILLION)	2010	2011	2012
Net Sales	1,212	1,502	1,633
Operating Profit	183	234	203
Net Profit for the Period	227	161	293

	2010	2011	2012
R&D Expenses	378	447	581

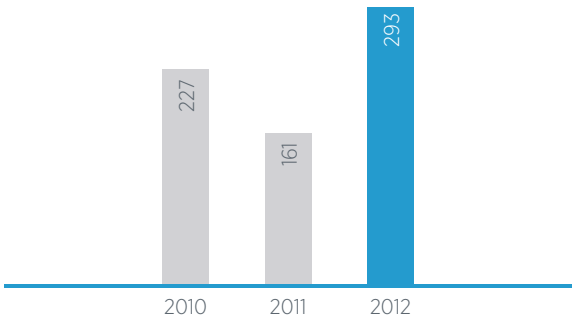
Net Sales (TL million)



8.7%

Increase in Net Sales

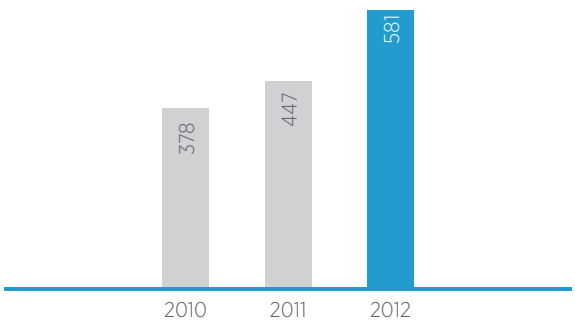
Net Profit for the Period (TL million)



81.9%

Increase in Net Profit for the Period

R&D Expenses (TL million)



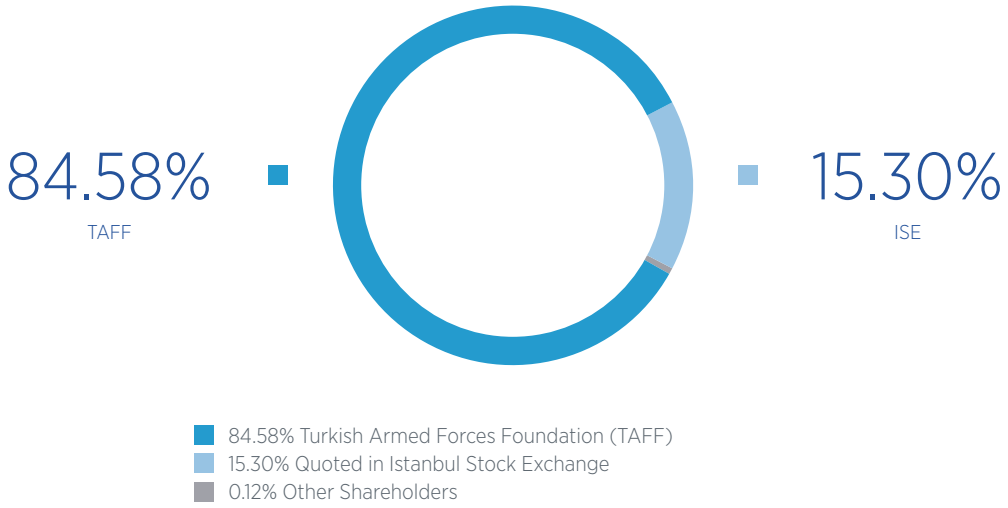
30%

Increase in R&D Expenses

Our Shareholders

	SHARE AMOUNT (TL)	SHARE (%)
TURKISH ARMED FORCES FOUNDATION	422,912,812.23	84.58
QUOTED IN STOCK EXCHANGE	76,509,342.32	15.30
OTHER SHAREHOLDERS	577,845.45	0.12
TOTAL	500,000,000.00	100.00

Our Shareholders



Associates and Subsidiaries

SUBSIDIARIES	SHARE AMOUNT		SHARE (%)
ASELSAN BAKU	1,735,212	USD	100.000
MİKES A.Ş.	37,578,450	TL	96.355
ASELSANNET LTD. ŞTİ.	950,000	TL	95.000
MİKROELEKTRONİK LTD. ŞTİ.	55,250	TL	85.000
IGG ASELSAN INTEGRATED SYSTEMS LLC	98,000	UAE Dirham	49.000
KAZAKHSTAN ASELSAN ENGINEERING LLP	34,300,000	KAZAKHSTAN Tenge	49.000
ASELSAN MIDDLE EAST PSC. LTD.	980,000	JORDAN Dinar	49.000
ROKETSAN A.Ş.	21,906,223	TL	14.897
ASPİLSAN A.Ş.	56,000	TL	1.000
HEAŞ A.Ş.	26,000	TL	0.051

Local Affiliates

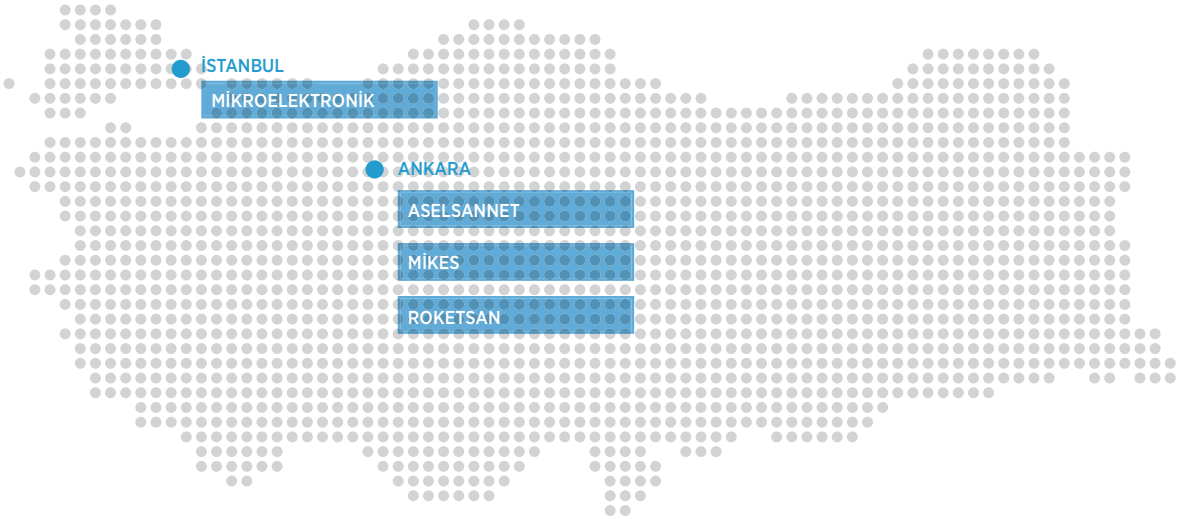
We attach importance to partnerships and strategic collaborations that strengthen our presence in line with our growth strategy.

ROKETSAN
ROKETSAN was founded in 1988 with the purpose of producing all types of missiles, rockets, rocket launchers and rocket fuel, as well as engines, warheads and other components and producing, marketing and selling all types of military and professional products and their components. ASELSAN owns 14.897% of the company's shares.

MİKES
Founded in 1987, MİKES specializes in the design, development and production of professional and military electronic equipment, in particular combat aircraft electronic warfare self-protection systems. ASELSAN owns 96.355% of the company's shares.

ASELSANNET
AselsanNet was founded in 2006 with ASELSAN holding 95% of the shares to provide professional institutions and agencies with electronics and communication solutions. Since 2009, it has been also involved in the turnkey delivery and installation of communication system infrastructure.

MİKROELEKTRONİK
In 2010, ASELSAN became a shareholder of the company, holding 85% of the shares. The company is founded to design and develop complete full circuits and electronic systems.



Global Affiliates

In 2011, ASELSAN established joint ventures in the United Arab Emirates and Kazakhstan and opened a branch in South Africa. In 2012, ASELSAN completed the establishment of a joint venture in Jordan.

ASELSAN-BAKU
Baku - Azerbaijan
ASELSAN is the sole shareholder of the company. It was founded in 1998 to carry out promotion/marketing and sales activities for military and professional communication equipment.

IGG ASELSAN INTEGRATED SYSTEMS
Abu Dhabi - UAE
The company was founded in 2011 to produce, test and integrate ASELSAN products in the United Arab Emirates (UAE), and to sell these products to Gulf countries, particularly the UAE, and to provide after sales support. ASELSAN holds 49% of the company's shares.

KAZAKHSTAN ASELSAN ENGINEERING
Astana - Kazakhstan
The company was established in 2011 to produce and develop electronics systems and to carry out the necessary repair-maintenance work with the aim of meeting Kazakhstan's military and professional needs. ASELSAN holds 49% of the company's shares.

ASELSAN MIDDLE EAST
Amman - Jordan
The company was established in 2012 in order to produce night vision devices for the Jordanian Armed Forces. ASELSAN holds 49% of the company's shares.

ASELSAN SOUTH AFRICA Branch
Pretoria - Republic of South Africa
The branch was founded in 2011 for the design of electro-optic systems, and the promotion/marketing of ASELSAN products in South Africa and the other countries in the region.



In 5 countries

Our global affiliates

Facilities in Turkey

A wider infrastructure with our nationwide facilities

Macunköy Facilities
The Macunköy Facilities are located on a 186,000 m² plot of land, of which 110,000 m² is enclosed. The General Management, Communication and Information Technologies Division, Defense Systems Technologies Division and Radar, Electronic Warfare and Intelligence Systems Division carry out their operations at the ASELSAN Macunköy Facilities.

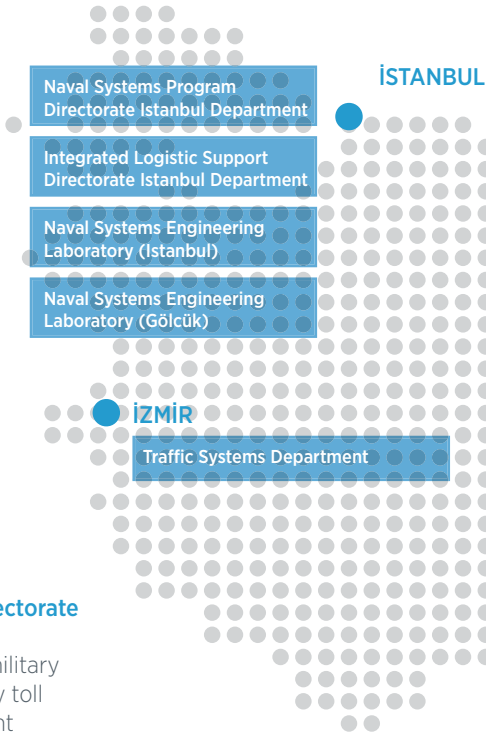
Akyurt Facilities
The Akyurt Facilities are located on a total land area of 231,000 m² with 54,000m² of indoor area. The Microelectronic Guidance and Electro-Optics Division operate in the ASELSAN Akyurt Facilities.

Gölbaşı Facilities (*)
The Ankara Gölbaşı Facilities are currently under construction. The new facilities will carry out various activities on radar and electronic warfare systems for land, air, naval, space as well as unmanned platforms.

Middle East Technical University (METU) Technopolis Facility
The R&D activities of the Communication and Information Technologies Division are carried out in the Technopolis Facility located in the METU campus.

Traffic Systems Department
The department located at a facility with the İzmir Atatürk Organized Industrial Zone was founded to carry out business development, protect management and R&D activities in the area of intelligent transportation systems.

Naval Systems Program Directorate Istanbul Department
Naval Systems Program Directorate Istanbul Department was established in Tuzla in 2008. The facility serves as a liaison office for the Naval Forces Command and civilian shipyards on naval systems projects and is also used for ASELSAN's engineering teams.



Integrated Logistic Support Directorate Istanbul Department
The facility supports ASELSAN military systems in the region, particularly toll collection and traffic management systems. The facility primarily provides design/product support.

Naval Systems Engineering Laboratory (Istanbul)
Naval Systems Engineering Laboratory (Istanbul) is hosting a team of engineers tasked for naval projects.

Naval Systems Engineering Laboratory (Gölcük)
Naval Systems Engineering Laboratory (Gölcük) was founded in 2011. The facility is used by naval projects engineering teams.

* With its construction works launched in 2012, the first phase of the facilities is targeted to be completed in 2014.



110,000

Indoor area of the Macunköy Facilities (m^2)

54,000

Indoor area of the Akyurt Facilities (m^2)

76,000

Indoor area of the Gölbaşı Facilities (m^2)

Ankara Facilities

Views from our Ankara Facilities



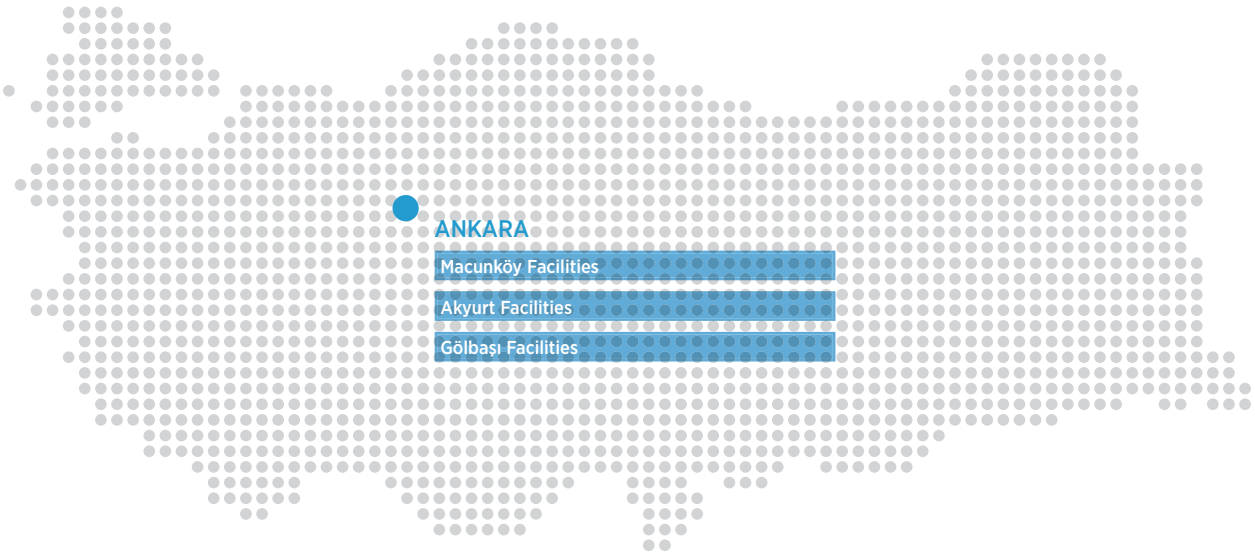
Macunköy Facilities

Gölbaşı Facilities

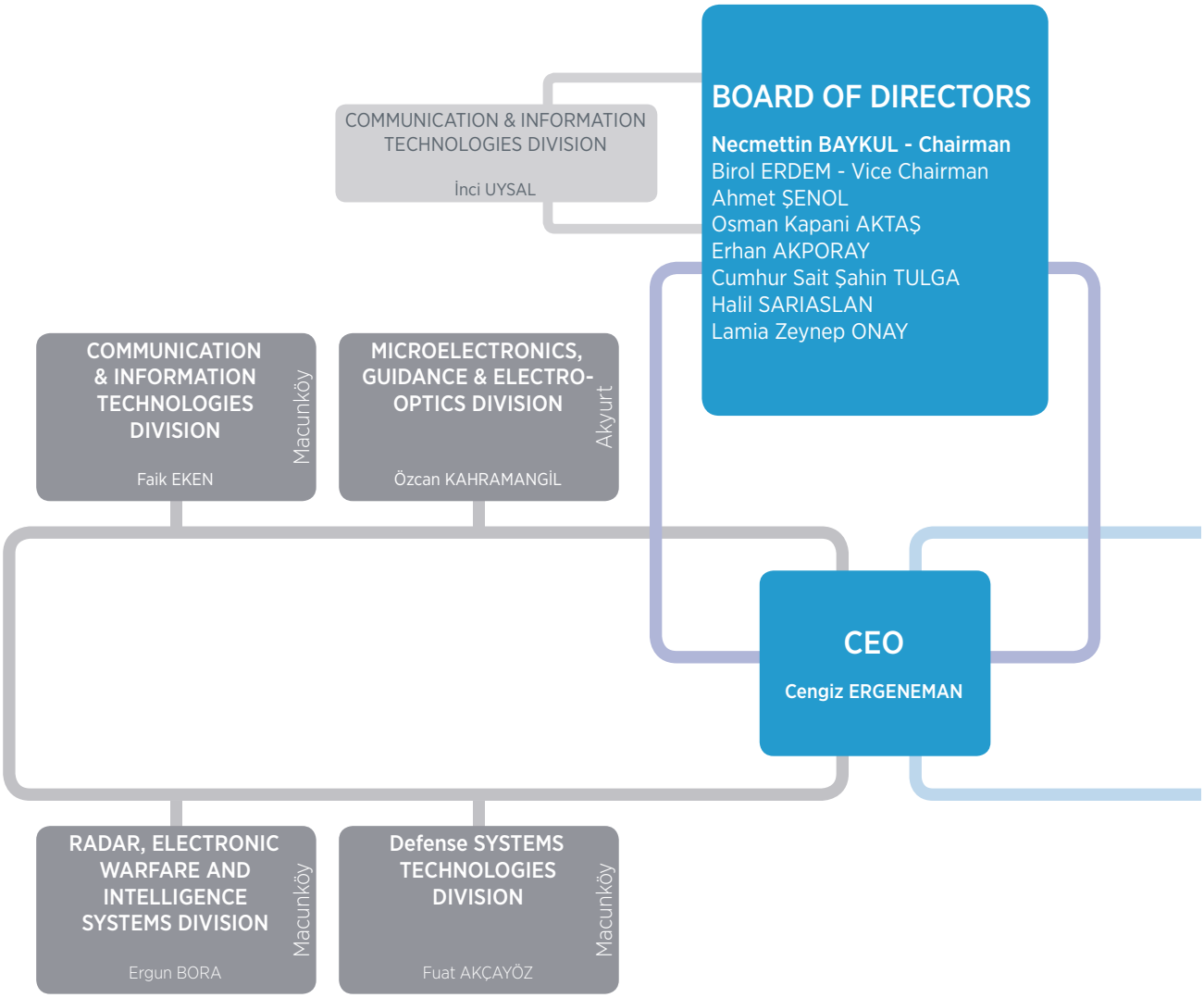


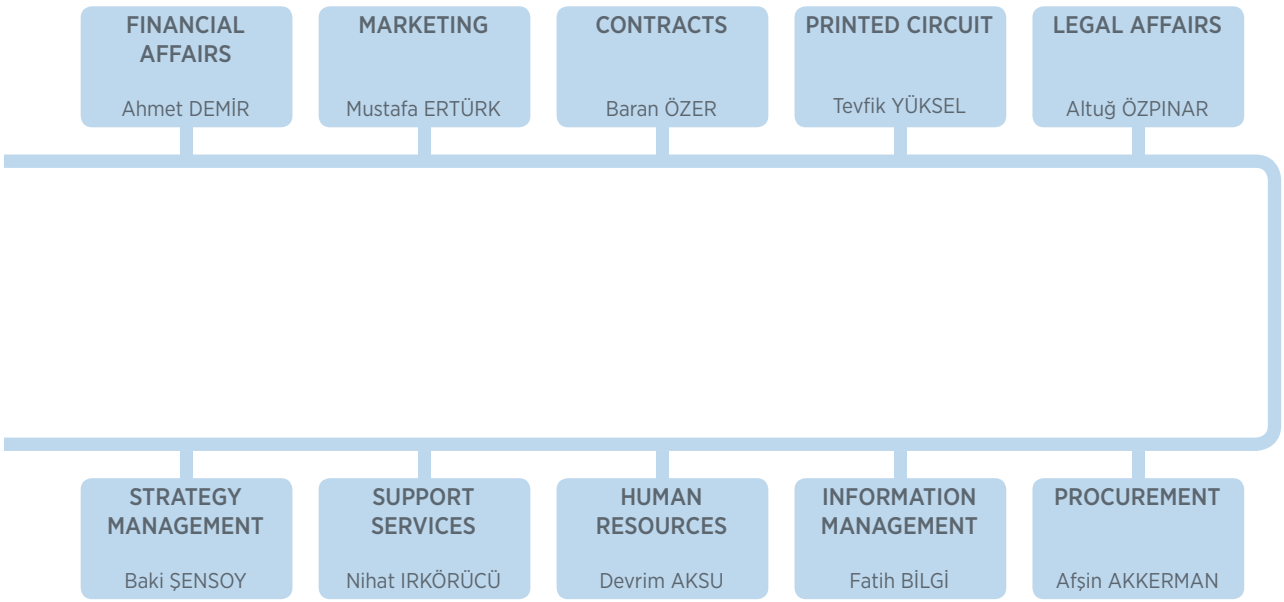


Akyurt Facilities



Organization




FINANCIAL AFFAIRS
Ahmet DEMİR
MARKETING
Mustafa ERTÜRK
CONTRACTS
Baran ÖZER
PRINTED CIRCUIT
Tevfik YÜKSEL
LEGAL AFFAIRS
Altuğ ÖZPINAR
STRATEGY MANAGEMENT
Baki ŞENSOY
SUPPORT SERVICES
Nihat IRKÖRÜCÜ
HUMAN RESOURCES
Devrim AKSU
INFORMATION MANAGEMENT
Fatih BİLGİ
PROCUREMENT
Afşin AKKERMAN

Fields of Activities

ASELSAN a highly capable and deeply rooted institution that turns R&D activities into products, operates under four divisions.



Communication and Information Technologies Division

As ASELSAN's initial line of business, Communications and Information Technologies Division was tasked to produce tactical military radios. Having proven its competence by producing the only Software Defined Networking Radio with the capability to perform all of the functions defined by NATO, this division has placed ASELSAN among the top companies worldwide in the field of radio communications.

Fields of Activities:

- Military Communication Systems
- Public Safety Communication Systems
- Satellite, Avionic and Naval Communication Systems
- Encryption and Information Security Systems



Microelectronics, Guidance & Electro-Optics Division

Having started its operations early in the 1990s with micro-electronic production, this division soon became Turkey's electro-optics center. Taking important strides in R&D activities, the division now operates in the fields of avionics, flight management, navigation and guidance systems and other various areas of defense electronics.

Fields of Activities:

- Electro-Optic Systems
- Avionic Systems
- Navigation and Guidance Systems
- Naval Combat Systems





Defense Systems Technologies Division

With its expertise in systems engineering, the Defense Technologies Division offers customers a broad range of products and sophisticated system solutions for modern platforms, such as command control, air defense systems, naval systems, underwater acoustic systems as well as systems integration.

Fields of Activities:

- Command, Control, Communications, Computers and Intelligence Systems
- Weapon Systems
- Naval Combat Systems
- Unmanned Systems
- Coastal and Border Security Systems
- Intelligent Transportation Systems
- Air and Missile Defense Systems

Radar, Electronic Warfare and Intelligence Systems Division

As Turkey's Radar and EW center, the division will soon be one of Europe's three largest microwave module producers with its prospective facilities.

Fields of Activities:

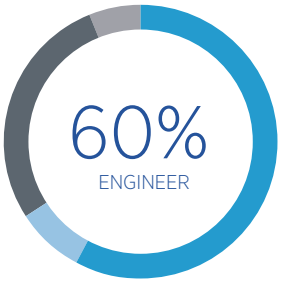
- Radar Systems
- Electronic Warfare Systems



Human Resources

ASELSAN pursues a management style in which it recruits successful and dynamic talents in line with its vision, contributes to its sustainable achievements and creates added values through employee-oriented approaches.

Number of Personnel 4,297



- 60% Engineer
- 8% Other Faculties
- 26% Technician
- 6% Other

R&D Activities

By underlining the concept of "technology" in its vision, ASELSAN has adopted the principle of "becoming one of the world's top 50 defense corporations by continuously producing value with customer-oriented approach and its employees ". The company considers R&D activities as an important instrument in achieving its target. Besides the R&D activities that it has performed in accordance with its contractual liabilities, ASELSAN also allocates an average of 7% of its annual turnover to R&D activities, which are financed internally.

2012 Consolidated R&D Expenditures (USD, million)

R&D Expenditures Financed from Internal Resources	85
R&D Expenditures Financed from External Resources	244
Total R&D Expenditures	329

Cooperation between Universities and the Industrial Sector

Universities are one of the most important stakeholders of defense companies whose primary capital is qualified man power. Universities offer an increasing contribution to the industry's technology development activities.

Since 2009, ASELSAN has collaborated with 20 universities in 167 projects worth a total of USD 113 million.

20

Number of universities that ASELSAN has cooperated with

167

Total number of projects

USD 113 million

The total value of the projects supported

Collaboration with the Subsidiary Industry

ASELSAN considers Small and Mid-Sized Enterprises (SMEs) and companies in the subsidiary industry as its business partners. Through the work carried out in 2012, ASELSAN paid a total of USD 210 million to 400 domestic subcontractors, 329 of which were SMEs.

400

Total number of domestic subcontractors (including SMEs)

USD 210 million

Total amount of payments made by ASELSAN to the subsidiary industry in 2012

Company Rankings in 2012

ASELSAN continues to compete in the same arena as the world's big players in line with the principles of technological superiority and efficiency.

DEFENSE NEWS -TOP 100 (DEFENSE TURNOVER) – WORLD RANKING	76
ISTANBUL CHAMBER OF INDUSTRY 500 (NET ASSETS)	16
ISTANBUL CHAMBER OF INDUSTRY 500 (PROFIT FOR THE PERIOD)	29
ISTANBUL CHAMBER OF INDUSTRY 500 (SALES FROM PRODUCTION)	42
SOCIAL SECURITY INSTITUTION – ANKARA (NO INFORMAL EMPLOYMENT, NO PREMIUM DEBT, THE HIGHEST AMOUNT OF PREMIUMS PAID)	1
FORTUNE 500 (TURKEY)	69
CAPITAL 500 (TURKEY)	79
BRAND FINANCE (TURKEY)	35
SUPER BRANDS (ASELSAN IS ONE OF TURKEY'S MOST VALUABLE BRANDS)	

76

DEFENSE NEWS -TOP 100 (DEFENSE TURNOVER) – WORLD RANKING

16

ISTANBUL CHAMBER OF INDUSTRY 500 (NET ASSETS)

1

SOCIAL SECURITY INSTITUTION – ANKARA

Quality Systems Standards

ASELSAN aims to maximize customer satisfaction, manages feedbacks in an effective way, makes deliveries on time and establishes a quality management system targeting at continuous improvement.

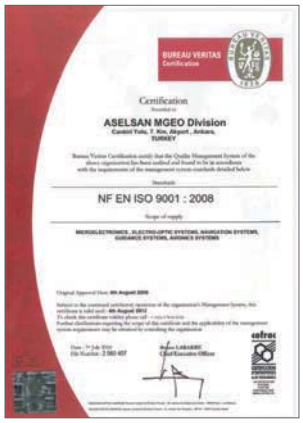
CMMI Level-III



AS 9100 (B, C)



ISO 9001:2008



AQAP-160



AQAP-2210



AQAP-2110



ISO 17025



OHSAS 18001



ISO 14001



Exports

2012 was a year in which ASELSAN has taken firm steps towards its target to rank among the top 50 companies in the global defense industry. It is a significant achievement for ASELSAN, which has exported to a total of 45 countries, to sign new contracts worth USD 205 million in total and to receive new orders in foreign markets in 2012.



45

Number of countries that ASELSAN exports to

USD 205 million

Total amount of orders received from abroad in 2012



Beyond time...

One of the leading global actors in the defense industry, ASELSAN continues to grow with its pioneering value added products.

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Management
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- Corporate Governance
- Message from the CEO
- Executive Board
- Economy and Defense
- Strategy and Marketing

In 2012...
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- Highlights from R&D activities in 2012
- Awards in 2012

Fields of Activities
- Military Communication Systems
- Public Safety Communication Systems
- Satellite, Avionic and Naval Communications Systems
- Encryption and Information Security Systems
- Electro-Optic Systems
- Avionic Systems
- Naval Systems
- Air and Missile Defense Systems
- Command, Control, Communications, Computer and Intelligence System (C4I)
- Weapon Systems
- Unmanned Systems
- Coastal and Border Security Systems
- Radar Systems
- Electronic Warfare Systems
- Intelligent Transportation Systems

Sustainability
- Sustainability for ASELSAN
- Strategic Management
- R&D, Innovation and Technology
- Human Resources
- Risk Management
- Quality Management
- Efficiency
- Employees and Social Responsibility
- Environmental Management, Occupational Health and Safety

Financial Information
- Consolidated Balance Sheet
- Consolidated Income Statement
- Consolidated Income Statement
- Consolidated Statement of Changes in Equity
- Consolidated Statement of Cash Flow

Message from the Chairman

ASELSAN continues to grow in the global defense industry, thanks to its extensive technological expertise, R&D strength and production competencies.

We reached USD 911 million in revenues and USD 152 million in exports.



Necmettin BAYKUL
Chairman of the Board of Directors

Dear Shareholders,

A general consensus has emerged that the world economy will not demonstrate strong growth in the short term, while periodic volatility could be seen until the dynamics of developed countries reach a healthy balance.

On the other hand, the Turkish economy concluded 2012 with growth and continued to positively decouple from other emerging markets. During this period, defense spending in regions such as the Middle East, the Gulf and the Caspian, which are very important in our operations, maintained their rapid upward trend.

ASELSAN's net profit rose by 82% in 2012

ASELSAN's total consolidated sales reached USD 911 million in 2012. The total volume of our contract-based businesses for the coming period is around USD 4 billion.

In 2012, ASELSAN's internal resources reached TL 1.27 billion, while its gross profit and net profit amounted to TL 392 million and TL 293 million, respectively. In the light of these results, the Company achieved a 9% return on assets and a 23% return on internal resources in 2012. Our performance this year created significant reserves and an important source of strength for us to implement our future-oriented investment and growth plans.

ASELSAN, which has also attracted a considerable amount of interest from international institutional investors, was one of the companies to be listed in the Istanbul Stock Exchange (ISE) 30 index, and offered one of the highest yields to investors; ASELSAN's share price surged by 125% in 2012.

In the strategically important defense industry, our country is now in the same league with the world's leading countries. With our unique products, we, at ASELSAN, compete with global firms in the world defense market.

ASELSAN entered the global league with firm steps thanks to its extensive technological expertise, R&D strength and production competencies, ranking 76th in the league of global defense industry companies.

Our primary targets in supporting ASELSAN's progress are customer diversification and, in the first stage, raising the share of exports in our total sales to 25%, To this end, I am delighted to express that the number of countries - including the United Nations Peacekeeping Force - which we sell our products to has increased to 45, while our exports reached USD 152 million in 2012.

Considering that high volume purchases and international collaborations are made on a platform basis in the world, the ability of domestic platform manufacturers to enrich their product portfolios and establish strong collaborations in platform electronics in Turkey will be of key importance in achieving export growth.

ASELSAN is determined to achieve multi-directional expansion of its operations in the Middle East-Gulf, the Caspian, Central Asia and the Asia-Pacific, which are its target regions. In addition to carrying out direct sales to a number of countries in these regions, ASELSAN also aims to carry out joint production activities with local corporations and institutions in the region through transfer of technology. Offering tailored technological products and systems, ASELSAN will rise in the international league, thus strengthening its identity as a leading global company in its region.

A target of sustainable and profitable growth

Under the current conditions, it is important to maintain sustainable growth and profitability through sound and long-term strategy management and also by making use of the cyclical structure of the defense industry.

The main topics on our agenda in 2013 will be to increase efficiency in order to ensure sustainable growth, to expand our product range in our existing fields of activities, to focus on new areas of activity, to raise the share of exports in our total sales, to further exploit our know-how in civil areas, to enable the continuity of our investments and to pursue investment opportunities abroad.

ASELSAN's achievements are a result of its strategy, which is based on its competent human resources, visionary management, and long-term point of view.

With the strength that these circumstances provide us, we move forward with dynamism and determination. Within the scope of its corporate targets, ASELSAN will continue to progress and grow sustainably by producing added value for everyone.

On behalf of myself and our Board of Directors, I would like to take this opportunity to extend my thanks to all of our shareholders.

Yours sincerely,



Necmettin BAYKUL
Chairman of the Board of Directors

Board of Directors and Auditors


1


2


3


4


5

1- Necmettin BAYKUL
Chairman of the Board of Directors and Managing Member

Born in 1951 - After retiring from the Turkish Armed Forces in 2009, he was elected as a Board member in ASELSAN on March 30th, 2010. He served as the Vice Chairman of the Board of Directors in ASELSAN between March 30th, 2010 and May 15th, 2012. He was elected as the Chairman on May 16th, 2012.

2- Birol ERDEM
Vice Chairman of the Board of Directors and Managing Member

Born in 1957 - After retiring from the Turkish Armed Forces in 2009, he was elected as a Board member in ASELSAN on March 30th, 2010. He served as a Board member in ASELSAN between March 30th, 2010 and May 15th, 2012. He was elected as the Vice Chairman on May 16th, 2012. Mr. Birol ERDEM is also a member of the Early Detection and Management of Risk Committee.

4- Osman Kapani AKTAŞ
Member of the Board of Directors

Born in 1950 - After retiring from the Turkish Armed Forces in 2009, he was elected as a Board member in ASELSAN on March 30th, 2010. Mr. Osman Kapani AKTAŞ is also a member of the Corporate Governance Committee.

3- Ahmet ŞENOL
Member of the Board of Directors

Born in 1952 - After retiring from the Turkish Armed Forces in 2006, he was elected as a Board member in ASELSAN on March 30th, 2007. Mr. Ahmet ŞENOL has also been serving as the President of the Foundation Services Group at the Turkish Armed Forces Foundation (TAFF) General Directorate since March 2009. Mr. Ahmet ŞENOL is also currently a member of the Corporate Governance Committee.

5- Erhan AKPORAY
Member of the Board of Directors

Born in 1959 - After retiring from the Turkish Armed Forces in 2010, he was elected as a Board member in ASELSAN on March 31st, 2011. Mr. Erhan AKPORAY is also a member of the Corporate Governance Committee and a member of the Early Detection and Management of Risk Committee.


6


7


8


9


10


11

6- Cumhur Sait Şahin TULGA
Member of the Board of Directors
(Independent)

Born in 1953 - Mr. Sait Şahin TULGA, who is the founding partner and the director of the Mentoro Limited Company, was elected as a Board member in ASELSAN on March 30th, 2012. Mr. Sait Şahin TULGA is the chairman of the Corporate Governance Committee and a member of the Audit Committee.

9- Mehmet TİMUR
Member of the Board of Auditors

Born in 1941 - Mr. TİMUR graduated from the Ankara Academy of Economics and Commercial Sciences in 1966. He served as a Board member and as a general accountant at the Union of Chambers of Certified Public Accountants and Sworn-in Certified Public Accountants of Turkey between the years 1996-2000. He has been a member of the Board of Auditors of ASELSAN since 2001.

7- Prof. Dr. Halil SARIASLAN
Member of the Board of Directors
(Independent)

Born in 1949 - Having received his professor title in 1988, Prof. Dr. Halil SARIASLAN was elected as a Board member in ASELSAN on March30th, 2012. Prof. Dr. Halil SARIASLAN is also the Chairman of the Audit Committee.

10- İsmail DİKMEN
Member of the Board of Auditors

Born in 1953 - After retiring from the Turkish Armed Forces in 2009, he was elected as a member of the Board of Auditors in ASELSAN on March 30th, 2010.

8- Assistant Prof. Dr. Lamia Zeynep ONAY
Member of the Board of Directors
(Independent)

Born in 1959 - Having completed her doctorate in 1985, Assistant Prof. Dr. Lamia Zeynep ONAY was elected as a Board member on March 30th, 2012. Assistant Prof. Dr. Lamia Zeynep ONAY is also a member of the Audit Committee and the Chairman of the Early Detection and Management of Risk Committee.

11- Ali Rıza DADAŞ
Member of the Board of Auditors

Born in 1958 - After retiring from the Turkish Armed Forces in 2010, he was elected as a member of the Board of Auditors in ASELSAN on March 31st, 2011.

Corporate Governance

A company that turns power and trust into institutional knowledge

Full compliance with the law and regulations

For ASELSAN, full compliance with the law and corporate governance principles constitutes:

- A source of strength in its sustainable performance,
- The framework of ethical and honest competition and
- The basic instrument to balance and protect stakeholder benefits.

Acting upon on these pillars, ASELSAN considers full compliance with the law and principles of corporate governance as a basic instrument in the execution of the production and trade processes with a responsible approach.

ASELSAN's corporate target is to continuously cement its reputation, brand strength and prestige in the market. The way of doing this is to ensure full compliance with the law and regulations, as well as ethical standards. Contributing to the community, the environment and social life is a complementary element in the path to success.

At ASELSAN, there are policies, procedures, processes and risk management principles that were clearly defined for the Company's products and services, as well as in its fields of activities. By ensuring efficient use of its IT infrastructure, ASELSAN enables the adoption of its policies, procedures and systems by all of its employees in its service cycle, the realization of all of its management reporting functions the most efficient manner and the complete execution of its internal and external auditing functions.

ASELSAN'S CORPORATE GOVERNANCE STRUCTURE

ASELSAN's Board of Directors

ASELSAN's Board of Directors comprises of nine members. The number of Board members is sufficient to ensure the effective organization of the Company's operations. Three independent members serve on the Board. There are no executive members on the Board.

When fulfilling its decision making function, ASELSAN's Board of Directors acts based on the following foundations:

- To allow the Company to continue its operations in line with its mission and vision and to maximize its market value;
- To conduct the Company's operations in such a manner that shareholders achieve earnings for a sustained period and in a steady manner; and
- To protect the sensitive balance between shareholders and the Company's sustainable growth.

The Company's strategic targets are determined by senior managers by taking the following into account:

- competition conditions,
- general economic conjuncture, and
- expectations in the national and international markets

Strategic targets, which are submitted to the Board of Directors for their opinion and approval, are negotiated in detail. Developments with respect to the strategies and targets that were deemed fit and approved by the Board are evaluated in subsequent Board meetings, where the necessary revisions to strategies are formulated.

ASELSAN's CEO and Senior Management

At ASELSAN, the CEO is fully authorized and responsible for conducting and coordinating the daily procedures. Four Division CEOs and the CFO, each of whom is responsible for a determined area of business, as well as 35 Directors, are employed in the Company. The CEO, Division CEOs, the CFO and directors form ASELSAN's senior management.

COMMITTEES AT ASELSAN

There are three committees at ASELSAN, which were formed by the Board of Directors in accordance with the Capital Markets Board's Principles of Corporate Governance:

- Audit Committee
- Corporate Governance Committee
- Early Detection and Management of Risk Committee

COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

ASELSAN aims to achieve continuous and full compliance with the Principles of Corporate Governance, as required by the Capital Markets Board (CMB) in Turkey. The Company prepares the "Compliance with the Principles Corporate Governance" Declaration within the framework of the CMB.

CORPORATE GOVERNANCE RATING

In 2012, ASELSAN participated in the corporate governance rating process, which was open to all companies, whether or not they are listed on the ISE, in order to register its compliance with the corporate governance principles. ASELSAN received 8.77 points in the corporate governance rating process carried out by a rating agency authorized by the CMB, which is the second best initial rating.

2

ASELSAN achieved to get the second best initial rating among the companies that received corporate governance rating in Turkey.

Message from the CEO

2012 was a year in which ASELSAN took important strategic initiatives and carried out new investments.

In 2012, we allocated USD 329 million to our R&D projects



Cengiz ERGENEMAN
CEO

ASELSAN aims to rank among the top 50 companies in the global defense industry

In order to grow in such a competitive sector, it is crucial to establish a sustainable growth strategy strongly supported by R&D which would further enhance technological know-how.

In this context, we have progressed steadily in line with our vision to rank among the top 50 companies in the defense industry. Moreover, we rapidly undertake our investments, which are required for the operations that we carry out in line with our vision and which would allow us to be in new markets.

ASELSAN: A company growing with innovative approaches

Founded with the mission of meeting the requirements of Turkish Armed Forces, ASELSAN has accelerated its growth by expanding its product range over time. R&D activities are extremely important in ensuring the sustainability of this success; the amount that we allocate from our internal resources to R&D activity has exceeded our target of 7% of turnover. With the inclusion of contracted R&D projects, this ratio increases to 36%, with a total of USD 329 million.

Besides organic growth, our Company has maintained its development through inorganic growth in line with its target of progress on a global scale.

Having undertaken its first international investment in Azerbaijan in 1998, ASELSAN's international activities gained momentum with the establishment of joint venture companies in Kazakhstan and the United Arab Emirates and a branch in South Africa in 2011. We also recently established a new joint venture company in Jordan in 2012.

We aim to complete the first phase of our Gölbaşı facilities investment in 2014

Our Gölbaşı Facilities are currently under construction, situated on a 35 hectare area in Ankara. Within the scope of our growth strategy, we accelerated our efforts with respect to the Gölbaşı Facilities in 2012. As one of Europe's largest production facilities of microwave modules, this investment, when completed, will offer a superior technological center for our activities in the fields of radar and electronic warfare.

Once our radar and electronic warfare departments are relocated to our Gölbaşı Facilities, the additional area requirements of other departments will also be met, while the enlargement of our physical area will substantially support our overall performance.

ASELSAN grows with its subcontractors.

ASELSAN works in collaboration with a number of SMEs. Contributing to employment and the use of high technology by broader masses of people, ASELSAN supports SMEs and their subcontractors in all areas. Moreover, ASELSAN considers SMEs and their subcontractors as its strategic partners, and supports their sectoral development accordingly. ASELSAN paid a total of USD 210 million to 400 domestic subcontractors for work carried out in 2012, with 329 of these subcontractors being SMEs. We think the cooperation which we have built with SMEs also represents a model for Turkey's sustainable development and we are therefore determined to increase our business volume in this area.

Universities are ASELSAN's natural business partners

Universities are one of the most important stakeholders of defense companies, whose primary capital is qualified man power. Working in close cooperation with universities, ASELSAN carries out joint projects with 20 universities. Since 2009, these 20 universities conducted 167 projects worth a total of USD 113 million.

ASELSAN not only hires successful graduates from leading universities, but also goes to great lengths to raise the bar of our national academic environment to the highest level. By providing non-refundable scholarships, we seek to support academics and ensure they serve as scientists. In the name of technological development, ASELSAN considers cooperation with universities as a precious area in the long term and is determined to support it.

We continue the marathon in line with Turkey's Vision 2023

Thanks to its extensive technological expertise and the difference it makes, our Company will continue to provide maximum contribution to our national targets in a number of areas, from defense electronics required by our country to Turkey's export targets. Moreover, we produce military technologies with a particular focus on the products and systems imported by our country; we strive to ensure a portion of these technologies are applied in various civil areas like telecommunications (4G), rail systems and medical systems.

Entering 2013, ASELSAN is more competitive and stronger than ever

Thanks to its, long-term management and planning approach and human resources equipped with superior qualifications, ASELSAN is determined to ascend in the global league and increase its corporate value.

In 2013 and beyond, ASELSAN will continue to generate value for all of its stakeholders through the support of its shareholders and Board of Directors, the contributions of its employees and business partners and the trust of its customers.



Cengiz ERGENEMAN,
CEO

Executive Board


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1- Cengiz ERGENEMAN
CEO and Head of the Executive Board

Born in 1948 - Mr. ERGENEMAN completed his undergraduate and graduate degrees at the Department of Electrical/Electronics Engineering in Middle East Technical University. He joined ASELSAN as a production manager in 1978. He was responsible for the establishment of the Akyurt Facilities as the Division CEO of the MGEO (Microelectronics, Guidance & Electro-Optics) Division in 1990. He was assigned as the CEO of ASELSAN in 2006.

2- Faik EKEN
Division CEO (Communication and Information Technologies Division) and Member of the Executive Board

Born in 1960 - Mr. EKEN completed his undergraduate and graduate degrees at the Department of Electrical/Electronics Engineering in Michigan Technological University and PhD degree at the Tulane University in 1985. He joined ASELSAN as an electronic engineer in the Digital Systems Division in 1986. He was appointed as the Division CEO responsible for the Communication and Information Technologies Division in 2006.

4- Fuat AKÇAYÖZ
Division CEO (Defense Systems Technologies Division) and Member of the Executive Board

Born in 1954 - Mr. AKÇAYÖZ completed his undergraduate and graduate degrees at the Department of Electrical/Electronics Engineering in Middle East Technical University. He joined ASELSAN as an electrical engineer in the Production Division in 1976. He was appointed as the Division CEO responsible for the Defense Systems Technologies Division in 2006.

3- Özcan KAHRAMANGİL
Division CEO (Microelectronics, Guidance & Electro-Optics Division) and Member of the Executive Board

Born in 1956 - Mr. KAHRAMANGİL completed his undergraduate and graduate degrees at the Department of Mechanical Engineering in Middle East Technical University. He joined ASELSAN as a mechanical engineer in 1984 and began to serve in the Production Preparation Division. He was appointed as the Division CEO responsible for the Microelectronics, Guidance & Electro-Optics Division in 2006.

5- Ergun BORA
Division CEO (Radar, Electronic Warfare and Intelligence Systems Division) and Member of the Executive Board

Born in 1954 - Mr. BORA completed his undergraduate and graduate degrees at the Department of Electrical/Electronics Engineering in Middle East Technical University. He joined ASELSAN as an electric engineer in the Production Division in 1976. He was appointed as the Division CEO responsible for the Radar, Electronic Warfare and Intelligence Systems Division in 2008.


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6- Ahmet DEMİR
CFO and Member of the Executive Board

Born in 1963 - Mr. DEMİR completed his undergraduate and graduate degrees at the Econometrics Department in Uludağ University and PhD degree at the Econometrics Department in Gazi University. He was appointed as the CFO and Member of the Executive Board in 2005.

7- Mustafa ERTÜRK
Marketing Director and Member of the Executive Board

Born in 1965 - Mr. ERTÜRK completed his undergraduate degree at the Department of Public Administration in Middle East Technical University. He joined ASELSAN as an administrative staff in the Business Planning Division in 1991. He was appointed as the Marketing Director in 2003.

9- Baki ŞENSOY
Strategy Management Director and Member of the Executive Board

Born in 1967 - Mr. ŞENSOY completed his undergraduate degree at the Department of Electrical/Electronics Engineering in Middle East Technical University and MBA degree at the Department of Business Administration in the same university. He joined ASELSAN as a design engineer in the MGEO (Microelectronic Guidance and Electro-Optics) Division in 1994. He was appointed as the Strategy Management Director in 2008.

8- Afşin AKKERMAN
Procurement Director and Member of the Executive Board

Born in 1966 - Mr. AKKERMAN completed his undergraduate degree at the Department of Mechanical Engineering in Middle East Technical University. He joined ASELSAN as a mechanical engineer in the Production Planning and Control Division in 1991. He was appointed as the Procurement Director in 2004.

10- Nihat IRKÖRÜCÜ
General Secretary/Support Services Director and Member of the Executive Board

Born in 1955 - Mr. IRKÖRÜCÜ graduated from the Turkish Military Academy in 1974 and the War College in 1986. He was appointed as General Secretary and Support Services Director in 2005.

Economy and Defense

The new actor of a changing world

70%

In its Strategic Plan, the Undersecretariat for Defense Industries announced a target of gradually increasing the local value add in total procurement to 70%.

39%

Accounting for 39% of R&D expenditures of the entire Turkish defense industry, ASELSAN continues its efforts at full pace.

A global economy affected by uncertainty

The environment of uncertainty that has affected the whole world in the post-crisis period continued in 2012. While the recovery in global economic activity was weak, the problems in the public finances of developed countries in particular remained a serious cause for concern. Such problems that have widely limited economic growth remained key risk elements at the global scale.

In the competition for global economic power, what is clear is that there has been a shift in economic power to Asia, and that commoditization threatens the whole world as more serious problem than it ever has been. In such an environment, Asian countries have striven to capture a bigger slice of the pie, while countries in the West have sought to maintain their positions in the global economy.

The Turkish economy, which is estimated to have grown by 3.2% in this environment of uncertainty in 2012, continued to positively decouple from other emerging markets.

The Defense Industry in the World

Global military spending amounted to USD 1.74 trillion in 2011, according the most up-to-date information, indicating a mere 0.3% YoY increase [(1)]. Likewise, the total turnover of the top 100 companies in the defense industry increased by 4% to USD 418.8 billion in 2010, before declining by 1% to USD 415.4 billion in 2011 [(2)].

Accounting for almost half of the global military expenditures, the USA's intention to cut its military budget within the framework of its ten-year plan is directly affecting the country breakdown of global military expenditures. According to data for 2011, the military expenditures of countries in Western and Central Europe and Latin America, as well as the USA, declined; however, there was a striking increase in military spending by countries in Asia, particularly China and Russia, as well as in Oceania, the Middle East and Africa.

Considering budgetary constraints in developed Western countries on one hand and the rising trend in military spending of Eastern countries on the other, it is clear that the economic balance in the global defense industry may be subject to change.

A sector in which Turkey offers competitive strength...

With USD 17.9 billion in military spending, Turkey ranked 15th in the world by spending [1]. As of the end of 2011, the Turkish Defense and Aerospace Industry had generated USD 4.4 billion in turnover, while total exports had reached USD 1.1 billion [3].

In the last decade, there has been increasing use of domestic resources in meeting Turkey's military needs. Only 20% of Turkey's military needs had been met by domestic resources at the beginning of the 21st century; however, this ratio had risen to 54% as of 2011. In its Strategic Plan, the Undersecretariat for Defense Industries announced a target of gradually increasing the local value add in total procurement to 70% [3].

The realization of this target depends on the use of high technology and value production. The Turkish Defense Industry aims to generate USD 8 billion in turnover and reach exports of USD 2 billion by 2016 [3].

In the coming period, Turkey aims to rank among the top ten countries in the global defense industry.

ASELSAN will demonstrate sustainable growth in order to achieve the targets set by the Turkish defense industry given the fact that in 2012 ASELSAN generated close to USD 1 billion in turnover including USD 152 million in exports, while accounting for 39% of the total amount of all R&D expenditure in the entire Turkish defense industry [4].

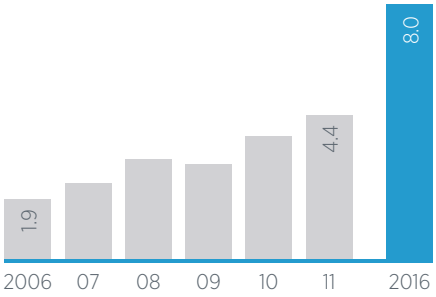
Considering the progress achieved by Turkish defense industry on turnkey platform projects; the launch of the loan supply mechanism for military exports in Turkey is going to be an important initiative for supporting the defense industry.

Highlighting the importance of national sufficiency, in line with Turkey's defense industry policy and the targets determined for such a purpose, also supports ASELSAN's long-term growth potential.

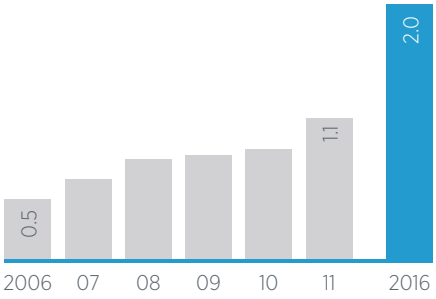
Under the current conditions, ASELSAN has full confidence in Turkey's national target of "ranking among the top 10 countries in the defense industry league".

