



aselsan

2023

Annual Report



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THE PRIDE OF TÜRKİYE

We have assumed important responsibilities for the economic growth and rise of our country. We consistently fulfill these responsibilities together with our country, our citizens and our business partners. Thanks to our advanced technology infrastructure, qualified workforce and experienced engineers, we continue our efforts to reduce our country's dependence on foreign countries. Accordingly, we are also increasing our national production capacity and achievements.



THE PRIDE OF TECHNOLOGY

From the very beginning, we have been dedicated to developing state-of-the-art technologies and smart solutions that can be characterised as "the pride of technology", working hand in hand with our business partners in line with our common goals. We offer a wide range of products to meet the requirements of the Turkish Armed Forces and other domestic and international authorities in the fields of communication, information technologies, defence, transportation, health, automation, security and energy. In this journey, we are determined to offer innovative and technologically superior products that best suit the needs of our customers. At every step, we reinforce our leading position in the sector with our technological developments and continue to be the pride of our field.



THE PRIDE OF INNOVATION

The determination and perseverance of our employees lies at the heart of our continuous progress towards achieving our goals. We strengthen our mission of being "the pride of innovation" with the training support we offer to our employees. We act as the pioneer of technology and innovation in all our activities, and in this way, we fulfill our commitment to our country's sustainable progress with our high calibre workforce. At every step, we make a difference in our sector with our achievements in innovation and technology, and contribute to the development of our country.



THE PRIDE OF NATIONALIZATION

We continuously support the critical players in our supply chain, acting as the "pride of nationalisation" in the economic development and rise of our country. In this process, we are taking decisive steps to increase our country's economic independence and global competitiveness by developing our national production and supply chain network.



THE PRIDE OF SUSTAINABILITY

We focus on human value and the environment in all our activities, and we are always taking firm steps towards our goal of becoming "the pride of sustainability". While proudly representing our country in the international arena in the renewable energy sector, we are also working to reduce the world's emissions in the global fight against climate change, not only for ASELSAN, but also with the high-tech products we produce together with our entire value chain. With our transportation and smart systems projects, we offer innovative solutions that will have a positive impact on our world. With this approach, in addition to our goal of leaving a more livable world to future generations, we also assume the responsibility of pioneering a sustainable future.



THE PRIDE OF PRODUCTION

From the past to the present, we have been moving forward with an unwavering determination to work and the goal of becoming "the pride of production". In this journey, the new achievements we have achieved with the support of our nation and business partners have positive reflections on our financial performance. As we move forward in line with our common vision for the future, the trust-based collaborations we have established with our investors help us increase our market value and grow stronger together. At every step, as a leading player in the field of production, we aim to progress and grow together on this common journey of success.



OUR MISSION

To provide high value-added, innovative and reliable products and solutions in the field of electronics technologies and system integration to domestic and international customers, especially the Turkish Armed Forces, and to become a defence company that reduces Türkiye's dependence on foreign technology and achieves its global goals by increasing its brand recognition, and that gives pride to its people.

OUR VISION

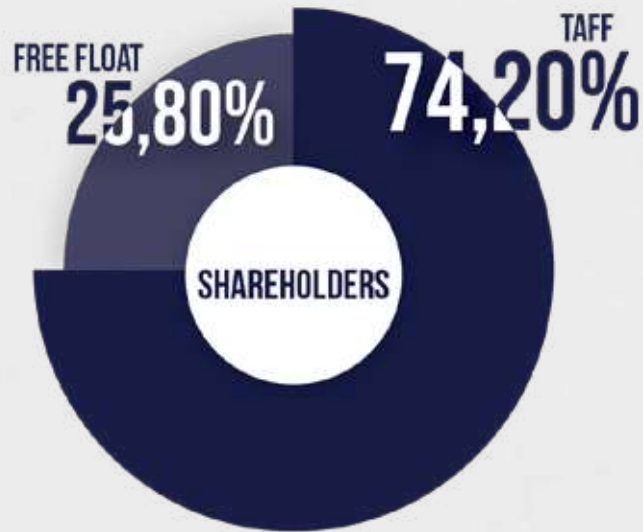
To be a technology company that maintains its sustainable growth with the values it creates for its shareholders in the global market, is preferred and trusted with its competitive power, and is sensitive to the environment and humanity by fulfilling the requirements of the national purpose of its establishment.



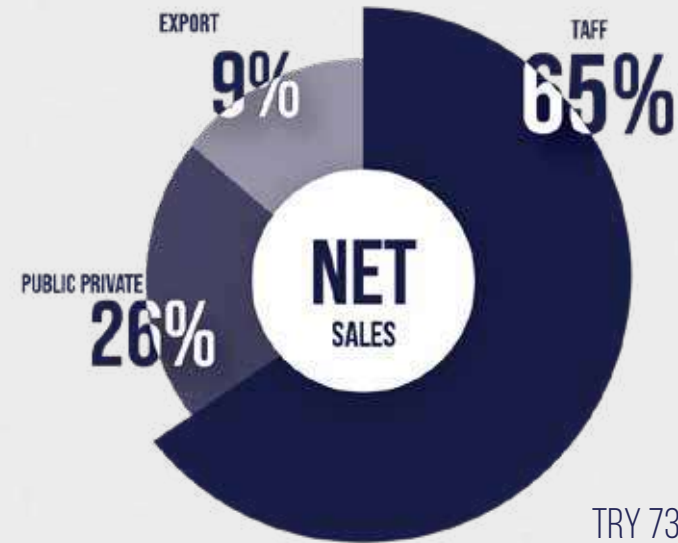
ASELSAN SHAREHOLDING STRUCTURE AND FINANCIAL POSITION

Turkish Armed Forces Foundation has 74.20%, share in ASELSAN.

ASELSAN'S SHAREHOLDING STRUCTURE



ASELSAN'S FINANCIAL SITUATION



| Our Shareholders | Share Amount (TRY) | Share Ratio (%) |
|------------------|--------------------|-----------------|
| TAFB | 3.383.302.497,84 | 74,20 |
| Free Float | 1.176.697.502,16 | 25,80 |
| Total | 4.560.000.000,00 | 100,00 |

LOCAL AFFILIATES

ASELSAN continues to work for the development of our country with its subsidiaries in 5 provinces.



ASELSAN BİLKENT MİKRO NANO TEKNOLOJİLERİ SANAYİ VE TİCARET A.Ş.

ANKARA

Share Amount: TRY 16.500.000
ASELSAN's Share Ratio (%): 50

In 2014, established in Bilkent, Ankara with 50% shareholding of ASELSAN in order to carry out R&D studies for the applications of all kinds of semiconductor and similar technological materials and to realise the production and sales of micro and nano-sized devices containing these materials. 50% of the company capital belongs to ASELSAN.

TR EĞİTİM VE TEKNOLOJİ A.Ş.

ANKARA

Share Amount: TRY 6.860.000
ASELSAN's Share Ratio (%): 35

Operates in the fields of conducting human resources activities, providing consultancy, coaching and accreditation services, and conducting education, training, culture, arts, sports, fair organization and digital marketing activities at all levels. 35% of the current capital of the company, which started its operations in 2018, belongs to ASELSAN.

EHSİM ELEKTRONİK HARP SİSTEMLERİ MÜHENDİSLİK TİCARET A.Ş.

ANKARA

Share Amount: TRY 125.000
ASELSAN's Share Ratio (%): 50

Established in Ankara to operate in the fields of Electronic Warfare and Tactical Command and Control Systems. ASELSAN owns 50% of the company's capital since 2019.

ASELSANNET ELEKTRONİK VE HABERLEŞME SİSTEMLERİ SANAYİ, TİCARET, İNŞAAT VE TAAHHÜT LTD. ŞTİ.

ANKARA

Share Amount: TRY 200.000.000
ASELSAN's Share Ratio (%): 100

Established in 2004 in Ankara to meet the electronic and communication equipment requirements of civil institutions and organisations. Since 2009, ASELSAN has included the turn-key and installation of communication system infrastructures among its activities. ASELSAN is 100% shareholder of the company.

ROKETSAN ROKET SANAYİ VE TİCARET A.Ş.

ANKARA

Share Amount: TRY 149.838.564
ASELSAN's Share Ratio (%): 14,897

Established in Ankara in 1988 to manufacture all kinds of missiles, rockets, rocket launchers and rocket fuel, their engines, warheads and other components, as well as to manufacture, market and sell all kinds of military and civilian products and their components that require high and sensitive technology. ASELSAN is a 14.9% shareholder of the company.

TEKNOHAB TEKNOLOJİ GELİŞTİRME BÖLGESİ YÖNETİCİ A.Ş.

ANKARA

Share Amount: TRY 6.000.000
ASELSAN's Share Ratio (%): 13.04

Established in Ankara in 2018 in order to create investment opportunities in technology intensive areas, to provide job opportunities for researchers and skilled people, to assist technology transfers and to accelerate the entry of foreign capital that will provide advanced technology. ASELSAN owns 13.04% of the company's capital.

ULAK HABERLEŞME A.Ş.

ANKARA

Share Amount: TRY 32.640.000
ASELSAN's Share Ratio (%): 51

Established in Ankara in 2017 to carry out R&D and engineering activities of mobile and broadband communication systems used by network operators operating commercially; to carry out the production, testing, assembly and integration, sales and marketing, import and export of such systems and spare parts; and to provide training, maintenance and support services. As of 2018, 51% of the Company's capital belongs to ASELSAN.

BİTES SAVUNMA HAVACILIK VE UZAY TEKNOLOJİLERİ YAZILIM ELEKTRONİK TİCARET A.Ş.

ANKARA

Share Amount: TRY 250.000
ASELSAN's Share Ratio (%): 100

Established in Ankara to operate in the fields of research, design, development and engineering, particularly in augmented reality, artificial intelligence and simulation software. ASELSAN has been a partner of the company since 2019 and is currently a 100% shareholder of the company.

ASELSAN GLOBAL DIŞ TİCARET VE PAZARLAMA A.Ş.

ANKARA

Share Amount: TRY 250.000
ASELSAN's Share Ratio (%): 100

ASELSAN Global Dış Ticaret ve Pazarlama A.Ş. was established to carry out import, export and marketing activities of all kinds of civil and military electronic products and systems. Established in 2019, 100% of the current capital of the company belongs to ASELSAN.

LOCAL AFFILIATES



MİKROELEKTRONİK ARAŞTIRMA GELİŞTİRME TASARIM VE TİCARET LTD. ŞTİ.

İSTANBUL

Share Amount: TRY 1.700.000
ASELSAN's Share Ratio (%): 85

In 2010, the Company became a shareholder with 85% participation rate in MİKROELEKTRONİK Ltd. Şti. in Istanbul, which was established with the need to design and develop integrated circuits and electronic systems.

DASAL HAVACILIK TEKNOLOJİLERİ A.Ş.

İSTANBUL

Share Amount: TRY 110.740.000
ASELSAN's Share Ratio (%): 49

Established in 2019 to operate in the field of aviation technologies. ASELSAN has been a partner of the company since 2020 and currently owns 49% of its capital.

İSTANBUL FİNANS VE TEKNOLOJİ ÜSSÜ A.Ş.

İSTANBUL

Share Amount: TRY 20.000.000
ASELSAN's Share Ratio (%): 44,44

Established to establish a structure to respond to the development and needs of the financial sector and financial technology entrepreneurship. Established in 2022, 44.44% of the current capital of the company belongs to ASELSAN.

TÜYAR MİKROELEKTRONİK SANAYİ VE TİCARET A.Ş.

İSTANBUL

Share Amount: TRY 8.905.875
ASELSAN's Share Ratio (%): 51

Established in 2017 in Gebze, Kocaeli in order to operate in the field of micro and nano-sized devices containing semiconductor and similar technological materials. 51% of the company's capital is owned by ASELSAN.

LOCAL AFFILIITIES



ASELSAN ENERJİ SANAYİ VE TİCARET A.Ş.

KAYSERİ

Share Amount: TRY 4.498.740

ASELSAN's Share Ratio (%): 1

On 21 May 1981, established in Kayseri Organised Industrial Zone in order to meet the basic needs of the Turkish Armed Forces for rechargeable nickel cadmium batteries. Today, the company manufactures batteries for all kinds of civilian and military backpack/handheld radios, combat vehicles, aircraft and helicopters. ASELSAN is a 1% shareholder of the company.



ASELSAN KONYA SİLAH SİSTEMLERİ A.Ş.

KONYA

Share Amount: TRY 239.700.000

ASELSAN's Share Ratio (%): 51

Established in Konya in 2018 in order to carry out research, design, development and engineering activities for defence industry products, especially all kinds of weapons and weapon systems; to carry out the production, testing, assembly and integration, sales and marketing, import and export of such weapons, weapon systems and defence industry products; to provide training, maintenance and after-sales services; to carry out all kinds of commercial and industrial activities related to these issues. 51% of the Company's capital is owned by ASELSAN.



ASELSAN SİVAS HASSAS OPTİK SANAYİ VE TİCARET A.Ş.

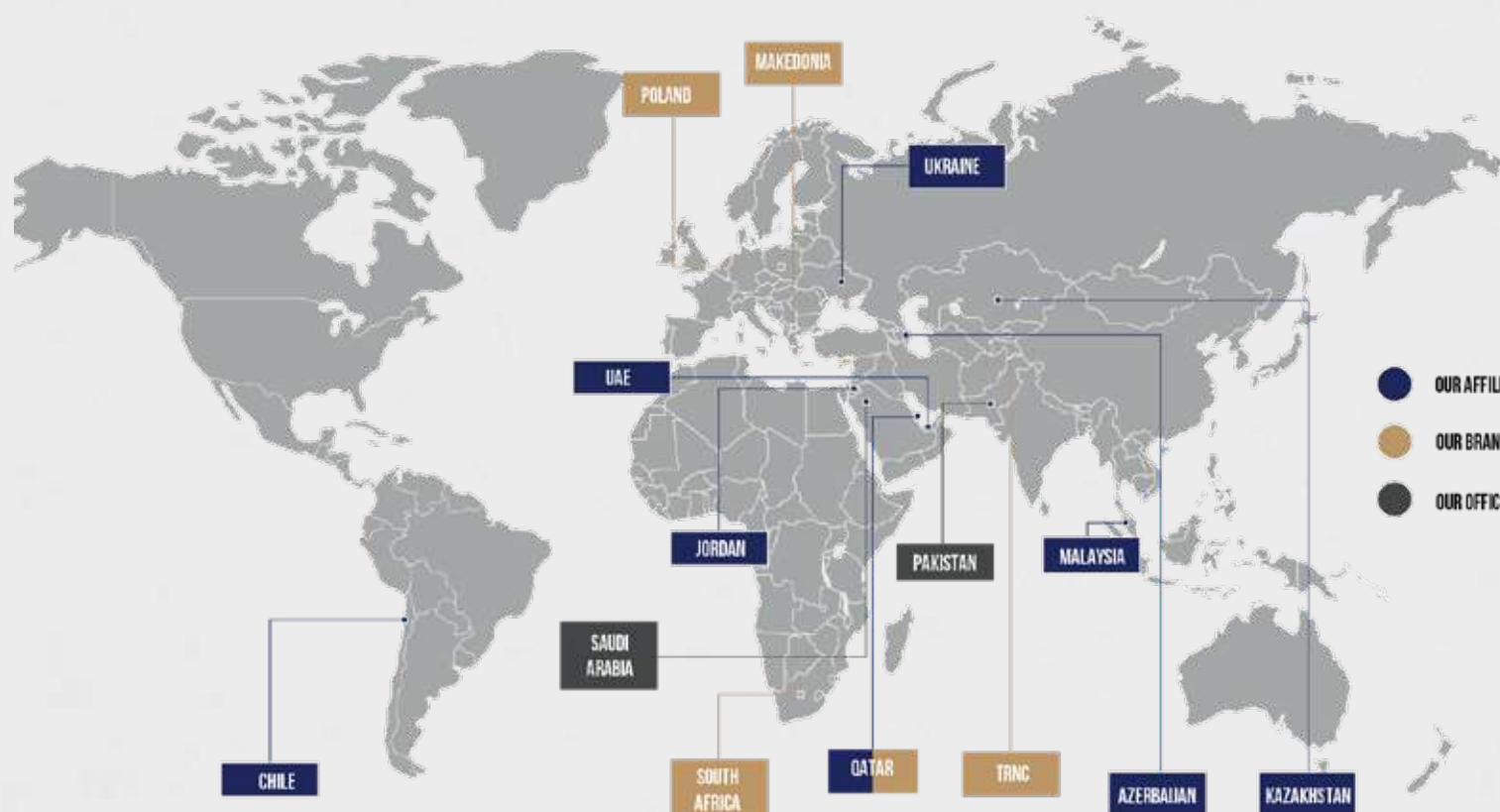
SİVAS

Share Amount: TRY 10.400.000

ASELSAN's Share Ratio (%): 80

Established in Sivas in 2014 in order to carry out R&D studies on optics, optical tools and optical devices for all kinds of ultraviolet, visible and near infrared bands and to realise the production and sales of such optical elements. 80% of the company capital is owned by ASELSAN.

GLOBAL AFFILIATES



ASELSAN BAKU

BAKU-AZERBAIJAN

Share Amount: AZN 1.601.978

ASELSAN's Share Ratio (%): 100

Established in 1998 with 100% participation of ASELSAN in order to work on the promotion, marketing and sales activities of military and civil communication devices.

ASELSAN MALAYSIA SDN. BHD.

KUALA LUMPUR-MALAYSIA

Share Amount: MYR 100

ASELSAN's Share Ratio (%): 100

Established in 2017 with the title ASELSAN Malaysian Sdn. Bhd., 100% of which is owned by ASELSAN, in order to operate in the field of remote-controlled weapon systems.

ASELSAN UKRAINE LLC.

KIEV-UKRAINE

Share Amount: UAH 8.410.730

ASELSAN's Share Ratio (%): 100

Established in 2020 with 100% participation of ASELSAN in order to carry out marketing and business development activities in Ukraine.

ASELSAN MIDDLE EAST PSC.**AMMAN-JORDAN**

Share Amount: JOD 1.225.000
ASELSAN's Share Ratio (%): 49

Established in 2012 with a 49% shareholding of ASELSAN and 51% shareholding of JODDB Investment Group (JIG) in order to carry out the design, production, development and marketing of night vision and thermal imaging devices to meet the needs of the Jordanian Armed Forces.

IGG ASELSAN INTEGRATED SYSTEMS LLC.**ABU DHABI-UAE**

Share Amount: AED 9.800.000
ASELSAN's Share Ratio (%): 49

Established in 2011 with the aim of manufacturing, testing and integration of ASELSAN products in the United Arab Emirates (UAE), sales and after-sales technical support in Gulf countries, primarily in the UAE, with ASELSAN holding 49% and IGG holding 51% of the shares.

ASELSAN LATİN AMERICA SpA.**SANTIAGO-CHILE**

Share Amount:-
ASELSAN's Share Ratio (%): 100

Established in 2024 to carry out business development and marketing activities.

ASELSAN TECHNOLOGIES LTD.**ABU DHABI-UAE**

Share Amount:-
ASELSAN's Share Ratio (%): 100

Established to carry out business development and marketing activities in the United Arab Emirates.

KAZAKHSTAN ASELSAN ENGINEERING LLP.**NUR-SULTAN-KAZAKHSTAN**

Share Amount: KZT 3.464.300.000
ASELSAN's Share Ratio (%): 49

Established in 2011 with the aim of producing, developing and carrying out maintenance and repair activities of electronic devices and systems in order to meet the military and civilian needs of Kazakhstan, with the participation of ASELSAN 49%, the Presidency of Defence Industries (SSB) 1% and Kazakhstan Engineering 50%.

BARQ QSTP LLC.**DOHA-QATAR**

Share Amount: QAR 480.000
ASELSAN's Share Ratio (%): 48

Established in 2018 with the participation of ASELSAN 48%, Barzan Holding 51% and SSTEK A.Ş. 1% in order to operate in the production, sales and marketing of command and control systems, thermal and night vision cameras, crypto, remote-controlled weapon systems.

OUR BRANCHES**ASELSAN SOUTH AFRICA BRANCH****PRETORIA - REPUBLIC OF SOUTH AFRICA**

Established in 2011 as a branch in order to operate in the fields of design of optical systems and promotion and marketing of ASELSAN products in South Africa and neighbouring countries.

ASELSAN BALKANS BRANCH**SKOPJE-MACEDONIA**

Established in 2014, the Branch carries out business development and marketing activities and works within the scope of Macedonia Corridor-10 Motorway Toll Collection System Project.

ASELSAN TRNC BRANCH**GÜZELYURT-TRNC**

Established as a branch in 2019 in order to provide and implement engineering solutions in accordance with the reform and measure strategy jointly determined by the Republic of Türkiye and the Turkish Republic of Northern Cyprus by creating an ecosystem of university and industry cooperation. As a Directorate affiliated to the UGES Energy Systems Directorate, the branch primarily works to carry out business development, design, maintenance-repair and on-site support activities of smart grid management systems to ensure the energy supply security of the TRNC.

ASELSAN QATAR BRANCH**DOHA-QATAR**

Established as a branch in 2021 to fulfill maintenance, repair and business development activities in Qatar.

ASELSAN POLAND BRANCH**WARSAW-POLAND**

Established in 2024 to carry out business development and marketing activities.

OUR OFFICES

- ASELSAN Saudi Arabia Office
- ASELSAN Pakistan Office

FACILITIES



MACUNKÖY FACILITY

INDOOR AREA 138.761 M²

TOTAL AREA 186.848 M²

It was established on a total area of 186,848 m², of which 138,761 m² is covered. The Head Office and the Communication and Information Technologies, Defence System Technologies, Transportation, Security, Energy, Automation and Health Systems Sector Presidencies are located in ASELSAN Macunköy Facilities.



AKYURT 1 FACILITY

AKYURT-1

INDOOR AREA 90.004 M²

LAND AREA 231.828 M²

It was established on a total area of 231,828 m², of which 90,004 m² is covered. Microelectronics Guidance and Electro-Optics Sector is located in ASELSAN Akyurt Facilities.



AKYURT 2 FACILITY

AKYURT-2

KAPALI ALAN 20.631 M²

ARSA ALANI 55.214 M²

It was established on a total area of 55,214 m² , of which 20,631 m² is covered. Microelectronics Guidance and Electro-Optics Sector is located in ASELSAN Akyurt Facilities.



GÖLBAŞI FACILITIES

GÖLBAŞI-1

INDOOR AREA 161.803 M²

LAND AREA 335.114 M²

GÖLBAŞI-2

INDOOR AREA 22.429 M²

LAND AREA 158.738 M²

GÖLBAŞI-3

INDOOR AREA 11.760 M²

LAND AREA 171.950 M²

In the facility located in Gölbaşı district of Ankara; Defence System Technologies Sector The Radar and Electronic Warfare Systems Sector, which carries out activities for radar and electronic warfare systems for land, air, naval, space and unmanned platforms. The facility is built on a total area of 665,802 m² , of which 195,992.75 m² is covered.



TEMELLI FACILITY

INDOOR AREA 28.536 M²
TOTAL AREA 381.730 M²

The facility is built on an open area of 381,730 m² and has a total closed area of 28,536 m². Some units belonging to the Defence System Technologies Sector and some test systems belonging to the Transportation, Security, Energy, Automation and Health Systems Sector are also located in ASELSAN Temelli facility.

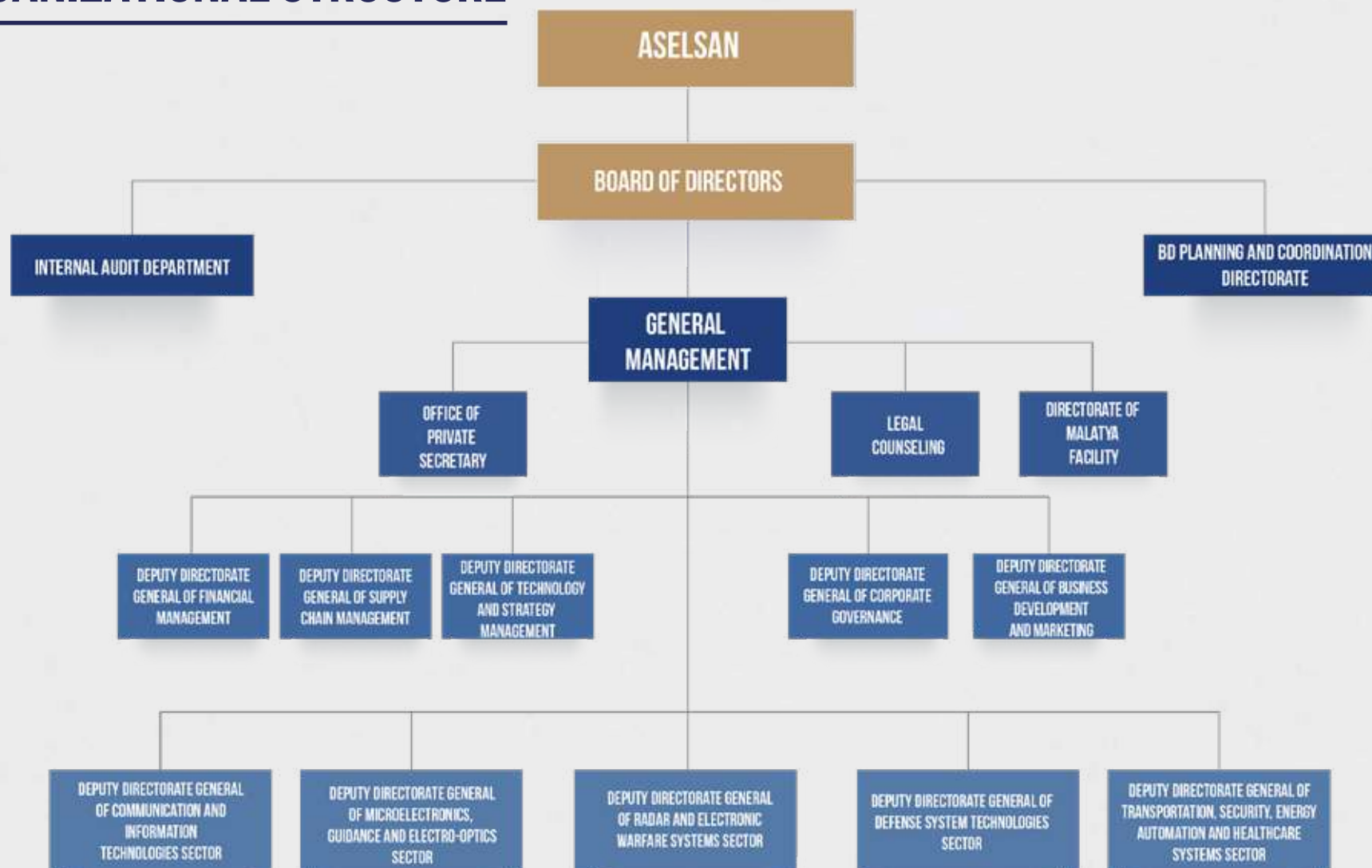


GÖLBEK FACILITY

TOTAL AREA: > 3.294.000 M²

Many tests and verification studies such as antenna performance, platform interaction, system effectiveness, directional accuracy, radar cross-sectional area are carried out at GölbeK facility.

ORGANIZATIONAL STRUCTURE



MAIN FINANCIAL INDICATORS

ASELSAN demonstrated a strong financial performance in 2023 and increased its total assets by TRY 5.8 billion.

BACKLOG (USD BILLION)

| | |
|------|------|
| 2023 | 10,9 |
| 2022 | 8,2 |

CASH GENERATED FROM OPERATIONS (TRY MILLION)

| | |
|------|--------|
| 2023 | 8.375 |
| 2022 | 12.044 |

NET SALES (TRY MILLION)

| | |
|------|--------|
| 2023 | 73.593 |
| 2022 | 66.860 |

EBITDA MARGIN (%)

| | |
|------|-----|
| 2023 | 22% |
| 2022 | 21% |

OPERATING PROFIT PER EMPLOYEE (TRY THOUSAND)

| | |
|------|-------|
| 2023 | 1.094 |
| 2022 | 1.060 |

EBITDA (TRY MILLION)

| | |
|------|--------|
| 2023 | 16.027 |
| 2022 | 14.040 |

CONDENSED BALANCE SHEET (TRY MILLION)

| | 2023 | 2022 |
|-------------------------|---------|---------|
| Total Assets | 150.578 | 144.803 |
| Tangible Fixed Assets | 23.730 | 18.455 |
| Intangible Fixed Assets | 12.148 | 9.131 |
| Total Equity | 88.380 | 80.806 |

CONDENSED INCOME STATEMENT (TRY MILLION)

| | 2023 | 2022 |
|---------------------------|--------|--------|
| Net Sales | 73.593 | 66.860 |
| EBITDA | 16.027 | 14.040 |
| Net Profit for the Period | 7.374 | 1.189 |

KEY INDICATORS

| | 2023 | 2022 |
|--|--------|--------|
| R&D Expenditures (TRY Million) | 19.488 | 9.995 |
| Operating Profit Per Employee (TRY Thousand) | 1.094 | 1.060 |
| EBITDA Margin (%) | 22% | 21% |
| Cash Generated from Operations (TRY Million) | 8.375 | 12.044 |
| Cash Deposits (TRY Million) | 6.610 | 9.371 |

SUSTAINABILITY PERFORMANCE

In 2023, ASELSAN realised total outsourced R&D expenditure amounting to TRY 16.695 million.

ECONOMIC VALUE CREATED

TOTAL REVENUE (TRY MILLION)

| | |
|------|--------------|
| 2023 | 73.593 |
| 2022 | 66.860 |
| | %10 Increase |

TOTAL ASSETS (TRY MILLION)

| | |
|------|-------------|
| 2023 | 150.578 |
| 2022 | 144.803 |
| | %4 Increase |

TOTAL EBITDA (TRY MILLION)

| | |
|------|--------------|
| 2023 | 16.027 |
| 2022 | 14.040 |
| | %14 Increase |

TÜRKİYE'S ONE OF THE LARGEST R&D CENTER

TRY 19.486 Million
Total R&D Expenditure

TRY 16.695 Million
Total Externally Funded R&D Expenditure

TRY 2.791 Million
R&D Expenditure from Total Equity

173 Patent Applications and 50 Registration Certificates in 2023

PROFESSIONAL CORPORATE GOVERNANCE APPROACH IN INTERNATIONAL STANDARDS

Corporate Governance Rating Score: 9,41
Ratio of Shares Traded on Borsa Istanbul: %25,80

COMPETENT AND DYNAMIC HUMAN RESOURCES

Competent and Dynamic Human Resources
Total Number of Employees: 10.518

Number of Talent-A Employees:

In the 2022-2023 period, 209 Talent-A employees started to work at ASELSAN. At the end of the period, 158 of the Talent-A employees were transferred to the staff and started to work as Engineer I / Assistant Specialist I.

In the 2023-2024 period, over 200 new Talent- A, selected from approximately 6000 applicants, joined the Company. In 2023, the Talent-A Program received the silver award in the "Recruitment Program Most Admired by Young People" category at the Youth Awards organized by Youthall.

BUSINESS CONTINUITY AND PRODUCTIVITY-ORIENTED OHS PRACTICES

Award from International British Safety Awards

One of the Leading Companies Transitioning to ISO 45001:2018 Standard in Türkiye

OHS Training Hours: 38.044

RESPONSIBLE MANAGEMENT APPROACH TO MINIMIZE ENVIRONMENTAL IMPACT

Net zero emission target for 2050

Score above the global and country average in CDP (Carbon Disclosure Project) Climate Change and CDP Water Reporting, Water Leadership in CDP Water Reporting

SOCIAL INVESTMENTS STRENGTHENED BY EMPLOYEE PARTICIPATION

Türkiye's most preferred vocational high school: ASELSAN Vocational and Technical Anatolian High School

SUSTAINABILITY PERFORMANCE

We recognise that for sustainable development, our growth processes must not only be economic and corporate, but also in the areas of environmental and social responsibility.

We prioritise our holistic sustainability approach in our operations and strategy in order to leave a more livable world for future generations with our sustainability approach focused on the environment and human value. Since 2021, we have been evaluating sustainability at the corporate level and determining our strategy with our risk and opportunity analysis.

We design our sustainability strategy in line with the United Nations Sustainable Development Goals. In this context, we motivate both our own processes and the ecosystem in which we operate, as well as all our stakeholders, and encourage them to work within the framework of the same plan. We aim to leave a livable world for future generations and to develop this world in a positive way through active participation and voluntary cooperation on the themes of society, economy and the world.

OUR ENVIRONMENTAL MANAGEMENT APPROACH

We are actively working on climate change management, water management, waste management, sustainable packaging, recycling and recovery, improving and developing our processes and establishing scope-specific collaborations in order to make nature cleaner and more habitable.

In 2021, with the decision of our General Manager, a Net Zero Emission target was set for 2050. While evaluating and analysing our fight against climate change as an economic and corporate opportunity in 2023 with our products such as our smart city systems and renewable energy solutions, we carried out valuable studies in 2023 within the scope of our 2050 net zero

emission target. While converting 25% of our passenger car fleet to electric vehicles, we set our target to meet the electricity of all our Ankara campuses from renewable energy. While realising our 10% net sales growth in 2023, we worked on our targets and projects for responsible production and consumption.



OUR SOCIAL RESPONSIBILITY APPROACH

We aim to make improvements in the communities where our campuses are located and in the working conditions of our employees and to find solutions to socioeconomic issues.

Within the scope of the cooperation between the Republic of Türkiye Ministry of National Education General Directorate of Vocational and Technical Education and ASELSAN in order to contribute to the training of qualified workforce needed by the defence industry, the first Vocational and Technical Anatolian High School in its field was established in Ankara in 2019. ASELSAN Vocational and Technical Anatolian High School is a unique school in its own lane with what it offers to its students both in education and after education. Through trainings and awareness raising activities, students are expected to understand the impacts of ecosystem health on human communities and act in a way that minimizes environmental impacts in their future careers. Thus, ASELSAN MTAL strengthens its aim to educate its students not only in a professional sense, but also as

leaders who are sensitive to global environmental issues.



OUR MANAGEMENT APPROACH

We undertake to maintain our corporate existence as our main duty and in this context, we focus on our work for our society and environment. We are actively working not only to sustain and develop our own economic existence, but also for the development of the ecosystem we are in, the subcontractors we work with and our stakeholders.

We support both the technological development and process improvements of our subcontractors and the creation of new business areas by young entrepreneurs through initiatives such as Power of One and the Entrepreneurship Centre.

Occupational safety, quality and productivity are the focal point of our company operations and an integral part of our work. In 2023, our company demonstrated another year of outstanding occupational safety performance and registered our success with international awards. While working for our new export contract amount of USD 601 million signed in 2023, we ensured decent work and economic growth with the projects we carried out within the scope of occupational safety, welfare and our value chain.



SUSTAINABILITY MANAGEMENT

In order to integrate our sustainability focus into all our fields of activity, we are progressing on our sustainability journey with the valuable work of ASELSAN employees and the leadership of our senior executives. The Sustainability Committee, consisting of our senior executives, is responsible for determining the policies, targets and implementation plans of sustainability studies in environmental, social and governance areas, carrying out, monitoring, auditing, developing and raising the sustainability level in line with the strategy. Sustainability approach is adopted as ASELSAN's cul-

ture and Sustainability Ambassadors take part in order to provide the gains needed in the studies to be carried out to step into the world of the future. Sustainability development processes are supported with the trainings given to the sub-working groups formed with Sustainability Ambassadors.

CORPORATE GOVERNANCE

In 2023, ASELSAN has carried its success to the top by making progress in corporate governance processes.

| OUR SHAREHOLDERS | SHARE AMOUNT (TRY) | SHARE RATIO (%) |
|------------------|-------------------------|-----------------|
| TAFF | 3.383.302.497,84 | 74,20 |
| Free Float | 1.176.697.502,16 | 25,80 |
| Total | 4.560.000.000,00 | 100,00 |

OUR SHAREHOLDERS

ASELSAN is a joint stock company of the Turkish Armed Forces Foundation (TAFF) and 74.20% of its shares are owned by TAFF. 25.80% of the shares are traded on the Borsa Istanbul (BIST).

CORPORATE GOVERNANCE

ASELSAN keeps the principles of fairness, transparency, responsibility and accountability of corporate governance, accelerating its steady growth and protecting the interests of its stakeholders at the center of its activities by paying attention to the sensitivity of the sector in which it operates. In order to carry its leadership in the national platform to the international arena, it continues its efforts to ensure full compliance with corporate governance and legal regulations without slowing down.

Adopting a "corporate sustainability" approach in order to fulfill its economic, managerial,

social and environmental responsibilities as a result of changing and evolving global conditions, our company continues to be both sustainable and to fully fulfill its responsibilities towards society by protecting its ethical values through its efforts in the field of corporate governance.

Adopting corporate governance as an indispensable principle, ASELSAN has been publishing a Corporate Governance Principles Compliance Report every year since 2004. Under the main headings of shareholders, public disclosure and transparency, stakeholders and board of directors within the scope of the Corporate Governance Principles regulated by the Capital Markets Board, the report covers in detail shareholders' rights, including minority rights, and general shareholders' meetings; dividend distribution policy, information policy, human resources and ethical principles; relations with stakeholders; corporate social responsibility; the structure, composition, operating principles and committees of the Board of Directors; risk management and internal audit.

Corporate Governance Principles Compliance Reports are published on the company's website (www.aselsan.com.tr) and in annual reports (as an annex).

ASELSAN's corporate governance rating rose to 9.41, reaching its historical peak.

In 2012, SAHA Kurumsal Yönetim ve Kredi Derecelendirme A.Ş. (SAHA) assigned ASELSAN a corporate governance rating of 8.77 out of 10 on 13 December 2012. This rating is the second best initial rating among the corporate governance ratings given in Türkiye. Since that date, our company's level of compliance with corporate governance principles has been evaluated annually by an independent rating agency and the corporate governance rating score has been updated.

The results obtained through the efforts carried out throughout 2023 to improve the corporate governance rating were evaluated by SAHA and our rating, which was 9.34 out of 10 on 09 December 2022, reached its historical peak by rising to 9.41 as of 08 December 2023. ASELSAN Corporate Rating Reports published by SAHA are available on our Company's website at www.aselsan.com.tr.

ASELSAN has been included in Borsa Istanbul's Corporate Governance Index since the date it received its first corporate governance rating.

The notes for 2022 and 2023 and the distribution of sub-headings are as follows:

| 2023 SCORE DISTRIBUTION | 2022 SCORE DISTRIBUTION |
|--|--|
| Shareholders: 89,59 / 100 | Shareholders: 89,59 / 100 |
| Public Disclosure and Transparency: 98,72 / 100 | Public Disclosure and Transparency: 98,72 / 100 |
| Stakeholders: 99,17 / 100 | Stakeholders: 99,17 / 100 |
| Board of Directors: 91,88 / 100 | Board of Directors: 89,82 / 100 |
| Average: 9,41/10 | Average: 9,34/10 |

ASELSAN'S MANAGEMENT STRUCTURE

ASELSAN Board of Directors

A Board of Directors consisting of nine members elected by the General Assembly in accordance with the Turkish Commercial Code and the Articles of Association.

The Board of Directors consists of nine members, three of whom are independent members.

Three committees, established in accordance with the corporate governance regulations of the Capital Markets Board, contribute to the healthy fulfilment of the duties and responsibilities of the Board of Directors at ASELSAN.

Committees Operating at ASELSAN

There are three committees established by the ASELSAN Board of Directors in accordance with the Corporate Governance Principles of the Capital Markets Board.

Audit Committee

The Committee consists of three independent members of the Board of Directors. The main duties of the Committee are to ensure public disclosure of financial information, to oversee the functioning and effectiveness of ASELSAN's accounting system, independent audit, internal audit and internal control system. Internal Audit Department reports directly to the Audit Committee and the Board of Directors. The Audit Committee meets at least four times a year.

Corporate Governance Committee

The Committee consists of three members of the Board of Directors. The chairman of the Committee is an independent member of the Board of Directors and the investor relations manager is also a member of the Committee within the framework of Capital Markets Board regulations. The Committee makes recommendations to the Board of Directors for the realisation of compliance with corporate governance principles and improvement activities. The Committee also oversees the activities of the Investor Relations department. The Committee convenes at least four times a year.

Due to the structure of the Board of Directors, no Nomination Committee and Remuneration Committee have been established at ASELSAN, and the duties and responsibilities of these committees are fulfilled by the Corporate Governance Committee.

Early Detection and Management of Risk Committee

Two members of the Board of Directors serve on the Committee established to identify the Company's strategic, operational, financial and external risks and to manage the risks identified in accordance with the Company's corporate risk-taking profile. The chairman of the Committee is an independent member of the Board of Directors. The Committee convenes at least six times a year and reports to the Board of Directors.

The principles regarding the formation, working, meeting and reporting principles of the committees at ASELSAN are determined by the Board of Directors.

Detailed information on ASELSAN's corporate governance structure, members of the

Board of Directors and committees can be found at www.aselsan.com.tr.

| AUDIT COMMITTEE | CORPORATE GOVERNANCE COMMITTEE | EARLY DETECTION AND MANAGEMENT OF RISK COMMITTEE |
|-------------------------------------|--|--|
| Ebru TÜMER* (Head of the Committee) | İsmail ARI* (Head of the Committee) | Sahil KUL* (Head of the Committee) |
| İsmail ARI* (Committee Member) | Ahmet YOZGATLIGİL (Committee Member) | Bekir BAYRAKDAR (Committee Member) |
| Sahil KUL* (Committee Member) | Mustafa Murat ŞEKER (Committee Member) | |
| | Pınar ÇELEBİ (Committee Member) | |

* Independent Board Member

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS



PROF. DR.ERCÜMEND ARVAS

ASELSAN CHAIRMAN OF THE BOARD OF DIRECTORS

ASELSAN, the leading company of national and independent technologies, continued to make the Turkish nation proud with new breakthroughs in the 100th anniversary of our Republic.

At ASELSAN, we have worked day and night to carry Türkiye to the top league of the global defence industry with products and systems developed with the motto 'technology that inspires confidence' in 2023.

By 2023, ASELSAN has become a global brand that exports its indigenous products, ranks 47th in the list of the world's top 100 defence industry companies, establishes partnerships in international markets by building new cooperation models, and invests in friendly and allied countries.

As ASELSAN, we have paved the way for nationalisation for our country. As Türkiye's technology leader, we have made a difference in the global market in 2023. We have become a company that maintains our sustainable growth, is preferred in all geographies, establishes strategic partnerships with friendly and allied countries, and inspires confidence.

While developing products with a high level of difficulty, we have developed systems that have never been produced in our country before, and whose procurement was problematic due to embargoes, with national resources. We have gained a strategic advantage in the international arena by producing products that are superior to their global counterparts. The confidence ASELSAN has gained in the international arena has also led to export successes. As ASELSAN has developed critical systems at sea, on land, in the air and in space, the interest of global users in ASELSAN products has increased.

Players in the global defence sector discussed concrete, result-based and large-scale projects with ASELSAN. In 2023, we continued to be Türkiye's national power in every field. In the coming period, we will continue to provide the highest inputs to our country's value-added export targets with the highly competitive solutions we offer to our users in Türkiye and abroad.

Within the scope of the vision of adaptation to innovative business models in the Turkish Century, we will adopt a constructive approach with our stakeholders and strive to strengthen the understanding that prioritises user satisfaction. While growing ASELSAN, we will also develop the defence industry ecosystem.

MEMBERS OF THE BOARD OF DIRECTORS



PROF. DR. ERCÜMEND ARVAS
CHAIRMAN OF THE BOARD OF DIRECTORS



ALPASLAN KAVAKLIOĞLU
VICE CHAIRMAN OF THE BOARD OF DIRECTORS



DR. İSMAİL ARI
INDEPENDENT MEMBER OF THE BOARD OF DIRECTORS



BEKİR BAYRAKDAR
MEMBER OF THE BOARD OF DIRECTORS



SALİH KUL
INDEPENDENT MEMBER OF THE BOARD OF DIRECTORS



MUSTAFA MURAT ŞEKER
MEMBER OF THE BOARD OF DIRECTORS



PROF. DR. EBRU TÜMER
INDEPENDENT MEMBER OF THE BOARD OF DIRECTORS



PROF. DR. AHMET YOZGATLIGİL
MEMBER OF THE BOARD OF DIRECTORS

PROF. DR. ERCÜMEND ARVAS

CHAIRMAN OF THE BOARD OF DIRECTORS

Prof. Dr. Ercümend ARVAS was born in 1953 in Van. He completed his undergraduate and postgraduate program in Middle East Technical University Electrical Engineering Department and doctoral program in Syracuse University in 1983 in New York, United States. He earned Associate Professor title in 1988 and Professor title in 1994. Prof. Dr. Ercümend ARVAS worked as an assistant professor at Yıldız University in between the years 1983-1984, at Rochester Institute of Technology in between the years 1984-1987 and at Syracuse University in between years 1987-1988. He continued his academic career as an associate professor doctor at Syracuse University in between the years 1988-1994 and as a professor at the same university in between the years 1994-2014. In addition, he served as the CEO at MOREN Ent. in between the years 1992-1994. He served as a consultant of Air Force Office of Scientific Research, Digital Equipment Co., Philips Broadband, RIT Research Corp, Syracuse Research Corp, ANAREN Microwaves Inc., General Electric Co and TÜBİTAK. He has been serving as a professor of Medipol University Electrical-Electronics Engineering Department since November 2014. His articles, proceedings, books and book sections were represented and published in a large number of national and international congresses, conferences and symposiums. Prof. Dr. Ercümend ARVAS served as an Independent Board Member of ASELSAN from the Ordinary General Assembly Meeting held on March 31, 2016 until the Ordinary

General Assembly Meeting held on May 25, 2022. Prof. Dr. Ercümend ARVAS has been serving as a member of the Board of Directors and Chairman of the Board of Directors since the Extraordinary General Assembly Meeting held on September 22, 2023.

ALPASLAN KAVAKLIOĞLU

VICE CHAIRMAN OF THE BOARD OF DIRECTORS

Alpaslan KAVAKLIOĞLU was born in Niğde in 1962. He completed his, secondary and high school education at Bor Şehit Nuri Pamir High School. He has Bachelor's degree from Ankara University Faculty of Political Science Department of Business Administration in 1985. Beginning with a district governor nominee in Tunceli in 1986, he has served in governorships of Ankara/Şereflikoçhisar, Tokat/Artova, Gaziantep/Araban, Adıyaman/Besni, Denizli/Serinhisar, Kayseri/Yahyalı. He served as Deputy Governor in Erzincan in the 1992 earthquake and in Sakarya in the 1999 Marmara earthquake. He has worked as Head of Department of Ministry of Interior and as a Legal Consultant between the years 2000-2002. He was Prime Ministry Türkiye Emergency Management Vice President in between the years 2003-2008. He has participated in long-term training programs in Japan on disaster management, regional development and restructuring, community development in Taiwan. He has served as the President of the Prime Ministry Security Affairs between the years 2008-2011. He is still serving as a 58th Period National Security Academy Director. Then he was elected as a Member of Parliament of Niğde for 24th -25th -26th term in between the years 2011-2018.

Mr. KAVAKLIOĞLU is a member of Parliamentary Affairs Commission Member (spokesman), National Defense Commission Member (spokesman), 2 Term Parliamentary Security and Intelligence Committee Chairman, 2 Period Türkiye - Japan Parliamentary Friendship Group Head, Central InterParliamentary Union of Turkish Group, which is centered in Geneva. He was serving as a Deputy Secretary General of the AK Party and Vice President of Local Governments. He is still a member of the Board of Directors of Turkish Parliamentarians Union and the chairman of the Board of Directors of ASFAT. Mr. KAVAKLIOĞLU was appointed as Deputy Minister of National Defense by the Presidential Decree dated August 09, 2018 and numbered 2018/91. On June 22, 2023, he was reappointed to his position by Presidential Decree No. 2023/308. He has been a Member of the Board of Directors of ASELSAN since the Ordinary General Assembly Meeting held on April 26, 2019. He has been serving as the Vice Chairman of the Board of Directors since the Board of Directors Meeting held on June 30, 2021.

DR. İSMAİL ARI

INDEPENDENT MEMBER OF THE BOARD OF DIRECTORS

Dr. İsmail ARI was born in 1977. In 1998, he graduated from Boğaziçi University, Department of Electrical and Electronics Engineering. He received his master's degree in Computer Science and Electrical-Electronics from the University of Maryland Baltimore County in 2001 and his Ph.D. in Computer Science from the University of California Santa Cruz in 2004. ARI worked at Hewlett Packard in Califor-

nia between 2004-2009 and Havooz ICT LTD., where he was a co-founder, between 2010-2015. Between 2013-2020, he served as a Deputy General Manager and Science Board member of Teknopark İstanbul, and between May - September 2018, he served as the Vice President and Science Board member of TÜBİTAK. Prof. Dr. İsmail ARI continues to serve as a Board Member in TÜBİTAK SAGE and ÜSİMP University-Industry Collaboration Centers Platform and as a referee, auditor and jury member in TÜBİTAK, Turkish Patent and Trademark Office, KOSGEB and European Union Programs. In 2009, he started working as a faculty member at Özyeğin University, Department of Computer Engineering. As a result of his academic studies in the field of Computer Engineering, he has completed numerous grant projects and university-industry collaboration projects. He carries out knowledge, technology transfer and entrepreneurship activities that contribute to Özyeğin University's ranking among the Top10 in the TÜBİTAK Entrepreneurial and Innovative University Index. Dr. İsmail ARI has been serving as an Independent Board Member of ASELSAN since the Extraordinary General Assembly Meeting held on September 22, 2023.

BEKİR BAYRAKDAR

MEMBER OF THE BOARD OF DIRECTORS

Bekir BAYRAKDAR was born in 1971 in Kocaeli. In 1995, he graduated from İstanbul University, Faculty of Political Sciences, Department of International Relations. Mr. BAYRAKDAR served as Assistant Account Expert and Account Expert at the Board of Account Specialists between 1996-2004, as acting Deputy Treasurer, acting Revenue Administration Group Manager and acting Head of Tax Office at Kocaeli Tax Office between 2004-2008, as Treasurer at İstanbul Treasury Office between 2008-2014, as General Manager at the General Directorate of Accounting between 2014-2015, and as Head of Tax Office at İstanbul Tax Office between 2015-2019. Since 2019, he has been working at the Revenue Administration as the Commissioner of the Revenue Administration. Bekir BAYRAKDAR served as a member of the Board of Directors at Sakarya Elektrik Dağıtım A.Ş. between 2008-2010, Anadolu Yakası Elektrik Dağıtım A.Ş. between 2010-2014, ADABANK A.Ş. between 2014-2019, and TAKASBANK A.Ş. between 2019-2023. As of 2023, he started to serve as a member of the Central Bank Audit Board. Mr. BAYRAKDAR holds a Chartered Accountant certificate and an Independent Auditor license. Bekir BAYRAKDAR has been serving as a member of the Board of Directors of ASELSAN since the Extraordinary General Assembly Meeting held on September 22, 2023.

SALİH KUL

INDEPENDENT MEMBER OF THE BOARD OF DIRECTORS

In 1984, he graduated from the Department of Electrical and Electronics Engineering, the Turkish Military Academy as a Communications Lieutenant. Following several local and international responsibilities, Kul worked as commander of the First Army Kul, who served as the Battalion Commander of the Army Communication Regiment's Army Regional Communication System Battalion and TASMUS Battalion, organized the activities for the establishment of the TASMUS Battalion after the abolition of the Army Regional Communication Battalion and chaired the Ministry of National Defense Inspection Commission Committee during the inventory of TASMUS systems. From 2006 to 2012, he served as the Branch Manager, Erkan Head, and Electronics Regiment Commander at the General Staff Electronic Systems Command. Following these assignments, Kul was appointed as an Inspector in the Ministry of National Defense's Inspection Department for one year and was promoted one year early due to his professional achievements. He was appointed Head of the Communication Electronic Systems Department at the Ground Forces Command in 2013, from which he retired on August 30, 2015. At ASELSAN's Ordinary General Assembly Meeting on April 26, 2019, he was elected to the Board of Directors.

MUSTAFA MURAT ŞEKER

MEMBER OF THE BOARD OF DIRECTORS

Mustafa Murat ŞEKER was born in 1968 in Kayseri. He graduated from the Department of Electrical and Electronics Engineering at METU in 1992, and started his career at the Undersecretariat of Defense Industries in the same year. After working as Assistant Specialist and Specialist in projects such as MEBS, Radar, Electronic Warfare, Satellite Communication, Helicopter and Aircraft Modernization, he was appointed as Project Manager to Radar and Satellite Projects group in 2002. With this title, he managed GÖKTÜRK project, Türkiye's first reconnaissance and surveillance satellite. He was appointed as the Head of Marine Vehicles Department in 2011 and carried out extensive and large projects such as MILGEM and New Type Submarine. In 2014, he was appointed as the Head of Electronic Warfare and Radar Systems Department. He has coordinated the management of more than fifty projects, including the Early Warning Radar and Stand-off Jammer projects. In 2015, He was appointed as the Deputy Undersecretary in 2015 and still serves as the Vice President of Defense Industry Agency responsible for Electronic Warfare and Radar, MEBS, Cyber Security and Informatics, Land Vehicles and Operational Support. He served as Member of the Board of Auditors at MİKES and HEAŞ companies between 2010-2013, and as Chairman and Member of the Board of Directors of ASELSAN between 2013-2020 and as Chairman of the Board of Directors of HAVELSAN. He served as the Chairman of the Board

of Directors and a Member of the Board of the Turkish Accelerator and Radiation Laboratory (TARLA) in 2021. Mustafa Murat ŞEKER has been serving as a Member of the Board of Directors since ASELSAN Ordinary General Assembly Meeting dated 29 June 2021. At the same time, he is the Deputy Chairman of the Board of Ankara Space Aviation Specialized OIZ and SSTEK. Mustafa Murat ŞEKER, who is married and has two children, has a good command of English.

PROF. DR. EBRU TÜMER**INDEPENDENT MEMBER OF THE BOARD OF DIRECTORS**

Ebru TÜMER was born in Adana in 1973 and completed all her education there until her university education. She completed her undergraduate education at Istanbul University, Faculty of Economics, Department of Economics in 1994, and started her graduate education at Gebze Institute of Technology in the same year. TÜMER started to work as a research assistant in the same university in 1996 and received the title of Doctor in 2002 by completing her Ph.D. in Business Administration. For a certain period of her graduate education she has been at Northeastern University in the USA for academic research. TÜMER received the title of Associate Professor in 2009, and became a Professor in 2015. She has been working as a Marketing Professor at the Gebze Technical University (GTU), Faculty of Business Administration. Her expertise and research interests lie in the area of strategic marketing management, sustainable and social marketing, integrated marketing communication, strategic brand management, and consumer behavior. Professor TÜMER published numerous papers in international journals including high-impact journals such as Journal of Business Research. Besides, she contributed the Turkish literature by national papers. Professor TÜMER also wrote chapters in some national and international books and participated in a large number of national and international scientific conferences. She currently lectures

on the undergraduate, Masters and Ph.D. level courses and teaches marketing management, marketing communication, and consumer behavior. In addition to her work in the field of marketing, Professor TÜMER leads various activities within GTU to develop the entrepreneurship ecosystem. In this regard, she worked as a coordinator in the project "Creation and Execution of Entrepreneurship Certificate Programs in Universities" within the scope of Capacity Building for Innovation and Entrepreneurship Grant Programme supported by TÜBİTAK. Besides, since 2018, Professor TÜMER has been the member of TOBB Kocaeli Women Entrepreneurs Council. Recently, within the scope of sustainability research, she has been coordinating a research project titled "Exploring the Barriers to Individual Recycling Behavior" which is supported by the TÜBİTAK 1001 program. During certain periods of her career, she held various administrative positions in GTU, such as Dean of Faculty of Business Administration, Associate Dean of Faculty of Business Administration, University Board Member, University Senate Member, Academic Promotion and Evaluation Board Member, Human Research Ethics Committee Member, Social Sciences Institute Board Member. Prof. Dr. Ebru TÜMER has been serving as an Independent Member of Board of Directors since the Extraordinary General Assembly Meeting held on September 22, 2023. Professor TÜMER, who speaks English fluently, has two children.

PROF. DR. AHMET YOZGATLIGİL**MEMBER OF THE BOARD OF DIRECTORS**

Prof. Dr. Ahmet YOZGATLIGİL was born in 1975, completed his undergraduate and graduate studies at METU Mechanical Engineering Department and his Ph.D. in energy at Drexel University, USA in 2005. He continued his studies as a faculty member at the University of Maryland in USA and as a researcher at the National Institute of Standards and Technology. In 2007, he joined the Department of Mechanical Engineering at Middle East Technical University as a faculty member. He became Associate Professor in 2014 and Professor in 2019. He has been a visiting researcher at NASA Glenn Research Center, NIST and Argonne National Laboratory in USA, JAMIC (Japan Microgravity Center) in Japan and CNRS in France, where he worked on engine technologies and combustion. Prof. Dr. Ahmet YOZGATLIGİL served as the Vice Rector responsible for research, innovation and internationalization at METU between 2016-2020 and as the Vice Chairman of the Board of Directors of METU Teknokent. He served as the chairman of the board of directors and center director at Izmir Biomedicine and Genome Center, and as a board member at METU MEMS Center and TÜBİTAK UZAY. He served as Vice President of TÜBİTAK and President of TÜBİTAK Marmara Research Center. YOZGATLIGİL also served as the President of the 47 membered EUREKA network, headquartered in Brussels, until

June 2023. Prof. Dr. Ahmet YOZGATLIGİL was appointed as Deputy Minister of Ministry of Industry and Technology on June 22, 2023. Prof. Dr. Ahmet YOZGATLIGİL has been serving as a Member of Board of Directors of ASELSAN since the Extraordinary General Assembly Meeting held on September 22, 2023. YOZGATLIGİL, who is married with two children, has a good command of English.

MESSAGE FROM THE CEO



AHMET AKYOL

ASELSAN CEO

The year 2023 had a special meaning for all of us as it was the 100th anniversary of the Republic of Türkiye. Despite the great earthquake disaster we experienced, I believe that we, as a country, attained great works worthy of our Republic in 2023.

As ASELSAN, we were one of the organisations that completed 2023 in the most successful way. We have introduced many new and critical technologies to our country and our military. Weapon Detection Radar, CENK, AKREP and ALPER Radars, YENER Mine Detection System, ASELFLIR 400 Camera, GÖZDE Guidance Kit, GÖKDENİZ Air Defence System are only a small part of the products that entered the inventory for the first time in 2023.

2023 was also a year in which we made significant progress and achievements in products such as the ASELFLIR 500, SİPER, DÜFAS, MURAD Aircraft Nose Radar and TOLUN which we think will play a game-changing role. In many of these products, we have successfully completed the test phases, and in some of them we have entered the mass production phase. At the end of February, we made the first delivery of the ASELFLIR 500.

2023 was also a year in which ASELSAN achieved significant success in exports. We exported to 4 countries for the first time. We exported more than 20 products for the first time. We equipped many platforms, which are a source of pride for Türkiye and are also exported abroad, with ASELSAN technologies. Especially with the tank moderni-

zation tender we won in Chile, on the other side of the world, we proved ASELSAN's competence in this field. In 2023, we signed export contracts that worth 601 million dollars and achieved a historic success.

In 2023, we ranked 47th among the world's one of the largest defence companies, and we expect to strengthen our position in the list this year. We took the lead among Türkiye's companies with the highest R&D expenditure. In this year, the number of our employees exceeded 10,000 for the first time, and today it has exceeded 10,500, which is another development that shows the level ASELSAN has reached.

The achievements I have briefly mentioned here never satisfy us. On the contrary, it motivates us to do more. As a company of nearly half a century, we have succeeded in becoming one of the institutions that marked the first century of our Republic. With the technologies we will develop, we will continue to be one of the most important actors of the Turkish Century and one of the most valuable stakeholders of our National Technology Movement.

At ASELSAN, our vision is clear: By the end of 2030, we will be one of the 30 largest defence industry companies in the world. In order to achieve this vision, we will realise three main achievements. First, we will make the best products in their field. Second, we will develop game-changing technologies. Finally, we will adopt an export-oriented growth strategy.

SENIOR MANAGEMENT



AHMET AKYOL
CEO



YUNUS POYRAZ
VICE PRESIDENT, CHIEF FINANCIAL OFFICER



MEHMET ARTAR
VICE PRESIDENT, CORPORATE GOVERNANCE



NUH YILMAZ
VICE PRESIDENT, SUPPLY CHAIN MANAGEMENT



TAHA YÜCEL
VICE PRESIDENT, TECHNOLOGY AND STRATEGY MANAGEMENT



ÖZGÜR TAYLAN SARI
VICE PRESIDENT, BUSINESS DEVELOPMENT AND MARKETING



MUSTAFA YAMAN
VICE PRESIDENT, COMMUNICATION AND INFORMATION TECHNOLOGIES



MURAT KARATAŞ
VICE PRESIDENT, MICROELECTRONICS, GUIDANCE AND ELECTRO-OPTICS



DR. M. MUSTAFA AKKUL
VICE PRESIDENT, RADAR AND ELECTRONICS WARFARE SYSTEMS



ZEKERİYYA ŞAHİN
VICE PRESIDENT, DEFENCE SYSTEMS TECHNOLOGIES



PROF.DR. MEHMET ÇELİK
VICE PRESIDENT, TRANSPORTATION, SECURITY, ENERGY, AUTOMATION AND HEALTHCARE SYSTEMS

AHMET AKYOL

CEO

Ahmet Akyol, who was born in İzmit in 1982, completed his military service as an ensign in 2006-2007. Between 2007 and 2022, Ahmet Akyol held various positions such as engineer, manager, consultant, Board Member and Deputy Chairman at the Ministry of Science, Industry and Technology, Ministry of National Defence, TÜBİTAK, HAVELSAN and QUANTUM3D. He continued to serve as the Head of the Communication, Electronics and Information Systems (MEBS) Department of the Defence Industry Agency, where he was appointed in 2018, for three years. In 2021-2022, he served as the Head of the Electronic Warfare and Radar Systems (EHRS) Department at the Defence Industry Agency. During his tenure, he assumed responsibility for a large number of critical defence industry projects. After his duties at the Presidency of the Defence Industry he was appointed as the Deputy General Manager of ASELSAN and the President of the Microelectronics, Guidance and Electro-Optics (MGEO) Sector by the decision of the ASELSAN Board of Directors in June 2022. As of 22 June 2023, he was appointed as the CEO by the decision of the Board of Directors. Akyol, who continues to be a member of the Board of Directors of TÜBİTAK-SAGE and a member of the Sensor and Electronic Panel of the NATO Science and Technology Organization (STO) representing our country. Ahmet AKYOL, who is married and has three children, can speak English.

YUNUS POYRAZ

VICE PRESIDENT, CHIEF FINANCIAL OFFICER

Yunus POYRAZ was born in Nevşehir in 1983. Having completed Kayseri Science High School in 2001, POYRAZ completed his undergraduate education in Bilkent University Industrial Engineering Department in 2006 and his master's degree in Advanced Finance and Management from Columbia University in 2018. He started his career at the Undersecretariat of Treasury and worked in the Strategy Development Department between 2006-2010, and in the General Directorate of State Owned Enterprises between 2010-2013. Between 2013 and 2014, he worked as a Consultant at the OECD General Directorate of Trade and Agriculture in France. In 2014, he started to work again in the General Directorate of State Owned Enterprises at the Undersecretariat of Treasury. Between 2018 and 2021, he held various positions at the Central Bank of the Republic of Turkey, such as advisor, director, deputy executive director. He joined ASELSAN family as Finance Director in May 2021 and was appointed as the CFO and Vice President, effective from 6th March 2023. Yunus POYRAZ is fluent in English. He is married and has one child.

MEHMET ARTAR

VICE PRESIDENT, CORPORATE GOVERNANCE

Mehmet ARTAR was born in 1969. He graduated from the Turkish Army's Military School in 1990, from the Military Academy in 2001, and from the Armed Forces Aca-

demy in 2004. Between 1990 and 2010, he served as headquarters officer and commander in various headquarters and units of the Gendarmerie General Command. He served as the Provincial Gendarme Commander in Erzincan between 2010-2012 and in Istanbul between 2012-2014. He was promoted to the rank of Brigadier General in 2014. He served as the Head of the Public Security Department at the Gendarmerie General Command Headquarters between 2014-2016, and the Ankara Provincial Gendarmerie Commander between 2016- 2018. He retired in September 2018 and joined the ASELSAN family in November of the same year. On March 1, 2019, he was appointed as the Support Services Director within the Corporate Governance Vice Presidency. He was appointed as the Vice President of Corporate Governance, at the Board of Directors meeting on 18 July 2023. He is married, has two children and speaks English.

NUH YILMAZ

VICE PRESIDENT, SUPPLY CHAIN MANAGEMENT

Nuh YILMAZ was born in Kırşehir in 1975. He graduated from Dokuz Eylül University Faculty of Law in 1997. He received his master's degree from Başkent University Business Administration Department. He began his professional career at Banking sector in 1997 as an Internal Auditor. After 8 years of experience as an Internal Auditor, he worked as Manisa Regional Manager, Bursa Regional Manager and Istanbul Anatolian Side Regional Manager. In this period, he has taken part in many projects in the fields of Commercial and Individual Marketing; Communication and Customer Management and has given training and

seminars for sector employees. He has 1 book published in the category of banking and customer management and articles published on Participation Banking. After 17 years of banking experience, he started to work as a Business Development Manager at TÜBİTAK Marmara Research Center in 2015. He carried out business development, strategic business partnership development and proposal preparation activities for more than 200 projects of 7 Institutes within the Center. In addition to this duty, he also coordinated the Corporate Communication activities of the Center. He was appointed as Vice President of TÜBİTAK, TEYDEB (Technology and Innovation Funding Programmes Directorate) in 2018, . During his duty, he took part in the coordination of TÜBİTAK R&D Support Program, University Industry Support Program, Technology Transfer Offices Support Program, Venture Capital Support Program and Project Markets Support Programs. He joined ASELSAN family in September 2018; In December of the same year, he was appointed as Finance Director under the Financial Management Vice Presidency. He was appointed as the Vice President of Supply Chain Management with the resolution of the ASELSAN Board of Directors dated March 30, 2021. He is married with one child and fluent in English.

TAHA YÜCEL

VICE PRESIDENT, TECHNOLOGY AND STRATEGY

MANAGEMENT

Taha YÜCEL was born in İstanbul in 1971. In 1993, he graduated from Bilkent University, Department of Electrical-Electronics Engineering with a high honor degree. In 1996, he completed his thesis related to digital terrestrial broadcasting planning and earned his master's degree (MScEEE) and received the degree of Engineer MSc. In 1998, received an MBA degree from Başkent University with the highest rank of the program. Until 1998, he worked as a technical audit supervisor in Radio and Television Supreme Council (RTÜK) and worked in Turkey Frequency Planning, Regulation Preparation and Allocation Commissions and Radio and Television Standards Preparatory Commission within the body of TSE. He worked as Technical Assistant General Manager at TGRT between 1998-2005 and acted as TGRT General Manager for one year. Until 2005, he was the Chairman of the Technical Commission of the Television Broadcasters Association. Taha YÜCEL was elected as a Member of the Radio and Television Supreme Council by the General Assembly of the Grand National Assembly of Turkey in 2005. In 2011, he was elected as a member of the Radio and Television Supreme Council for the second time, by getting 460 of the 476 votes valid by the General Assembly of the Grand National Assembly of Turkey. He was elected as the Deputy Chairman of the Radio and

Television Supreme Council on March 15, 2011. He was unanimously elected as the Deputy Chairman at the RTÜK meeting on July 19, 2011. He was appointed as the Vice President of ASELSAN at the Board of Directors meeting dated September 26, 2017. While he was serving as Assistant General Manager and UGES Sector President at ASELSAN, he was elected as a member of the Radio and Television Supreme Council for the third time as a result of the election held on October 16, 2017 in its 8th meeting. He was appointed as Vice President of Technology and Strategy Management as of July 1, 2022 at the ASELSAN Board of Directors Meeting dated June 28, 2022. He is married, has three children and speaks English.

ÖZGÜR TAYLAN SARI

VICE PRESIDENT, BUSINESS DEVELOPMENT AND MARKETING

Taylan SARI was born in 1977 in Usak, Turkey. He graduated from the Middle East Technical University Mechanical Engineering Department in 2001. He received his master's degree from Northeastern University, Boston, MA, USA with full scholarship in 2003 with several scientific publications in his field. During his masters degree education, he also served as a researcher at Northeastern University. Taylan SARI, who began his professional career in ASELSAN as a Design Engineer in 2004, served as Team Leader between 2007-2009 in the Mechanical Design Department and as Senior Project/Prog-

ram Manager between 2009-2017 in the department of Air and Missile Defense Programs. He managed multi-national defense programs within the same department. He was appointed as the General Manager of ASELSAN MIDDLE EAST, based in Jordan, a Joint Venture Company of ASELSAN Turkey and Jordan Design and Development Breau (JODDB) with the Board of Directors decision dated 29 November 2017 and served in this position from January 2018 to September 2023. He was appointed as the Vice President of ASELSAN responsible for Business Development and Marketing with the resolution of the ASELSAN Board of Directors dated 15 August 2023. Taylan SARI, who is married and has one child, can speak English fluently.

MUSTAFA YAMAN

VICE PRESIDENT, COMMUNICATION AND INFORMATION TECHNOLOGIES

Mustafa Yaman was born in Ankara in 1975. He graduated from the Middle East Technical University, Department of Electrical and Electronics Engineering in 1997. He completed his master's degree in Ankara University Electronics Engineering Department in 2005. He started his career as a Candidate Engineer at ASELSAN in 1996, and later worked as an Engineer and Technical Leader. Between 2008 and 2014, he worked as Radar System Engineering Manager in the Radar and Electronic Warfare Systems Sector Presidency. After working as Radar System Engineering Di-

rector between 2014-2017, he served as Radar Program Director between 2017-2022. Apart from ASELSAN, he acted as a referee in TÜBİTAK KAMAG projects. He was appointed as Vice President of Communication and Information Technologies in the Board of Directors meeting dated June 28, 2022, to be effective by July 1, 2022. He is married, has three children, and speaks fluently English.

MURAT KARATAŞ

VICE PRESIDENT, MICROELECTRONICS, GUIDANCE AND ELECTRO-OPTICS

Murat KARATAŞ was born in Çanakkale in 1977. In 2000, he graduated from Middle East Technical University, Department of Electrical and Electronics Engineering. He started his professional career as a Candidate Engineer at ASELSAN in 2000. Between 2000 and 2008, he played important roles in different projects as an Electronic Design Engineer, and in 2008 he transferred to the Systems Engineering Department. Between 2008-2014, he served as system engineer and technical manager of critical air defense projects. In 2014, he was appointed as the Program Director of Air Defense Gun and Smart Munition Systems. After serving until 2018, he was appointed as the Air and Missile Defense Systems Program Director responsible for all air defense projects. On 19.01.2024, he was appointed as the Vice President of Microelectronics, Guidance and Electro-Optics Sector with the decision of ASELSAN Board of Directors. Murat KARATAŞ is married and has two children.

DR. M. MUSTAFA AKKUL**VICE PRESIDENT, RADAR AND ELECTRONIC WARFARE SYSTEMS**

Dr. Mustafa AKKUL was born in Karaman in 1967. He completed his BSc, MSc and PhD studies in Electrical and Electronics Engineering at Middle East Technical University in 1989, 1992 and 1999. He started his career at ASELSAN as a Candidate Engineer in 1988. He served as RF and Microwave Design engineer, Principal Engineer and Technical Leader between 1989-2001. Between 2001 and 2007, he worked in a private company in United Kingdom, first as a Principal Design Engineer and then as an Engineering Manager. After rejoining ASELSAN family in 2007, he held various positions within REHIS Sector in the following chronological order: Microwave Design department manager between 2007 and 2014, Radar Program Director between 2014-2017, Radar Systems Group Head between 2017-2019 and Radar System Engineering Director between 2019-2022. He was appointed as Vice President of Radar & Electronics Warfare Systems in the Board of Directors meeting dated June 28, 2022, to be effective by July 1, 2022. He is married and has two children.