Targets of the Turkish Defense and Aerospace Industry

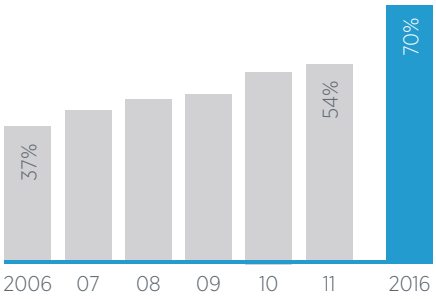
Turnover (USD million) [3]



Exports (USD million) [3]



Local Value [3]



[1] Source: SIPRI - 2012 (Stockholm International Peace Research Institute)
[2] Source: Defense News Top Hundred 2012 data
[3] Source: The Undersecretariat of Defense Industry -2012 2016 Strategical Plan, SASAD – Defense Industry Manufacturers Association
[4] Source: TurkStat's updated 2011 overview, SASAD – Defense Industry Manufacturers Association

Strategy and Marketing

Effective marketing worldwide

USD 152 million

In 2012, our exports reached USD 152 million.

In 5 countries

In addition to ASELSAN-BAKU, since 2011, we established joint venture companies in three countries and opened a branch in another country

Turkey and a highly competitive global conjuncture

The contraction in US and European markets caused companies in these regions to seek more distant markets, a development that has been welcomed as an opportunity for emerging markets. US and European companies seeking to enter emerging markets offer more competitive prices and have been forced to transfer their technologies to domestic companies by establishing collaboration with them. The curtailments of US and European defense budgets in the coming periods are expected to give rise to new mergers and acquisitions.

ASELSAN's strategic gains in 2012

In regions where developed countries already have an established position, Turkey carved out a place in the market as a new player, working with a different approach of cooperation and laying claim to the targets of the countries in the region, thanks to its close relations with these countries and the value it offers.

In parallel with this approach, ASELSAN increased the number of its international subsidiaries in the nearby region, raising its exports to USD 152 million.

ASELSAN's marketing success despite a difficult year in the global economy

ASELSAN achieved successful results in 2012 by determining target regions/countries, solely focusing on them, and executing intensive marketing activities. Besides direct sales, the factors underlying ASELSAN's achievements were the joint production activities in target countries in line with preferred strategies, technology transfer and sales to third countries in collaboration with international platform manufacturers.

In countries where we conduct active marketing activities, we noted that the perception towards Turkey has changed positively. This change, as well as ASELSAN's capability to provide tailored technological products and services, played a key role in achieving these targets.

ASELSAN in the Middle East and Eastern Asian markets

In determining target regions and countries, factors such as the extent of countries' defense procurement budgets and the level of their political and economic relations with Turkey are taken into account. Within this scope, the Middle East and Central and Eastern Asia are considered as regions offering high potential.

The best example of this target is Pakistan, which has been carrying out production domestically for many years by using ASELSAN's technologies. In some countries, including Indonesia, we undertake efforts to support domestic production.

The Middle East has always been an area of close combat due to ongoing regional disputes as well as problems in the past. Countries in the region, particularly oil-rich countries, rank among the top countries in the global defense market with their high volume military spending. As a result of this, as well as Turkey's regional proximity and the close sociopolitical relations between these countries and Turkey, they have always been of interest to ASELSAN.

In the last three years, in particular, ASELSAN has established close relations with the countries in the region, especially Jordan, Saudi Arabia and the United Arab Emirates (UAE). Within this scope, ASELSAN founded joint venture companies in the UAE and Jordan and achieved significant sales figures in the UAE and Saudi Arabia.

Vision for 2017 and globalization targets

In the coming periods, ASELSAN plans to strengthen its policy of gaining a foothold in potential markets and establishing cooperation with national and international platform manufacturers in order to sell platforms to third countries.

ASELSAN is determined to deepen its relations with the countries in the Middle East, Central Asia and Caspian and further strengthen its presence in regions where it is effective. In addition to these regions, Latin America, Sub-Saharan Africa and Asia-Pacific are also of interest to ASELSAN, and we continue our activities in these regions.

Having received USD 205 million in international orders in 2012, ASELSAN aims to maintain this success and build on it. Each development demonstrated by ASELSAN with respect to its unique products and services will expand horizons and open up new markets for the Company.

USD 205 million

The total amount of international orders in 2012

Highlights in 2012

As one of the leading players in the global defense industry, ASELSAN takes justified pride in completing a year in which it broke so many new grounds

ASELSAN climbed to 76th place

Defense News Top 100(1) - ASELSAN climbed to 76th place in the world league
Initially listed in the 93rd place, ASELSAN climbed to 86th place in 2010 and 80th place in 2011. Thanks to its increasing performance and international presence, ASELSAN climbed to 76th place in the world league in 2012.

Respect for the environment

Our carbon footprint has been measured since 2009
Having calculated the carbon emissions resulting from its activities at the Macunköy Facilities, ASELSAN shared the results of this study with the public through the Carbon Disclosure Project. Having attained the "Highest" category with its rating, ASELSAN has blazed a trail for the Turkish Defense Industry.

ASELSAN in Jordan

ASELSAN Middle East was founded in Jordan
A joint venture was formed between the King Abdullah II Design & Development Bureau Investment Group (KIG), (with a 51% stake) and ASELSAN (with a 49% stake) in order to produce night vision devices for the Jordanian Armed Forces in the first stage.

Our New Facilities

Aiming to complete work on the Gölbaşı Facilities investment in 2014
Our Ankara-Gölbaşı Facilities, which will be completed in 2014, will be one of the Europe's largest production facility of microwave modules, as well as a center where we carry out our operations in the areas of radar and electronic warfare.



Plant investment

Printed Circuit plant
The completion of this investment ends our external dependence in the procurement of required printed circuit boards. Thanks to this investment, ASELSAN has begun to provide support in the production of printed circuit boards in shorter times and in line with the most recent technological developments.



(1) Issued annually by the Defense News magazine based on previous year's defense revenues The Defense News Top 100 list is regarded as the most prestigious defense industry listing in the world. For the list, visit: http://special.defensenews.com/top-100/charts/rank_2011.php

We have moved higher in the world league with our increasing turnover

76th

Our target is to rank among the top 50

Turkish Armed Forces Command Echelon at ASELSAN

Visit to ASELSAN by the Chief of General Staff
Mr. Necdet Özel, Chief of the General Staff of Turkey, as well as the Commanders-in-Chief of Armed Forces, the Commander of the Turkish Gendarmerie Forces, and the Deputy Chief of General Staff visited ASELSAN.



Cooperation between ASELSAN and TOBB

ASELSAN to Manufacture Digital Tachograph
Digital tachographs which are currently produced only by four countries will also be manufactured in Turkey within the scope of the cooperation agreement signed by and between ASELSAN, TOBB UND Lojistik Yatırım AŞ - a TOBB (The Union of Chambers and Commodity Exchanges of Turkey) subsidiary - and TÜRKTRUST.



Directing technology in cooperation with universities

Deepening cooperation with universities
The size and the technological depth of our collaboration with universities also expanded in 2012. We have built on our relations with universities at the frontiers of technology.

Social Responsibility

We built an elementary and secondary school in Erciş, Van
In order to meet the needs for schooling that arose after the Van earthquake, ASELSAN built an elementary and secondary school with 32 classrooms.



Highlights from R&D activities in 2012

ASELSAN is Turkey's largest R&D base with its deep and intensive technological expertise

36%

We allocate 36% of our turnover to R&D activities.

+100

We carry out more than 100 projects that are all financed from our internal resources.

On basic elements

Cooperation with Universities

Our relations with universities deepened through the SSM (Undersecretariat for Defense Industries) Technology Acquisition Roadmap Contracts.

Resources allocated to R&D

ASELSAN has a total of 2,422 company's R&D personnel that constitute 56% of human resources. ASELSAN allocates an average of nearly 7% of its turnover to R&D activities, which is entirely financed from the Company's internal resources. In 2012, this ratio was higher than 7%, while the amount including external resources that we allocated to R&D activities reached 36% of our turnover.

R&D projects that are financed from internal resources

In parallel with technological developments, ASELSAN carries out more than 100 non-contracted R&D projects that are financed from its internal resources in order to meet our needs in the most appropriate manner. Some prominent projects are listed as follows:

- HIZIR

Within the scope of underwater acoustics technologies, ASELSAN completed the development work for HIZIR, which protects surface combatants against torpedoes.

- ACAR

With its development efforts launched in 2010, Acar - the newest addition to ASELSAN's range of ground surveillance radars - was made ready for serial production.

- SAHAB

The Virtual Air Gap (SAHAB) Project was conducted with the cooperation between the defense industry, universities and SMEs in order to enable data exchange between corporate networks and networks with different security levels.

Cooperation between the Defense Industry and Universities

In 2012, a number of unique projects were initiated with the cooperation between the defense industry and universities in order to ensure that fundamental research is conducted by universities and the related practices are industrialized by ASELSAN.

Within the scope of projects such as "Eymir", "Gediz", "Kangal" and "Elmas", ASELSAN, in cooperation with METU, Cumhuriyet University, Sabancı University and the Izmir High Technology Institute, aimed to conduct leading edge technology development projects, such as those that deal with the basic elements of infrared detectors and night vision compatible displays. ASELSAN started organic light emitting diodes based display research using Graphene, the extraordinary carbon allotrope, researchers of whom won the 2010 Nobel Physics Prize.

The targeted results were achieved in joint activities conducted since 2002 by ASELSAN and BİLKENT University for the production of Gallium Nitrate (GaN) semiconductors and microwave transistors, which offer a higher performance in new generation radars and electronic warfare systems. The first GaN transistors were successfully manufactured.

Intellectual and Industrial Property Rights

Also as a result of the need for new instruments aiming to evaluate the success of the defense industry, ASELSAN has recently introduced an array of applications aimed at protecting its Intellectual and Industrial Property rights.

Intellectual and Industrial Property Rights in 2012

Intellectual and Industrial Property Rights

Rights (number)	Approved	Applied
Patent	1	49
Utility Model	1	13
Brand	16	21
Industrial Design	4	2

Participation in the European Union's R&D Project

Thanks to its activities during the period 2007-2012, ASELSAN became the most successful industrial corporation in Turkey benefiting from the European Union's R&D funds.

In 2012 ASELSAN actively participated in European Union's R&D programs in three categories:

- 7th Framework Programme Security and Space
- 7th Framework Programme Marie Curie Funds
- EUREKA Program

Projects included in the 7th Framework Programme

- TALOS (Transportable Autonomous Patrol for Land Border Surveillance System) Project
- HYPERION (Hyperspectral Imaging IED and Explosives Reconnaissance System) Project
- SUBCOP (Suicide Bomber Counteraction and Prevention) Project

7th Framework Programme Marie Curie Funds

The 7th Framework Programme Marie Curie International Reintegration funds aim to reverse the brain drain of talent that has been leaving Europe. According to the judgment of international arbitrators, all offers made by ASELSAN were deemed worthy of funding.

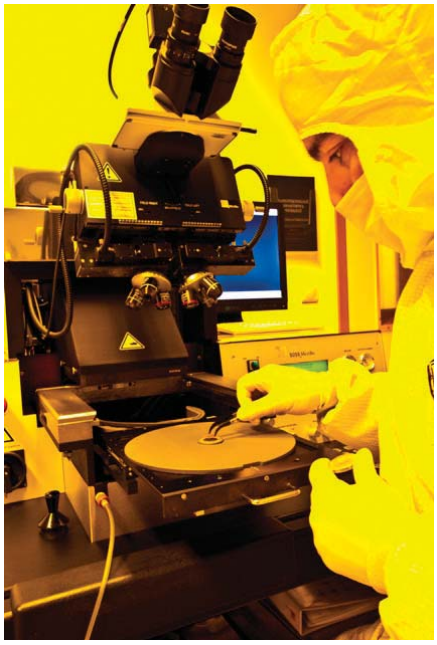
ASELSAN is one of the most successful industrial corporations in the EU's Marie Curie Program.

- POCS-DSR (POCS based Depth Super-Resolution) Project
- SMART MEMORY Project
- SMARTENC (Smart Video Encoders for Wireless Surveillance Networks) Project
- ASEL-MID-IR (Compact, High-Energy and Wavelength-Diverse Coherent Mid-Infrared Source) Project

Projects within the scope of the EUREKA Program

- RECONSURVE (Reconfigurable Surveillance System with Communicating Smart Sensors) Project
- SPY (Surveillance Improved System) Project

The first GaN transistor



Production of microwave transistors by means of the GaN semiconductor technology

Awards in 2012

Another year with many prestigious awards

special award

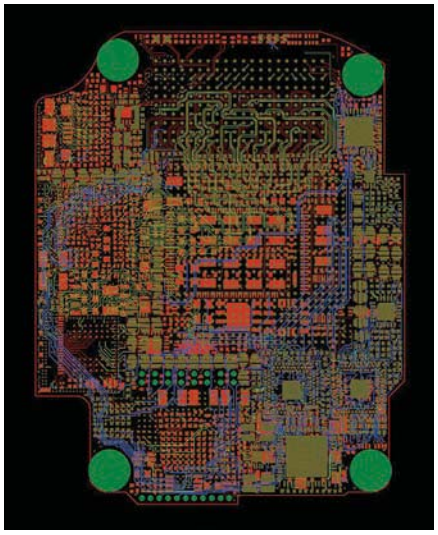
TÜBİTAK (SCIENTIFIC AND TECHNOLOGICAL RESEARCH COUNCIL OF TURKEY)-TTGV (TECHNOLOGY DEVELOPMENT FOUNDATION OF TURKEY)-TÜSİAD (TURKISH INDUSTRY & BUSINESS ASSOCIATION) 10TH TECHNOLOGY AWARDS-JURY SPECIAL AWARD

3 awards at once

R&D CENTERS AWARDS FROM THE MINISTRY OF SCIENCE, INDUSTRY AND TECHNOLOGY

Winning award

MENTOR GRAPHICS 24TH PCB TECHNOLOGY LEADERSHIP AWARDS-WINNING AWARD



ASELSAN's efforts were again appreciated and rewarded at both national and international levels in 2012.

Universities-Industry Sector Cooperation Summit
At the 1st Universities-Industry Sector Cooperation Summit, which was held with the participation of Mr. Nihat Ergün - the Minister of Science, Industry and Technology, a number of companies including ASELSAN were rewarded in terms of cooperation between universities and the industry sector.

Turkish Exporters Assembly "Honor Award in Exports-2012 Award" to ASELSAN
As a result of the evaluation which is annually performed by the Turkish Exporters Assembly throughout Turkey in order to compare the export performances of companies, ASELSAN was deemed worthy of the "Honor Award in Exports-2012 Award".

Winning Award at the TLA-2012 Contest
ASELSAN was handed the winning award in the "Defense and Aerospace" category at the "PCB TECHNOLOGY LEADERSHIP AWARDS-2012" contest in recognition of its Printed Circuit Board (PCB) technology. The contest was hosted for the 24th time this year by Mentor Graphics.

ATLAS Handheld Radios wins Most Innovative Product Award
Designed and developed by ASELSAN, the 4900 ATLAS Handheld Radios were deemed worthy of the "Most Innovative Product Award" in the "Large Corporations" category at the "TESİD Innovation & Creativity Awards", which was hosted for the 11th time by TESİD (Turkish Electronics & Information Industries Association).

ASELSAN wins "Super Brand" Award
Superbrands - a UK-based brand assessment organization - announced Turkey's 159 "Super Brands". On this list, in which companies are alphabetically arranged, ASELSAN gained its place as one of Turkey's super brands.

TÜBİTAK 10th Technology Awards - Jury Special Award
A total of 27 finalists that were determined based on four different company scales and two different categories competed in the "10th Technology Awards". The winners of the "10th Technology Awards" were announced with ASELSAN receiving the Jury Special Award in recognition of its "InP-Based QWIP Detector Production Process Design".

R&D Centers Awards from the Ministry of Science, Industry and Technology
During the 1st R&D Centers Summit held by the Ministry of Science, Industry and Technology, ASELSAN's R&D Centers were prominent among the 130 R&D Centers operating in Turkey and received awards in three different categories: the winning award in the "QUALITY OF SCIENTIFIC PUBLICATIONS" category, the third prize in the "QUALIFIED R&D PERSONNEL" category and the third prize in the "COOPERATION BETWEEN UNIVERSITIES AND INDUSTRY SECTOR" category. The awards were handed to ASELSAN's Vice-Presidents responsible for the respective divisions.

ASELSAN wins Award from SGK (Social Security Institution)
In 2011, ASELSAN ranked 1st in Ankara among companies to employ the highest number of insured personnel, but which do not have any premium debts.

Fields of Activity:

Military Communication Systems
Public Safety Communication Systems
Satellite, Avionic and Naval Communications Systems
Encryption and Information Security Systems
Electro-Optic Systems
Avionic Systems
Navigation and Guidance Systems
Naval Systems
Air and Missile Defense Systems
Command, Control, Communications, Computer and Intelligence (C4I) Systems
Weapon Systems
Unmanned Systems
Coastal and Border Security Systems
Radar Systems
Electronic Warfare Systems
Intelligent Transportation Systems

16
Fields of Activity

4
R&D Centers

+2,400
Number of R&D





Fields of Activity
Military Communication Systems

Military Communication Systems

In the military communication area, ASELSAN successfully offers products, systems and solutions with high added value - not only to the Turkish Armed Forces, but also to its international customers

Software Defined Radio



Tactical Area Communication Systems (TASMUS)

TASMUS tactical network solution which has the central role in the application of the Network Centric Battle Capability, were successfully deployed by the Turkish Land Forces Command in various military exercises and missions in 2012.

IP Radio

With its system design completed in previous years, the new generation military IP radio meets the need for reliable IP communication at very high data rates in the tactical field. The new military IP radio under development will be Ethernet-based and include all electronic warfare measures required by the tactical field. By using state-of-the-art technologies such as OFDM/OFDMA, MIMO, etc, the IP radio will offer a number of stationery and mobile users the opportunity to communicate at very high data rates.

Software Defined VHF/UHF Radio Family

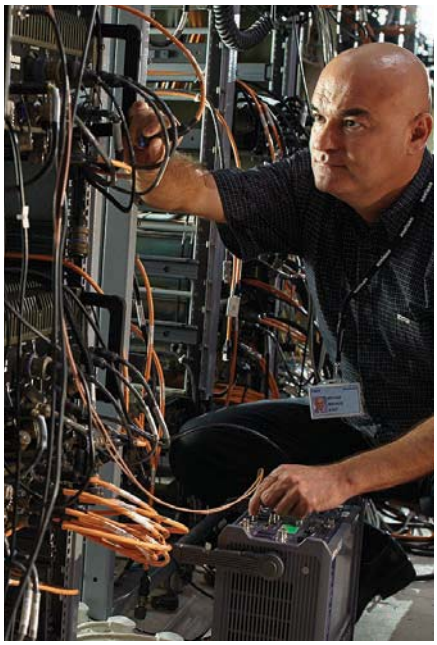
Software Defined Radios developed by ASELSAN are the state of the art in tactical radio technology. These frequency hopping and encrypted tactical radios that support six different waveforms are designed to operate both in VHF and UHF bands to enable voice/data communication. Its software-configurable architecture provides flexibility by utilizing any of the six waveforms depending on

Ballistic Head Set for Armored Vehicle Crew, Zambak Project



Software Defined HF Radio Family - 9661 Vehicle Radio





TASMUS Systems Test Area

user needs as well as growth potential by enabling waveform additions in the form of software updates. Software Defined Radios operate over a wide bandwidth which Increases durability in the face of challenging electronic warfare threats.

Command Control Waveform

ASELSAN undertook efforts to develop a new encrypted waveform, which will run on ASELSAN's current Software Defined Radio Family platforms, communicate in narrow bands (such as 25 KHz) in order to meet the needs of new generation command control systems, and transfer voice and data at the same time.

The basic purpose of the new Command Control Waveform under development is to meet the increasing needs of command control practices and to support such practices through IP protocols in order to enable maximum efficiency and minimum communication delay.

VHF/UHF Land Platform Radios

ASELSAN continued the serial production of and began to export VHF/UHF Land Platform Radios.

Software Defined HF Radio Family

The ASELSAN HF Radio Family comprises of new generation Software Defined Radios that cover the 1.6-30 MHz HF band. Their software configurable architecture enables supporting various tactical radio waveforms and EPM techniques. Communication beyond the horizon is performed with the most up-to-date HF technologies by using NATO STANAGs and Military Standards (MIL-STDs). The variety of waveforms and modes enables communication even under the worst HF channel situations. Because it is easier to use the radio by means of such technologies as Automatic Channel Selection (ACS) and Automatic Link Establishment (ALE), the need for well-trained and experienced operators is reduced.

HF Land Platform Radios

ASELSAN delivered the Manpack HF Radios required by the Turkish Armed Forces and started production of the HF 150W Vehicle/Base Station Radios.

HF Naval Platform Radios

In 2012 ASELSAN completed the design of 150W, 400W and 1,000W radios and VLF/VHF "Receiver" devices, which are required by the shipping and coastal platforms of the Navy and the Coast Guard Command. The serial production of these devices will start in 2013.

HF Air Platform Radios

ASELSAN completed the design and began production of HF Airborne Radios which were required by the Turkish Armed Forces.

Digital Intercommunication Systems

For areas of tactical and domestic security operations, ASELSAN developed "Digital Intercommunication Systems" as a solution, which covers both the internal and external communication needs of mobile troops on tanks or armored combat vehicles through intercommunication systems. The Company signed a contract with two countries in 2012 for the export of these systems.

Platform Integrated Soldier - Communication Systems

ASELSAN signed contracts with the Navy and various military platform manufacturers for the delivery of PRC-5712 Soldier Radios and Wireless Interface Units to be used as Platform Integrated Communication System.



Fields of Activity
Public Safety Communication Systems



Public Safety Communication Systems

ASELSAN's solutions in this area satisfy the digital radio communication needs of different user groups under normal, crisis or even disaster conditions.



Gendarmerie Integrated Communication and Intelligence Systems (JEMUS)

Gendarmerie Integrated Communication Systems (JEMUS)

ASELSAN continues the nationwide installation of the Gendarmerie Integrated Communication Systems (JEMUS), which accelerate coordination between the Gendarmerie General Command's units and headquarters throughout Turkey by enabling rapid and timely access to information and allowing rapid provision of safety and security services.

Within the scope of the JEMUS project, the Company began to install radio systems in 2005 and had already installed these systems in 37 cities as of the end of 2012. In 2013, ASELSAN plans to continue to improve these systems in line with the Gendarmerie's needs and expectations and to widen their use throughout Turkey by entering into new contracts.

Coast Guard Integrated Communication and Intelligence Systems (SAHMUS)

Within the scope of the contract, "SAHMUS VHF Secure and Digital Wideband Communication System Installation in the Coast Guard's Western Black Sea and Mediterranean Regional Commanderships", signed in 2011, ASELSAN began to install radio systems in the Western Black Sea and Western Mediterranean regions and delivered the systems to the Coast Guard in 2012. With the installation of radio systems in the Eastern Mediterranean region in 2013, the Coast Guard's Western Black Sea and Mediterranean Regional Commanderships, besides having secure communication capabilities, will be able to query individuals suspected of criminal activity, lost properties and identities, gun licenses and navigation/shipping documents in the current databases.

Installation of the Computer Aided Management System Infrastructure for Emergency Services 112

Designed by ASELSAN, the system enables the following: distribution of incoming calls to respective officials or representatives of specialized institutions (such as Hospitals, Fire Brigades, Police Stations, the Gendarmerie, etc.); responding to calls through software that runs on computers; recording calls; address search through the digital city maps; automatic determination and mapping of the citizens' addresses or locations in incoming calls; instant monitoring of mobile units; voice/data communication and information sharing between the Call Center and sub units (ambulances, mobile units, police stations, etc.) of specialized institutions.

The rollout of the project throughout Turkey will facilitate all emergency numbers used in the country to be combined in a single number and enable different institutions like Hospitals, Fire Departments, Police Stations and the Gendarmerie, etc, to work in coordination under a single roof and provide the necessary assistance in a rapid and effective manner.

Secure Cellular Communication System (EHHAS)

Within the scope of the Secure Cellular Communication System (EHHAS) for which the contract was signed in 2009 in order to cover secure rapid communication needs of the Turkish General Staff, ASELSAN installed the infrastructure of the base stations located in Istanbul, Ankara and Izmir and delivered the systems in 2012.



4900 ATLAS Handheld Radios with Digital Mapping Function

112 Emergency Call Center





Antalya region Public Safety Communication Systems base stations

ATLAS Handheld Radios with Digital Mapping Function

The initial orders of ASELSAN ATLAS Radios were delivered to customers in 2012. ATLAS Radios, which are the most developed solution in meeting the communication needs of different institutions in joint operations, are the first radios, among other radios used in public safety, to have the digital mapping application, as well as multi-tasking and navigation features that run on the Linux-based open platform. Moreover, these radios are able to instantly display location information on the map showing where the user aims to reach, or information regarding the location of the user's teammates. ASELSAN 4900 ATLAS Handheld Radio is awarded for "Innovative Product Award of the 2012" by TESID (Turkish Industrialist Association).

DMR Encrypted Digital Radio System

Within the scope of the contract signed with the General Directorate of Turkish National Police in 2011, ASELSAN replaces the analog communication systems with Digital Mobile Radios (DMR), which are encrypted and digital radios designed by the Company. In accordance with the contract, ASELSAN delivered the necessary terminals and also began to install the radio infrastructures in 15 cities in 2012. The Company aims to complete the installation process in 2013.

The important advantages brought by the DMR technology include a quadrupling of the capacity in the existing licensed radio channels, high voice quality and easy integration of GPS and data applications into the system. DMR systems, which are installed by ASELSAN in the 'Local Area' mode or the 'Wide Area' mode, are able to carry out functions beyond standards, in line with customer needs.

Professional Radios

As an ongoing activity since the end of 2006, ASELSAN continued to sell APCO Digital Radios to the United States of America in 2012. The Company expects to increase its sales in the coming years through its efforts to develop new products in the same category.

The Pakistani Armed Forces have been effectively using ASELSAN's Encrypted Digital Radio Systems since 2007, while we continued to deliver more of these radios in 2012. Within the scope of the technology transfer agreement signed with Pakistan National Radio Telecommunications (NRTC) in December 2011 for the production of Digital Handheld and Vehicle Radios - designed by ASELSAN - in Pakistan, the Company delivered the necessary materials and staged training programs in 2012.

In 2012 ASELSAN signed the necessary agreements for the improvement of the infrastructure so that the Electricity Authority and the General Directorate of Forestry of TRNC (Turkish Republic of Northern Cyprus) could also exploit the Encrypted Digital Wide Area Communication Systems, which were originally installed for the General Directorate of Police - a department established under the TRNC Security Forces. The Company will deliver the systems in 2013.

In 2011, ASELSAN and the Saudi Arabian Ministry of Defense and Aviation signed a contract for the delivery of SK2 4700 Encrypted Digital Radio Systems. The negotiations for contract renewal are still under way.



DMR Encrypted Digital Radio System

Fields of Activity
Satellite, Avionic and Naval Communications Systems





Satellite, Avionic and Naval Communications Systems

ASELSAN develops and offers satellite communication systems to enable secure and uninterrupted communication between command control centers and the units on the tactical field.

X-Band Manpack SatCom Terminal



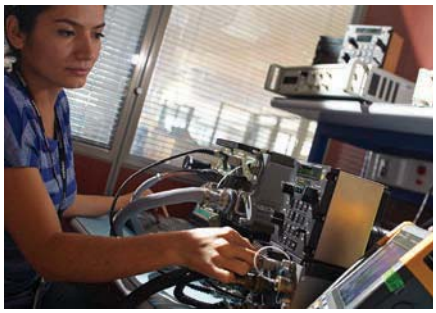
Satellite Communication Systems

Uninterrupted and secure communication, mobility and the ability to communicate over the longest distances and under the most challenging geographical conditions can be considered as most crucial communication features in today's conditions. Within this scope, satellite communication systems are of paramount importance, offering uninterrupted voice, video and data communication, which is a basic condition during the operations of armed forces on the tactical field. Acting on this requirement, ASELSAN develops and offers satellite communication systems to enable secure and uninterrupted communication between the command control centers and the units on the tactical field.

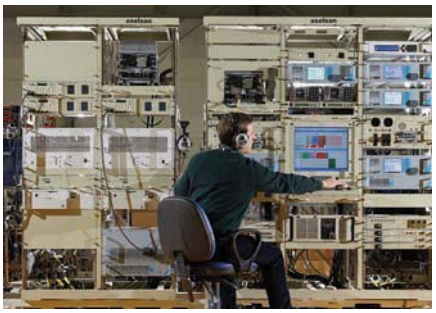
ASELSAN continued preliminary design work for the New Type X-Band Manpack Terminal and New Type Submarine X-band Satellite Communication Terminals, which are unique products developed by the Company. Moreover, following the first MILGEM X-Band Satellite Communication Terminal that entered operation on TCG-HEYBELİADA, ASELSAN launched the factory acceptance tests of the X-Band Satellite Communication Terminal used by TCG-BÜYÜKADA.

ASELSAN continued the design work within the scope of the Processed EHF Satellite Transponder and Test Environment Development Project - one of TÜBİTAK-supported R&D projects -

National IFF Mod 5/S Project Testing



Authentic Integrated Naval Communication Systems





GÖKTÜRK Surveillance and Reconnaissance Satellite

which aims to cover secure the satellite communication needs of the Turkish Armed Forces at high frequencies.

Within the scope of the GÖKTÜRK-1 Surveillance and Reconnaissance Satellite Project, ASELSAN completed the design of the s/x band antenna systems used by fixed and mobile ground stations that are under ASELSAN's responsibility, and reviewed the requirements for the image processing and exploitation system, the user interface software and the meteorology system.

Within the scope of the GÖKTÜRK-2 Surveillance and Reconnaissance Satellite Project, ASELSAN completed the onsite installation, integration and testing of the S/X Band Antenna and Baseband System which are under ASELSAN's responsibility.

Avionic Communication Systems

ASELSAN continued to deliver Air Platform Radios, Encryption Devices, AN/APX-123 IFF Transponders and ELT devices - all included in the ATAK Project - to its customers. In addition, the Company delivered MXF-484 Air Platform Radios as part of the T-38 Modernization (ARI) project, the C-130 Modernization (ERCİYES) project and the project to modernize Gendarmerie Helicopters and Coast Guard Search & Rescue vessels. The Company also continued to sell radio peripherals to a foreign company in 2012 as in previous years.

Within the scope of the Project of Development of RF Data Links for Long-Range Antitank Missiles (UMTAS), the Company completed design verification and launched the production line qualification efforts. The Company also continued to carry out design verification for the Project of Development of RF Data Link Units for Mid-Range Antitank Missiles (OMTAS).

Identify Friend or Foe (IFF) Systems

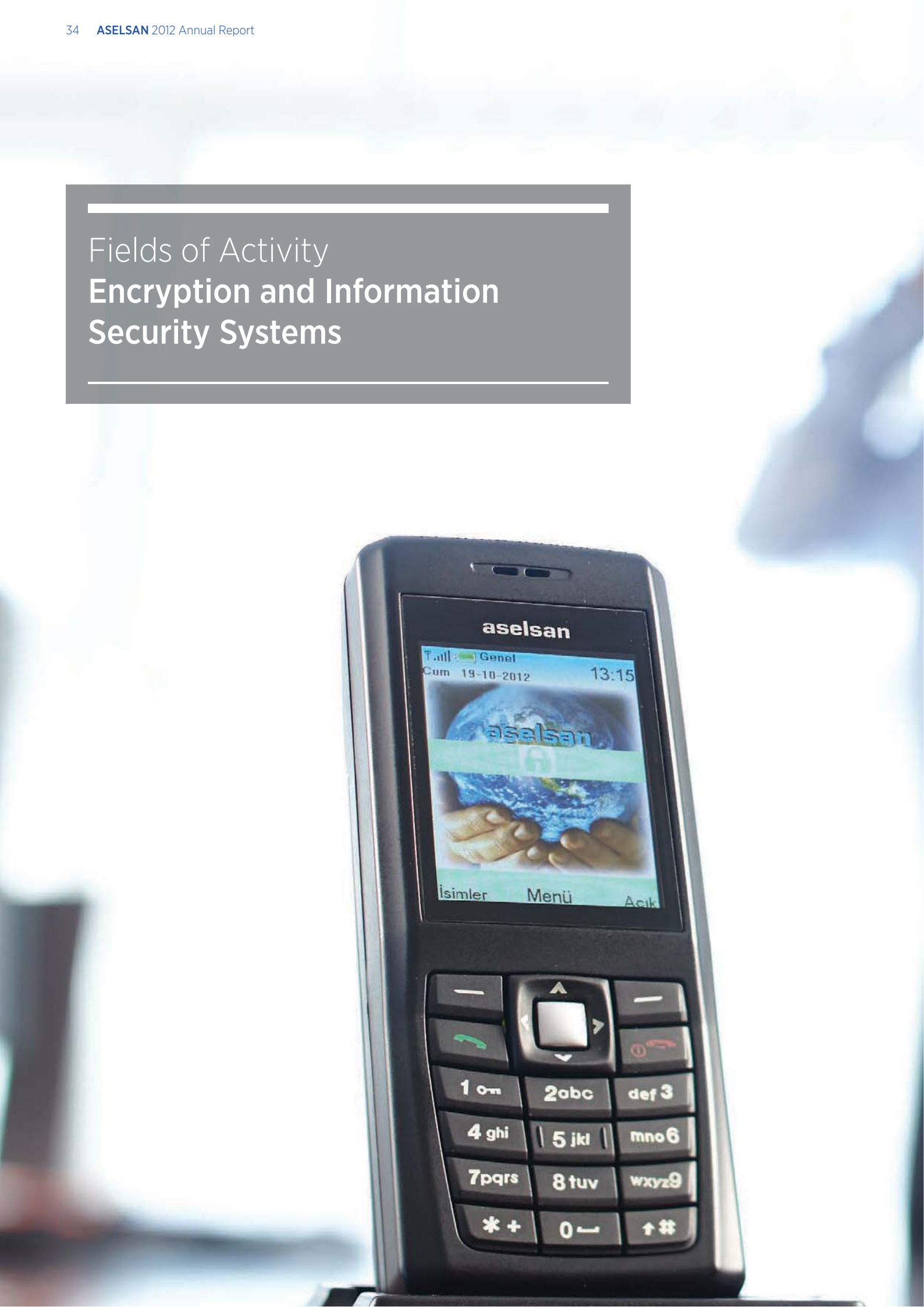
Designed within the scope of the National IFF Mod 5/S Project, the IFF Interrogator was integrated into the Air Defense Radar and the IFF Transponder into the F-4/2020 aircraft. Along with the encryption devices designed by TÜBİTAK, the Mode 4 and Mode 5 flight acceptance tests were successfully performed, and all devices were delivered to their owners.

Within the scope of the Battlefield Identification Systems Project, the Company determined the system requirements and completed the preliminary design work, while continuing critical design efforts.

Naval Communication Systems

ASELSAN has been undertaking the detailed design, materials procurement, production and testing activities for the MILGEM-2, New Type Patrol Boat, MOSHIP/RATSHIP, the LCT and the New Type Submarine Integrated Communication Systems. Moreover, the Company has successfully completed the acceptance of Integrated Communication Systems for five New Type Patrol Boats and two LCT Vessels. In addition, the Company submitted offers for the MILGEM-S, LST and LPD Integrated Communication Systems along with a number of export projects.

Fields of Activity
Encryption and Information Security Systems





Encryption and Information Security Systems

ASELSAN carries out project design and development activities for Cryptographic and Information Security products, particularly communication systems and information technologies.

Virtual Air Gap Systems



Virtual Air Gap System
ASELSAN designed and produced the Virtual Air Gap System in order to solve the problem of securely connecting computer networks of different security levels, one of the today's most serious technological challenges. As a result of the tests and assessments performed by national and international laboratories and test centers, ASELSAN's Virtual Air Gap System received Joint Criteria approval at the EAL4+ (ALC_FLR.2, AVA_VAN.5) level.

New Generation IP Encryption Device
ASELSAN has undertaken efforts to develop a new generation, high performance IP encryption device supporting a 1 Gigabit/second interface, in order to encrypt IP communication over Local Area and Wide Area Networks.

New Generation IP Encryption Device



Besides adding the mobile IP support, which allows the device to be used in the changing IP topology, and adding the QoS messaging feature which is used to maintain the quality of IP services, ASELSAN conducted various design activities to add Multicast and the support of dynamic reconnaissance protocols (TED) to the device. In order to add NATO NINE technical specifications to the device, the Company actively participated in the activities of the NATO NINE technical work group.

Encrypted Mobile Phones

ASELSAN carries out development activities to improve the Encrypted Mobile Phone, developed nationally to encrypt the voice and data communication over the GSM network, which has secure SMS services, air management interface, and also the phone communicates directly via satellites. Thanks to the added secure SMS services, the Encrypted Mobile Phones are able to perform SMS communication through an institution-specific SMS server by means of a data channel, which is independent of GSM operators. ASELSAN also exported Encrypted Mobile Phones to Uruguay and Kyrgyzstan. Having delivered encrypted mobile phones to the Kyrgyzstani Ministry of National Defense, ASELSAN also successfully staged programs to provide training in the use of these phones.



Encrypted Mobile Phones



Fields of Activity
Electro-Optic Systems



Electro-Optic Systems

Thanks to its efforts to design and to produce day sights, infrared vision systems, night vision devices with image intensifiers and laser systems, ASELSAN offers Electro-Optical Systems in wide spectrum with superior capability to its customers

Modern Infantry Electro-Optic and Integrated Sensor Systems



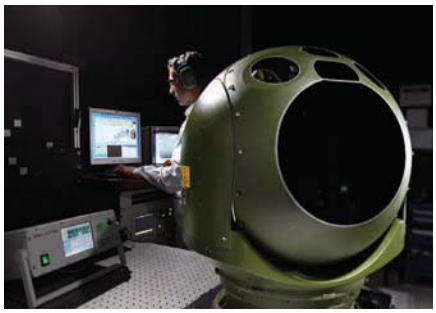
Surveillance, Reconnaissance, Designation and Modern Infantry Systems

ASELSAN develops and produces sensors to be integrated into high performance electro-optic systems for surveillance, reconnaissance and designation purposes, required by the Turkish Armed Forces and by the Ministry of Internal Affairs.

ASELSAN continued to deliver Şahingözü Integrated Electro-Optic Sensor Systems, ASIR Thermal Cameras, Piton/Boa Thermal Weapon Sights and Monocular Night Vision Goggles to its customers, as well as Gözcü Thermal Binoculars, which are crucial for the needs of Land Forces Command and the Gendarmerie General Command.

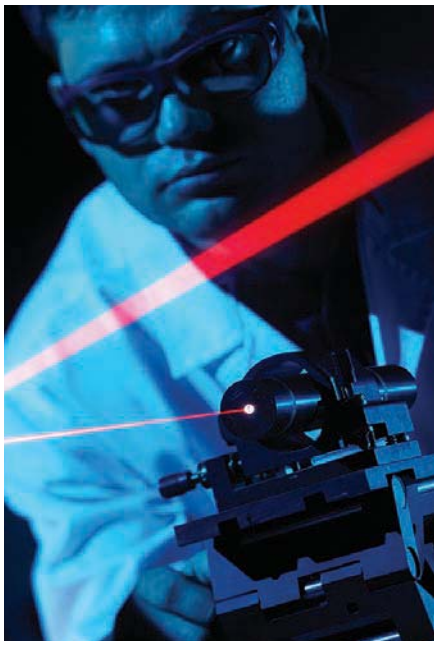
ASELSAN continues to deliver the Engerek Laser Target Designation System required by the Land Forces Command. ASELSAN's efforts for delivering "1x-4x and 1.5x-6x" 2 Fields of View Day Sight" program is proceeding to meet the Turkish Armed Forces' need for Day Sights with integrated reflex collimator.

ASELFLIR 300T Thermal Camera Systems



ASIR Thermal Camera Device





Laser Warning Receiver System

ASELSAN also has entered contracts with its foreign customers and exported Night Vision Devices, Thermal Binoculars, and Thermal Weapon Sights to meet their needs for electro-optical systems. In 2012, the Company also sold and delivered thermal cameras and night vision systems with image intensifiers to Kazakhstan. In addition, ASELSAN provided ASIR Thermal Cameras and GÜNGÖR Day Cameras as part of the STAMP and STOP systems for the UAE.

In 2012, the Central Finance and Contracts Unit, operating under the Undersecretariat of the Treasury, held a tender for the international "Equipment Procurement Project for Providing Stationery and Mobile Thermal Camera Systems to Enable Border Security in the European Union". With its recently designed Surveillance and Reconnaissance System, ASELSAN was selected as the best company to fulfill the requirements of the tender.

The know-how and experience buried in the design and production of electro-optic systems provides ASELSAN a competitive advantage in foreign markets through the transfer of technology. Through efforts aimed to this target, ASELSAN raises its export opportunities by establishing production and testing infrastructure in companies which work in cooperation with ASELSAN in the countries such as Azerbaijan, Kazakhstan and Jordan by collaborating for the production of systems with these companies. Such efforts have paved the way for the electro-optical technologies developed by ASELSAN to enter new markets.

Missile Guidance and Seeker Systems

ASELSAN maintains efforts to develop high performance and cost-efficient Infrared Viewer Seekers for Mid- and Long-Range Antitank Missiles. Within this scope, prototype seekers manufactured by ASELSAN were used in live guided missile firing tests, demonstrating superior performance even in ranges that exceeded the desired expectations.

The Company also maintains efforts to develop another Infrared Seeker Head, which will be used in Low and Medium Altitude Air Defense Missile Systems to be integrated into high speed missiles and effectively used against high speed targets with a low infrared signature.

Navigation Systems

ASELSAN continues its efforts to integrate Navigation Systems into various land platforms. The Company continues to deliver these systems, which provide high positioning and pointing accuracy to be used for targeting with automatic fire control systems to its customers. ASELSAN completed the design of the ANS-301, tactical grade Inertial Navigation System and delivered the ANS-510K - a navigation grade Inertial Navigation System that can be used both at land and air platforms - to the Turkish Armed Forces within the scope of the ATAK and ADOP projects.

Fields of Activity
Avionic Systems





Avionic Systems

ASELSAN offers superior capabilities enabling it to design, develop and produce the most critical avionic devices in military aircraft

Multifunction Display and Flight Management System



Within the framework of activities related to avionic systems, ASELSAN continued to develop and manufacture unique avionic systems and flight management systems and their related software. As part of modernization projects, the Company also focused on the qualification and integration of these systems into the new platforms to be added to the Turkish Armed Forces' inventory as well as the existing platforms in the inventory.

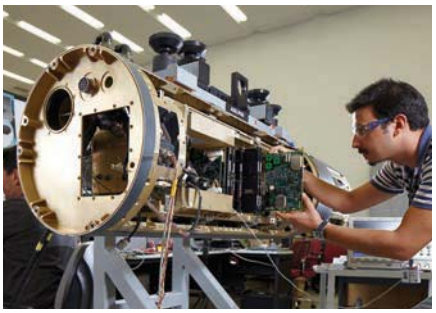
Within the scope of the ATAK Program, ASELSAN successfully completed the development and Integration of the Avionics and Weapon Systems for the T-129 Attack, Reconnaissance/Surveillance Helicopters required by the Turkish Land Forces Command.

The following systems have been indigenously developed and delivered to the customer under the ATAK Program; Avionic Central Control Computer (ACCC), ANS-510 Inertial Navigation System, VMFD-268 Multifunction Display, KDU-44 Avionic Keyboard Unit, VYB-4CF Data Load Unit, ASELFLIR-300T Advanced Targeting System, AVCI Helmet Integrated and Cueing System, Digital Moving Map (DMAP), DHS-101 Intercommunication System, Weapon/Gun Interface Units, Pilot/Copilot Mission Grips, Master Warning Caution Panel, Armament Control Panel, Avionic Activation and Display Control Panel, as well as the

AVCI Helmet Integrated and Cueing System



Targeting Pod for Fighter Aircrafts (ASELPOD)





ASELFLIR-300T Advanced Targeting System

System Integration Laboratory (SIL). During helicopter tests, all changes and updates were also performed by ASELSAN.

Within the scope of the Helicopter Electronic Warfare Suite (HEWS) project, ASELSAN successfully completed the qualification of the Laser Warning Receiver System (LWRS). The Company began serial production of this uniquely designed Laser Warning Receiver System; which has stronger detection capability compared to its rivals especially in the visible, medium and far IR bands with high resolution threat angle measurement, high sensitivity detection and low false alarm rate.

ASELSAN delivered Mission Computers and the ASELFLIR-300T system for the Unmanned Aerial Vehicle (UAV), which will be developed with national resources, within the scope of the unique Turkish Unmanned Aerial Vehicle (TİHA) Development Program.

ASELSAN delivered all Inertial Navigation Systems and the ASELFLIR-300T systems within the scope of the Second Package of the TİHA Direct Purchase Project.

ASELSAN delivered Multifunctional Colored Display (MFD) systems within the scope of the T-38 Aircraft Avionics Modernization (ARI) Project which is conducted in line with the needs of the Turkish Air Forces Command.

ASELSAN delivered Inertial Navigation Systems, on schedule, within the scope of the F-16 Modernization (Peace Onyx-III) and F-16 Procurement (Peace Onyx-IV) Programs which are conducted in line with the needs of the Turkish Air Forces Command.

ASELSAN delivered Inertial Navigation Systems and Multifunctional Colored Display (MFD) systems, on schedule, within the scope of the C-130 Aircraft Avionics Modernization (ERCİYES) Project which is conducted in line with the needs of the Turkish Air Forces Command.

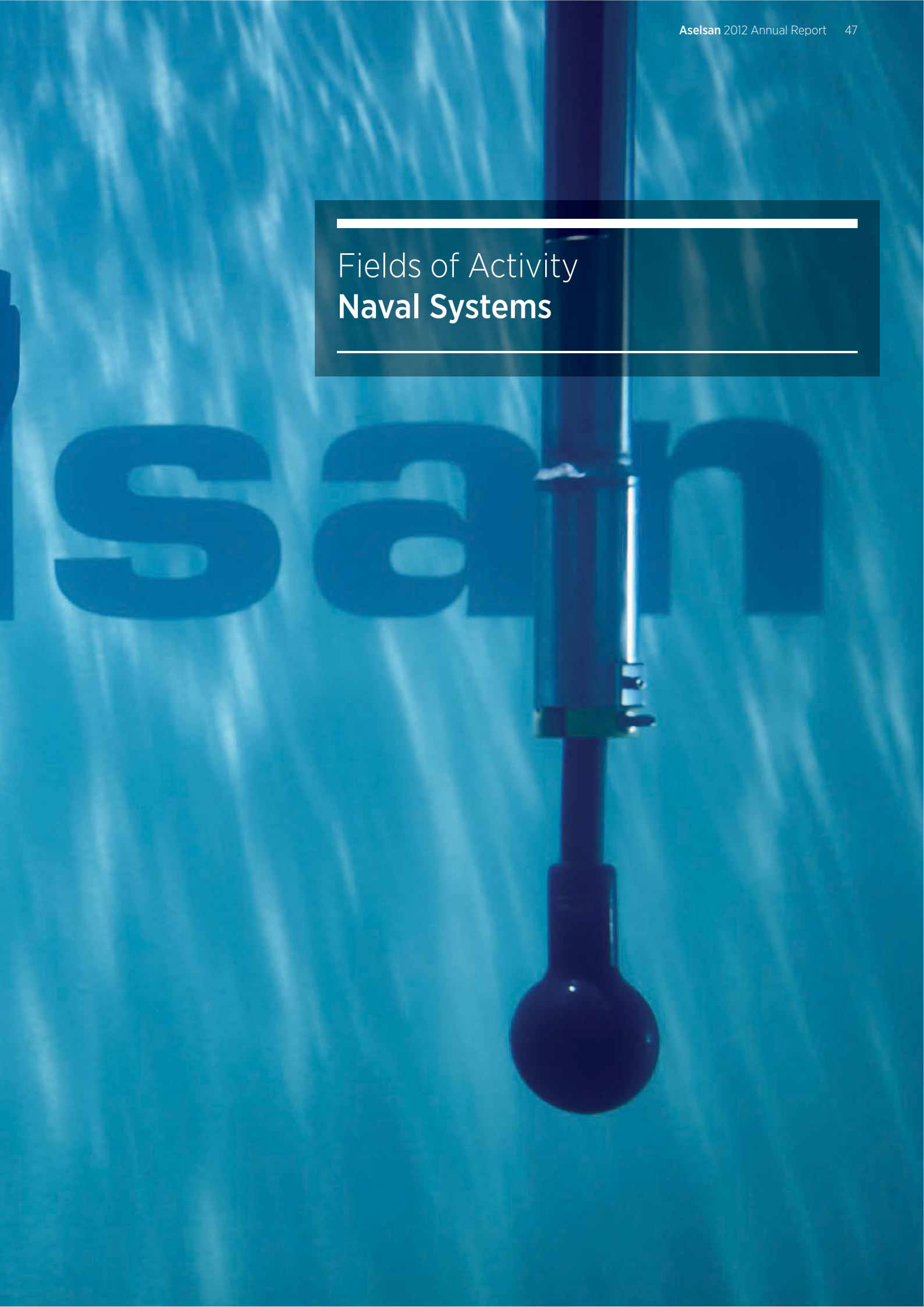
ASELSAN delivered Inertial Navigation Systems and Multifunctional Colored Display (MFD) systems within the scope of the project of delivering avionic systems to the company, Korea Aerospace Industries, Ltd, for the Basic Training Aircraft Project.

In order to meet and exceed the needs of the Turkish Air Forces for the next generation targeting pod systems, ASELPOD Program has been initiated by SSM. ASELPOD program covers the development of unique targeting pod system, production of the targeting pod prototypes and, the integration and certification of the targeting pod system to F-16 and F-4E/2020 aircrafts.

One of the ASELPOD prototypes was installed on the CN-235 aircraft provided by the Turkish Air Forces Command for the development and verification of the design. Now, ASELPOD prototype is installed on F-4E/2020 test aircraft and the certification flight tests goes on.

ASELSAN also teamed up with Lockheed Martin for the integration of the ASELPOD as an Advanced Targeting Pods into the modernized F-16 aircraft, which will be added to the inventory of the Air Forces Command, within the scope of the Peace Onyx-III/IV Program.





Fields of Activity
Naval Systems

Naval Systems

ASELSAN is involved in various projects including the design, development and integration of naval systems, particularly combat systems of underwater and surface platforms

MİLGEM - Heybeliada



In 2012, ASELSAN continued to work on the development of "Naval Systems and Naval Combat Systems" as well as other processes including system integration, testing, verification processes and factory acceptance tests. Other than developing naval type subsystems, the Company also conducted activities for the Platform System Engineering of the following, which fall under the category:

- Battleships
- Landing Ships
- Coast Guard
- Auxiliary Vessels
- Submarines

Under the "Underwater Acoustics" category, the Company focused on the following:

- Torpedo Countermeasure Systems
- Active/Passive Sonar Systems

New Type Patrol Boat



ASELSAN's efforts in the "Battleships" Category

Within the scope of the MILGEM Ships Combat Systems Project, which is jointly conducted within the scope of the business partnership between ASELSAN and HAVELSAN under ASELSAN's pilot partnership, the Company carried out work on TCG HEYBELİADA as the first MILGEM ship and TCG BÜYÜKADA as the second MILGEM ship. Within the scope of naval combat systems that are designed especially to increase the air defense and underwater/surface combat capability of both ships, the Company developed, delivered and integrated the following systems and performed the required tests: overall combat system, integrated communication systems, including satellite communication, navigation system including gyros, electro-optical director, lager warring system, electronic warfare (ESH), search and track radars including CPI, sonar, missile system, naval gun fire contract and remote control weapons and self defense systems.