ZEKERİYYA ŞAHİN**VICE PRESIDENT, DEFENCE SYSTEMS TECHNOLOGIES**

Zekerıyya Şahin was born in Trabzon in 1983. In 2005, he graduated from Bilkent University, Department of Electrical and Electronics Engineering. He completed his master's degree in Underwater Acoustics at Bilkent University Electrical and Electronics Engineering in 2008. In 2005, he started his career at ASELSAN as a Candidate Engineer and worked as Electronic Design Engineer, System Engineer and Technical Manager in different projects. He served as Torpedo and Torpedo Countermeasure Systems Program Manager between 2014-2019, Electronics and Software Design Director between 2019-2021, and Naval Systems Program Director between 2021-2024. On 19.01.2024, with the decision of the Board of Directors, he was appointed as Vice President of Defense System Technologies Sector Presidency. He is married with four children and speaks English fluently.

PROF.DR. MEHMET ÇELİK**VICE PRESIDENT, TRANSPORTATION, SECURITY, ENERGY, AUTOMATION AND HEALTHCARE SYSTEMS**

Prof. Dr. Mehmet ÇELİK was born in 1965. He graduated from Mechanical Engineering Department of Middle East Technical University (Turkey) in 1989. He obtained his M.Sc. and PhD degrees in Mechanical Engineering from the same department in 1991 and 1997, respectively. During that

time, he worked as a teaching assistant. In 1995-1996, he studied as a research scientist at the Ohio State University. During 1998-2010 he worked in the industry as the manager of Mechanical Analysis and Test Unit and as a Senior Lead Design Engineer within ASELSAN MST/REHIS. In 2003 he completed his habilitation for the title of Associate Professor Degree in Mechanical Engineering. From 2003 to 2013, he served as a board member of the working group under the NATO-RTO "Applied Vehicle Technology" and "Sensors and Electronics Technology". In 2010 he was appointed as a full professor at KTO Karatay University. He served as the Head of the Department of Mechatronics and Mechanical Engineering Department, Bologna Coordination Commission Chairman, Vice Dean and Director of the Institute of Science at this university. He served as a Project Evaluation Committee Member in KOSGEB "Research, Development, Innovation and Industrial Application Support Program" and as Academic Member in several TUBITAK project juries. He also served as peerreviewer in several scientific conferences and journals. Between the years 2012-2015 he worked as Senior Lead Design Engineer and served as a Training and Technical Advisor in the industry. Prof. ÇELİK has been an Executive Board Member of the Technology and Innovation Funding Program Directorate (TEYDEB)- Transportation, Defense, Energy and Textile Technologies Group of the Scientific and Technological Research Council of Turkey (TUBITAK) between the years 2013-2015. In addition, Prof. ÇELİK served as a Vice President of The Scien-

tific and Technological Council of Turkey (TUBITAK) during April-June 2015 and as a Member of the Science Board and Higher Education Board Quality Council Member between 2015 and 2017. Besides his duties in ASELSAN, he is still a teaching professor in KTO Karatay University Mechanical Engineering Department and a full member of Turkish Academy of Sciences (TÜBA). In April-May 2017 he worked as the advisor of ASELSAN Board of Directors, as well as ASELSAN Academy Board Chairman and board member of Defense Industry Technologies. Professor Dr. Mehmet ÇELİK served as Vice President of ASELSAN Technology and Strategy Management since between April 2017-June 2022. He was appointed as a member of the Council of Higher Education on 14 July 2018 and as a member of the Presidency Science, Technology and Innovation Policy Board on 8 October 2018, by presidential decree. He was appointed as Vice President of Transportation, Security, Energy, Automation and Health Systems, to which he was appointed by proxy on January 6, 2022 to be effective as of July 1, 2022 at the ASELSAN Board of Directors meeting held on June 28, 2022. He also serves as the Member of the Board of Managers of ASELSANNET Elektronik ve Haberleşme Sistemleri and the Chairman of the Board of Directors of ASELSAN Sivas Hassas Optik. Prof. Dr. Mehmet ÇELİK is married with three children. He is fluent in English.

2023 FEATURED NEWS



NEW YEAR GIFT FROM SİPER

The SİPER Product-1 System, which was developed to meet the Air Force Command's demand for a Long-Range Regional Air Defence Missile System, achieved an outstanding success in the test firing of the Fleet and Battery Integrated System Level Seeker Guided Test Missile, meeting the target at a range of over 100 km. The SİPER Product-1 System achieved another important milestone with test firing.



ASELSAN'S SIGNATURE ON RAILS

In the Kağıthane-Istanbul Airport Subway, where the smart tunnel concept is used for the first time in the world's subway systems, the signaling system developed nationally with ASELSAN-TÜBİTAK cooperation will be employed. Kağıthane-Istanbul Airport Metro Line with a daily capacity of 800 thousand passengers was inaugurated with a ceremony attended by President Recep Tayyip ERDOĞAN.



TÜRKİYE HAS ASELSAN

In the aftermath of the earthquake on February 6, ASELSAN quickly set up a tent city with a 600 bed capacity and the ASELSAN Disaster and Logistics Center in Hatay. The ASELSAN Crisis Desk, which was established on the same day after of the earthquake zone. Tons of food, medicine and clothing collected in the centers established in ASELSAN campuses were delivered to the earthquake victims.



CHILDREN SMILED INTO THE SKY WITH ASELSAN

The Disaster and Logistics Center established by ASELSAN in Hatay organized a significant event. Hundreds of children had fun and flew the kites they made. Children gathered at the ASELSAN Disaster and Logistics Center established in Hatay for kite and game activities. Children learned how to make and fly kites and had fun to the fullest. Children and their families had the opportunity to get a little relief from the effects of the disaster.



TOLUN HITS THE BULL'S EYE

The firing test of the TOLUN guided ammunition developed by ASELSAN within the scope of the Presidency of Defense Industries Project was carried out at the Bartın firing range. During the activity, the TOLUN ammunition, deployed from an F-16 aircraft at an altitude of 25 thousand feet and at a speed of Mach 0.8, hit the target at a range of 46 kilometers with full accuracy.

**TCG ANADOLU IN SERVICE**

TCG ANADOLU, to which ASELSAN engineering made a great contribution with its national systems, came into service. TCG ANADOLU, a significant force multiplier for the security forces in the Blue Homeland (Mavi Vatan), represents a geopolitical leap. President Recep Tayyip ERDOĞAN said: "We consider this ship as a symbol that will reinforce our position as a leader in the region and a country with a voice in the world in the Century of Türkiye." regarding TCG ANADOLU.

**ASELSAN CALL CENTER STARTS OPERATIONS**

In 2023, ASELSAN Call Center started to provide service with competent operators in Turkish and English on a 24/7 basis through the number 0 850 360 10 30. With the Call Center, which uses ASELSAN's technical infrastructure as the call management and backup system, ASELSAN has taken the emphasis on reassuring technology in its vision one step further.

**ASELSAN'S EAGLE EYE FOR MMU**

ASELSAN has developed the Helmet Integrated Imaging System TULGAR for the National Combat Aircraft (MMU), one of the most crucial projects for the Turkish defense industry. ASELSAN TULGAR, a domestic and national helmet that will provide pilots with superior visibility in the air, will enable the MMU, which is produced with domestic facilities, to see anywhere with eagle eyes.

**ASELSAN IS THE LARGEST AT IDEF**

ASELSAN, which has become the symbol of independence in the field of defense and technology, became the largest company at IDEF International Defense Industry Fair with nearly 500 products and systems. ASELSAN's exhibition stand, which was visited by President Recep Tayyip ERDOĞAN, became the largest exhibition area at IDEF 2023.

**FIRST SHOT WITH GÖZDE**

The GÖZDE Guidance Kit, to be delivered within the scope of the Modern Ammunition Procurement Project signed with the Presidency of Defense Industries, is ready for mass production. Developed jointly with TÜBİTAK SAGE, the GÖZDE Guidance Kit converts MK-82 general purpose bombs into guided ammunition with INS/GPS and Laser Seeker Head, enabling precise hitting of fixed and high-speed moving targets.

**ASELSAN SIGNATURE ON CHILE LEOPARD 2A4S**

Türkiye's technology leader ASELSAN distinguished itself in a tank modernization project in Chile. ASELSAN competed with its products proven in the tactical field in the tender held in Chile, to which selected companies from around the world were invited in the field of tank modernization. ASELSAN was selected as the company offering the most effective solution for the modernization of Leopard 2A4s.

**TEKNOFEST JOY IN ANKARA**

ASELSAN, Türkiye's leading defense company, organized a national technology feast at TEKNOFEST, which was held for the first time in Ankara, the capital of the republic, on August 30, Victory Day. The TEKNOFEST Aviation, Space and Technology Festival, one of the largest festivals in the world, where ASELSAN has been among the largest participants for years, was held in Ankara on the 100th anniversary of the Republic.

**ASELSAN RISES IN THE TOP 50**

ASELSAN has climbed two levels to 47th place in the list of the world's top 100 defense industry companies. ASELSAN, a company of the Turkish Armed Forces Foundation, rose two places in the list. ASELSAN, which ranked 49th in the list of four Turkish defense industry companies last year, rose to 47th place this year. Maintaining its steady growth, ASELSAN first entered the list of the world's top 100 defense industry companies in 2006 in 97th place.

**REPUBLIC MARCH BY ASELSAN**

The ASELSAN family celebrated the 100th anniversary of the Republic with the Republic March. Dressed in the colors of the Turkish flag, ASELSAN employees took firm steps towards the future in the 100th Anniversary Republic March. Thousands of ASELSAN employees came together in the march around Lake Eymir. ASELSAN CEO Ahmet AKYOL shared the excitement of the ASELSAN family marching with Turkish flags in their hands on October 29th Republic Day.

**INNOVATION CHAMPION ASELSAN**

ASELSAN won the top prize in the field of Innovation Organization and Culture at the InovaLIG Champions Award Ceremony. ASELSAN CEO Ahmet AKYOL received the first prize from President Recep Tayyip ERDOĞAN. In his speech at the ceremony hosted by the Turkish Exporters Assembly, President ERDOĞAN praised ASELSAN's achievements and the cameras it has developed.

**BAYRAKTAR DETECTED TB2, HIT ALBATROSS**

The kamikaze Unmanned Underwater Vehicle (UUV) MARLIN, developed by ASELSAN, sank the target ship in the sea with a precise hit during a test firing. A test firing was carried out in Mersin for the kamikaze İDA MARLIN, developed by ASELSAN, which allows the explosive it contains to hit and detonate enemy targets at high speed over water. Within the scope of the test, MARLIN, which can move in a swarm of eight, attacked the target ship. A vehicle from the MARLIN Kamikaze İDA swarm, which was carrying ROKETSAN ammunition, hit the target ship and exploded. As a result of the successful test firing, the 22-meter target ship was buried in the waters within minutes.

**ASELSAN SYSTEMS IMPRESS IN MUSTAFA KEMAL ATATÜRK EXERCISE**

ASELSAN's national systems used in the Mustafa Kemal ATATÜRK 2023 Exercise organized by the Turkish and Azerbaijani Armed Forces in Baku made an impression. On the occasion of the 100th anniversary of the founding of the Republic of Türkiye and the birth of the great leader Heydar Aliyev, the Mustafa Kemal ATATÜRK 2023 Exercise was held in Baku with the participation of the Turkish and Azerbaijani Armed Forces. Yaşar Güler, Minister of National Defense, Zakir Hasanov, Minister of Defense of Azerbaijan, Şeralı Mirzon, Minister of Defense of Tajikistan and Ahmet AKYOL, CEO of ASELSAN attended the Distinguished Observer Day of the exercise. The exercise, which took place in a military training area near Baku, was reminiscent of real war scenes.



HUMAN RESOURCES MANAGEMENT AT ASELSAN

TALENT ACQUISITION

Within the scope of talent acquisition activities at ASELSAN, special programs were carried out for each period of the career paths of all employees, including the student periods of our candidate employees in 2023.

A Yetenek program is a talent program that aims to enable senior university students to improve themselves in terms of professional competencies and qualifications before starting their professional life and to step into the working life by getting to know the ASELSAN culture and to support the career development of the candidates through mentoring activities.



Launched in 2023, Rota a Yetenek is a talent program that aims to enable young talents in their third year of university to meet with ASELSAN in order to discover the areas they want to pursue earlier, and includes a mentoring process, group projects, meetings with a Talents, industry introduction days and development programs.

a Gelecek Internship program is a summer internship program provided to university students between June and September 2023 in order to serve the purpose of long-term workforce training.



ATİK Vocational Training program is carried out within the scope of On-the-Job Skill Training in order to make the vocational training studies of Vocational High School students more efficient and to support the technical and personal development of students through trainings/tasks.



ASELSAN Vocational and Technical Anatolian High School continued to equip the workshops in accordance with the curriculum, and within the scope of Erasmus+ accreditation, the students and teachers benefited from overseas education and internship opportunities. In addition, students were given summer internships at ASELSAN, and the knowledge and experience of our employees were passed on to students through mentoring during the academic year.

The Business Life 101 program continued to be implemented as a training program with a certificate of participation, which is structured as technical and personal development courses where instructors convey their knowledge and experience in their fields of expertise, to which sophomore university students can apply.

The Next Big Move to Türkiye project is carried out with the aim of developing and strengthening the brain power in Türkiye within the scope of the projects carried out in line with ASELSAN's fields of activity, as well as bringing Turkish citizens abroad back to Türkiye. Within the scope of the project, ASELSAN is promoted at career fairs abroad and face-to-face meetings are held to guide talents who want to pursue a career in the defense industry.



PERFORMANCE, CAREER AND TALENT MANAGEMENT

Performance, career and talent management processes are designed and implemented for ASELSAN employees. Within the scope of these activities, in 2023, succession plans were carried out for critical positions. Studies were carried out for the digitalization of Talent Management processes.

Performance development and feedback system and competency assessment processes were carried out. A system was put into practice where our employees can request written feedback from their managers or team leaders, enter instant target realization results and rate their satisfaction with the feedback they receive.

LEARNING AND DEVELOPMENT

At ASELSAN, a comprehensive learning and development program is offered to our employees at every stage of their career journeys by considering training on a basic and competency basis and measuring its impact on business results and personal development.

Within the scope of ASELSAN Core and Managerial Competency Model, 57 different development journeys were designed and 10,641 core and managerial competency training demands were provided.

Within the scope of development journeys, a total of 87 webinar sessions and 25,798 asynchronous and synchronous training demands were conducted.

The ASELSAN Development Catalog, consisting of 7,500+ trainings on more than 800 different topics accessed from the a BIL-GE internet and mobile application, was presented to employees.

The Udemy for Business training catalog integrated into our a BIL-GE platform was made available to our employees.

The Knowledge Sharing Program reached 395 different trainings in five main categories with the contributions of 209 internal trainers, 26 external trainers and 9 departments.

Within the scope of Prizma Mentoring project, mentor & mentee appointments were made and put into practice in order to support employees in their career journeys.

With the Internal Trainer Development Program, trainings to be offered to ASELSAN employees were designed by the training staff consisting of ASELSAN employees.



The "Our Future is with You" orientation program, which is very important for the adaptation of new employees and includes learning methods such as department presentation webinars, in-class trainings, etrainings and campus visits, is carried out for 3 months for all new employees.

In addition to these e-learning, special development programs are offered to employees who are on a managerial career path or who are in close contact with customers. In 2023, approximately 1000 employees benefited from these programs.



Leadership Development School is a training program provided to our newly appointed managers in order to contribute to the development of the competencies required for ASELSAN managers to achieve strategic goals and to create a common leadership culture.

Within the scope of the Team Leaders Deve-



lopment Program, trainings were provided to improve the managerial competencies of team leaders and ensure unity of language in leadership, in line with the objectives of creating and sustaining a leadership culture.

Within the scope of the Program Management School, trainings were provided to strengthen the commercial perspectives of our employees who are in one-on-one contact with customers and to improve their marketing competencies.

The First 90 Days for Managers Program, which aims to support our newly appointed managers by combining the tools, information and training they need most during their "first 90 days", was launched.



Awards

- a Yetenek Program received a silver award in the category of the Recruitment Program Most Liked by Young People at the 2023 Youth Awards organized by Youthall.
- ASELSAN won five awards (three gold and two silver) at the Brandon Hall Human Capital Management (HCM) Excellence Awards.
- ASELSAN was awarded the top prize in the Türkiye's Most Attractive Employers survey organized by Universum and in the category of Most Desirable Defense Industry Company to Work for by Youth Awards.

TECHNOLOGY AND STRATEGY MANAGEMENT

ASELSAN Strategy Management System



Strategic Planning and Corporate Performance

Strategy is a set of methods and paths that an organization determines and follows in order to achieve its goals and maintain its existence. Strategy management is the most critical process that enables the achievement of strategic objectives and goals determined in line with the vision with limited resources. ASELSAN Strategy Management System is operated to develop strategies in line with vision, mission and values.

Vice Presidencies' contributions to the Strategic Plan were maximized by workshops.

ASELSAN's Strategic Plan is updated every year as a result of the strategic analysis to cover a five-year period with focus on exports, market orientation, high technology acquisition, leadership in the national industry ecosystem and efficiency. Corporate performance indicators and strategic activities are determined to achieve strategic objectives and goals. In this context, face-to-face meetings and workshops were held with all internal stakeholders.

Digital Transformation and Product Lifecycle Management

Within the scope of digital transformation, studies were carried out on both digitalization focused on and transformation with the coordination of digital technologies. In this context, ASELSANext® Digital Transformation Program was initiated. Within the framework of this program, digital backbone studies, one of the foundations of end-to-end digitalization, were initiated, and management infrastructure and data architecture development studies were performed. ASELSAN COTS Product Stock Management System (ASYS) was designed. An artificial intelligence maturity status and road map were created for ASELSAN's transformation via artificial intelligence.

Digital Twin Technologies and Applications

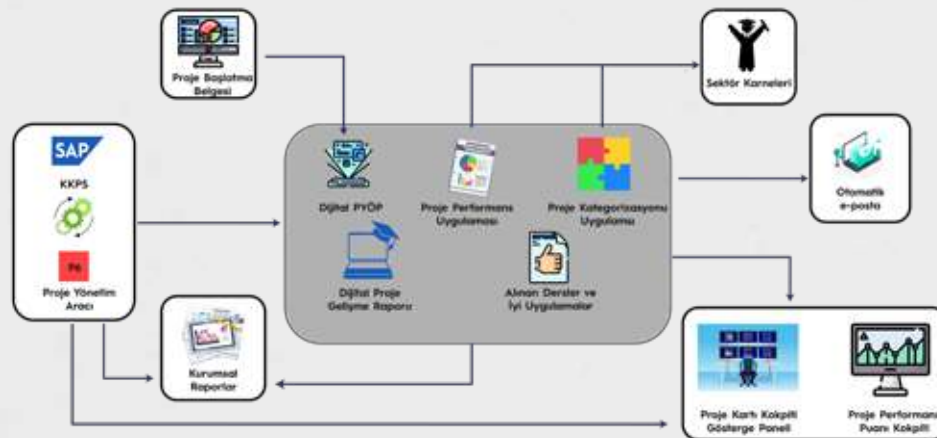
Studies have been carried out at ASELSAN to raise awareness about Digital Twin technology, which is one of the important issues of digital transformation, and to determine the current status of ASELSAN Digital Twin. For this purpose, Digital Twin Action Plan, Basic Principles, Capability Framework and Maturity Assessment Model documents were prepared and shared with employees on the ASELSAN Digital Twin website. ASELSAN Digital Twin current status study was conducted with the representatives from the sector presidencies and the maturity level assessment and the Transformation with Artificial Intelligence Report was prepared.



PROJECT MANAGEMENT OFFICE

Contemporary and technological digital solutions have been developed to monitor projects transparently in real time based on metrics at strategic and operational levels, to provide decision support mechanisms to senior management, to increase the efficiency of resource utilization, to improve project performance, to make accurate and fast decisions in projects, and to strengthen communication between stakeholders. Thus, contribution to ASELSAN's Digital Transformation process and increased business efficiency is achieved. In this context, our Project Management related digital applications, which are currently developed and also subject to continuous improvements are:

- Cockpits and Management Project Dashboards
- Project Management Plan



- Project Progress Report (PGR) Application
- Project Performance Score Application and Cockpit
- Project Categorization Application
- Lessons Learned Application
- Project Charter

TECHNOLOGY MANAGEMENT

At the beginning of the Century of Türkiye, while our product and technology-oriented approach reinforced our leadership in the sector, we have made a significant progress in our export-oriented growth journey towards the future with the processes we have developed.

This journey shapes not only the present but also the future.

ASELSAN Technology Roadmap and Investment Plan process was developed and Integrated Roadmap studies, which is a more comprehensive approach and covers the 2024-2030 period, were initiated. Product, technology, nationalization, investment and human resources roadmaps were created within the scope of the product families in our fields of activities. It is believed that with effective planning and coordination, this process will be an important guide in determining ASELSAN's future direction and achieving its strategic goals.

The work carried out by our sector departments in critical technology and innovation projects has strengthened our company's technological leadership and innovative vision. These studies contributed to ASELSAN's goal of maintaining and improving its leading position in the sector, while highlighting the company's technological capacity and strategic investments.

The consistency and inclusiveness of the Technological Development Indicator Score assessment process has been reviewed and redesigned in detail, taking into account the data of previous years.

Integrated Roadmap is a management system and an innovative business model for ASELSAN's tireless efforts to achieve export-oriented growth with high-tech products and systems.



SELF-FUNDED PROJECTS

60+ projects successfully completed

50+ new projects launched

140+ projects in progress

ASELSAN Technology Naming and Classification studies were carried out in order to name and classify the technologies developed within ASELSAN in a consistent manner. ASELSAN technologies have been harmonized within themselves and with the Defense Industry Technology Taxonomy. Thus, ASELSAN technology management process has been simplified and technological cooperation opportunities within ASELSAN have been clarified. Thanks to the special taxonomy language created, it is expected that the effectiveness of the Integrated Roadmap, general technology planning and analysis studies within ASELSAN will increase.

Bibliometric analyses are detailed statistical studies on academic publications. With the bibliometric analyses, social network analyses have been obtained that show the technologies used by ASELSAN's competitors in the global market and the relationship between these technologies. The results obtained have enabled ASELSAN's activities to be evaluated in comparison with the technology areas in which its competitors are engaged. In this way, it has constituted an important guide for the company's strategic planning and technology investments.

Self-Funded Project Process

ASELSAN's self-funded project process was re-evaluated with the aim of simplification and the Technology Management Process Monitor was put into effect. Taking stakeholders' suggestions for improvement into consideration, work has been completed and implemented to manage the process more efficiently and make it agile in 2023.

University Collaborations

- In 2023, the number of projects carried out with universities reached 111.
- Collaboration with 30 Universities in 2023.

R&D and Technological Collaborations

Visits were made to Hitit, TED, Elazığ, Bahçeşehir, Bartın and Istanbul Technical Universities for cooperation in 2023, and meetings were held with South Marmara Development Agency, MTA and TENMAK NATEN. ALISEI (Advancing Lithium-Ion Solid-state batteries for cost Effective mobility solutions through Innovative materials and cell scalability) proposal was submitted to the "Horizon Europe-Batt4EU Partnership" call together with other partners. A Cooperation Framework and Protocol was signed with the Air Force Command, Air and Space Power Development Center Command (HUGEM). A significant contribution was made to the Electronics Industry Working Group in the preparation of the 12th Development Plan. A leading role was taken in the Technologies to Shape the Operational Environment of the Future (GHOST) competition and workshop organized by the Presidency of Defence Industries.



At the 2023 NATO Industry Forum, Türkiye was successfully represented at the panel "Understanding the Challenges and Opportunities for Industry Cooperation in Defense". In addition, solution proposals were discussed with representatives of leading organizations in the field of defense.

Intellectual and Industrial Property Rights

Current developments and news from around the world with a focus on technology and the defense industry were searched periodically. Monthly and annual technology bulletins were prepared and all ASELSAN employees were informed. Meetings were held with companies to evaluate projects in the fields of software, autonomous systems, aviation and artificial intelligence. An analysis document on the intellectual and industrial rights arising within ASELSAN was prepared. Discussions were held with Technology Transfer Offices (TTO) regarding the conditions under which the rights sharing and commercialization of the inventions that emerged during the postgraduate education of ASELSAN personnel will be carried out with universities. In this context, 10 contracts were signed with four different universities in 2023. During the year, a total of 90 patents, 32 utility models and 10 design applications were discussed and approved by our internal boards.

ASELSAN Entrepreneurship Center

In order to contribute to Türkiye's entrepreneurship ecosystem, ASELSAN acted as a referee/jury in more than 1500 entrepreneur-



ship projects in TEKNOFEST entrepreneurship competitions. ASELSAN participated as a partner in the International Entrepreneurship Summit Take-Off hosted by the Turkish Technology Team (T3) Foundation in December. ASELSAN served as mentor, referee and juri in the event that nearly 100 startups from various stages participated in. At the end of the competition, ASELSAN awarded the first three startups in early stage level with monetary grants.

Innovation Management

ASELSAN participated in the InovaLIG competition organized in cooperation with the

Turkish Exporters Assembly (TIM) and IMP3rove, an international management consultancy firm. At the Türkiye Innovation Week event held at the end of the competition, ASELSAN became the 2023 Innovation Champion in the Innovation Organization and Culture category. The award for the first place was presented by President Recep Tayyip ERDOĞAN to the CEO Ahmet AKYOL on behalf of ASELSAN.

aFikir, the idea management platform that have been planned to be used for collection, evaluation and implementation of technical innovation ideas within the company, was made available to ASELSAN employees.

Deep Defence Acceleration Program that has been started in cooperation with Technopark Istanbul for startups in defence industry is now accepting applications.

DEEDEFENCE



ASELSAN ACADEMY

continues its activities now in its seventh year with 587 students, 98 of whom are PhD students. Machine learning fall school was held on December 14 - 18 in cooperation with

GEBZE TECHNICAL UNIVERSITY



ASELSAN ACADEMY

In its seventh year, ASELSAN Academy continues its activities with 567 students, 98 of whom are PhD students. In 2023, 128 students graduated. The number of graduates increased to 330, and 147 courses were offered at the ASELSAN Academy. To date, students have produced 45 journal articles, 185 papers, and filed 32 patents and three utility model applications.

The sixth ASELSAN Academy Workshop was held on October 27-28, 2023 at the ITU Ayazağa Campus. ASELSAN Academy Board Members made presentations on ASELSAN's technological goals and research opportunities. Faculty members from stakeholder universities made presentations on ASELSAN Academy from the University Perspective and shared deve-

loping and potential areas of cooperation. In an interactive environment, ideas and suggestions were received on international cooperation opportunities to increase the development of the program.

In the Academic Conversations Series event organized in 2023, 19 scientific interviews were held with academicians. In cooperation with Gebze Technical University and ASELSAN Academy, the Machine Learning Fall School was held on December 14-18. A short course on Aircraft Structural Components and Pre-Dimensioning Activities in Metallic Structure Design was organized on December 25-26.

For the first time, sector reports have been published to increase collaboration with the sectors, including students' fields of study, their involvement in projects, aca-

ademic outputs and statistical information. In addition, the Technology Trends Analysis Report, which includes emerging and groundbreaking technology fields and future technology trends, was published.

At the Graduation Ceremony held in November, awards were presented to the top three theses in the ranking determined by evaluating the added value and academic benefits of the graduates' theses.

Within the scope of the TOHUM Research Support Program, 17 projects were funded in the second semester. A low-budget, fast support mechanism is planned to contribute to students' graduate thesis studies. Studies were carried out towards an applicable version of the a-Yetenek program for graduate students.





SUPPLY CHAIN MANAGEMENT

Domestic Defense Ecosystem Receives Purchase Orders Exceeding USD 1 BILLION



ASELSAN, which works with the largest number of suppliers in Türkiye in the field of defense, has completed an important year in the field of Supply Chain Management. The Vice Presidency of Supply Chain Management has continued to increase its contribution both with its activities and the awareness it has created in the eyes of internal and external stakeholders. Procurement activities are carried out with a centralized perspective that manages the needs of ASELSAN Sectors Presidencies together with them, while at the same time focusing on the interests of all ASELSAN.

ASELSAN provided strong financial support to its suppliers in 2023 as well. The Sup-

plier Financing System was used effectively and suppliers were supported in raising financing. Efforts to ensure that orders are placed domestically in the highest possible amounts were sustained. The domestic supplier ecosystem was further developed in 2023. The number of our Approved Subsidiary Industry Companies was increased through the audit activities carried out. Thus, qualified new suppliers were added to our supplier ecosystem. Within the scope of the pro-active attitude of the Supply Chain Management teams in procurement, nationalization and foreign trade processes, strategy changes, process improvements and customs procedures, 2023 was a year in which cost-effective work continued to inc-

rease. Price agreements for common materials/services were made more effectively through organizational improvements, and operational differences between sectors evolved into uniform practices as much as possible. In addition, a project-based purchasing model in line with the simple line model and a workbench rental model for urgent mechanical needs have been established. More effective management of the delivery schedule was ensured by applying different approaches such as managing priorities by assigning Project Decision Support personnel or project-based follow-up officers to projects according to delivery priorities.

Supply chain management activities were also carried out in the field of material sustainability management. Alternatives were created for materials that were discontinued or difficult to procure, contributing to production continuity.

ASELSAN actively works with more than 5,500 suppliers, 3,300 of which are domestic suppliers. ASELSAN attaches great importance to increasing the competencies of existing companies and adding new companies to the ecosystem. In addition, strategic cooperation agreements are signed with suppliers that increase added value and adopt ASELSAN's growth targets. To this end, 20 new companies were announced as ASELSAN's strategic partners at IDEF 23. Thus, the number of ASELSAN's

strategic partners has quintupled in the last five years. In addition, in order to analyze the competence correctly and to meet the needs quickly, the number of question sets for audits was increased and company development processes were carried out through audits in the field of sub-industry activities.

In order to develop the domestic supplier network, various collaborations are being carried out with various institutions and organizations of Türkiye, as well as many clusters and associations of the defence industry. In 2023, participation was made in 15 organizations in seven different cities, such as IDEF, Productivity and Technology Fair, Mersin-Saha Istanbul Provincial Meeting. The events brought together existing and potential suppliers with the agenda of

nationalization, strengthening existing cooperation and creating alternative resources. In addition, various panels and conferences were attended.

Important projects in the field of Digitalization were commissioned at ASELSAN in 2023. In this context, improvements were made in the Supplier Portal in order to track open purchase orders in a digital environment, and the planning-purchasing-supplier interaction (communication) was streamlined. In addition, within the scope of supplier data quality, a "Company Information Screen" was designed, where information such as partnership structure, financial status and orders can be viewed, and company meeting and, visit reports are available, and live information flow was ensured within Supply Chain Management.



AUTHORIZED OBLIGED STATUS RENEWED FOR THE SECOND FIVE YEARS

Internal improvements were made in order to provide guidance on customs exemption/incentive matters, to inform our stakeholders about the costs that affect the cost in the bidding/evaluation processes, and the necessary permits and documents.

**771 PRODUCTS
NATIONALIZED
BETWEEN
2018 - 2023**

**A BILLION DOLLAR
CONTRIBUTION TO
TÜRKİYE**



The "ADİL Payment Platform" was launched to plan and monitor payments to suppliers. With ADİL, payment terms, payment conditions, exchange rate risks and other criteria can be easily monitored.

Within the scope of continuous learning and development efforts, the most comprehensive training program in the sector was established. Procurement personnel participated in a training program consisting of 14 modules, 116 sessions and lasting approximately 3 months. These trainings were digitized and made available to all ASELSAN employees and suppliers through GücümüzBir.

Training and awareness-raising activities were carried out within the scope of Export Control Compliance Policy. Contributions were made to the monitor and other internal regulations regarding the development of the corporate compliance infrastructure. Digitalization activities were accelerated in this area, and efforts were made to directly integrate export control data into business processes. Work was carried out on suppliers' compliance with export controls.

In order to reduce foreign dependency in defense, nationalization efforts were successfully continued in 2023, and our pioneering position in the sector was strengthened.

With the intense efforts of ASELSAN and its suppliers, 105 products were nationalized in 2023. The number of products nationalized in the 2018-2023 term has reached 771. ASELSAN has contributed to keeping an amount of USD 950 million within the borders of our country in the last five years with the nationalization activities it has carried out. Currently, nationalization activities for nearly 300 products are ongoing with 170 suppliers.

The installation of the Nationalization Management System (MYS), a digital platform where nationalization projects can be managed and monitored end-to-end, has been completed. With the MYS, it is aimed to assign tasks and responsibilities, keep data under record and have a traceable structure. In addition, system improvements were made to prevent the opening of orders for foreign equivalents of nationalized products.

Mechanisms were established to encourage the use of domestic products by stopping the opening of purchase orders for these products.

In 2023, ASELSAN continued its efforts to spread ASELSAN's nationalization vision and raise awareness. Nationalized products were exhibited at fairs, provincial meetings and industrialization events. The

successes of nationalization activities and the teams that enabled these successes to be realized were shared on the intranet portal within ASELSAN, raising awareness and motivation for nationalization activities. ASELSAN's nationalization efforts will continue with the understanding that nationalization is not a choice but a necessity.



BUSINESS DEVELOPMENT AND MARKETING

In 2023, the Deputy Directorate General of Business Development and Marketing signed new export contracts totaling USD 601 million with 30 different countries.

In 2023, total international sales increased by 45% compared to the previous year.

By the end of 2023, international backlog reached over one billion dollars. In 2023, ASELSAN signed export contracts for ASELSAN products with four new countries that had never been exported before. Thus, the number of countries to which we have realized sales increased to a total of 85.

20 different products that had never been sold abroad before were introduced to the

international arena with the international sales contracts signed in 2023.

With our offices in Poland, Chile, Malaysia, UAE and Saudi Arabia, which became active in 2023, our presence in many countries around the world has been sustainably increased. Globalization and localization activities continue with different business models and sales channels.

A total of 26 international fairs bringing together industry professionals in many different countries were attended in 2023. The number of international delegations we hosted at IDEF 2023, one of the world's leading defense industry fairs, has reac-

hed to 172 from 64 different countries with an increasing momentum.

In 2023, ASELSAN ranked 47th in the "Defense News Top 100" list published by Defense News Magazine and continued to maintain its success as the only Turkish company in the top 50 among the world giants.

ASELSAN ranked 60th in the Stockholm International Peace Research Institute's (SIPRI) list of the top 100 defense industry companies with the highest sales of arms and military services.

International communication trends were closely monitored and efforts were made to strengthen brand perception in the global arena. Sustainable collaborations were ensured with the core communication values of accessibility, transparency and timely response to needs.

ASELSAN continues to work with the motto 'Technology Serving People & Planet' with the vision of reaching people all over the world and offering solutions that will improve their quality of life.



COMMUNICATION AND INFORMATION TECHNOLOGIES SECTOR

In 2023, domestic and international deliveries continued, new contracts were signed and solution creation activities were carried out in the fields of Satellite and Space Technologies, Satellite Communication User Systems, Military Communication Systems, Public Security Communication Systems, Crypto and Information Security Systems. A number of new products were launched during the year, of which the Combined Interrogator/Transponder and the 3810 Hybrid Handheld Radio stand out.

DEVELOPING FOR OUR COUNTRY



COMMUNICATION AND INFORMATION TECHNOLOGIES SECTOR

SATELLITE AND SPACE TECHNOLOGIES

Satellite and Space Systems

Engineering Model device integration phase of the very high-speed LOCUS XBTx (data download capacity up to 800 Mbps on a single channel) Equipment which is designed for payload data down-link of Earth observation satellites has been concluded. Further on final design

verification of the Equipment has also been completed.

The aim for the development LOCUS XBTx is to become the leading organization of our country in high-speed transmitter technology and to be able to compete in the international market.

The development activities for the cost and schedule-effective hybrid technology based Next Generation LOCUS GEO-Ku for Ku-Band communication payload

ds (which started to gain heritage with TÜRKSAT-5B satellite and will serve in orbit at full capacity with TÜRKSAT-6A satellite) has been continued and hybrid technology-based functional model were manufactured and successfully tested.

Within the scope of the GNSS Augmentation System, which is defined as the first phase towards the Regional Navigation Positioning and Timing System aim of Türkiye, development activities for both the satellite augmentation payload and augmentation algorithms- has been continued with a special focus on the system

level development for LOCUS SBAS product. The first prototypes of the satellite payload equipment were manufactured and successfully tested.

Within the scope of the LUNA Project, which is planned as a Space-Based IoT (Internet of Things) technology demonstration Project, the design phase of the satellites were successfully completed by ASELSAN.

Within the scope of the domestically developed TÜRKSAT-6A Communication Satellite, the satellite level environmental test campaign of the LOCUS GEOX and LOCUS GEOKu satellite communication payloads, whose development activities were completed by ASELSAN in 2021, continued with vibration, acoustic and final functional tests.