ASELSAN completed the final acceptance of TCG HEYBELİADA, the first MILGEM ship. For the second MILGEM ship, the Company also completed a significant part of the factory acceptance tests (FAT) of combat subsystems of TCG BÜYÜKADA and launched the harbor acceptance tests (HAT).

Within the scope of Mid Life Modernization of Yavuz Class Frigates existing in the inventory of the Turkish Naval Forces Command, ASELSAN was responsible for the modernization of the Seaguard-TMK Fire Control Radars of the frigates and the introduction of the electro-optic tracking capability to their radars. In this context, the acceptances of the three frigates have been completed and the Company is currently awaiting the date of inspection of the fourth frigate. The Company continues to deliver devices within the scope of the Project of Procurement and Integration of the Electronic and Warfare Systems of New Type Patrol Boats, which are manufactured for the Turkish Naval Forces Command. ASELSAN also completed the delivery of the first three vessels and provisionally delivered four more vessels within the scope of the New Type Patrol Boats Project, which includes the procurement and integration of the Electronic and Warfare Systems of New Type Patrol Boats, which are manufactured for the Turkish Naval Forces Command.

ASELSAN's efforts in the "Landing Ships" Category

ASELSAN worked as the subcontractor of ADIK Shipyard (Anadolu Shipyard) within the scope of Fast Amphibious Vessels (Landing Craft Tanks-LCT) Project. Within the scope of the contract signed, the Company delivered 25 mm Stabilized Gun Systems with remote control, Navigation Systems including Gyros and Communication Systems, which are deployed in eight Fast Amphibious Vessels. The Company completed all deliveries in line with the schedule set forth in the contract.

In the Amphibious Vessels (Landing Ship Tanks-LST) Project, ASELSAN will also work as the subcontractor of ADIK Shipyard (Anadolu Shipyard). ASELSAN and ADIK are currently continuing negotiations regarding the contract for the two amphibious vessels, while performing work on detailed job descriptions and technical descriptions.

In the Landing Platform Dock (LPD) Project, ASELSAN and those shipyards which are candidate prime contractors worked in cooperation on combat system solutions, which comprise of the following: Radars, Electro-Optics, Communications, Acoustics, Navigation, Electronic Warfare, Fire Control, Navigation Aids, Remote Control Weapon and Self-Defense Systems. ASELSAN submitted proposals to the shipyards that participated in the tender.

ASELSAN's efforts in the Coast Guard Category

The Company provided and integrated the weapon and electronic systems into four ships as required by the Coast Guard Command within the scope of the Coast Guard Search & Rescue Ship Project. In the project, ASELSAN has worked with a total of six subcontractors - three of which were Turkish and the remaining three were foreign - and created an integrated system solution by undertaking the necessary changes in the equipment of subcontractors in line with system requirements.

The Company completed the delivery of Falconeye E/O Sensor systems to the Coast Guard Command.

ASELSAN is able to make use of the experience it has gained land and air platforms on naval platforms, helping to meet the needs of the Naval Forces Command.

Torpedo Counter Measure System (HIZIR)



ASELSAN's efforts in the "Auxiliary Vessels" Category

In the Submarine Rescue Mother Ship (MOSHIP) and Rescue and Towing Ship (RATSHIP) Project, ASELSAN is working as subcontractor for Istanbul Shipyard. As a result of ongoing efforts, ASELSAN and the Istanbul Shipyard signed a contract, which covers the procurement and integration of underwater acoustics equipment, particularly sonar systems, as well as the Navigation Systems and the Integrated Communication Systems..

In MTA (General Directorate of Mineral Research and Exploration) Seismic Exploration Ship Project, ASELSAN worked as the subcontractor for Istanbul Shipyard. As a result of ongoing efforts, ASELSAN and the Istanbul Shipyard signed a contract where ASELSAN will undertake the procurement and integration of underwater equipment, as well as the oceanographic, seismic and geological equipment that will be used in the vessels.

ASELSAN's efforts in the "Submarines" Category

ASELSAN works as the subcontractor for the German HDW Shipyard in the New Type Submarine Project. Within the scope of the project, ASELSAN and HDW signed a contract detailing the procurement of Integrated Communication System, X-Band Satellite Communication System and Electronic Support Systems. Throughout 2012, ASELSAN performed additional work on subsystems and products together with HDW, thus increasing Turkey's domestic contributions. As well as the

New Type Submarine



KULAÇ System, a Depth Measuring Sonar (echosounder) designed by ASELSAN, and the coating technology with a radar absorbing paint, ASELSAN proposed computer network solutions, as well as the alarm announcement/entertainment system and sonar "beacon" subsystems, which will all be provided domestically.

Within the scope of the contract signed by and between ASELSAN and Cassidian Optronics (former title: Carl Zeiss Optronics), the Company is currently carrying out the design work for ten thermal cameras, which will be mounted on the periscopes of the New Type Submarines currently under construction and the Ay Class Submarines which are currently undergoing modernization. The design of the thermal cameras, which are manufactured for Turkish Naval Forces Command, is being carried out by ASELSAN in accordance with the project schedule.

ASELSAN's efforts in the "Torpedo Countermeasure Systems" Category

Within the scope of the "Development of Acoustic Jamming and Deception Systems for Submarines" (DAKA) Project, ASELSAN continues its efforts to develop Acoustic Decoys and Jammers that can be launched from the submarines of Preveze and Gür classes. In addition, the Company completed the preliminary work to integrate the Decision Support System into AY/PREVEZE/GÜR Class Submarines.

The Company completed the pilot production of HIZIR Torpedo Counter Measure System, which aims to defend surface ships against torpedoes. The Company undertook various efforts to develop the system, which is currently still undergoing sea tests. Within the scope of such efforts, in order to increase the "early detection" performance, which is the most important attribute of the torpedo countermeasure operations, the Company improved the active/passive sonar signal processing techniques by making use of the results of tests conducted in the sea environment. ASELSAN is currently carrying out software and algorithm tests regarding the project, in order to test the prototype system performance.

ZOKA, export version of DAKA is developed for international sales. The Company received international requests for offers for both ZOKA and HIZIR and provided solutions in response to requests for the international sale of mentioned systems.

ASELSAN's efforts in the "Active/Passive Sonar Systems" Category

Within the scope of the contract comprising the integration of KULAÇ system, a Depth Measuring Sonar (echosounder) designed by ASELSAN, into four Ay-Class submarines, the Company completed the system development phase and initiated the production phase.

ASELSAN received offers from foreign customers for the "towed array" sonar, which is also designed and developed by ASELSAN.

ASELSAN's other efforts on Naval Bases

Within the scope of the Gyro Project aimed at modernizing of primary and backup gyros used in naval platforms that are present in six different classes in the inventory of the Turkish Naval Forces Command, the Company modernized these gyros with Inertial Navigation Systems and integrated these systems into 28 of a total of 29 battleships.

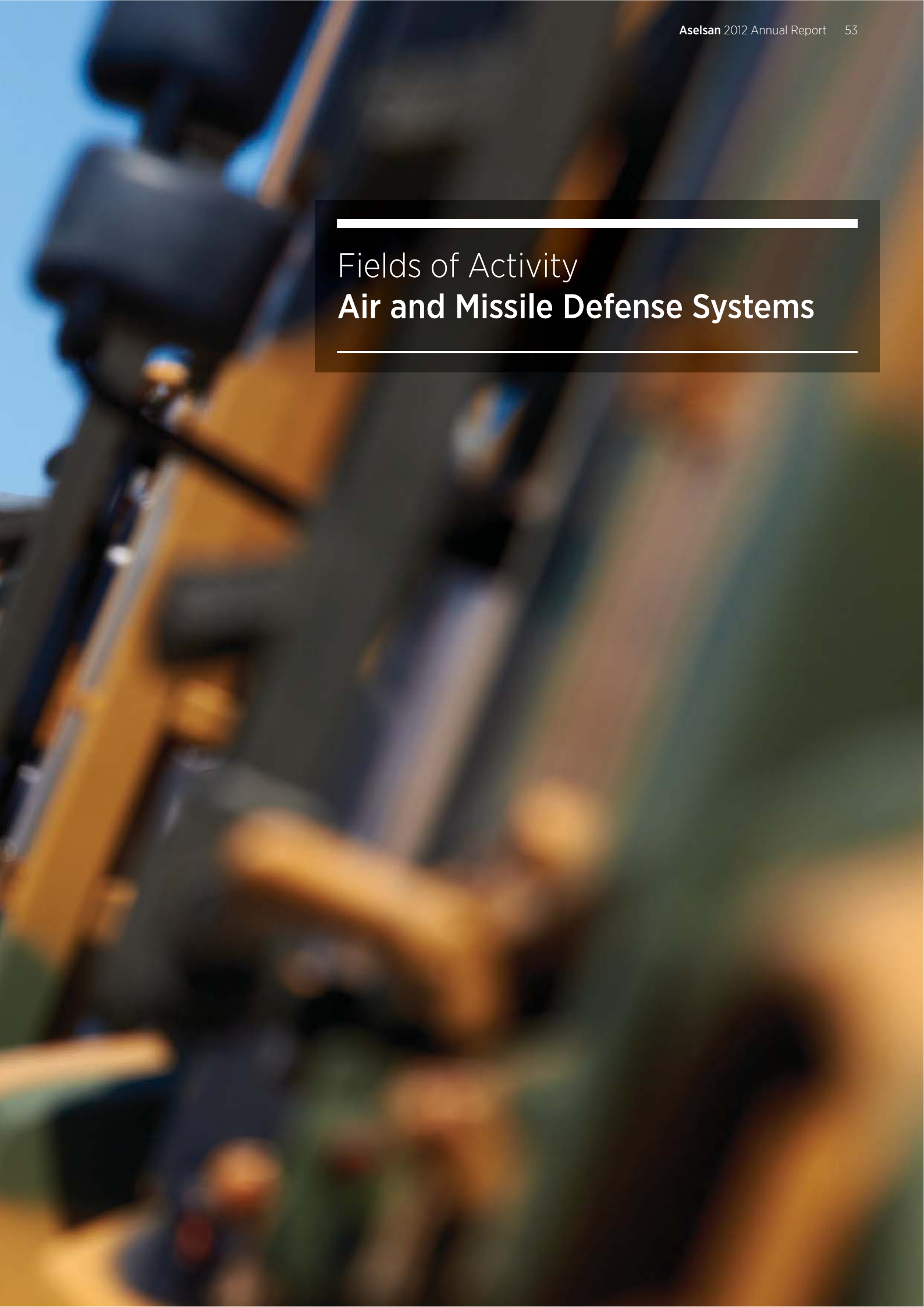


Acoustic Torpedo Defense Decoy

The Company completed the factory acceptance tests and installed and integrated the systems for the YUNUS Project, which envisages the installation and integration of underwater/surface surveillance and detection systems to the Naval Forces Command's naval bases in Aksaz and Foça. The Company is currently in the testing phase of the project.

ASELSAN launched the RECONSURVE (Reconfigurable Surveillance System with Communicating Smart Sensors) Project, which aims to cover a broader area as the existing naval surveillance systems can be operated together and supports existing naval systems with a sonar sensor network and the Unmanned Aerial Vehicle and ship recognition feature. Financed by the ITEA2 EUREKA cluster, RECONSURVE is a R&D project, which is supported by the expertise and experience of nine companies from three countries (Turkey, France and Korea). Coordinated by Turkey, the project is a EUREKA/ITEA2 project.


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Fields of Activity
Air and Missile Defense Systems

Air and Missile Defense Systems

ASELSAN is the leading company for air and missile defense systems. ASELSAN provides system level solutions using national resources at maximum extend. ASELSAN also develops radars, command control, fire control and communication systems which are the basic elements of gun or missile based air defense systems.

Pedestal Mounted Stinger (PMS) System



Self-Propelled Low Altitude Air Defense Gun System-KORKUT

Within the scope of the contract signed between ASELSAN and the Undersecretariat for Defense Industries (SSM) in 2010, the Turkish Armed Forces will have new 35 mm self propelled air defense gun systems that are able to make use of air burst munitions. Within the scope of the development project, two 35 mm Self Propelled Gun Systems (KORKUT-GS) and one Command Control System (KORKUT-CCS) will be developed and qualified. KORKUT will operate either as an autonomous battery or in integration with the upper level air defense command control elements. KORKUT-CCS will act as command and control system for KORKUT-GS' and will employ the 3D Mobile Search Radar which will detect, track and identify the threats. KORKUT-GS will track the target very precisely making use of on board Fire Control Radar and will perform firings. ASELSAN has progressed to the subsystem verification phase in the project.

Self-Propelled Low Altitude Air Defense Gun System



Fire Control System

The Fire Control System (FCS) is capable of controlling 35 mm towed air defense guns and low altitude air defense missile systems. The FCS has a 3D search radar, fire control radar for 35 mm guns and an E/O system composing of TV Camera, Thermal Camera and Laser Range Finder. FCS performs fire control and various command control processes such as the generation of air picture, threat evaluation and weapon assignment that are required for the coordination of the air defense systems. ASELSAN has progressed to the subsystem verification phase in the project.

Modernization of 35 mm Towed Air Defense Guns

Within the scope of the contract between ASELSAN and the Under secretariat for Defense Industries in 2010, the 35 mm Towed Air Defense Guns existing in Turkish Armed Forces inventory are modernized and also an air burst ammunition will be developed. Modernized 35 mm guns will be capable of firing air burst ammunition which counters threats such as air to ground missiles, cruise missiles and anti-tank missiles. ASELSAN moved to the subsystem verification phase in the project.

Low and Medium Altitude Air Defense Missile Systems-HISAR

ASELSAN and the Undersecretariat for Defense Industries (SSM) signed a contract for the Design and Development of Low Altitude Air Defense Missile Systems (HISAR-A) and Medium Altitude Air Defense Missile Systems (HISAR-O) in 2011. Low and Medium Altitude Air Defense Missile Systems will counter air threats in the low and medium altitude for the purpose of point and regional air defense.

Within the scope of the HISAR-A Project, ASELSAN will develop Self-Propelled Autonomous Low Altitude Air Defense Missile System and its towed version. The Self-Propelled Autonomous HISAR-A will perform its missions in fully autonomous mode by making use of 3D mobile search radar, command control and fire control systems. The Towed HISAR-A, on the other hand, is a missile launching system, in which the command control and fire control functions are performed by the Fire Control System.

Within the scope of the HISAR-O Project:

- An HISAR-O Battery that comprises of one Battery Fire Control Center, one Medium Altitude Radar, one Electro-Optic System and three Missile Launching Systems
- A Battalion Fire Control Center,
- Link-16 Interface for Upper Level Command and Control Systems

will be developed.

The missiles to be used in HISAR systems will be developed by ROKETSAN, missile subsystems such as seeker and data link will be provided by ASELSAN.

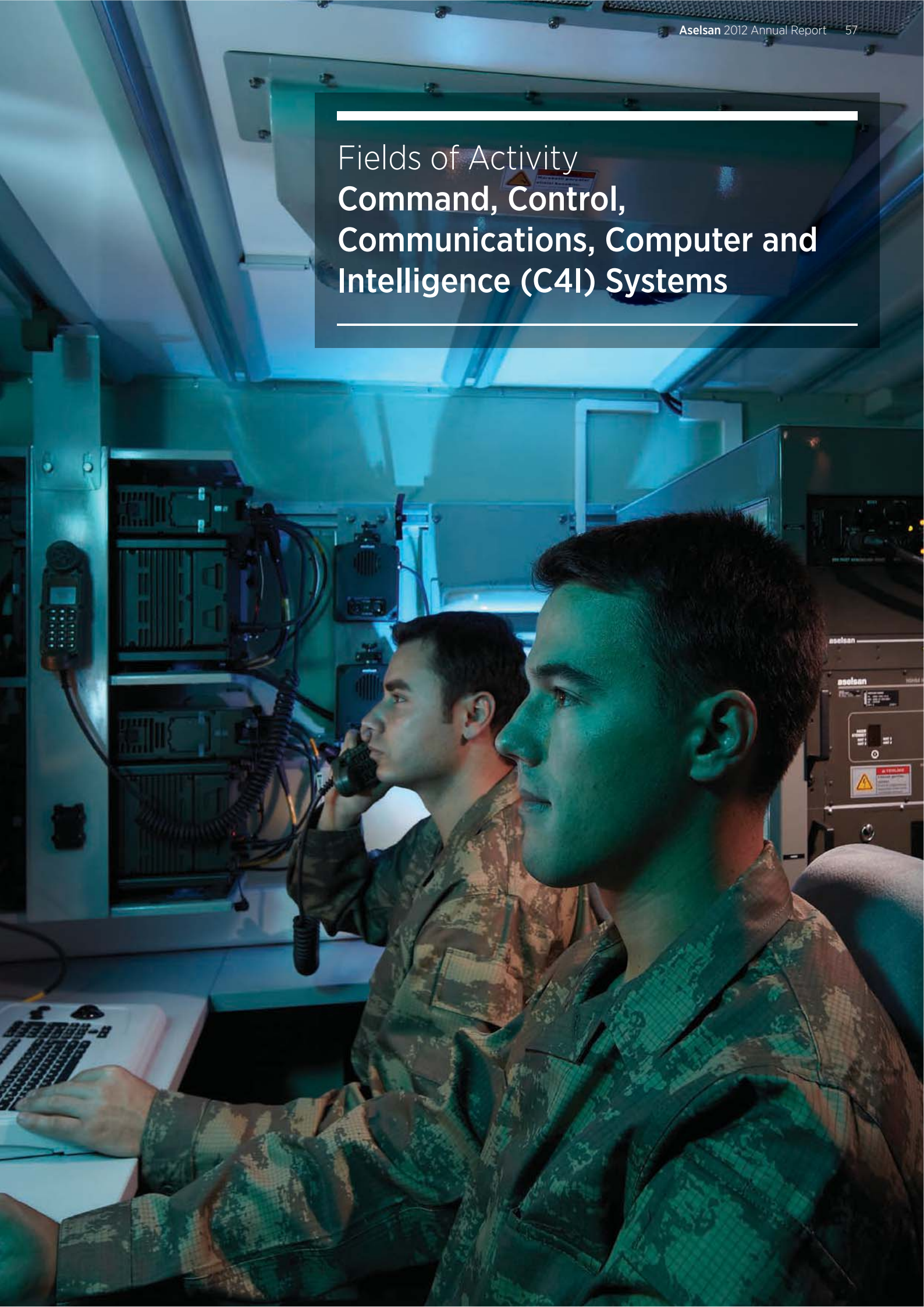
ASELSAN has progressed to the system design phase in the HISAR-A and HISAR-O projects.

Pedestal Mounted Stinger (PMS) System

Within the scope of the serial production contract signed in 2001, ASELSAN completed the delivery of the Pedestal Mounted Stinger (PMS) system in June 2012. The PMS system, designed and developed by ASELSAN, is a significant force multiplier for low altitude air defense. In the project, ASELSAN created a unique, national and cost-efficient solution that meets the Turkish Armed Forces' operational needs with the latest technology, while providing a high level of industrialization. Thanks to this project, Turkey has gained a high level of know-how and technological expertise in the following areas: turret design, servo control and stabilization, fire control software and hardware, multi-pulsed laser technology, thermal imaging technology, image processing and automatic target monitoring technologies, and weapon systems integration and testing.

Customized version of PMS is also exported to Netherlands and in use by Royal Netherlands Army which highlights the capability and reliability of ASELSAN's air defense systems.


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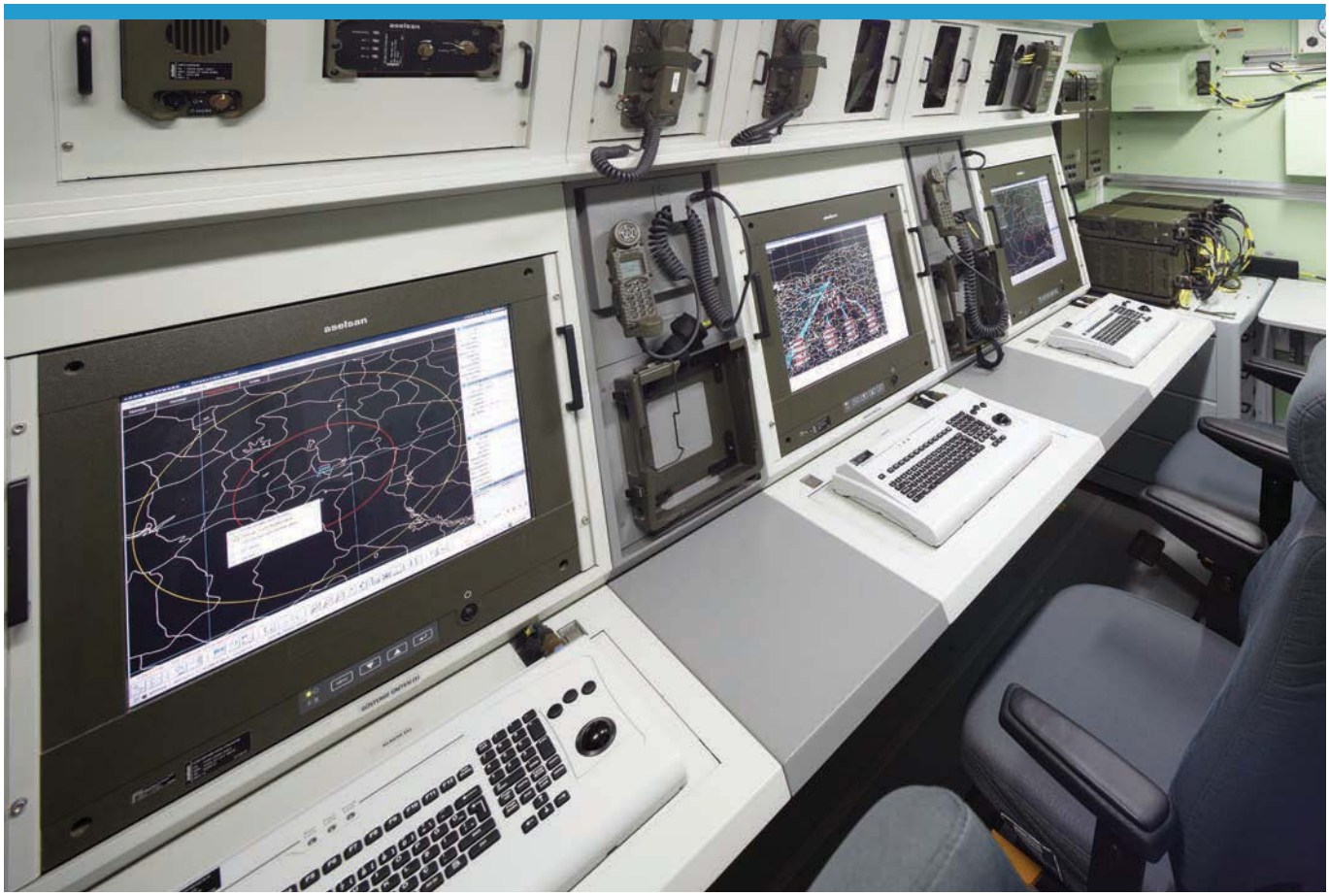


Fields of Activity
Command, Control, Communications, Computer and Intelligence (C4I) Systems

Command, Control, Communications, Computer and Intelligence System (C4I)

ASELSAN offers a wide range of products in the fields of Surveillance/Reconnaissance, Intelligence, Fire Support and Tactical Communications.

Air Defense Early Warning and Command Control System



Air Defense Early Warning and Command Control System (HERİKKS)
Launched in 1998 by ASELSAN as the prime contractor to meet the needs of the Turkish Armed Forces, the Air Defense Early Warning and Command Control System (HERİKKS) project has laid down the foundations of the Turkish Air Defense Command Control System.

Developed and manufactured by ASELSAN with national resources, the HERİKKS has been used by the Land Forces Command since 2001 and by the Naval Forces Command since 2008. To meet the Turkish Armed Forces' new requirements, ASELSAN undertakes the necessary revisions and/or additions to the HERİKKS project. Recently launched in 2008 by the Land Forces Command, the new HERİKKS project, with new additions and advanced features, was completed in 2012 and the system was added to the Turkish Armed Forces' inventory.

With the HERİKKS project, Turkey has become one of the few countries in the world to develop Air Defense Command Control software and hardware.

Military Computers



Fire Support Automation Project

ASELSAN continuously updates its wide product portfolio in the area of Fire Support in line with new technologies and arising/changing tactical needs.

ASELSAN's Fire Support Automation System automates command, control and communication functions of fire support in the battlefield and ensures that fire support is provided in full compatibility with other functional units of the battlefield.

In 2012, deliveries to the Turkish Land Forces commenced within the scope of the Fire Support Automation Project (FSAP-2000). Production and deliveries will continue in 2013.

Tank Command Control Communication Information System

Within the scope of the Turkish Main Battle Tank Development Program (ALTAY Project), ASELSAN has continued development of the Tank Command Control Communication Information System.

Military Computers

While continuing the production and delivery of various types of Military Computers in accordance with the contracts, ASELSAN also continues to develop new products in line with the latest technology.



Tank Command Control Communication Information System


aselsan
CAUTION
Invisible laser radiation.
Avoid eye contact with the beam.
aselsan
STAMP
STABILIZED WEAPON PLATFORM
RING GEAR GREASE HOLE



Fields of Activity
Weapon Systems

Weapon Systems

With its unique approach to design and integration, ASELSAN develops and manufactures weapon systems that can be used on various land and sea platforms

12,7 Stabilized Machine Gun Platform (STAMP)



Remote Controlled Weapon Systems

In 2012, ASELSAN continued to produce the STAMP (Stabilized Machine Gun Platform), STAMP-G (a STAMP version on which the 12.7 mm GAU-19/A Gatling Gun can be mounted) and STOP (Stabilized Gun System) Remote Control Weapon Systems, which attracted a great deal of attention from both in Turkey and in foreign countries.

Within the scope of local contracts, ASELSAN manufactured STAMP systems for the New Type Patrol Boats and "YUNUS" boats of the Turkish Navy and for the boats of Coast Guard; as well as STOP systems for the LCT ships of the Navy. Within the scope of export contracts, the Company delivered STAMP, STAMP-G and STOP systems to various countries.

In addition to the existing products, ASELSAN continued development efforts for the MUHAFIZ 30 mm naval gun system. In this system, the line of fire and the line of sight are separately controlled and stabilized in order to ensure high target hitting accuracy over long range. The qualification tests of the MUHAFIZ system are planned to be completed within the first quarter of 2013. ASELSAN received the first order for the MUHAFIZ System from an international customer in 2012.

Ammunition Transfer System



SARP Remote Control Weapon System has been designed for low and medium-caliber weapons to support the close-in defense of tactical vehicles and stationery facilities against land and aerial threats. Depending on the tactical need, a 7.62 mm Machine Gun, or a 12.7 mm Machine Gun or a 40 mm grenade launcher can be alternatively mounted to SARP system. Thanks to the electro-optical sight that provides surveillance capability during both the day and the night, and the computer-supported fire control system that allows the effective use of the system's firepower, the system can be used during the night and day, and under adverse operational conditions. The system raises the security of personnel by facilitating the remote use of the system under armor.

In 2012, SARP systems have been integrated to the ALTAY Main Battle Tank and to some stationary facilities of the Turkish Army.

Fire Control System for FIRTINA Self-Propelled Howitzer

Fire Control System for the Turkish Army's 155mm 52 caliber FIRTINA Self Propelled Howitzer provides a digital capability for the control of movement, deployment, fire preparation fire direction and fire control processes of the "FIRTINA" howitzer as well as digital integration of the howitzer to other fire support units within the force.

In 2012, ASELSAN continued production and delivery FIRTINA Fire Control System within the framework of current contracts.

Ammunition Transfer System

ASELSAN develops an Ammunition Transfer System for the Artillery Ammunition Supply Vehicle; which will be used to further raise the effectiveness of FIRTINA Self-Propelled Howitzers. The Ammunition Transfer System will be used to enable faster loading of ammunition to Ammunition Supply Vehicle at ammunition supply points and to transfer the loaded ammunition to the FIRTINA Howitzer in artillery positions.

In 2012, ASELSAN completed the design of the Ammunition Transfer System and started the qualification tests of the system.

Multiple Rocket Launcher Fire Control and Weapon Management System

Designed for Multiple Rocket Launchers, the Fire Control and Weapon Management System facilitates the movement, deployment, fire preparation, fire direction and control processes of the multiple rocket launchers. The system also allows missions to be executed in coordination with other fire support elements.

Within the scope of contracts signed with local and international companies, ASELSAN continues the design, development and production of Fire Control and Weapon Management Systems.

Air Portable Lightweight Towed Howitzer Fire Control System

Within the scope of a contracted development project, ASELSAN completed the design of subsystems and is currently in the process of qualification of the Fire Control System for the Air Portable Lightweight Towed Howitzer.

MUHAFIZ 30 mm Naval Gun System





SARP Remote Control Weapon System

Underwater Defense Warfare (DSH) Rocket Launcher System

The DSH Rocket Launcher System is a highly effective weapon system, used most in Underwater Defense Warfare (DSH) in "near coastal" waters, and which can be easily integrated every type of surface platform, thanks to its compact structure that is designed to be used by light surface ships against submarines. This high-tech system can be alternatively installed on land as a stationery or mobile system to support the underwater defense of bases and harbors against asymmetrical threats approaching under water.

ASELSAN completed the development/qualifications work for the DHS system, which is currently used by the New Type Patrol Boats of the Naval Forces Command, and will continue the serial production of the system in 2013.

Unmanned Systems

ASELSAN designs and manufactures Unmanned Systems, which will be used extensively in the battlefield of the future

Explosive Ordnance Disposal Robot (KAPLAN)



Unmanned Systems are deemed to be one of the key elements which will shape the battlefield of the future. Today's asymmetrical war conditions, in particular, call for unmanned systems that can be used on land, on the sea and in the air, in order to rapidly carry out effective operations such as surveillance, reconnaissance, intelligence gathering, identification and destruction of threats, and logistic support without the loss of personnel.

For more than six years, ASELSAN has directed its technological know-how to the development of unmanned vehicles that comply with military standards and the payloads that can be deployed on these vehicles, as well as the integration of these systems into the command control systems.

KAPLAN Unmanned Land Vehicle Family

Kaplan is a family of new generation tracked Unmanned Land Vehicle (ULV). The Kaplan ULV Family is a product of a comprehensive unmanned vehicle development program, which has been conducted taking the requirements of the Turkish Armed Forces and NATO into account.

Unmanned Surface Vehicle (LEVENT)



Unmanned Aerial Vehicle (ARI)





Explosive Ordnance Disposal Robot (KAPLAN)

KAPLAN Explosive Ordnance Disposal Robot

"KAPLAN Explosive Ordnance Disposal Robot" was developed by ASELSAN to identify and dismantle explosives under challenging terrain conditions. KAPLAN Explosive Ordnance Disposal Robot incorporates the world's most recent bomb disposal technology which results in strength, robustness and ease-of-use. In 2012, ASELSAN completed the design and started the production of the KAPLAN Bomb Disposal Robot. The Company delivered the first robots to the Turkish General Directorate of Security.

LEVENT Unmanned Surface Vehicle

LEVENT Unmanned Surface Vehicle, can be used in various missions, such as surveillance-reconnaissance, emergency response and communication relay, thanks to its modular design which provides the integration of different payloads it's as well as its autonomous navigation and remote control capabilities. The vehicle will be able to carry out its missions reliably at speeds up to 30 knots, even beyond the line-of-sight (horizon).

ARI-1 Rotating-Wing Mini Unmanned Aerial Vehicle

Within the scope of the ARI-1 Rotating-Wing Mini Unmanned Aerial Vehicle Project, ASELSAN designed the avionic units that contain the "flight control and mission management" functions of the Winged Mini Unmanned Aerial Vehicle, as well as the hardware, software and mechanical systems of the Ground Control Station; it subsequently completed the "prototype" product and integration process, and is currently carrying out testing and verification work.

ARI-3 Rotating-Wing Mini Unmanned Aerial Vehicle

Within the scope of the ARI-3 Unique Rotating-Wing Mini Unmanned Aerial Vehicle Development Project, ASELSAN performed the necessary tests to verify the subunits manufactured by İTÜ ROTAM (Istanbul Technical University - Rotorcraft Design and Perfection Center) and completed the platform integration and testing processes in accordance with the subcontract signed by the academic staff serving at İTÜ ROTAM.

Coastal and Border Security Systems

ASELSAN is involved in the development and production of Border Security, Coast Guard, Critical Infrastructure and Facilities Security and City and Community Security Systems.

Border Security System Center



Various activities have been conducted on the following main topics on coastal and border security systems field;

- Coastal Security
- Border Security
- Critical Infrastructure Security

ASELSAN's efforts in Coastal Security

System solution has been developed for Coastal Surveillance Radar Systems responding to bidding request of Undersecretariat for Defense Industries (SSM).

Having evaluated a number of international orders, ASELSAN offered various systems solutions, which comprise of ASELSAN's products, such as communication systems, electro-optical systems, radars and command control solutions.

Border Security Thermal Camera Systems



Transportable Autonomous Border and Wide Areas Forward Observation System (TALOS) Project





Border Security Thermal Camera Systems

ASELSAN's efforts in Border Security

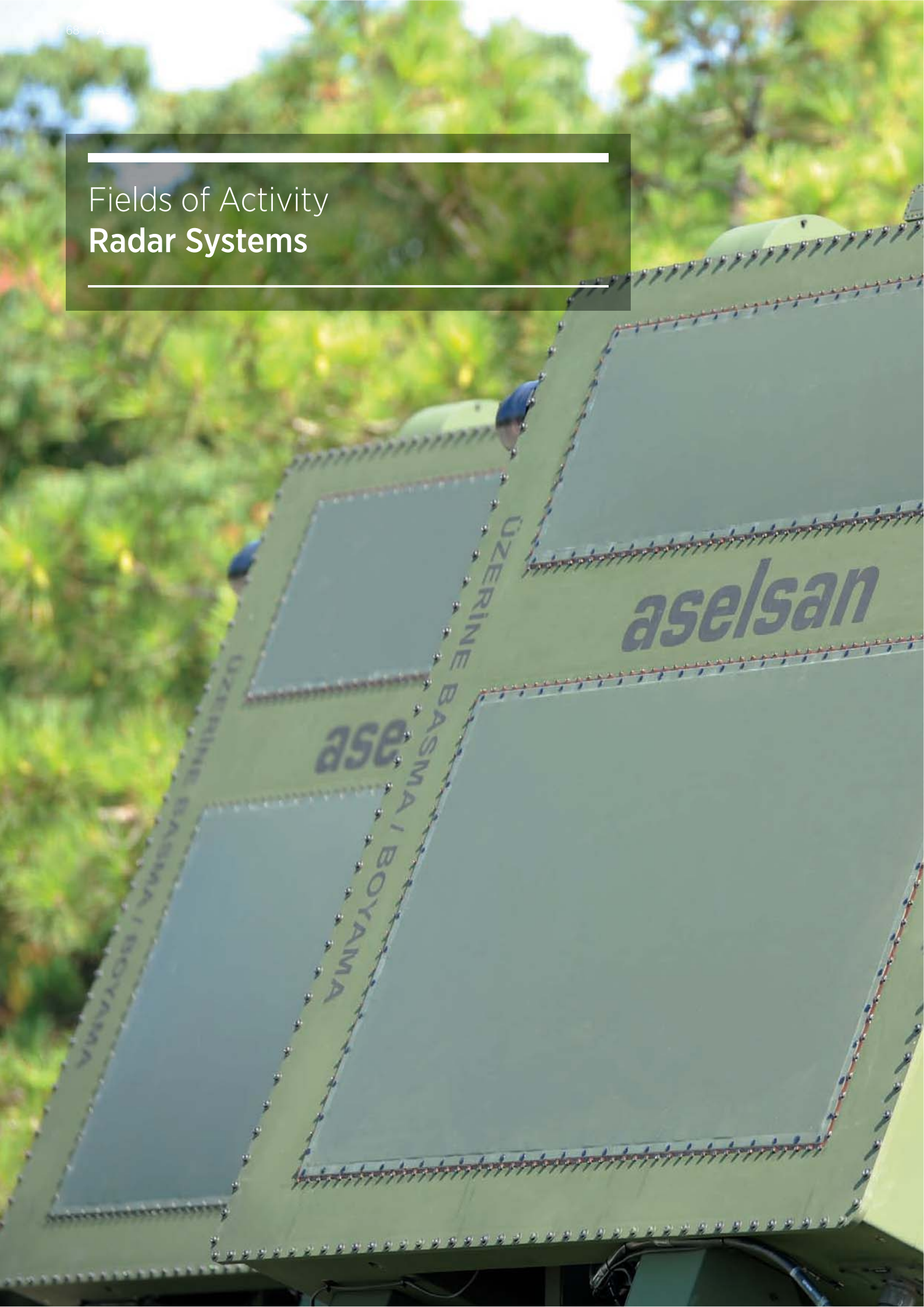
Transportable Autonomous Patrol for Land Border Surveillance System (TALOS) project has been completed successfully in May 2012. The TALOS project has been realized by a consortium including ASELSAN, in the Security Thematic area of Europe Union 7th Frame Program. ASELSAN has designed top level system architecture and also managed the development of command control subsystem work package.

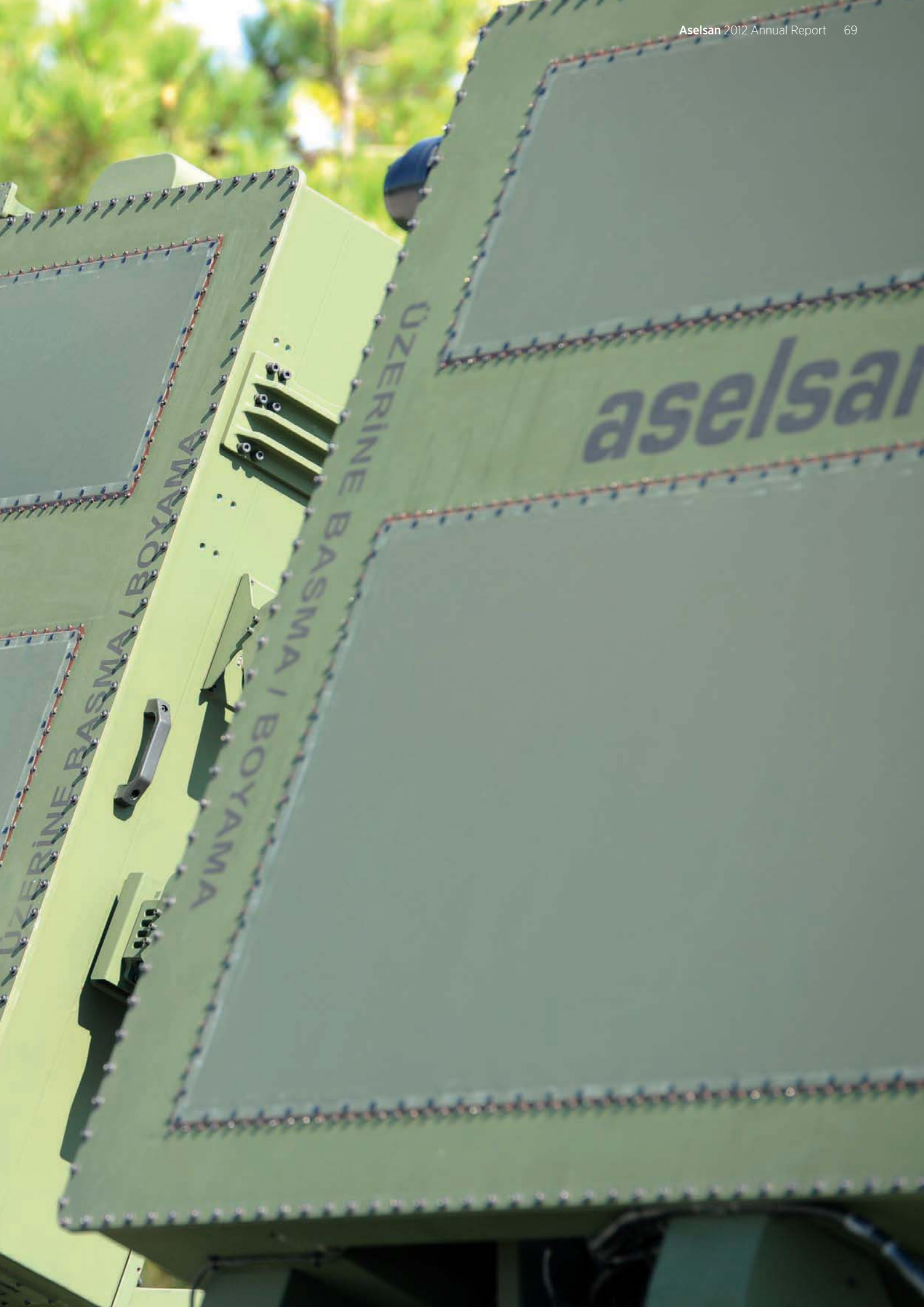
A "model system" has been established and being operated in a short borderline area at southeast region to demonstrate land border security solution. The model system comprised ASELSAN's products and domestically procured sub systems operated by an ASELSAN command control system that can easily be integrated with the Turkish Armies existing "Air Defense And Early Warning System", "Air Defense Weapon Systems", "Artillery Fire Control Systems", "Artillery Gun Systems". System also has the capability to be integrated with electro-optical solutions, land surveillance radars, remote controlled weapon systems and unmanned vehicles developed by ASELSAN.

ASELSAN's efforts in Critical Infrastructure Security

System solutions to fulfill the requirements of many number of domestic and foreign tender requests have been prepared and proposed containing ASELSAN's air defense, electro-optics, remote controlled weapon, communication and command control system, integrated with civil security systems and sensors procured through local companies.

Fields of Activity
Radar Systems




ÜZERİNE BASMA / BOYAMA
ÜZERİNE BASMA / BOYAMA
aselsan

Radar Systems

As Turkey's Radar Technology Center, ASELSAN presses ahead vigorously in its activities to meet the Armed Forces' needs for high-tech radar systems

3D Search Radar



Within the scope of activities to modernize the radar systems of the GABYA and BARBAROS class platforms, ASELSAN completed the integration of manufactured radars into the platforms. The Company designed unique Transmitter/Receiver Modules for the 3D Search Radar, performed the qualification of the modules and integrated them into the radar. All of the modules were approved.

ASELSAN completed its efforts to develop an indigenous Synthetic Aperture Radar (SAR) and produced the first system. With its performance verified through laboratory and flight tests, the radar's acceptance was successfully completed. ASELSAN currently continues its efforts to integrate the radar into the TAI ANKA Turkish Unmanned Aerial Vehicle.

The Synthetic Aperture Radar System was developed such that it can be used in surveillance and reconnaissance applications in the military area and for civilian use through damage assessment

Coast Surveillance Radar (SERDAR)



and crisis management following natural disasters, in urban planning and in cartography practices.

Within the scope of the "Underwater/ Surface Surveillance and Identification System in the Naval Bases in AKSAZ and FOÇA" project, the Company completed the factory acceptance tests of SERDAR Coast Surveillance Radars and installed them onto the towers at their coastal locations of operation.

The Company completed the factory acceptance tests of the ALPER LPI Radar, Navigation Radar and Fire Control Radar, which will be integrated onto the 2nd MILGEM ship.

The Alper LPI (Low Probability of Intercept) Radar is the first radar system developed by ASELSAN for naval platforms and has the ability to detect without being detected, thanks to its special antenna structure, customized algorithms and advanced radar techniques employed. ALPER, which is to be used for maritime navigation during wartime, operates at very low output power and offers high range resolution. It can also be integrated with existing navigation radars on the naval platforms.

ASELSAN began the production of the ACAR Land Surveillance Radar, which is designed to be used in border and border post security. ACAR is a state-of-the-art Ground Surveillance Radar with advanced features such as Track While Scan (TWS) and Automatic Target Classification. Its low output power and specially tailored waveform lead to Low Probability of Intercept (LPI) characteristics. The radar can be used stand-alone on the field on a tripod, mounted on a tower or elevated mast for increased line-of-sight operation, or can be integrated on a vehicle for mobile use. ACAR is ASELSAN's third generation product in its 20 years heritage in Ground Surveillance Radars. The first ACAR systems were recently delivered to the Turkish Armed Forces.

The Company continued its work on the design and testing in the Air Defense Systems Mobile Search Radar and Fire Control Radar Project and the Radar Seeker Project. Both projects are at the prototype stage, approaching completion. The Company continued its efforts to design and manufacture the Counter Mortar Radar, the Multi Function Phased Array Radar (MFPAR), Long Range Mobile and Stationary Radars and the SAR payload for the GÖKTÜRK-3 Satellite. A national-development approach is adopted for each of these projects where ASELSAN partners with research institutes, universities and industrial solution providers in Turkey for all design, development, manufacturing, testing and qualifications aspects.

The Air Defense Early Warning Radar (KALKAN), designed for low and medium altitude air defense of critical points and regions, is under serial production. This 3D system, which employs a phased-array antenna structure, stands out with its modern architecture and superior identification/tracking performance in contrast with similar systems.

ASELSAN recently completed the delivery of three KALKAN Air Defense Radars to the Turkish Armed Forces which comprise the second lot of the serial production contract.

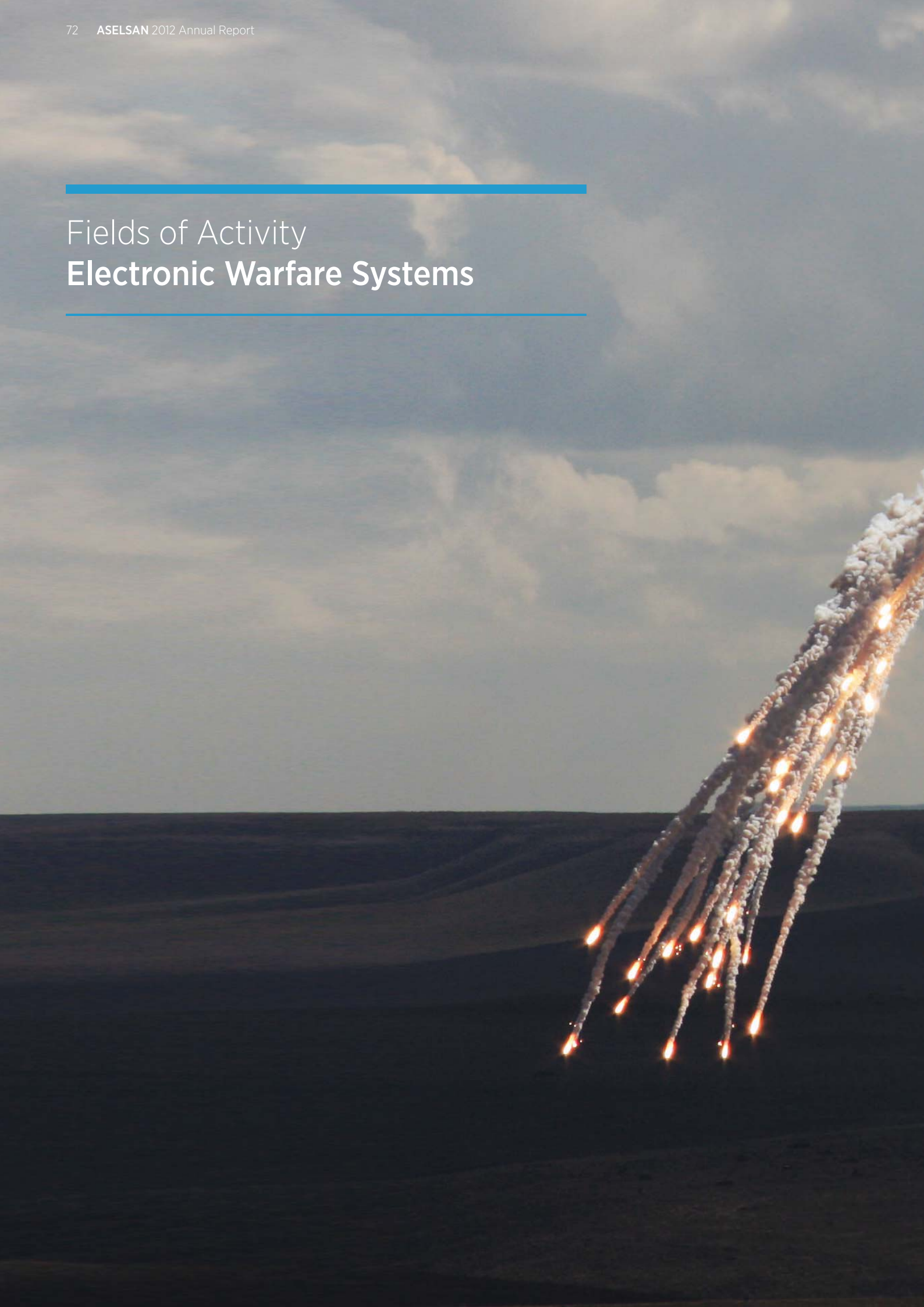


Naval 3-D Search Radar and ALPER Naval LPI Radar



ACAR Land Surveillance Radar

Fields of Activity
Electronic Warfare Systems

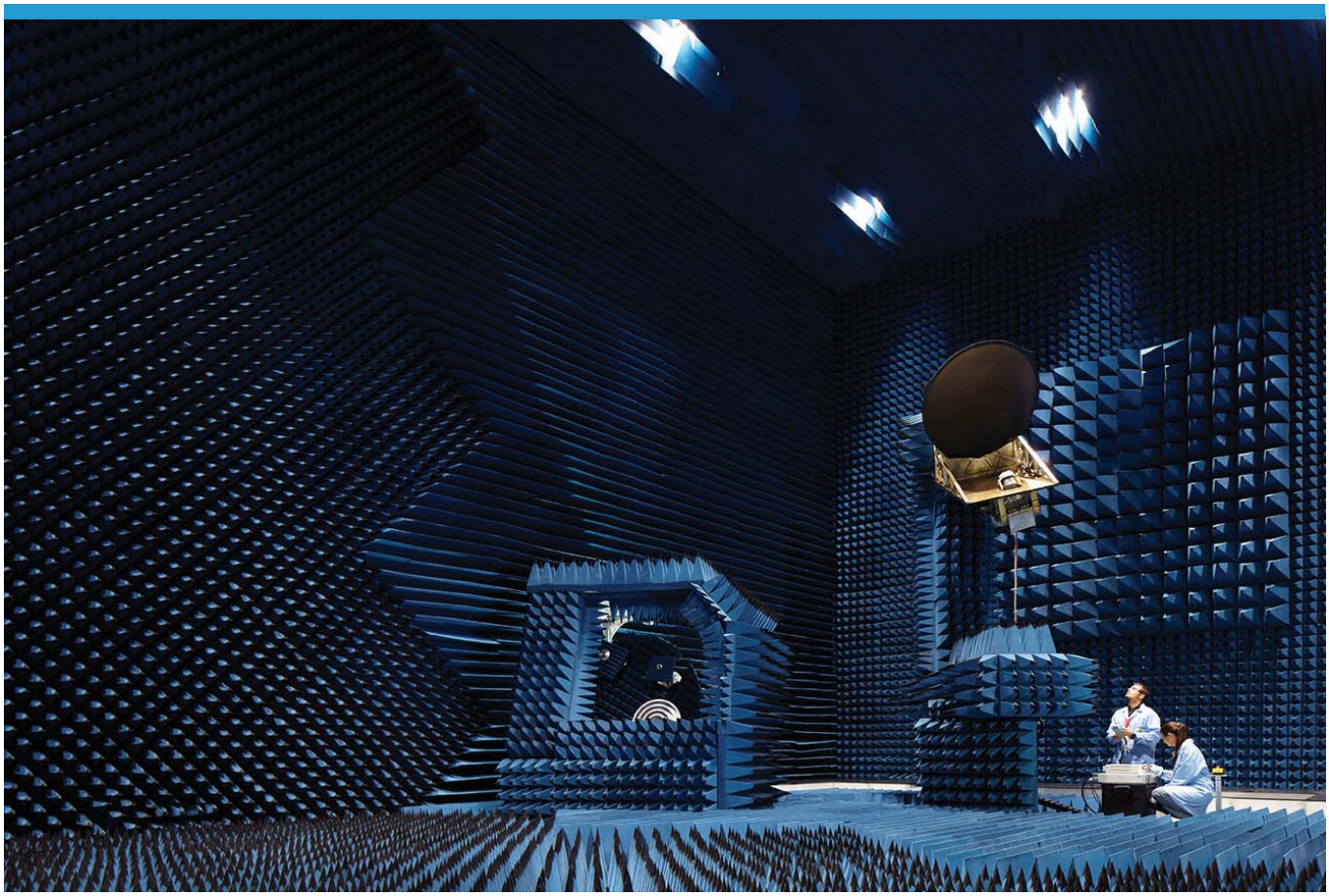




Electronic Warfare Systems

ASELSAN carries out efforts to develop systems and to integrate them into various platforms in order to ensure that land, air and naval platforms are protected against electronic warfare and missile threats; and offers users unique and integrated solutions by making sure that these systems work in coordination with other systems on the platform.

Compact Range Antenna Test Area



Electronic Warfare Self Protection Systems

ASELSAN completed the specification compliance tests which are an important phase in the verification of the Helicopter Electronic Warfare Self Protection (HEWS) System, and moved to the simulator performance tests. The Company has continued successful tests of the first helicopter to be fitted with the HEWS System. The Company also continued its deliveries of Electronic Warfare Self Protection Systems for ATAK Helicopters.

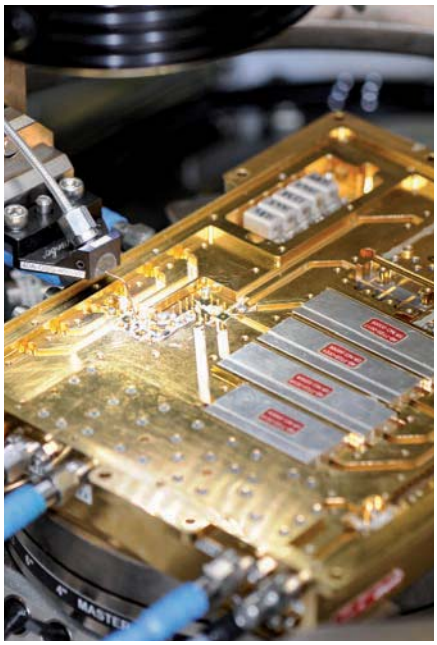
ASELSAN continued to deliver SPEWS-II Electronic Warfare Self Protection Systems, which were integrated into the F-16 Aircraft and began to be serially produced.

Cleanroom



Radar Electronic Support System Production Hall





Microwave Module

ASELSAN carried out the design, production, integration, testing and delivery activities in the MWS-TU Missile Warning System Project, the HEWS CMDS/CFD Countermeasure Launcher System and Chaff/Flare Ammunition Project and the A400M Aircraft Missile Warning System Joint Development Project. The Company completed the flight performance tests in the MELTEM Maritime Patrol Aircraft Electronic Warfare System Project.

ASELSAN delivered two types of flare and one type of chaff ammunition, which were manufactured with the cooperation between ASELSAN and MKEK (Machinery and Chemical Industry Institution). This ammunition can be used with any type of launcher that can fire NATO-type ammunition, in addition to ÖZIŞIK launchers which were developed by ASELSAN and MİKES (Microwave Electronic Systems, Inc.)

ASELSAN continued its efforts to develop Interrogator and Transponder RF Units and Antennae for Battlefield Recognition and Identification Systems.

The Company also carried out various business development initiatives and submitted proposals for electronic warfare self protection systems of aerial platforms within the scope of the General Purpose Helicopter program and other programs.

The Company also continued technical and business development work for electronic warfare self protection systems in order to ensure that armored vehicles and tank platforms are protected against missile threats.

Electronic Support and Electronic Attack Systems

ASELSAN delivered Stationery ELINT Systems, Mobile Jammer Systems for the Protection of Stationery Facilities and Mobile HF Direction Finding and Monitoring Systems to its customers, and completed the acceptance examination of the Radar Electronic Support System of the second MILGEM ship. The Company continued work on the design, production and integration of Land Platform Remote Jammers, UHF/VHF Jammers, Underwater Radar Electronic Support Systems, Underwater RWR/GPS Antennas, and Aerial Platform Communication Direction Finding and Monitoring Systems.

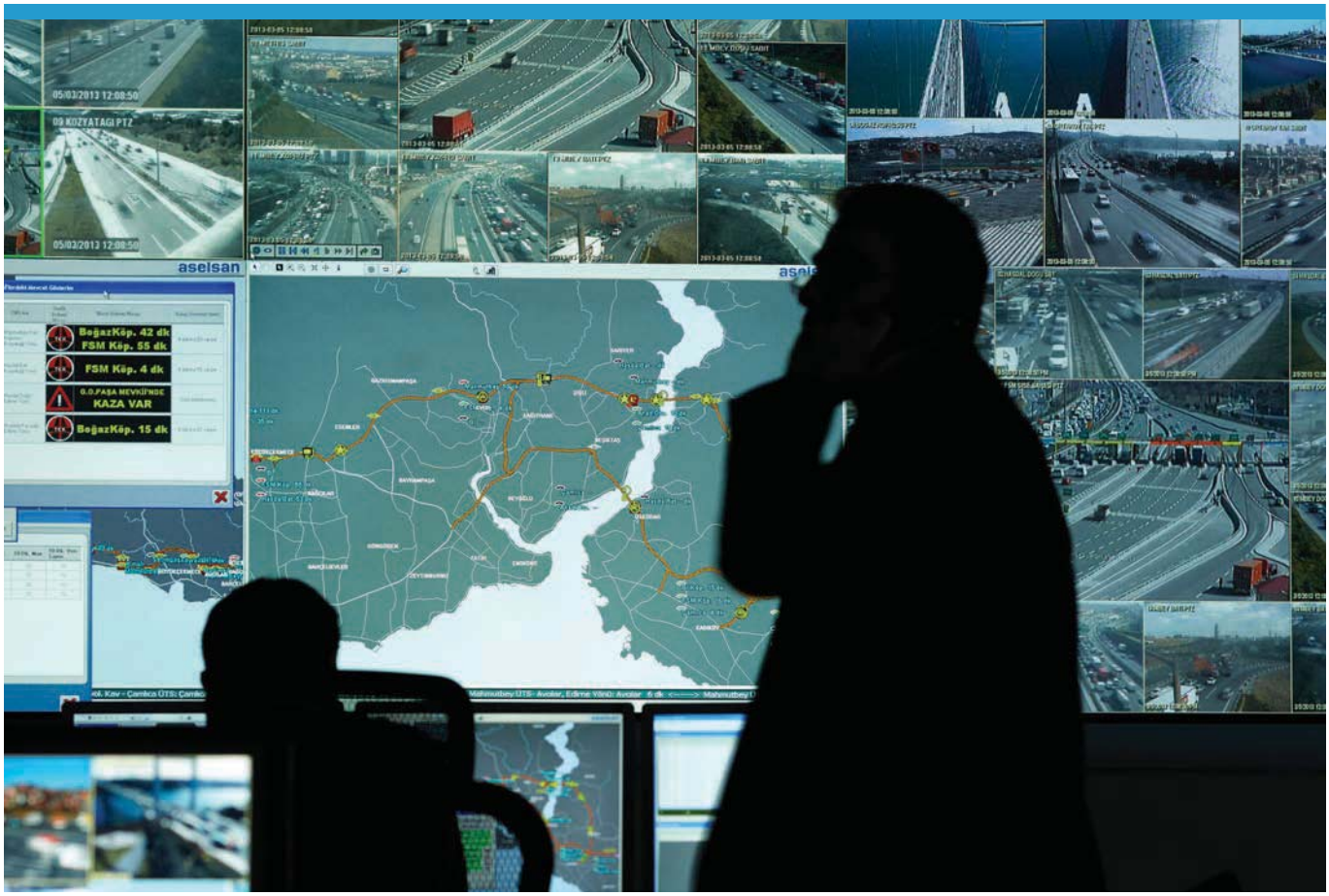
Within the scope of business development efforts concerning naval platforms, ASELSAN signed a contract for Electronic Support Systems used in New Type Submarines. The Company also signed various contracts for the KİRPİ Portable Jammers and GERGEDAN Vehicle-Type Jammers and received extra orders for the Mobile HF Direction Finding and Monitoring Systems. ASELSAN, as the prime contractor, signed a contract with MİKES in the project, “Radar Jamming-Deception Simulator and Communication Jamming-Deception Simulator”.

The Company carried out business development and pre-design activities for the Aerial Platform Remote Jammer, VHF/UHF Direction Finding and Monitoring Systems and the Radar Electronic Support Systems for LSTs.

With regard to Communication Electronic Warfare Systems, ASELSAN continued efforts to develop the a-SMARD product family, which comprises of various receivers, direction finding and RF/IF systems and sound recorders that can be used in HF and VHF/UHF frequency bands. The Company developed the first members of the a-SMARD family.

Intelligent Transportation Systems

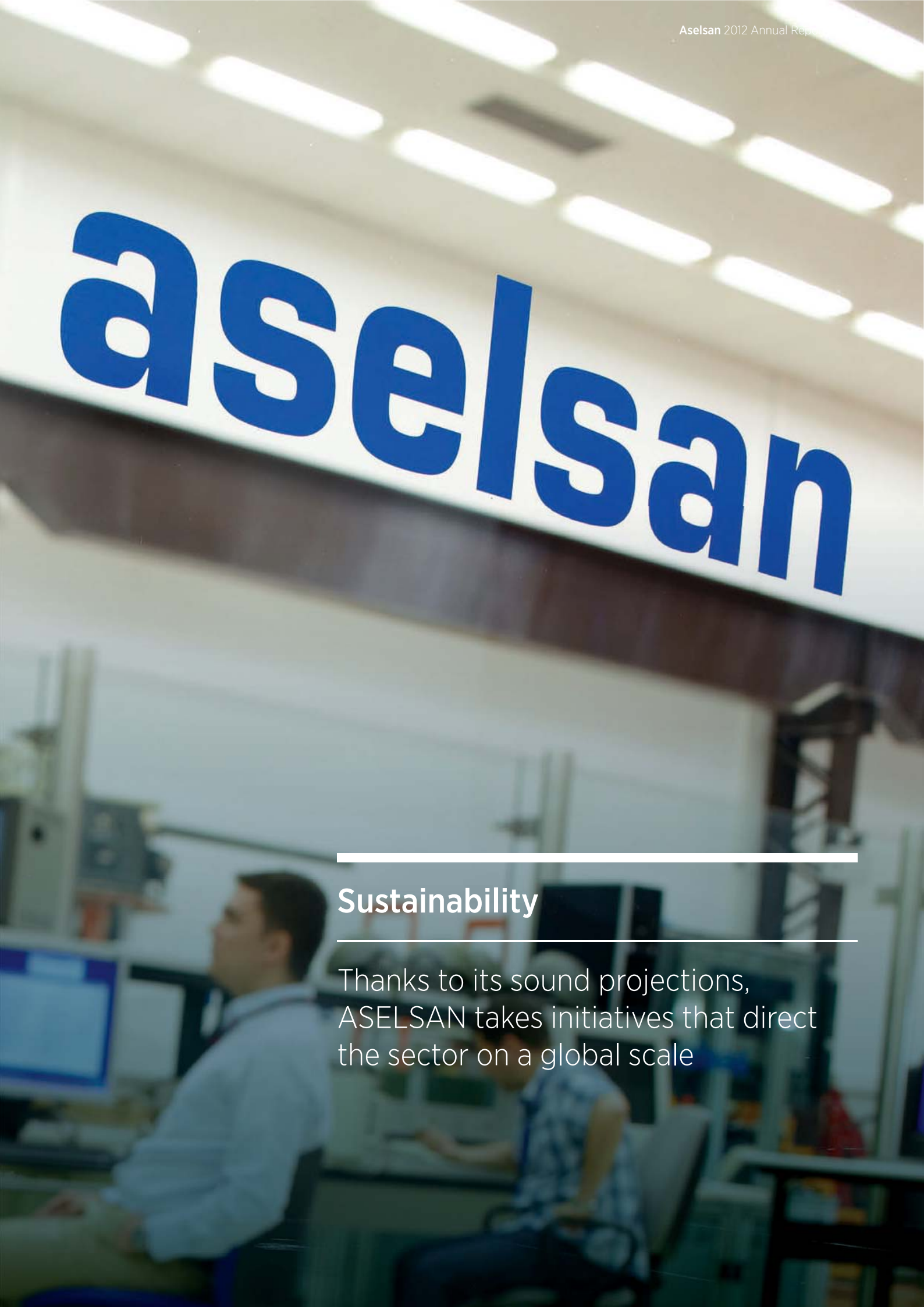
We developed and offered Intelligent Transportation Systems in line with our aim of developing civilian systems from our defense systems engineering capabilities



ASELSAN's vehicle recognition and enforcement systems based on Automatic License Plate Recognition technology, developed as an integral part of the Gendarmerie Integrated Communications and Information System (JEMUS), has been improved with vehicle brand detection, vehicle color detection and video based speed measurement capabilities. The first deliveries of the new generation system were started in 2012. The new system will be installed at 220 locations on Turkish state roads.

Development work for ETC and cash based tolling system for Polish highways project was continued in 2012. Various tolling systems previously delivered by other vendors are planned to be integrated into the centralized tolling system to be delivered by ASELSAN.

In scope of ongoing projects with the Turkish General Directorate of Highways, ASELSAN's Electronic Toll Collection (ETC) systems which facilitated all electronic tolling on Turkish Highways were further expanded during 2012.

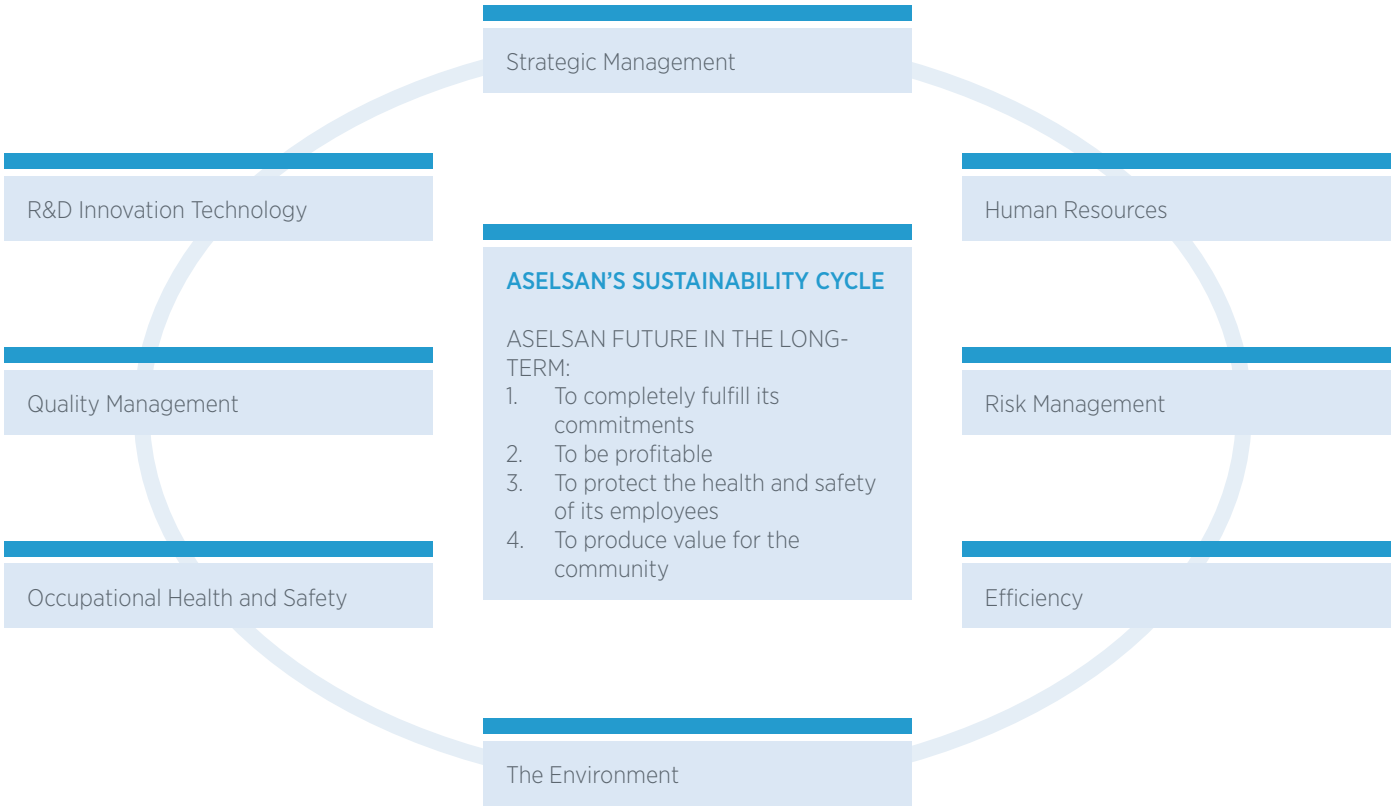


Sustainability

Thanks to its sound projections, ASELSAN takes initiatives that direct the sector on a global scale

Sustainability for ASELSAN

Sustainability represents the future of ASELSAN in the long-term



Aiming to be a global company, ASELSAN is focused on:

- Completely fulfilling its commitments to its stakeholders, especially its customers and shareholders, in a balanced manner;
- Generating high-quality value in the long term;
- Protecting the health and safety of its employees;
- Producing value for the community; and
- Protecting the environment.

As long as it achieves these targets, ASELSAN will remain a sustainable, profitable and responsible company.

ASELSAN'S STAKEHOLDERS

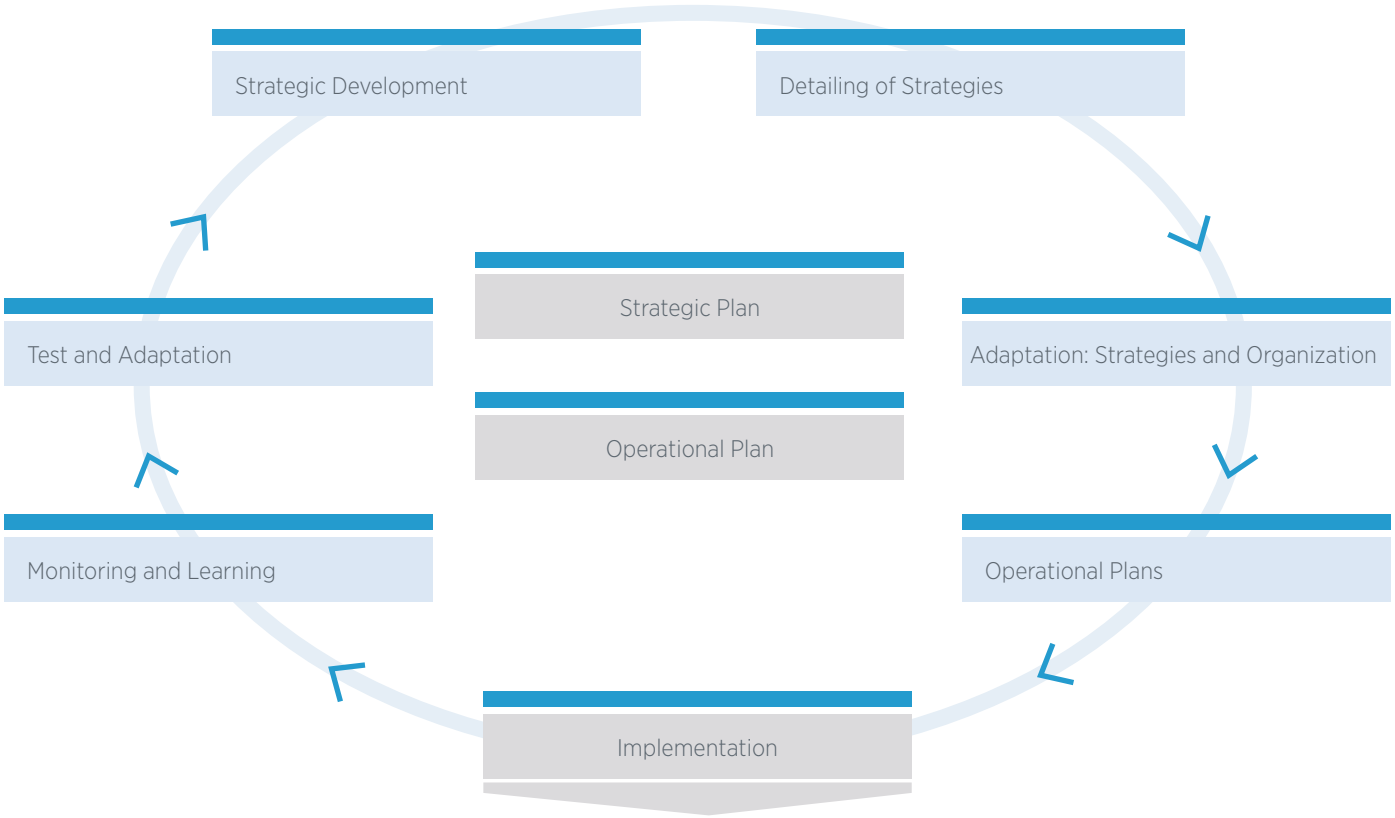
STAKEHOLDERS	ASELSAN'S RESPONSIBILITY
Shareholders	To produce added value; to ensure that the Company is one of the top 50 defense industry companies in the world league in line with its mission; to implement the Company's strategic investment and growth plans; and to maintain full compliance with the law.
Customers	To make a difference by developing extensive technological expertise through R&D activity and Innovation; to offer new value by producing the most appropriate solutions; and to fulfill all kinds of its contractual commitments completely and in a timely manner.
Employees	To maintain and improve modern employment and workplace conditions; to support personal development with training programs; to promote personal progress within the scope of career planning; and to maintain full compliance with all laws and legislations that arrange the business life.
Suppliers	To support their progress within the scope of the business cycle; to spread "sustainability" as a common concept that must be shared; and to promote and request compliance with all types of quality management standards, and environmental standards in particular.
Universities	To support the development of science and technology in the academic world through joint project development; and to encourage and support future scientists.
Community	To consider the community's social, environmental and economic concerns, especially education, as part of its activities.

Strategic Management

For sustainable growth, it is ASELSAN's duty to take innovative and encouraging steps that generate value for its stakeholders

It is the Strategic Management process that allows ASELSAN to achieve its long-term targets and maintain its successful performance.

ASELSAN's vision is to rank among the top 50 defense industry companies in the world. In line with this vision, the Company prepares perspective plans that look at least ten years ahead and five-year strategic plans that are updated every year, as well as business plans and three-year budgets. Through this method, the Company's short- and mid-term targets are determined by taking long-term targets into account. Divisions carry out the necessary activities in line with these targets, while their performance is evaluated through the Balanced Scorecard method, which is extensively used throughout the world.



The Strategic Management Process at ASELSAN

R&D, Innovation and Technology

As stressed during its foundation, the motto, "to develop unique products and systems by making use of critical technologies", is the guarantee of ASELSAN's future

With its wealth of technological expertise and diversity, ASELSAN is Turkey's largest R&D center. According to the most recent data published by the Turkish Statistical Institute, a total of USD 6.7 billion was spent on R&D expenditures in Turkey during 2011, with 40% of this amount spent by the industrial sector. ASELSAN alone accounted for 9% of the entire R&D spending in the industrial sector. In the Defense Industry, specifically, ASELSAN accounted for a 39% share of Turkey's R&D activity.

By stressing the importance of technology in its vision, ASELSAN has adopted the target of "becoming one of the top 50 defense contractors in the world by continuously producing value with its customer-oriented approach and its strong workforce who direct the technology." The Company considers R&D and the management of technology to be an important tool in achieving this target.

ASELSAN continues its operations based on the following mission: "to design and develop, in the area of electronic technologies, unique products and systems by making effective use of resources and to offer customers such products and systems that aim to exceed expectations."

ASELSAN's four R&D centers, structured as separate divisions, primarily aim to develop the required technologies in the area of electronic defense systems and to lay down the foundations of the new technologies which will be used in new generation products.

As Turkey's leading company in the defense industry, ASELSAN has always attached importance to the management of technology since its foundation. Continuing operations at a company level in order to make its technology management activities systematic, the "ASELSAN Technology Supreme Board" keeps a close view of the technology inventory, sets forth projects in the area of critical technologies and to sets up the technology target plan.

Human Resources

ASELSAN's largest capital is its intellectual workforce which is able to design and develop products that can be manufactured. This strategic level of maturity is the primary element that moves ASELSAN forward every year.

Our target in managing Human Resources is to pursue a model management approach which meets international standards. Based on the motto, "You are what your image is in the eyes of your employees", this approach aims to recruit qualified, creative and promising talents to the ASELSAN family, to contribute to ASELSAN's sustainable achievements through employee-oriented initiatives and to make ASELSAN a company that always stands by its employees.

In order to create an indispensable ASELSAN brand for our employees:

We adopt an HR Management Approach Based on International Standards

- We adopt an HR Management approach that supports the technology development policies of ASELSAN, which integrates latest technologies and new opportunities into its business environment.
- We maintain our competitive strength in the sector by making investments in human resources as well as R&D activities.
- We create a working environment, where everyone is willing to work and where they are proud to work.

We recruit highly qualified Human Resources

- We identify ASELSAN's labor force need in the future by supporting the Company's global point of view with a proactive approach.
- We recruit talents, who can develop a multidimensional point of view both in homeland and abroad, who are able to think analytically and who have a positive attitude.
- We identify and guide university students during career fairs and our presentations in order to help them shape their future.
- We hire and place the right talent to the right position by supporting our recruitment processes with competency-based interviews, personality tests at international standards, and various knowledge- and skill-based tests.

We invest in the development of our employees

- We support academic activities that contribute to the professional development of our employees.
- We go to great lengths to maximize employee efficiency through tailored flexible career routes and working environments.
- We provide career consultancy services to the leaders of the future who are trained in ASELSAN, in order to help them while they draw their career roadmaps.

We maintain our Competitive Compensation Policy

- We maintain our position as the most preferred company in the Turkish defense industry, thanks to our compensation policies, as well as the generous benefits that we offer to our employees.
- We improve our compensation policy by carrying out research into remuneration on a regular basis.

We Raise our Employees' Motivation and Loyalty

- We pursue a clear and transparent management policy.
- We provide a working environment that takes the work/life balance into account.
- We listen to our employees' wishes and recommendations both face-to-face and on employee self-service platform.
- We implement policies aimed at increasing motivation in order to gain loyal - but not dependent -, employees.

We support Sustainable Performance Policies

- We adopt a performance management approach in which competencies are evaluated on a 360-degree basis and goals are evaluated on an individual and team basis, in order to assess our employees' performance objectively and to reward their success.
- We take performance results into account in the promotion and career progress of our employees.

Risk Management

Risk management is a basic tool used during the placement of capital and other resources into various instruments, such as to yield maximum return for shareholders. For ASELSAN, risk management is one of the building blocks of corporate governance and sustainable achievements.

The global financial crisis, with its ongoing impacts, has made the "risk management" concept more important than ever throughout the world.

Attaching great importance to full compliance with the law, transparency and accountability, ASELSAN has completely fulfilled the requirements of new arrangements which have been recently implemented in Turkey in the area of risk management. During this period, ASELSAN's risk management functions were effectively restructured and strengthened. ASELSAN's risk management process makes use of modern analysis methods that allow the implementation of a sophisticated and long-term production process requiring high technology; and continuously provides systematic input to the management's decision making process.

In 2012, the "Early Detection and Management of Risk Committee" was established in ASELSAN.
ASELSAN's risk management policy is to develop and apply effective and efficient methods and systems in order to predict and manage any potential risks that the Company may be subject to.

Within this scope, the Early Detection and Management of Risk Committee was established in 2012, also with the participation of Board members, in order to ensure the early identification of potential risks that may impact ASELSAN and the management of such risks in accordance with the Company's risk-taking approach.

Risks that may present any obstacle to ASELSAN in reaching its long-term targets are classified under headings such as strategic, operational, administrative, financial and external factors, and presented to the Board of Directors through periodic reports prepared by the Corporate Risk Management Committee, where the necessary measures are also discussed.

In addition, risks identified in operational, financial, security, environmental or similar activities conducted by the Company's divisions and which must be pursued on a corporate scale are kept view of regularly and reported to an upper level of management, if necessary.

In ASELSAN, the "risk-based process control" approach is applied in the management of process- and function-related risks and internal audit activities. The Company's financial risk management model is based on the "Assets-Liabilities Management (ALM) Model", while its FX, interest, liquidity, credit and capital risks are determined as financial risks. Within the framework of the policies approved by its managing bodies, the Company's financial risk management model is also applied in ASELSAN's subsidiaries and associates.

Risks related to the ongoing projects are monitored and managed by the Company's divisions in accordance with predefined processes and procedures.

Quality Management

A production approach that treats quality and quality control as primary values

ASELSAN believes that adopting the principle of offering its customers high-quality products and services has been driving the growth in its achievements since its foundation.

In line with its Quality Policy in product and service offering, ASELSAN aims, to the broadest extent:

- To maximize customer satisfaction,
- To effectively take account of customer feedback in its products,
- To enable effective use of resources by removing jobs that do not produce added value,
- To complete all deliveries in a timely manner,
- To create cost-efficient solution partners who have adapted themselves to ASELSAN, and
- To ensure its continuity by establishing a quality management system that aims at improvement

In all of ASELSAN's contracts, the most important common elements enabling customer satisfaction are timely delivery, high-tech content and performance, a low failure rate and high maintainability. The Quality Management approach, which has today taken one step ahead of the quality control and process assurance, is based on Integrated Processes, Management, Technology, Employees and Shareholders in ensuring customer satisfaction.

ASELSAN's divisions utilize the simple holistic Quality Management Systems in order to manage the Company's business organization and its products and services, the infrastructure and materials used by such organization and the personnel; foreign factors such as rivals, the law, standards and social behavior; relations between all these elements; and results of such relations. The Quality Management Systems are certified depending on the needs of fields of activity of the Company's divisions. These certifications include CMMI Level-3, AS 9100C, AQAP-2110/2210 and AQAP-160. Moreover, the measurement laboratories that serve both domestic and foreign customers are accredited in accordance with the ISO-17025 standard.

ASELSAN adopts a visionary change-oriented management approach that supports sustainable growth and focuses primarily on customers. The most important management factor that supports such an approach is the implementation of the strategic management model throughout the corporation. Another factor is to employ effective project management techniques to achieve time-, cost- and performance-related targets in order to cover customer expectations.

ASELSAN goes to great lengths to ensure its technological superiority is sustainable in order to offer high-tech products and services, which are one of the most important expectations of its customers. To this end, the Company continues to allocate considerable resources to research and technology development projects, to maintain its existing corporate culture that promotes research and to reflect its technological know-how to its products and services.

ASELSAN attaches the highest value to its employees as it is aware that the most important factor that determines the quality of its products and services is its competent human resources. In this vein, ASELSAN has developed a corporate culture that comprises of motivated people, who have a high level of creativity and innovativeness, who are responsible for their individual performances and who always focus on continuous improvement. This culture was adopted by all of the Company's employees.

Another factor to determine the quality of products and services ASELSAN offers its customers is undoubtedly the raw materials, semi-products and subsystems used by the Company in every phase of production. The procurement of permanently available parts and products that can be supplied by more than one source and that meet ASELSAN's expectations is vitally important in ensuring sustainable customer satisfaction.

Efficiency

At ASELSAN, increasing efficiency continuously is deemed to be an indispensable part of becoming a strong global company

An indispensable element of ASELSAN's target to become a strong global company is to increase its efficiency continuously. By continuously reviewing its production processes, ASELSAN determined concrete corporate targets that further raise the bar. At ASELSAN, efficiency-increasing practices are shared with employees through various communication channels, providing a working environment that encourages innovation.

ASELSAN considers efficiency to be a fundamental principle in all phases of its value production chain. The Company keeps abreast of the most up-to-date methods and technologies, and implements them in order to improve its efficiency in every area from material use to financial management and from investments to business processes. ASELSAN conducts all of its functions within an integrated structure, also making effective use of the Corporate Resource Planning System. This system ensures effectiveness in operations and allows the Company management to run a mature decision-making process based on sound data.

As Turkey's largest R&D base with extensive technological expertise, ASELSAN has mature business processes. The MGEO division was first to receive the CMMI Level 3 (Capability Maturity Model Integration-L3) certification, to be followed by ASELSAN's REHIS and SST Divisions in 2012. With such globally accepted certification standing as testament to the level of the company's maturity in the product development process, ASELSAN's R&D and design competencies that extend from ideas to new products were audited by an independent institution.

Employees and Social Responsibility

Taking account of community's social, environmental and economic concerns, ASELSAN...

The ASELSAN Elementary and Secondary School with 32 classrooms (Van-Erciş)



Corporate social responsibility projects, besides supporting corporate reputation and prestige, provide employees with a high degree of loyalty and a feeling of understanding of the Company, while contributions to employees' social development are returned to the Company in the form of positive value in the long term.

ASELSAN built an elementary and secondary school with 32 classrooms to meet the schooling needs of the region after the Van earthquake.

The school was opened by the Prime Minister Recep Tayyip Erdoğan, who visited Van in the first anniversary of the earthquake. Prime Minister Mr. Erdoğan presented a plaque to Mr. Necmettin Baykul - ASELSAN's Chairman of Board of Directors - in recognition of the company's support to education.

The ASELSAN Turkish Folk Music Choir



The ASELHOT Turkish Folk Dances Company





The ASELDOST Nature Sports Group

Having cost nearly TL 4 million, the school has 32 classrooms, 2 nursery classes, 2 laboratories, a library, a canteen, a kitchen and auxiliary units. The school building, which has an enclosed area of 4,000 m2, is built on a 12,000 m2 plot of land. Environmental arrangement and forestry work at the school was also completed.

Looking to future with confidence is possible only in an educated society. In accordance with this principle, ASELSAN also built schools in the city of Muzaffarabad in Pakistan, as well as in Erzincan and Adapazarı in Turkey. Through the efforts conducted at the Company's Ankara-Macunköy and Akyurt facilities, ASELSAN achieved significant improvements to the physical situation of the two elementary schools.

Bringing the ASELSAN family together in social life...

The ASELSAN Turkish Folk Music Choir, directed by the conductors, Gürkan Sürmen and Kenan Sele, won great recognition in their concert held at the Nazım Hikmet Congress and Cultural Center in Ankara.

The ASELFOT Photography Club held photography seminars and organized tours for shooting purposes for beginners, in parallel with its growing membership.

The ASELHOT Turkish Folk Dances Company performed Seymen and Zeibek dance shows under the supervision of Özgür Bilgili and Cüneyt Yılmazer at the Nazım Hikmet Congress and Cultural Center.

The ASELDOST Nature Sports Group brings employees together outside working hours.

Environmental Management, Occupational Health and Safety

Respect for the environment and respect for employees is the key to a healthy future



While providing service in the defense industry, ASELSAN works to the principle of compliance with the law to ensure system continuity and to improve the system by ensuring the health and safety of its employees as its primary duty, along with protecting the environment which was entrusted to us for future generations.

Environmental Management

In order to leave a sustainable world to future generations, ASELSAN will continue to get involved with its pioneering activities in various national and international initiatives on sustainability and climate change.

Tackling climate change necessitates the rapid commissioning of carbon reducing or replacing technologies all around the world. There is a significant consensus that mankind will be under threat in the event that greenhouse gas emissions continue to increase at the current rate; as such, the efforts demonstrated by governments, companies and NGOs have gained significant momentum.

ASELSAN considers it an important corporate duty to contribute to the prevention of climate change. To this end, the Company attaches the utmost importance on environmental issues. Aiming to reduce the direct impacts of its activities on the environment at their source, ASELSAN carries out all of its activities in accordance with the OHSAS 18001 Management System and the ISO 14001 Environmental Management System.

Within this scope,

- All wastes are delivered to authorized companies licensed by the Ministry of Environment and Forestry. The wastewater produced during the production of printed circuit boards and coating of metal parts with various chemicals is treated at the Chemicals & Wastewater Treatment Plant before being released to the natural environment.
- The Company saves energy in heating-cooling systems by using automatically controlled systems and uses energy-efficient products in lighting systems in order to reduce energy consumption. Moreover, the Company was also able to reduce its natural gas consumption by performing maintenance work on a regular basis, restoring worn out equipment or equipment whose service life has ended, and carrying out the necessary insulations.

ASELSAN provides training to its personnel in order to raise their awareness of environmental protection. The Company continued its efforts to this end in 2012 and performed a chemical leakage & spillage fighting drill. The Company informed the personnel of the necessary steps that they must take when dealing with a possible chemical spillage scenario.

ASELSAN has been measuring the carbon footprint of its Macunköy facilities since 2009

ASELSAN calculated the carbon emissions caused by the activities conducted at its Macunköy facilities and shared the results with the public within the scope of the Carbon Disclosure Project (CDP). Having been listed in the highest rating category within the scope of the project, ASELSAN broke new ground on behalf of the Turkish Defense Industry.

A total of 32 Turkish companies, 17 of which are listed on the ISE, applied to the CDP this year. ASELSAN was one of these companies. With the score it has received, ASELSAN demonstrated its competence by combining its advanced environmental awareness with its corporate strategies.

As a UK-based international initiative, the Carbon Disclosure Project (CDP) aims to collect and share information which will allow companies, investors and governments to take measures to deal with the threat of climate change.

Occupational Health & Safety

At ASELSAN, the Occupational Health and Safety practices are conducted within the scope of the Occupational Health and Safety Management System - OHSAS 18001:2007. In all of its activities, the Company has determined the health and safety of its employees as its primary target.

At ASELSAN, the Occupational Health and Safety practices are coordinated by the Occupational Health and Safety Board, which analyzes and minimizes any “occupational health and safety” related risks arising in the working environment.

In 2012, ASELSAN performed the ordinary fire drill and building evacuation practice and provided training to its employees concerning occupational health and safety.

Financial Information

- Consolidated Balance Sheet
- Consolidated Income Statement
- Consolidated Income Statement
- Consolidated Statement of Changes in Equity
- Consolidated Statement of Cash Flow

ASELSAN and Its Subsidiaries

Audited Consolidated Balance Sheet as of 31 December 2012

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

ASSETS	NOTE	Current Period 31.12.2012	Prior Period 31.12.2011
CURRENT ASSETS		**1.943.880.942**	**1.387.664.347**
Cash and cash equivalents	4	371.895.213	179.460.161
Financial assets	5	-	2.267.100
Trade receivables	7	524.368.164	275.148.250
Other receivables	8	42.707.917	19.674.394
Inventories	9	584.822.894	551.915.159
Order advances given	17	233.904.863	229.778.048
Other current assets	18	186.181.891	129.420.843
Assets classified as held for sale		-	392
NON - CURRENT ASSETS		**1.380.333.829**	**1.004.379.900**
Long-term trade receivables	7	247.117.400	186.339.307
Other long term receivables	8	176.799	108.542
Long-term financial assets	5	12.017.562	9.484.215
Fixed assets	11	412.092.736	350.345.056
Intangible assets	12	297.687.497	172.200.257
Order advances given	17	250.406.586	183.468.477
Deferred tax assets	26	132.604.753	91.928.877
Other non-current assets	18	28.230.496	10.505.169
TOTAL ASSETS		**3.324.214.771**	**2.392.044.247**

ASELSAN and Its Subsidiaries

Audited Consolidated Balance Sheet as of 31 December 2012

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

LIABILITIES	NOTE	Current Period 31.12.2012	Prior Period 31.12.2011
CURRENT LIABILITIES		**776.838.100**	**426.813.385**
Financial liabilities	6	211.353.364	15.090.003
Trade payables	7	295.592.060	161.381.235
Other payables	8	20.870.303	23.354.593
Other financial liabilities		93.312	-
Government grants and incentives	13	7.433.936	6.162.438
Corporate tax liability	26	304.275	107.422
Expense accruals	14	76.764.254	76.612.776
Provisions for employee benefits	16	18.656.924	13.993.659
Order advances received	17	142.716.946	125.804.222
Other current liabilities	18	3.052.726	4.307.037
NON - CURRENT LIABILITIES		**1.281.281.080**	**946.414.472**
Long-term financial liabilities	6	113.764.741	124.627.727
Long-term trade payables	7	11.014.753	32.653.975
Other long term trade payables	8	20.326	82.297
Other long-term financial liabilities		252.761	-
Government grants and incentives	13	785.936	-
Expense accruals	14	9.039.061	11.128.448
Provisions for employee benefits	16	104.434.432	73.537.472
Order advances received	17	1.041.940.108	704.377.488
Other non-current liabilities	18	28.962	7.065
EQUITY		**1.266.095.591**	**1.018.816.390**
Equity attributable to equity holders of the parent		**1.265.551.399**	**1.018.805.470**
Share capital	19	500.000.000	235.224.000
Share capital adjustment	19	98.620.780	132.773.042
Restricted profit reserves	19	52.071.680	42.731.216
Retained earnings	19	321.656.271	447.322.067
Net profit for the period		293.202.668	160.755.145
Non-controlling interests		**544.192**	**10.920**
TOTAL LIABILITIES AND EQUITY		**3.324.214.771**	**2.392.044.247**

ASELSAN and Its Subsidiaries

Audited Consolidated Income Statement as of 31 December 2012

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	NOTE	Current Period 1 January - 31 December2012	Prior Period 1 January - 31 December2011
OPERATING INCOME			
Sales revenue	20	1.632.896.367	1.501.878.990
Cost of sales (-)	20	(1.240.603.203)	(1.105.775.054)
GROSS PROFIT		**392.293.164**	**396.103.936**
Marketing, selling and distribution expenses (-)	21	(38.575.081)	(31.616.522)
General administrative expenses (-)	21	(99.626.320)	(83.804.962)
Research and development expenses (-)	21	(70.259.436)	(48.925.095)
Other operating income	23	26.743.358	4.216.949
Other operating expenses (-)	23	(7.515.634)	(1.598.532)
OPERATING PROFIT		**203.060.051**	**234.375.774**
Non-operating financial income	24	297.403.835	362.037.662
Non-operating financial expenses (-)	25	(246.742.392)	(472.447.199)
PROFIT BEFORE TAXATION		**253.721.494**	**123.966.237**
Tax Income		**40.019.446**	**36.436.808**
- Current corporate tax expense	26	(656.430)	(917.110)
- Deferred tax income	26	40.675.876	37.353.918
PROFIT FOR THE PERIOD		**293.740.940**	**160.403.045**
Distribution of profit for the period			
Non-controlling interest		538.272	(352.100)
Parent company		293.202.668	160.755.145
		293.740.940	**160.403.045**
Earnings per 100 shares	**27**	**0,59**	**0,32**

ASELSAN and Its Subsidiaries

Audited Consolidated Income Statement as of 31 December 2012

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	NOTE	Current Period 1 January - 31 December2012	Prior Period 1 January - 31 December2011
PROFIT FOR THE PERIOD		293.740.940	160.403.045
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME		293.740.940	160.403.045
Distribution of total comprehensive income:			
Parent company		293.202.668	160.755.145
Non-controlling interest		538.272	(352.100)
		293.740.940	160.403.045

ASELSAN and Its Subsidiaries

Audited Consolidated Statement of Changes in Equity as of 31 December 2012

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Share capital	Share capital adjustments	Restricted profit reserves	Retained earnings	Profit for the period	Equity Attributable to Parent Company	Non-controlling interest	Total
Balance as of 1 January 2011	**235.224.000**	**132.773.042**	**29.813.447**	**260.354.440**	**226.880.489**	**885.045.418**	**231.736**	**885.277.154**
The effect of the entities included in consolidation	-	-	300.857	5.400.185	-	**5.701.042**	131.284	**5.832.326**
Transfers	-	-	12.616.912	181.567.442	(194.184.354)	**-**	-	**-**
Payment of dividends	-	-	-	-	(32.696.135)	**(32.696.135)**	-	**(32.696.135)**
Total comprehensive income	-	-	-	-	160.755.145	**160.755.145**	(352.100)	**160.403.045**
Balance as of 31 December 2011	**235.224.000**	**132.773.042**	**42.731.216**	**447.322.067**	**160.755.145**	**1.018.805.470**	**10.920**	**1.018.816.390**
Transfers	264.776.000	(34.152.262)	9.340.464	(125.665.796)	(114.298.406)	**-**	-	**-**
Payment of dividends	-	-	-	-	(46.456.739)	**(46.456.739)**	(5.000)	**(46.461.739)**
Total comprehensive income	-	-	-	-	293.202.668	**293.202.668**	538.272	**293.740.940**
Balance as of 31 December 2012	**500.000.000**	**98.620.780**	**52.071.680**	**321.656.271**	**293.202.668**	**1.265.551.399**	**544.192**	**1.266.095.591**

ASELSAN and Its Subsidiaries

Audited Consolidated Statement of Cash Flow as of 31 December 2012

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	NOTE	1 January-31 December2012	1 January - 31 December2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the period		293.740.940	160.403.045
Adjustments to reconcile net profit for the period to cash provided by operating activities			
Depreciation and amortization	11-12	68.283.872	58.072.210
Provision for employee benefits	16	40.480.077	18.224.374
Allowances for doubtful receivables –net	7	(70.887)	226.053
Provision for guarantee expenses (cancellation) -net	14	4.584.147	11.619.350
Provision for delay penalties and fines	14	(348.152)	11.836.723
Provision for pending claims and lawsuits- net	14	(216.020)	(175.616)
Impairment provision for inventory -net	9	2.945.538	1.602.054
Other provisions	14	(5.957.884)	9.105.214
Tax income -net	26	(40.019.446)	(36.436.808)
Interest income	24	(12.883.616)	(17.724.493)
Interest expense	25	3.352.490	1.680.505
Net cash generated by operating activities before movements in working capital		**353.891.059**	**218.432.611**
Movements in working capital			
Trade receivables		(309.927.120)	(158.857.525)
Other receivables		(23.101.780)	(9.266.422)
Inventories		(35.853.273)	(75.223.270)
Order advances given		(71.064.924)	(68.530.027)
Other current assets		(56.760.656)	(33.689.400)
Other non-current assets		(17.725.327)	1.803.159
Trade payables		112.571.603	16.544.750
Other payables		(2.546.261)	11.974.043
Government grants and incentives		2.057.434	3.069.082
Order advances received		354.475.344	(115.168.533)
Other liabilities		(886.340)	3.732.788
Net cash (used in)/provided by operations		**305.129.759**	**(205.178.744)**
Interest received	24	12.883.616	17.724.493
Tax paid		(459.577)	(967.700)
Interest paid		(2.663.899)	(597.923)
Employee termination benefits paid	16	(4.919.852)	(4.163.260)
Cash generated by operating activities		**309.970.047**	**(193.183.134)**

ASELSAN and Its Subsidiaries

Audited Consolidated Statement of Cash Flow as of 31 December 2012

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

		1 January- 31 December 2012	1 January - 31 December 2011
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for fixed assets		(107.172.826)	(114.851.349)
Proceeds from disposal of fixed assets		4.222.433	730.468
Payments for intangible assets		(152.568.399)	(80.498.738)
Change in the financial investments		(266.247)	4.398.387
Change in the non-controlling interest		-	131.284
Net cash used in investing activities		**(255.785.039)**	**(190.089.948)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		428.498.958	330.788.384
Repayments of borrowings		(243.787.175)	(336.055.803)
Dividends paid		(46.461.739)	(32.696.135)
Net cash used in financing activities		**138.250.044**	**(37.963.554)**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**192.435.052**	**(421.236.636)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**179.460.161**	**600.696.797**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**4**	**371.895.213**	**179.460.161**

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ASELSAN is a company of the Turkish Armed Forces Foundation

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2012 Annual Report

Financial Information

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Financial Information for the Year 2012

Prepared as per CMB Serial XI, No:29

- Consolidated Balance Sheet
- Consolidated Income Statement
- Consolidated Statement of Changes In Equity
- Consolidated Statement of Cash Flow
- Notes for Consolidated Financial Statements
- Independent Auditor's Report
- Annual Report of the Board of Directors
- Statement of Responsibility

Board of Auditor's Report

Profit Distribution Proposal

Chief Financial Officer/Vice President

Entering ISE-30 index with our 15,30% free float rate is the result of all these efforts and the interest of corporate institutional investors in our company.



Dr. Ahmet DEMİR

The strategy strengthening the growth perspective of ASELSAN has been the Strategic Plan of the Undersecretariat for Defense Industries for 2007-2011. Within the scope of the plan, a target was set for increasing the domestic supply rate for the equipment to be procured by the Turkish Armed Forces to 50% until the end of 2010. At the end of 2011, it's been seen that the planned target is exceeded and the realization rate is 54%.

This national policy approach, which aims to decrease Turkish Armed Forces' dependency to foreign procurement, has been the key element supporting the product diversification of ASELSAN.

The new strategic plan announced by the Undersecretariat for Defense Industries for the period of 2012-2016 projects the domestic procurement level as 70%. This new target supports the development of our cooperation with platform producers and universities as well as the development of our suppliers and also the increase in sub-industry activities. In the near future, ASELSAN will continue to grow in the eco-system that was created together with its suppliers.

Due to the nature of our industry, the defense projects consist of such projects that span over years. The average time of a system project is 4 to 5 years. Within this scope, ASELSAN is not directly affected by the global crisis in 2008 and the subsequent fluctuations as ASELSAN is a company who makes long-term plans and whose backlog is around USD 4 Billion.

The long-term project structure of our industry significantly protects our financial structure from the impacts of the economic conjuncture. Similarly, R&D based contracts also provide protection against market risks as they are long-term contracts, still the big fluctuations in the global markets may affect us through channels such as raw material prices and exchange rates.

Since its foundation, ASELSAN has been managed with a corporate understanding according to its foundation aims. Starting from 1990, the year we went public, maximum compliance has been provided for all regulations of the Capital Markets Board. With these two items, ASELSAN has been an exemplary company in terms of corporate governance for the regulatory bodies despite the specific structure of its sector.

The investor relations activities, increasing since 2010, are a complementary aspect of our existing corporate governance understanding. In addition to our legal responsibilities we perform with utmost care towards our shareholders, we have increased our transparency with the analyst/investor meetings, which we organize or attend for providing accurate and timely information to the capital market participants, and with the information provided through our website. As we clearly define in our disclosure policy, we have provided complete, fair, accurate, timely and understandable information to all capital market participants as well as shareholders and stakeholders to the extent allowed by the characteristic of the sector we are operating in.

We had the corporate governance rating report of ASELSAN prepared in 2012 so as to have our compliance level to corporate governance principles rated by an independent body. According to this report, our corporate governance rating was announced as 8,77. In parallel to the activities I have mentioned above, we have received the highest category rating with 93,47 in transparency category.