The TÜRKSAT-6A satellite flight model environmental test campaign is expected to be completed within the first half of 2024. Upon completion of the tests, TÜRKSAT-6A, Türkiye's first indigenous communication satellite, which includes our products LOCUS GEOKu and LOCUS GEOX, is planned to be transferred to the launch site in 2024.



MILITARY COMMUNICATION AND INFORMATION TECHNOLOGIES

Satellite Communication User Systems



Development activities of multiband communication terminals, which are of great importance in meeting operational needs, continued. In addition, the development activities of the AcroSAT Ka45-A product, which is a Ka-Band Airborne Satellite Communication Terminal to meet the high data rate needs of users on air platforms continued.

Qualification activities for the AcroSAT Ku120-M product are ongoing. At the end of the project, the Shipborne Satellite Communication Terminal with two different configurations, single antenna and dual antenna, will be included in the inventory of the Naval Forces Command. The nationalization efforts of the Ku-Band 50W Block Upconverter, Ku-Band 40W Block Up-

converter and Ka-Band LNB (Low Noise Block Down Converter) units continued.

Within the scope of Airborne Satellite Communication Terminals, AcroSAT Ku27-A has been successfully integrated into the Bayraktar TB2 UAV platform, and testing activities continue on the platform.

In addition, domestic and international deliveries of AcroSAT Ku53-A and AcroSAT Ku 370 FA Center for the AKINCI UAV platform are ongoing.



AcroSAT Ku27-A ve AcroSAT Ku53-A

The AcroSAT X100-M and AcroSAT X150-M products with 1.5 m and 1.0 m X-Band stabilized antenna systems, which were domestically and nationally designed and produced within the scope of the Turkish Armed Forces X-Band Satellite Communication System Project, were integrated into the new ships of the Turkish Naval Forces Command in 2023 and started to be actively used in the field. The integration activities of the products, whose factory acceptance have been completed, continued.

Frequency hopping modem integrations were made to AcroSAT X Center, AcroSAT X150- OP, AcroSAT X180-FA and also the AcroSAT X60- OM products which enable communication on the move.



AcroSAT Ku120-M

AcroSAT X100-M

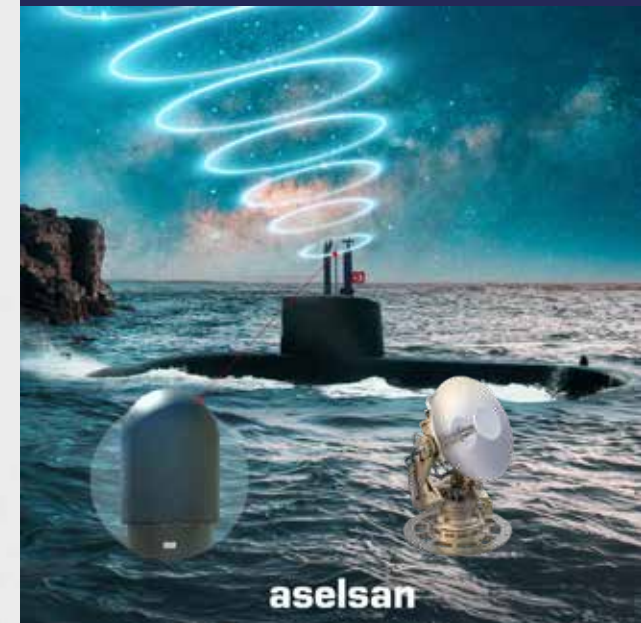


AcroSAT X150-M

Within the scope of military satellite communication system integration, modem integrations were made to the AcroSAT X100-M X-Band stabilized antenna system in order to provide frequency hopping satellite communication capability to the Kılıç-class missile boats. Thus, these boats have been made resistant to electronic warfare attacks, which is a prominent threat in today's world.

Domestic and international deliveries of the Satellite Communication Terminal integrated into UAV platforms continued, and AcroSAT Ku53-A and AcroSAT Ku370 FA Center with a 3.7 m antenna were delivered. AcroSAT Ku90 FA was exported. These delivered systems will provide the voice and IP data communication required by the user through the satellite ground station established and currently operated by ASELSAN abroad.

The first product of the X-Band Submarine Satellite Communication System, AcroSAT x38-M 1st Submarine FAT activity was completed and delivered to the Turkish Naval Forces Command for the first time.



TACTICAL DATA LINK SYSTEMS

Activities were carried out for the development, production and integration of terminals and software that will enable the digital and automatic sharing of all kinds of tactical information sent between all mobile, stationary, naval and air platforms within the network to support joint operation.



Data Link Systems

The TRustLink Data Link System is a communication system that enables highspeed and near real-time data transmission for UAVs, USVs and UCAVs with a data communication infrastructure that is resistant to electronic warfare and compliant with the "Confidential" level of secrecy.

Within the scope of MARLIN-ASV Project, the integration of the TRustLink Data Link System into the platform and the sea acceptance test were completed.

Within the scope of SIPER Project, the development activities for the GÜDÜ 201-W data link system for the Product-1 Missile have been completed and acceptance activities have started. Within the scope of Product-2, the GÜDÜ 202-W On-Missile Data Link unit will be produced and on-missile integration activities will be carried out.

The delivery of the GÜDÜ 200-MG data link system, developed within the scope of SIPER Project, to the land-based test system was delivered for MIDLAS National Vertical Launch System Project. Activities for the integration of the system to the TCG Istanbul Frigate are ongoing.

Within the scope of HİSAR O TAF RF and HİSAR A/O TAF IIR projects, GÜDÜ 30 Data Link System development activities were completed and serial production contracts were signed.



Recognition and Identification Systems

The qualification of the identIFF Mode5 CIT Combined Interrogator/Transponder device, which will be used on F-16 aircraft, was approved and the first serial production units were delivered.

The development activities of identIFF Mode5 I-MP Portable Interrogator and identIFF M5 Reverse IFF devices are ongoing.

In 2023, with the deliveries of the identIFF M5 TPX IFF Mode 5/S Interrogator, identIFF Mode5S I/SMR Range Interrogator and identIFF Mode 5S I/LR Long Range Interrogator, integration / dissemination activities for aircraft, helicopters, air defense systems, ships, radar and UAV platforms continued to increase.



Military Airborne Communication Systems

ARTCom 9681 Next Generation Remote Control Unit Development Project features a user-friendly interface for pilots and DO-254 compliant desing. The Critical Design Review (CDR) approval phase and functional prototype acceptance activities were completed.

ICNAir System is the Integrated Communication Navigation Identification Suit that is developed among the MMU program. ICNAir is a new generation IMA (Integrated Modular Avionics) based suit whose desktop prototype is released.



The critical design phase for Block- 0 functions was completed and approved by TAI. As a result of this milestone, ASELSAN received the first official critical design approval for the MMU.

As of the second quarter of 2023, ARTCom 9681 V/ UHF Airborne Radio, Antenna set and Second Generation Remote Control Unit Airborne Remote Control Unit were included in F-16 Block-30 and F-16 Block-40/50 ÖZGÜR-2 Projects with the newly signed contracts.



As part of Multiband Digital Joint Radio (ÇBSMT) Project, the integration of communication equipment to CH-47F Helicopter in the inventory of the Land Aviation Command was successfully completed. In addition, the integration of communication equipment to AS 532 PH-1 Utility Helicopter in the inventory of the Land Aviation Command was also successfully accomplished.



In order to increase the radio communication coverage of land troops, design activities were carried out for the ARTCOM ARC-6993 Radio Relay product to be used in unmanned air vehicles.

Purchase orders were signed with TAI to provide IdentIFF Mode5S TP, ASELSAN Active Antenna Set, ARTCom 9681 V/UHF, ARTCom A-RCU-9681 V/UHF units for the HÜRJET platform in 2024-2025.

The delivery of IdentIFF M5 TPX, ARTCom ARC-9681 V/UHF, ASELSAN Active Antenna Set and Remote Command Unit for the Utility Helicopter was completed.

IdentIFF M5 TPX, ARTCom 9681 V/UHF, Active Antenna Set deliveries for the ATAK helicopter of the Gendarmerie General Command were successfully completed.

IdentIFF M5 TPX deliveries to F-16 ÖZGÜR Block-30 aircraft were successfully realized.

Within the scope of Utility Helicopter Project, deliveries of communication equipment were completed.

Within the scope of Airport Traffic Radar Procurement Project, the installation and provisional acceptance activities of the communication subsystems of the Balıkesir and Merzifon Locations were completed.

As part of GÖKBAY Project, indentIFF Mode5S TP and ARTCom 9681 V/UH, ELT Devices were delivered.

As part of Air SOJ Project, ARTCom 9681 V/ UHF radio set was delivered and all deliveries were realized.

Within the scope of Gendarmerie Helicopter Modernization Program, communication equipment for Mi-17 helicopter and S-70 helicopter were delivered.

Within the scope of Hürkuş-II Project, in addition to the 2023 deliveries, the 2024 deliveries were also completed before the scheduled date.



BAYKAR **ARTCom 9681 V/UHF-A** **AIRBORNE RADIO** **INTEGRATION ACTIVITIES**

ARTCom 9681 V/UHF Airborne Radio has been integrated on the TB2 and AKINCI platforms of BAYKAR in January 2023. The first test flight was successfully performed in March 2023.

EMERGENCY HANDHELD RADIO DEVELOPMENT ACTIVITIES

EHKET Based Emergency Handheld Radio Development Project supports the safe rescue and return to the base solution during any emergency situation in aircraft. The first radios were delivered to the Gendarmerie General Command.



As part of Hürjet Project, orders were received from TAI to provide ARTCom 9681 V/UHF Airborne Radio, Active Antenna Set and New Generation Remote Control Unit in 2024-2025.



The modernization of the Flight Control Tower at TRNC Karter Tower with the New Generation IP Based Tower Communication System was successfully deployed.



Within the scope of the Peace Eagle - Airborne Early Warning and Control (AEWC) Aircraft Modernization, a feasibility study was conducted with the participation of ASELSAN, HAVELSAN, TUSAŞ and THY TEKNİK in line with the requirements given in order to meet the operational needs of the Air Forces Command, and to eliminate software/hardware obsolescence in the modernized parts.

Deliveries of communication devices within the scope of the ATAK Helicopter Project were completed.



Communication equipment delivery to F-16 Block-30 aircraft under ÖZGÜR Project has been successfully finalized.



As part of Hürkuş-Civilian Project, the communication equipment were exported to an African Country.



ARTCom 9682 V/UHF-A radios were delivered to TAI for export to African and Asian countries on ANKA/AKSUNGUR UAVs.



IdentIFF M5 TPX and ARTCom 9681 V/UHF sets on the ATAK Helicopter were delivered to TAI for export to the Philippines. Within the scope of the project, user trainings for ground support equipment, were completed for the Philippine Air Force.

Within the scope of HAKİM Project, the installation of Operational Communication System (OPERA) at the sites was completed and served for operational usage to the Air Forces of the relevant country. Acceptance of air communication devices (export) within the scope ATAK Helicopter for Nigeria was completed.



INTERNAL COMMUNICATION SYSTEM

In line with customer requirements, improvements were made to the noise suppression capability of the existing IHS (Internal Communication System) solution to be suitable for the most challenging field and platform conditions. Fiber optic communication support with IP routing capability has been introduced to the Internal Communication System.



Military Land Communication Systems

The critical design phase (CDR) of Radio Management System(RMS) Project has been completed. This project will enable the Turkish Armed Force to remotely update software, network plans and keys of the radios delivered within the scope of Multiband Digital Joint Tactical Radios Project, to connect different radio nets with each other and to provide communication cloud management center capability with the support of application software.

The first export of a-CRYPT 10G KC was made.

The first domestic delivery of a-CRYPT 10G KC was made to the Ministry of Interior within the scope of GAMUS Project.



As part of the project carried out with the Presidency of Defense Industries, TAS-MUS-TARAS, which will fulfill the high capacity data transfer requirement in the tactical field, was delivered to the Land Forces Command for the first time.

For a user in the South American region, the upgraded INTERAS-6670 ISR solution was integrated into six different platforms, a supply contract was signed with the end user, and the first deliveries were made in 2023. Within the scope of the contract, the SDK level production technology infrastructure will be transferred by aiming to enhance the customer's depth of knowledge and competence regarding the product.



As part of NUROL's sale of Ejder Yalçın to Malaysia, artCOM VRC 9661 V/ UHF 50W, artCOM VRC 9661 HF 150W, artCOM PRC 5712 Manga, INTERAS SAHRAT, INTERAS ZAMBAK and a- CRYPT Fillgun/ NG communication system solutions were delivered.

Within the scope of the Special Purpose Tactical Wheeled Armored Vehicles (ÖMTTZA) project, the first delivery of our artCOM VRC 9661 V/UHF 50W, artCOM PRC 5712 Squad, INTERAS SAHRAT, INTERAS ZAMBAK products for use in communication system solutions was made.

Within the scope of Augmented Reality project carried out by the Presidency of Defense Industries, prototypes of the "Wireless Headset Kit", which allows wireless headset connection to the Internal Communication System, were developed and added to the inventory.

Within the scope of the Modern Mine Detection Systems (MMTS) Project, the first deliveries of the communication system solution including ARTCom 9661 V/UHF 50-V, INTERAS 6670, ARTCom 5712 Manga-P, INTERAS 6610 were realized.

The acceptance activities of the first three tanks with ARTCom 9661 V/UHF 50-V, INTERAS 6670, ARTCom 5712 Manga-P for use in communication system solutions in ALTAY Mass Production Project were accomplished.

Field tests of the artCom PRC 5433 V/UHF product were conducted in ACNR and WBNR modes for a new foreign customer. The user authority has expressed its appreciation for the radio's performance, and efforts are underway to sign a contract based on this achievement.

Field tests were carried out with artCOM PRC-9661 HF 20W in an Asian country. The user authority has expressed its satisfaction with the test results, and work has started on proposals for the export of the relevant products.

Turkish Peacekeeping Forces Command's Annual Kick-off Field Tests and Trials were conducted between October 02-05, 2023 in the areas of responsibility of the Turkish Peacekeeping Forces Com-

mand, using ASELSAN's ARTCom V/UHF 10-MP, ARTCom V/UHF 50-V, ARTCom 5433 V/UHF-P products. It was stated that the WBNW test and trial activity, which was carried out for the first time in the region with such a wide participation, was very useful and significant level of experience was gained during the trials.

Development and sales activities for a-CRYPT Crypto Devices continued in 2023. The integration of ASELSAN Key Production Centers in the inventory of the Turkish Armed Forces into the EKADAS-II infrastructure, the Electronic Encrypted Key Distribution System, was completed.

The verification activities of the Krifi mMAP mini product, which was designed to make the Krifi mMAP, an encrypted Wi-Fi device, light and compact, are ongoing.

With the research activities carried out in the field of post-quantum cryptography, measures are taken against post-quantum risks and current developments are followed. In order to ensure communication and information security, national and secure algorithms and protocols that are resistant to quantum computing and suitable for confidential and classified use are being developed. a-CRYPT Crypto Devices' roadmap includes support for algorithms and protocols resistant to quantum computing.

Within the scope of ÇBSMT Project, in 2023, in order to expand the scenarios of use of military radios and to ensure inte-

roperability with civilian radios and radios of NATO member countries, important waveform development studies defining the communication protocol over military radios continued. In this context, NATO Stanag 4372 SATURN and NATO Stanag 4681 Integrated Waveform (UHF SAT-COM), APCO-25 waveforms were developed to ensure interoperability with different radios.

As part of ÇBSMT Project, new devices including ARTCom V/UHF 10-MP and ARTCom V/UHF 50-V radios were added to the Turkish Armed Forces inventory in accordance with the delivery schedule. Installation activities on land, naval and air platforms were prioritized, and the installation of almost all of the radios allocated during the year was completed and put into service.

Portable satellite terminals and software-based radios ARTCom 9661 HF20-MP, ARTCom 9661 HF 10-MP, ARTCom 5433 V/UHF-P and various ASELSAN communication products were exported.

Within the scope of the communication requirements of SİPER Project, the production, testing and subsystem acceptance activities of the Communication Station Vehicle and Communication Relay Vehicle, which will form the communication backbone of the Fleet and Battery elements in case of remote deployment, were completed.

More than ten products such as ARTCom V/UHF 50-V, ARTCom 9661 V/UHF 50-G, ARTCom V/UHF 150-MP, ARTCom 5433 V/UHF-P, ARTCom 5712 Manga-P, INTERAS 6670, INTERAS 6680, INTERAS 6201, INTERAS 6610, aCRYPT Fillgun, aCRYPT KG Center aCRYPT EPM were exported to countries in the Middle East, South America and Southeast Asia regions for use in communication system solutions, including NUROL's Ejder Yalçın sale to Malaysia and ROKETSAN's Multiple Launch Rocket System (MLRS) sale to Bangladesh.

Export contracts were signed for our ARTCom V/UHF 50-V, ARTCom 9661 V/UHF 50-G, ARTCom HF150-V, ARTCom 5433 V/UHF-P, ARTCom 5712 Manga-P, INTERAS 6670, INTERAS 6680, INTERAS 6201, INTERAS 6610, aCRYPT Fillgun, aCRYPT KG Center, aCRYPT EPM products to provide communication capability to end-users in the Middle East and Southeast Asia regions.

Military Naval Communication Systems

Having successfully completed the tests for the concurrent operation of Link 22 and Link 11, TCG PİRİ REİS became the first submarine to acquire this capability, while TCG İSTANBUL became the first ship in the Turkish Naval Forces to acquire this capability.

The GEMS harbour and sea acceptance test activities, designed specifically for TCG İSTANBUL, the first of the National Stack Class Frigates, to meet the ship's internal and external communication needs, have been completed.



GEMS harbour and sea acceptance test activities specially designed for TCG ARİF EKMEKÇİ, a Logistics Support Ship, have been finalized.



The assembly, integration and testing activities of the GEMS of TCG DERYA, Logistic Support Ship, were completed on the ship.



Within the scope of ÇBSMT Project, critical sub-units procured from abroad were nationalized and ARTcom 9671 HF 400-S was delivered for the first time.

The harbour acceptance test activities of the GEMS of TCG ORUÇ REİS within the scope of the Barbaros Half-Life Modernization (YÖM) Project were concluded.



Harbour acceptance test activities of the GEMS specially designed for the TCG AKHİSAR, an Offshore Patrol Vessel, have been completed.



The GEMS material delivery of the first two ships within the scope of Tanker Ship Project has been completed and onboard assembly and integration activities have started.



The GEMS-S, which was specially designed to meet the communication needs of submarines, was delivered to the second submarine within the scope of Preveze Project.



Sea acceptance test activities of GEMS-S, designed for the communication needs of TCG PİRİ REİS submarine, have been completed.



All communication needs of MİLGEM 6-7-8 ships, which will be the continuation of the MİLGEM Class Frigate, TCG İSTANBUL, will be met by GEMS, and procurement activities have started.

Within the scope of the ÇBSMT Project, ARTcom 9671 HF 400-MG, ARTcom 9671 HF 400-S, ARTcom 9671 VLF RX-MG, ARTcom 9671 V/UHF 100-MG were delivered. The installation of the products on the platforms was completed in the fastest way possible, and a significant number of radios were came into service.

ASELSAN won the tender for the external communication system of the fourth ship of Pakistan MİLGEM. This will be the first time that ASELSAN's indigenously designed and produced ÇBSMT marine radios will be exported abroad.

The factory acceptance test activities of the communication system for the fourth ship and the second ship of the Pakistan MİLGEM were successfully completed, and platform integration activities were initiated.

ASELSAN won the tender for external communication systems for the OPV Class of the end-user in Pakistan, and the external communication systems designed specifically for the ship will be provided with ASELSAN ARTcom marine radios.

PUBLIC SECURITY COMMUNICATION AND INFORMATION TECHNOLOGIES

Integrated Public Safety Communication Systems

Within the scope of the JEMUS Communication System, portable type that can be carried by personnel, trailer type and drone type fast and easy relocatable solutions have been added to the mobile repeater solutions of the System, and the first productions and deliveries have been successfully realized.

Within the scope of the KETUM Communication System, factory acceptance tests of HYBRA DMR3810 Radios were completed for the first use in the Mission Critical LTE System infrastructure of the Adana Provincial Police Department. The Feasibility Report prepared to create Türkiye's Public Safety Broadband Communication Solution was submitted to the Secretariat of Defense Industries and relevant institutions.



BiGA.DMR (İzmir), BiGA.DMR.LTE (Adana)-KETUM Communication System (başlık) Within the scope of KETUM Communication System The BiGA.DMR Radio Communication System, which includes ATLAS DMR Provincial/ Central Management Software, ASTELA. DMR base stations and ASTELA.DMR radios, was delivered to the İzmir Provincial Police Department after the field acceptance tests.

Within the scope of JEMUS-8, the Gendarmerie General Command's Mission Critical Radio Communication System was put into operation in Bitlis and Hakkari provinces, and field deliveries of JEMUS P25 products were completed.

Phase 9 of JEMUS Project, Şanlıurfa and Batman provincial systems were put into operation. Installation activities continued in Mardin and Diyarbakır provinces. The Security Equipment Work Package was delivered to meet the needs of the Cyber Security Command within the Gendarmerie General Command. In addition, a trailer type repeater center was delivered to be used in the temporary base areas of the Gendarmerie General Command. The 1000th JEMUS P25 site installation, which is included in all JEMUS phases, was realized in the province of Şanlıurfa.



A new phase has been initiated for the system installations in Muş, Bingöl, Elazığ and Tunceli provinces, which will bring the JEMUS Project to 81 provinces.



In line with the needs of the General Directorate of Police, the conversion of analog radio systems to digital continues rapidly.

In Q2, with the contract amendment signed with the Secretariat of Defense Industries, the number of provinces where KETUM DMR will be installed was increased.

A contract was signed with the Directorate General of Coastal Safety (DGCS) in the 2nd quarter of the year within the scope of Communication Modernization BIGA M. It is aimed to be operational in 2024 with the domestic and national ASELSAN BIGA M products to be installed in the SHORE NAVTEX / MF, SHORE NAVTEX / MF TRANSMITTER stations.

JEMUS P25 TCDD (Turkish State Railways) Communication of six regions has been put into operation within the scope of communication needs. An in-tunnel communication system was installed on the line with the longest and oldest tunnels of the TCDD line. A communication system was commissioned on a line in the Southeastern Anatolia Region. In 2023, many radios were delivered and put into active use. Vehicle radios were also installed on many locomotives.





International terminal sales of the ASTELA Radio Family continue, and the number of our public safety wide area communication systems installed abroad is increasing. The second phase of the border security communication system for a Central Asian country was completed. The delivery of a wide area system for a state in the Middle East Region was completed and additional orders were received.

Deliveries continue under production technology cooperation agreements. The Kazakhstan ASELSAN Engineering (KAE) production line was prepared for the production of ASTELA Radio Family products and line validation for production was realized. With the advantage of local production, KAE provides ASTELA 3700 Family radios to its users.

ASTELA communication devices were delivered to the Ministry of Defense of an African country for the first time in 2023.

Within the scope of carrying out the sales activities of A-Tacho STC8255 Digital Tachograph Vehicle Unit, among AETR countries, bilateral negotiations have been held with the local companies and distributorship agreements have been signed with those local companies in Europe and Central Asia.

Public Safety and Mission Critical Communication Systems

Under the scope of the ASTELA digital encrypted radio family sales contract has been signed with the Presidency of Defense Industries for the Turkish Armed Forces and Gendarmerie General Command usage. The radios included in this contract were successfully delivered in 2023.

Installation of the digital communication system integrated with the JEMUS system throughout Türkiye for disaster and emergency communication requirements of AFAD continues at a great pace. In the AFAD Digital Radio System, the radio infrastructure of many provinces has been fully established. During the Hatay and Kahramanmaraş earthquakes, communication was successfully provided without interruption.

In 2023, A-Tacho STC8255 was sold not only in Türkiye but also in some AETR countries. Domestic sales to the customers are carried out through a local sales distributor in Türkiye. In addition to the sales to the authorized services, a significant number of devices were also sold to a local OEM commercial vehicle manufacturer company.

Within the scope of the on going EU's Horizon 2020 granted FITDRIVE Project, the work package responsibilities which were committed by ASELSAN are realized in accordance with the project's time schedule. The production phase of prototype smart tachograph devices which will be used in the field tests of the project were completed.

At the First Review Meeting held with the EU Commission at Brussels, the project presentation have been made and our completed work packages are approved by the EU commission officer. The first two phases of field tests defined in the project were successfully completed. The remaining field tests are planned to be performed in 2024 and 2025.



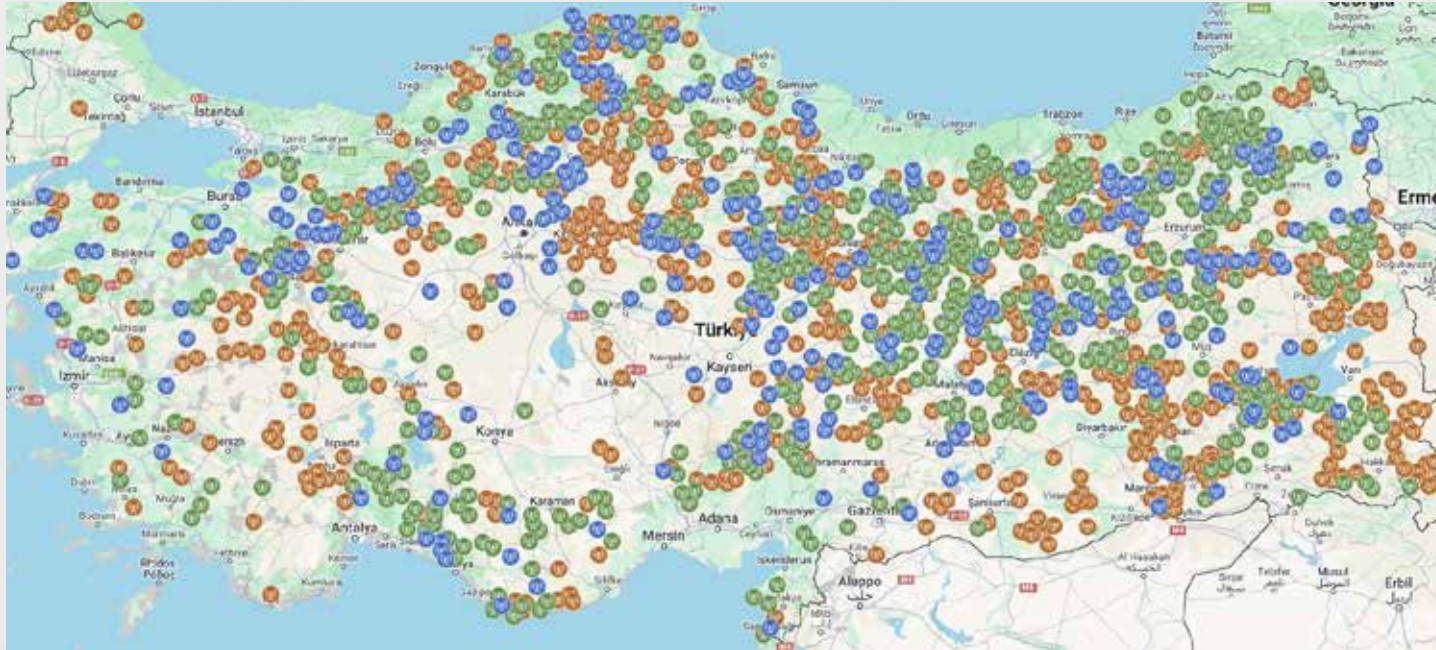
Mobile Wide Band Communication Systems

Developed within the scope of ULAK 4-G Project signed between the Presidency of Defense Industries and ASELSAN, our ULAK base station units AReNA-4003RRU, AReNA-4007RRU and AReNA-4020RRU, whose first sales started with the contracts signed in 2017, are successfully used in the networks of three mobile operators operating in Türkiye. In addition, AReNA-4020RRU unit also serves our nation in Universal Service Projects (1-2-3), which are tendered by the Ministry of Transport and Infrastructure and aim to bring 4.5G

service to rural areas. The export activities of our units, which provide uninterrupted service at many points across Turkey, are carried out in cooperation with ULAK Communication Inc., and the efforts continue by establishing trial sites in various countries. Our project design studies for our new products are in progress.

Phase 2 of the ARENA 5G Next Generation Radio Prototypes Development Project was launched for the development of base stations in the 3.5 GHz frequency band.

Within the scope of the project, a base-band unit will be developed in the 3.5 GHz frequency band, which will operate in commercial and public safety networks on antenna integrated radio and off-the-shelf servers that enable high capacity with 64T64R and DL/UL 16/8 layer support.



TASMUS-TARAS, which will meet the need for high capacity data transfer in the tactical field, was delivered to the Land Forces Command for the first time.

Cyber Security and Information Technologies

The "Secure by Design" approach, which places security at the core of design, is becoming increasingly important today. Activities aimed at prioritizing cybersecurity at ASELSAN are conducted under a framework program called SIBERZIRH. This year, a series of updates and improvements have been carried out to enhance the security of ASELSAN's systems and products, with ongoing efforts to establish a cybersecurity culture based on the "Secure by Design" concept at ASELSAN.

The development of the SAHAB 1D, which provides one-way data transfer at the physical level to securely protect the sensitive classified networks of critical institutions and organizations against data leakage, is ongoing. The update and sales activities of the SAHAB 2D, which allows for two-way data transfer, continued throughout 2023.



In the first phase of GAMUS Project, contracted between the Secretariat of Defence Industries and ASELSAN, installations have been completed in 13 provinces where both JEMUS and DMR systems are operational. Alongside the installation of JEMUS and DMR systems, it is aimed to expand GAMUS project throughout the country.

The 20 types of devices developed. The development of the aselSWITCH-MiIR and aselSWITCH IndR National Router Families is ongoing.

Over 40 configurations of devices developed under the aselSWITCH MiIS and IndS product families, as well as the aselSWITCH 3U VPX, aselSWITCH ESCDA and aselSWITCH NMS products are ready for sale. Deliveries for domestic projects and ongoing business development activities for these products continue.

As the part of Gebze-Darica Metro Signaling Communication Project, the acceptance tests for the Raynet Metro product have been successfully completed. The first eight stations will be operational in 2024.

TESTING AND VERIFICATION ACTIVITIES

Güdü M-1D, Güdü G-PA, artCOM PRC-5433 V/UHF WLAN, artCOM RC-9661 V/UHF WLAN, T-Link LOS-A verifications started to be performed with the channel simulator. With this activity, it is aimed to find the waveform related bugs that may occur in the field at the earliest stage in the laboratory.



Channel Simulator Waveform Test Setup

An algorithm capable of calculating cophase and co-amplitude values was developed for the design verification and calibration of active phased array antenna hardware components developed for the first time in HBT.

In the Public Security and Mission Critical Communication Systems activity area, software test automation was developed for the verification of the HYBRA 3810 UHF LTE/DMR Hybrid Handheld Radio. The system level verifications of the project were completed and it was included in the inventory of the Turkish Armed Forces.

In order to verify the system performance of Military Communication and Public Security Communication systems in field conditions, many field tests have been carried out both in Türkiye and abroad.

ASELSAN has acquired a high-altitude test system, which is unique in Türkiye and one of the few examples in the world, capable of supplying conditioned cooling air to the unit under test and at the same time maintaining low pressure conditions. With this test infrastructure, it is possible to perform functional tests of strategically important products and systems under low pressure / high altitude conditions in Türkiye.



High Altitude Test Systems

The installation and on-site acceptance activities of the vibration/shock test system with a capacity of 70 kN in the HBT environmental conditions test laboratory were completed, and the test infrastructure was put into service. In this way, our dependence on foreign countries for the test infrastructure needed in the verification phase of the products and systems of the sector has been eliminated and ASELSAN has reached the capability to provide services to other sectors as well.

Pre-compliance EMC and power quality studies started in 2023. Thanks to the test infrastructures according to MIL-STD-461, MIL-STD-704 and MIL-STD-1275 standards, records of the problems and solutions encountered in these areas are kept and it is aimed to contribute to EMC design studies with the experience and knowledge gained. In 2023, pre-compatibility EMC and power quality tests were performed on 16 different PCB cards and modules. In 2024, with EMC software and test equipment investments, it is planned to gain new pre-compatibility test capabilities according to both military and civilian standards.



High Capacity Vibration-Shock Test System

The number of test devices that can be calibrated within the EMC laboratory has been increased thanks to the new software development and investments.

The number of EMC laboratory test instructions was increased and their content was enriched. Within the scope of optimization, automation and reporting of test processes, the number of software developed and put into use within the laboratory was increased.

Within the scope of the power quality verification activities of the three-phase, 400 Hz, 115V AC equipment and subsystems developed within the Airborne Communication Systems, MILHDBK- 704-3 TAC test capability was provided to the EMC laboratory.

Investments were made for the CS114 sub-band requirement in the F and G versions of the MILSTD- 461 standard, and the test capability was added to the EMC laboratory.

With the Ethernet-based remote controlled communication software developed to be used in the heat cabinets in the design environment, the heat cabinets started to be used 24/7 without any interruption. In this way, test waiting times have been minimized.

The interface design used in production test stations was renewed and put into use. With the commissioning of the newly designed production test stations, production labor was improved by 75% and test infrastructure material cost was improved by 30%.

With the introduction of the new Boundary Scan system, testing times and operator labor have been reduced by 40%, while maintenance costs have also been significantly reduced.

Switching of the manual unit production testing to the automated product testing infrastructure has started. It was first commissioned for 6 units and a 50% improvement was achieved in production test times.

Phase-1 of the DO-330 compliant test software for high-level software verification of air platforms has been completed. Phase-2 works are continuing.

Continuous Testing infrastructure has been established in accordance with HBT DevOps processes for the verification of web-based software.

Fixed and/or mobile testing infrastructures of military HF and V/UHF radios for land, airborne and naval platforms and IFF equipments were designed and delivered to the domestic users. The necessary trainings for the use of these testing infrastructures were also provided.

Testing infrastructures of military HF and V/UHF radios for land, airborne and naval platforms and radio link equipments were designed and delivered to the various countries abroad. The necessary trainings for the use of these testing infrastructures were also provided.

QUALITY MANAGEMENT ACTIVITIES

Quality Management System was continuously improved and strengthened by establishing additionally 5 new processes in accordance with the accelerated technology and strategy of ASELSAN. Accordingly, HBT Quality Manual updated revision has been released in the scope of improvements and organizational revolutions.

Projects under the assurance of the Quality Management System are directly affected through the technology development. In accordance with, especially for space pro-

jects, quality requirements and tasks within concept of Hybrid Technology has been constructed along the production line and processes including quality control plans, inspections and acceptance criterias. For avionic projects, software and hardware certification processes were institutionalized.

Quality Management System Certifications and CMMI Dev with SAM 2.0 continuity were sustained successfully and proven with the results of external audits by Certification Bodies. Additionally, "DOA Design Subcontractor Audit" was carried out by TAI on 31 January 2023 for the compliance of the HBT Design Organization with EASA

Part 21 DOA (Design Organization Approval) requirements and was successfully concluded.

First Article Inspection mechanism was qualified and disseminated in the scope of AS9102 for the whole mechanical and electromechanical parts within the interest of concept ie. FAI form has been implemented on the basis of production activity for aluminum injection, plastic injection, machining, sheet metalbending-laser cutting, ultrasonic welding, welding, coating, painting, screen printing, PCB mounting and assembly processes.



AQAP 2310



AQAP 2210



AQAP 2210



AS 9100

PRODUCTION ACTIVITIES

Soft gold plating capability has been added to the latest plating applications.

Soft gold coating capability has been gained as an alternative to the existing electrolytic gold plating system in order to increase the performance especially in antenna applications. In 2023, BDK production capability was gained with Tecspeed 6 material for high speed applications and TMM10i base material for antenna applications.

Robot Arm:

A test infrastructure with a capacity of 450/day, which performs functional, mechanical and electrical tests fully automatically, has been established for radio production.



X-Ray Registration System:

The process of aligning the interlayers in multilayer printed circuit board production is carried out much more precisely with the X-Ray Registration system. With this system, dimensional measurements of the interlayers are performed before each drilling process in production and drilling processes are carried out according to the measurement results.