ASELSAN and Its Subsidiaries

Audited Consolidated Balance Sheet as of 31 December 2012

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

ASSETS	NOTE	Current Period 31.12.2012	Prior Period 31.12.2011
CURRENT ASSETS		**1.943.880.942**	**1.387.664.347**
Cash and cash equivalents	4	371.895.213	179.460.161
Financial assets	5	-	2.267.100
Trade receivables	7	524.368.164	275.148.250
Other receivables	8	42.707.917	19.674.394
Inventories	9	584.822.894	551.915.159
Order advances given	17	233.904.863	229.778.048
Other current assets	18	186.181.891	129.420.843
Assets classified as held for sale		-	392
NON - CURRENT ASSETS		**1.380.333.829**	**1.004.379.900**
Long-term trade receivables	7	247.117.400	186.339.307
Other long term receivables	8	176.799	108.542
Long-term financial assets	5	12.017.562	9.484.215
Fixed assets	11	412.092.736	350.345.056
Intangible assets	12	297.687.497	172.200.257
Order advances given	17	250.406.586	183.468.477
Deferred tax assets	26	132.604.753	91.928.877
Other non-current assets	18	28.230.496	10.505.169
TOTAL ASSETS		**3.324.214.771**	**2.392.044.247**

ASELSAN and Its Subsidiaries

Audited Consolidated Balance Sheet as of 31 December 2012

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

LIABILITIES	NOTE	Current Period 31.12.2012	Prior Period 31.12.2011
CURRENT LIABILITIES		**776.838.100**	**426.813.385**
Financial liabilities	6	211.353.364	15.090.003
Trade payables	7	295.592.060	161.381.235
Other payables	8	20.870.303	23.354.593
Other financial liabilities		93.312	-
Government grants and incentives	13	7.433.936	6.162.438
Corporate tax liability	26	304.275	107.422
Expense accruals	14	76.764.254	76.612.776
Provisions for employee benefits	16	18.656.924	13.993.659
Order advances received	17	142.716.946	125.804.222
Other current liabilities	18	3.052.726	4.307.037
NON - CURRENT LIABILITIES		**1.281.281.080**	**946.414.472**
Long-term financial liabilities	6	113.764.741	124.627.727
Long-term trade payables	7	11.014.753	32.653.975
Other long term trade payables	8	20.326	82.297
Other long-term financial liabilities		252.761	-
Government grants and incentives	13	785.936	-
Expense accruals	14	9.039.061	11.128.448
Provisions for employee benefits	16	104.434.432	73.537.472
Order advances received	17	1.041.940.108	704.377.488
Other non-current liabilities	18	28.962	7.065
EQUITY		**1.266.095.591**	**1.018.816.390**
Equity attributable to equity holders of the parent		**1.265.551.399**	**1.018.805.470**
Share capital	19	500.000.000	235.224.000
Share capital adjustment	19	98.620.780	132.773.042
Restricted profit reserves	19	52.071.680	42.731.216
Retained earnings	19	321.656.271	447.322.067
Net profit for the period		293.202.668	160.755.145
Non-controlling interests		**544.192**	**10.920**
TOTAL LIABILITIES AND EQUITY		**3.324.214.771**	**2.392.044.247**

ASELSAN and Its Subsidiaries

Audited Consolidated Income Statement as of 31 December 2012

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	NOTE	Current Period 1 January - 31 December 2012	Prior Period 1 January - 31 December 2011
OPERATING INCOME			
Sales revenue	20	1.632.896.367	1.501.878.990
Cost of sales (-)	20	(1.240.603.203)	(1.105.775.054)
GROSS PROFIT		**392.293.164**	**396.103.936**
Marketing, selling and distribution expenses (-)	21	(38.575.081)	(31.616.522)
General administrative expenses (-)	21	(99.626.320)	(83.804.962)
Research and development expenses (-)	21	(70.259.436)	(48.925.095)
Other operating income	23	26.743.358	4.216.949
Other operating expenses (-)	23	(7.515.634)	(1.598.532)
OPERATING PROFIT		**203.060.051**	**234.375.774**
Non-operating financial income	24	297.403.835	362.037.662
Non-operating financial expenses (-)	25	(246.742.392)	(472.447.199)
PROFIT BEFORE TAXATION		**253.721.494**	**123.966.237**
Tax Income		**40.019.446**	**36.436.808**
- Current corporate tax expense	26	(656.430)	(917.110)
- Deferred tax income	26	40.675.876	37.353.918
PROFIT FOR THE PERIOD		**293.740.940**	**160.403.045**
Distribution of profit for the period			
Non-controlling interest		538.272	(352.100)
Parent company		293.202.668	160.755.145
		293.740.940	**160.403.045**
Earnings per 100 shares	**27**	**0,59**	**0,32**

ASELSAN and Its Subsidiaries

Audited Consolidated Income Statement as of 31 December 2012

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	NOTE	Current Period 1 January - 31 December 2012	Prior Period 1 January - 31 December 2011
PROFIT FOR THE PERIOD		293.740.940	160.403.045
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME		293.740.940	160.403.045
Distribution of total comprehensive income:			
Parent company		293.202.668	160.755.145
Non-controlling interest		538.272	(352.100)
		293.740.940	160.403.045

ASELSAN and Its Subsidiaries

Audited Consolidated Statement of Changes in Equity as of 31 December 2012

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Share capital	Share capital adjustments	Restricted profit reserves	Retained earnings	Profit for the period	Equity Attributable to Parent Company	Non-controlling interest	Total
Balance as of 1 January 2011	**235.224.000**	**132.773.042**	**29.813.447**	**260.354.440**	**226.880.489**	**885.045.418**	**231.736**	**885.277.154**
The effect of the entities included in consolidation	-	-	300.857	5.400.185	-	**5.701.042**	131.284	**5.832.326**
Transfers	-	-	12.616.912	181.567.442	(194.184.354)	**-**	-	**-**
Payment of dividends	-	-	-	-	(32.696.135)	**(32.696.135)**	-	**(32.696.135)**
Total comprehensive income	-	-	-	-	160.755.145	**160.755.145**	(352.100)	**160.403.045**
Balance as of 31 December 2011	**235.224.000**	**132.773.042**	**42.731.216**	**447.322.067**	**160.755.145**	**1.018.805.470**	**10.920**	**1.018.816.390**
Transfers	264.776.000	(34.152.262)	9.340.464	(125.665.796)	(114.298.406)	**-**	-	**-**
Payment of dividends	-	-	-	-	(46.456.739)	**(46.456.739)**	(5.000)	**(46.461.739)**
Total comprehensive income	-	-	-	-	293.202.668	**293.202.668**	538.272	**293.740.940**
Balance as of 31 December 2012	**500.000.000**	**98.620.780**	**52.071.680**	**321.656.271**	**293.202.668**	**1.265.551.399**	**544.192**	**1.266.095.591**

ASELSAN and Its Subsidiaries

Audited Consolidated Statement of Cash Flow as of 31 December 2012

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	NOTE	1 January- 31 December 2012	1 January - 31 December 2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the period		293.740.940	160.403.045
Adjustments to reconcile net profit for the period to cash provided by operating activities			
Depreciation and amortization	11-12	68.283.872	58.072.210
Provision for employee benefits	16	40.480.077	18.224.374
Allowances for doubtful receivables –net	7	(70.887)	226.053
Provision for guarantee expenses (cancellation) -net	14	4.584.147	11.619.350
Provision for delay penalties and fines	14	(348.152)	11.836.723
Provision for pending claims and lawsuits- net	14	(216.020)	(175.616)
Impairment provision for inventory -net	9	2.945.538	1.602.054
Other provisions	14	(5.957.884)	9.105.214
Tax income -net	26	(40.019.446)	(36.436.808)
Interest income	24	(12.883.616)	(17.724.493)
Interest expense	25	3.352.490	1.680.505
Net cash generated by operating activities before movements in working capital		**353.891.059**	**218.432.611**
Movements in working capital			
Trade receivables		(309.927.120)	(158.857.525)
Other receivables		(23.101.780)	(9.266.422)
Inventories		(35.853.273)	(75.223.270)
Order advances given		(71.064.924)	(68.530.027)
Other current assets		(56.760.656)	(33.689.400)
Other non-current assets		(17.725.327)	1.803.159
Trade payables		112.571.603	16.544.750
Other payables		(2.546.261)	11.974.043
Government grants and incentives		2.057.434	3.069.082
Order advances received		354.475.344	(115.168.533)
Other liabilities		(886.340)	3.732.788
Net cash (used in)/provided by operations		**305.129.759**	**(205.178.744)**
Interest received	24	12.883.616	17.724.493
Tax paid		(459.577)	(967.700)
Interest paid		(2.663.899)	(597.923)
Employee termination benefits paid	16	(4.919.852)	(4.163.260)
Cash generated by operating activities		**309.970.047**	**(193.183.134)**

ASELSAN and Its Subsidiaries

Audited Consolidated Statement of Cash Flow as of 31 December 2012

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

		1 January- 31 December 2012	1 January - 31 December 2011
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for fixed assets		(107.172.826)	(114.851.349)
Proceeds from disposal of fixed assets		4.222.433	730.468
Payments for intangible assets		(152.568.399)	(80.498.738)
Change in the financial investments		(266.247)	4.398.387
Change in the non-controlling interest		-	131.284
Net cash used in investing activities		**(255.785.039)**	**(190.089.948)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		428.498.958	330.788.384
Repayments of borrowings		(243.787.175)	(336.055.803)
Dividends paid		(46.461.739)	(32.696.135)
Net cash used in financing activities		**138.250.044**	**(37.963.554)**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**192.435.052**	**(421.236.636)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**179.460.161**	**600.696.797**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**4**	**371.895.213**	**179.460.161**

ASELSAN and Its Subsidiaries

Notes for the Audited Consolidated Financial Statements as of 31 December 2012

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

1. ORGANIZATION AND OPERATIONS OF THE GROUP

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. (the Company) was established in order to engage principally in research, development, engineering, production, tests, assembly, integration and sales, after sales support, consultancy and trading activities, to provide and conduct all sorts of activities for project preparation, engineering, consultancy, service providing, training, contracting, construction, publishing, trading, operation and internet services regarding various software, equipment, system, tools, material and platforms in the fields of electrical, electronics, microwave, electro-optics, guidance, computer, data processing, encryption, security, mechanics, chemistry and related subjects within the army, navy, air force and aerospace applications to all institutions, organizations, companies and individual consumers.

The Company was established at the end of 1975 as a corporation by Turkish Land Forces Foundation. The Company commenced its production activities in Macunköy facilities in early 1979. The Company has been organized in four main divisions: The Communication and Information Technologies Division (HBT), Radar, Electronic Warfare and Intelligence Systems (REHİS), Defense Systems Technologies (SST) and Microelectronics, Guidance & Electro-Optics Division (MGEO) based on the investment and production requirements of projects carried out. The Company carries out its manufacturing and engineering activities in Macunköy and Akyurt facilities and the Head office is located in Ankara, Macunköy.

Turkish Armed Forces Foundation ("TAFF") is the main shareholder of the Company which holds 84,58% of the capital and maintains control of the Company. TAFF was established on 17 June 1987 with the law number 3388, in order to manufacture or import guns, equipment and appliances needed for Turkish Armed Forces.

The Company is registered to Capital Markets Board of Turkey ("CMB") and its shares are quoted in Istanbul Stock Exchange ("ISE") since 1990. 15,30% of the shares of the Company are publicly held as of 31 December 2012 (31 December 2011: 15,30%) (Note: 19).

The Company's trade registry address is Mehmet Akif Ersoy Mahallesi 296. Cadde No:16 06370 Yenimahalle/Ankara. The number of personnel employed by the Group as of 31 December 2012 is 5.205 (31 December 2011: 4.888).

The Company, and its consolidated subsidiaries Mikrodalga Elektronik Sistemleri Sanayi ve Ticaret A.Ş. (MİKES) and AselsanNet Elektronik ve Haberleşme Sistemleri Sanayi Ticaret İnşaat ve Taahhüt Ltd. Şti. (AselsanNet), operating in the same sector with the Company, are collectively referred as the "Group" in the accompanying notes.

The main operations of the companies included in the consolidation and the share percentage of the Group for these companies are as follows:

		31 December 2012	31 December 2011
Company name	**Operation**	**Share (%)**	
Mikrodalga Elektronik Sistemler Sanayi ve Ticaret A.Ş.	Research and development on microwave projects	96,36	96,36
AselsanNet Elek. ve Hab. Sis. San. Tic. İnş. ve Taah. Ltd. Şti.	Communication systems	95,00	95,00

The subsidiaries Mikroelektronik Ar-Ge Tasarım ve Ticaret Limited Şirketi ve ASELSAN Bakü Şirketi which are classified as non-current financial assets are excluded from consolidation as their inclusion does not materially affect the consolidated financial results of the Group (Note: 5). Besides, the Company opened up a branch as "ASELSAN Elektronik Sanayi ve Ticaret A.Ş. EP Co." in 2011 in South Africa which aims to design optic systems and marketing and selling the Company's products in South Africa and nearby countries.

In addition, the joint ventures IGG ASELSAN Integrated Systems LLC (United Arab Emirates) and Kazakhstan ASELSAN Engineering LLP (Kazakhstan) established in 2011 and ASELSAN Middle East PSC LTD (Jordan) established in 2012, which are classified as non-current financial assets are excluded from consolidation as their inclusion does not materially affect the consolidated financial results of the Group (Note: 5).

Approval of the consolidated financial statements:

These consolidated financial statements for the period between 1 January 2012 and 31 December 2012 have been approved for issue by the Board of Directors with the decision number 757 on 5 March 2013. No authority other than Board of Directors and General Assembly has the right to amend the consolidated financial statements.

ASELSAN and Its Subsidiaries

Notes for the Audited Consolidated Financial Statements as of 31 December 2012

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 The basis of presentation

The basis of preparation of consolidated financial statements and significant accounting policies

The company and its subsidiaries registered in Turkey, MİKES and AselsanNet maintain their books of account and prepare their statutory financial statements ("Statutory Financial Statements") in accordance with accounting principles in the Turkish Commercial Code ("TCC") and tax legislation in Turkish Lira ("TL").

CMB has established principles, procedures and basis on the preparation of financial reports by enterprises and the representation of the reports with Communiqué Series XI, No: 29 "Communiqué on Capital Market Financial Reporting Standards". This Communiqué is applicable for the first interim financial statements to be prepared after 1 January 2008. In accordance with this Communiqué, the companies are supposed to prepare their financial statements in accordance with the International Financial Reporting Standards ("IAS/IFRS") accepted by European Union. Nevertheless, until the discrepancies between the IAS/IFRS accepted by the European Union, and the IAS/IFRS declared by IASB are announced by the Turkish Accounting Standards Board ("TASB"), IAS/IFRS will be in use. Under these circumstances, Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS"), which are the standards published by TASB, not contradicting with IAS/IFRS will be adopted.

The accompanying consolidated financial statements comply with CMB's decree announced on 17 April 2008 and 9 January 2009 regarding the format of the financial statements and footnotes.

According Statutory Decree No: 660 published on 2 November 2011 in the Official Gazette, the Additional Clause 1 of the Law No: 2499 was cancelled and Public Oversight, Accounting and Auditing Standards Authority ("Institution") was established. Current arrangements related with this Statutory Decrees, in accordance with the Temporary Law No.1, is continued to be applied until the standards and amendments go in effect. Therefore, the stated situation does not cause any amendment in the "Basis of Presentation of Financial Statements" stated in the notes of financial statements as of balance sheet date.

The consolidated financial statements are prepared according to historical cost accounting. In order to determine the historical cost, the fair values paid for assets are considered.

Preparation of Financial Statements in Hyperinflationary Periods

CMB, with its resolution dated 17 March 2005 declared that companies operating in Turkey which prepare their financial statements in accordance with CMB Accounting Standards, effective 1 January 2005, will not be subject to the application of inflation accounting. Consequently, in the accompanying financial statements IAS 29 "Financial Reporting in Hyperinflationary Economies" was not applied since 1 January 2005.

Functional Currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TL, which is the functional, and presentation currency of the Company and the reporting currency for the consolidated financial statements.

ASELSAN and Its Subsidiaries

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Consolidation Principals

Subsidiaries:

The details of the subsidiaries of the Group are as follows:

		Group's proportion of ownership and voting power held (%)		
Subsidiaries	**Location**	**31 December 2012**	**31 December 2011**	**Principal Activity**
MİKES Mikrodalga Elektronik Sistemleri	Turkey	96,36	96,36	Microwave R&D projects
AselsanNet Ltd. Şti.	Turkey	95	95	Telecommunication system
ASELSAN Baku(*)	Azerbaijan	100	100	Marketing and sales of the group products
Mikroelektronik Ar-Ge Tasarım ve Ticaret Limited A.Ş. (*)	Turkey	85	85	Microelectronic R&D projects

(*) Excluded from group consolidation as it does not significantly affect the consolidated financial results.

The accompanying consolidated financial statements include the financial statements of the Company and entities controlled or jointly controlled by the Company's subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed in the current year are included in the consolidated comprehensive income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Total comprehensive income is distributed over parent company share and non-controlling interests although the total non-controlling interest turns into a negative balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Interests in joint ventures:

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control. The details of the Group's interests in joint ventures as of 31 December 2012 and 2011 are as follows:

		Group's proportion of ownership and voting power held (%)		
Joint Ventures	**Country of incorporation and operation**	**2012**	**2011**	**Principal Activity**
IGG ASELSAN Integrated Systems LLC	U.A.E.	49	49	Marketing and sales of the group products
Kazakhstan ASELSAN Engineering LLP	Kazakhstan	49	49	Marketing and sales of the group products
ASELSAN Middle East PSC LTD	Jordan	49	-	Marketing and sales of the group products

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IGG ASELSAN Integrated Systems LLC and Kazakhstan ASELSAN Engineering LLP established in 2011 and ASELSAN Middle East PSC LTD (Jordan) established in 2012, which are classified as non-current financial assets, were not included in the consolidation, have not started operations and their effect on the consolidated financial statements of the Group are deemed to be immaterial.

2.2 Changes in the Accounting Policies

Significant changes in accounting policies are applied retrospectively and prior period financial statements are restated.

2.3 Changes in the Accounting Estimates and Errors

If estimated changes in accounting policies are for only one period, changes are applied on the current year but if the estimated changes are for the following periods, changes are applied both on the current and following years prospectively. The Group has no significant changes to the accounting estimates in the current period.

The estimated errors in the accounting policies are applied retrospectively and the prior year's financial statements are restated accordingly.

2.4 Adoption of New and Revised International Financial Reporting Standards

(a) New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs have been adopted in the current period. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and previous years, but may affect the accounting for future transactions or arrangements.

Amendments to IFRS 7 Disclosures - Transfers of Financial Assets

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

These amendments to IFRS 7 did not have a significant effect on the Group's disclosures. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

Amendments to IAS 12 Deferred Taxes – Recovery of Underlying Assets

The amendment is effective for annual periods beginning on or after 1 January 2012. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 *Investment Property*. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be, through sale. The Group does not have investment property. The amendment did not have any effect on the consolidated financial statements.

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(b) New and revised IFRSs in issue but not yet effective and not early adopted by the Group

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IAS 1	*Presentation of Items of Other Comprehensive Income*[1]
Amendments to IAS 1	*Clarification of the Requirements for Comparative Information*[2]
IFRS 9	*Financial Instruments*[5]
IFRS 10	*Consolidated Financial Statements*[3]
IFRS 11	*Joint Arrangements*[3]
IFRS 12	*Disclosure of Interests in Other Entities*[3]
IFRS 13	*Fair Value Measurement*[3]
Amendments to IFRS 7	*Disclosures – Offsetting Financial Assets and Financial Liabilities*[3]
Amendments to IFRS 9 and IFRS 7	*Mandatory Effective Date of IFRS 9 and Transition Disclosures*[5]
IFRS 10, IFRS 11	*Consolidated Financial Statements, Joint Arrangements* [3]
Amendments to IFRS 12	*Disclosures of Interests in Other Entities: Transition Guide*[3]
IAS 19 (as revised in 2011)	*Employee Benefits*[3]
IAS 27 (as revised in 2011)	*Separate Financial Statements*[3]
IAS 28 (as revised in 2011)	*Investments in Associates and Joint Ventures*[3]
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*[4]
Amendments to IFRSs	*Annual Improvements to IFRSs 2009-2011 Cycle except for the amendment to IAS 1*[3]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*[3]

[1] Effective for annual periods beginning on or after 1 July 2012.
[2] Effective for annual periods beginning on or after 1 January 2013 as part of the *Annual Improvements to IFRSs 2009-2011 Cycle* issued in May 2012.
[3] Effective for annual periods beginning on or after 1 January 2013.
[4] Effective for annual periods beginning on or after 1 January 2014.
[5] Effective for annual periods beginning on or after 1 January 2015.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* is effective for the annual periods beginning on or after 1 July 2012. The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income" and the "income statement" is renamed as the "statement of profit or loss". The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income either in a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met.

Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments may be applied retrospectively. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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Amendments to IAS 1 Presentation of Financial Statements

The amendments to IAS 1 as part of the *Annual Improvements to IFRSs 2009-2011 Cycle* are effective for the annual periods beginning on or after 1 January 2013.

IAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to IAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduces new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The Group management anticipates that the application of IFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five standards are described below:

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. SIC-12 Consolidation - Special Purpose Entities will be withdrawn upon the effective date of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's return. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 Jointly Controlled Entities - Non-monetary Contributions by Venturers will be withdrawn upon the effective date of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportional consolidation.

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IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

In June 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these IFRSs for the first time.

These five standards together with the amendments regarding the transition guidance are effective for annual periods beginning on or after 1 January 2013, with earlier application permitted provided all of these standards are applied at the same time. The Group management anticipates that the application of these five standards may have a significant impact on amounts reported in the consolidated financial statements. A detailed review will be performed by the Group management to quantify the impact on the application of IFRS 10.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

Amendments to IFRS 7 and IAS 32 Offsetting Financial Assets and Financial Liabilities and the Related Disclosures

The Group management anticipates that IFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realization and settlement".

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to IFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The Group management anticipates that the application of these amendments to IAS 32 and IFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

IAS 19 Employee Benefits

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the "corridor approach" permitted under the previous version of IAS 19 and accelerate the recognition of past service costs.

The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a "net-interest" amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. The amendments to IAS 19 require retrospective application.

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However, the Group management has not yet performed a detailed analysis of the impact of the application of the amendments and hence has not yet quantified the extent of the impact.

Annual Improvements to IFRSs 2009 - 2011 Cycle issued in May 2012

The Annual Improvements to IFRSs 2009 - 2011 Cycle include a number of amendments to various IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to IFRSs include:

- Amendments to IAS 16 *Property, Plant and Equipment*; and
- Amendments to IAS 32 *Financial Instruments: Presentation*

Amendments to IAS 16

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. The Group management does not anticipate that the amendments to IAS 16 will have a significant effect on the Group's consolidated financial statements.

Amendments to IAS 32

The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 Income Taxes. The Group management does not anticipate that the amendments to IAS 32 will have a significant effect on the Group's consolidated financial statements.

2.5 Summary of Significant Accounting Policies

Revenue

Revenue is measured at the fair value of the received or receivable. Revenue is reduced for estimated customer returns, rebates, and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- Installation fees are recognized by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the balance sheet date,
- Servicing fees included in the price of products sold are recognized by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold and
- Revenue from time and material contracts is recognized at the contractual rates as labor hours are delivered and direct expenses are incurred.

Revenue from construction contracts is recognized in accordance with the accounting policy outlined in the following pages.

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Dividend and interest revenue

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income

Rental income from properties is recognized on a straight-line basis over the term of the relevant lease.

Inventories

Inventories are stated at the lower of cost and net realizable value. Inventories are valued on the basis of the project according to the weighted average method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to realize sales. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of income/(loss) in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

Fixed Assets

Fixed assets are carried at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated and carried at cost less accumulated impairment.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Borrowing cost is capitalized when the assets took a substantial period of time to get ready for their intended use or sale.

These assets are classified to fixed assets when the assets are completed and ready for their intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets If the ownership of the finance lease is not obvious at the end of the leasing period, it is depreciated over their expected useful lives or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of fixed assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The maintenance and repair expenses arising from changing any part of the fixed assets can be realized if the economic benefit of the asset is increased. All other expenses are recorded in the expense accounts in the consolidated income statement when they are realized.

The useful lives of fixed assets are as follows:

	Useful life
Buildings	10-50 years
Land improvements	15-16 years
Machinery and equipment	3-21 years
Motor Vehicles	4-8 years
Furniture and fixtures	2-10 years
Other tangible assets	5-10 years

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Intangible Assets

Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in accounting estimates for on a prospective basis.

Trademarks and licenses

Acquired trademarks and licenses are shown at historical cost. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives.

Internally generated intangible assets – R&D expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development

The amount initially recognized for internally-generated intangible assets is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

The useful lives of the intangible assets are as follows:

	Useful life
Rights	2-6 years
Computer software	1-2 years
Development expenditure	2-5 years

Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

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Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

When the Group borrows funds specifically for the purpose of the qualifying assets, the amount of borrowing costs eligible for capitalization is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

Financial Instruments

Financial assets

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets as “at fair value through profit or loss” (FVTPL), “held-to-maturity investments”, “available-for-sale” (AFS) financial assets and “loans and receivables”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Financial assets at FVTPL

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges.

Available-for-sale financial assets

Quoted equity investments and quoted certain debt securities held by the Group that are traded in an active market are classified as being available- for-sale financial assets and are stated at fair value. The Group also has investments in unquoted equity investments that are not traded in an active market but are also classified as available-for-sale financial assets and stated at cost since their value can’t be reliably measured. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group’s right to receive the dividends is established.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as “loans and receivables”. Loans and receivables are measured at amortized cost using the effective interest method less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

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Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. Any increase in fair value subsequent to an impairment loss is recognized in their comprehensive income.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial Liabilities

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in "other gains/losses" line in the statement of comprehensive income.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Financial Leasing

Leasing- the group as lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Foreign Currency Transactions

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the operational results and financial position of each entity are expressed in TL, which is the functional currency of the Company, and the presentation for consolidated financial statements

In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks (see below for hedging accounting policies); and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

Earnings per Share

Earnings per share, disclosed in the consolidated income statement, are determined by dividing the net income attributable to equity holders of the parent by the weighted average number of shares outstanding during the period concerned.

In Turkey, companies can increase their share capital by distributing "bonus shares" to shareholders from retained earnings. In computing earnings per share, such "bonus share" distributions are assessed as issued shares. Accordingly, the weighted average number of shares is computed by taking into consideration of the retrospective effects of the share distributions.

Subsequent Events

Subsequent events include all events that take place between the balance sheet date and the date of authorization for the release of the financial statements, although the events occurred after the announcements related to the net profit/loss or even after the public disclosure of other selective financial information.

In the case that events occur requiring an adjustment, the Group adjusts the amount recognized in its consolidated financial statements to reflect the adjustments after the balance sheet date.

Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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Segmental Information

Operations of the Group are technical system design, development, production, and after-sales services for various products for defense industry. Group operates mainly for the Ministry of Defense via Communication and Information Technologies (HBT), Defense System Technologies (SST), Radar Electronic Warfare and Intelligence Systems (REHİS), Microelectronics, Guidance and Electro-optics (MGEO). The Group does not report segmental information in accordance with IFRS 8 "Operating Segments" considering the operations and organizational structure not reporting according to segments due to its nature of products and services, its customer segment or type for its products and services, not having a profit based reporting structure and having project based reporting structure to the Board of Directors based on contracts not segments. The operations of the divisions generally determined according to the volume of orders at the group level rather than specific planning at group's level. Due to the level of orders new groups may be established in order to increase the management activities.

Construction Contracts

Cost of contracts is recognized when incurred. These costs include the costs that relate directly to the specific contract and the costs that are attributable to contract activity in general and can be allocated to the contract and the other costs that are specifically chargeable to the customer under the terms of the contract. A major part of the costs include the development expenses of the projects.

Where the outcome of a construction contract cannot be estimated reliably, revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable.

Where the outcome of a construction contract can be estimated reliably, revenue is recognized over the terms of the contract term. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

The group uses the "percentage-of-completion method" to determine the appropriate amount to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

Each project contract is evaluated by the technical teams regarding the expected change in the upcoming costs and the profitability of the contracts that is determined as of the balance sheet dates. If purchases and collections made by more than one currency regarding a contract, then the upcoming purchasing and invoicing is forecasted based on the amount stated in the contract and the weighted average currency in the following financial years. Besides the amounts of the contracts subjected to escalation as of the balance sheet date, are estimated based on the contract details.

Government grants, if any, are also taken into consideration while calculating the profitability of the contract. The grants are recognized by netting-off from the costs in accordance with IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance".

The Group presents the amount as an asset if the gross amount due from customers for customer work for all contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within "trade and other receivables".

The Group presents the amount as a liability if the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognized profits (less recognized losses).

Government Grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

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Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Taxes Calculated on the Basis of the Company's Earnings

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities overcost.

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Employee Benefits

Termination and retirement benefits:

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No. 19 (revised) "Employee Benefits" ("IAS 19").

The retirement benefit obligation recognized in the consolidated financial statements represents the present value of the defined benefit obligation.

Dividend and bonus plans

The Group recognizes a liability and an expense for bonuses and dividend, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

The Group recognizes the cost of providing additional retirement bonuses comprising two months gross salary to employees who have completed 20 years of service and earned the right to retirement benefits. These compensations are deducted from the net present values of the unrealized liability amounts and are recognized in the accompanying consolidated financial statements

Statement of Cash Flows

Current period statements of cash flows are categorized and reported as operating, investing and financing.

Cash flows from operating activities reflect cash flows generated from Group's operating activities.

Cash flows from investing activities summarize the Group's cash flows used in or generated from investing activities (fixed and financial investments).

Cash flows from investing activities summarize the Group's cash flows from liabilities and repayments of these liabilities benefited in financing needs of the Group.

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Netting-off

Financial assets and liabilities are disclosed with their net amounts in the balance sheet if there is a legal right to net-off or recoverability is possible, or if acquisition of asset and performance of obligation are realized simultaneously.

Non-Current Assets Held for Sale

Non-current assets are classified as assets "held for sale" when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell. The assets can be a part of the Group, disposal group as a single fixed asset.

2.6 Critical Accounting Judgments and Estimates

Critical judgments in applying the entity's accounting policies

In the process of applying the entity's accounting policies, which are described in note 2.5, management has made the following judgments that have the most significant effect on the amounts recognized in the financial statements:

Deferred tax

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities. Currently, there are deferred tax assets resulting from operating loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realized. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realize

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the deferred tax asset. If based on the weight of all available evidence, it is the Group's belief that taxable profit will not be available sufficient to utilize some portion of these deferred tax assets, then some portion of or all of the deferred tax assets are not recognized (Note: 26).

Liabilities with respect to employment benefits

The Group makes various assumptions on discount, inflation rate, wage increase rate, the probability of quitting voluntarily for calculating provisions for severance and retirement pays (Note: 16).

Useful lives of tangible and intangible assets

The Group amortizes the non-current assets based on the useful lives of those assets stated in the accounting policies (Note: 11-12).

Percentage of completion

The Group uses the percentage of completion method in accounting for contracts in accordance with IAS 11 "Construction Contracts". Use of percentage of completion method requires the Group to estimate the services performed to date as a proportion of the total services to be performed. Moreover for projects that are estimated to end up with a loss, provision for loss is calculated (Note: 10). The estimation of the total cost of the projects consists of the risks that may cause major changes in the adjustments of the fair values of assets and liabilities for the subsequent periods.

Estimation of foreign exchange rates

If purchases and collections made by more than one currency regarding the projects, in accordance with IAS 11 the upcoming purchasing and invoicing is forecasted based on the amount stated in the contract and the weighted average currency in the following financial years.

Escalation

As of the balance sheet dates, the amounts of the projects subject to escalation are calculated with respect to the provisions of the contracts and estimated in accordance with IAS 11 "Construction Contracts".

Provision for guarantee expenses

The Group calculates provision, according to the budgeted estimations for specific parts of the sales under the scope of warranty that needs specific guarantee calculations, and according to the realizations in previous years for the remaining part of the sales. The guarantee period for the projects completed by the Group are 2 years on the average after the delivery (Note: 14).

Development expenses

As of balance sheet dates, the Management assess the recoverability of the expenses regarding the Group's development activities. These expenses are started to be amortized with respect to their useful lives when their development phases are completed and it becomes probable that there is an associated economic benefit. When the development phase is completed and no economic benefit is foreseen, the related expenses are recognized in consolidated income statement (Note: 12).

3. JOINT VENTURES

Where a Group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other ventures are recognized in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognized when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

The joint ventures IGG ASELSAN Integrated Systems LLC and Kazakhstan ASELSAN Engineering LLP established in 2011 and ASELSAN Middle East PSC LTD (Jordan) established in 2012, which are recorded under long-term financial investments, were excluded from the consolidation and as they do not significantly affect the consolidated results of the Group.

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4. CASH AND CASH EQUIVALENTS

	31 December 2012	31 December 2011
Cash	87.124	42.751
Cheques received	3.408	30.496
Demand deposits –TL	978.948	2.693.726
Foreign currency demand deposits	7.869.491	42.707
Time deposits-TL	237.266.855	96.654.421
Foreign currency time deposits	125.319.465	79.689.049
Accrued income	347.422	289.016
Other cash equivalents	22.500	17.995
Total	**371.895.213**	**179.460.161**

As of 31 December 2012, the Group has TL 125.319.465 of foreign currency time deposits at various banks with maturities in January-April 2013 and interest rates between 0,50% and 3,30%.

As of 31 December 2012, the Group has TL 237.266.855 of time deposits at various banks with maturities between January 2013 and interest rates between 4,50% and 8,50%.

As of 31 December 2011, the Group has TL 79.689.049 of foreign currency time deposits at various banks with maturities in January 2012 and interest rates between 1,00% and 5,65%.

As of 31 December 2011, the Group has TL 96.654.421 of time deposits at various banks with maturities between January-February 2012 and interest rates between 10,50% and 12,30%.

5. FINANCIAL INVESTMENTS

Current Financial Investments

a) Financial investments at fair value through profit or loss

	31 December 2012	31 December 2011
Eurobonds	-	2.267.100
Total	**-**	**2.267.100**

Non-Current Financial Investments

a) Investments that do not have quoted market prices and carried at cost

The details of the Group's investments and share percentages of subsidiaries, joint ventures and associates are as follows:

Company's name	Ratio (%)	31 December 2012	Ratio (%)	31 December 2011
ASELSAN Baku	100	3.059.234	100	3.059.234
ROKETSAN Roket Sanayii ve Ticaret A.Ş. (ROKETSAN)	15	5.141.213	15	5.134.992
Mikroelektronik Ar-Ge Tasarım ve Ticaret Limited A.Ş.	85	624.714	85	624.714
Aspilsan A.Ş.	1	147.462	1	147.462
Havaalanı İşletme ve Havacılık End. A.Ş.	<1	86.953	<1	86.953
ASELSAN Kazakhstan Engineering LLP	49	388.023	49	388.023
IGG ASELSAN Integrated Systems LLC	49	42.837	49	42.837
ASELSAN Middle East PSC LTD	49	2.527.126	-	-
Total		**12.017.562**		**9.484.215**

The above available-for-sale equity investments amounting to TL 12.017.562 (31 December 2011: TL 9.484.215) do not have a quoted market value and their fair values cannot be reliably measured as the range of reasonable fair value estimates is significant and

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the probabilities of the various estimates cannot be reasonably assessed. For this reason they are stated at cost less provision for diminution in value, if any.

6. FINANCIAL LIABILITIES

	31 December 2012	31 December 2011
Short-term financial liabilities	206.323.350	12.897.976
Current portion of long-term financial liabilities	564.806	993.918
Other short-term financial liabilities	4.465.208	1.198.109
Total short-term financial liabilities	211.353.364	15.090.003
Other long-term financial liabilities	113.764.741	124.627.727
Total long-term financial liabilities	113.764.741	124.627.727
Total financial liabilities	**325.118.105**	**139.717.730**

As of 31 December 2012, current term financial liabilities amounting to TL 8.175.302 consist of interest free loans provided for Social Security Institution (SGK) payments with a maturity of January 2013. Current term financial liabilities amounting to TL 115.256.638 was drawn for financial investment with an interest rate of 6,19% and with a maturity of January 2013. The other current financial liabilities amounting to TL 82.891.410 consist of Preshipment Export Loan with the maturities are between the 1-4 months and with an interest rate of the ranges of 1%-1,2%.

As of 31 December 2012, other current and non-current term financial liabilities amounting to TL 1.966.536 consist of the interest free borrowings obtained from Technology Development Foundation of Turkey (TTGV). A major part of non-current financial liabilities is composed of the loan amounting to USD 40.000.000 (31 December 2011:USD 40.000.000) with an interest rate of 2,1% (31 December 2011:2,1%) obtained from Undersecretariat for Defense Industries. A letter of guarantee of USD 40.000.000 was given for the related loan. The rest of the other non-current financial liabilities consists of the loan obtained from Undersecretariat for Defense Industries amounting to USD 25.000.000 (31 December 2011:USD 25.000.000) with an interest rate of 3,5% (31 December 2011: 3,5%).

As of 31 December 2011, all of the current financial liabilities consist of Preshipment Export Loan with a maturity of March 2012 and with an interest rate of 1,3%.

As of 31 December 2011, other current and non-current term financial liabilities amounting to TL 3.101.606 consist of the non-interest bearing borrowings obtained from TTGV.

The breakdown of the loan repayments with respect to their maturities is as follows:

	31 December 2012	31 December 2011
Within 1 year	211.353.364	15.090.003
Between 1-2 years	21.374.201	4.087.069
Between 2-3 years	35.530.121	7.527.118
Between 3-4 years	35.530.121	7.484.985
Between 4-5 years	7.160.889	83.128.653
Between 5-6 years	7.160.889	7.569.171
Between 6-7 years	7.008.520	7.565.731
Between 7-8 years	-	7.265.000
Total	**325.118.105**	**139.717.730**

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7. TRADE RECEIVABLES AND PAYABLES

a) Short-term trade receivables

	31 December 2012	31 December 2011
Trade receivables	459.134.156	242.548.808
Receivables from related parties (Note: 28)	58.410.923	27.849.372
Uninvoiced receivables from construction contracts in progress	-	2.324.771
Uninvoiced receivables from construction contracts in progress – related party (Note: 28)	7.800.198	4.354.621
Notes receivables	2.131.621	1.585.923
Discount on trade and notes receivables	(1.127.796)	(1.467.586)
Other trade receivables	4.901	9.067
Provision for doubtful trade receivables (-)	(1.985.839)	(2.056.726)
Total	**524.368.164**	**275.148.250**

The movement for the Group's provision for doubtful receivables is as follows:

	1 January-31 December 2012	1 January-31 December 2011
Opening balance	2.056.726	1.819.535
The effect of the entity included in the consolidation	-	11.138
Provision for the period	857	231.429
Provision released	(71.744)	(5.376)
Closing balance	**1.985.839**	**2.056.726**

b) Long-term trade receivables

	31 December 2012	31 December 2011
Long-term trade receivables	22.413.157	-
Trade receivables from related parties (Not 28)	2.714.378	-
Uninvoiced receivables from construction contracts in progress	197.078.422	143.232.352
Uninvoiced receivables from construction contracts in progress – related party (Note: 28)	24.921.092	43.106.955
Notes Receivables	373.698	-
Discount on trade and notes receivables	(383.347)	-
Total	**247.117.400**	**186.339.307**

The distribution of trade receivables is as follows:

	31 December 2012	31 December 2011
Receivables from the public sector	488.005.407	246.623.661
Receivables from the private sector	144.438.253	92.026.122
Receivables from companies operating abroad	139.041.904	122.837.774
Total	**771.485.564**	**461.487.557**

Receivables from public sector represent the receivables that are due from Ministry of Defense, Undersecretariat for Defense Industries and other public enterprises. The Group's operations are based on contracts. Generally, no collaterals are obtained from the customers.

The characteristics and level of risks with respect to the trade receivables are disclosed in Note 29.

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c) Short-term trade payables

	31 December 2012	31 December 2011
Trade payables	163.064.174	128.102.347
Payables related to construction contracts in progress	83.664.782	18.160.329
Payables related to construction contracts in progress- related party (Note: 28)	32.486.209	-
Due to related parties (Note: 28)	16.505.501	17.155.153
Notes payables	34.412	-
Discount on trade and notes payables (-)	(641.475)	(2.359.188)
Other trade payables	478.457	322.594
Total	**295.592.060**	**161.381.235**

d) Long-term trade payables

	31 December 2012	31 December 2011
Long-term trade payables	7.557.931	6.104.648
Payables related to construction contracts in progress	1.921.135	26.747.061
Payables related to construction contracts in progress- related party (Note: 29)	1.639.370	-
Notes payable	-	34.412
Discount on trade and notes payable (-)	(103.683)	(232.146)
Total	**11.014.753**	**32.653.975**

The characteristics and level of risks with respect to the trade payables are disclosed in Note 29.

8. OTHER RECEIVABLES AND PAYABLES

a) Other current receivables

	31 December 2012	31 December 2011
Receivables from tax office (*)	21.397.392	18.610.453
Other current receivables from related parties (Note: 28)	18.512.763	171.350
Deposits and guarantees given	256.502	90.868
Due from personnel	112.502	143.956
Other	2.428.758	657.767
Total	**42.707.917**	**19.674.394**

(*) Due to VAT returns and which are expected to be offset in the subsequent period.

b) Other non-current receivables

	31 December 2012	31 December 2011
Deposits and guarantees given	176.799	108.542

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c) Other current payables

	31 December 2012	31 December 2011
Social security premiums payable	8.159.366	13.444.857
Taxes and funds payable	10.371.915	6.937.900
Other current payables	376.391	991.401
Deposits and guarantees received	14.261	23.061
Other current payables due to related parties (Note: 28)	24.707	22.047
Due to personnel	1.768.168	1.787.267
Due to shareholders (Note: 28)	155.495	148.060
Total	**20.870.303**	**23.354.593**

d) Other non-current payables

	31 December 2012	31 December 2011
Deposits and guarantees received	20.326	82.297

9. INVENTORIES

	31 December 2012	31 December 2011
Raw materials	337.325.150	325.808.643
Work in progress	155.786.545	123.231.391
Finished goods	37.023.242	41.801.240
Other inventories	12.614.279	9.448.480
Trade goods	11.754.173	9.247.845
Goods in transit (*)	38.518.041	47.630.558
Allowance for impairment on inventories (-)	(8.198.536)	(5.252.998)
Total	**584.822.894**	**551.915.159**

(*) Goods in transit includes the goods for which significant risks and rewards of ownership has passed to the Group as in FOB sales.

The Group has allocated an impairment provision for raw materials, work in progress and finished goods in cases when their net realizable values are lower than their costs or when they are classified as slow-moving inventories. The provision was recognized in the cost of sales.

The movement of the allowance for impairment on inventories:

	1 January-31 December 2012	1 January-31 December 2011
Opening balance	5.252.998	6.814.224
Provision released	(121.528)	(3.163.280)
Provision for the period	3.067.066	1.602.054
Closing balance	**8.198.536**	**5.252.998**

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10. ASSETS AND LIABILITIES REGARDING CONSTRUCTION CONTRACTS

	31 December 2012	31 December 2011
Construction costs incurred plus recognized profits less recognized losses to date	3.642.174.999	2.808.427.671
Less: earned allowances	(3.532.086.783)	(2.660.316.362)
Total	**110.088.216**	**148.111.309**
Amounts due from customers under construction contracts (Note: 7)	229.799.712	193.018.699
Amounts due to customers under construction contracts (Note: 7)	(119.711.496)	(44.907.390)
Total	**110.088.216**	**148.111.309**

11. FIXED ASSETS

	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Other fixed assets (*)	Leasehold improvements	Construction in progress (**)	Total
Cost Value										
Opening balance as of 1 January 2012	19.680.542	12.495.005	145.064.985	417.601.131	3.659.050	80.546.215	34.911.404	4.717.698	28.110.666	746.786.696
Additions	-	-	58.400	47.866.251	285.294	6.076.053	-	98.603	52.811.101	107.195.702
Disposals	-	-	(4.108)	(195.564)	(392.116)	(67.853)	(55.088)	-	(4.005.984)	(4.720.713)
Transfers	-	1.572.548	502.442	1.053.802	-	559.290	4.758.873	356.730	(8.826.561)	(22.876)
Closing balance as of 31 December 2012	19.680.542	14.067.553	145.621.719	466.325.620	3.552.228	87.113.705	39.615.189	5.173.031	68.089.222	849.238.809
Accumulated Depreciation										
Opening balance as of 1 January 2011	-	6.166.921	43.101.399	260.103.818	2.366.299	61.135.751	21.713.054	1.854.398	-	396.441.640
Charge for the period	-	622.553	5.005.805	25.334.663	459.291	5.267.554	3.643.292	869.555	-	41.202.713
Disposals	-	-	(822)	(152.867)	(308.895)	(11.278)	(24.418)	-	-	(498.280)
Closing balance as of 31 December 2012	-	6.789.474	48.106.382	285.285.614	2.516.695	66.392.027	25.331.928	2.723.953	-	437.146.073
Net book value as of 31 December 2012	19.680.542	7.278.079	97.515.337	181.040.006	1.035.533	20.721.678	14.283.261	2.449.078	68.089.222	412.092.736

(*) Includes the mould model devices manufactured by the Group with net book value of TL 14.267.299 (31 December 2011: TL 13.137.008).
(**) The financing expenses capitalized in the current period is TL 2.068.070 (31 December 2011: TL 581.853).

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	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Other fixed assets (*)	Leasehold improvements	Construction in progress (**)	Total
Cost Value										
Opening balance as of 1 January 2011	19.296.252	10.219.623	107.009.672	360.213.811	2.966.780	70.969.139	31.973.850	2.448.130	29.914.004	635.011.261
The effect of the entity included in consolidation	-	-	-	477.912	774.886	567.649	55.088	-	-	1.875.535
Additions	-	15.237	7.641	56.778.193	49.058	9.651.575	-	58.668	48.543.536	115.103.908
Disposals	-	(918)	-	(3.218.281)	(131.674)	(834.272)	(109.616)	-	(656.688)	(4.951.449)
Transfers	384.290	2.261.063	38.047.672	3.349.496	-	192.124	2.992.082	2.210.900	(49.690.186)	(252.559)
Closing balance as of 31 December 2011	19.680.542	12.495.005	145.064.985	417.601.131	3.659.050	80.546.215	34.911.404	4.717.698	28.110.666	746.786.696
Accumulated Depreciation										
Opening balance as of 1 January 2011	-	5.706.022	38.458.001	241.235.314	1.721.562	56.928.508	17.936.472	1.161.029	-	363.146.908
The effect of the entity included in consolidation	-	-	-	164.956	209.398	273.848	18.350	-	-	666.552
Charge for the period	-	461.817	4.643.398	21.904.391	516.479	4.767.667	3.862.379	693.369	-	36.849.500
Disposals	-	(918)	-	(3.200.843)	(81.140)	(834.272)	(104.147)	-	-	(4.221.320)
Closing balance as of 31 December 2011	-	6.166.921	43.101.399	260.103.818	2.366.299	61.135.751	21.713.054	1.854.398	-	396.441.640
Net book value as of 31 December 2011	19.680.542	6.328.084	101.963.586	157.497.313	1.292.751	19.410.464	13.198.350	2.863.300	28.110.666	350.345.056

The breakdown of the depreciation expenses with respect to the fixed assets is as follows:

	31 December 2012	31 December 2011
Marketing, sales and distribution expenses	530.159	351.571
General administrative expenses	4.416.103	3.752.725
Inventories	14.656.433	9.131.773
Cost of sales	21.600.018	23.613.431
Total	**41.202.713**	**36.849.500**

12. INTANGIBLE ASSETS

	Rights	Capitalized Development Costs	Other intangible assets (*)	Total
Cost Values				
Opening balance as of 1 January 2012	18.185.015	194.050.788	40.948.728	253.184.531
Additions	-	149.757.904	9.462.372	159.220.276
Disposals	-	(6.618.631)	(87.905)	(6.706.536)
Transfers	-	-	22.876	22.876
Closing balance as of 31 December 2011	18.185.015	337.190.061	50.346.071	405.721.147
Accumulated Amortization				
Opening balance as of 1 January 2012	17.906.747	30.855.811	32.221.716	80.984.274
Charge for the period	65.117	19.936.512	7.079.530	27.081.159
Disposals	-	(424)	(31.359)	(31.783)
Closing balance as of 31 December 2012	17.971.864	50.791.899	39.269.887	108.033.650
Net book value as of 31 December 2012	213.151	286.398.162	11.076.184	297.687.497

(*) Other intangible assets include computer software licenses.

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	Rights	Capitalized Development Costs	Other intangible assets (*)	Total
Cost Values				
Opening balance as of 1 January 2011	18.109.665	128.308.616	32.843.822	179.262.103
The effect of the entity included in consolidation	59.446	-	141.556	201.002
Additions	15.904	79.672.165	7.967.813	87.655.882
Disposals	-	(13.929.993)	(4.463)	(13.934.456)
Closing balance as of 31 December 2011	18.185.015	194.050.788	40.948.728	253.184.531
Accumulated Amortization				
Opening balance as of 1 January 2011	17.836.312	22.608.106	26.015.031	66.459.449
The effect of the entity included in consolidation	8.235	-	100.780	109.015
Charge for the period	62.200	15.051.062	6.109.448	21.222.710
Disposals	-	(6.803.357)	(3.543)	(6.806.900)
Closing balance as of 31 December 2011	17.906.747	30.855.811	32.221.716	80.984.274
Net book value as of 31 December 2011	**278.268**	**163.194.977**	**8.727.012**	**172.200.257**

The breakdown of amortization expenses related to intangible assets is as follows:

	31 December 2012	31 December 2011
Marketing, sales and distribution expenses	151.049	157.895
General administrative expenses	2.690.676	1.075.720
R&D expenses	19.936.833	15.884.937
Inventories	2.401.721	1.181.209
Cost of sales	1.900.880	2.922.949
Total	**27.081.159**	**21.222.710**

13. GOVERNMENT GRANTS AND INCENTIVES

The deferred incentive income shown under short and long-term liabilities in the consolidated balance sheet is as follows:

	31 December 2012	31 December 2011
Government grants and incentives	8.219.872	6.162.438

Government grants shows the unearned proportion of the grant after the costs related with the completed parts of the projects are deducted from the grants taken by the Group for the ongoing projects that was obtained as of the balance sheet date.

The incentive obtained consists of the incentives that are accrued in accordance with TÜBİTAK's R&D recognition letter prepared with respect to the Group's ongoing projects.

The Group obtains capital support from "Support and Price Stabilization Fund" of Central Bank of Turkey via Undersecretariat for Foreign Trade's consent. The Scientific and Technological Research Council of Turkey (TÜBİTAK) and TTGV act as intermediary in accordance with Communiqué No:98/10 published by the Money-Loans and Coordination Board.

The R&D expenditure deduction rate used as a tax benefit has been increased from 40% to 100% in accordance with the amended article 10 of the Tax Law numbered 5520 as a result of the amendment in article 35 of Law No. 5746 with respect to the Support of Research and Development Activities. The aforementioned law was enacted as of April 2008 after its issue in the Official Gazette dated 12 March 2008, numbered 26814. R&D expenditure may be used as a tax deduction in the determination of the taxable income. If taxable income levels are not sufficient to absorb all available tax deductions, any unused research and development tax deduction is allowed to be carried forward to the next tax period. According to the item No.8 of the related law, all the costs related with research and development can be subjected to deduction until 31 December 2023.

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14. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Short-term expense accruals

	31 December 2012	31 December 2011
Provision for delay penalties and fines	11.738.479	9.997.244
Provision for lawsuits	846.568	1.062.588
Provision for guarantee expenses	57.925.813	53.341.666
Provision for allowance of cost expenses	2.101.899	8.274.098
Provision for royalty expenses	522.916	1.048.411
Provision for insurance expense	3.321.929	2.887.434
Other	306.650	1.335
Total	**76.764.254**	**76.612.776**

The movement of the provision for delay penalties and fines is as follows:

	1 January-31 December 2012	1 January-31 December 2011
Opening balance	9.997.244	244.869
Provision for the period	1.996.180	9.997.244
Provision released (-)	(254.945)	(244.869)
Closing balance	**11.738.479**	**9.997.244**

The movement of the provision for the pending lawsuits is as follows:

	1 January-31 December 2012	1 January-31 December 2011
Opening balance	1.062.588	1.238.204
Provision for the period	165.000	175.000
Provision released (-)	(381.020)	(350.616)
Closing balance	**846.568**	**1.062.588**

The movement of the provision for guarantee expenses is as follows:

	1 January-31 December 2012	1 January-31 December 2011
Opening balance	53.341.666	41.494.380
The effect of the company included in the consolidation	-	227.936
Provision for the period	40.621.741	37.878.214
Provision released (-)	(36.037.594)	(26.258.864)
Closing balance	**57.925.813**	**53.341.666**

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The movement of the provision for royalty expenses is as follows:

	1 January-31 December 2012	1 January-31 December 2011
Opening balance	1.048.411	633.024
Provision for the period	522.916	1.048.412
Provision released (-)	(1.048.411)	(633.025)
Closing balance	**522.916**	**1.048.411**

b) Long-term expense accruals

	31 December 2012	31 December 2011
Provision for delay penalties and fines	9.039.061	11.128.448

The movement of the provision for delay penalties and fines is as follows:

	1 January-31 December 2012	1 January-31 December 2011
Opening balance	11.128.448	9.044.100
Provision for the period	-	2.084.348
Provision released (-)	(2.089.387)	-
Closing balance	**9.039.061**	**11.128.448**

c) Lawsuits

As of 31 December 2012 and 2011, according to the declarations written by the legal counselors, the lawsuits and executions in favor of and against the Group are as follows:

Description	31 December 2012	31 December 2011
i) Ongoing lawsuits filed by the Group	4.636.063	4.580.406
ii) Execution proceedings carried on by the Group	3.231.786	3.360.407
iii) All types of ongoing lawsuits filed against the Group	846.568	1.062.588
iv) Lawsuits finalized in favor of the Group within the period	212.000	-
v) Lawsuits finalized against the Group within the period	100.000	119.128

15. COMMITMENTS AND CONTINGENCIES

a) Letters of guarantees received:

	31 December 2012	31 December 2011
Letters of guarantees received from the customers	1.291.900	1.398.375
Letters of guarantees received from the suppliers	485.747.109	477.871.781
Collaterals received from the customers	29.917.770	11.657
Collaterals received from the suppliers	3.518.112	1.519.693
Cheques received from the customers	6.000	-
Cheques received from the suppliers	57.639	78.589
Mortgages received from the customers	739.600	784.600
Total	**521.278.130**	**481.664.695**

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b) Deposits and guarantees given

The Collaterals/Pledges and Mortgages (CPM) given by the Group as of 31 December 2012 is as follows:

31 December 2012	TL Amount	TL	US Dollar	EURO	UAE Dirham	Polish zloty	Indian rupee
A. Total amount of CPM given on behalf of the legal entity							
-Collateral	4.106.677.271	564.789.344	1.317.424.829	500.206.017	26.759.651	2.424.322	82.006.151
-Pledge	-	-	-	-	-	-	-
-Mortgage	-	-	-	-	-	-	-
B. Total amount of CPM given against the subsidiaries included in full consolidation							
-Collateral	44.565.000	-	25.000.000	-	-	-	-
-Pledge	-	-	-	-	-	-	-
-Mortgage	-	-	-	-	-	-	-
C. Total amount of CPM given to maintain operations and collect payables from third parties							
-Collateral	-	-	-	-	-	-	-
-Pledge	-	-	-	-	-	-	-
-Mortgage	-	-	-	-	-	-	-
D. Total amount of other CPM given							
i. Total Amount of CPM on behalf of the main partner							
-Collateral	-	-	-	-	-	-	-
-Pledge	-	-	-	-	-	-	-
-Mortgage	-	-	-	-	-	-	-
ii. Total amount of CPM given on behalf of other group companies that do not cover B and C							
-Collateral	438.000	438.000	-	-	-	-	-
-Pledge	-	-	-	-	-	-	-
-Mortgage	-	-	-	-	-	-	-
iii. Total amount of CPM on behalf of third parties that do not cover C.							
-Collateral	-	-	-	-	-	-	-
-Pledge	-	-	-	-	-	-	-
-Mortgage	-	-	-	-	-	-	-
Total	**4.151.680.271**	**565.227.344**	**1.342.424.829**	**500.206.017**	**26.759.651**	**2.424.322**	**82.006.151**

The ratio of the given other CPM to the Group's equity as of 31 December 2012 is 0,03%.

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b) Deposits and guarantees given

The breakdown of the collateral/pledge/mortgage ("CPM") of the Group as of 31 December 2011 is as follows:

31 December 2011	TL Amount	TL	US Dollar	EURO	UAE Dirham	Polish zloty	Indian rupee
A. Total amount of CPM given on behalf of the legal entity							
-Collateral	3.663.220.332	376.866.008	1.301.555.876	332.149.124	26.759.651	2.424.322	30.000.000
-Pledge	-	-	-	-	-	-	-
-Mortgage	-	-	-	-	-	-	-
B. Total amount of CPM given against the subsidiaries included in full consolidation							
-Collateral	47.222.500	-	25.000.000	-	-	-	-
-Pledge	-	-	-	-	-	-	-
-Mortgage	-	-	-	-	-	-	-
C. Total amount of CPM given to maintain operations and collect payables from third parties							
-Collateral	-	-	-	-	-	-	-
-Pledge	-	-	-	-	-	-	-
-Mortgage	-	-	-	-	-	-	-
D. Total amount of other CPM given							
i. Total Amount of CPM on behalf of the main partner							
-Collateral	-	-	-	-	-	-	-
-Pledge	-	-	-	-	-	-	-
-Mortgage	-	-	-	-	-	-	-
ii. Total amount of CPM given on behalf of other group companies that do not cover B and C							
-Collateral	-	-	-	-	-	-	-
-Pledge	-	-	-	-	-	-	-
-Mortgage	-	-	-	-	-	-	-
iii. Total amount of CPM on behalf of third parties that do not cover C.							
-Collateral	-	-	-	-	-	-	-
-Pledge	-	-	-	-	-	-	-
-Mortgage	-	-	-	-	-	-	-
Total	**3.710.442.832**	**376.866.008**	**1.326.555.876**	**332.149.124**	**26.759.651**	**2.424.322**	**30.000.000**

The ratio of the given other CPM by the Group's equity as of 31 December 2011 is 0%.

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16. EMPLOYMENT BENEFITS

a) Short-term employment benefits

	31 December 2012	31 December 2011
Provision for annual leave and overtime	18.656.924	13.993.659

The movement of the provision for annual leave and overtime is as follows:

	1 January - 31 December 2012	1 January - 31 December 2011
Opening balance	13.993.659	9.459.381
The effect of the entity included in consolidation	-	230.119
Provision released (-)	(9.044.374)	(6.331.377)
Provision for the period	13.707.639	10.635.536
Closing balance	**18.656.924**	**13.993.659**

b) Long-term employment benefits

	1 January - 31 December 2012	1 January - 31 December 2011
Provision for severance pay	94.969.281	66.788.754
Provision for retirement pay	9.465.151	6.748.718
	104.434.432	**73.537.472**

The movement for provisions for severance and retirement pays is as follows:

	1 January - 31 December 2012	1 January - 31 December 2011
Opening balance	73.537.472	63.377.093
The effect of the entity included in consolidation	-	403.424
Cost of service	32.813.215	10.934.703
Interest cost	3.003.597	2.985.512
Severance and retirement pays	(4.919.852)	(4.163.260)
Closing balance	**104.434.432**	**73.537.472**

Retirement pay provisions:

Under the Turkish Labor Law, the Group is required to pay employment termination benefits to each employee who has qualified for such payment. Also, employees are required to be paid their retirement pay who retired by gaining right to receive according to in accordance with the provisions set out in law no: 2422 issued at 6 March 1981, law no: 4447 issued at 25 August 1999 and the amended Article 60 of the existing Social Insurance Law No: 506. Some transitional provisions related to the pre-retirement service term were excluded from the law since the related law was amended as of 23 May 2002.

The amount payable consists of one month's salary limited to a maximum of TL 3.129,25 (2011: TL 2.805,04) for each period of service at 31 December 2012.

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The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees. IAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the entity's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	31 December 2012	31 December 2011
Interest rate (%)	7,25	10,00
Inflation rate (%)	5,00	5,10
Discount ratio (%)	2,14	4,66
Estimation of probability of retirement ratio (%)	99,09	99,07

17. ORDER ADVANCES GIVEN AND RECEIVED

a) Short-term order advances given

	31 December 2012	31 December 2011
Short-term order advances given	217.562.266	216.719.273
Short-term order advances given to related parties (Note: 28)	16.342.597	13.058.775
Total	**233.904.863**	**229.778.048**

b) Long-term order advances given

	31 December 2012	31 December 2011
Long-term order advances given	50.003.569	139.280.366
Long-term order advances given to related parties (Note: 28)	200.403.017	44.188.111
Total	**250.406.586**	**183.468.477**

c) Short-term order advances received

	31 December 2012	31 December 2011
Order advances received	132.362.456	113.566.645
Order advances received from related parties (Note: 28)	10.354.490	12.237.577
Total	**142.716.946**	**125.804.222**

Short-term order advances received consists of the advances taken from 48 customers (31 December 2011: 54 customers) of which first 10 form 96,96% (31 December 2011: 95,39%) of the total advances.

d) Long-term order advances received

	31 December 2012	31 December 2011
Order advances received	995.791.348	688.013.584
Order advances received from related parties (Note: 28)	46.148.760	16.363.904
Total	**1.041.940.108**	**704.377.488**

The long-term order advances received consists of the advances taken from 29 customers (31 December 2011: 28 customers) of which first 10 form 99,64% (31 December 2011: 99,59%) of the total advances.

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18. OTHER ASSETS AND LIABILITIES

a) Other current assets

	31 December 2012	31 December 2011
Prepaid expenses	30.939.947	13.228.396
VAT carried forward (*)	143.136.419	111.681.578
Other VAT	10.344.366	2.678.862
Prepaid taxes and funds	1.139.471	974.719
Job advances given	281.869	439.401
Due from personnel	4.539	3.078
Other	335.280	414.809
Total	**186.181.891**	**129.420.843**

(*) To the taxpayers (Contractor/the Group) who deliver goods and give services to the Natural Security Institutions (such as MOD and UFDI) that are to be approved by the customers (contacting authority) in terms of content and nature, Value Added Tax (VAT) is being exempted as of 1 March 2009 in accordance with General Declaration on Value Added Tax with the Serial Number 112 in the Official Gazette as of 12 February 2009. These amounts are usually not collected, but they are offset with other tax liabilities.

b) Other non-current assets

	31 December 2012	31 December 2011
Prepaid expenses	2.641.720	3.076.217
Advances given for fixed assets	23.040.087	5.376.051
Prepaid taxes and funds	2.523.862	2.052.901
Other	24.827	-
Total	**28.230.496**	**10.505.169**

c) Other current liabilities

	31 December 2012	31 December 2011
Deferred income	3.026.317	4.056.800
Accrued expenses	26.409	250.237
Total	**3.052.726**	**4.307.037**

d) Other non-current liabilities

	31 December 2012	31 December 2011
Deferred income	28.962	7.065

19. SHARE CAPITAL

Capital

Shareholders	Share (%)	31 December 2012	Share (%)	31 December 2011
TAFF	84,58	422.912.812	84,58	198.958.487
Other shareholders	0,12	577.846	0,12	271.846
Quoted in stock exchange	15,30	76.509.342	15,30	35.993.667
Nominal capital	100,00	500.000.000	100,00	235.224.000
Share capital adjustment		98.620.780		132.773.042
Inflation adjusted capital		**598.620.780**		**367.997.042**

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The Group's nominal capital is TL 500.00.000 that consists of 50.000.000.000 shares each of which is 1 kuruş (1% of 1 Turkish Lira). A total of 30.272.727.273 of the shares consists of Group A and 19.727.272.727 of the shares consists of Group B shares. All of the shares are nominative. Moreover, when new shares are issued the proportion of nominative Group A shares prevalent in the issued capital are preserved. In accordance with the CMB's requirements, except for Independent members of the Board of Directors, group A shares are nominative and Members of the Board are assigned from the holders of A type shareholders or from the ones nominated by A type shareholders. The Company increased its upper limit of authorized capital from TL 500.000.000 to TL 1.000.000.000 in accordance with the meeting of the Board of Directors as of 31 October 2012.

Increase in the Company's issued capital from TL 235.224.000 to TL 500.000.000 was registered in the CMB on 23 July 2012. Increase in the issued capital was netted of/met by TL 34.152.262 from share capital adjustment and TL 230.623.738 from retained earnings.

Restricted profit reserves

The legal reserves consist of first and second legal reserves, appropriated in accordance with the TCC. The first legal reserve is appropriated out of historical statutory profits of the prior year at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. After the 5% of the dividend is paid to shareholders, 10% of the total distributed to shareholders and employees can be added in general legal reserve.

As of 31 December 2012, The Group's restricted reserves set aside from profit consists of the legal reserves. The total of the Group's legal reserves are TL 52.071.680 (31 December 2011: TL 42.731.216).

Accumulated losses arising out of first time application of inflation adjustments could be deducted from the distributable profit as per inflation adjusted financial statements. In addition, this amount could be netted of from the period profit, accumulated profits, extraordinary reserves, legal reserves and inflation reserves.

In addition, in accordance with the CMB's requirements which were effective until 1 January 2008, at the first-time application of inflation adjustments on financial statements, equity items named "Capital issue premiums", "Legal reserves", "Statutory reserves", "Special reserves" and "Extraordinary reserves" were carried out nominal value in the balance sheet and restatement differences of such items were presented in equity under the "Shareholder's equity inflation restatement differences" line item in aggregate. "Shareholders' equity inflation restatement differences" related to all equity items could only be subject to the capital increase by bonus issue or loss deduction, while the carrying value of extraordinary reserves could be subject to the capital increase by bonus issue, cash profit distribution or loss offsetting.

However, in accordance with the Communiqué Series XI No: 29 issued on 1 January 2008, and other related CMB's announcements, "Paid-in capital", "Restricted profit reserves" and "Premium in capital stock" should be carried at their registered amounts in statutory records. Restatement differences (e.g. inflation restatement differences) arising from the application of the Communiqué should be associated with:

- "Capital restatement differences" account, following the "Paid-in capital" line item in the financial statements, if such differences are arising from "Paid-in capital" and not added to capital.

- "Retained earnings/accumulated loss", if such differences are arising from "Restricted profit reserves" and "Premium in capital stock" and has not been subjected to profit distribution or capital increase. Other equity items are carried at the amounts that are valued based on the CMB's Financial Reporting Standards.

Capital restatement differences can only be included in capital.

Retained Earnings

Accumulated profits apart from the net profit for the year and extraordinary reserves which is accumulated profit by nature are shown under the retained earnings/losses. As of 31 December 2012 the extraordinary reserves balance presented in retained earnings/losses is TL 359.696.952 (31 December 2011: TL 451.128.533).

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According to the statutory records, the Company's profit for the year is TL 244.902.216 TL(31 December 2011:TL 181.508.285) and its other funds available for profit distribution is TL 364.393.120 (31 December 2011: TL 464.536.727) the details of funds is as follows:

	31 December 2012	31 December 2011
Capital reserves and ve extraordinary reserves	364.393.120	464.536.727
	364.393.120	**464.536.727**

Profit distribution

In accordance with the CMB, decree issued as of 27 January 2010, in relation to the profit distribution of earnings derived from the operations in 2009, minimum profit distribution is not required for listed companies, and accordingly, profit distribution should be made based on the requirements set out in the Boards' Communiqué Serial: IV, No:27 "Principles of Dividend Advance Distribution of Companies that are subject to the Capital Markets Board Regulations", terms of articles of corporations and profit distribution policies publicly disclosed by the companies.

Furthermore, based on the afore mentioned decree, companies that are required to prepare consolidated financial statements should calculate their net distributable profits, to the extent that they can be recovered from equity in their statutory records, by considering the net profit for the period in the consolidated financial statements which are prepared and disclosed in accordance with the Communiqué Serial XI No:29.

As of 31 March 2012 Annual Meeting, in accordance with the consolidated financial statements, the General Assembly of the Company has decided to allocate capital reserve amounting to TL 9.267.583 of the TL 160.755.145 which is based on the profit distribution, and to distribute TL 46.456.739 in cash to shareholders for dividend payment by leaving the amount of TL 105.030.823 within the Group.

As of 23 March 2012 MİKES Annual Meeting, the General Assembly of the company has decided to allocate capital reserve amounting to TL 70.449 (Company's share: TL 67.881, non-controlling interest: TL 2.568) from the its profit for the period in 2011.

Besides, as of 14 March 2012 AselsanNet Annual Meeting, the General Assembly of the company has decided to distribute dividend amounting to TL 100.000 (Company's share: TL 95.000, non-controlling interest: TL 5.000) and allocate capital reserve amounting to TL 5.000 TL from the its profit for the period in 2011.

As a result total amount of the funds remaining within the Group after profit distribution and transfers is TL 104.857.942.

The dividends paid to shareholders during 2012 is TL 0,093 per 100 shares (total dividend paid is TL 46.456.739) (2011: TL 0,065 per 100 shares, total dividend paid TL 32.696.135).

The Group Management decided to pay dividend TL 0,157 per 100 shares as of 5 March 2013 with respect to the current year. This dividend payment will be subject to the shareholders' approval in the General Assembly, and it has not been recognized as a liability in the financial statements yet. The total dividend payment to be made is TL 78.500.000.

20. SALES REVENUE AND COST OF SALES

a) Sales Revenue

	1 January - 31 December 2012	1 January - 31 December 2011
Domestic sales	1.362.700.772	1.365.298.573
Export sales	271.984.690	141.282.643
Other revenues	542.235	1.276.141
Sales returns (-)	(1.247.670)	(4.292.969)
Sales discounts (-)	(1.067.402)	(1.685.398)
Other	(16.258)	-
Total	**1.632.896.367**	**1.501.878.990**

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Notes for the Audited Consolidated Financial Statements as of 31 December 2012

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

b) Cost of Sales (-)

	1 January - 31 December 2012	1 January - 31 December 2011
Cost of raw materials used	606.580.057	495.333.788
Personnel expenses	69.820.605	51.713.525
General production expenses	76.833.732	65.774.002
Provision for project guarantee, delay and losses	12.399.228	58.483.101
Change in work in progress	(32.555.154)	10.759.457
Change in finished goods	4.777.998	(2.047.316)
Development expenses (*)	394.738.961	335.827.675
Cost of services given	70.937.153	43.080.909
Cost of merchandise goods sold	7.267.250	8.224.950
Other cost of sales	29.803.373	38.624.963
Total	**1.240.603.203**	**1.105.775.054**

(*) Development expenses consist of raw material, design, personnel, amortization and depreciation expenses.

21. R&D EXPENSES, MARKETING, SALES AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2012	1 January - 31 December 2011
Marketing, sales and distribution expenses (-)	(38.575.081)	(31.616.522)
General administrative expenses (-)	(99.626.320)	(83.804.962)
R&D expenses (-)	(70.259.436)	(48.925.095)
Total	**(208.460.837)**	**(164.346.579)**

22. OPERATING EXPENSES BY NATURE

a) Marketing, sales and distribution expenses (-)

	1 January - 31 December 2012	1 January - 31 December 2011
Personnel expenses	(13.991.781)	(11.913.017)
Stamp duty expenses	(6.183.853)	(5.153.034)
Overseas travel expenses	(2.120.903)	(1.703.233)
Exhibition expenses	(2.012.266)	(3.763.906)
Shipping and delivery expenses	(1.464.806)	(493.246)
Advertising expenses	(1.547.250)	(1.483.696)
Insurance expenses	(477.273)	(403.695)
Commission expenses	(3.930.913)	(979.134)
Depreciation and amortization expenses	(681.208)	(509.466)
Packaging expenses	(604.358)	(395.443)
Domestic travel expenses	(408.509)	(475.103)
Specimen expenses	(641.981)	(1.360.563)
Electricity expenses	(384.440)	(316.515)
Maintenance and repair expenses	(268.473)	(326.926)
Agency and entertainment expenses	(274.676)	(277.568)
Personnel transportation expenses	(262.196)	(274.182)
Rent expenses	(187.362)	(55.855)
Other	(3.132.833)	(1.731.940)
Total	**(38.575.081)**	**(31.616.522)**

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(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

a) General administrative expenses (-)

	1 January - 31 December 2012	1 January - 31 December 2011
Personnel expenses	(71.202.920)	(58.580.645)
Depreciation and amortization expenses	(7.106.779)	(4.828.445)
Maintenance and repair expenses	(1.921.208)	(2.632.972)
Electricity expenses	(3.483.458)	(2.599.507)
Personnel transportation expenses	(1.508.462)	(1.509.506)
Course and seminar expenses	(615.228)	(615.301)
Insurance expenses	(1.144.595)	(1.071.708)
Consultancy expenses	(1.282.276)	(737.565)
Personnel meal expenses	(855.859)	(875.098)
Furniture and fixture expenses	(243.135)	(594.278)
Rent expenses	(1.140.352)	(841.433)
Other	(9.122.048)	(8.918.504)
Total	**(99.626.320)**	**(83.804.962)**

c) R&D expenses (-)

	1 January - 31 December 2012	1 January - 31 December 2011
Equipment costs	(6.551.968)	(5.686.449)
Personnel expenses	(35.814.919)	(21.927.077)
Depreciation and amortization expenses	(19.936.833)	(15.884.937)
Other	(7.955.716)	(5.426.632)
Total	**(70.259.436)**	**(48.925.095)**

23. OTHER OPERATING INCOME/EXPENSE

a) Other operating income

	1 January - 31 December 2012	1 January - 31 December 2011
Provisions released	381.020	359.522
Social security incapacity income	84.329	793.069
Gain on sale of fixed assets	1.143.711	173.739
Insurance income for damages	626.506	561.313
Letters of guarantees and interest income due to delays (*)	21.023.053	-
Income from personnel	309.362	368.108
Other income	3.175.377	1.961.198
Total	**26.743.358**	**4.216.949**

(*) Includes the liquidation of the letter of guarantees and interest income of delay due to the result of the cancellation of a sub-contactor contracts.

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(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

b) Other operating expense

	1 January - 31 December 2012	1 January - 31 December 2011
Damage expense	(231.487)	(176.928)
Loss on sale of fixed assets	(358)	(311.360)
Special communication tax	(147.692)	(140.914)
Grants and donations (*)	(3.709.617)	(39.737)
Good and residual of the account expenses	(1.525.794)	(147.897)
Non-deductible VAT	(867.831)	(31.500)
Other expense and losses	(1.032.855)	(750.196)
Total	**(7.515.634)**	**(1.598.532)**

(*) Includes the construction expenses of ASELSAN primary school in VAN-Erciş

24. FINANCIAL INCOME

	1 January - 31 December 2012	1 January - 31 December 2011
Interest income	12.883.616	17.724.493
Gain on sale of securities	966.776	256.248
Foreign exchange gains	278.632.464	339.169.818
Discount interest income	1.290.165	3.256.561
Dividend income (*)	3.225.094	1.095.723
Other financial income	405.720	534.819
Total	**297.403.835**	**362.037.662**

(*) Includes the dividend payment of ROKETSAN.

25. FINANCIAL EXPENSE

	1 January - 31 December 2012	1 January - 31 December 2011
Foreign exchange losses	(239.742.238)	(467.894.880)
Discount interest expense	(3.221.052)	(2.441.517)
Short-term borrowing expense	(1.783.495)	(206.277)
Long-term borrowing expense	(1.568.995)	(1.474.228)
Fair value difference or depreciation of financial assets reflected to loss	(426.612)	(430.297)
Total	**(246.742.392)**	**(472.447.199)**

26. TAX ASSETS AND LIABILITIES

	31 December 2012	31 December 2011
Corporate tax liabilities:		
Current corporate tax provision	656.430	917.110
Prepaid taxes and funds (-)	(352.155)	(809.688)
	304.275	**107.422**

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	1 January - 31 December 2012	1 January - 31 December 2011
Tax income/(expense):		
Current corporate tax expense	(656.430)	(917.110)
Deferred tax income	40.675.876	37.353.918
Total	**40.019.446**	**36.436.808**

Corporate tax

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying consolidated financial statements for the estimated change based on the Group's results for the year. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate entity bases.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective tax rate in 2012 is 20% (2011: 20%) for the Group.

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2012 is 20%. (2011: 20%). Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

Furthermore, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income withholding tax

In addition to corporate taxes, companies should also calculate income withholding taxes on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% between 24 April 2003 and 22 July 2006. This rate was changed to 15% commencing from 23 July 2006 with the Cabinet Decision 2206/10731. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Deferred tax:

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes and they are given below.

For calculation of deferred tax asset and liabilities, the rate of 20% (2011: 20%) is used.

In Turkey, the companies cannot declare a consolidated tax return, therefore subsidiaries that have deferred tax asset position were not netted off against subsidiaries that have deferred tax liabilities position and disclosed separately.

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The details of deferred tax assets and liabilities of the Group are as follows:

Deferred tax assets:	**31 December 2012**	**31 December 2011**
Discount on receivables	(302.229)	(293.517)
Costs and provision for expected losses of construction contracts	(235.868.013)	(181.287.733)
Provision for doubtful receivables	(240.713)	(255.062)
Impairment provision for inventory	(1.604.512)	(1.014.881)
Provision for delay penalties and fines	(2.117.197)	(2.264.043)
Provision for guarantee expenses	(11.585.164)	(10.668.334)
Fair value adjustment on financial assets	-	(9.682)
Prepaid expenses	-	(95.718)
Provision for severance pay	(18.993.856)	(13.357.751)
Provision for retirement pay	(1.893.030)	(1.349.744)
Provision for annual leave and overtime	(3.731.385)	(2.798.734)
Provision for lawsuits	(22.200)	(22.200)
Accumulated Losses	(955.573)	(1.616.632)
Other	(57.453)	(1.933)
Accumulated R&D incentive	(107.820.011)	(70.872.246)

Deferred tax liabilities	**31 December 2012**	**31 December 2011**
Discount on payables	156.900	534.366
Adjustment of progress payments for long-term construction contracts	236.972.464	181.570.472
Fair value adjustment on financial assets	-	73.813
Adjustment on inventories	163.720	164.817
Revaluation of tangible and intangible assets	15.290.845	11.630.800
Other	2.654	5.065
Deferred tax assets	(385.191.336)	(285.908.210)
Deferred tax liabilities	252.586.583	193.979.333
Deferred tax assets – net	**(132.604.753)**	**(91.928.877)**

The Group realized deferred tax assets amounting to TL 107.820.011 (31 December 2011: TL 70.872.246) on the R&D expenses amounting to TL 539.100.055 (31 December 2011: TL 354.361.223) in accordance with Law No: 5746 about supporting R&D activities as disclosed in Note 13.

The Group realized tax assets amounting to TL 955.573 (31 December 2011: TL 1.616.632) on tax deductible losses of MİKES amounting to TL 4.777.864 (31 December 2011: TL 8.083.159).

Expiration schedule of carry forward tax losses is as follows:

	31 December 2012	**31 December 2011**
Expiring in 2014	4.777.864	8.083.159
Total	**4.777.864**	**8.083.159**

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	1 January-31 December 2012	1 January-31 December 2011
Deferred tax (assets)/liabilities:		
Opening balance as of 1 January	91.928.877	54.573.131
The effect of the entity included in consolidation	-	1.828
Realized in the income statement	40.675.876	37.353.918
Total	**132.604.753**	**91.928.877**

Tax reconciliations:	1 January-31 December 2012	1 January-31 December 2011
Profit for the year	253.721.494	123.966.237
Income tax rate	20%	20%
Tax at the domestic income tax rate of 20%	50.744.299	24.793.247
Tax effects of:		
- Revenue that is exempt from taxation	(2.734.509)	(3.043.952)
- Expenses that are not deductible in determining taxable profit	8.067.102	6.637.976
- R&D incentives and other income exempt from taxation	(91.978.914)	(61.259.825)
- Effect of other adjustments	(4.117.424)	(3.564.254)
Tax income recognized in profit or loss	**(40.019.446)**	**(36.436.808)**

27. EARNINGS PER SHARE

	1 January - 31 December 2012	1 January - 31 December 2011
Common stock (*)	50.000.000.000	50.000.000.000
Net profit – TL	293.202.668	160.775.145
Earnings per 100 shares – TL	0,59	0,32

(*) As of 31 December 2011, the current number of shares after the capital increase which was financed by the internal sources is used while calculating the earnings per share in order to be comparable with the current period.

28. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries which are related parties of the Company have been eliminated on consolidation, and are not disclosed in this note.

The receivables from related parties usually arise from sales activities and are due 2 months after the date of sales. The receivables are unsecured by nature and bear no interest.

The payables to related parties usually arise from the purchase activities and are due 2 months after the date of purchase. The receivables bear no interest.

Total amount of salaries and other short-term benefits paid for key management year ended as of 31 December 2012 is TL 4.356.770 (31 December 2011: TL 3.957.166).

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The details of transactions between the Group and other related parties are disclosed below:

	31 December 2012									
	Receivables					Payables				
	Short-term			Long-term		Short-term			Long-term	
Balances with related parties	Trading	Advances given	Other	Trading	Advances given	Trading	Advances received	Non-trading	Trading	Advances received
Main shareholder (TAFF), its subsidiaries and associates										
Axa Sigorta A.Ş.	-	-	-	-	-	7.227	-	24.707	-	-
Havelsan Ehsim A.Ş.	-	757.203	-	-	-	44.018	-	-	-	-
Havelsan Hava Elektronik San. ve Tic. A.Ş.	1.825.040	1.031.268	-	7.014.713	1.046.719	-	-	-	1.639.370	-
Havelsan Teknoloji Radar San. ve Tic. A.Ş.	-	261.616	-	-	-	214.766	-	-	-	-
İşbir Elektrik San. A.Ş.	-	1.776.615	-	-	-	1.977.477	-	-	-	-
Mercedes-Benz Türk A.Ş.	-	143.301	-	-	-	-	-	-	-	-
Nortel Networks Netaş Telekomünikasyon A.Ş.	-	4.834.484	-	-	1.385.373	13.511.571	-	-	-	-
STM Savunma Teknolojileri Müh. ve Tic. A.Ş.	-	5.706.896	-	-	799.777	1.491.322	175.883	-	-	4.245.160
Türk Havacılık ve Uzay San. A.Ş.	5.022.873	-	-	-	-	57.434	1.857.699	-	-	5.097.320
Türk Silahlı Kuvvetlerini Güçlendirme Vakfı	2.652.615	-	-	-	-	-	189.665	-	-	43.306
TUSAŞ Motor Sanayi A.Ş.	9.281	-	-	-	-	-	-	-	-	-
Subsidiaries										
ASELSAN Baku	498.585	-	-	-	-	428.086	-	-	-	-
Mikroelektronik Ar-Ge Tas. ve Tic. Ltd. Şti.	213.082	29.052	-	-	227.366	-	-	-	-	-
Associates and affiliates										
Askeri Pil San. ve Tic. A.Ş.	-	37.567	-	-	-	254.559	-	-	-	-
ROKETSAN Roket San. ve Tic. A.Ş.	7.038.093	984.640	-	1.287.037	195.402.948	8.972.549	7.764.378	-	-	36.664.202
Joint ventures and its releated parties										
International Golden Group	36.420.132	-	-	19.330.573	-	12.135.245	366.865	-	-	98.772
IGG ASELSAN Integrated Systems	3.310.192	779.955	-	-	1.540.834	-	-	-	-	-
Kazakhstan Engineering	5.913.838	-	-	-	-	-	-	-	-	-
Kazakhstan ASELSAN Engineering -KAE	3.307.390	-	18.512.763	-	-	9.897.456	-	-	-	-
ASELSAN Middle East PSC Ltd	-	-	-	3.147	-	-	-	-	-	-
Due to shareholders	-	-	-	-	-	-	-	155.495	-	-
	66.211.121	**16.342.597**	**18.512.763**	**27.635.470**	**200.403.017**	**48.991.710**	**10.354.490**	**180.202**	**1.639.370**	**46.148.760**

	31 December 2011								
	Receivables					Payables			
	Short-term			Long-term		Short-term			Long-term
Balances with related parties	Trading	Advances given	Other	Trading	Advances given	Trading	Advances received	Non-trading	Advances received
Main shareholder (TAFF), its subsidiaries and associates									
Axa Sigorta A.Ş.	-	-	-	-	-	12.580	-	22.047	-
Esdaş Elektronik Sis. San. ve Tic. A.Ş.	1.234	-	-	-	-	31.804	-	-	-
Havelsan Ehsim A.Ş.	-	285.759	-	-	-	692.923	-	-	-
Havelsan Hava Elektronik San. ve Tic. A.Ş.	-	659.649	-	2.587.585	1.046.718	-	-	-	-
Havelsan Teknoloji Radar San. ve Tic. A.Ş.	-	171.006	-	-	-	299.354	-	-	-
İşbir Elektrik San. A.Ş.	-	2.967.002	-	-	1.275.754	941.475	-	-	-
Mercedes-Benz Türk A.Ş.	-	213.621	-	-	-	-	-	-	-
Nortel Networks Netaş Telekomünikasyon A.Ş.	-	5.861.881	-	-	5.918.082	10.735.841	-	-	-
STM Savunma Teknolojileri Müh. ve Tic. A.Ş.	-	2.204.913	-	-	4.689.766	118.475	-	-	2.888.269
Türk Havacılık ve Uzay San. A.Ş.	4.217.904	60.000	-	3.009.803	-	294.000	3.696.256	-	1.517.300
Türk Silahlı Kuvvetlerini Güçlendirme Vakfı	2.453.939	-		-	-	-	515.191	-	-
Subsidiaries									
ASELSAN Baku	14.423	-	-	-	-	-	-	-	-
Mikroelektronik Ar-Ge Tas. ve Tic. Ltd. Şti.	170.413	-	-	-	-	133.338	-	-	-
Associates and affiliates									
Askeri Pil San. ve Tic. A.Ş.	-	-	-	-	-	794.404	-	-	-
ROKETSAN Roket San. ve Tic. A.Ş.	2.139.918	634.944	-	1.697.916	31.257.791	2.991.546	2.765.873	-	11.958.335
Joint ventures and its related parties									
International Golden Group	23.206.162	-	-	35.811.651	-	-	5.260.257	-	-
Kazakhstan Engineering	-	-	171.350	-	-	109.413	-	-	-
Due to shareholders	-	-	-	-	-	-	-	148.060	-
	32.203.993	**13.058.775**	**171.350**	**43.106.955**	**44.188.111**	**17.155.153**	**12.237.577**	**170.107**	**16.363.904**

ASELSAN and Its Subsidiaries

Notes for the Audited Consolidated Financial Statements as of 31 December 2012

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	1 January - 31 December 2012		1 January - 31 December 2011	
Transactions with related parties	**Sales**	**Purchases**	**Sales**	**Purchases**
Main shareholder (TAFF), its subsidiaries and associates				
Axa Sigorta A.Ş.	-	-	303	172.900
Esdaş Elektronik Sis. San. ve Tic. A.Ş.	10.021	1.419.045	29.308	2.696.426
Havelsan Ehsim A.Ş.	-	259.481	-	160.694
Havelsan Hava Elektronik San. ve Tic. A.Ş.	48.246.751	54.964	44.982.966	389.780
Havelsan Teknoloji Radar San. ve Tic. A.Ş.	5.434	2.938.233	7.506	1.855.535
İşbir Elektrik San. A.Ş.	36.500	6.509.423	23.327	5.325.317
Mercedes-Benz Türk A.Ş.	-	819.989	-	221.487
Nortel Networks Netaş Telekomünikasyon A.Ş.	598	26.313.915	760.835	15.699.207
STM Savunma Teknolojileri Müh. ve Tic. A.Ş.	10.168.111	5.426.465	5.709.831	2.129.044
Türk Havacılık ve Uzay San. A.Ş.	24.796.467	449.474	32.009.979	311.309
Türk Silahlı Kuvvetlerini Güçlendirme Vakfı	5.885.442	483.480	5.514.028	419.300
TUSAŞ Motor Sanayi A.Ş.	7.865	-	-	-
Subsidiaries				
ASELSAN Baku	672.166	890.871	62.259	769.229
Mikroelektronik Ar-Ge Tas. ve Tic. Ltd. Şti.	180.578	2.445.126	144.417	2.116.759
Associates and affiliates				
Askeri Pil San. ve Tic. A.Ş.	131.600	3.367.103	171.000	3.949.158
Havaalanı İşletme ve Havacılık End. A.Ş.	4.196	-		
ROKETSAN Roket San. ve Tic. A.Ş.	66.689.047	98.600	35.748.416	872.795
Joint ventures and its related parties				
International Golden Group	85.881.968	-	60.392.874	202.204
IGG ASELSAN Integrated Systems	3.281.101	-		
Kazakhstan Engineering	11.863.198	-	-	106.632
Kazakhstan ASELSAN Engineering -KAE	12.184.351	1.293.716	-	-
KADDB Investment Group PSC	-	23.566	-	-
ASELSAN Middle East PSC Ltd	3.147	-	-	-
	270.048.541	**52.793.451**	**185.557.049**	**37.397.776**

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The risks that are associated with every equity item together with the Group's cost of capital are evaluated by the board of directors. Based on the recommendations of the board, the Group aims to balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt on the redemption of existing debt.

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(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

The Group's general strategy which was unchanged from 2011 and the ratio of liabilities to share capital as of 31 December 2012 and 2011 are as follows:

	31 December 2012	31 December 2011
Total liabilities	2.058.119.180	1.373.227.857
Less: Cash and cash equivalents	(371.895.213)	(179.460.161)
Net debt	1.686.223.967	1.193.767.696
Total equity	1.266.095.591	1.018.816.390
Total capital	2.952.319.558	2.212.584.086
Net debt/total equity ratio	57%	54%

b) Financial Risk Factors:

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is mainly working with public sector and obtaining advance payments where appropriate, both from public sector and private sector entities. Financing needs arising from new contracts are satisfied by advances received when the projects start and milestone payments during the projects. The receivables are generally from public sector and hence considered collectible. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually. Additionally, receivables are monitored regularly to minimize the collection risk.

ASELSAN and Its Subsidiaries

Notes for the Audited Consolidated Financial Statements as of 31 December 2012

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

The credit risks as of 31 December 2012 is as follows:

	Receivables					
	Trade receivables		Other receivables			
31 December 2012	**Related Party**	**Third party**	**Related Party**	**Third party**	**Bank deposits**	**Other**
Maximum net credit risk as of the balance date (A+B+C+D+E)	93.846.591	677.638.973	18.512.763	24.371.953	371.782.181	-
- The part of maximum risk under guarantee with collateral etc (*)	-	31.955.270	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	93.846.591	676.283.576	18.512.763	24.371.953	371.782.181	-
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Net book value of financial assets that are past due but not impaired	-	1.355.397	-	-	-	-
- The part under guarantee with collateral etc.	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Overdue (gross carrying amount)	-	1.985.839	-	-	-	-
- Impairment (-)	-	(1.985.839)	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
- Undue (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
E. Factors that include off balance sheet credit risks	-	-	-	-	-	-

(*) The guarantees consist of the letters of guarantees, checks and mortgages (Not:15).

ASELSAN and Its Subsidiaries

Notes for the Audited Consolidated Financial Statements as of 31 December 2012

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

The credits risks as of 31 December 2011 is as follows:

	Receivables					
	Trade receivables		Other receivables			
31 December 2011	**Related Party**	**Third party**	**Related Party**	**Third party**	**Bank deposits**	**Other**
Maximum net credit risk as of the balance date (A+B+C+D+E)	75.310.948	386.176.609	465.803	19.317.133	179.368.919	2.267.100
- The part of maximum risk under guarantee with collateral etc (*)	-	2.194.632	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	75.310.948	369.012.954	465.803	19.317.133	179.368.919	2.267.100
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Net book value of financial assets that are past due but not impaired	-	17.163.655	-	-	-	-
- The part under guarantee with collateral etc.	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Overdue (gross carrying amount)	-	2.056.726	-	-	-	-
- Impairment (-)	-	(2.056.726)	-	-	-	-
- The part of net value under guarantee with collateral etc.	-		-	-	-	-
- Undue (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
E. Factors that include off balance sheet credit risks	-	-	-	-	-	-

(*) The guarantees consist of the letters of guarantees, checks and mortgages.

The aging of the overdue receivables is as follows:

	31 December 2012	31 December 2011
Overdue by 1-30 days	623.613	727.166
Overdue by 1-3 months	519.013	6.050.199
Overdue by 3-12 months	203.414	10.386.290
Overdue by 12 months	9.357	-
Total receivables	**1.355.397**	**17.163.655**

No collateral is received for the overdue receivables.

ASELSAN and Its Subsidiaries

Notes for the Audited Consolidated Financial Statements as of 31 December 2012

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Liquidity risk

Board of directors has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest payment date. The table includes both interest and principal cash flows.

The maturities of the financial liabilities determined with respect to the contracts including the expected interest payments as of 31 December 2012 is as follows:

Contractual Maturity Analysis	Carrying value	Total cash outflow according to contract (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Non-derivative financial instruments						
Financial liabilities	325.118.105	329.649.600	176.812.498	36.038.753	102.933.675	13.864.674
Financial leasing liabilities	346.073	412.800	51.150	69.284	292.366	-

Expected Maturity	Carrying value	Total cash outflow according to contract (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Non-derivative financial instruments						
Trade payables	306.606.813	307.351.969	183.029.844	113.159.671	11.162.454	-
Other payables	20.890.629	20.890.629	20.856.042	14.261	20.326	-
Other liabilities	3.081.688	3.081.688	3.052.726	-	28.962	-

The distribution of the maturities of non-derivative financial liabilities as of 31 December 2011 is as follows:

Contractual Maturity Analysis	Carrying value	Total cash outflow according to contract (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Non-derivative financial instruments						
Financial liabilities	139.717.730	146.598.268	13.514.685	3.165.046	107.477.723	22.440.814

Expected Maturity	Carrying value	Total cash outflow according to contract (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Non-derivative financial instruments						
Trade payables	194.035.210	196.626.544	137.936.006	25.804.417	32.886.121	-
Other payables	23.436.890	23.436.890	23.354.593	-	82.297	-
Other liabilities	4.314.102	4.314.102	4.307.037	-	7.065	-

Market risk management

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

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Notes for the Audited Consolidated Financial Statements as of 31 December 2012

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Market risk exposures are supplemented by sensitivity analysis, and stress scenario analysis.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk in the current year.

Foreign currency risk management

Foreign currency denominated transactions cause foreign currency risk. The core principle of the foreign risk management reduces to minimum foreign exchange position deficit or surplus and minimize the effect of exchange rate fluctuation. Group's net foreign currency position is due to the operational structure of the defense industry. No derivative instruments have been used for the foreign currency risk management.

FOREIGN EXCHANGE POSITION

31 December 2012	TL Equivalent (Functional currency)	US Dollar	EURO	Other (TL Equivalent)
1. Trade Receivables	308.867.574	74.817.504	74.617.074	20.918
2a. Monetary financial assets	133.259.589	25.777.276	37.110.561	36.112
2b. Non- monetary financial assets	158.302.828	38.456.575	37.369.154	1.869.101
3. Other	20.833.708	10.938.361	472.952	222.746
4. Current assets (1+2+3)	**621.263.699**	**149.989.716**	**149.569.741**	**2.148.877**
5. Trade receivables	203.090.990	72.012.858	28.328.091	8.101.698
6a. Monetary trade receivables	-	-	-	-
6b. Non-monetary trade receivables	161.626.292	19.831.009	53.695.427	-
7. Other	2.025.790	254.948	663.241	11.577
8. Long-term assets (5+6+7)	**366.743.072**	**92.098.815**	**82.686.759**	**8.113.275**
9. Total assets (4+8)	**988.006.771**	**242.088.531**	**232.256.500**	**10.262.152**
10. Trade payables	85.390.517	10.810.475	26.125.252	4.681.010
11. Financial liabilities	88.006.274	32.219.068	13.000.197	-
12a. Other monetary financial liabilities	159.522	89.488	-	-
12b. Other non-monetary financial liabilities	106.178.215	27.106.598	24.592.785	23.141
13. Current liabilities (10+11+12)	**279.734.528**	**70.225.629**	**63.718.234**	**4.704.151**
14. Trade payables	10.442.845	5.356.396	380.377	-
15. Financial liabilities	114.017.502	63.961.349	-	-
16a. Other monetary financial liabilities	8.989.028	5.042.650	-	-
16b. Other non-monetary financial liabilities	751.695.395	259.099.522	122.045.999	2.809.013
17. Non-current liabilities (14+15+16)	**885.144.770**	**333.459.917**	**122.426.376**	**2.809.013**
18. Total liabilities (13+17)	**1.164.879.298**	**403.685.546**	**186.144.610**	**7.513.164**
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	-	-	-	-
19a. Hedged total financial assets	-	-	-	-
19b. Hedged total financial liabilities	-	-	-	-
20. Net foreign currency asset/liability (9-18+19)	(176.872.527)	(161.597.015)	46.111.890	2.748.988
21. Net foreign currency asset/liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	338.212.465	55.128.212	100.549.900	3.477.718
22. Fair value of derivative financial instruments used in foreign currency hedge	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-
25. Exports	271.984.690	72.087.943	55.452.195	15.029.211
26. Imports	581.834.155	174.425.157	99.223.356	37.560.303

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Notes for the Audited Consolidated Financial Statements as of 31 December 2012

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

As of 31 December 2012, the Company's financial statement which is prepared according to General Communiqué on Accounting System Application (GCASA), has TL 839.601.463 (31 December 2011: TL 632.687.725) open position. Accompanying foreign exchange position which was prepared in accordance with CMB's regulation, is different from the foreign exchange position of the financial statement which is prepared according to GCASA. The difference is mainly due to the adjustments and classifications which are related with IAS 11 "Construction Contracts".

FOREIGN EXCHANGE POSITION

31 December 2011	TL Equivalent (Functional currency)	US Dollar	EURO	Other (TL Equivalent)
1. Trade Receivables	149.307.359	40.620.339	29.699.485	-
2a. Monetary financial assets	82.179.928	38.786.158	3.639.676	22.115
2b. Non- monetary financial assets	167.577.409	46.386.745	30.916.790	4.403.036
3. Other	580.618	102.453	27.500	319.890
4. Current assets (1+2+3)	**399.645.314**	**125.895.695**	**64.283.451**	**4.745.041**
5. Trade receivables	160.659.723	51.785.782	25.714.690	-
6a. Monetary trade receivables	-	-	-	-
6b. Non-monetary trade receivables	138.461.350	56.389.612	13.072.577	245
7. Other	1.133.590	213.728	289.361	22.737
8. Long-term assets (5+6+7)	**300.254.663**	**108.389.122**	**39.076.628**	**22.982**
9. Total assets (4+8)	**699.899.977**	**234.284.817**	**103.360.079**	**4.768.023**
10. Trade payables	87.636.158	13.851.498	21.514.831	8.894.121
11. Financial liabilities	15.088.921	7.987.729	368	-
12a. Other monetary financial liabilities	781.493	200.115	142.320	55.694
12b. Other non-monetary financial liabilities	71.977.265	33.240.088	3.750.941	23.514
13. Current liabilities (10+11+12)	**175.483.837**	**55.279.430**	**25.408.460**	**8.973.329**
14. Trade payables	16.524.912	5.292.095	2.671.525	-
15. Financial liabilities	124.627.726	65.978.997	-	-
16a. Other monetary financial liabilities	11.071.862	5.860.000	1.190	-
16b. Other non-monetary financial liabilities	479.933.980	170.956.821	64.249.792	-
17. Non-current liabilities (14+15+16)	**632.158.480**	**248.087.913**	**66.922.507**	**-**
18. Total liabilities (13+17)	**807.642.317**	**303.367.343**	**92.330.967**	**8.973.329**
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	**-**	**-**	**-**	**-**
19a. Hedged total financial assets	**-**	**-**	**-**	**-**
19b. Hedged total financial liabilities	**-**	**-**	**-**	**-**
20. Net foreign currency asset/liability (9-18+19)	**(107.742.340)**	**(69.082.526)**	**11.029.112**	**(4.205.306)**
21. Net foreign currency asset/liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**136.415.938**	**32.021.845**	**34.723.617**	**(8.927.700)**
22. Fair value of derivative financial instruments used in foreign currency hedge	**-**	**-**	**-**	**-**
23. Hedged foreign currency assets	**-**	**-**	**-**	**-**
24. Hedged foreign currency liabilities	**-**	**-**	**-**	**-**
25. Exports	**141.282.643**	**33.592.378**	**36.399.172**	**534.474**
26. Imports	**564.578.465**	**175.687.242**	**88.714.401**	**23.656.876**

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(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Foreign Currency Sensitivity

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and the EURO.

The following table details the Group's sensitivity to a 10% increase and decrease in the US Dollars and EURO. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. This analysis includes group companies' balance sheet items which are functional currency of the non TL. The effects of 10% changes in foreign currency rate on financial statements is as follows;

Foreign Currency Sensitivity Analysis

Foreign currency sensitivity table				
31 December 2012				
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Appreciation of US Dollars against TL by 10%				
1- USD denominated net assets/liabilities	(28.806.284)	28.806.284	-	-
2- Hedged amount against USD risk (-)	-	-	-	-
3- Net effect of USD (1+2)	**(28.806.284)**	**28.806.284**	**-**	**-**
Appreciation of EURO against TL by 10%				
4- EURO denominated net assets/ liabilities	10.844.133	(10.844.133)	-	-
5- Hedged amount against EURO risk (-)	-	-	-	-
6- Net effect of EURO (4+5)	**10.844.133**	**(10.844.133)**	**-**	**-**

Foreign currency sensitivity table				
31 December 2011				
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Appreciation of US Dollars against TL by 10%				
1- USD denominated net assets/liabilities	(13.048.998)	13.048.998	-	-
2- Hedged amount against USD risk (-)	-	-	-	-
3- Net effect of USD (1+2)	**(13.048.998)**	**13.048.998**	**-**	**-**
Appreciation of EURO against TL by 10%				
4- EURO denominated net assets/ liabilities	2.695.294	(2.695.294)	-	-
5- Hedged amount against EURO risk (-)	-	-	-	-
6- Net effect of EURO (4+5)	**2.695.294**	**(2.695.294)**	**-**	**-**

Interest rate risk management

As of 31 December 2012 and 2011, since all of the loans obtained by the Group are fixed-rate loans, the Group is not exposed to significant interest rate risk.

As of 31 December 2012, since the Group does not have interest bearing financial assets (31 December 2011: TL 2.267.100). No significant interest rate risk has been exposed by.

Price risk

The Group usually enters into fixed price contracts, therefore, is not exposed to any major price risk.