INTEGRATED LOGISTICS SUPPORT ACTIVITIES

Within the scope of digital transformation efforts in customer trainings with virtual reality applications, AR/VR-based training materials were prepared for the user trainings of artCOM 9661 V/UHF, artCOM 9661 HF and 6670 IHS system in cooperation with BİTES, which will be a first for the HBT Sector.

The configurations presented to the user within the scope of the project were animated using virtual reality headsets in accordance with their actual placement on the platform. In addition, usage scenarios consisting of two vehicles were prepared, allowing the user to experience the communication systems one-to-one through the scenarios.



DEFENSE SYSTEM TECHNOLOGIES SECTOR

Indigenous solutions were developed for newly built and modernized air, land and naval platforms, and new projects were initiated, especially in the field of air defense.

DEVELOPING FOR
OUR
COUNTRY



DEFENSE SYSTEM TECHNOLOGIES SECTOR

Factory acceptance tests and system deliveries for **TCG AKHİSAR** and **TCG KOÇHİSAR** Offshore Patrol Vessels were completed and the vessels were launched.

MARINE SYSTEMS

The integration of combat systems for newly constructed and modernized surface platforms and submarines was carried out, and at the same time, indigenous products were developed, and the production and acceptance activities of the developed products were carried out.

The provisional acceptance of the Multi-purpose Amphibious Ship TCG ANADOLU and the Logistic Support Ship TCG First Lieutenant ARIF EKMEKÇİ was completed.



The combat systems of TCG ANADOLU were provided by ASELSAN, and the sea acceptance tests of 36 systems, including the PIRI Infrared Search and Track System, AHTAPOT Electro-Optical Search Systems, LIAS 200-N, SMASH 25 mm Remote Control Stabilized Weapon System, HIZIR-100N Torpedo Jamming/Detection System, Integrated Communication System, X-Band, Ku-Band Satellite Communication Systems and Electronic Warfare Suite were successfully completed. The first MILGEM export, PNS BABÜR, was delivered to the Pakistan Navy. The delivery of all

systems under ASELSAN's responsibility for four ships within the scope of Pakistan MILGEM was completed, while factory acceptance tests and deliveries of systems for the first ship within the scope of Ukraine MILGEM Corvette project continued. The factory acceptance tests and system deliveries for the TCG AK- HİSAR and TCG KOÇHİSAR Offshore Patrol Ships were completed, and the ships were launched.



The port acceptance tests of TCG ORUÇREİS, which was modernised within the scope of BARBAROS Class Frigate Half-Life Modernisation Project, were completed and the ship sailed for the first time. The combat systems factory acceptance tests of the third ship within the scope of the project were completed. The naval acceptance tests of TCG DERYA, the Maritime Resupply Combat Support Ship, continued.

Within the scope of MİLGEM, the combat systems port acceptance tests of the fifth ship TCG İSTANBUL were completed, naval acceptance tests and firing tests continued, and the contract for the supply of combat systems for the 6th-8th ships was signed.

A total of 48 ASELSAN systems, including the CENK-400N 3D Search Radar, AKREP-300N LPI Radar, PIRI Infrared Se-



arch and Track System, AHTAPOT Electro-Optical Search Systems, LIAS 200, FERSAH-100N/MF Hull Mounted Sonar, HIZIR-100N Torpedo Jamming/ Detection System, Electronic Warfare Suite, Integrated Communication System, ZIPKIN-100/D Torpedo Launcher, TAKS-100/76GFCS Gun Fire Control System and GÖKDE-NİZ-100/35SA Close-In Weapon System.

Within the scope of the Preveze Class Submarine Half-Life Modernization, factory acceptance tests and port acceptance tests of the systems of TCG SAKARYA and TCG 18 Mart continued.

Acceptance activities of Türkiye's First Indigenous and National Over-the-Horizon Anti- Submarine Warfare Sonar Low Frequency Towed Active/Passive Sonar System (DÜFAS) were finalized.

The naval acceptance tests of the FERSAH-100N/MF Hull Mounted Sonar and ZIPKIN-100/D Torpedo Launcher Systems were completed and the systems entered the inventory for the first time. In addition, for the first time in Türkiye, a torpedo launching was conducted from an Unmanned Naval Vehicle with the ZIPKIN Torpedo Launcher System.

MARLIN Unmanned Surface Vehicle's sea acceptance tests have been completed.

In ATMACA Project, the integration of the Fire Control System to the platforms continued. IFF Mode 5 system was integrated to prototype platforms. The factory acceptance test of the TAKS-100/ 76GFCS Gun Fire Control System was carried out, and integration activities and port and sea acceptance tests continued. Development of

the 40 mm Turkish Type Naval Gun continued. All KULAÇ system deliveries on Barbaros and Gabya Class platforms were completed.

Integration activities and port and sea acceptance tests continued. Development of the 40 mm Turkish Type Naval Gun continued. All KULAÇ system deliveries on Barbaros and Gabya Class platforms were completed.



81 MM VE 120 MM MORTAR ELECTRONIC ORIENTING SYSTEMS

were used effectively in the Winter Exercise-2023, which was conducted in 2023.

LAND AND WEAPON SYSTEMS

Within the scope of smart ammunition solutions, the first export deliveries of the ATOM 40 mm High Velocity Smart Munition (ATOM 40HV ABM) were realized. ATOM 35 mm Airburst Ammunition (ATOM 35 ABM) was produced in high quantities and delivered to users. The development of ATOM 35 IABM, the optimized version of ATOM 35 ABM, an air defense ammunition for UAV and infantry effectiveness, was completed.

ASAF 155 mm Range Correction Kit (ASAF 155CCF) is being developed to increase the accuracy of large-caliber ammunition and ensure precise targeting of the ammunition. In addition to the ASAF 155CCF, ASAF 155 mm, Multi-Purpose Fuze (ASAF 155MOFA), which includes

proximity, delayed impact and timed fuze functions for use with these ammunition, continued to be developed.

ASELSAN continues to develop active protection systems for various platforms by utilizing its experience in sensors, weapons and ammunition. In this context, ASELSAN's own resources were used to develop the KAMA FIM (Physical Destruction Ammunition) System, which has relatively low environmental damage and is effective at close range.

ASELSAN continued to deliver the VOLKAN-200/120 Fire Control System and various systems to the tanks to be produced within the scope of ALTAY Tank Serial Production and to provide training vehicles for user/maintenance trainings for these products.

Firing qualification tests were completed for the VOLKAN-200/120 Fire Control System to be installed on ALTAY tanks. The integration of the AKKOR subsystem into the ALTAY tank was realized and platform level tests were carried out. On-tank commissioning activities were carried out and the first ALTAY tank produced within the scope of the serial production project was launched in the 2nd quarter of 2023.

Within the scope of the modernization of FIRAT-M60T tanks, the deliveries of all M60TM tanks with increased anti-tank protection capability were completed. In 2023, deliveries to increase the protection capabilities of our Leopard2A4 tanks were completed.





Deliveries to provide the Telescopic Periscope System (TEPES) with target coordinate detection capability were also completed in 2023.

The qualification of the VOLKAN-201/120 and VOLKAN-200/120 Fire Control Systems, designed according to different technical, tactical and budgetary requirements, was completed on the M60TM and Leopard 2A4 tanks within the scope of the FIRAT M60T Modernization. Successful firing results were obtained in the tests conducted.

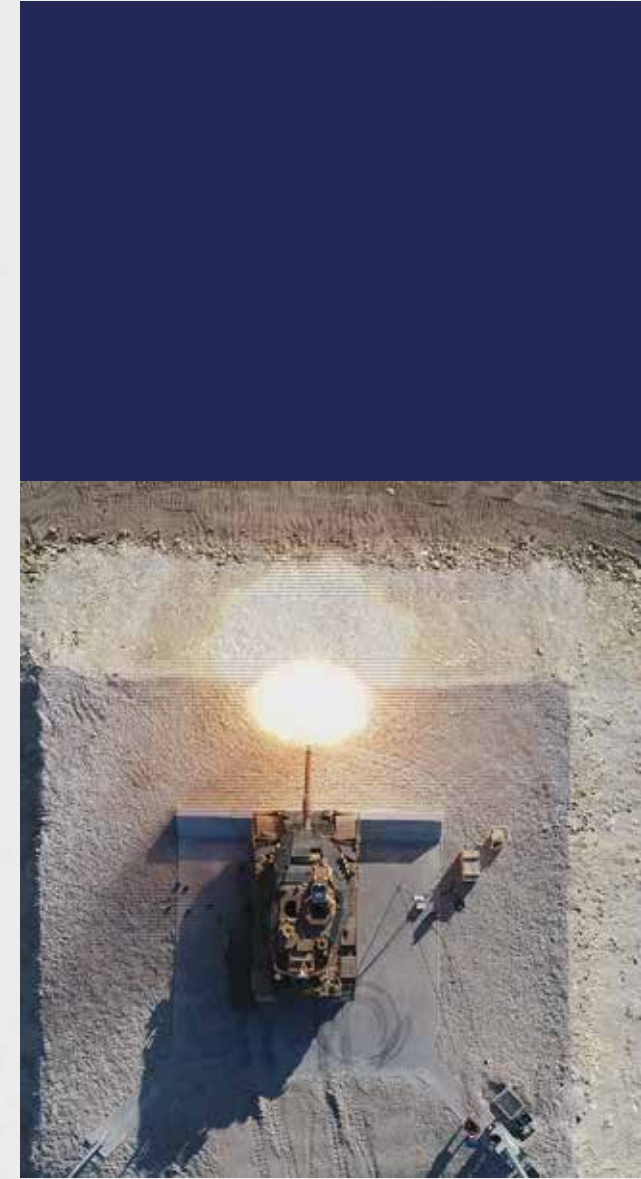
The acceptance of the M60T Tank with Additional Capabilities was successfully initiated with the participation of the Presidency of Defense Industries and the Land Forces Command.

As a result, the first modernized M60T tank, including the domestic and indigenous Fire Control System, was accepted into the inventory of the Turkish Land Forces Command. After the tank acceptance, user trainings continued.

Within the scope of adding additional capability to the Leopard 2A4 Tanks, a contract was signed between BMC Otomotiv and ASELSAN in the second quarter of 2023 to meet the needs of the Turkish Land Forces Command. Within this scope, ASELSAN will deliver the VOLKAN-200/120 Fire Control System and various other systems for Leopard 2A4 tanks.

In the third quarter of 2023, an international sales contract was signed for the modernization of the Leopard 2A4 tank. The project involves the modernization of the Leopard 2A4 tank with ASELSAN subsystems, indigenously designed to provide cost-effective and optimum performance.

Within the scope of Artillery and Mortar Systems, a sales contract was signed with MKE for the VOLKAN-230/105 Fire Control System for the needs of an Asian country, which was delivered in 2023.



A sales contract was signed with MKE for the VOLKAN-230/105 Fire Control System for the requirement of a Balkan country, and the delivery of these systems is planned for 2024.

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Support was provided to BMC for the integration of the VOLKAN-220/155 Fire Control System, which was delivered to BMC, into howitzers and their subsequent delivery to the Turkish Armed Forces, and the howitzers were taken into the inventory of the Land Forces Command for the first time in 2023.

A new contract was signed in 2023 for the modernization of the ANS used in the Firtina howitzers in the inventory. In addition, the products in the contract signed in 2022 within the scope of the same work were delivered in 2023.

ALKAR-100/120 Mortar Weapon Systems were delivered to an African and a European country. Demonstration activities of ALKAR Mortar Weapon Systems to foreign customers continued.

ALKAR-110/60, ALKAR-110/81 and ALKAR-110/120 deliveries were made to the Land Forces Command, and ALKAR-110/81 and ALKAR-110/120 Mortar Electronic Weapon Systems were used effectively during the Winter Exercise 2023.





The modernization of Armoured Combat Vehicles (ACVs) in the inventory of the Turkish Armed Forces continued. In addition, the Turret Maintenance Training and Breakdown Simulators were delivered to the Land Forces Command for Troop Level Maintenance Trainings.

Deliveries of Mission Equipment for Special Purpose Tactical Wheeled Armored Vehicles were carried out.

In the 3rd quarter of 2023, the SARP-100/25 weapon system was developed for a 4x4 vehicle for a Middle Eastern country, and tests were successfully completed on the Ejder Yalçın vehicle of Nurol Makina.

A contract was signed between FNSS and ASELSAN for the supply of SARP-120 Remote Controlled Weapon System, ANS 420-L Positioning Navigation System and SEDA-100LC Firing Location Detection System within the scope of modernization of Enhanced Armoured Personnel Carriers (GZPT).



With ASELSAN's knowledge and experience in the field of Remote Controlled Weapon Systems, the SARP-200 Remote Controlled Weapon System, a new version of the SARP-100, which has been recently added to the product portfolio, was introduced at IDEF 2023 and DSEI23.

The first delivery and export of the SEDA-100LC System on the SARP-100C System was realized.

Demonstration activities of the newly developed BATUR WBNW(Wide Band Networking Radio Waveform) software were carried out abroad. Field Acceptance Activities for BATUR-100 and ANS 310-L on Armored Vehicles exported abroad were successfully completed.

Final acceptance tests of ASELSAN subsystems (BATUR-100, ANS 310-L, Radio, IHS, LUS, SARP-100) on the NUROL armored vehicle within the scope of the needs of an Asian country were successfully completed.

COMMAND AND CONTROL SYSTEMS

Within the scope of the Network Enabled Capability (NEC) Project, which provides the Land Forces Command with a significant gain in the automation of the military decisionmaking process, multi-source situational awareness and interoperability, the Command participated in the NEC II System Trial Exercise held in the second quarter of 2023. In the exercise, where all elements from single soldier to corps level were directed and managed through the ADY command and control systems, the Dijital Tugay application was successfully realized with the integration of ADOP and HERIKKS.

The system, which took part in the Joint EH Trial Exercise, successfully carried out its mission.



IHTAR deliveries for the protection of gas fields of strategic importance for Türkiye against mini/micro UAV threats were completed.

The development of DEMİR four-legged robot, which is considered to be an important player in the future operational environment due to its superior mobility, continued with ASELSAN's own resources. The activities carried out as domestic and national development were presented at the IED Detection Capable Robot Dog Studies Workshop in the first quarter of 2023 and at the Counter-IED Conference in the third quarter of 2023. Immediately after the demonstration at the Counter-IED Conference, the unique legged robot, payload integrations to off-the-shelf commercial legged robots and the active exoskeleton system were demonstrated to the Second Chief of General Staff and the accompanying delegation at the General Staff Headquarters campus.

In HAKIM Azerbaijan Air Command and Control System Project, the infrastructure needs of three centers were met, up-to-date software was installed and the Central Command Post in Baku was inaugurated with the participation of the Presidents of the two countries. Within the scope of the project, the integration of the active radars in the inventory of the Azerbaijan Air Force was ensured, and the installation of centers and positions continued.

HERİKKS Air Defense Early Warning Command and Control System elements, which have been included in the inventory of the Land Forces Command, and HERİKKS 610 Battery Command and Control Operations Center, which has been included in the inventory of the Air Force Command, meet the air defense command and control needs of the Turkish Armed Forces.



Due to the development of the customer's requests and operational needs in different directions, HERİKKS 600T Transferable Command Control Systems, which meet the needs of both the Land Forces Command and the Air Force Command with HERİKKS and HERİKKS 610 software features, were

developed by SST. HERİKKS 600T manages air defense elements at Army / Corps / Brigade level and controls the airspace. The product has been demonstrated to both the Air Force Command and the Land Forces Command.



In 2023, HERİKKS 600T took part in the into howitzers. Heydar Aliyev 2023 Exercise in Kars and Mustafa Kemal ATATÜRK 2023 Exercise in Baku. In addition, the HERİKKS 600T system took part in the KMS Weapon System and Stinger Man PAD training firings conducted by the Air Force Command.

Deliveries of Vehicle Integrated İHTAR Systems were also realized in 2023, and deliveries to the Turkish Armed Forces continued.

In 2023, İHTAR was also delivered to civilian organizations for the first time. In this context, the İHTAR system will be used to protect power plants and refineries against mini/micro UAV threats. In addition, İHTAR deliveries for the protection of gas fields, which are of strategic importance for Türkiye, against mini/ micro UAV threats were also completed in 2023.

Efforts continued for the export of the İHTAR System. The first export of the ŞAHİN Physical Destruction System, which can work in integration with the İHTAR System and uses ATOM 40 mm smart grenade launcher ammunition, to the Asia Region was completed in 2023, and deliveries of the contracts signed for the Middle East and Africa regions continued.



A large number of Fire Control System and Inertial Navigation System acceptance inspection activities were successfully completed and delivered to the Çankırı Weapons Factory of the Machinery and Chemical Industry for integration into howitzers.

TRENCH FIRE TESTS

have been carried out successfully.

SPACE, AIR AND MISSILE DEFENSE SYSTEM

In the KORKUT-230/35 Self-Propelled Barreled Low Altitude Air Defense Weapon System and ŞAHİN-130/40GL 40mm Grenade Launcher Physical Destruction System Projects, demonstration activities that successfully destroyed targets were carried out for foreign delegations. The export contract for the KORKUT systems was signed. Serial production deliveries continued within the scope of KORKUT Project Air Defense Systems Modernization and Fragmentation Ammunition Supply Contract. The integration of GÖKDENİZ Project, which performs the close air defense mission of ships, to the TCG Istanbul platform to be included in the inventory of the Turkish Naval Forces Command for the first time was completed.



The first export of the GÖKDENİZ system was completed. A new export contract was signed for the GÖKDENİZ system, which was in high demand. The number of export countries increased to three.

In 2021, the first deliveries were made and taken into the inventory of the Turkish Armed Forces, and with the contract signed in 2021, work continued to add new capabilities to the HİSAR Systems,



of which mass production activities continue. A contract was signed in 2023 for the additional procurement of HİSAR-A and HİSAR-O systems that will strengthen the air defense of our country.

Within the scope of SİPER Long Range Air and Missile Defense System Project, SİPER-1 System and SİPER-2 System are being developed. In the second quarter of the year, the Integrated System Level Firing Test Activity was successfully conducted. Acceptance activities for the SİPER-1 System were initiated in the last quarter of the year. The development and testing processes of the SİPER-2 System are ongoing, and the test activity was successfully carried out in the third quarter of the year. In the last quarter of 2023, a contract was signed for the serial production of SİPER-1.



Activities continued for the integration of the HİSAR-D RF Guided Missile on the TCG İSTANBUL Stack Class Frigate.

Within the scope of the lowest layer of GÖKKUBBE, which is the integrated air and missile defense system that will protect our country, the KORKUT System and mortar/rocket interceptor

development studies are aimed to ensure the effective operation of our air defense systems under the roof of GÖKKUBBE. Our specialized systems that will solve various needs in the air defence layers are GÖKDEMİR, which can launch air missiles, GÖKBERK, our Laser Weapon, and GÖKSUR, which will provide ship point defense. GÜRZ, a multi-purpose

multi-air and missile defense system that has the ability to intercept a wide range of targets with a single system, includes different interceptors (very short / short-range missiles, 35mm cannon, jammer) and capable radar, and has advanced fire control capability with smart algorithms.



We continue to work for GÖKKUBBE, the integrated air and missile defense system that will protect our country.

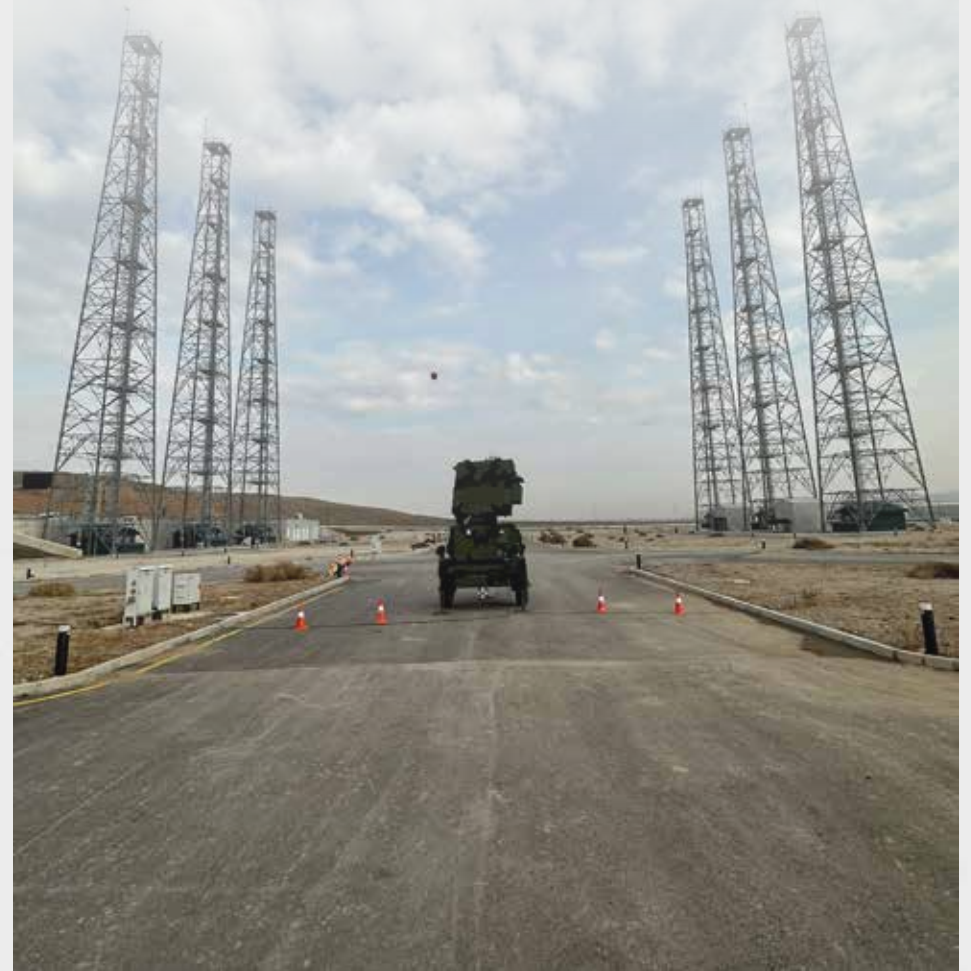
TESTING AND VERIFICATION ACTIVITIES

The Indoor Shooting Range with a 200 meter shooting range, located at ASELSAN Temelli campus, which was put into use in 2022, was used intensively in the development tests of new generation weapon systems in 2023.



ROBOSİM, located in ASELSAN's Temelli campus, is capable of simulating targets that air and missile defense systems may encounter in real life in an open area, including lateral and elevation angular movements. Cable-robot technology is used in this infrastructure, and the cabins in which electrooptical and radar target simulators are placed are given the ability to move in the lateral and elevation axis. In this way,

it is possible to simulate challenging attack scenarios involving single/multiple targets in open space. With the ROBOSİM infrastructure, the tests of our air defense systems are carried out in a controlled, repeatable and reliable test environment. In addition to the Shield Radar, the search radar used in Siper project was also tested at ROBOSİM in 2023.



QUALITY MANAGEMENT ACTIVITIES



Dissemination studies on Robotic Process Automation (RPA) continued in order to automate repetitive tasks. Under the coordination of the Quality Management Directorate, projects to be carried out with RPA were identified through Ideaton studies conducted with different discipli-

nes of SST, and these projects were realized through Hackathon activities.

SST Measurement Platform was commissioned within the scope of periodic measurement needs of SST departments.



AS9100 interim audits were successfully completed on June 12-16, 2023 and AQAP 2110/ 2310/ 2210 interim audits were successfully completed on March 16-17, 2023.



In addition to at-source inspection and input quality studies, process improvement studies were conducted with companies within the framework of the process improvement program for design and production suppliers working with SST. Within the scope of the study, critical points in the processes of the companies, starting from the proposal stage, covering the design, production, procurement, configuration management, verification,



acceptance and after-sales support stages, were examined, improvement opportunities were identified and followed up. In 2023, process improvement activities were carried out in 19 companies. after-sales support stages, were examined, improvement opportunities were identified and followed up. In 2023, process improvement activities were carried out in 19 companies.

PRODUCTION ACTIVITIES

Production is carried out with lean production lines established to meet customer needs on time, in the desired quantity and at high quality. In 2023, İHTAR and GÖKDENİZ lean production lines were established and production capacity has increased.



İHTAR(Trailer)



İHTAR(Cabin)

For the Printed Circuit Board (PCB) Assembly production; the production capacity was increased and all errors were minimized with 2023 equipment investments with the latest technology and high-level configurations that can respond to current technologies.



GÖKDENİZ

40 mm ATOM High Velocity Smart Ammunition Investment

In 2023, the Grenade Launcher Ammunition Module Production Line, which will meet the high production capacity required for the ATOM 40mm High- Velocity Smart Ammunition, was put into use. With this production infrastructure, a high production capacity was achieved at low cost. The Grenade Launcher Ammunition Module Production Line is designed in such a way that its capacity can be doubled if needed. With this investment, a sustainable, human error-free, high-capacity 40 mm High Velocity Smart Ammunition Module Production Line was introduced to ASELSAN.



40 mm ATOM Plastic Injection and Test Automation

INTEGRATED LOGISTICS SUPPORT ACTIVITIES

Intensive maintenance and repair activities were carried out in 2023 to ensure that the systems provided by ASELSAN are always mission-ready.

Efforts were undertaken to deliver the customer documents of the systems as Interactive Electronic Technical Manual (IETM). This contributed to the digitization of user books and training programs.

By using the data collected in the Enterprise Resource Planning System and presenting past and current views of business operations, reporting and follow-up activities were automated and visualized to provide future-oriented foresight. Thus, the amount of labor allocated to reporting and follow-up labor, which does not create added value, has been greatly reduced.

With the use of RPA (Robotic Process Automation), the steps required for the realization of reporting and follow-up activities were ensured to be performed at the desired time and frequency. In this context, Periodic Repair Reports, Simple Repair Line studies and analysis studies for labor follow-up were digitized.

Within the scope of ASELSAN 360 Degree Product Support/Service Management Project, the user personnel were trained on the Customer Relationship Management (CRM) application. Within the scope of this application, it is ensured that fault notifications are made, repair discovery form approvals are given, repair process is monitored and statistical information on repair processes can be obtained.

MICROELECTRONICS, GUIDANCE AND ELECTRO-OPTICS SECTOR

Continues to work for our security forces in the fields of avionic systems, guidance and navigation systems, electro-optical systems and microelectronics.

DEVELOPING FOR



OUR

COUNTRY

MICROELECTRONIC GUIDANCE AND ELECTRO-OPTICS SECTOR

The development and qualification activities of the National LCD Display Unit ELMAS were completed and the first deliveries were made to TAI.

Within the scope of Rotary Wing Avionic Suit development activities, Sikorsky granted Block 1.0 CoC (Certificate of Compliance).



AVIONIC SYSTEMS

The contract for the establishment of the Avionic Cyber Security R&D Laboratory was signed with TÜBİTAK. Within this scope, R&D studies will be carried out for the detection and prevention of cyber-attacks on avionic systems. The aim is to develop a National Avionic Cyber Attack Detection System with the knowledge to be acquired.

Within the scope of the development of national avionic equipment, the Crush Survival Flight Data Recording System studies have been completed.

The Avionics Modernization Contract, which aims to increase the capabilities of the airborne platforms of the Coast Guard Command, was signed with the Presidency of Defense Industries.

Numerous sub-system deliveries have been successfully realized for different helicopter avionics development and production projects signed with TAI.



Sikorsky has received Certificate of Design (CoD) certificates for different equipment within the scope of Rotary Wing Avionic Suite Development activities.



ASELSAN continues to work on the certification process with the European Aviation Safety Agency (EASA) for the development of civil avionics suites. By utilizing ASELSAN's existing avionics system development capabilities and infrastructures in the military field, ASELSAN aims to produce national solutions with high added value for civil avionics.

In our Avionic Development Projects for Fixed Wing Platforms, project activities for 2023 were successfully carried out within the scope of Integrated Communication, Navigation and Recognition Identification System Development ICNI and Helmet Integrated Cueing System Development. Within this framework, the prototype acceptan-

ce of ARVEN VOR/ILS, AMAC ARAL radar altimeter and AICON intercommunication systems in accordance with the ICNI architecture was carried out. The TULGAR Helmet Mounted Display System, which is owned by only a few countries in the world and serves as the eyes of pilots, is being developed indigenously. In this context, design activities continued and the first color image was taken on the visor and the prototype product was demonstrated.

Within the scope of the development of the Image-Aided Navigation System, ANS 510-A and GÖRDES were integrated and flight tests were carried out on a UCAV platform.

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The development and qualification activities of the ATRAS-Traffic and Terrain Collision Avoidance System, developed with our subcontractor for use in civil and military helicopters, were completed.

The development and qualification activities of the ACORE HUMS Structural Integrity and Utilization Monitoring System, which is designed to provide Condition Based Maintenance by measuring the condition and performance of critical components in

rotary wing aircraft, have been completed and production activities have continued. Flight control computer, mission computer, navigation and electro-optical systems were delivered to different tactical UAV platforms, which are indispensable for image intelligence, surveillance, reconnaissance and attack missions in our country.

The design processes of the Integrated Avionic System Architecture have been successfully completed and deliveries of avionic equipment have started.





Within the scope of fighter aircraft modernization with our indigenous avionic suit and integration of various munitions, the serial production deliveries continued.

Within the scope of jet trainer aircraft project ASELSAN product deliveries continued.



Within the scope of export activities, navigation system delivered to three separate countries in South Asia, one country in Africa and two different countries in Europe.



Deliveries of helicopter avionic systems, spare parts and ground support equipment for export sales of TAI were conducted.



Within the scope of an export project Subcontract for avionic modernization of fighter aircraft with our indigenous products were signed.

Within the scope of an export light attack and training aircraft project, avionic suit software and hardware deliveries were successfully completed.

GUIDANCE AND UNMANNED SYSTEMS

Guidance Systems

The first production of the Smart Pneumatic Quad Rack compatible with F-16 aircraft was completed and delivered.



The serial production of the GÖZDE Guidance Kit, which converts general purpose MK-82 (500 lb.) bombs into ANS/LAB guided smart munitions, was completed and delivered.



Within the scope of flight certification on different platforms, firing tests of GÖZDE Munition were successfully carried out. Within the scope of the certification of guidance kits integrated with domestic GNSS receivers on different platforms, firing tests were successfully carried out.



Domestic contracts were signed for the production of long-range Winged Guidance Kit and TOLUN ammunition.

Export contracts for TOLUN munition and Guidance Kits were signed.



A domestic procurement contract and the first export contract for laser guidance kits were signed.

Laser guidance kits were successfully launched from four different platforms.



MARLIN 100/EW was the first USV to enter the inventory of the Turkish Naval Forces Command.

MARLIN 100/ISR Kamikaze USV was directed to the target detected by Bayraktar TB2 Unmanned Aerial Vehicle and sank the target ship in the sea with a direct hit. Thus, for the first time in the world, the IDA swarm kamikaze attack concept was demonstrated with the IDAUAV joint operation.

Production lines for TOLUN ammunition and new type guidance kits were established and mass production activities were initiated.

Additional domestic orders were received as a result of the successful mass production of KİLİT 32H Infrared Seekers used in air defense missiles.

Infrared Seeker Systems

After the successful firing of the KİLİT 130 Infrared Seeker, which had been developed for use in anti-tank missiles, the preparations for mass production were largely completed.

Work has continued on the development of the KİLİT 25T Seeker and KİLİT 27T Hybrid Seeker for use in Air-Land munitions.

Firing tests were conducted within the scope of the mass production improvement activities for the KİLİT 130 Infrared Seekers used in antitank missiles.

Investments were made to increase production capacity within the scope of the contracts to be signed for the mass production of infrared seeker heads developed for tactical missiles and air defense missiles.



Unmanned Naval Vehicles

Following the swarm demonstration, MARLIN 100/ASW launched a torpedo from an IDA for the first time by firing a light torpedo from the control station on land with the ASELSAN Torpedo Launcher System integrated on it.



A firing activity was organized with GÖKSUR 150N Solid Fuel Cruise Missile integrated to MARLIN 100/EW. The activity, which was successfully completed with the mission control station on the ground, was the first time a guided munition was fired from an IDA.



Within the scope of the firing demonstration, MARLIN 100/ISR Kamikaze UAV, directed towards the target detected by Bayraktar TB2 Unmanned Aerial Vehicle, hit and sank the target ship in the sea with a direct hit. Thus, for the first time in the world, the IDA swarm kamikaze attack concept was demonstrated with the IDA-UAV joint operation.



Unmanned Ground Vehicles

The delivery of the ASLAN 150M1 Middle Class First Level Unmanned Land Vehicle, which was designed as three different prototypes with national and domestic facilities, was realized.



ASLAN 150M1/G continued to be equipped with various payloads and the integration of TEPEGÖZ, AVAZ and METE Laser Guided Mini Missiles was successfully realized.



The prototype production of the first and only Middle Class Second Level UGV ASLAN 150M2/G, which can perform reconnaissance, surveillance, target detection, and can be remotely commanded by attaching different weapon systems and payloads suitable for the operation, has been completed and the platform qualification phase has continued.



With the aim of providing remote control and autonomous movement capabilities to the Armored Combat Vehicle to be modernized, the Electrical Control System and Main Control Computer integration activities were carried out in 2023. In 2024, it is targeted to complete the integration activities and realize the technology demonstration.



Production of the development vehicle of the Middle Class Second Level UGV ASLAN 151M2/G has been completed.



The delivery of two types of systems with relay payloads for TEPEGÖZ has been successfully completed.



ASELFLIR 500 Electro-Optical Reconnaissance, Surveillance and Targeting System, which was launched as the world's best reconnaissance, surveillance and targeting system in its field, has successfully performed flight and firing tests.

ELECTRO-OPTICAL SYSTEMS

Aerospace EO Systems

Serial production of CATS, the Electro-Optical Reconnaissance, Surveillance and Targeting system of national UAVs, which has a gamechanging effect on the world agenda, continued in 2023. By the end of



2023, the systems were delivered in high numbers and exported to 13 countries in the foreign market.

Serial production for ASELFLIR 500 started in the first quarter of 2024. In addition to unmanned systems, ASELFLIR 500 is also being integrated into rotary wing platforms and manned fixed wing air platforms. Preliminary design activities have been completed for the ASELFLIR 600 Electro-Optical System, which is planned to be used in various platforms, especially high-altitude UAV/UCAV/TIHA platforms, and will perform target detection, tracking and targeting from very long distances.



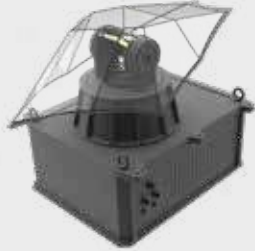
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The preliminary design phases for TOYGUN 100 and TOYGUN 200, Electro-Optical Track Systems with low radar reconnaissance area, have been completed and detailed design studies are ongoing. With the TOYGUN product family, ASELSAN will be one of the few companies that develop integrated electrooptical systems required for low radar crosssectional area in fifth generation fighter aircraft and new generation unmanned combat systems.



The preliminary design phases for the KARAT 100 and KARAT 200 Search and Track Systems were completed by the end of 2023. The Turkish Armed Forces are expected to achieve a significant force multiplier with the KARAT Infrared Search and Track System product family, which makes it difficult to be detected by manned and unmanned combat aircraft and enables passive detection.



Marine EO Systems

The PİRİ 100 Infrared Search and Track System entered the inventory of the Turkish Naval Forces Command for the first time. Work continued on the MERCAN national periscope system.



The integration and testing activities of the AHTAPOT Electro-Optical Director System were completed and it was taken into inventory. Integration and acceptance activities of the AHTAPOT System for additional ships continued.



The production, integration and field acceptance test activities of the MARTI and ORFOZ systems were carried out. Thus, the related systems were added to the inventory.



While the development activities of the ASELFLIR 410-N System continue, it is aimed to complete the test activities in 2024.



Qualification studies for the ASELFLIR 400 Electro-Optical targeting system for use in fixed-wing air platforms and rotary-wing air platforms used for search, rescue and attack purposes have been completed.

Land EO Systems

Serial production activities continued within the scope of DRAGONEYE, the integrated reconnaissance surveillance E/O system. The deliveries of the DRAGONEYE System, which acts as the eyes of the Turkish Armed Forces and security forces on land, continue to increase. Developments for the DRAGONEYE 2 Electro-Optical Sensor System, which will include a SWIR sensor in addition to the existing sensors, continued rapidly.



With a large number of deliveries, the ATS-70/71 E/O Sight System continues to be used by end-users as the eye and constant sight of the SARP Weapon System. Serial production deliveries of the next generation ATS 72 with enhanced hardware capabilities have started.

Within the scope of M60T Tank modernization activities, tests of the new generation fire control system and the KARTALGÖZÜ 100 Gunner's Periscope were successfully completed. Serial production activities are ongoing.

Activities for the serial production of the KARTALGÖZÜ 200 Gunner and Commander Periscope System developed for ALTAY and new generation tanks continued. Serial production activities of the KARAKURT E/O Sight System, developed for marking laser-guided missiles from land vehicles, continued.



Deliveries of ASELSAN products GÖREN Driver Vision System, YAMGÖZ Close Range Surveillance System, LIAS 400 Laser Warning Receiver System and ATS 65 E/O Sight System, which are electro-optical systems for land vehicles, continued.



Domestic and international deliveries of Land Reconnaissance Surveillance E/O Systems Kızılgöz thermal camera family, GÜNGÖR day vision camera family, DOLUNAY SWIR camera family continued.

International deliveries of the SAGER 300 Fire Support Sight System continued.



Portable EO Systems

The qualification studies of the DORUK 2/MS Electro Optical System, which is an improved version of the DORUK/MS system, which has been delivered in high quantities to date, have been completed and deliveries have started as of the last quarter of 2023.

In 2023, the first sale of the AYA Thermal Monocular Device, which was included in ASELSAN's product inventory, was made to South Asia. The delivery of the device will be realized in the second quarter of 2024. Work began in the last quarter of 2023 to develop the next generation of the thermal weapon sight family.

High number of deliveries of different models (A100, A200, A341, A361, A600) of the ASight weapon-mounted night vision family were made in Türkiye and abroad this year.



Counter Measure EO Systems

With the indigenization of critical components within the scope of the UV Missile Warning System, which is in mass production, the highest production quantity has been reached so far. The system was integrated into various air platforms and delivered to domestic and international customers.

Within the scope of the Infrared Missile Warning System Development, the system design phase has been successfully completed, and the prototype production and verification phase has started.

Within the scope of the Directed Infrared Countermeasure System development, work was carried out for the verification phase. In 2024, it is aimed to complete the verification and integration processes.



Within the scope of the LIAS Laser Warning Receiver System, a high number of deliveries to land, air and naval platforms have been successfully completed.

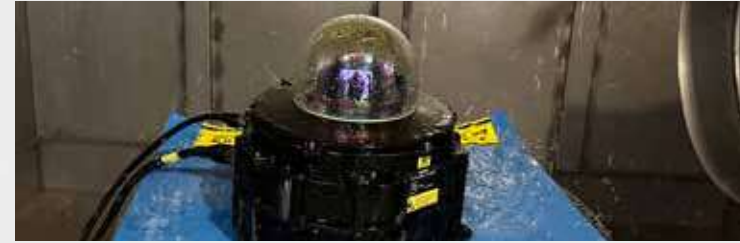
Development activities were initiated for the LIAS 500 Laser Warning Receiver System, which will increase ASELSAN's competitiveness in the international market for land vehicles that do not require precise direction indication.

Laser Systems

Production and delivery processes for the ENGEREK 1 Laser Target Designator continued in line with the demands of domestic and foreign customers.

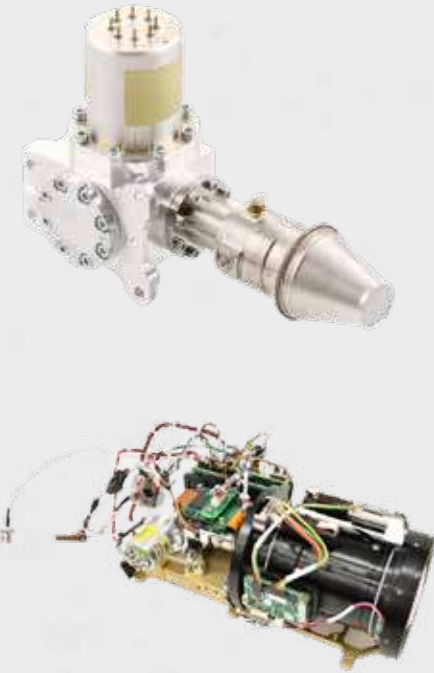
Design activities were carried out for ENGEREK 2, a new generation low-weight laser designation system that can be a market leader on a global scale, which is used in the guidance of laser guided missiles.

The laser range finder module Cetvel-M07, which operates with the pulse accumulation method, one of the most advanced technologies in its field, was qualified. The indigenous system with low power consumption and high measurement accuracy, which was transferred to mass production, was included in the inventory of the Turkish Armed Forces.



MICROELECTRONIC SYSTEMS

LEOP 640x512 15 μ /MW Short Wave Infrared (SWIR) Uncooled Photon Detector, a critical component of reconnaissance and surveillance systems, started mass production in 2023. Indigenous SWIR detectors will be used in DRAGONEYE 2 EO systems.



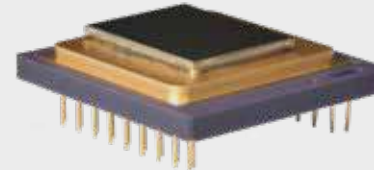
Serial production of Uncooled Microbolometer Detector CANIS 640x480 17 μ /MW has started. Qualification of Electro Optic Systems using CANIS 640x480 17 μ /MW are on going.



Mass production activities have started for the Joule Thomson (JT) Cooler developed for use in the indigenous infrared detector assembly targeting missile seeker applications.



Engineering validation activities of the TIGRIS 640x512 15 μ /MW Cooled T2SL (Superlattice) Infrared Detector Assembly have been completed. Qualification and low rate initial production of TIGRIS 640x512 15 μ /MW have been initiated.



Serial production of the MARTIS UV200 Image Intensifier Tube, has continued and these tubes have been delivered for various platforms.

Prototype acceptance and demonstration activities for the FELIS 640x512 15 μ /MW-L Cooled Photon Detector to be used in high performance reconnaissance and surveillance systems were successfully completed.

TESTING AND VERIFICATION ACTIVITIES

Installation of test infrastructures were conducted to our domestic and international customers to support on-site repair and maintenance services.

The TÜRKAK ISO/IEC 17025 audits for EMC Test Laboratory and Metrology Laboratory were successfully completed. As a result of the audit, the Lightning Indirect Effect (CS117) test capability as per MIL-STD-461G standard was included to the accreditation scope of the EMC Test Laboratory and the RS103 test capacity of the laboratory was increased with additional investments.

In line with the goal of developing national solutions with high added value export products for the civil avionics market, design and production organization approval activities were carried out with the European Civil Aviation Authority (EASA) and the Directorate General of Civil Aviation (DGCA). In this context, ETSO (European Technical Standard Order) and TR-TSO (Turkish Technical Standard Procedures) applications were made and official approval processes were started for the developed civil avionic products.

QUALITY MANAGEMENT ACTIVITIES

AS 9100 "Quality Management Systems Requirements for Aviation, Space, and Defense Organizations" surveillance audit conducted by an independent certification company was successfully completed.

AQAP-2110 "NATO Quality Assurance Requirements for Design, Development and Production", AQAP-2310 "NATO Quality Assurance Requirements for Aviation, Space and Defence Suppliers" and AQAP-2210 "NATO Supplementary Software Quality Assurance Requirements to AQAP 2110 or AQAP 2310" certification surveillance audits conducted by the Ministry of National Defence Audit Committee were successfully completed.

Efforts were carried out to adapt the quality management system to meet the European Aviation Safety Agency (EASA) Part-21/SHT-21 requirements, and to have the design and production organization approved by EASA and the Directorate General of Civil Aviation.

Within the scope of SAHA Istanbul MİHENK Committee membership, activities were carried out to authorize the Turkish Accreditation Agency (TURKAK) and certification bodies in the field of aviation industry quality standards in Türkiye.

Activities were carried out in the International Aerospace Quality Group (IAQG) to bring international aviation standards up to date.

PRODUCTION ACTIVITIES

Guidance systems test and integration center started operations.

In order to increase electro-optical production capacity and efficiency, construction work for the Production, Field Observation and Test Building was initiated.

With the newly established Infrared Seeker Production Facility, the production capacities of the seeker heads for which serial production contracts were signed were increased.



Production capacity was increased with the newly established Avionic Systems and Navigation Systems production lines.

In order to ensure customer satisfaction, the Company set out to produce products at high quality, low cost and high speed. 12 simple production lines were established in 2023, which are managed with a continuous improvement perspective, where wastes in processes are identified and eliminated with the Value Stream Mapping technique and a single continuous flow is ensured with value-added activities.



INTEGRATED LOGISTICS SUPPORT ACTIVITIES

As of 2023, in addition to the maintenance and repair activities carried out at the factory level, on-site maintenance, repair and technical support services were provided at 13 domestic and five overseas locations. In addition, spare parts delivery, maintenance support, training and technical publications continued to be provided to our domestic and international customers.

Maintenance and repair, spare parts sales and capability enhancement activities were conducted on demand for domestic and foreign users.



RADAR AND ELECTRONIC WARFARE SYSTEMS SECTOR

Within the scope of the Radar and Electronic Warfare Systems Sector, production activities are carried out to meet the radar and electronic warfare requirements of domestic and foreign users, especially the Turkish Armed Forces, beyond the capabilities of equivalent systems.

DEVELOPING FOR



OUR

COUNTRY

RADAR AND ELECTRONIC WARFARE SYSTEMS SECTOR

ASELSAN
is the leading
name in radar
and electronic
warfare systems.

ELECTRONIC WARFARE SYSTEMS

Radar Electronic Support Systems

In 2023, broadband digital receiver structures for new generation Radar Electronic Support systems were developed and started to be used in our systems. Our first products within this scope have started to take their place in the field.

Deliveries of our ARES-2N Radar Electronic Support Systems to the İ Class and Barbaros Class Frigates continued.



Within the scope of MARLIN, the ARES-2NC/L System was integrated and its radar electronic warfare capabilities, a game-changer worldwide, successfully represented Türkiye in NATO and national exercises.

The delivery of the indigenous ARES-2A System for our HIK Aircraft was realized. ARES-2SC Systems were delivered for the New Type and Preveze Submarines.

A contract was signed for the first export of our ARES-2LCT Land Based Electronic Support System.

Deliveries of our ARES-2N Radar ED Systems for different export projects continued.



Radar Electronic Attack Systems

For our new generation Radar Electronic Attack systems, high power transmitter structures and deception/jamming waveforms special for new generation radars have been developed and effectiveness tests have been conducted. Our first products within this scope have begun to be deployed in the field.

The delivery of AREAS-2NC/E Radar Electronic Attack System with expanded capabilities within the scope of the I Class Frigate was realized.

ANTIDOT- 2U/LB was integrated to TB-2 and AKINCI platforms, and its success was proven through field trials.

The deliveries of AREAS Radar Electronic Attack Systems were realized for different naval platforms.

The first export of our AREAS-2NC Radar Electronic Attack System was realized. New export contracts were signed for the same system.

Communication ES Systems

Broadband receiver structures for our new generation Communication Electronic Support systems have been developed and started to be used in our systems. As part of the Puhu-3LM System studies using new generation broadband receiver structures, frequency hopping broadcast separation, Speech Recognition / Speaker Recognition / Automatic Translation using artificial intelligence technology, TDOA / AOA / Hybrid location finding, traffic analysis, mini / micro UAV detection, automatic antenna on / off mechanisms, protocol decoding and signal analysis capabilities have been developed and system deliveries will begin in 2024.

Portable HF Electronic Support System Puhu-4LCT system was delivered. The PUHU/NG System, which uses the new generation broadband receiver structure, was delivered.

Within the scope of the innovations that the use of Swarm UAVs equipped with MİRKET-T will bring to our Electronic Warfare capabilities, our demonstrations were successfully carried out.

ASINT-3U, ASINT-3L and Mirket-T deliveries were realized for both UAV platforms and land platforms.

A contract was signed for the first export of our ASINT-3L/NG communication electronic support system.



In 2023,
product development,
improvement and mass
production activities were
carried out in order to
meet the needs of the
Turkish Armed Forces for
radar systems with
domestic and national
products.

ASELSAN

is capable of meeting all of Türkiye's needs in the field of electronic warfare.

Communication EA Systems

HF transmitter and antenna structures have been developed for our new generation Communication Electronic Attack Systems and started to be used in our systems. In this context, GERGEDAN-4LCT deliveries were realized.

GERGEDAN-3LCT was delivered to a new domestic customer within three months following the signing of the contract.



For the first time, the GERGEDAN-4LCT system was integrated into a UAV to perform missions with an unmanned aerial vehicle, and was introduced into the TAF inventory as GERGEDAN-4U, and has shown highly effective results in the field.

Deliveries of ILGAR-4LM HF Jamming System and ILGAR-3LM V/UHF Jamming System continued.

The delivery of capability increase to GERGEDAN mixing systems of one of our foreign end-users was achieved.



UAV Detection and Interception Systems

The development of Anti UAV Systems, which include new generation GNSS receivers and antennas, have differentiated the scanning strategy for countermeasures against threats and provide full-band GNSS activity, and field trials and deliveries have been successfully carried out.

The field success of our MİRKET-DF product, which has gained directional capability, was realized and an important product for the export market was taken into inventory. The delivery of the new generation GERGEDAN/AD system was realized.

Our KANGAL/ADLE GNSS Jammers, which are effective against Multi-GNSS threats, have shown great success in the field and their deliveries have also been realized.



Multiple deliveries of KANGAL/AD, GERGEDAN/AD are being carried out for different user authorities. In addition, deliveries of KANGAL UAV system for the IHTAR system RF Jammer capability continue.



KANGAL/ADL and MİRKET-DF UAV interceptor systems were delivered to 6 different countries in Africa, Asia and Europe.

Improved Explosive Device Detection and Interception Systems

Improvement/development activities were completed in the Power Amplifier Modules and Signal Generator Unit used in our new generation IED Detection and Prevention systems, and their deliveries were made.

The delivery of the new generation back-type KANGAL-MP System was realized.

KANGAL, specially designed for use by bombdisposal response teams, was delivered.

KANGAL system deliveries, which is integrated into the vehicle and effective against IEDs, were realized in high numbers.

The integration and verification activities of the EJDERHA (HPEM-NLJD) system, where we will implement the threat-independent countermeasure method for the first time in the fight against IEDs, are ongoing.

KANGAL and KANGAL-MP, our counter-IED systems, were delivered to two different African countries.

Active Protection Systems

KAMA System prototypes were produced and firing range tests were initiated.

The qualification of the Type 2 Destruction System for the PULAT Active Protection System was successfully completed.

AKKOR Active Protection System has successfully completed all qualifications at unit/sub-system/system level, except for performance tests.

In 2023, the first AKKOR System deliveries for our ALTAY tank were realized.

The commissioning activities of the AKKOR System on a platform (ALTAY) were successfully carried out for the first time. The success of our Active Protection Systems was demonstrated in many firing tests.

The tests conducted for the qualifications of the AKKOR system were successfully completed.

A serial production contract was signed for the AKKOR system for the Leopard 2A4 tank.

EW Self Protection Systems

Development activities for the receiver, transmitter and countermeasure components used in our Electronic Warfare Self Protection systems such as FEWS, FEWS/NG, HEWS/NG, KARTACA and ANTIDOT continue in line with our road maps.

The first integration activities of the HEWS System into different helicopters and fixed wing aircraft have been completed, and it has been actively used in the field.

In 2023, the first contract was signed for the FEWS EW Self Protection System for F-16 modernization.

Within the scope of the integration of the FEWS System into the F-16 ÖZGÜR platform, work continues with the aircraft integrator TAI.

Qualification activities continue with the subcontractor for the development of the KARTACA Countermeasure Launcher System, and the first serial unit production has started in parallel.

Design studies for the integration of the directed infrared jamming system, which is being developed within the scope of YILDIRIM Project, into the platform are continuing.

ASELSAN'S ELECTRONIC WARFARE SOLUTIONS

will continue to meet the needs of the future in the light of 35 years of experience in this field.

Within the scope of the integration of the EW Self Protection System into the fixed-wing air platforms in the inventory of the Air Force Command, which is being carried out under the main contractorship of TAI, scope analyses are being carried out regarding the suitability of the placement locations of our systems, and studies are being carried out to ensure that the system performance does not decrease due to placement locations.

Within the scope of different projects, deliveries of our EWCC systems continue.



HEWS and ÖZİŞİK deliveries of ATAK helicopters to the Philippines and Nigeria were realized.

Integrated EW Systems

ASOJ-23A Mission System, developed by ASELSAN, is a system that has electronic support and electronic attack (Standoff Jammer) capabilities in radar and communication bands on a single aircraft, as well as network-centric electronic warfare capabilities and real-time electromagnetic spectrum management. With the advantages of rapid mission readiness, rapid deployment and long-term cruise at high altitude, the ASOJ-23A system can manage the electromagnetic spectrum in a very wide area by using its advanced technology high sensitivity and broadband electronic support systems, and can provide a network-centric management with the electronic warfare scheme information it generates. The ASOJ-23A Mission System can simultaneously apply jamming techniques against a large number and variety of enemy elements with its AESA-based and broadband electronic attack systems, and safely support friendly air assets in enemy airspace with its capabilities.

The factory acceptance tests of the first ASOJ-23A mission system have been completed and the integration to aircraft has started.

A contract was signed for ASOJ-234U, which will be the first of its kind in the world, for our electronic support and electronic attack (Standoff Jammer) systems in the radar and communication bands integrated into two separate Unmanned Aerial Vehicles. With the experience gained in the electronic warfare systems developed by ASELSAN on manned and unmanned aerial vehicles and especially in the ASOJ-23A system development process, ASELSAN continues to develop the ASOJ-234U system, which is smaller in size and can be operated remotely for much longer periods of time on unmanned aerial vehicles. ASOJ-234U system will provide a cost-effective electromagnetic spectrum management capability with lower operating costs, high endurance, no risk of personnel loss, ease of remote access.

The kick-off meeting for the ASOJ-234U system, which will be integrated into unmanned aerial vehicles, was held with the participation of the Presidency of Defense Industries / General Staff and the relevant Force Commands. Design studies for subsystems in the radar and communication bands are ongoing.

RADAR SYSTEMS

Surveillance Radars

The design of the AURA-200G Radar with AESA architecture, which is being developed in line with the need for a multi-purpose surveillance radar that can be used for the simultaneous protection of critical facilities and base areas against different types of land, sea and air targets, has reached the final stage.

In addition to the threats posed by mini-micro UAVs and paramotor drones, efforts to expand the ACAR radar, which is used for the detection, tracking and classification of ground targets, and the air traffic control radar, which is of critical importance for the Turkish Armed Forces and is used for the management of air traffic, continued rapidly.

With the expansion of the product range in the surveillance radar area of activity and the maximization of the maturity level due to the increase in field usage experience, the potential for overseas sales has also risen. The level of interest of countries in need of coastal surveillance radar, land surveillance radar, UAV detection radar and air traffic control radar has increased, and in this context, our technical solutions were presented and proposal studies were carried out.

Marine Platform Radars

With the AKREP-100NI Illumination Radar, which was integrated into TCG Istanbul, our first I-Class frigate, a very low-noise continuous wave RF illumination system, which was previously procured from abroad, was

realized. In this way, a critical and sensitive technology has been gained for the precise guidance of new and existing semi-active guided projectiles with illumination and data link.

With the ALPER-200N pulsed LPI radar, the low detection probability navigation radar family, which was previously realized with frequency modulated continuous wave FMCW, has been expanded with new capabilities.

The CENK-400N radar features an element-level AESA architecture, electronic scanning in two axes, and full digital beamforming for transmitting and receiving.

For the ALPER-210N radar, an antenna subsystem suitable for use in deep water under high pressure has been developed.

The sea acceptance tests of the two CENK-400N Axis Electronically Scanning AESA Radars, AKREP-300N Dual Band Fire Control Radar and ALPER-200N Pulsed LPI Radar, which were integrated into TCG Istanbul, our first I-Class frigate, have started.

Within the scope of ten different platform projects, production, platform integration and acceptance activities of AK-REP-100N, AKREP-300N, AKREP-100NI, CENK-200N, CENK-400N, ALPER-100N, ALPER-200N and ALPER-210N radars continued.

Development work continued on solution sets consisting of rotating and fixed-face 2-axis AESA radars for new platform projects.

A CENK-200N sales contract was signed with a Southeast Asian country. Proposal and contract negotiations were conducted for the sale of various naval platform radar systems to various Middle Eastern and Asian countries.



Two Axis Electronic Scanning
ALPER-200, which was
integrated into
our first I-Class
frigate **TCG
ISTANBUL**,
has started sea acceptance
tests.

YENER SYSTEM

has been brought into
inventory.

Weapon Detection Radars

The deliveries of STR-700G, our country's first long-range weapon detection radar with AESA antenna architecture, which was developed to locate the drop points of ballistic munitions, were completed in 2023. The systems, which were put into use in a short period of time, impressed with their performance and responded to a great demand. Following the completion of the system production in a short period of two years and its incorporation into the inventory of the Turkish Armed Forces, work has been initiated for additional purchases.

The capability of our STR-300G Mobile Mortar Detection Radar, which has been used in the inventory of the Turkish Armed Forces against mortar threats for many years, has also been increased. In addition to increasing its detection range, the radar has also become more effective against cannon and rocket threats. In addition to mini/micro UAVs, the radar has also achieved high effectiveness in base area protection with its paramotor detection and classification capability.

The STR-400G radar, whose development, testing and production activities were completed, was brought into inventory.

The provisional acceptance of the first YENER-100G Modern Mine Detection System, designed for the detection, identification and marking of Improvised Explosive Device (IED) and mine threats, was completed. During the two-month-long acceptance tests of the YENER-100G System, a large number of different types of threats were detected at different speeds, and the system was found to have a performance far beyond the requirements. In addition to its effective ground penetrating radar and metal detector against IED and mine threats, YENER-100G, which also has the KANGAL Jammer System, SARPRemotely Controlled Weapon System, ATS61-Electro Optical Vision System, drone and communication systems, will contribute to ensuring the highest level of security of the Turkish Armed Forces.

Negotiations were conducted for the sale of STR-100G, the first Speed Measurement Radar in the Weapon Detection Radars activity area, to a Far Eastern country. In addition, the Weapon Detection Radars STR-700G, STR-400G and Modern Mine Detection System YENER-100G systems, which have been introduced to the inventory, are highly demanded by countries with mortar, cannon, rocket and IED threats, and business development activities are being carried out in this direction.



Early Warning Radars

In our S-Band radar systems such as ALP-300G, STR-700G, ALP-100G, the transmit-receive components in the systems are designed to be GaN due to the high output power requirement. Currently, the design of the chips used in these power amplifiers is carried out domestically, and plans are being made to manufacture them domestically in the future. ABMN is currently working on the design and production of GaN transistors used in these units. The qualification tests of the transistors have been completed to a great extent, and the components of our S-Band radar systems, for which mass production activities are ongoing, are planned to be realized with domestic transistors in the coming period.

The ALP-300G Portable Early Warning Radar System, which will carry the air defense power of the Turkish Armed Forces to an advanced level, was deployed to its first position, and the installation, integration, prerequisite and provisional acceptance tests were completed and the first delivery was made.

Another product of ASELSAN's early warning radar family was ALP-310G Long Range Search Radar of the SİPER Project. The ALP-310G was the first radar product to be developed as part of Türkiye's efforts to develop an indigenous and national long-range air defense system. In the successful firing test activities of the

SİPER conducted in 2022 and 2023, the ALP-310G proved to be a system capable of supporting guided missile engagement in addition to target detection and tracking. The production of ALP-310G, the search radar of the SİPER system, which will carry the air defense power of the Turkish Armed Forces to a higher level, has been completed, and the verification phase has started with firing tests.

In line with the goal of maximizing the defence power of the Turkish Armed Forces and the decision of the Defence Industry Executive Committee, the development of the ALP-500G Fixed Early Warning Radar System, the largest member of the early warning radar family to date, has been initiated. ALP-500G is not only a radar, but also an integrated sensor solution with its own building and dome radome infrastructure, which will be designed and produced domestically for the first time. In terms of detection range performance, ALP-500G will have a capability far beyond existing early warning radars.

The system qualification tests of the first ALP-100G Low Altitude Radar System, developed in the same S-band architecture to compensate for the shortcomings of long-range early warning radars, have been completed. The final phase of the ALP-100G radar's integration into the Turkish Armed Forces inventory has begun.

With the introduction of the first products in the field of early warning radars into the inventory, ASELSAN has succeeded in attracting the interest of various Middle Eastern, African and South American countries, and accordingly, proposals and contract negotiations have been carried out for the sale of various early warning radar systems.

Design and production activities of GaN transistors are carried out at ASELSAN.



STR-400G radar was added to the inventory.



Air Defense Radars

The High Powered Power Supply, which is of critical importance in the Vacuum Tube Power Amplifier structure used in KALKAN, Türkiye's first national Air Defense Radar, was produced indigenously and nationally.

The SİPER System, a strategically important air defense system with few examples in the world, uses the ALP-310G Long Range Search Radar and AKREP-1000G Multi-function Fire Control Radar as search and fire control radars.

In 2024, firing test campaigns involving both ALP-310G and AKREP-1000G were conducted, demonstrating high performance under challenging attack scenarios.

Serial production activities continued for the Mobile Search Radar, Fire Control Radar

and KALKAN Air Defense Radar, the main sensors of the KORKUT System, Fire Control Device, HİSAR A+ and HİSAR O systems, which have an active role in the air defense power of the Turkish Armed Forces.

Proposal and contract negotiations were conducted for the sale of various air defense radar systems to various Middle Eastern and Asian countries.

Airborne Platform Radars

The development of the self-funded MURAD-100A AESA Aircraft Nose Radar has reached the final stage. Factory level tests have started and onboard tests will be conducted intensively in 2024. Integration activities of the MURAD-100A AESA Nose Radar into the AKINCI Unmanned Aerial Vehicle and F16 aircraft have started simultaneously.

In 2024, the radar, which was integrated into the AKINCI Unmanned Aerial Vehicle (UAV) and flight tests started with the F16 aircraft, will add strength to the Turkish Armed Forces as the most important payload of our air vehicles.

The MURAD-100A AESA Nose Radar was delivered to BAYKAR for integration into AKINCI. Upon completion of the successful integration activities, our radar will start flying with the AKINCI Armed Unmanned Aerial Vehicle. AKINCI will raise the bar of success even higher with its high awareness and combat power thanks to its multi-function nose radar. The MURAD-100A AESA Nose Radar has been delivered for the integration of the F16 ÖZGÜR Platform and the integration process has started. With the flights starting in 2024 and the qualification and certification activities to be carried out afterwards, our aircraft will leap forward.



A protocol was signed with the Presidency of Defense Industries at IDEF 2024 for the development of the FULMAR Long Range Reconnaissance Surveillance Radar for use in manned and unmanned aircraft systems operating in the maritime patrol concept. The radar is expected to be operational in the field within three years.

The ongoing development of the FULMAR-200A for medium-range maritime surveillance and SAR functions has come to an end. Flight tests of the lightweight, modular and easy-to-use FULMAR-200A will begin.

The development activities of the other members of the MURAD AESA Aircraft Nose Radar family are continuing, and will be used in HÜRJET, ANKA-3, KIZILELMA

National Unmanned Aircraft System and KAAN National Combat Aircraft platforms in the coming years.

The Preliminary Design Phase of the MURAD-600A KAAN AESA Nose Radar was successfully completed and Critical Design activities were initiated.

The Synthetic Aperture Radar, which will be used in our national SAR satellite, remained under development. These studies, which are aimed to be transformed into a contract in the very near future, will be the first precursor of our radar presence in space.

While we are only days away from our AESA Nose radars being brought into the inventory and being used effectively in the field, interest in our radar from various

Middle Eastern and Asian countries is increasing every day. These customers want to see our radar both on the UAVs they procure from Türkiye and on their own aircraft. Negotiations for the export of our nose radars continue to increase.

The MURAD-100A AESA
Nose Radar was
integrated into the
AKINCI Unmanned Aerial
Vehicle and flight tests
with F16 aircraft were
initiated.



The first factory acceptance tests of the
HAVA SOJ SYSTEM
units have been successfully completed.

Seeker Systems

In order to meet the rapidly increasing need, the production and test infrastructures with high technology and automation for the Radar Seekers to be produced in high quantities have started their activities in the Missile Seeker Building established in Gölbaşı facilities. As of 2024, with the special production infrastructure, which will double its capacity, high capacity radar seekers will be produced in order to meet the ammunition needs of the Turkish Armed Forces.

High-performance materials are used in Radar Seeker Systems, which have different characteristics and operate in different flight regimes, in accordance with the operational conditions. In this context, the radomes of Radar Seekers operating at high sound speed are manufactured from

ceramic materials with very high mechanical and thermal resistance. The ceramic radome design and development process, starting from material design to product development, has been achieved, and the development in material and production technologies and infrastructures will continue in the coming years.

Deliveries of Radar Seekers for the SİPER Long Range Area and Air Defense System Product-1 Missile have started. The Radar Seekers will be offered to the Air Force Command together with the Air Defense System after the missile production is completed.

During the firing tests of the SİPER Long Range Area and Air Defense System Product-1 configuration, the Radar Seekers was used and the target was hit with pinpoint accuracy.

Within the scope of the activities carried out to ensure the air defense of our ships, a contract was signed for the development and production activities for the radar seekers of different configuration air defense missiles to be launched from the National Vertical Launch System. Starting in 2024, the Turkish Navy will have an ever-improving air defense power with firing tests and seekers with evolving capabilities over time.

Radar seeker development activities for national missiles that will perform air-ground missions, including ship defense, air defense, air-air and anti-radiation capabilities, and mass production activities of Radar Seekers, whose development has been completed, continued.

Within the scope of the export activities of our national air defense systems and national ship solutions, the export of our Radar Seekers is also on the agenda.



TESTING AND VERIFICATION ACTIVITIES

In 2023, within the scope of design verification activities for Radar and Electronic Warfare projects, Functional, Environmental Conditions and EMC tests of nearly 100 units were carried out.

Board, module and unit level automatic test stations were developed for use in Electronics and System Production, Integrated Logistic Support directorates.

In addition to these, hundreds of desktop production test infrastructures were designed, prototyped, verified and delivered to the relevant user directorates.

Hundreds of versions of Software Configuration Units (SCUs) developed within the scope of Radar and Electronic Warfare projects were subjected to design verification tests. In addition, within the scope of integration tests, approximately 50 test activities were carried out at the Integrated level, where the SCUs come together. Thanks to the integrated tests, the integration of the SCUs in controlled environments

before they meet with the hardware is ensured and errors are eliminated at an early stage.

An infrastructure was developed for test automation of web-based user interface software. Common test libraries and infrastructures to be used in test automation were prepared and put into use.

Script and automation software studies were carried out and an infrastructure was established for the automation of web software on continuous integration (CI/CD) tools. Through this infrastructure,

software test automations worked on by both ASELSAN software test teams and subcontractors continue to be developed in a common architecture and with similar methods. By adding code coverage measurement capabilities to the test automation infrastructures, it was ensured that the test activities are transparent, measurable and traceable.

In the air platform electronic warfare project, environment simulators were developed and delivered to the EW support center. The simulators provide the capability to simulate electronic warfare environments with platform and multiple radar transmissions in software.



As part of Air Platform Electronic Warfare Projects, the production test infrastructure for Factory Acceptance Tests was commissioned.

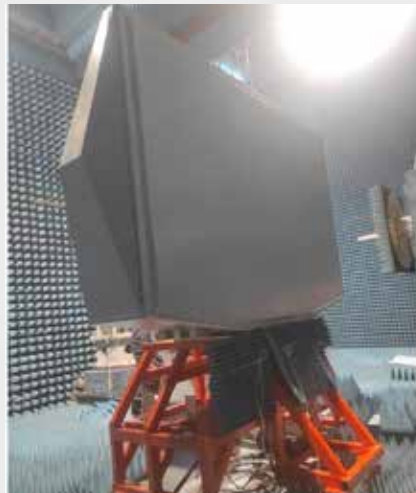
Within the scope of Armored Vehicle Self Protection Project, Detailed Firing Tests continued at the Karapınar Firing Range.

Within the scope of the Air Platform Electronic Warfare Project platform flight safety tests, Flight Test Instrumentation activities were completed and flight tests were initiated.

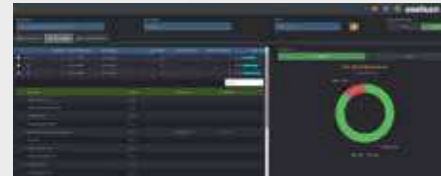


Flight Test Instrumentation Assembly

Within the scope of the integration test activities of the Airborne Platform Nose Radar, CENK Naval Platform Search Radar, and Trench Fire Control Radar projects, the antenna measurement and characterization phases were completed and the field verification activities were started.



In order to monitor the System Integration test status of the projects carried out under the Presidency of REHİS Sector, a Test Status Tracking Infrastructure was developed and pilot projects were identified and commissioned. The infrastructure will be extended to other projects in the future.



MERGEN Test Status Monitoring Infrastructure

Within the scope of the establishment of the Seeker Mass Production Line, the following test infrastructure installation and commissioning activities were carried out;

Full Unreflecting Screen Chamber: Radome calibration, antenna testing and system level scenario verification activities will be carried out.

Unreflecting System Test Chambers: System level production verification activities will be carried out.

ESS Test Infrastructures: 1 Vibration ESS infrastructure and 1 Hot, Cold ESS infrastructure installation activities were completed.



Seeker Mass Production Line



System Level Test Infrastructures

The Hot, Cold ESS infrastructure, which is currently procured from abroad, was developed and localized by Ottonom.

The installation of the mobile test platform needed within the scope of the Armored Vehicle Self Protection Project Extended Firing Tests (GAT) activities at Karapınar



Seeker Mass Production Line



ESS Test Infrastructures

Firing Range has started. The acceptance and commissioning activities of the infrastructure are planned to be completed in the first quarter of 2024.

The Open Field Ballistic Moving Target Test Range, which was developed to be used for ballistic target tests within the scope of radar projects in Gölbaşı campus, was commissioned after the acceptance activities were completed activities within the scope of Gölçek test site capability enhancement activities;



GAT Moving Test Platform



Açık Alan Radar Hedef Test Kulesi

Open Field Radar Cross Sectional Area Measurement Infrastructure installation activities have started.



Open Field Radar Cross Section Measurement Infrastructure

Within the scope of the expansion of the communication electronic warfare measurement infrastructure, the second test site installation activities have been largely completed. Commissioning activities are planned to be completed in the first quarter of 2024.



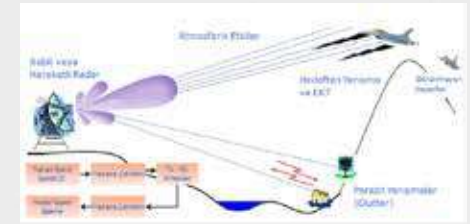
Second Communication EW Test Site

Mobile Radar Target Test Vehicle developed for field testing activities of Radar Projects was commissioned.



Mobile Radar Target Test Vehicle

Within the scope of the development of a DRFM-based Radar Target Environment Simulator, the indigenous development of two simulation infrastructures at 18GHz and 40GHz was completed and the simulation infrastructures were commissioned.



Indigenous, DRFM-based, Radar Target

REHİS received EASA Part- 21 Design Organization Approval



TOYO Certificate

QUALITY MANAGEMENT ACTIVITIES

In 2023, quality management activities were carried out in the areas of Program, Design, Production and Supply Quality and Management System in order to achieve high customer satisfaction in REHİS products and services, and to ensure the implementation and continuous improvement of an efficient Management System in internationally accepted industry standards;

The REHİS Management System was adapted to meet the requirements of the European Union Aviation Safety Agency (EASA) Part-21/SHT-21, audits were carried out by the Certification Board of the Presidency of

Defence Industries, and ASELSAN obtained the first Design Organization Qualification Approval Certificate for an air platform project subject to certification.

Within the scope of the Design Organization Qualification Approval, the Design Organization Handbook and Flight Test Operations Handbook, as well as the work instruction covering the process of airworthiness type certificate changes, were prepared and published. In addition, all processes have been updated to meet the requirements of aviation certification.

Standards for composite design, production and verification were prepared to meet EASA Part-21/SHT-21 requirements.