ASELSAN and Its Subsidiaries

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(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Hierarchy of fair value

The Group classifies the fair value calculations with respect to the base of the input data of each financial instrument using three levels of hierarchy. According to this, Level 1 contains the valuation techniques used for determining the market values of the financial instruments in the active market, Level 2 contains the direct and indirect valuation techniques that uses the observable current market transactions and Level 3 uses the valuation techniques without the observable current market transactions.

As of 31 December 2012 and 31 December 2011, the Group's financial assets at their fair values are as follows:

31 December 2012

None.

31 December 2011

Financial assets carried at the fair value in the balance sheet	Level 1	Level 2	Level 3
Eurobonds	2.267.100	-	-

As of 31 December 2012 and 31 December 2011, The Group does not hold any financial liabilities carried at fair value.

30. FINANCIAL INSTRUMENTS

Categories of the financial instruments and their fair values

31 December 2012	Financial assets at fair value	Loans and receivables (including cash and cash equivalents)	Assets held for sale	Financial liabilities at amortized cost	Carrying value	Note
Financial Assets						
Cash and cash equivalents	-	371.895.213	-	-	371.895.213	4
Financial investments	-	-	12.017.562	-	12.017.562	5
Trade receivables	-	771.485.564	-	-	771.485.564	7
Financial liabilities						
Borrowings	-	-	-	325.118.105	325.118.105	6
Trade payables	-	-	-	306.606.813	306.606.813	7
Other financial liabilities	-	-	-	346.073	346.073	
Other payables	-	-	-	20.890.629	20.890.629	8

31 December 2011	Financial assets at fair value	Loans and receivables (including cash and cash equivalents)	Assets held for sale	Financial liabilities at amortized cost	Carrying value	Note
Financial Assets						
Cash and cash equivalents	-	179.460.161	-	-	179.460.161	4
Financial investments	2.267.100	-	9.484.215	-	11.751.315	5
Trade receivables	-	461.487.557	-	-	461.487.557	7
Financial liabilities						
Borrowings	-	-	-	139.717.730	139.717.730	6
Trade payables	-	-	-	194.035.210	194.035.210	7
Other payables	-	-	-	23.436.890	23.436.890	8

(*) The Group's management assesses that the carrying value reflects the fair value of financial instruments.

31. EVENTS AFTER THE BALANCE SHEET DATE

The amount of contracts signed by the Group after the balance sheet date are approximately TL 32 million, USD 80 million and EURO 118 thousand.

ASELSAN and Its Subsidiaries

Independent Auditor's Report about Financial Statements with Respect to the Period 1 January-31 December 2012

CONVENIENCE TRANSLATION OF THE REPORT AND THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

To the Board of Directors of

ASELSAN Elektronik Sanayi ve Ticaret A.Ş.

ANKARA

We have audited the accompanying consolidated balance sheet of ASELSAN Elektronik Sanayi ve Ticaret A.Ş. (the "Company") and its subsidiaries (together the "Group") as of 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with financial reporting standards published by Capital Markets Board of Turkey ("CMB"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the auditing standards published by CMB. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, accompanying consolidated financial statements give a true and fair view of the consolidated financial position of ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and its subsidiaries as of 31 December 2012 and of its financial performance and its consolidated cash flows for the year then ended in accordance with the financial reporting standards published by the Capital Markets Board of Turkey.

Ankara, 5 March 2013

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU LIMITED**



Erdem Taş

Partner

ASELSAN and Its Subsidiaries

Annual Report of Board of Directors with Respect to the Period 1 January – 31 December 2012

1. Principles on preparation

The annual report has been prepared as per the Notification Regarding Capital Markets Board (CMB) Financial Reporting, Serial: XI, No: 29 and as per the "Regulation Regarding the Determination of the Minimum Content of the Annual Reports of Companies" published in the Official Gazette numbered 28395 and dated 28 August 2012 which was issued by the Ministry of Customs and Trade.

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

The commercial title of the Company is ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and its trade registry number is 31177. Its registered address is Mehmet Akif Ersoy Mahallesi 296. Cadde No:16 06370 Yenimahalle/Ankara. Phone: +90 (312) 592 10 00, Fax: +90 (312) 354 13 02. Its website address is www.aselsan.com.

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

The Company has an office in United Arab Emirates, Abu Dhabi with the contact address Industrial City of Abu Dhabi 1, Plot 22J1 PO Box: 133627 Abu Dhabi/UAE. The telephone number is +971 2 5508808.

3. Organizational structure of the company

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

In connection with the projects which require investment and manufacturing, the Company has been incorporated in four respective Divisions which are Communication and Information Technologies (HBT), Microelectronics, Guidance and Electro-Optics (MGEO), Defense Systems Technologies (SST) and Radar, Electronic Warfare and Intelligence Systems (REHİS). The Company carries on its manufacturing and engineering activities in two respective facilities located in Ankara Macunköy (Headquarters) and Akyurt. There has been no change in the Company's organizational structure within its activity period.

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

The capital structures as of 31 December 2012 and 31 December 2011 are as follows:

Partners	Share (%)	31 December 2012 (TL)	Share (%)	31 December 2011 (TL)
Turkish Armed Forces Foundation (TAFF)	84,58	422.912.812	84,58	198.958.487
Other shareholders	0,12	577.846	0,12	271.846
Quoted in stock exchange	15,3	76.509.342	15,3	35.993.667
Nominal capital	100	500.000.000	100	235.224.000
Share capital adjustment	-	98.620.780	-	132.773.042
Inflation adjusted capital	-	598.620.780	-	367.997.042

The nominal capital of the Company is TL 500.000.000 (TL fivehundredmillion) and is divided into 50.000.000.000 (fiftybillion) shares, each having a nominal value of 1 Kuruş (1% of 1 Turkish Lira). 30.272.727.273 (thirtybilliontwohundredandseventytwomillionsevenhundredandtwentyseventhousandtwohundredandseventythree) of the shares are Group A shares and 19.727.272.727 (nineteenthousandsevenhundredandtwentysevenmilliontwohundredandseventytwothousandsevenhundredandtwentyseven) of the shares are Group B Shares. All shares are in the name of the holder. Group A shares are nominative preferred shares and 6 of the Members of the Board of Directors are elected among the Group A preferred shareholders or among the candidates designated by them. Furthermore, while issuing a new share, the proportion of the Group A nominative shares in the capital is preserved.

No change has occurred in the shareholders' structure while an increase was realized in the Company's capital.

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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 and auditors during the period, the term of office of the duties (with commence and end dates)

Members of the Board of Directors and the Auditors

Pursuant to the provisions of the Company Articles of Association, the Board of Directors comprise 6 members to be elected among the Group A preferred shareholders or among the candidates designated by them along with the 3 independent members to be elected in scope of the CMB regulations which make 9 members in total (as of the issuing date of the report, there has not yet been an assignment for the vacant membership). Information regarding the Members of the Board of Directors and Auditors are as follows:

Members of the Board of Directors (*)

Name and Surname	Position	Date of General Assembly for Assignment	End of Term of Office
Necmettin BAYKUL	Chairman/Managing Member	March 2010	March 2013
Birol ERDEM	Vice Chairman/Managing Member	March 2010	March 2013
Ahmet ŞENOL	Member	March 2010	March 2013
Osman Kapani AKTAŞ	Member	March 2010	March 2013
Erhan AKPORAY	Member	March 2011	March 2014
Halil SARIASLAN	Independent Member (**)	March 2012	March 2013
Lamia Zeynep ONAY	Independent Member (**)	March 2012	March 2013
Cumhur Sait Şahin TULGA	Independent Member (**)	March 2012	March 2013

(*) There is no executing member in the Board of Directors.

(**) The independence statements of the independent members are present at the end of the attached Corporate Governance Compliance Report.

No task distribution has been made among the Members of the Board of Directors and all members carry on the Company management together.

Members of the Board of Auditors

Name and Surname	Position	Date of General Assembly for Assignment	End of Term of Office
Mehmet TİMUR	Member	March 2010	March 2013
İsmail DİKMEN	Member	March 2010	March 2013
Ali Rıza DADAŞ	Member	March 2011	March 2013

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

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

The Board of Directors has not realized any transaction on its behalf or on behalf of others which is contrary to the prohibition of transaction with the Company. The Members of the Board of Directors do not have any transactions contrary to the prohibition of competition.

The Board of Auditors' members are entitled with the authorizations stipulated in the TCC numbered 6762 and in article 17 of the Articles of Association of the Company.

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Annual Report of Board of Directors with Respect to the Period 1 January – 31 December 2012

Changes of Members of the Board of Directors and Auditors During the Period 1 January – 31 December 2012:

In the Ordinary General Assembly Meeting held on 30 March 2012, Halil SARIASLAN, Lamia Zeynep ONAY and Cumhur Sait Şahin TULGA were elected as Independent Members of the Board of Directors for a term of office of 1 year each. At the same day, Member of the Board of Directors Mustafa Ayhan GERÇEKER resigned.

Board of Directors Chairman Hasan MEMİŞOĞLU resigned from office as of 10 May 2012.

In the Board of Directors Meeting dated 16 May 2012, Necmettin BAYKUL was elected as the Board of Directors Chairman/Managing Member and Birol ERDEM as the Board of Directors Vice Chairman/Managing Member. In scope of the provision of article 25 of the Law on the Validity and Implementation Method of the TCC numbered 6103 requiring the resigning of the real persons elected as members on behalf of corporate entities within three months as of the effective date of TCC which is 1 July 2012, the Board of Directors Chairman Necmettin BAYKUL, Board of Directors Vice Chairman Birol Erdem and Member of the Board of Directors, Osman Kapani AKTAŞ resigned as of 28 August 2012 and in the Board of Directors Meeting held on 29 August 2012, Necmettin BAYKUL, Birol Erdem and Osman Kapani AKTAŞ were re-elected for the vacant positions as per subclause 1 of article 363 of the TCC.

Again in scope of the Law numbered 6103, Members of the Board of Directors Ahmet ŞENOL and Erhan AKPORAY resigned from the Board of Directors Membership as of 27 September 2012 and in the Board of Directors Meeting held on 28 September 2012, Ahmet ŞENOL and Erhan AKPORAY were re-elected for the vacant positions as per subclause 1 of article 363 of the TCC. It has been resolved that the elections shall be submitted to the approval of the first General Assembly to be held.

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

The Company operates in the defense industry. The defense expenditures of Turkey are generally affected from the domestic dynamics as well as the global tendencies. Although expenditures with respect to defense vary from time to time, Turkey, particularly in the latest years, has become one of the major countries in the purchase of defense equipment. Approximately one third of the defense budget of Turkey has been reserved for the defense equipment purchase and modernization programs since the year of 2000.

As per the nature of the sector, defense projects comprise of projects distributed to years and furthermore it takes 4 to 5 years in average starting from the initiating of a system project until its delivery.

Within this scope, the year of 2012, being a tough year throughout the world, did not affect the Company in an adverse manner, which acts with long term plans and therefore which has executed projects distributed to years with a value of TL 7,5 Billion (USD 4 Billion). Carrying out intensive marketing activities by determining target regions/countries and by focusing on these markets, joint production in target countries, technology transfer, and strategic developments aimed at third countries with platform manufacturer international companies, apart from the direct sales, correspond to our sustainable growth target.

Detailed information with respect to dividend policy is included in the attached “Corporate Governance Principles Compliance Report”.

7. Financial resources of the company

The most substantial financial resource of the Company is comprised by the advance/interim payments taken in scope of the executed agreements and by the profit gained by the main activities.

Cash requirements in 2012 were covered by the current cash amounts and cash inflows. In scope of the Turkish Eximbank credit program, a “Pre-Delivery Export Credit” was used in 2012 with the term of 120 days and amounts of USD 66,4 Million and EURO 20,3 Million.

8. Risk management policies of the Company

a. Corporate Risk Management

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

In the Corporate Risk Management studies, “top down” and “bottom up” approaches are applied together and the significant risks which are at a critical level to affect the Company to reach its long term targets are defined and classified under Strategic, Operational, Managerial, Financial and External Factors and are submitted to the Board of Directors with the measures to be taken.

In order to identify the potential risks beforehand and to enable the management of these risks in compliance with the Company’s risk-taking approach, an Early Risk Detection and Management Committee was established in 2012.

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

Single Customer Dependency in Sales

The key customers of the Company are Governmental Agencies and Institutions which comprise the 80% of its sales, in particular the Turkish Armed Forces. This situation causes the Company's activities to be mainly directed by government requests.

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

Cut-Backs in Defense Expense Budgets

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

The modernization of the army in our country is a topic which has been on the agenda lately. For this reason, the probable cut-backs in the defense expenses may be expected to be for the personnel and logistics items instead of equipment. As these kinds of developments shall increase the requirement for the equipment produced with advanced technology, new opportunities might arise for the Company.

Supplier and Subcontractor Risks

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

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

Compliance with Technological Developments

An important feature of the defense sector is the utilization of advanced technology and the continuous development of these technologies. This situation causes regular changes in the requirements of the customers such as product, system, service, etc. Increasing our Company competitiveness and present achievement involve timely determination of the technologies required or shall be required by the market and the customers and timely investments in these technologies. Pursuant to such requirement, it is of great importance that the technological developments are monitored in an efficient and systematic manner and that timely investments are made by means of determining technologies which shall constitute an added value.

Fixed Price and Fixed Term Contracts

The products and systems produced by the Company have a complex structure when their technology, high quality and performance requirements, tough working conditions and sales contract stages are considered. This complexity, being a general feature of the sector in which the activities are carried out, is an element to cause the design, development and production cost estimations and contract terms to go above their initial planned status. In the present cases, as the contracts include hard performance and delivery terms, meeting with unenvisaged risks shall cause interruptions in the fulfillment of the contract and make it more difficult to comply with the contract terms.

Global Economic Slowdown and Financial Crisis

Recession and crisis in global economy have an adverse impact on the economic activities of the countries and as a result may cause cut-backs in the defense budgets. This situation brings along the risks of decrease or cancellation in local or foreign customer requests, pressure of the customers regarding price and profitability, slowdown of investments with respect to the Company. Another impact of the global crisis is the increase of costs in connection with the vagueness caused by the fluctuation in financial markets. When the economic situation of Turkey is considered, it is anticipated that the possibility of the mentioned risks for 2012 and the prospective period shall be low, yet the markets are still monitored very closely.

b. Financial Risk Management

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

In the in-balance-sheet financial risk management, exchange risk, interest risk and liquidity risk which shall affect the assets and

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liabilities of the Company are defined, measured, managed and reported. Therefore, the adverse affects of the changes in financial markets on the Company's financial performance are minimized. In order to minimize the risks, the derivative financial tools are also utilized.

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

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

(1) Foreign Exchange Risk and Management Policy

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

In defining foreign exchange risks, the periodical foreign exchange position is considered, loss and profits which would arise from upwards or downwards changes are calculated and the possible impacts of the foreign exchange risk incurred are measured. In this scope, the possible changes in foreign currency sensitive assets and liabilities for prospective financial periods are considered and the foreign currency position is estimated. The open foreign currency position of the Company is monitored in balance sheet and off balance sheet. When the open position arising from the activities (projects undertaken) of the Company is reviewed, it is considered to be in a long position. The Company finances its activities mainly with the advance payments taken in return for foreign currency and the advances taken are subject to assessment as they are foreign currency indexed. Although substantial part of the advances taken is used in material purchasing in terms of foreign currency, when the purchased material is included in the balance sheet and monitored in terms of TL, this causes the Company to be in the short position. Such open position is structural as it is obligatory that the stocks are monitored in terms of TL and no derivative tools which are possible for cash portfolio are utilized in its management.

Within the periods when foreign currency increases, net foreign exchange loss is incurred but the sales revenues and operating margin increase due to the reason that the 85% of the Company's backlog is in terms of foreign currency. Therefore, the adverse impact of the net foreign exchange loss is balanced with the increase in the operating margin.

As of 31 December 2012, as per the financial statements of the Company prepared pursuant to the General Notification of Accounting System Application, there is an open position of TL 839.601.463 (31 December 2011: TL 632.687.725). The foreign exchange loss in the financial statement comprises mainly the information in the financial statements of the Company prepared pursuant to the General Notification of Accounting System Application including the affiliates subject to consolidation, MİKES and AselsanNet.

Foreign Exchange Sensitivity Analysis Table of the Company Prepared According to General Notification of Accounting System Application

As of 31 December 2012 Profit/Loss		
	Foreign currency gaining value	**Foreign currency losing value**
In the event USD changes by 10% against TL:		
1- USD net asset/liability	(67.144.401)	67.144.401
In the event EURO changes by 10% against TL:		
2- EURO net asset/liability	(16.267.234)	16.267.234

(2) Interest Risk and Management Policy

The interest risk is defined by using the difference between the assets sensitive to interest in a certain term and liabilities sensitive to interest (gap analysis) and such difference is calculated by the help of the maturity ladder of the balance sheet. In the scope of fund management, a sensitivity test is carried out to measure the interest risk of the interest sensitive assets in the portfolio. The average maturity and interest rate of the interest sensitive assets are defined and therefore their sensitivity towards the changes in the interest rate is calculated so the interest risk arising from the securities portfolio formed in the scope of fund management by monitoring the markets is managed pursuant to the decisions taken for increasing, decreasing or moving the present securities portfolio formed in the scope of fund management.

As of 31 December 2012, the Company has a credit balance of USD 40 Million with a term of 5 years and a fixed interest rate of 2,1% which was made available by the Defense Industry Support Fund. When the interest rate of this credit is compared with the market conditions, it is concluded that no interest risk is formed with respect to the Company. In addition to this, as of 31 December 2012, the interest rates of the pre-delivery export credits with terms of 120 days and with values USD 29,3 Million and EURO 13 Million made

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available by Turkish Eximbank are indexed to LIBOR and as the LIBOR is at low rates and as the spread demanded over LIBOR by Turkish Eximbank in order to encourage export is at the level of 0,75%, the sensitivity of the Company towards variable interest credits remain at the minimum level.

(3) Liquidity Risk and Management Policy

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

Liquidity risk is managed by considering short term liabilities, assets with high liquidity, anticipated cash flows and balance sheet maturity ladder. In this scope, sufficient level of cash and assets which may be convertible to cash is maintained, attention is paid for the Company to finance its activities without using any loans and the funding resources are varied by keeping the bank credit limits ready for any instant cash requirement. As of 2012 year end, 36% of the total resources are comprised by the advance payments taken and when this is considered, the liquidity risk is at low levels as no maturity inconsistencies are experienced in the working capital management.

(4) Credit Risk and Management Policy

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

(5) Capital Risk Management

In the capital management of the Company, enabling the debt-equity balance is paid attention to by minimizing the financial risks and costs to the lowest level. The objective of the Company is to provide its shareholders a regular dividend income and to guarantee a consistent growth by means of the funds gained through its activities.

The Company aims to keep its capital structure by means of dividend payments as cash or in return for shares and by means of issuing new shares.

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

As of 31 December 2012, the Company has a backlog of TL 7,5 Billion (USD 4 Billion) and these orders include the period until 2020.

10. Significant events between the end of 1 January – 31 December 2012 accounting period and the General Assembly Meeting date when the relevant financial statements shall be negotiated

In the Board of Directors meeting of the Company dated 23 January 2013, in order to make the Articles of Association of the Company compliant with the provisions of the secondary legislation (notices and regulations) which has been published for the implementation of the Law and the TCC numbered 6102, it was decided that the articles 3, 4, 5, 9, 11, 12, 13, 14, 15, 16, 17, 18, 19, 21, 23, 24, 25, 26, 28, 29, 30, 31, 32, 33, 34, 35, 36 and 37 of the articles of association would be amended and that in order to file the necessary applications to the CMB and the Ministry of Customs and Trade and realize the other relevant transaction, the General Management would be granted with authorization.

Pursuant to the Board of Directors' decision taken for the amendment of the Company Articles of Association, necessary application was filed to the CMB on 29 January 2013. Upon the review of the CMB, additional amendments were requested to the amendments of the articles of association. In this scope, in the Board of Directors meeting dated 18 February 2013, in order to make the Articles of Association of the Company compliant with the provisions of the secondary legislation (notices and regulations) which has been published for the implementation of the Law and the TCC numbered 6102, including the amendments set forth by the CMB, it was decided that the articles 1, 3, 4, 5, 9, 11, 12, 13, 14, 15, 16, 17, 18, 19, 21, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36 and 37 of the articles of association would be amended and applications would be filed to CMB and the Ministry of Customs and Trade for the permit of the amendment to the articles of association and that following the permits, the amendments would be submitted to the approval of the shareholders in the Ordinary General Assembly to be held in 2013 and that authorization would be granted to the General Management for the other transactions to be performed.

An agreement has been signed between the Undersecretariat for Defense Industries and the Company related to the Modular Temporary Base Camp Region Project with a value of USD 16.986.839. The deliveries in scope of the mentioned agreement shall be realized within 2013.

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An agreement has been signed between the Undersecretariat for Defense Industries and the Company related to the Electronic Warfare System Project required by Turkish Armed Forces with values of TL 28.000.000 and USD 8.000.000. The deliveries in scope of the mentioned agreement shall be realized within 2015 - 2016.

An agreement has been signed between the Undersecretariat for Defense Industries and the Company related to the Fourth Generation (4G/LTE) Communication Technology Development Project on 13 February 2013 with a value of USD 46.800.000. The deliveries in scope of the mentioned agreement shall be realized within 2016.

The Company has taken an order for Radiolink Terminal and Repeating Stations in scope of an abroad customer requirement with a value of USD 5,1 Million. The deliveries are planned to be completed within 9 months.

11. Anticipations for the development of the company, significant developments with respect to company activities and financial status, to observe whether past period targets were reached or not, whether the general assembly resolutions were fulfilled or not, and in the event the targets were not reached and the resolutions were not fulfilled, information regarding the grounds and assessments

The Group's expectations with respect to the year 2012 financial statements were announced to the public at 14 March 2012 as follows:

- Increase in consolidated income (in terms of TL): 15-17%
- Consolidated EBITDA margin: Lower 20%
- Consolidated investment expenses: Approximately TL 150 Million
- Ratio of the consolidated Research and Development (R&D) expenses to the consolidated sales: At the level of 7%

The grounds of the deviation in the sales are as follows:

- The estimated average foreign exchange rates based on 2012 anticipations is USD/TL 1,84 and EURO/TL 2,49 whereas the realized average foreign exchange rates are USD/TL 1,79 and EURO/TL 2,30. As the 85% of the 2012 sales was in terms of foreign currency, the foreign exchange rates realized under expectations pulled down the sales amounts.
- The procurement of some materials planned to be completed in 2012 was delayed to 2013 due to some changes in program schedules. As substantial portion of the income of the Group is recognized according to IAS 11 "Construction Contracts Standard", the deviations in the realized costs affected the sales in adverse manner.

It is considered that, if the above mentioned deviations had not been realized, the 2012 sales of the Group would have been realized within the expectations.

The reasons why the Group remained below the EBITDA margin in 2012 are as follows:

- Although the revenues were decreased as the realized exchange rates were below the estimations, since a higher portion of the costs of the Group are in terms of TL, the same decrease was not experienced on the cost side.
- Although the deviation in the material purchases caused a decrease in the revenues, the Group's operating expenses were not affected by this deviation. For this reason, the operating expenses per unit sales increased.
- Parallel to the decrease in the interest rates, the decrease in the discount rate used in the provision calculation of the severance pay caused an effect of expense in the Group's income table.

It was calculated that these factors caused a decrease of 3 points in the EBITDA margin.

The investment expenses of the Group were realized as approximately TL 110 Million in 2012. The substantial part of these expenses is comprised by the construction of the third facility in Gölbaşı. When the year 2012 guidance was announced, the feasibility figures of this investment were taken as the basis. It is observed that the realized expenses of the construction activities are below the feasibility figures.

As for the fore coming period, the expectations of the Group under normal circumstances related to the consolidated financial results of 2013 are as follows:

- Increase in consolidated incomes (in terms of TL): 15-17%
- Consolidated EBITDA margin: 18-20%
- Consolidated investment expenses: Approximately TL 150 Million
- Ratio of the consolidated R&D expenses to the consolidated sales: At the level of 7%

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These expectations depend on the assumption that USD/TL exchange rate shall be at the level of 1,85 and EURO/TL shall be at the level of 2,33

The vision of the Company is "to become one of the leading 50 defense industry companies". In scope of this vision, 5 year strategy plans are being prepared. All activities are realized in compliance with the strategy plans in order to reach the defined targets. The Company, pursuant to these targets has continued to produce technology with qualified human resource which is the basis of efficiency, matured processes, resources reserved for R&D and with its infrastructure and organization at the level of worldwide companies.

In order to enable sustainable growth:

- The new facility investment continues in line with the plan in the field of Radar and Electronic Warfare in Ankara province, Gölbaşı District.
- Technology development and conversion investments have been continued in Macunköy facility with the new Printed Circuit Facility with a closed area of 6.587 m^2 in where production started in 2012.
- Following the establishment of joint venture companies in United Arab Emirates and Kazakhstan and South Africa Branch, a joint venture company in Jordan named "ASELSAN Middle East PSC Ltd" of which 51% belong to KADDB Investment Group and 49% belong to the Company was established in 2012.
- The quality and technological perspectives of the cooperations formed with the universities have been increased.
- The efforts to form an eco-system with the sub-industry companies and SME's have continued.
- With respect to its technologic perspective and consistency, the Company being the biggest R&D base and having matured processes carry strategic importance. After the MGEO division, REHİS and SST divisions received the certification of Capability Maturity Model Integration – Level 3 (CMMI-L3) acceptable all through the world.
- The company signed an agreement of cooperation with respect to the domestic manufacturing of the digital tachograph aiming to be used in civil fields apart from the defense sector.

Pursuant to the decisions taken in the Ordinary General Assembly Meeting dated 30 March 2012,

- The cash dividend payments out of 2011 profit were started to be effected on 31 May 2012,
- The resolutions taken with respect to the amendment of articles 6, 8, 11, 13, 20 and 21 of the articles of association was registered on 3 April 2012 along with the Ordinary General Assembly resolutions and were announced on 6 April 2012 and related copies of the Turkish Trade Registry Gazette were sent to each of CMB and the Ministry of Customs and Trade within the required period.

12. Corporate Governance Principles Compliance Report

Attached as ANNEX - 1.

13. R&D activities realized

The Group, being a leading defense industry establishment developing advanced technology system solutions on land, air, naval and aerospace platforms, has given importance to R&D activities and technological gains and targets to spend approximately 7% of the annual turnover to its R&D activities financed with its own resources.

By monitoring all kinds of technological developments with respect to product/technology systems for land, air, naval and aerospace platforms, the design, development and production of product/technology which includes advanced technology on the basis of not only using the technology but also having a structure to transfer/sell the technology it develops in national and international cooperation environments.

In order to increase the national contribution share in the projects, great effort is being paid for utilizing the existing local technological possibilities. For this purpose, cooperations with universities and some R&D institutions are formed and using of local subcontractors and sub-industry have become significant.

As for the projects carried out within the Group, the R&D discount in compliance with the provisions of the Law on Corporate Tax numbered 5520 and R&D central application pursuant to the Law regarding the support of R&D activities numbered 5746 are being implemented together. For the R&D projects which are not aimed for public, the approval of TEYDEB (Technology and Innovation Support Programs Presidency) is taken and they are supported by this institution. Within the Company, there are 4 R&D centers namely SST, REHİS, MGEO and HBT. MİKES, which is an affiliate subject to consolidation, also has 1 R&D center. 2.208 people are employed at the Group R&D centers.

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The Company also is active in Teknokent facility within Middle East Technical University in scope of the Law numbered 4691 on Technology Development Regions. 165 people are employed within this region.

14. Amendments to the articles of association during the period along with the grounds

In the Ordinary General Assembly meeting dated 30 March 2012, it was decided that articles 6, 8, 11, 13, 20 and 21 of the articles of association would be amended in order to create a compliance with the "Notification Regarding the Determination and Implementation of the Corporate Governance Principles" of CMB with Serial: IV and Number: 56 and in order to reflect the issued capital formed as the result of the capital increase in 2010 to the articles of association, and the amendments to the articles of association was registered to the Trade Registry and were announced in the Turkish Trade Registry Gazette.

As for the transactions initiated upon the 31 October 2012 dated decision of the Board of Directors pertaining to the increase of the Registered Capital Upper Limit of the Company which is TL 500.000.000 up to TL 1.000.000.000, the approval of CMB was taken on 27 November 2012 and permission was taken from the Ministry of Customs and Trade on date 4 December 2012 and it shall be submitted to the approval of the shareholders in the Ordinary General Assembly to be held in 29 March 2013.

In the Board of Directors meeting of the Company dated 23 January 2013, in order to make the Articles of Association of the Company compliant with the provisions of the secondary legislation (notices and regulations) which has been published for the implementation of the Law and the TCC numbered 6102, it was decided that the articles 3, 4, 5, 9, 11, 12, 13, 14, 15, 16, 17, 18, 19, 21, 23, 24, 25, 26, 28, 29, 30, 31, 32, 33, 34, 35, 36 and 37 of the articles of association would be amended and an application to the CMB was filed on date 29 January 2013. Upon the review of the CMB, additional amendments were requested to the amendments of the articles of association. In this scope, in the Board of Directors meeting dated 18 February 2013, in order to make the Articles of Association of the Company compliant with the provisions of the secondary legislation (notices and regulations) which has been published for the implementation of the Law and the TCC numbered 6102, including the amendments set forth by the CMB numbered 6362, it was decided that the articles 1, 3, 4, 5, 9, 11, 12, 13, 14, 15, 16, 17, 18, 19, 21, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36 and 37 of the articles of association would be amended. On 27 February 2013 the approval of the CMB was taken and on 1 March 2013 the required permission was taken from the Ministry of Customs and Trade and the amendments shall be submitted to the approval of the shareholders in the Ordinary General Assembly to be held in March 2013.

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

In the meeting of the Board of Directors dated 31 May 2012, as per the authorization granted by article 6 of the Company Articles of Association and pursuant to the CMB regulations, it was decided that within the registered capital upper limit which is TL 500.000.000, the issued capital of the Company with the value of TL 235.224.000 was increased by 112,56% as a total of TL 264.776.000 and increased to TL 500.000.000 with the breakdown as TL 34.152.262,03 of Capital Adjustment Positive Differences, TL 13.206.491,20 of Special Funds, TL 201.703,02 of Share Issue Premiums and TL 217.215.543,75 of Excess Reserves and that the shares to be formed pursuant to this increase would be distributed to the shareholders proportional to their contributions in the Company capitals as registered bonus shares. In this scope, a certificate was taken from the CMB with respect to the completion of the capital increase dated 23 July 2012.

The shareholders' rights to receive bonus shares with a ratio of 112,56% of their shares in return for the shares representing TL 264.776.000 increased capital were exercised as registered as of 6 August 2012.

The shareholders whose shares are being monitored by the Central Registry Agency (MKK) pursuant to the regulations of the Capital Markets Legislation with respect to registered system received their bonus shares as registered. The shareholders holding physical shares who delivered their physical shares to the Company until 31 December 2012 received their shares as registered upon completion of the required transactions.

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

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

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

In the ranking of "Defense News Top 100" the Company was listed as 80th in 2010 and 76th in 2011; and in the "SIPRI Top 100", being the sole Turkish Company in the listing, the Company's ranking in 2011 moved up to 82nd whereas it was 88th in 2010.

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In 2011, the Company ranked 42nd in the "ISO 500 Sales from Manufacturing", 37th in the "Private Companies", 69th in the "Fortune 500 Turkey", and 79th in the "Capital 500 Turkey" listings.

The Company moved up from the rank of 38th in the "The Most Valuable Brands of Turkey" issued by Brand-Finance to the rank of 35th in the year 2012 and it also took place in the listing "159 Super Brands of Turkey" issued by Superbrands which is an British assessment company.

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

Progress in investments

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

- A new facility investment is being made in the field of Radar and Electronic Warfare in Ankara province, Gölbaşı district. The construction works continue pursuant to the project plan and the activities are planned to be initiated in the second half of the year 2014. Upon the realization of this investment in scope of a structural growth, the product range of engineering, production, test and logistics support services in the field of Radar and Electronic Warfare shall be extended.
- Technological development and conversion investments within the New Printed Circuit Facility with a closed area of 6.587 m^2 which started its production in 2012 have also continued. This facility was established to meet the technical requirements necessary for the prototype, pilot and limited number of mass productions of the Multi Layered, Flexible and Semi Flexible advanced technology printed circuit cards which are included in the new projects all Divisions in addition to the present projects.
- Investments to meet the infrastructure and equipment requirements to be used with the R&D projects within the year are being carried out in compliance with the investment plan prepared pursuant to the efficient resource utilization principle.
- Apart from the investments for the established United Arab Emirates and Kazakhstan joint venture companies, a joint venture company in Jordan named "ASELSAN Middle East PSC Ltd" of which 51% shares belong to KADDB Investment Group and 49% shares belong to the Company was established in 2012.
- The Company realized 60% of the approximate TL 110 Million investment made in 2012 for the purposes of gaining additional technology.

Degree of incentive utilization if any

The 1501 Industrial R&D Projects Support Programme has been formed in order to encourage the R&D operations of the companies creating added values at company level and to contribute to the enhancement of the R&D ability of the Turkish industry by this means. Within this scope, applications were filed to The Scientific and Technological Research Council of Turkey (TÜBİTAK) for 91 projects and the projects found appropriate for the incentive benefited from the allocated incentive amount.

The 1007 Public Institutions R&D Project Support Program has been formed in order to meet the requirements of the Public Institutions with R&D or to support the projects aimed at solving their problems. In scope of this support, 3 R&D projects have been completed and 4 R&D projects are still ongoing.

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

3 out of 7 projects were executed in the year 2011 and the remaining 4 were executed in 2012 and came into effect within the SAN-TEZ R&D support programme aimed at supporting the postgraduate and/or doctorate thesis works which shall contribute to increasing the competitiveness in international markets by means of commercializing the scientific studies at the universities and institutionalizing the University – Industry cooperation.

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Expenses regarding the foreign market research travels realized with respect to the products and the foreign office expenses are covered by the support programmes implemented within the scope of Governmental Grants for Export.

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

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

18. Comments including the qualities of the production units of the company along with the capacity utilization rates and their developments, general capacity utilization rate, developments in the manufacturing of the products and services which are subjects of activity, amounts, quality, circulation and the prices compared with the previous period figures

The capacity utilization rate for the period 1 January – 31 December 2012 was realized at the level of 95%.

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

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

The Company carries out its activities in the basic fields of “Communication and Information Technologies”, “Defense Systems Technologies” “Radar, Electronic Warfare and Intelligence Systems” and “Microelectronics, Guidance and Electro-Optics”.

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

The capacity utilization rate for the year 2012 was realized as about 95%.

As for the consolidated net sales amount of the Group realized during the period 1 January – 31 December 2012, TL 1.361 Million of this realized as the domestic sales and TL 272 Million of it realized as the foreign sales.

20. Basic ratios related to the financial status, profitability and debt discharging status calculated based on the information and financial statement prepared pursuant to the notification of the Capital Markets Board with Serial: XI and numbered: 29

BASIC RATIOS/CONSOLIDATED	31.12.2012 (%)	31.12.2011 (%)
Current Ratio (Current Assets/Current Liabilities)	2,50	3,25
Liquidity Ratio (Cash and cash equivalents + Financial Assets + Trade Receivables + Other Receivables/Current Liabilities.)	1,21	1,12
Equity/Total Liabilities	0,38	0,43
Current Liabilities/Total Liabilities	0,23	0,18
Non-Current Liabilities/Total Liabilities	0,39	0,40
Operating Profit/Sales Revenue	0,12	0,16
Profit for the Period(Parent Company Shares)/Sales Revenue	0,18	0,11

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

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

Upon the decision of the Defense Industry Executive Committee, the use of the additional loan with the amount of USD 47 Million allocated for the finance of the Gölbaşı investment is planned in the year of 2013.

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22. Changes in the top management within the year and the names and surnames of the ones who are on duty and their professional experience

Changes in the top management within the period 1 January – 31 December 2012 and information regarding the ones on duty are given in the below table.

ASELSAN A.Ş. LIST OF SENIOR EXECUTIVES ON DUTY

No	Name and Surname	Position	Date of Duty Commence Date
1	Necmettin BAYKUL	Chairman/Managing Member	16 May 2012
2	Birol ERDEM	Vice Chairman/Managing Member	16 May 2012
3	Ahmet ŞENOL	Member of the Board of Directors	1 April 2007
4	Osman Kapani AKTAŞ	Member of the Board of Directors	1 April 2010
5	Erhan AKPORAY	Member of the Board of Directors	1 April 2011
6	Cumhur Sait Şahin TULGA	Member of the Board of Directors	1 April 2012
7	Lamia Zeynep ONAY	Member of the Board of Directors	1 April 2012
8	Halil SARIASLAN	Member of the Board of Directors	1 April 2012
9	Mehmet TİMUR	Member of the Board of Auditors	2 April 2001
10	İsmail DİKMEN	Member of the Board of Auditors	1 April 2010
11	Ali Rıza DADAŞ	Member of the Board of Auditors	1 April 2011
12	Cengiz ERGENEMAN	CEO/President	2 January 2006
13	Ahmet DEMİR	CFO/Vice President	1 February 2005
14	Özcan KAHRAMANGİL	Division CEO/Vice President	5 January 2006
15	Faik EKEN	Division CEO/Vice President	21 January 2006
16	Fuat AKÇAYÖZ	Division CEO/Vice President	1 February 2006
17	Ergun BORA	Division CEO/Vice President	1 January 2008

ASELSAN A.Ş. LIST OF SENIOR EXECUTIVES WHO RESIGNED

No	Name and Surname	Position	Resign Date
1	Mustafa Ayhan GERÇEKER	Member of the Board of Directors	30 March 2012
2	Hasan MEMİŞOĞLU	Chairman/Managing Member	10 May 2012

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 year ended on 31 December 2012 is TL 3.145.616. (31 December 2011: TL 2.881.853). A monthly payment of net TL 2.000 is effected to the Member of the Board of Directors, Managing Members and the Member of the Board of Auditors.

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

Information regarding the domestic and foreign allowances, travel, accommodation and representation expenses and financial benefits in kind and total amounts of insurances granted to the senior executives and members of the board of directors of the Company for the year 2011 and 2012 are summarized as follows:

	2012 (TL)		2011 (TL)	
	Senior Executives	Member of the Board of Directors	Senior Executives	Member of the Board of Directors
Travel Expenses	268.789	24.634	200.900	25.584
Entertainment Expenses	1.663	-	-	-
TOTAL	**270.452**	**24.634**	**200.900**	**25.584**

	2012 (TL)	2011 (TL)
	Health Insurance Amount	
Member of the Board of Directors	3.748	2.889
Senior Executives	6.680	6.092
TOTAL	**10.428**	**8.981**

No Social Security Institution premium is paid for the retired members of the Board of Directors as per the "Law on Social Securities and General Health Insurance" numbered 5510.

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

The Group recruited a total number of 563 people as the personnel including nominated engineers, temporary personnel, disabled and terror-stricken personnel during the period 1 January - 31 December 2012 and the number of people quit for the same period is 241.

As of 31 December 2012, the number of the personnel of the Group is 5.205 (the number of the personnel of the Company is 4.700). (31 December 2011: Group personnel: 4.888, Company personnel: 4.413 people).

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 Company does not have a collective agreement implementation.

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

Donations and Aids Realized Between The Dates 01.01.2012-31.12.2012 by the Group

Institution	Amount (TL)	Content
TÜTED - Telecommunications Industry Association	7.250	Donation amount for the TÜTED Corporate membership
SASAD – Defense and Aerospace Industry Manufacturers Association	1.000	Donation amount for the contribution to the Science and Art Center
METU Career Planning Center	2.500	Contribution to the METU Career Fair
Industrial Designers Professional Organizations Association	1.200	DESIGN TURKEY 2012 donation amount
Turkish Philharmonic Society	11.667	CSO Concert donation amount
Ministry of National Education	3.686.000	VAN/Erciş - Construction of ASELSAN Primary School
TOTAL	**3.709.617**	

Detailed information with respect to social responsibility projects is included in the attached "Corporate Governance Principles Compliance Report".

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

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

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

The controls are carried out by the Internal Audit and Assessment Board (IAAB), Audit Committee and members of the Board of Auditors within the parent company in order to minimize the substantial error risk on the financial statements of the Group. The term of office of the Board of Auditors shall expire with the financial statements dated 31 December 2012. IAAB and Audit Committee carry out their duties independent from each other but within the direction of common objectives and targets by means 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.

29. Direct and indirect affiliates of the Company and information regarding the share ratios

Financial investments which shall be evaluated by cost as they have no active market. 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:

Title of the Company	Ratio (%)	31 December 2012 (TL)
ASELSAN Baku	100	3.059.234
ROKETSAN Roket Sanayii ve Ticaret A.Ş.	15	5.141.213
Mikroelektronik Ar-Ge Tasarım ve Ticaret Ltd. Şti.	85	624.714
Aspilsan A.Ş.	1	147.462
Havaalanı İşletme ve Havacılık End. A.Ş.	<1	86.953
ASELSAN Kazakhstan Engineering LLP	49	388.023
IGG ASELSAN Integrated Systems LLC	49	42.837
ASELSAN Middle East PSC LTD	49	2.527.126
TOTAL		**12.017.562**

The above mentioned investments of the shares valuing TL 12.017.562 which are ready to be sold and which do not have quoted market value and of which the realistic value cannot be reliably estimated due to the reason that the estimated value ranges are wide and that the probabilities related to the estimated values cannot be measured reliably and which are not traded in the stock exchange

30. Information regarding the Company's own shares acquired by itself

No such event occurred within the activity period.

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

No private or governmental audit was realized at the Company within the activity period.

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32. Information regarding the lawsuits filed against the Company which would have an impact on the financial status and activities of the Company and their probable outcomes

The lawsuits and execution proceedings filed by or against the Company as of 31 December 2012 are summarized below:

	Description	31 December 2012 (TL)
a)	Ongoing lawsuits filed by the Company	4.625.743
b)	Execution proceedings carried on by the Company	1.062.833
c)	All types of ongoing lawsuits filed against the Company	735.568
d)	Lawsuits finalized in favour of the Company within the period	212.000
e)	Lawsuits finalized against the Company within the period	100.000

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

No penalties with substantial amounts were paid in 2012 by the Company.

34. If it is an affiliate company, the legal transactions carried out in favour 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 favour of the parent company or its affiliate in the previous activity year

No such event occurred within the activity period.

35. 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 32 was realized or at the time the measures were taken or avoided to be taken and whether the company incurred losses due to the taken or avoided measure and if the company incurred losses to observe whether this was equalized or not

No such event occurred within the activity period.

36. The sales, efficiency, income generation capacity, profitability and debt/equity ratio of the company within the year compared to the previous years with the information related to other issues which will give an idea about results of the company activities and prospective expectations and risks

In the financial statements of the Company prepared according to the General Notification of Accounting System Application, the net domestic sales was TL 1.093 Million and net foreign sales was TL 277 Million.

BASIC RATIOS/STATUTORY FINANCIAL STATEMENTS	31.12.2012 (%)	31.12.2011 (%)
Current Ratio (Current Assets/Current Liabilities)	2,44	2,62
Liquidity Ratio (Cash and cash equivalents + Financial Assets + Trade Receivables + Other Receivables/Current Liabilities.)	0,81	0,67
Equity/Total Liabilities	0,30	0,33
Current Liabilities/Total Liabilities	0,25	0,24
Non-Current Liabilities/Total Liabilities	0,45	0,43
Operating Profit/Sales Revenue	0,15	0,23
Profit for the Period/Sales Revenue	0,18	0,13

As of December 2012, net Sales increased by 1,2% compared to the same period of the previous year. Period Net Profit increased by 35% compared to the previous period and realized as TL 244,9 Million. Equity increased by 21% compared to December 2011. The foreign resources of the Company mainly comprise the long term advance payments taken in scope of the agreements. The liquidity ratios of the Company is above the acceptable levels.

As for the future years, achievement of a profitable, efficient and a sustainable growth is anticipated by increasing the sales pursuant to the strategic targets of the Company.

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

No such event occurred in the Company within the activity period.

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

No such event occurred in the Company within the activity period.

39. The report with respect to the related party transactions prepared pursuant to the notification for the "Notification Regarding Making Amendments to the Notification Regarding the Principles to be Abided by the Incorporated Partnerships Subject to the Capital Market Law" of the Capital Markets Board with Serial: IV and numbered 52

Attached as ANNEX-2.

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ANNEX-1 Corporate Governance Principles Compliance Report

1. Statement For Compliance With Corporate Governance Principles

ASELSAN, in scope of the Corporate Governance Principles which has been implemented by Capital Markets Board (CMB) since 2003, has been making efforts to work in compliance with the principles under the titles shareholders, public disclosure and transparency, stakeholders and Board of Directors.

ASELSAN, adopting the corporate management understanding as a principle, was rated with a grade of 87,73 (8,77) as the result of the Corporate Rating Studies realized by SAHA Corporate Governance and Credit Rating Services Inc (SAHA) in 2012 and therefore was included in the Istanbul Stock Exchange Corporate Governance Index.

Corporate governance rating grade shows to what extent the companies comply with the corporate governance principles set out by the CMB and the Company's compliance level with the principles is defined with a methodology measuring under the main titles shareholders, public disclosure and transparency, stakeholders and Board of Directors.

ASELSAN, being considered as a relatively closed Company by the capital market participants due to the defense sector which it is active in, got the highest subtitle grade in public disclosure and transparency with 93,47. The importance given to provide timely and accurate information to the investors and stakeholders by ASELSAN with respect to transparency and public disclosure shall continue as it is.

Main Titles	Weight	Grade (%)
Shareholders	0.25	79.99
Public Disclosure and Transparency	0.35	93.47
Stakeholders	0.15	89.37
Board of Directors	0.25	86.44
Total	**1.00**	**87.73**
Company Rating	**8.77**	

ASELSAN Corporate Rating Report published by SAHA can be reached at the company website address: www.aselsan.com.tr

The issues which are not yet in compliance with the Corporate Governance Principles have been explained in the relevant parts of the Compliance report and in the fore coming periods, studies aimed at enabling compliance to the extent permitted by the sectoral features shall be maintained.

Cumhur Sait Şahin TULGA
Independent Member of the Board of Directors
Corporate Governance Committee Chairman

Ahmet ŞENOL
Member of the Board of Directors
Corporate Governance Committee Member

Osman Kapani AKTAŞ
Member of the Board of Directors
Corporate Governance Committee Member

Erhan AKPORAY
Member of the Board of Directors
Corporate Governance Committee Member

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PART I - SHAREHOLDERS

2. Relations with Shareholders Department

Information regarding Investor Relations and Affiliates Department formed as a department responsible for the relations with the shareholders in our Company is given below:

Ahmet DEMİR	Chief Financial Officer/Vice President
Aykan ÜRETEN	Finance Director
Pınar ÇELEBİ	Treasury and Fund Manager/Investor Relations Department Responsible
Bâni Betül GÖKÇE	Investor Relations and Affiliates Department/Senior Expert
Yücel SEZER	Investor Relations and Affiliates Department/Expert

Contact Information

Tel: (312) 592 12 42 - 45 - 46 - 70

e-mail: ortaklar_servisi@aselsan.com.tr

Particular activities carried out by the Investor Relations and Affiliates Department in 2012:

- To enable the exercising of partnership rights of the shareholders and to enable the keeping of shareholder records in a stable, safe and updated manner,
- To Coordinate the public disclosure of material events,
- To respond to the shareholders with respect to their written information requests except for the non-disclosed, confidential information and trade secrets about the Company,
- To enable the General Assembly Meeting to be held in compliance with the applicable legislation, articles of association and other internal regulations, to enable the keeping of voting results and sending the reports related to the results to the shareholders,
- To pursue and monitor all kinds issues regarding public disclosure including the disclosure policy of the Company and the legislation,
- To fulfill the duties set forth by the Corporate Governance Committee,
- To carry on the transactions related to capital increase, profit distribution, amendments to the articles of association and activities related to Corporate Governance Principles studies,
- To coordinate the up-to-dateness of the list of the ones who have access to internal information, to inform the persons on the list of the ones who have access to internal information with respect to the protection of the internal information to enable the rules of confidentiality are abided by until the material events, financial and operational results are disclosed to the public.
- To enable transactions for the dematerialization of the physical shares over the Central Registry System.
- Information and explanations which might affect the exercising of the shareholding rights are submitted to the shareholders through the Company website in an up-to-date manner.

The dematerialization of physical shares of 137 shareholders were realized in 2012 by the Investor Relations and Affiliates Department along with the transaction of profit share receivables. The transactions of dematerialization ended on 31.12.2012 pursuant to the legislation.

3. Exercising of Information Acquisition Rights of the Shareholders

Within 2012, the information requests with regard to utilization of the profit share receivables and bonus shares of 150 shareholders which were not utilized within the required time and the method to follow for the transaction of how the shares should be dematerialized were responded to orally. Attention is paid to respond to the information request of the shareholders who apply to our Company in order to get information in a clear and complete manner.

The content of “Investor Relations” in the Turkish version of our website was extended within 2012. Within the scope of this study, the information on the page “Investor Relations” were collected under main topics and rearranged, Board of Directors Committees (Committee Members, Working Directives and Meeting Minutes), Remuneration Policy, Compensation Policy, Dividend Info, Analyst

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Information and Investor Presentations were added to the website and the content of the Frequently Asked Questions part was extended. On the other hand, the "Investor Relations" topic, which was not present before, was added to the English version of our Company website and the synchronization process of the English content with the Turkish content is continuing.

Due to the reason that a regulation is present within the Turkish Code of Commerce (TCC) numbered 6102 according to which the shareholders will be able to request from the General Assembly the assignment of a private auditor for the inspection and disclosure of the financial status of the shareholders and due to the reason that the law and the relevant legislation are considered for the issues not present in the articles of association of the Company, there is no respective provision with regard to this issue in the articles of association. There were no requests by the shareholders with respect to the assignment of a private auditor.

4. General Assembly Meetings

The agenda and convocation related to the 37th Ordinary General Assembly Meeting dated 30.03.2012 with regard to the 2011 activities realized at the Company headquarters were duly announced comprising all necessary information in the Turkish Trade Registry Gazette dated 13.03.2012 along with the five daily newspapers in Turkey. Furthermore the convocation was sent to the principal shareholders and the shareholders attended to the previous meeting by post two weeks before the General Assembly. The General Assembly was realized by the attendance of 11 shareholders representing the 20.018.893.990 pieces of shares (TL 200.188.939,9 nominal) out of the 23.522.400.000 shares representing the TL 235.224.000 of issued shares. Media members did not participate in the General Assembly Meeting.

In scope of the Notification Related to the Determination and Implementation of the Corporate Governance Principles of the CMB, Serial: IV, No:56, three weeks before the Ordinary General Assembly on date 09.03.2012, the Ordinary Generals Assembly and Preferred Shareholders General Assembly Meeting agenda, place, time, copy of the power of attorney, total number of shares as of 09.03.2012 and the voting rights, the number of shares representing the preferred share group and their voting rights, as there will be an election to change the Board of Directors which is present in the agenda, the grounds for this, the decision of the Board of Directors related to the amendment to the articles of association, the former and new versions of the articles of association with the approvals of the CMB and the Ministry of Customs and Trade, the list of independent members of the Board of Directors, the proposal of the Board of Directors with respect to the 2011 year profit sharing, the profiles of the independent members of the Board of Directors and their statements of independence were published on our Company website. The annual report was made available for the review of the shareholders at the headquarters 15 days before the General Assembly and handed to the shareholders to participate in the General Assembly and to the ones who made requests.