In addition, efforts were made to comply with the DO-254 Airborne Electronic Hardware Design Assurance Guidelines and DO-178 Software Design Assurance Guidelines to be applied to safety-critical electronic hardware and software in aviation projects, and separate DO-254 and DO-178 compliance manuals were prepared for Design Assurance Level - D (DAL-D) compliance. Hardware and Software Development processes were harmonized with DO-254 DAL-D and DO-178 DAL-D, and new templates, checklists, SOI-Stage of Involvement audit question lists and new work instructions were created.



The continuity of our existing certificates was ensured, and in this context, the AS9100D Quality Management System Certificate, which needs to be renewed every three years and whose validity period expired in 2023, was renewed with recertification.

Within REHİS, EMC Laboratory, one of our two laboratories accredited according to TS EN ISO/IEC 17025:2017 General Requirements for the Competence of Testing and Calibration Laboratories, has included MIL-STD-461G revision in addition to MIL-STD-461E/F revision. The Environmental Conditions Test Laboratory renewed its accreditation under MIL-STD-810 F/G/H, to be valid until 2028.

Within the scope of the development and production of ceramic radomes for strategically important seekers, Standard Operating Procedure (SOP) development and Initial Product Inspection activities continued with the subcontractor company.

Company development activities, including processes, workflows and the 5S approach, were initiated with the three most frequently worked with production suppliers. Operational improvements were made in companies engaged in the production of precision mechanical products such as antennas, waveguides, cooling plates, etc. to increase product quality, reduce leveling times and quality inspection times. In order to improve the performance of the companies, periodic meetings were held to discuss the nonconformities identified and corrective actions were evaluated.

The Production Line Qualification (PLQ) activity for Seekers was completed. In this context, it has been proven that the mass

production line required for the production of the qualified product configuration in the required quantity has been established, and that the production infrastructure, personnel, documentation, production inputs (materials, parts, sub-completes, etc.), processes, process control, inspection/testing methods, measurement, inspection and test equipment, storage and transportation capabilities are adequate and appropriate according to the contract.

PRODUCTION ACTIVITIES

In 2023, production activities were carried out using internal and contract resources for the planned delivery activities.

Processes and infrastructures were put in place to produce solderable thin film ceramic and ferrite microwave devices within ASELSAN.

Electroforming production capability was acquired, which enables the production of precision mechanical parts that cannot be produced by conventional methods. Robotic automation application for document management was commissioned.

Production line applications were commissioned for products that are produced in large numbers. In this context, the installation of a line for seeker radars was planned, and the capacity and layout were established and commissioned in a way to enable simple production.

A production tracking system was established by including subcontractor companies for the Preventive Electronic Warfare RF jammer group products, which are produced in high numbers.

Cell setups for the production of the transmit and receive cores used in radars, which are produced in hundreds of units per month, have been established and infrastructure expansion activities have been initiated for the commissioning of AESA radar product mass production lines.

The ground floor construction activities of the independent integration building as the expansion area needed for system level production activities were completed by the end of 2023.

In order to meet future internal card production needs, a feasibility study was conducted to increase the electronic production capacity and necessary investment plans were made within the independent integration building.

New test equipment and infrastructure investments were realized to meet the increasing production needs.

Subcontractor training activities continued, and work was carried out to increase the competence of existing companies and to engage new companies. The proportion of subcontracted work given to subcontractors increased to 85% of total production.

Within the scope of the zero waste project, the use of paper-derived packaging was reduced and the use of reusable packaging was increased through improvements in inter-workshop transfer, storage and delivery activities.

Within the scope of recycling activities, precious metal wastes used in production were recycled back to ASELSAN.

INTEGRATED LOGISTICS SUPPORT ACTIVITIES

In 2023, training activities for the use and maintenance of our Radar and Electronic Warfare Systems, which were delivered in 2023, were carried out and the technical documents of our systems were prepared and delivered.

ASELSAN 360 Degree Product Support/Service Management Software (CRM Service) was put into use. In 2024, ASELSAN will continue to expand the use of this software, which allows the failure and repair process of our systems to be monitored from the same interface with the user.

The maintenance and repair activities of our systems in Türkiye and abroad continued both in the locations where our systems are located and on our Campus. The maintenance and repair activities that we carried out in very short periods of time, especially with our mobile teams in the field, contributed positively to User satisfaction. In 2024, the number of mobile teams and the amount of spare materials in the field are planned to be increased in line with the needs of our users.

Within the scope of the maintenance activities of our systems whose warranty period has expired, spare parts sales activities continued. Out-of-warranty contracts with the General Directorate of Military Factories (AFGM) and the Factory Directorates affiliated to AFGM were realized. It is planned to sign a general maintenance and repair contract covering many of our systems with AFGM in the first half of 2024.

TRANSPORTATION, SECURITY, ENERGY, AUTOMATION AND HEALTH SYSTEMS SECTOR

We continue to develop technology, hardware, software, devices and systems in the fields of transportation, security, energy, smart systems and healthcare.

DEVELOPING FOR



OUR

COUNTRY

TRANSPORTATION, SECURITY, ENERGY, AUTOMATION, AND HEALTH SYSTEMS SECTOR

ASELSAN SIGNATURE ON RAILS IN 2023

Metro Lines : 4.9 million passengers were transported with 10 train sets and 9 stations on 36 km of track.

Intercity Train Lines:
300,000 passengers have traveled more than 150,000 km with train sets using ASELSAN traction and train control system solutions.

TRANSPORTATION AND SMART SYSTEMS

At the end of 2023, TCDD Tasımacılık A.Ş. won the tender for 99 ERTMS On-Board Signaling System. In this context, after the COBALT® metro signaling system, a domestic and national signaling system will be developed for conventional vehicles. In the 12th Development Plan prepared in line with the 2053 vision, contribution was made in the field of national rail system by taking part in the Domestic Production in Rail System Vehicles working group.

By taking part in the New Generation Sur-Rail Systems working group established by the Presidential Science, Technology and Innovation Policies Board, we contributed to the determination of technological targets in the fields of signaling, communication and traction systems that can be used in Hyperloop platforms. In addition, with the cooperation protocol signed between ASELSAN and TSE, efforts were initiated to reduce external dependency in the fields of rail systems certification and documentation.

As of the second quarter of the year, passenger transportation started with the National Electric Train sets, which include the CER System and Train Control Management System provided by ASELSAN.



In 2023, more than 300,000 passengers were safely transported with a total of 150,000 km of travel with regional trains equipped with ASELSAN systems serving on this line section.

Within the scope of Rail Systems Signalization works, the airport metro signaling system project, for which the Independent Safety Certification Process was completed, was opened for passenger operation after a ceremony at the beginning of 2023. The number of stations on the metro line was increased to 9 and the Platform Screen Door System (PSD) integration was completed and commissioned. In another metro signaling project, design, procurement and engineering activities are being carried out in line with the project schedule, and factory acceptance tests of the subsystems have been carried out. The on-board assembly of the vehicles within the scope of the project was completed at the vehicle contractor's factory and

all vehicles were shipped to the field. In the second quarter of 2024, onboard dynamic tests are planned to start.

In the last months of 2022, production and testing activities for ASELSAN systems to be delivered within the scope of the project for the mass production of 19 train sets signed in the last months of 2022 are continuing.



Until the second half of 2025, a total of 95 CESUR® Traction Drives, 190 traction motors, 190 gearboxes, 57 main transformers and 19 train sets of Train Control Management System will be delivered by ASELSAN.

ASELSAN was represented in national and international activities by taking part in the boards of directors of the Anatolian Rail Transportation Systems (ARUS) and the Rail Transportation Systems and Industrialists Association (RAYDER), and activities were carried out for the development of the national rail industry.

Within the scope of the contract for the development and installation of a system capable of vehicle detection, classification and high-speed weight measurement in the Caucasus region, the first installation and acceptances were successfully carried out. The main control center of the system was also

put into use. Toll Collection Systems installation activities continued in the Balkans region.

Design and testing activities for the Instant Speed Violation Detection System product were completed, and the TSE certification process was carried out. Customer demonstrations were conducted for the Automated Unmanned Payment System, which will provide innovation in the field of Intelligent Transportation Systems and for which a self-funded development project has been completed.

In addition to many international fairs, the NTCIP (National Transportation Communications for Intelligent Transportation System Protocol) organized by the General Directorate of Highways was held to promote the work and solutions in this field. Workshop was attended.

Electric buses with eTRAC CITY SYS M3 traction system were delivered to Kütahya Municipality.

Electric buses with the eTRAC CITY SYS M3 traction system were also delivered to Samsun Metropolitan Municipality and put into use by the municipality. At the same time, ASELSAN eTRAC CITY SYS M3 electric bus with traction system was exhibited at the Busworld exhibition held in Belgium.

The requirements determination and design phases of the eTRAC MIL WHEEL SYS traction system, which can be used in military 4x4, 6x6 and 8x8 new generation armored vehicles and will enable silent operation and deployment, have been completed. Within the scope of the project, eTRAC MIL WHEEL SYS components were developed indigenously and nationally.



In the
**CAUCASUS
REGION**, the
HSWIM system,
which can perform vehicle
detection classification
and high-speed weight
measurement, was
installed in three locations.

NATIONAL WARNING AND ALARM SIREN SYSTEM

is used at **371** points in **8** provinces and **96** districts.



The National Warning and Alarm Siren System, which was developed to provide the fastest warning and information against disasters, emergencies and possible air attacks, was installed in Çanakkale, Edirne, Tekirdağ, Rize, Trabzon and Giresun. Thus, the total number of provinces in Türkiye using our system increased to eight. In line with the needs and demands of AFAD, a Mobile Siren Unit design was developed and delivered.

ASELSAN Smart City Mobile Application was launched and put into use by Tekirdağ Metropolitan Municipality under the name Tekirdağ Transportation. Additional development work was carried out on the mobile application named Transportation 55 with Samsun Metropolitan Municipality.

Within the scope of Smart City Projects, partial and final acceptance activities were completed in Kırıkkale, Samsun and Tekirdağ. Smart Intersection Management System installation activities were also carried out in Istanbul.

URUK Smart City Monitoring and Management System platform software was used for demo purposes in Samsun and Konya Metropolitan Municipality. With the experience gained here, the i-SEE software developed as a central monitoring and management system was integrated with products in areas such as security, health and transportation.



i-SEE software enables 24/7 remote monitoring of the Heartline Automated External Defibrillator (AED) device that can be used in public areas using IoT feature.

SECURITY SYSTEMS

Within the scope of Security System Technologies, Urban Security Management Systems, License Plate Recognition Systems and Smart Road Checkpoints are installed. For all cameras available to our security forces, cloud-based analysis and recording studies are being carried out for faster detection of suspicious persons and vehicles and more efficient use of the systems. Artificial intelligence-supported smart cameras, recording and analysis systems providing 24/7 service throughout the country have been expanded. Thanks to the use of thermal cameras, high imaging capabilities were provided in low light and night conditions. Fixed, mobile, in-vehicle and wearable imaging systems for face detection in the fight against crime and criminals are also being expanded day by day in the field.



In the projects carried out within the scope of Field and Border Security, the effectiveness in the detection and identification of threats was increased with the increased use of artificial intelligence-supported sensors. The establishment of additional base zones and the integration of additional sensors into existing systems were carried out in order to increase area dominance in operational areas.

The security of critical manned and unmanned stations, terminals and thousands of kilometers of pipelines in our country's Oil and Natural Gas networks was ensured by using high-tech products, especially the MIDAS Intrusion Detection System. In the MIRSAD Physical Security Information Management software, artificial intelligence-based, mobile/web-based applications and additional measures for cyber security have been realized.



Two new contracts were signed within the scope of Border and Base Security, which aims to protect Türkiye's land borders with high-tech systems.

Within the scope of new requirements for border and base security, ASELSAN increased the variety of sensors and carried out studies to enable the sensors to work integrated with each other through a single software.

In line with the planned roadmap, advanced short/ medium/long range day vision cameras and multisensory cameras with civilian uncooled thermal imaging were added to the ODAKAN IP Camera product family, which is the focus of ASELSAN's domestic and international security systems solutions. In this context, domestic design and production activities continued at top speed. ODAKAN IP cameras are equipped with indigenous national software and video analysis algorithms developed by ASELSAN engineers.



10,000+ lapel cameras were field integrated into the Urban Security Management System (KGYS) and License Plate Recognition System (PTS) network operating in **81 provinces.**



In 2023, more than **25,000 ODAKAN-IP Cameras** were offered to the use of our security forces with increased localization rates to ensure end-to-end security.

The number of **ODAKAN-IP Cameras** installed across Türkiye has exceeded **150,000**.



End-to-end security is provided in an integrated manner with KAYIN Recording Infrastructures, KAHIN Video Analysis Systems and MIRSAD Video Management Software. Thus, cyber security vulnerabilities that may be caused by malicious software that may threaten national security are prevented. In addition, a new self-sourced R&D project was initiated in order to further increase the indigenous content of mechanical, optical and electronic hardware components.

The development of ODAKAN-BILGE CENTER ANALYSIS, a Deep Learning Based Video Analysis System, was completed in 2023. With this system, live and recorded images can be analyzed by adding artificial intelligence support.

The GEKO-300 License Plate Recognition camera with 4K resolution within the Vehicle Recognition Systems product family was taken into inventory in 2023. AVAZ Long Range Acoustic System and YERGÖZ Wireless Early Warning and Detection System were delivered to meet the needs of our security forces. For end-to-end security, ASELSAN's ODAKAN-IP Fixed, Mobile and Ballistic cameras with increased localization rates were offered to our security forces.

In public order operations conducted with Smart Checkpoints, one of the road control solutions, many criminals were identified through identity and license plate queries, and successful results were achieved in the field.

By the end of 2023, the first installations in the field were realized with the portable modular security system concept developed

in a short period of time with the activities carried out to meet the urgent needs of our security forces in the field.

The contracted activities carried out for some time to ensure the station, terminal and pipeline security of our institutions carrying out activities for energy supply were completed in 2023.

In order to respond to changing user needs in an agile manner due to increasing security needs, we continue to work on camera, recording, license plate recognition systems and artificial intelligence-supported video analysis algorithms for these systems.

Artificial Intelligence Image Processor SoC (System-On-Chip) Development Project for Smart Cameras, which was applied for within the scope of the Ministry of Industry and Technology's Technology-Oriented Industrial Move Digital Transformation Call, was approved in 2023 and the project was initiated. At the end of the project, it is aimed to have a prototype SoC at a basic level that can be used in smart cameras that can run artificial intelligence-based video analysis algorithms.

In 2023, within the scope of the contract signed with DHMI, the number of airports using the ARIN X-Ray Baggage Inspection Device will increase to 12. Various orders have also been received from other public institutions. Additional international certification studies are being carried out to increase the export potential of the ARIN X-Ray Product Family.

The Company continues its export-oriented activities for the expansion of security sys-

tems provided with high-tech products for the needs in Oil and Natural Gas networks to all regions throughout the country and for pipelines in other countries.

Within the scope of the integrated border security project carried out with an African country, factory acceptance tests for various fixed and portable subsystems, which are planned to be delivered in 2023, have been successfully completed.



ENERGY SYSTEMS

Within the scope of the 4.3 MW wind turbine to be produced, the prototype production of the generator and power converter developed by ASELSAN has been completed and the testing and verification process has started. The 4MW + generator is the first engine/generator designed and produced in Türkiye at these power levels.

Within the scope of the Alaçatı WPP contract signed with EÜAŞ in the third quarter of 2021, a supply chain was established by maximizing the use of domestic producers for two 4.3 MW wind turbine components to be produced by ASELSAN with domestic facilities and the supply of components was initiated. By the end of 2024, the installation of the

turbines will be completed and installation and commissioning works will begin at the Alaçatı site.

The investment in the test laboratory, which will enable the testing of power electronics units and electrical machines up to 7 MW, especially wind turbine generators and power converters, has started. The laboratory, which is limited in number worldwide at these power levels, will provide our country with an important capability for products to be developed nationally.

The certification activities of the ASELSAN PULSAR branded 250 kVA series inverter, designed entirely with national capabilities for use in solar power plants, are ongoing and mass production will start in 2024. On the other hand, work has started on the development of a central inverter in cooperation with TÜBİTAK MAM. The inverters to be developed can be used as central inverters in solar power plants and as battery energy storage inverters in solar and wind power plants with storage (Power Conversion System).

A laboratory will be established for the first time in Türkiye enabling the testing of power electronics units and electrical machines up to **7 MW.**



AED has been deployed in nearly **10,000 centers** in Türkiye and abroad and has saved the **LIVES of 15 PEOPLE.**



HEALTH SYSTEMS

In 2023, we continued to create value with the products we developed in the field of healthcare systems. Our ASELSAN Heartline AED device was introduced to the market in 2021 with the conclusion of the development activity carried out with domestic and national facilities. Since then, it has been placed in approximately 10,000 centers in Türkiye and abroad and has saved the lives of 15 people. Within the scope of Manual External Defibrillator device development project, the first tabletop prototypes of the device developed for the use of specialized medical personnel were created and validated.



The IoT module, which we have developed nationally and locally, has been added to our AED device. Thanks to this module, which communicates with ASELSAN i-SEE software, the location and activity status of all ASELSAN Heartline AED devices can be monitored remotely 24/7, and in case of an incident, the patient's live ECG data can be instantly presented to the Ministry of Health. Within the scope of the Mobile Digital X-Ray device, patenting activities of ASELSAN technologies were carried out in the studies of high shooting quality, domestic image processing algorithm, ergonomic wide rotation angle telescopic arm system. During the pandemic period, the sale of intensive care respiratory devices, which we have brought to our country and produced, continues. In the field of diagnostic systems, research studies on different technologies (such as lateral flow, innovative biosensors, optical spectroscopy, FTIR) for virus detection, which started to be researched during the pandemic period, continue.



The Manual External Defibrillator device received the IF DESIGN award, one of the world's most prestigious international design awards. Within the scope of Heart Lung Machine Development Project, International Design Award-Silver, iF Design Award and A'Design Award - Gold design awards were won.

In 2023, approximately 1.5 billion USD worth of exports were made in Automatic External Defibrillator and Ventilator devices.

TESTING AND VERIFICATION ACTIVITIES

In the field of security, pre-acceptance tests were conducted for Gendarmerie KGYS project, and system operation tests were conducted for JEMUS, KGYS, MGÜB, AB-SGS, MIDAS projects. Testing and verification activities were carried out for the newly designed smart cameras and recording systems that are actively used in these projects.

In the field of healthcare, system level verification and production test infrastructure studies were carried out for Heartline PRO (Manual External Defibrillator), Heartline AED (Automated External Defibrillator), HeartView ADR-M100 (Mobile X-ray) and LIFELINE HLM (Heart-Lung Machine) projects. The automated test infrastructures needed for these verification studies were developed.

Within the scope of Macedonia Corridor 8 UTS Project, system integration tests were completed at the UTS test area located at ASELSAN Macunköy campus. System operation tests were carried out at Skopje Glumovo station.

Design verification activities were carried out both in the laboratory and in the field for the new sections of the Gayrettepe-New Airport metro line signaling system. After completing the design verification of critical systems, audit tests were initiated with an independent safety certification company and the tests were completed so that the systems were ready to receive certification.

Within the scope of National Train Project, system integration and system operation test activities were carried out. After the installation of the UGES EMC laboratory, the first report was prepared to be submitted to the certification body for the CESUR unit within the scope of National Train Project.



Within the scope of IETT Adalar Electric Mobility System and Hybrid Drive System Development Projects, system integration tests were completed at the ASELSAN integration area. IETT Adalar Electric Mobility System system operational tests were successfully carried out at ASELSAN Temelli campus and Karsan Bursa campus.

Within the scope of Warning and Alarm (Siren) System Phase-5 / Phase-6 Projects, system integration tests were carried out at the ASELSAN integration area. System operational tests were carried out at ASELSAN Gölbeek test area.

Within the scope of ASELSAN High Speed Weight Measurement System Project, system integration tests were completed at ASELSAN Temelli test site and system operation tests were completed at Baku AKM center.



Design verification activities were carried out for the new sections commissioned within the scope of Gayrettepe-New Airport Metro Line Signalization System.

In the field of rail signaling, it has been documented with the evaluation report within the scope of both Stage 1 and Stage 1.0.1 as a result of the audits conducted by the Independent Safety Audit Organization that the Functional Safety Integrity Level (SIL) of the Metro Signaling System has been successfully met.

The surveillance audit of the EN 15085-2 certification for the resource-based manufacturing of railway vehicles and components were successfully completed. CE Certificate interim evaluations for defibrillators, mobile X-Rays and ventilators, which are among our products in the health sector, were carried out together with the

ISO 13485 Medical Devices Quality Management System audit. Within the context of the obligation to hold unannounced audits once every five years during the validity period of the CE Certificate obtained for the product in the health sector, the audit team of the notified body visited ASELSAN for unannounced audits.



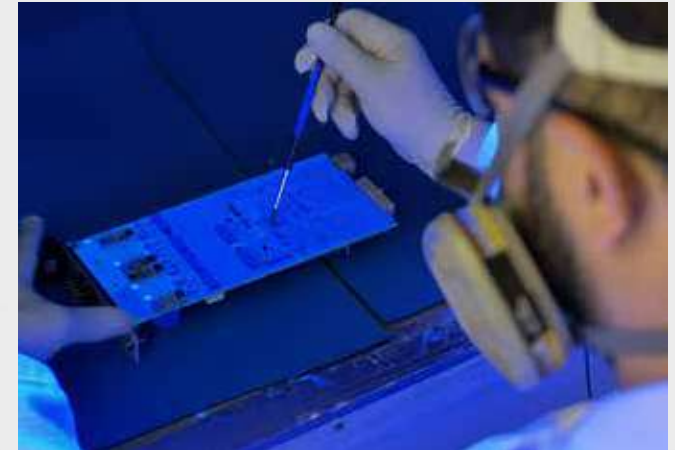
All areas of activity are certified to comply with quality management system standards and sustainability is ensured.

Audit: ASELSAN HealtView ADR-M100 Mobile Digital X-Ray Device with CE Certificate within the scope of the Medical Device Regulation (93/42/EEC) has been successfully carried out through the technical file and partially through ISO 13485:2016 Medical Devices Quality Management System. Type approvals have been obtained for my produ-

cts developed for electric vehicles for compliance with European regulations ECE R10 and ECE R85. The continuity of the COP certificate was ensured through product conformity audits for already approved units. The maturity level and competence of UGES System and Software Life Cycle processes were certified in 2022 with the ISO/IEC 15504 SPICE audit

as a first in ASELSAN. Periodic surveillance audits are conducted every 18 months to maintain the certificate. For the 2024 audit, the projects to be covered were identified.

In addition to the sector-specific certificates, demonstration of continued compliance with ISO 9001 General Inclusive Quality Management System standards was ensured through a successful surveillance audit.



PRODUCTION ACTIVITIES

Robotic Process Automation (RPA) was activated and routine, repetitive, rule-based and predictable tasks were transferred to digital robots, preventing human errors. Thus, time and labor savings and efficiency were achieved. Employee satisfaction was also achieved.

Drones have started to be used in dry-run and field acceptance inspections and visual controls at height. A faster, cost-effective and occupational safety-compliant working environment was provided in these field activities.



In order to effectively manage and report sales processes, **CRM SALES APPLICATION** was implemented and put into use throughout ASELSAN.

Thanks to the flexible pilot production line, optimization is ensured by producing prototypes and small numbers simultaneously with the design phase. Feedback and changes from design verification activities are applied to the units to be produced simultaneously, ensuring efficient operation. Thus, it is ensured that the preparation phase for mass production is cost-effective and with the targeted quality. Within the framework of this approach, all processes of the products are defined and verified on the flexible pilot production line within ASELSAN.

Infrastructures that can test mass production outputs for rail systems and electric vehicle components have been commissioned. In the rail systems test infrastructure, low voltage, insulation, ground and high voltage tests can be applied to mass production outputs. With the test infrastructure established for motor and driver tests of electric vehicle components, the capacity to test mass production outputs has been reached.

INTEGRATED LOGISTICS SUPPORT ACTIVITIES

Installation, commissioning and maintenance and repair activities were carried out on a 24/7 basis within the scope of domestic/overseas civil and public security projects for which deliveries were made.

User and maintenance and repair trainings have been provided to our customers and user and maintenance and repair books have been delivered in accordance with the contractual requirements.

Extended warranty, spare parts sales and performance-based logistics contracts have been signed for our projects whose warranty period has ended, providing our customers with maintenance and repair as well as spare parts support throughout the product life cycle.



In addition to the aforementioned projects, general maintenance and repair contract works were carried out with the General Directorate of Military Factories (AFGM) in 2023 to cover all border security systems. The contract is expected to be signed in 2024.

In addition, field installation, commissioning and warranty period activities were carried out within the scope of two different international projects. With the 360 Product Support and Service Management Software application (CRM Sales), maintenance and repair activities started to be carried out with a higher focus on customer satisfaction. Dissemination of the developed CRM Application in all our projects has been completed. Maintenance and repair activities from the most remote point in the field can be monitored through the CRM Service Application, and our customers can access and report the data instantly.



Maintenance, Repair and Operation Technical Support Activities were carried out within the scope of the Signaling system **for the first time** in the Gayrettepe New Airport Metro Line Kağıthane-Airport section, for which SIL4 certification process was completed.



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2023

Annual Report

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Prepared as per CMB Serial II, No:14.1

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ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

| ASSETS | Note References | Audited | |
|-------------------------------|-----------------|--------------------|--------------------|
| | | 31 December 2023 | 31 December 2022 |
| Current Assets | | 72.883.922 | 72.918.181 |
| Cash and Cash Equivalents | 3 | 6.610.029 | 9.370.629 |
| Trade Receivables | 6 | 20.593.129 | 24.531.953 |
| <i>From Related Parties</i> | 5 | 9.045.886 | 10.286.133 |
| <i>From Third Parties</i> | | 11.547.243 | 14.245.820 |
| Other Receivables | 7 | 1.650.505 | 1.691.631 |
| <i>From Related Parties</i> | 5 | -- | 9.194 |
| <i>From Third Parties</i> | | 1.650.505 | 1.682.437 |
| Inventories | 9 | 32.176.371 | 27.648.036 |
| Prepaid Expenses | 10 | 9.092.223 | 8.110.695 |
| <i>From Related Parties</i> | 5 | 1.564.808 | 3.833.163 |
| <i>From Third Parties</i> | | 7.527.415 | 4.277.532 |
| Other Current Assets | 18 | 2.761.665 | 1.565.237 |
| Non- Current Assests | | 77.693.963 | 71.884.446 |
| Financial Investments | 29 | 5.918.788 | 7.072.640 |
| Trade Receivables | 6 | 31.609.340 | 31.263.879 |
| <i>From Related Parties</i> | 5 | 23.896.740 | 23.565.113 |
| <i>From Third Parties</i> | | 7.712.600 | 7.698.766 |
| Other Receivables | 7 | 7.279 | 9.859 |
| <i>From Third Parties</i> | | 7.279 | 9.859 |
| Equity Accounted Investments | 8 | 859.834 | 1.352.414 |
| Property, Plant and Equipment | 11 | 23.729.789 | 18.454.534 |
| Intangible Assets | 12 | 12.147.761 | 9.131.083 |
| Prepaid Expenses | 10 | 2.459.368 | 2.167.465 |
| <i>From Related Parties</i> | 5 | 1.431.818 | 325.380 |
| <i>From Third Parties</i> | | 1.027.550 | 1.842.085 |
| Deferred Tax Assets | 27 | 718.601 | -- |
| Other Non-Current Assets | 18 | 243.203 | 2.432.572 |
| TOTAL ASSETS | | 150.577.885 | 144.802.627 |

The accompanying notes are an integral part of the consolidated financial statements.

LIABILITIES

| | Note References | Audited | |
|---|-----------------|-------------------|-------------------|
| | | 31 December 2023 | 31 December 2022 |
| Current Liabilities | | 50.178.593 | 51.665.811 |
| Short-term Financial Liabilities | 30 | 11.691.438 | 9.231.463 |
| Short-term Portion of Long-term Financial Liabilities | 30 | 7.116.874 | 6.856.863 |
| Trade Payables | 6 | 14.864.081 | 16.106.999 |
| <i>To Related Parties</i> | 5 | 3.202.670 | 4.374.560 |
| <i>To Third Parties</i> | | 11.661.411 | 11.732.439 |
| Employee Benefit Obligations | 17 | 1.204.662 | 1.049.998 |
| Other Payables | 7 | 342.042 | 609.567 |
| <i>To Related Parties</i> | 5 | 266.947 | 505.834 |
| <i>To Third Parties</i> | | 75.095 | 103.733 |
| Government Grants and Incentives | 13 | 57.473 | 115.104 |
| Deferred Income | 10 | 8.889.349 | 9.564.172 |
| <i>To Related Parties</i> | 5 | 2.598.300 | 4.324.329 |
| <i>To Third Parties</i> | | 6.291.049 | 5.239.843 |
| Corporate Tax Liability | 27 | -- | 300 |
| Short-term Provisions | | 6.002.403 | 8.043.165 |
| <i>For Employee Benefits</i> | 17 | 1.597.757 | 1.435.720 |
| <i>Other</i> | 15 | 4.404.646 | 6.607.445 |
| Other Current Liabilities | 18 | 10.271 | 88.180 |
| Non-Current Liabilities | | 12.018.914 | 12.330.813 |
| Long-term Financial Liabilities | 30 | 1.129.602 | 1.762.548 |
| Trade Payables | 6 | 75.501 | 119.823 |
| <i>To Third Parties</i> | | 75.501 | 119.823 |
| Other Payables | 7 | 36.646 | 26.839 |
| <i>To Third Parties</i> | | 36.646 | 26.839 |
| Deferred Income | 10 | 5.908.723 | 4.755.433 |
| <i>To Related Parties</i> | 5 | 3.663.188 | 2.929.436 |
| <i>To Third Parties</i> | | 2.245.535 | 1.825.997 |
| Deferred Tax Liabilities | 27 | -- | 367.961 |
| Long-term Provisions | | 4.863.565 | 5.290.191 |
| <i>Long-term Provisions for Employee Benefits</i> | 17 | 1.063.278 | 954.689 |
| <i>Other</i> | 15 | 3.800.287 | 4.335.502 |
| Other Non-Current Liabilities | 18 | 4.877 | 8.018 |

The accompanying notes are an integral part of the consolidated financial statements.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

| | | Audited | |
|--|-----------------|--------------------|--------------------|
| | Note References | 31 December 2023 | 31 December 2022 |
| EQUITY | | 88.380.378 | 80.806.003 |
| Equity Attributable to Equity Holders of the Parent | | 87.311.03 | 79.850.889 |
| Share Capital | 19 | 4.560.000 | 2.280.000 |
| Inflation Adjustments on Share Capital Differences | 19 | 15.359.232 | 14.418.756 |
| Share Premiums | | 14.548.374 | 14.548.374 |
| Other Comprehensive Income / (Expense) that will not be Reclassified to Profit or (Loss) | | 2.200.775 | 15.712 |
| Gain on Revaluation of Property, Plant and Equipment | | 2.905.335 | 549.350 |
| Gain/ Loss on Remeasurement of Defined Benefit Plans | | (704.560) | (533.638) |
| Other Cumulative Comprehensive Income / (Expense) will be Reclassified to Profit/Loss | | 56.262 | 1.412.564 |
| Gain (Loss) on Financial Assets That Fair Value Difference Reflect in Other Comprehensive income | | -- | 1.084.352 |
| Cumulative Translation Adjustments | | 56.262 | 328.212 |
| Restricted Reserves | 19 | 3.482.082 | 3.424.966 |
| Retained Earnings | | 39.813.833 | 42.468.554 |
| Net Profit for the Year | | 7.290.475 | 1.281.963 |
| Non-Controlling Interests | | 1.069.345 | 955.114 |
| TOTAL LIABILITIES AND EQUITY | | 150.577.885 | 144.802.627 |

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS and OTHER COMPREHENSIVE INCOME FOR THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

| | | Audited | |
|---|-----------------|----------------------------|----------------------------|
| | Note References | 1 January 31 December 2023 | 1 January 31 December 2022 |
| PROFIT OR LOSS | | | |
| Revenue | 20 | 73.592.774 | 66.860.171 |
| Cost of Sales (-) | 20 | (53.487.594) | (49.026.909) |
| GROSS PROFIT | | 20.105.180 | 17.833.262 |
| General Administrative Expenses (-) | 21 | (3.387.758) | (2.574.579) |
| Marketing Expenses (-) | 21 | (1.446.516) | (1.646.303) |
| Research and Development Expenses (-) | 21 | (2.645.753) | (2.018.251) |
| Other Operating Income | 22 | 33.516.955 | 23.954.185 |
| Other Operating Expenses (-) | 22 | (21.168.365) | (17.591.101) |
| OPERATING PROFIT | | 24.973.743 | 17.957.213 |
| Income From Investing Activities | 23 | 34.312 | 13.229 |
| Shares of Profit of Equity Accounted Investees | 8 | (1.473) | 31.895 |
| OPERATING PROFIT BEFORE FINANCIAL EXPENSE | | 25.006.582 | 18.002.337 |
| Financial Income | 24 | 1.181.695 | 1.448.296 |
| Financial Expense (-) | 25 | (8.833.499) | (5.788.983) |
| Monetary Gain/(Loss) | | (10.145.147) | (14.573.875) |
| PROFIT BEFORE TAX FROM CONTINUING OPERATIONS | | 7.209.631 | (912.225) |
| Tax Income from Continuing Operations | | 164.634 | 2.101.534 |
| Current Corporate Tax Expense(-) | 27 | (1.129.233) | (2.875) |
| Deferred Tax Income | 27 | 1.293.867 | 2.104.409 |
| PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS | | 7.374.265 | 1.189.309 |
| Profit for the Period Attributable to | | 7.374.265 | 1.189.309 |
| Non-Controlling Interest | | 83.790 | (92.654) |
| Owners of the Company | 28 | 7.290.475 | 1.281.963 |
| | | 7.374.265 | 1.189.309 |
| Earnings for per 100 Shares (in full kuruş) | 28 | 159,88 | 56,23 |

The accompanying notes are an integral part of the consolidated financial statements.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS and OTHER COMPREHENSIVE INCOME FOR THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

| Audited | | | |
|---|--------------------|-------------------------------|-------------------------------|
| | Note References | 1 January 31 December 2023 | 1 January 31 December 2022 |
| PROFIT FOR THE YEAR | | 7.374.265 | 1.189.309 |
| OTHER COMPREHENSIVE INCOME | | | |
| Items that will not be Reclassified Subsequently in Profit or Loss | | 2.185.063 | 15.712 |
| Gain on Remeasurement of Defined Benefit Plans | 17 | (227.896) | (667.047) |
| Gain on Revaluation of Property, Plant and Equipment | 26 | 2.692.554 | 610.389 |
| Deferred Tax Expense | 26-27 | (279.595) | 72.370 |
| Items that may be Reclassified Subsequently to Profit or Loss | | (1.356.302) | 1.024.050 |
| Gain (Loss) on Financial Assets That Fair Value | | (1.156.642) | 1.141.423 |
| Difference Reflect in Other Comprehensive income | 26 | (271.950) | (60.302) |
| Cumulative Translation Adjustments | 26 | 72.290 | (57.071) |
| Deferred Tax Expense | 26-27 | | |
| OTHER COMPREHENSIVE INCOME | | 828.761 | 1.039.762 |
| TOTAL COMPREHENSIVE INCOME | | 8.203.026 | 2.229.071 |
| Total Comprehensive Income Attributable to | | | |
| Non-Controlling Interest | | 83.790 | (92.654) |
| Owners of the Company | | 8.119.236 | 2.321.725 |
| | | 8.203.026 | 2.229.071 |