For the facilitation of the transport, transportation was made available to our Company head office and our shareholders who attended the General Assembly had a site visit.

In the Ordinary General Assembly Meeting in 2012, the shareholders were informed regarding the non-presence of Members of the Board of Directors and nominees along with grounds. No proposals were set forth during the meeting regarding the agenda. The shareholders exercised their rights to ask questions regarding the topics in the agenda and the answers to these took place in the General Assembly Meeting minutes. The minutes of the General Assembly Meeting held in 2012 can be reached from the website of the Company.

In the Ordinary General Assembly Meeting in 2012, in scope of the Notifications Regarding the Determination and Implementation of the Corporate Governance Principles issued by the CMB Serial: IV, No:56 No:57 the amendment to the articles of association stating that the regulations of the CMB regarding the corporate governance will be complied in the transactions deemed important with respect to the implementation of Corporate Governance Principles was approved. Again in connection with article 1.3.7 of the Notification No:56 Serial: IV, a topic was added to the agenda of the Ordinary General Assembly in 2012 and in this scope information was provided to the Board of Directors stating that there was no authorization granted to the ruling shareholders with regard to the Company Management, Members of the Board of Directors, senior executives and to their spouses and relatives up to second degree and kins by marriage for them to perform acts which would cause conflict of interest with the Company or its affiliates or to compete.

No Extraordinary General Assembly Meeting was held in 2012 activity year.

The shareholders were informed regarding the amount of donations and aids made in 2011 and the beneficiaries with a respective agenda topic. The policy of our Company with respect to donations and aids shall be formed and be submitted to the shareholders in the General Assembly Meeting in 2013.

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5. Right to Vote and Minority Rights

In article 25 of the articles of association titled "Right to Vote", there is a provision stating that "the Shareholders and their representatives who are present at the Ordinary and Extraordinary General Assemblies shall have one right to vote for each share" and there is no privilege or no upper limit pertaining to the numbers of votes. The right to vote arises as soon as the share is acquired and there is no regulation setting forth that the vote should be used after a certain time the share is acquired.

The regulations regarding the voting of the shareholders through their representatives are abided by, in the event of a legal representation this is certified and the open proxy rule is applied. In the General Assembly in 2013, the amendment to the articles of association regarding the Electronic General Assembly shall be submitted to approval.

Particular attention is paid in exercising the minority rights in our Company and the provisions of Turkish Code of Commerce and the relevant legislation are applied. All shareholders are treated equally in our Company, including the minority and foreign shareholders.

There are no prevailing partners in our Company. In the articles of association, there is no provision with respect to the representation of the minority shares in the management and their accumulated casting of votes. Due to the voluntary implementation of this issue regarding the capital market legislation, provision with respect to the current General Assembly quorum is applied.

6. Profit Share Rights

There is no privilege with respect to the participation in the profit gained by the Company. The profit distribution policy of our Company was submitted to the attention of the shareholders at the General Assembly, took place in the annual report and was published in our Company website.

The profit distribution policy submitted to the attention of the shareholders in the 2011 Annual Report is as follows:

"Dividend Distribution Policy for the Year 2012 and for the Prospective Years

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

There are no privileges in the company regarding entitlement to the company's profit."

As per the decision taken in the General Assembly pursuant to the provisions of the articles of association and to the Capital Market Law and other legal regulations in 2012 and within the legal periods stipulated, out of the profit gained, the gross amount of TL 46.456.740 of 2011 (TL 0,1975 per TL 1 of share, gross 19,75% over the capital) (net TL 39.488.229 – TL 0,167875 per TL 1 of share, net 16,7875% over the capital) was distributed to our shareholders as cash dividend.

7. Transfer of Shares

The recognition of the prevailing partner who shall be dominant in the management of the Company carries importance in the defense industry in which our Company is active. For this reason, the transfer of the nominated Group A shares representing some part of the capital and which are not treated in the Istanbul Stock Exchange Market has been restricted with the provision of article 6 of the articles of association stating " Group A shares shall not be sold or transferred without the consent of the Board of Directors; in the event that these shares are transferred or sold to third parties partially or completely without the consent of the Board of Directors, the Board of Directors is entitled to abstain from recording this sale in the records without stating a reason".

PART II - PUBLIC DISCLOSURE AND TRANSPARENCY

8. Disclosure Policy

The Disclosure Policy of our Company was revised and submitted to the information of the shareholders in the 2012 Ordinary General Assembly and the updated version is available on our website. As per the Corporate Governance Principles, covering the information requests of the shareholders and investors, exercising the shareholding rights, in particular, the regulations with respect to General Assemblies, enabling the flow of information including the website and provide all coordination with respect to all mentioned in addition to the pursuance of the capital board regulations and conducting the relations with the capital board participants are included in the basics of the Disclosure Policy of our Company. The Board of Directors is responsible for forming, pursuing, reviewing and improving this policy. The Corporate Governance Committee provides information to the Board of Directors and Investor Relations and Affiliates Department with respect to the issue regarding the Disclosure Policy and make proposals.

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All kinds of questions or comments may be responded verbally or in written by:

- Chairman and Members of the Board of Directors
- Members of the Board of Auditors
- General Manager
- Vice President
- Secretary General

Employees other than the ones mentioned above are not authorized to respond to such information requests. The information requests received shall be directed to the Investor Relations and Affiliates Department.

The information to be disclosed to the public are submitted in a timely and accurate, complete, comprehensible, interpretable manner, easily accessible with low costs and equally and in a manner to support the beneficiaries to take decisions.

Investor Relations and Affiliates Department personnel have been assigned to pursue and monitor all kinds of issues related to public disclosure. Investors and financial analysts are directed to this department. Negotiations with the capital markets participants are significant part of developing investor relations. However, no new information is provided in these negotiations but only already disclosed information is updated and ASELSAN does not disclose any internal information which shall affect the value of ASELSAN shares and the decision of the investors and which have not yet been disclosed to the public. The reports and presentations shared with a certain group of investors are also published in the website along with a material event disclosure. In compliance with the transparency principle, accounting policies and activity results are also disclosed to the public in a realistic manner. Besides, our Company was rated with the best grade in the field of “Transparency” with respect to the corporate governance implementations of our Company.

Pursuant to the CMB regulations, 42 material event disclosures were made within 2012. These are made available in our website as well. There were no extra explanation requests by the CMB or by the Istanbul Stock Exchange Market within the year.

Pursuant to the Disclosure Policy of our Company, prospective expectations are also disclosed to the public. Within this direction, our expectations for the 2012 consolidated financial results were disclosed on 14.03.2012 and the management evaluation regarding the realization of our expectations are included in article 9 of the Board of Directors Annual Report.

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Disclosure of the Persons who are able to hold internal Information to the Public

Since the year of 2004 Annual Report, the list of the persons who are able to hold internal information are disclosed to public in the Corporate Governance Principles Compliance Report every year.

The list of the persons who are able to hold internal information as of February 2013 are as follows:

1) Necmettin BAYKUL	Board of Directors Chairman
2) Birol ERDEM	Board of Directors Vice Chairman
3) Ahmet ŞENOL	Member of the Board of Directors
4) Erhan AKPORAY	Member of the Board of Directors
5) Osman Kapani AKTAŞ	Member of the Board of Directors
6) Halil SARIASLAN	Member of the Board of Directors
7) Lamia Zeynep ONAY	Member of the Board of Directors
8) Cumhur Sait Şahin TULGA	Member of the Board of Directors
9) Mehmet TİMUR	Member of the Board of Auditors
10) İsmail DİKMEN	Member of the Board of Auditors
11) Ali Rıza DADAŞ	Member of Board of Auditors
12) Cengiz ERGENEMAN	CEO/President
13) Özcan KAHRAMANGİL	Division CEO/Vice President (MGEO Division)
14) Fuat AKÇAYÖZ	Division CEO/Vice President (SST Division)
15) Faik EKEN	Division CEO/Vice President (HBT Division)
16) Ergun BORA	Division CEO/Vice President (REHİS Division)
17) Dr. Ahmet DEMİR	CFO/Vice President
18) İnci UYSAL	Internal Audit and Assessment Committee Chairman
19) Aykan ÜRETEN	Finance Director
20) Gönül TETİK	Accounting and Financial Affairs Director
21) Afşin AKKERMAN	Material Supply Director
22) Ali Fatih BİLGİ	Information Management Director
23) Mustafa ERTÜRK	International Marketing Director
24) Nihat IRKÖRÜCÜ	Support Services Director
25) Baran ÖZER	Contracts Director
26) Baki ŞENSOY	Strategy Management Director
27) M. Uğur KARAVELİOĞLU	Military Radio Program Director
28) Sinan ŞENOL	Satellite, Air and Naval Communication Systems Program Director
29) Özge SAVAŞ	Radar Program Director
30) Hayrullah YILDIZ	EH Self Defense Systems Program Director
31) Fikri ATMACA	EH Intelligence and Attack Systems Program Director
32) İbrahim Aybars KÜÇÜK	Land and Missile Program Director
33) Fikret ÜLGÜT	Combat and Command Control Systems Program Director
34) Yavuz Suat BENGÜR	Naval Systems Program Director
35) Yavuz BAYIZ	Professional Communications Systems Program Director
36) Mustafa KAVAL	Air Defense Systems Program Director
37) Murat ACAR	Accounting Manager
38) Pınar ÇELEBİ	Treasury and Fund Manager
39) Devrim AKSU	Human Resources Manager

In scope of the Notification of the Principles Regarding the Public Disclosure of Material Events issued by the CMB on date 06.02.2009 with Serial: VIII, No: 54, the list of the persons who are able to hold internal information is prepared respectively and entered in the Central Registry System of the Central Registry Agency (MKK). The updated version of the list is kept at our Company headquarters in case it is requested with a notice.

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9. Company Website and its Content

The website of the Company at the address www.aselsan.com.tr is actively used and updated regularly. The information in the website is consistent with the ones disclosed pursuant to the provisions of the legislation. The Company letterhead also bears the website address.

The part "Investor Relations" is included in our website also comprising the issues listed in article 2.2 of the Notification Regarding Determination and Implementation of Corporate Governance Principles issued by the CMB, Serial: IV, No: 56

Under the section investor relations below topics are included:

1 Corporate Governance
- 1-1 Shareholder Structure
- 1-2 Board of Directors
- 1-3 Board Committees
- 1-4 Articles of Association
- 1-5 Company Profile
- 1-6 Policies
- 1-7 Ethical Principles
- 1-8 General Assembly
- 1-9 Compliance with Corporate Governance Principles
- 1-10 Corporate Governance Rating

2 Stock Info
- 2-1 Stock ID
- 2-2 Non-deposit shares
- 2-3 Capital Increases
- 2-4 Dividend Info
- 2-5 Analyst Coverage
- 2-6 Registration Statement and Public Offering Circular

3 Annual Reports

4 Financial Data
- 4-1 Financial Reports
- 4-2 Financial Highlights
- 4-3 Investor Presentations

5 ISE Disclosures

6 Frequently Asked Questions

7 Contact

Necessary records and information are included under these topics. The synchronization process of the English content with the Turkish content is continuing.

10. Annual Report

The Board of Directors prepare the annual report in details regarding the Company activities and which enable the public to reach complete and accurate information that can be comprehensive. The 2012 annual report of our Company was prepared as per the Turkish Code of Commerce numbered 6102, the Regulation Regarding the Determination of the Minimum Content of the Annual Reports of Companies (Regulation) issued by the Ministry of Customs and Trade, the Notification Regarding the Principles Related to financial Reporting in the Capital Market and the Notification Regarding the Determination and Implementation of the Corporate Governance Principles, both issued by the Capital Markets Board.

PART III - STAKEHOLDERS

11. Informing the Stakeholders

The information requests of stakeholders are keenly handled and attention is paid in responding these accurately and in an understandable manner. Our employees are informed with a personnel hand book and informing presentations over the intranet. As for our suppliers, strategic cooperation and certified suppliers policy is followed and our suppliers are informed through the internet and regular visits are paid to their side.

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Our Company's main principle is the continuous development, improvement and verification of processes, services and products and to provide its customers with services and products without ant defects in order to meet all their requirements. For this purpose, a quality system has been established where the Quality Handbook, directives, quality plans, standards, audit and test directives and other documents are available and implemented.

Our core principle related to customer satisfaction is to deliver products and services meeting the expectations and requirements of the customers. For this purpose, requirements are defined in an accurate and complete manner and products tailored for these requirements are designed and produced and the logistics support is provided accordingly. Other studies to measure the customer satisfaction and to make necessary improvements:

- A customer satisfaction survey is generated after each delivery of products and the survey results are evaluated by the relevant departments.
- Various evaluation forms are used in order to measure the services such as maintenance/repair, customer training and user manual and maintenance/repair documents. The customer evaluations with respect to these services are analyzed periodically and the matters requiring improvement are defined and improvements are initiated.

Customer satisfaction measurements are accessed by the Management Reports and the results achieved are evaluated by the top management yearly.

Our products are designed and produced considering the usage and storing conditions. The military, civil and international standards are abided by. Starting with the design phase, these quality standards are fulfilled throughout the life-cycle of our high-end technology products and strict tests and controls are applied in every stage of production starting at the material procurement stage in order to guarantee that all products are produced in the same quality. As for the products remaining below these standards, the applications and regulations are carried out pursuant to the relevant standards before the delivery and applied with the consent of the customer. Our products which break down during its guarantee period is repaired and activated free of cost and after the expiry of the guarantee period, the service support is enabled with certain service agreements for the active life time of the product. In order to maintain these measures, qualified and expert personnel is employed within the quality management system which is backed with test and inspection environment and equipment. Our products and services have been certified by internationally accepted standards AS9100, ISO 9001, AQAP. The conformity of our products and services are approved every year with the audits performed.

To minimize the quality problems, the suppliers are subject to commercial, technical and qualitative evaluations in order that, materials and software or related services are supplied from reliable suppliers. The result of the evaluation, is submitted to the suppliers and qualified ones are chosen to work with. In 2012, orders were given to 4000 suppliers, 200 of which were certified, 12 of which were strategic cooperation.

Information regarding the customer and supplier are treated according to their confidentiality levels. The quotations of the suppliers and the written communications are deemed confidential and not disclosed to third parties or unauthorized people. With the directives formed, provision and implementation of unfair benefit with respect to the relations between the customers and the suppliers have been prevented.

In eliminating the disputes experienced between our stakeholders, our Company prevails in eliminating the conflicts and resolve them.

The ASELSAN Magazine published every 4 months provides information regarding the activities, technical issues and up-to-date social events. Hardcopies of ASELSAN Magazine is delivered to the end users of ASELSAN products, shareholders who participated to the General Assembly, Company employees and other stakeholders and it is also published on the website.

The compensation policy of our Company was prepared in 2012 and the policy is available at our website under the topic Corporate Governance.

The members of the Board of Directors and the executives are not performing any activities to result against the shareholders causing to incur them losses or which diminish the Company assets.

12. Participation of Stakeholders in the Management

In the articles of association, there is no provision setting forth the participation of the stakeholders in the management. However, their participation to the management is supported provided that it does not interrupt the Company activities.

The corporate governance structure of the Company gives the opportunity to all stakeholders including the employees and representatives to convey their worries with regard to transactions not proper in terms of legality and ethics.

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The Company employees have the opportunity to convey their expectations and requests through the representatives. The Company employees are informed about their financial and social rights over the intranet. Besides, there is an Employee Representative Agency in the Company where 43 representatives are present and which is formed by the Company personnel to enable the contact between the Company personnel and the management.

The periodical meetings held with the employee representatives is a platform where employers and employees exchange their wishes, requests and opinions regarding the implementations. The meeting minutes formed as the result of these meetings are announced to all personnel through the employee representatives page on the internal network. The presidency of the employee representative is performed by Hakan YILDIZ, who is employed as a Design Leader. The duties and authorizations of the Employee Representative Agency is to convey the wishes, proposals and problems of the group personnel represented and to share the received opinions with the group personnel and to pay efforts to provide an open and efficient communication between the personnel and the management.

13. Human Resources Policy

The human resources policy of our Company is to adopt an understanding which adds successful and dynamic talents to ASELSAN family required pursuant to the vision of ASELSAN, which contributes to the sustainable success of ASELSAN with employee oriented approaches, which adds values and which is at all times on the side of its employee.

Within this scope and pursuant to the vision, mission and the principles of the Company, regulations have been set out pertaining to the working conditions of the personnel, their qualifications, recruitment, promoting, remuneration, rewarding, dismissal, disciplinary treatments, rights, tasks and liabilities and other personal rights.

55% of our employees stand for the engineering group, 32% for the technician group 7% for the administrative group, 3% for the office personnel and 3% of the worker group.

There is an employee representative agency within the Company in which there are 13 persons representing the engineering group, 2 persons for the administrative personnel, 22 persons for the technician group, 2 persons for the office personnel and 4 persons for the worker group which make 43 representatives.

There were no complaints related to discrimination from the employees in 2012. Performance and rewarding policies are announced to all of our employees through Company directives.

14. Ethical Rules and Social Responsibility

The ethical rules of our Company have been put down into writing and were published on our website. Furthermore, in order to integrate and develop the ethical rules with the implementations, an Ethical Committee was established to meet the evaluation, direction, consulting and recommendation needs.

The Audit Committee pursues the complaints with respect to the transactions contrary to the legislation and not in conformity with the ethics and evaluates and resolves these pursuant to confidentiality principles.

Pursuant to social responsibility understanding, our Company gives importance to projects in particular to the ones regarding education and shows great efforts in building schools at the severe earthquake stricken locations. The primary school built in Van – Erciş started its activities in 2012. Again as the result of the support given to education, it serves as the main sponsor at the International METU Robot Days.

A British based institution, Carbon Disclosure Project (CDP) which reports how the risks of climate changes are managed by the companies announced the 2012 results of the Turkey Carbon Transparency Project. Our Company was ranked in the “highest” category with the degree it was rewarded. ASELSAN, being proud to work to leave a better world to live in for the future generations, shall continue to take place in the national and international platforms with respect to sustainability and climate change matters with its leading applications.

Our Company is sensitive on the social activities lead and supported in favour of the public in general and is respectful towards its environment. The greenhouse gas emissions of our Company are calculated by taking the TS ISO 14064 and Green House Protocol as the reference and are monitored all the time. We have certifications for ISO 14001 Environmental Management System and OHSAS 18001 Work Health and Safety Integrated Management System. In addition to these, a decision has been taken to plant a tree for each new employee of the Company in 2013.

PART IV - BOARD OF DIRECTORS

15. Structure and Forming of the Board of Directors

In scope of the notifications of the Capital Markets Board Serial: IV, No: 56, No: 57, in order to enable the compliance with the corporate governance principles, the amendment to the articles of association stating that the number of the Members of the Board of Directors

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shall be increased from 7 to 9 by enabling the participation of 3 independent members, was approved in the General Assembly Meeting in 2012. In the same meeting, the report dated 07.03.2012 prepared by the Audit Committee as the result of nominee determination activities was submitted to the Board of Directors on 08.03.2012 and the profiles of the 5 nominees along with their statements of independence were announced to the public on 09.03.2012 on our website. As the result of the voting at the General Assembly dated 30.03.2012, the 3 nominees who collected the highest votes within the 5 nominees were elected as the Independent Members of the Board of Directors. There were no cases to eliminate the independency of the Independent Members of the Board of Directors in 2012.

The CVs of the Members of the Board of Directors are included in the 2012 annual report and the information with respect to their term of office is provided in the below table.

Name and Surname	Duty	Date of General Assembly at which he/she was elected	Date of Duty End	Assignments out of the Company
Necmettin BAYKUL	Chairman/Managing Member	March 2010	March 2013	-
Birol ERDEM	Vice Chairman/Managing Member	March 2010	March 2013	-
Ahmet ŞENOL	Member	March 2010	March 2013	TAFF Services Group President
Osman Kapani AKTAŞ	Member	March 2010	March 2013	-
Erhan AKPORAY	Member	March 2011	March 2014	-
Halil SARIASLAN	Independent Member	March 2012	March 2013	Başkent University International Trade Department Head
Lamia Zeynep ONAY	Independent Member	March 2012	March 2013	METU Business Administration Department Lecturer
Cumhur Sait Şahin TULGA	Independent Member	March 2012	March 2013	Mentoro Ltd. Şti. Founding Partner, Director
Cengiz ERGENEMAN	CEO/President	-	-	IGG ASELSAN Integrated Sys. LLC Board of Directors Vice Chairman SASAD Board of Directors Chairman

In article 13 of the articles of association titled “Duties and Authorizations of the Board of Directors”, the duties and authorizations of the Board of Directors have been defined and the amendment to the articles of association with regard to the compliance of these with the corporate governance principles was approved. Besides, the Board of Directors Working Directive also describes the Duties and Authorizations of the Board of Directors. With the article 14 of the articles of association titled “Assignment of the Authorizations to the General Manager”, the assignment of the authorizations of the Board of Directors to the General Manager has been set out. The duties and authorizations of the executives are described in the “Duties and Liabilities Directive” formed within the Company.

The duties of the Members of the Board of Directors and of the General Manager carried out outside the Company, information regarding the term of office and the statements of the board of members with respect to their independencies:

There are no Members of the Board of Directors carrying out an executive duty.

The statements of independence of the Independent Members of the Board of Directors have been provided at the end of the Compliance Report.

The Members of the Board of Directors fulfill their duties without any interest or benefit and pursuant to the liabilities and authorizations undertaken by the Board of Directors and to the regulations of the Turkish Code of Commerce and Capital Markets Board.

Members of the Board of Directors are liable not to enter into any commercial treatments directly or indirectly with the Company that coincides with the Company objectives, on their behalf or on behalf of others without the consent of the General Assembly.

16. Principles of Activity of the Board of Directors

The Agenda of the Board of Directors Meetings is formed with the proposals of the Members of the Board of Directors and the committees and the General Manager, it is afterwards evaluated by the Board of Directors Chairman and finalized. The Agenda also includes the topics which the Board of Auditors would like to negotiate.

As per article 10 of the articles of association, the Board of Directors assemble when required and at least once a month. The number of Board of Directors Meetings in 2012 was 48 (34 out of 48 decisions are interim decisions). All of the Members of the Board of Directors attended 38 meetings.

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The place, date, time and agenda of the next meeting is decided at the Board of Directors Meetings. Documents pertaining to the meeting agenda are sent to the members of Board of Directors and Board of Auditors at least 3 work days before the meeting by the instructions of the Managing Members who are also Board of Directors Chairman and Vice Chairman. No invitations through telephone are possible and the members of the Board of Auditors are also invited to the meetings.

The Members of the Board of Directors at all times attend the meetings, unless they have reasonable excuses and fulfill their duties as per their authorizations and responsibilities. The members who do not attend the meetings inform their excuses.

There is a secretary available for informing and enabling the communication of the Members of the Board of Directors. There is a reporter to carry out required tasks.

In writing the meeting resolutions to the Board of Directors Official Minutes Book, the Board of Directors Reporter acts as per articles 64, 65 and 390 of Turkish Code of Commerce with respect to the liability to keep books, the method of keeping books and the decisions of the Board of Directors, respectively.

According to this, the reporter enables, the date and number of the decision, names and surnames of the attendants and the non-attendants and the excuses of the non-attendants, if any, the agenda of the meeting, proposals and negotiations, the decision, rejection annotations, if any and the signatures of the attendants to be recorded in the book.

All members have one right to vote, including the chairman. If the numbers of votes are equal, the vote of the chairman does not change the result. Abstaining is not possible, either rejection or acceptation is voted. The vote of the abstaining member is considered as a rejecting vote. The member casting a reject vote states the ground for this in the meeting minutes and undersigns it. In scope of the compliance with the corporate governance principles, upon the amendment to article 11 of the articles of association titled " Quorum of Meeting and Decision Making", the provision stating "The provisions of the Turkish Commercial Code, Capital Market Law, regulations of the Capital Markets Board in connection with corporate governance and other relevant legislation are taken into account with respect to the meetings and decision making quorums of the Board of Directors as well as with respect to any Board of Directors members assuming duties and positions outside the Company. Any action and resolutions taken by the board of Directors without complying with the Corporate Governance Principles, which are made obligatory as to be complied by the Capital Markets Board, are invalid and considered as in contrary to the "Articles of Association" has been added. There were no related party transactions or any other significant issue which had to be submitted to the approval of the general assembly since they were not approved by the Independent Members of the Board of Directors.

The signed decisions are made available to the follow up of the Members of the Board of Directors, Members of the Board of Auditors and Executive Committee Members in the electronic environment.

17. Number of Committees Formed in the Board of Directors with Their Structures and Independency

As per the title "Committees Formed Within the Board of Directors" in the Notification Regarding Determination and Implementation of Corporate Governance Principles by the Capital Markets Board, our Company's Board of Directors, in the meeting dated 10.04.2012, formed an Audit Committee, Corporate Governance Committee and Early Detection and Management of Risk Committee and announced to the public. There are no Nomination Committee and a Remuneration Committee within the Board of Directors and the duties of these are carried out by the Corporate Governance Committee.

The directives of Audit Committee, Corporate Governance Committee and Early Detection and Management of Risk Committee are made available at the website of our Company. The Independent Members of the Board of Directors and one Member of the Board of Directors have duties in more than one committee. This is because it is obligatory that all members of the Audit Committee and the chairman of the other committees should be Independent Members of the Board of Directors and one member is missing in the Board of Directors.

AUDIT COMMITTEE

Halil SARIASLAN	Chairman/Independent Member of the Board of Directors
Lamia Zeynep ONAY	Member/Independent Member of the Board of Directors
Cumhur Sait Şahin TULGA	Member/Independent Member of the Board of Directors

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The main duties of the Audit Committee were set out in the "ASELSAN Audit Committee Work Directives" as follows:

- To enable the disclosure of the financial data of ASELSAN, to pursue the operation and efficiency of the accounting system, independent audit, internal audit and internal control system of the company,
- To assemble at least every 3 months, to share the meeting minutes with the Board of Directors.

Meetings were held on dates 08.03.2012, 16.05.2012, 29.08.2012 and 15.11.2012 with the participation of the relevant independent audit company regarding the financial statements by Audit Committee in 2012.

In order to strengthen the contact with the Presidency of Internal Audit and Assessment Board (IAAB), Audit Committee–IAAB Coordination meetings were held three times on dates 24.01.2012, 06.06.2012 and 11.11.2012. Audit Committee was informed about the IAAB activities in these meetings.

The Committee was active in three main topics in 2012:

i. Updates to the Audit Committee Work Directives:

The Directive comprising the working principles of Audit Committee was approved in 2003 and came into effect. The Committee took a decision to update the Audit Committee Work Directives as per the modified Notification and the updated Directive was submitted to the Board of Directors on 29.11.2012 and following the approval of the Board of Directors, published in our website and announced to the public.

ii. Independent Audit Studies and Activities Regarding the Audited Financial Statements:

The aim is to define the principles and methods related to the financial reports to be prepared by the establishments pursuant to the "Notification Regarding the Principles Related to the Financial Reporting in the Capital Market" (Notification) of Capital Markets Board, Serial: XI, No:29 and to their preparation and submission to the authorities. As per the Notification 29, financial statements and Board of Directors annual report was prepared by our Company in the periods December 2011, March 2012, June 2012 and September 2012 and the financial statements and Board of Directors annual report were submitted to the Board of Directors by Audit Committee and after the approval were announced to the public on the Public Disclosure Platform.

The agreement executed with the independent audit company for the independent audit of the financial statements prepared in accordance with the Notification 29 expired as of year end of 2012. As for the 2013 activity period, the elections are ongoing and an agreement shall be executed with the elected company following the approval of the General Assembly.

iii. Internal Audit and Assessment Committee Activities:

Within the scope of the internal audit activities of the Company, the relations between the Presidency of Internal Audit and Assessment Board (IAAB) and the Board of Directors have been carried out through Audit Committee. A direct and continuous contact between Audit Committee and IAAB is present.

The internal audit reports prepared by IAAB and the risk based annual audit plan have been reviewed. The Directive of IAAB Activities were updated and the new version of the directive came into effect upon the approval of the Board of Directors dated 29.08.2012.

CORPORATE GOVERNANCE COMMITTEE

Cumhur Sait Şahin TULGA	Chairman/Independent Member of the Board of Directors
Ahmet ŞENOL	Member/Member of the Board of Directors
Osman Kapani AKTAŞ	Member/Member of the Board of Directors
Erhan AKPORAY	Member/Member of the Board of Directors

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

- To carry out studies for the implementation of Corporate Governance Principles in the Company,
- To observe whether the Corporate Governance Principles have been implemented or not and if not implemented to determine the grounds for this and the conflicts of interest arising due to not complying with these principles and to make proposals for improving the status,
- To pursue the studies of the Investor Relations Department,
- Corporate Governance Committee assembles every 3 months and in every situation when necessary. The meeting minutes are submitted to the Board of Directors.

ASELSAN and Its Subsidiaries

Annual Report of Board of Directors with Respect to the Period 1 January – 31 December 2012

The Committee assembled three times within the activity year 2012 on dates 25.04.2012, 28.08.2012 and 15.11.2012. The meeting minutes of the Committee may be reached on our website. The committee was active in three respective tasks in 2012:

i. Updates to the Corporate Governance Committee Work Directives:

The directive related to the working principles of the Corporate Governance Committee formed in order to make studies with regard to the compliance report to be prepared in scope of the compliance with the Corporate Governance Principles was approved in February 2006. The Committee took a decision to update ASELSAN Corporate Governance Committee Work Directives in compliance with the Notification and initiated studies in this respect. The Directive was submitted to the Board of Directors Meeting dated 29.11.2012 and following the approval of the Board of Directors, it was announced to the public over our Company website.

ii. Investor Relations Department and its Activities:

The duties and responsibilities of the Investor Relations Department are carried out by the Investor Relations and Affiliates Department within the Treasury and Fund Management Department in our Company. In the first meeting of the Corporate Governance Committee, the Committee was informed with regard to the duties and responsibilities of the Investor Relations and Affiliates Department and all meetings were attended by the relevant department representatives and they informed the Committee accordingly.

The responsibility of pursuing of the activities of the Investor Relations and Affiliates Department was given to the Corporate Governance Committee in scope of the Notification. The application for the registered capital upper limit filed by the Investor Relations and Affiliates Department during the activity period 2012, the transactions of dematerializing physical shares, material event disclosures made in scope of the "Notification Regarding the Principles of Public Disclosure of Material Events" by the Capital Markets Board (Serial: VIII, No:54), the analyst and/or investor meetings attended by the department and the updating of the title "Investor Relations" present in our Company website have been pursued by the Committee.

iii. Corporate Governance Rating:

The process of corporate governance rating assessment of ASELSAN which had been considered for evaluation in the Corporate Governance Committee meeting dated 28.08.2012 and submitted to the Board of Directors by the Committee on 29.08.2012, was found appropriate and initiated by the Board of Directors.

The corporate governance rating of our Company was assessed by SAHA Corporate Governance and Credit Rating Services, Inc. and on 13.12.2012 the report and our rating grade was announced to the public. According to the report prepared as the result of detailed reviews by SAHA at our Company, our Company's Corporate Governance Grade was defined as 8,77 over 10. The breakdown of the grade over 100 in order have been defined as 79,99 for the subtitle Shareholders, 93,47 for Public Disclosure and Transparency, 89,37 for Stakeholders and 86,44 for the subtitle Board of Directors. Within the scope of this report, our Company was included Corporate Governance Index starting with 14.12.2012.

EARLY DETECTION AND MANAGEMENT OF RISK COMMITTEE

Lamia Zeynep ONAY	Chairman/Independent Member of the Board of Directors
Birol ERDEM	Member/Board of Directors Vice Chairman
Erhan AKPORAY	Member/Member of the Board of Directors

The main duties of the Early Detection and Management of Risk Committee established in 2012 were set out in the "ASELSAN Early Detection and Management of Risk Committee Work Directives" as follows:

- Early detection of the risks which might endanger the existence, development and sustainability of ASELSAN, implementation of the relevant measures with respect to the risks and carrying out studies in order to manage the risk,
- Detect beforehand and define the potential risks to have an impact on ASELSAN and enabling the management of these risks in compliance with the Company's risk taking approach,
- To make a due diligence in the two monthly report to be submitted to the Board of Directors and to point out dangers, if any and to propose solutions,
- Early Detection and Management of Risk Committee assembles every 2 months and in every situation when necessary.

The Committee assembled twice within the activity year 2012 on dates 10.05.2012 and 22.11.2012. As of 2013 it is planned to assemble every two months. The activities carried out in 2012 have been shown under two respective titles:

ASELSAN and Its Subsidiaries

Annual Report of Board of Directors with Respect to the Period 1 January – 31 December 2012

i. Preparation of the Early Detection and Management of Risk Committee Work Directives:

The Committee which was established in 2012 prepared the directive regarding its working principles and submitted it to the Board of Directors and following the approval of the Board of Directors the directive went into effect in November 2012.

ii. Risk Management System Studies:

In scope of the studies carried out by the Committee, the risks which ASELSAN might be exposed have been classified under five groups, namely, Strategic Risks, Operational Risks, Managerial Risks, Financial Risks and External Factors. Furthermore, in order to maintain a more efficient risk management, each risk has been divided into groups and therefore sub risk groups have been defined. The inventory related to the risks which might prevent ASELSAN to reach its targets has been determined within the direction of ASELSAN top management views and proposals and has been prioritized. A "Corporate Risk Inventory Report" comprising ASELSAN's critical risks and defining information pertaining to these risks has been prepared to be presented in the Board of Directors Meeting dated January 2013. Apart from this, the preparation of "Corporate Risk Assessment Report" and its submission to the information of the Board of Directors with 2 monthly periods is being planned.

18. Risk Management and Internal Control Mechanism

The Internal Audit and Assessment Board (IAAB) formed connected to the Board of Directors in order to evaluate the risk management, control and corporate governance processes and to improve their efficiencies, audit the Company departments and processes pursuant to the annual plans and reports their founding to the Board of Directors regularly. Continuous studies are being carried on in order to increase and improve the efficiency of the system.

Furthermore, within 2012, an Early Detection and Management of Risk Committee was established pursuant to the Turkish Code of Commerce and Notification of Corporate Governance Principles. The committee reports to the Board of Directors.

19. Strategic Objectives of the Company

The Board of Directors is the top level body to take strategic decisions and to execute and represent. As per the articles of association of the Company, the Board of Directors is responsible to determine the strategy plans and control their implementations. The Strategic Plan is prepared to include the period of five years and updated every year. In the Strategic Plan, new period targets are defined by considering the developments in Turkey and the world in particular pertaining to the defense industry along with the target realizations of the previous year. Following the approval of the Strategic Plan, work plans are prepared and top level targets are detailed in these work plans and they are implemented after being associated with the budget and investment plan. To what extent the Company reached the defined targets are instantly monitored over the Information Management System and controlled monthly by the Board of Directors and the General Manager. The updated versions of the mission and vision have been announced to the public through our Company website.

20. Financial Rights

Monthly remunerations provided to our Members of the Board of Directors are determined by the General Assembly and no other benefits are granted apart from the monthly remuneration. Pursuant to the resolution taken at the 37th Ordinary General Assembly held on 30.03.2012, the Members of the Board of Directors, Managing Members and the Members of the Board of Auditors are paid TL 2.000 per month. As for the determination of the financial rights of the board members, no reward system is applied to reflect the Company performance and which is based on the performance of the Members of the Board of Directors.

No Member of the Board of Directors or Director has been provided with loans or credits by our Company.

The remuneration principles for the Board of Directors and the Senior Managers of the Company have been formed and the shareholders were provided with this information at the Ordinary General Assembly Meeting held in 2012 and it was announced to the public through our website.

ASELSAN and Its Subsidiaries

Annual Report of Board of Directors with Respect to the Period 1 January – 31 December 2012

The Remuneration Policy of our Company has assumed the idea of protecting the remuneration structure which;

- has adopted the motto “equal pay for equal work” as a principle,
- takes the added value created for ASELSAN as the basis,
- is fair,
- is objective,
- is comprehensible by the employees and manageable,
- protects the balance in the Company,
- competes with local and foreign markets,
- is developed by considering the economic status of the Company and industry tendencies

and revising it as per the daily requirements in order to support the retaining of the competent, loyal and highly motivated talents which ASELSAN needs in order to realize its strategies arising pertaining to its vision and mission.

ASELSAN and Its Subsidiaries

Annual Report of Board of Directors with Respect to the Period 1 January – 31 December 2012

Statement of Independence

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

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

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

Sincerely yours,

Prof. Dr. Halil Sarıaslan



ASELSAN and Its Subsidiaries

Annual Report of Board of Directors with Respect to the Period 1 January – 31 December 2012

Statement of Independence

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

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

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

Sincerely yours,



ASELSAN and Its Subsidiaries

Annual Report of Board of Directors with Respect to the Period 1 January – 31 December 2012

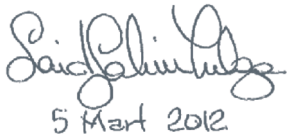
Statement of Independence

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

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

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

Sincerely yours,



ASELSAN and Its Subsidiaries

Annual Report of Board of Directors with Respect to the Period 1 January – 31 December 2012

ANNEX 2 - Report prepared the "Statement with Respect to the Amendment to the Statement Regarding the Principles to be Abided by the Joint Stock partnerships Subject to the Capital Market Law" with Serial: IV and Number: 52

1. General Information

This report has been prepared as per the "Statement with Respect to the Amendment to the Statement Regarding the Principles to be Abided by the Joint Stock partnerships Subject to the Capital Market Law" of the Capital Markets Board ("CMB"), with Serial: IV and Number: 52. This following expression is present in the relevant Statement: "The conditions in connection with the prevalent and continuous asset, service and liability transfer transactions between the Partnerships of which the shares are transacted in the stock exchange and their related parties are determined by the board of directors. In the event that the amount of the prevalent and continuous asset, service and liability transfer transactions between the Partnerships of which the shares are transacted in the stock exchange and their related parties for one accounting period reach 10% of or above the total gross sales or of the total assets in the annual financial statements which shall be announced to the public as per the board regulations, a report is generated by the partnership board of directors with respect to the conditions of the transactions and their comparison with the market conditions".

The objective of this report is the disclosure of the conditions of the transactions of ASELSAN Elektronik Sanayi ve Ticaret A.Ş. (Company) realized pursuant to the legislation of the Capital Market Law with the related parties defined in the International Accounting Standard 24 (IAS 24), provided that they are not considered in scope of commercial secrets, and to reveal that it does not constitute an outcome against the Company when compared with the market conditions.

In this report, among the transactions realized by the Company with the related parties in the year 2012, the ones exceeding 10% of the total gross sales indicated in the annual financial statements which are to be announced to the public are evaluated.

2. Information Regarding ASELSAN A.Ş.

The company has been established for the purpose of performing for all types of organizations, enterprises and consumers; all sorts of research, development, engineering, production, test, assembly, integration and sales services, provisioning of after sales services, merchandising, having merchandise; in relation to various software, device, system tools, equipment and platforms within the scope of electrical, electronics, microwave, electro-optics, guidance, computer, informatics, cryptology, security, mechanics, chemistry and similar subjects within the field of land, air, sea and space appliances; and for the purpose of conducting all kinds of undertakings and activities within the scope of project engineering, consultancy, servicing, training, contracting, construction, publishing, commercial, administration of business enterprise and internet services.

The company was founded at the end of 1975 led by the Turkish Armed Forces Foundation ("TAFF") as a Charitable Foundation Joint Stock Company and started its manufacturing activities at the beginning of 1979 in its Ankara Macunköy facilities.

The Company is registered to the CMB and its shares have been traded in Istanbul Stock Exchange ("ISE") since 1990. The free float rate of the Company as of 31 December 2012 is 15,30%.

The capital structure of the Company as of 31 December 2012 is as follows:

Partners	Share (%)
TAFF	84,58%
Other partners	0,12%
Shares offered to the public	15,30%
Total	**100,00%**

3. Information Regarding The Company Subject to This Report

ROKETSAN Roket Sanayii ve Ticaret A.Ş. (related party) was founded in 1988 with the objective of "to have a leading company in our country in the field of design, development and manufacturing of rockets and missiles" upon the decision of the Defense Industry Executive Committee and its first manufacturing project was to produce the delivery systems of Stinger missiles pursuant to the "STINGER European Common Production Project" which is an international program.

As valid for the other defense industry companies in the world, ROKETSAN also targeted to extend its product range such that it would comprise land, aero and naval weapon systems and for this purpose, took part in various domestic and abroad projects or was a nominee to take part in such projects.

ROKETSAN, of which the first founding operations were initiated in Ankara/Elmadağ became an enterprise which is able to participate NATO programs in its own field and able to submit its products to the services of the friendly nations as well as the Turkish Armed Forces.

The Company's shares in ROKETSAN is 14,90% as of 31 December 2012.

ASELSAN and Its Subsidiaries

Annual Report of Board of Directors with Respect to the Period 1 January – 31 December 2012

4. Information Regarding the Conditions of the Transactions Realized with the Related Parties and Their Conformity with the Market Conditions

In the agreements executed by and between the Undersecretariat for Defense Industries and the Company by virtue of the decision of the Defense Industry Executive Committee, articles are present stating that the operations in scope of the field of activity of ROKETSAN shall be performed by this company as the primary subcontractor.

As of the end of the 2012 activity year, various agreements exist executed by and between the Company and the Undersecretariat for Defense Industries in connection with ROKETSAN with values of EURO 325 Million, USD 874 Million and TL 529 Million depending on these agreements, primary subcontracting agreements based on the decisions of the Defense Industry Executive Committee have been executed by and between the Company and ROKETSAN with values of total EURO 248 Million, USD 13 Million and TL 304 Million.

The agreements processed in 2012, among the above mentioned ones, are Low Range Air Defense Missile System (TL 278 Million, EURO 192 Million) and Medium Range Air Defense Missile System (TL 251 Million, EURO 132 Million). In scope of these agreements, the total value of the agreements in which the ROKETSAN is a primary subcontractor to the Company is EURO 68 Million. As per the liabilities within the scope of the executed primary agreements, advance payments are made to the subcontractor ROKETSAN with the same proportion of the advances granted by the Undersecretariat for Defense Industries to the Company. Due to the high amounts of the agreement values and the advance payments in line with these, the amounts with respect to the transactions within one accounting period between the Company and ROKETSAN have exceeded 10% of the gross sales indicated in the annual financial statements to be announced to the public.

Also, the aggregate of the other agreements executed by and between the Company and ROKETSAN is EURO 68 Million and USD 20 Million. These agreements also have an impact on the sales and advance payments in 2012 exceeding the 10% limit.

5. Conclusion

By virtue of the Statement of the CMB with Serial: IV and Number:52, the transactions causing the 10% or above exceeding of the gross sales of the prevalent and continuous transactions between the Company and ROKETSAN indicated in the annual financial statements which are to be announced to the public have been realized in conformity with the market conditions as asset, service and liability transfers in the manner stipulated in the agreements.

Necmettin BAYKUL
Member of Board of the Directors Chairman

Birol ERDEM
Member of Board of the Directors Vice Chairman

Ahmet ŞENOL
Member of Board of the Directors

Erhan AKPORAY
Member of Board of the Directors

Osman Kapani AKTAŞ
Member of Board of the Directors

Cumhur Sait Şahin TULGA
Member of Board of the Directors

Lamia Zeynep ONAY
Member of Board of the Directors

Halil SARIASLAN
Member of Board of the Directors

Cengiz ERGENAM
CEO

ASELSAN and Its Subsidiaries

Annual Report of Board Of Directors with Respect to the Period 1 January – 31 December 2012

TO THE PRESIDENCY OF
ISTANBUL STOCK EXCHANGE
34467-Emirgan-İSTANBUL

05.03.2013
AS300-13M–7117

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

BOARD OF DIRECTORS MEETING ON APPROVAL OF FINANCIAL TABLES AND ANNUAL REPORTS

**DATE OF RESOLUTION: 05/03/2013
RESOLUTION NUMBER: 757**

STATEMENT OF RESPONSIBILITY AS PER SECTION THREE, ARTICLE 9 OF THE CAPITAL MARKETS BOARD COMMUNIQUÉ SERIAL NUMBERED XI, NUMBERED 29

a) We have examined the consolidated balance sheet dated 31/12/2011 and comparative consolidated balance sheet dated 31/12/2012, consolidated income statement issued for the period 01/01/2011 - 31/12/2011 and comparative consolidated income statement issued for the period 01/01/2012 - 31/12/2012, consolidated additional financial tables, all audited independently, notes dated 31/12/2012 and annual report of the Board of Directors issued for the period ending on 31/12/2012,

b) As per the information we obtained in line with our duties and responsibilities at the company, the said financial tables and annual report of the Board of Directors do not include any comments which materially misrepresent the facts and any imperfect data which might be misleading as of the announcement date,

c) As of the period of the financial tables, the financial information accurately represents the financial conditions and activity results of our company.

Regards,
ASELSAN A.Ş.

Lamia Zeynep ONAY Member of Board of Directors	Cengiz ERGENEMAN General Manager	Dr. Ahmet DEMİR Deputy General Manager

ASELSAN and Its Subsidiaries

Board of Auditor's Report

To: The Chairman of the General Assembly of ASELSAN A.Ş.

Title of the Company	:	ASELSAN Elektronik Sanayi ve Ticaret A.Ş.
Head Office	:	ANKARA
Capital	:	Registered Capita 500.000.000.-TL Issued Capital 500.000.000.-TL
Field of Operation	:	To carry out research, development, engineering, production, testing, installation, integration and sales, provide after sales services, engage in trading, assign dealers and agents for such trading for various software, devices, instruments, systems, tools, vehicles, and platforms and engage in all kinds of ventures and activities for preparation of designs, consultancy, servicing, training, commitments and contracts, construction, publishing, trading, operation and internet services provision as part of land, air and naval applications addressing all kinds of entities and establishments and consumers.
Names and Terms of the Board of Auditors	:	Mehmet TİMUR (2010-2013) Ali Rıza DADAŞ (2011-2014)
		İsmail DİKMEN (2010-2013)
Whether they are partners	:	None.
Nr. of the Board of Directors' meetings attended	:	12
Nr. of Audit Board meetings held	:	12
Scope of review conducted on the company accounts, books and documents, dates of review and opinion thereof	:	It has been found out as a result of the audits conducted by our board on the company's journal books, ledgers, cash books, offset and cash slips/vouchers and other documents for activities in the Year of 2012 that all the records and documents are duly compliant with the established procedures. Dates of audit: 31.01.2012 – 29.02.2012 – 22.03.2012 – 26.04.2012 – 31.05.2012– 28.06.2012 – 26.07.2012 – 29.08.2012 – 28.09.2012 – 31.10.2012– 29.11.2012 – 27.12.2012
Nr. and results of counting conducted at the company cashier's office as per paragraph 3 of Sub-Clause 1 Article 353 of the Turkish Commercial Code	:	The company central cashier's office was subject to inspection 12 times and it has finally been concluded that the discharge transactions were in compliance with the pertinent documents.
Dates and results of audits conducted as per paragraph 4 of Sub Clause 1 of Article 353 of the Turkish Commercial Code	:	Company books were subject to audit 12 times; as a result, it has been found out that the records are in compliance with the pertinent records. Dates of audit: 31.01.2012 – 29.02.2012 – 22.03.2012 – 26.04.2012 – 31.05.2012– 28.06.2012 – 26.07.2012 – 29.08.2012 – 28.09.2012 – 31.10.2012– 29.11.2012 – 27.12.2012
Any complaints and irregularities reported and action taken thereon	:	The case transferred to jurisdiction due to the malfeasance of duty is pending.

Quarterly reports containing our views about the general state of affairs were submitted to the Board of Directors.

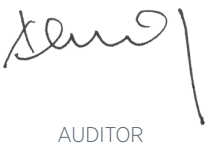
We have audited the accounts and transaction of ASELSAN Electronics Industries Inc. for the period of 01.01.2012 - 31.12.2012 in accordance with the Turkish Commercial Code, company articles of and generally recognized accounting principles and standards.

According to our opinion, the enclosed Balance Sheet drawn up as at 31.12.2012, the contents of which are agreed by us, truly reflects the financial position of the company as of the said date whilst the Income Statement for the period of 01.01.2012 to 31.12.2012 reflects the operational results for the subject period correctly and genuinely.

You are hereby kindly asked to approve the Balance Sheet and Income Statement and issue an acquittal for the Board of Directors accordingly by your votes.



AUDITOR
İsmail DİKMEN



AUDITOR
Ali Rıza DADAŞ



AUDITOR
Mehmet TİMUR

ASELSAN and Its Subsidiaries

Profit Distribution Proposal

ASELSAN A.Ş. 2012 PROFIT DISTRIBUTION TABLE (TL)			
		Distribution under the Capital Markets Board Regulations	**Distribution under the Legal Records**
1- Issued Capital		500.000.000,00	500.000.000,00
2- Total amount of First Legal Reserve, according to the Legal Records		50.514.354,00	50.514.354,00
The information for the profit distribution in the case of privileges according to the Company Articles of Incorporation			
3-	Profit for the Period	293.202.668,00	244.902.215,61
4-	Taxes Payable (-)	0,00	0,00
5-	**NET PROFIT FOR THE PERIOD (=)**	**293.202.668,00**	**244.902.215,61**
6-	Accumulated Loss (-)	0,00	0,00
7-	First Legal Reserve (-)	12.245.110,78	12.245.110,78
8-	**NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)**	**280.957.557,22**	**232.657.104,83**
9-	Donations Made throughout the Year (+)	3.709.617,00	
10-	**Net Distributable profit for the period, donations included in dividend calculation**	**284.667.174,22**	
11-	First Dividend to Shareholders	78.500.000,00	25.000.000,00
	- Cash	78.500.000,00	25.000.000,00
	- Non paid-up share	0,00	0,00
	- Total	78.500.000,00	25.000.000,00
12-	Dividends distributed to Preferred Shareholders	0,00	0,00
13-	Dividends distributed to members of the Board of Directors, employees, etc.	0,00	0,00
14-	Dividends distributed to Holders of Usufruct Right Certificates	0,00	0,00
15-	Second Dividend to Shareholders	0,00	53.500.000,00
16-	Second Legal Reserve	5.350.000,00	5.350.000,00
17-	Statutory Reserve	0,00	0,00
18-	Special Reserve	0,00	0,00
19-	**EXTRAORDINARY RESERVE**	**197.107.557,22**	**148.807.104,83**

As presented in the table above, out of the net profit for the period that is generated by our company from its 2012 activities;

- In accordance with Article 519/(1) of the Turkish Commercial Code, General Legal Reserves amounting to TL 12.245.110,78 is going to be allocated.
- Net distributable profit to the shareholders for the period, calculated in the framework of the profit distribution regulations and decisions of the Capital Markets Board is proposed as:
- Gross profit, TL 78.500.000 (TL 0,157 per share of TL 1 and 15,7% on the basis of the capital) (net profit TL 66.725.000 – TL 0,13345 per share of TL 1 and 13,345% on the basis of the capital) as in the form of cash,
- In accordance with Article 519/(2) of the Turkish Commercial Code, General Legal Reserves amounting to TL 5.350.000 is going to be allocated,
- The remaining profit is going to be allocated as Extraordinary Legal Reserves

and distribution of the dividends to the shareholders are planned to be distributed as of 31 May 2013.

Yours Faithfully,

Board of Directors

Reliable technology

aselsan

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www.aselsan.com E-Mail: marketing@aselsan.com
ASELSAN is a company of the Turkish Armed Forces Foundation

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