The accompanying notes are an integral part of the consolidated financial statements.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

| | Other Comprehensive Income / Expense that will not be Reclassified Subsequently to Profit or Loss | | | | | Other Comprehensive Income / Expense that may not be Reclassified Subsequently to Profit or Loss | | | Retained Earnings | | | | |
|---|---|--|--------------------------------------|----------------------|---------------------------------------|--|----------------------|---------------------|-------------------|---------------------------------|--|---------------------------|-------------|
| | Share Capital | Inflation Adjustments on Share Capital | Share Issuance Premiums/ (Discounts) | Revaluation Reserves | Remeasurement of Defined Benefit Plan | Gain (Loss) on Financial Assets That Fair Value Difference Reflect in Other Comprehensive income | Translation Reserves | Restricted Reserves | Retained Earnings | Net Profit/ (Loss) for the Year | Equity Attributable to Owners of the Company | Non-Controlling Interests | Equity |
| Balance as of 1 January 2022 | 2.280.00 | 14.418.756 | 14.548.374 | -- | -- | -- | 388.514 | 3.236.208 | 43.902.403 | -- | 78.774.255 | 1.090.059 | 79.864.314 |
| Transfers | -- | -- | -- | -- | -- | -- | -- | 188.758 | (1.433.849) | 1.245.091 | -- | -- | -- |
| Capital Increase | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Total Comprehensive Income | -- | -- | -- | 549.350 | (533.638) | 1.084.352 | (60.302) | -- | -- | 1.281.963 | 2.321.725 | (92.654) | 2.229.071 |
| Consolidation Effect of Share Change in Establishment | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | (42.291) | (42.291) |
| Dividends | -- | -- | -- | -- | -- | -- | -- | -- | -- | (1.245.091) | (1.245.091) | -- | (1.245.091) |
| Balance as of 31 December 2022 (Closing Balance) | 2.280.000 | 14.418.756 | 14.548.374 | 549.350 | (533.638) | 1.084.352 | 328.212 | 3.424.966 | 42.468.554 | 1.281.963 | 79.850.889 | 955.114 | 80.806.003 |
| Balance as of 1 January 2023 | 2.280.000 | 14.418.756 | 14.548.374 | 549.350 | (533.638) | 1.084.352 | 328.212 | 3.424.966 | 42.468.554 | 1.281.963 | 79.850.889 | 955.114 | 80.806.003 |
| Transfers | -- | -- | -- | -- | -- | -- | -- | 57.116 | 565.755 | (622.871) | -- | -- | -- |
| Capital Increase | 2.280.000 | 940.476 | -- | -- | -- | -- | -- | -- | (3.220.476) | -- | -- | -- | -- |
| Total Comprehensive Income | -- | -- | -- | 2.355.985 | (170.922) | (1.084.352) | (271.950) | -- | -- | 7.290.475 | 8.119.236 | 83.790 | 8.203.026 |
| Dividends | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 30.441 | 30.441 |
| Consolidation Effect of Share Change in Establishment | -- | -- | -- | -- | -- | -- | -- | -- | -- | (659.092) | (659.092) | -- | (659.092) |
| Balance as of 31 December 2023 (Closing Balance) | 4.560.000 | 15.359.232 | 14.548.374 | 2.905.335 | (704.560) | -- | 56.262 | 3.482.082 | 39.813.833 | 7.290.475 | 87.311.033 | 1.069.345 | 88.380.378 |

The accompanying notes are an integral part of the consolidated financial statements.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

| | Note References | Audited | |
|---|-----------------|-------------------------------|-------------------------------|
| | | 1 January 31 December 2023 | 1 January 31 December 2022 |
| A.Cash Flows from Operating Activities | | 8.374.864 | 12.044.475 |
| Profit for the Period | | 7.374.265 | 1.189.309 |
| Adjustments to Reconcile Profit for the Period | | 15.057.442 | 16.784.962 |
| - Adjustments for Depreciation and Amortization Expense | 11-12 | 3.402.164 | 2.445.831 |
| - Adjustments for Impairment Loss (Reversal of Impairment Loss) | | (40.754) | (59.033) |
| Adjustments for Impairment Loss (Reversal of Impairment Loss) of Receivables | 6 | 3.018 | (31.708) |
| Adjustments for Impairment Loss (Reversal of Impairment Loss) of Inventories | 9 | (43.772) | (27.325) |
| - Adjustments for Provisions | | 4.363.403 | 7.162.008 |
| Adjustments for (Reversal of) Provisions Related with Employee Benefits | 17 | 1.310.013 | 1.652.529 |
| Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions | 15 | 1.207.818 | 2.871.299 |
| Adjustments for (Reversal of) Warranty Provisions | 15 | 2.083.091 | 2.348.449 |
| Adjustments for (Reversal of) Other Provisions | 15 | (237.519) | 289.731 |
| - Adjustments for Interest (Income) Expenses | | 310.880 | 80.609 |
| Adjustments for Interest Income | 22-24 | (849.274) | (870.341) |
| Adjustments for Interest Expense | 22-25 | 1.160.154 | 950.950 |
| - Adjustments for Retained Profit of Equity Accounted Investees | 8 | 1.473 | (31.895) |
| - Adjustments for Tax (Income)/Expenses | 27 | (164.634) | (2.101.534) |
| -Other Adjustments for which Cash Effects are Investing or Financing Cash Flow | | 4.718.404 | 3.698.067 |
| -Other Adjustments to Reconcile Profit (Loss) | | 2.466.506 | 5.590.909 |
| Changes in Working Capital | | (11.110.018) | (3.856.115) |
| - Decrease (Increase) in Trade Receivables | | (18.829.690) | (20.713.793) |
| - Decrease (Increase) in Other Receivables Related with Operations | | (625.156) | (507.526) |
| - Decrease (Increase) in Inventories | | (4.147.471) | (1.280.817) |
| - Decrease (Increase) in Prepaid Expenses | 10 | (1.204.325) | (380.495) |
| - Increase (Decrease) in Trade Payables | | 5.912.711 | 7.088.770 |
| - Increase (Decrease) in Employee Benefit Obligations | | 567.422 | 544.928 |
| -Adjustments for Stage of Completion of Construction or Service Contracts in Progress | | (1.723.193) | 2.074.672 |
| - Increase (Decrease) in Other Operating Payables | | (447.401) | (780.443) |
| - Increase (Decrease) in Government Grants and Subsidies | | (57.631) | 40.808 |
| - Increase (Decrease) in Deferred Income | | 1.527.967 | (650.009) |
| - Adjustments Related to Monetary Gain/ Losses | | 8.519.395 | 11.478.477 |
| - Other Increase (Decrease) in Working Capital | | (602.646) | (770.687) |
| Cash Flows From Operations | | 11.321.689 | 14.118.156 |
| Payments Related with Provisions for Employee Benefits | 17 | (327.604) | (760.298) |
| Payments Related with Other Provisions | 15 | (1.489.687) | (1.304.308) |
| Income Taxes Refund (Paid) | | (1.129.534) | (9.075) |

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A. Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

| Note References | Audited | |
|--|-------------------------------|-------------------------------|
| | 1 January 31 December 2023 | 1 January 31 December 2022 |
| B.Cash Flows From Investing Activities | (11.681.605) | (11.854.816) |
| Proceeds from Sales of Property, Plant, Equipment and Intangible Assets | 307.720 | 119.275 |
| Purchase of Property, Plant and Equipment | (5.292.094) | (4.723.133) |
| Purchase of Intangible Assets | (7.155.473) | (7.445.477) |
| Dividends Received | 15.390 | 9.863 |
| Other Cash Outflows | 442.852 | 184.656 |
| C.Cash Flows From Financing Activities | 4.151.264 | 4.796.119 |
| Proceeds from Borrowings | 19.516.101 | 17.618.995 |
| Repayments of Borrowings | (15.145.602) | (12.408.717) |
| Dividends Paid | (219.235) | (414.159) |
| NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES (A+B+C) | 844.523 | 4.985.778 |
| D. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | 72.658 | 276.779 |
| E. MONETARY GAIN/LOSS EFFECT ON CASH AND CASH EQUIVALENTS | (3.683.633) | (2.639.102) |
| NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D+E) | (2.766.452) | 2.623.455 |
| F.CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | 9.367.529 | 6.744.074 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E+F) | 6.601.077 | 9.367.529 |

The accompanying notes are an integral part of the consolidated financial statements.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

1. ORGANIZATION AND OPERATIONS OF THE GROUP

ASELSAN Elektronik Sanayi ve Ticaret Anonim Şirketi ("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 areas 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.

As of the reporting date, the Company has been organized under five divisions under the Vice Presidential Sector with regard to investment and production requirements of projects. These divisions comprise Communication and Information Technologies Vice Presidency ("HBT"), Radar and Electronic Warfare Systems Vice Presidency ("REHİS"), Defence Systems Technologies Vice Presidency ("SST") and Microelectronics, Guidance & Electro-Optics Vice Presidency ("MGEO") and Transportation, Security, Energy, Automation and Medical Systems Vice Presidency ("UGES").

In addition to the Vice Presidencies above, the Company organization also includes the Financial Management Vice Presidency, Corporate Management Vice Presidency, Technology and Strategy Management Vice Presidency, Business Development, Mar-

keting Vice Presidency and Supply Chain Management Vice Presidency making a total of five Vice Presidencies; in addition to these, there are also Legal Affairs and Private Secreteriat.

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

The Company maintains production and engineering operations in Ankara, Macunköy, Akyurt and Gölbaşı campuses and engineering operations in METU Teknokent, Hacettepe Teknokent and Teknopark İstanbul. General Management is located in Ankara Macunköy.

Turkish Armed Forces Foundation ("TSKGV") is the main shareholder of the Company which holds 74,20 percent of the capital and maintains control of the Company. TSKGV 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 Türkiye ("CMB") and its shares have been quoted in Borsa İstanbul Anonim Şirketi ("BİST") since 1990. As of 31 December 2023, 25,80 percent of the Company's shares are publicly traded (31 December 2022: 25,80 percent) (Note 19).

The Company's trade registry address is Mehmet Akif Ersoy Mahallesi İstiklal Marşı Caddesi No:16 06200 Yenimahalle/Ankara. The average number of personnel employed by the Group as of 31 December 2023 is 11.550 (31 December 2022: 10.948).

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

The Company's consolidated subsidiaries are ASELSAN Baku ("ASELSAN Baku"), Aselsan Sivas Hassas Optik San. Tic. A.Ş. ("ASELSAN Optik"), Mikroelektronik Ar-Ge Tasarım ve Ticaret Ltd. Co. ("Mikro AR-GE"), ASELSANNET Elektronik ve Haberleşme Sistemleri Sanayi Ticaret İnşaat ve Taahhüt Ltd. Co. ("ASELSANNET"), Aselsan Konya Silah Sistemleri Anonim Şirketi ("ASELSAN Konya"), ASELSAN Malaysia Sdn. Bhd. ("ASELSAN Malaysia"), BITES Savunma Havacılık ve Uzay Teknolojileri Yazılım A.Ş. ("BITES"), Aselsan Global Dış Ticaret ve Pazarlama A.Ş. ("ASELSAN GLOBAL"), ASELSAN UKRAINE LLC. ("ASELSAN Ukrayna") and ULAK Haberleşme A.Ş. ("ULAK"). They are collectively referred as the "Group" in the accompanying notes.

The Company has five branch offices; Aselsan Elektronik Sanayi ve Ticaret Anonim Şirketi EP Co. ("ASELSAN South Africa"), ASELSAN Balkans ("ASELSAN Balkans") and ASELSAN Kıbrıs İleri Teknolojiler Araştırma Merkezi ("ASELSAN N.Cyprus") and ASELSAN Elektronik Sanayi ve Ticaret A.Ş. Katar ("ASELSAN Qatar") and ASELSAN Elektronik Sanayi ve Ticaret A.Ş. Poland ("ASELSAN Poland") located in Republic of South Africa, Macedonia, Turkish Republic of Northern Cyprus ("TRNC"), Qatar and Poland respectively. The branches are also included in the consolidated financial statements.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 The Basis of Presentation

Statement of Compliance to TFRS

The accompanying consolidated financial statements are prepared in accordance with the requirements of CMB Communiqué Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets" ("Communiqué"), which were published in the Official Gazette No: 28676 on 13 June 2013 and in accordance with the Turkish Financial Reporting Standards ("TFRS") and Interpretations that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA").

The consolidated financial statements has been presented with examples of Financial Statement by the POA. All reports have suited the TFRS formats.

The consolidated financial statements are prepared according to historical cost accounting except for the revaluation of land and financial instruments.

Approval of the Consolidated Financial Statements

These consolidated financial statements have been approved for issue by the Board of Directors with the resolution number 1222 on 26 March 2024. There is no authority other than General Assembly and legal entities has the right to amend the consolidated financial statements.

Functional Currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment ("Functional Currency") in which the entity operates. The Company's reporting currency is Turkish Lira ("TL"). 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 for the

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

consolidated financial statements. Amounts are expressed in thousands of TL or Foreign Currency unless otherwise stated. Kuruş, Turkish Currency subunit and 1 TL is equal to 100 Kuruş.

Preparation of Financial Statements in Hyperinflationary Periods

With the decision taken on March 17, 2005, the CMB has announced that, effective from January 1, 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with CMB Accounting Standards and therefore the preparation and presentation of financial statements in accordance with International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies" is no longer required.

On November 23, 2023, Public Oversight Accounting and Auditing Standards Authority ("POA") announced the application of inflation accounting in Turkey and according to the announcement, financial statements of entities applying TFRS for the annual reporting period ending on or after December 31, 2023 should be presented as adjusted for the effects of inflation in accordance with the related accounting principles in TAS 29. As of the date of these financial statements, inflation adjustment has been made in accordance with TAS 29 while preparing the financial statements dated December 31, 2023.

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and that corresponding figures for previous periods be restated in the same terms using the general price index. One of the conditions that require the application of TAS 29 is a three-year cumulative inflation rate of approximately 100% or more. In Turkey, based on the consumer price index ("CPI") published by the Turkish Statistical Institute ("TURKSTAT"), the cumulative rate was 271% for the three-year period ended December 31, 2023.

TAS 29 should also be applied if there are signs of hyperinflation, such as the public keeping their savings predominantly in foreign currencies, prices of goods and services being determined in foreign currencies, interest rates, wages and prices being linked to general price indices, and prices being determined with a maturity difference to compensate for losses in purchasing power, including short-term transactions, although there is no increase in price indices at the level mentioned above.

Adjustments for inflation have been calculated based on the coefficients calculated using the Consumer Price Index in Turkey published by the Turkish Statistical Institute. As of December 31, 2023, the indices and coefficients used in the restatement of the accompanying financial statements are as follows:

| Period | Index | Correction Coefficient |
|----------------|----------|------------------------|
| 31 Aralık 2023 | 1.859,39 | 1 |
| 31 Aralık 2022 | 1.128,45 | 1,64773 |
| 31 Aralık 2021 | 686,95 | 2,70673 |

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A. Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.1 The Basis of Presentation (continued)

The main lines of TAS 29 indexation transactions are as follows:

As of the balance sheet date, all items other than those stated in terms of current purchasing power are restated by using the relevant consumer price index coefficients. Prior year amounts are restated in the same way.

Financial statements of previous reporting periods have been restated to reflect the current purchasing power of money at the latest balance sheet date. The current period restatement factor has been applied to the prior period financial statements.

Monetary assets and liabilities are not restated because they are expressed in terms of the purchasing power of money at the balance sheet date. Monetary items are cash and items to be received or paid in cash.

Non-monetary assets and liabilities are restated by reflecting the changes in the general price index from the date of acquisition or initial recognition to the balance sheet date in their acquisition costs and accumulated amortization amounts. Accordingly, property, plant and equipment, intangible assets, right-of-use assets and similar assets are restated to their acquisition values, which do not exceed their market values. Depreciation has been restated in a similar manner. Amounts included in shareholders' equity have been restated by applying the consumer price indices for the periods in which such amounts were contributed to or arose within the Company.

All items in the income statement, except for the effects of non-monetary items in the balance sheet on the income statement, have been restated by applying the multiples calculated over the periods when the income and expense accounts were initially recognized in the financial statements.

The gain or loss arising on the net monetary position as a result of general inflation is the difference between the restatement adjustments to non-monetary assets, equity items and income statement accounts. This gain or loss on the net monetary position is included in net profit.

All items presented in the statement of cash flows are restated for the effects of inflation in the measuring unit current at the end of the reporting period. The effect of inflation on cash flows from operating, investing and financial activities is attributed to the related item and the monetary gain or loss on cash and cash equivalents is presented separately.

Basis of Consolidation Subsidiaries:

| Subsidiaries | Location | Functional Currency | Group's proportion of ownership and voting power held (%) | | Main Activity |
|------------------|------------|---------------------|---|------------------|--|
| | | | 31 December 2023 | 31 December 2022 | |
| ASELSANNET | Türkiye | TL | 100 | 100 | Communication systems |
| ASELSAN Baku | Azerbaijan | AZN | 100 | 100 | Marketing and sales of the group products |
| ASELSAN GLOBAL | Türkiye | TL | 100 | 100 | Export |
| ASELSAN OPTİK | Türkiye | TL | 80 | 50 | Sensitive optic technologies |
| Mikro AR-GE | Türkiye | TL | 85 | 85 | Microelectronic R&D projects |
| ASELSAN Malaysia | Malaysia | MYR | 100 | 100 | Remote controlled weapon systems |
| ASELSAN Konya | Türkiye | TL | 51 | 51 | Weapon and weapon systems Defense, Aerospace, Space |
| BİTES | Türkiye | TL | 100 | 51 | Technologies, Software |
| ASELSAN Ukraine | Ukraine | UAH | 100 | 100 | Marketing and sales of the group products |
| ULAK | Türkiye | TL | 51 | 51 | Communication systems |

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.1 The Basis of Presentation (continued)

Basis of Consolidation (continued)

Subsidiaries (continued):

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns

The Company reassesses whether or not it controls an investee when if facts and circumstances arise there are changes to one or more of the three elements of control listed above.

Even though the Company has voting rights less than a majority, if it has ability to manage the operation of the investee unintentionally, then the Group assess that it has control over that investee.

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- comparison of voting rights of the Group and the others,
- potential voting rights held by the Group, and others,
- rights arising from contractual arrangements; and
- any additional facts and circumstances that indicate the Group has, or does have, the current ability to direct the relevant activities at the time that decisions need to be made (including voting patterns at previous shareholders' meeting).

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Each item of profit or loss and other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to align with the Group accounting policies and the Group's accounting policies.

All intragroup balances, equity, income and expenses, profits and losses and cash flows relating to transactions between members of the Group are eliminated during consolidation.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.1 The Basis of Presentation (continued)

Basis of Consolidation (continued)

Joint Ventures

The details of the Group's interests in joint ventures as of 31 December 2023 and 2022 are as follows:

| Joint Ventures | Principal Activity | Country of establishment and operation | Group's proportion of ownership and voting power held (%) | |
|---|---|--|---|------------------|
| | | | 31 December 2023 | 31 December 2022 |
| Mikro Nano Teknolojileri Sanayi ve Ticaret Anonim Şirketi ("ASELSAN Bilkent") | Production of micro and nano sized devices which contains semi-conductive and similar technological materials | Türkiye | 50 | 50 |
| International Golden Group ("IGG") ASELSAN Integrated Systems LLC ("IGG ASELSAN") | Production, integration, sales and technical maintenance service of high technology product | United Arab Emirates | 49 | 49 |
| Kazakhstan ASELSAN Engineering LLP ("ASELSAN Kazakhstan") | Production, sales and technical maintenance service of electronic and electro-optic devices and systems | Kazakhstan | 49 | 49 |
| ASELSAN Middle East PSC ("ASELSAN Jordan") | Production, sales and technical maintenance service of electronic and electro-optic devices and systems | Jordan | 49 | 49 |
| TÜYAR Mikroelektronik Sanayi ve Ticaret Anonim Şirketi ("TÜYAR") | Production of micro and nano-sized devices containing semiconductor | Türkiye | 51 | 51 |
| BARQ QSTP LLC. ("BARQ QSTP LLC.") | Command and control systems, thermal and night vision camera, crypto, remote-controlled weapon systems | Qatar | 48 | 48 |
| Teknohab Teknoloji Geliştirme Bölgesi Yönetici Anonim Şirketi ("TEKNOHAB") | To create investment opportunities in technology intensive areas, provide job opportunities to researchers and skilled people, help technology transfers and facilitate foreign capital to enter our country that will enable high technology | Türkiye | 13 | 13 |
| EHSİM Elektronik Harp Sistemleri Müh. Tic. A.Ş. ("EHSİM") | Electronic Warfare and Tactical Command Systems | Türkiye | 50 | 50 |
| TR Eğitim ve Teknoloji A.Ş. ("TR Eğitim") | Realizing Human Resources studies, Consultancy with respect to HR studies, accreditation services and trainings for every level, educational, cultural, art, sports, fair organizations and digital marketing operations. | Türkiye | 35 | 35 |
| DASAL Havacılık Teknolojileri A.Ş. ("DASAL") | Aviation technologies | Türkiye | 49 | 49 |
| İstanbul Finans ve Teknoloji Merkezi ("İFTÜ") | To establish infrastructure activities for the development of the financial technology ecosystem | Türkiye | 44 | 44 |

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group's joint ventures; EHSİM established in 1998, IGG ASELSAN and ASELSAN Kazakhstan established in 2011, ASELSAN Jordan established in 2012 and ASELSAN Bilkent established in 2014, TÜYAR established in 2017, TEKNOHAB established in 2018, TR Eğitim established in 2019, DASAL Havacılık Teknolojileri A.Ş. established in 2020 and İFTÜ established in 2022 were included in the condensed consolidated financial statements by using the equity method. Since BARQ QSTP LLC and TR Eğitim Teknoloji have not started to operate yet, there is no material consolidation effect on the Group's financial statements.

2.2 Comparative Information and Restatement of Prior Period Consolidated Financial Statements

In order to determine the financial position and performance trends, the Group's consolidated financial statements are presented comparatively with the corresponding figures. For the purpose of having consistency with the current term's presentation of consolidated financial statements, comparative information is reclassified and significant differences are explained if necessary.

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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.3 Accounting Policies, Changes in Accounting Estimates and Errors

Significant changes in accounting policies and errors are applied retrospectively and prior period financial statements are restated, changes in accounting estimates are reflected to the financial in current period profit/loss.

When change in estimate in accounting policies are related with only one period, changes are applied on the current period but if the estimated changes are for the following periods, changes are applied both on the current and following periods prospectively.

2.4 New and Revised Turkish Accounting Standards

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2023 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of 1 January 2023 and thereafter. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

a) The new standards, amendments and interpretations which are effective as at January 1, 2023 are as follows:

TFRS 17 – Insurance Contracts

POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. TFRS 17 will become effective for annual reporting periods beginning on

or after 1 January 2023; early application is permitted. In accordance with amendments issued by POA in December 2021, entities have transition option for a "classification overlay" to avoid possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of TFRS 17. The amendments do not have a significant impact on the consolidated financial position and performance of the Group.

Amendments to TAS 1 – Classification of Liabilities as Current or Non-current

On 15 January 2021, POA issued amendments to TAS 1 Presentation of Financial Statements. The amendments issued to TAS 1 which are effective for periods beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted. The amendments do not have a significant impact on the consolidated financial position and performance of the Group.

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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.4 New and Revised Turkish Accounting Standards (continued)

Amendments to TAS 1 – Disclosure of Accounting Policies

In August 2021, POA issued amendments to TAS 1, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. In the absence of a definition of the term 'significant' in TFRS, POA decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in TFRS and is widely understood by the users of financial statements, according to POA. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them. Examples of circumstances in which an entity is likely to consider accounting policy information to be material have been added. The amendments issued to TAS 1 are effective for annual periods beginning on or after 1 January 2023. The amendments do not have a significant impact on the consolidated financial position and performance of the Group.

Amendments to TAS 8 – Definition of Accounting Estimates

In August 2021, POA issued amendments to TAS 8, in which it introduces a new definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors.

The amendments issued to TAS 8 are effective for annual periods beginning on or after 1 January 2023. The amendments do not have a significant impact on the consolidated financial position and performance of the Group.

Amendments to TAS 12 – Deferred Tax related to Assets and Liabilities Arising From a Single Transaction

In August 2021, POA issued amendments to TAS 12, which narrow the scope of the initial recognition exception under TAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The amendments issued to TAS 12 are effective for annual periods beginning on or after 1 January 2023. The amendments do not have a significant impact on the consolidated financial position and performance of the Group.

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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.4 New and Revised Turkish Accounting Standards (continued)

b) Standards Issued But Not Yet Effective and Not Early Adopted as of 31 December 2023

Amendments to TAS 1 – Non-Current Liabilities with Covenants

On 20 December 2022, POA issued amendments to TAS 1 Non-Current Liabilities with Covenants. The amendments set out in 'Non-current Liabilities with Covenants (Amendments to TAS 1)' state that at the reporting date, the entity doesn't need to consider covenants to be complied with in the future, when considering the classification of the debt as current or non-current. Instead, the entity should disclose information about these covenants in the notes to the financial statements. With these changes, aims to help investors understand the risk that such debt could become repayable early and therefore, has improved the information being provided on the long-term debt.

The amendments are applicable for annual reporting periods beginning on or after 1 January 2024, with early application permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments of TFRS 16.

Amendments to TFRS 16 – Lease Liability in a Sale and Leaseback

In January 2023, POA issued amendments to TFRS 16. The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. In applying requirements of TFRS 16 under "Subsequent measurement of the lease liability" heading after the commencement date in a sale and leaseback transaction, the seller lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any

amount of the gain or loss that relates to the right of use retained by the sellerlessee. The amendments do not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in TFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with TAS 8.

A seller-slessee applies the amendments to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. A seller-lessee applies the amendments retrospectively in accordance with TAS 8 to sale and leaseback transactions entered into after the date of initial application of TFRS 16. The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments of TFRS 16.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A. Ş. AND ITS SUBSIDIARIES

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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.4 New and Revised Turkish Accounting Standards (continued)

Amendments to TAS 7 and TFRS 7 – Supplier Finance Arrangements

On September 19, 2023, POA issued amendments to TAS 7 and TFRS 7 Supplier Finance Arrangements.

With these amendments, companies are expected to disclose the following regarding supplier finance agreements:

- The terms and conditions of the arrangements,
- The carrying amounts, and associated line items presented in the entity's statement of financial position, of the financial liabilities that are part of a supplier finance arrangement. The carrying amounts, and associated line items, of the financial liabilities for which suppliers have already received payment from the finance providers,
- The range of payment due dates,
- Liquidity risk disclosures.

The amendments are applicable for annual reporting periods beginning on or after 1 January 2024, with early application permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments of TAS 7 and TFRS 7.

Amendments to TMS 12 Income Taxes – International Tax Reform Pillar Two Model Rules

On September 19, 2023, POA issued amendments to Amendments to TMS 12 Income Taxes - International Tax Reform Pillar Two Model Rules. With amendments to the International Tax Reform Pillar Two Model Rules, to provide a better understanding of a company's income tax exposure resulting from the Pillar Two Model, additional disclosure obligations have been imposed on companies. As an exception to the requirements in TMS 12, an entity shall neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

The exception which are recognized in International Tax Reform Pillar Two Model Rules are applicable immediately however, companies must make disclosures for annual reporting periods beginning on 1 January 2024. The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments of TMS 12.

c) The new amendments that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following amendments which are issued by IASB but not yet adapted/issued by POA. Therefore, they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the amendments are issued and become effective under TFRS.

Amendments to IAS 21 - Lack of exchangeability

In August 2023, IASB issued amendments to IAS 21. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, it discloses information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows. Overall, the Group expects no significant impact on its balance sheet and equity.

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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies

Related Parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the 'reporting entity').

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity;
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Transaction with related party is a transfer of resources, services or liabilities between the reporting entity and the related party, disregarding it is with or without a value.

Revenue

TFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised.

It replaces existing revenue recognition guidance, including TAS 18 Revenue, TAS 11 Construction Contracts and TFRYK 13 Customer Loyalty Programmes.

General model for revenue recognition

TFRS 15 requires revenue recognition for all contracts with customers to follow the five-step approach to revenue recognition.

Step 1: Identifying the contract with customers

A contract exists only if it is legally enforceable, the collection of the consideration is probable, the rights to goods and services and payment terms can be identified, the contract has commercial substance; and the contract is approved and the parties are committed to their obligations.

If either contracts were negotiated as a single commercial package, or consideration in one contract depends on the other contract or goods or services (or some of the goods or services) are a single performance obligation the Group accounts the contracts as a single contract.

Step 2: Identifying the performance obligations

Group defines 'performance obligation' as a unit of account for revenue recognition. The Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation either a good or service that is distinct; or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer.

A contract may contain promises to deliver a series of distinct goods or services that are substantially the same. At contract inception, an entity determines whether the series of goods or services is a single performance obligation.

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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (continued)

Step 3: Determining the transaction price

In order to determine the transaction price, the Group assesses how much consideration it expects to be entitled to by fulfilling the contract. In arriving at the assessment, the Group considers variable elements of consideration, as well as the existence of a significant financing component.

Significant financing component

The Group revises the promised amount of consideration for the effect of a significant financing component to the amount that reflects what the cash selling price of the promised good or service.

As a practical expedient, the Group does not adjust the transaction price for the effects of a significant financing component if, at contract inception, the entity expects the period between customer payment and the transfer of goods or services to be one year or less. In cases where advance for the services are received and the payment scheme is broadly aligned with the Group's performance throughout the period, the Group concludes that the period between performance and payment is never more than 12 months, therefore the expedient is applied.

Variable consideration

The Group identifies items such as price concessions, incentives, performance bonuses, completion bonuses, price adjustment clauses, penalties, discounts, credits, or similar items may result in variable consideration if there is any in a customer contract.

Step 4: Allocating the transaction price to performance obligations

If distinct goods or services are delivered under a single arrangement, then the consideration is allocated based on relative stand-alone selling prices of the distinct goods or services (performance obligations). If directly observable stand-alone selling prices are not available, the total consideration in the service contracts is allocated based on their expected cost plus a margin.

Step 5: Revenue Recognition

The Group recognises revenue over-time if any of the following conditions is met:

- Customer simultaneously receives and consumes the benefits as the entity performs, or
- The customer controls the asset as the entity creates or enhances it, or
- Group's performance does not create an asset for which the entity has an use; and alternative there is a right to payment for performance to date.

For each performance obligation that is satisfied over time, an entity selects a single measure of progress, which depicts the transfer of control of the goods or services to the customer. The Group uses a method that measures the work performed reliably.

The Group uses cost incurred to measure the progress towards to completion of the project where the input method is used and uses units transferred to measure the progress towards to completion of the project where the output method is used.

If a performance obligation is not satisfied over time, then the Group recognise revenue at the point in time at which it transfers control of the good or service to the customer.

The Group recognises a provision in accordance with TAS 37 "Provisions, Contingent Liabilities and Contingent Assets" when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits.

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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (continued)

Contract modifications

The Group recognises a contract modification as a separate contract if the modification results in a promise to deliver additional goods or services that are distinct and an increase in the price of the contract by an amount of consideration that reflects the entity's stand-alone selling price of those goods or services adjusted to reflect the circumstances of the contract.

If the goods or services are distinct, then the entity accounts for the modification as if it were a termination of the existing contract and the creation of a new contract.

If the modification to the contract does not add distinct goods or services, then the entity accounts for it on a combined basis with the original contract, as if the additional goods or services were part of the initial contract.

Dividend and interest income

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.

The Rental Income

The rental income is charged to the statement of profit or loss on a straight line method bases over the period of the 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 profit or 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.

Property, Plant and Equipment

Land held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated impairment losses.

Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any increase in the fair value arising on the revaluation of such land is recognized in gain on revaluation of property.

A decrease in the carrying amount arising on the revaluation of such land is recognized in profit or loss to the extent that it exceeds the balance in the accumulated in the equity, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (continued)

On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve inequity is transferred directly to retained earnings.

Land is not depreciated. Property, plant and equipment other than lands are carried at cost less accumulated depreciation and any accumulated impairment losses.

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. 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 property, plant, and equipment 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 as to write off the cost 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 Property, Plant and Equipment 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 recognized in the expense accounts in the consolidated profit and loss when they are realized.

The useful lives of Property, Plant and Equipment are as follows:

| | Useful life |
|-------------------------|-------------|
| Buildings | 5-50 years |
| Land improvements | 7-25 years |
| Machinery and equipment | 2-35 years |
| Motor vehicles | 3-18 years |
| Furniture and fixtures | 2-50 years |
| Leasehold improvements | 2-11 years |
| Other tangible assets | 2-20 years |

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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (continued)

Intangible Assets

Intangible assets acquired

Intangible assets acquired are recognized 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 methods 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 licenses are shown at historical cost. 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 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.

Right-of-use assets

The Group reflects the non-cancellable operating leases over one year, which include the right to control the use of the asset defined in the contract, as a right-of-use asset in the accounting records. The right of use is calculated by discounting the lease payments to their present value over the interest rate stated in the contract, either explicitly or secretly. Right-of-use asset is amortized over the lease term.

Internally generated intangible assets – Research and Development

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.

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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (continued)

Intangible Assets (continued)

Internally generated intangible assets – R&D expenditure (continued)

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 | 1-15 years |
| Computer software | 2-3 years |
| Development expenditures | 1-5 years |

Borrowing Cost

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

TFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces TAS 39 Financial Instruments: Recognition and Measurement.

i. Classification – Financial assets

TFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

TFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, Fair Value Through Other Comprehensive Income ("FVOCI") and Fair Value Through Profit or Loss ("FVTPL"). The standard eliminates the existing TAS 39 categories of held to maturity, loans and receivables and available for sale. Financial investments classified as "Available for Sale Financial Assets" in accordance with TAS 39 are classified as FVOCI in accordance with TFRS 9.

Under TFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. The Group does not have any embedded derivatives as of reporting date.

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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (continued)

Financial Instruments (continued)

TFRS 9 Finansal Araçlar; finansal varlıkların, finansal yükümlülüklerin ve bazı sözleşmelerin muhasebeleştirilmesi ve ölçülmesi ve finansal olmayan varlıkları satın almak veya satmak için gerekli şartları ortaya koymaktadır. Bu standart, TMS 39 Finansal Araçlar: Muhasebeleştirme ve Ölçme standardının yerini almıştır.

ii. Impairment – Financial assets and contract assets

TFRS 9 replaces the 'incurred loss' model in TAS 39 with a forward-looking 'expected credit loss' (ECL) model. This requires considerable judgement about how changes in economic factors affect ECLs, which is determined on a probability-weighted basis.

The new impairment model applies to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under TFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement (simplified approach) is always applied to trade receivables and contract assets without a significant financing component.

iii. Classification – Financial liabilities

TFRS 9 largely retains the existing requirements in TAS 39 for the classification of financial liabilities.

However, under TAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under TFRS 9 these fair value changes are generally presented as follows:

The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and the remaining amount of change in the fair value is presented in profit or loss.

The Group has not identified any liability for the fair value recognized in profit or loss and has no objective purpose.

iv. Hedge accounting

When initially applying TFRS 9, the Group may choose as its accounting policy to continue to apply the hedge accounting requirements of TAS 39 instead of the requirements in TFRS 9. During selection of the accounting policies, TFRS 9 gives option of continuing with TAS 39 hedge accounting principles and deferring hedge accounting rules in accordance with TFRS 9. The Group does not apply hedge accounting.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A. Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (continued)

Capital

Common Stocks

Common stocks are classified as equity. Incremental costs that can be directly attributable to the issue of ordinary shares are recognised as a deduction from equity considering the tax effect.

Leasing

Leasing- the group as lessor

The Group recognizes the contracts that include the right to control the use of an asset, the transfer of it for a specified period and for a certain price, as lease agreements and accounts for the relevant contractual rights as "right-of-use asset".

The right-of-use asset includes the initial measurement amount of the lease liability, all lease incentives and discounts related to the lease, all direct costs incurred and all costs related to dismantling / moving the defined asset. The Group applies the short-term lease registration exemption for assets that have a lease term of twelve months or less from the start date and do not have a purchase option.

The Group depreciates the right-of-use asset based on the lease term and values it at cost.

The lease obligation, on the other hand, is measured over the present value of unrealized lease payments at the actual start date. Lease payments are discounted using the implied interest rate, if any, otherwise the lessee's alternative borrowing interest rate.

Foreign Currency Transactions

Foreign currency transactions and balances

The financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates as 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 foreign currencies (other than TL) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items (including advances) 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 accounted for the period in profit or loss in which they are incurred except for the following cases:

- 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.

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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (continued)

Foreign Currency Transactions (continued)

Earnings per Share

Earnings per share, disclosed in the consolidated statement of profit or loss, 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 Türkiye, 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.

Events After the Reporting Period

Events after the reporting periods 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 for 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 related with 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.

Operating Segments

Operations of the Company are technical system design, development, production and after-sales services for various products for defense industry. One kind of operating segment has occurred in consequence of similarities between methods that are used for products, quality of services and processes, client's type and class, and distribution or presentation of products. It is not required to disclose segment reporting for the consolidated subsidiaries, since revenue profit/loss and assets are below 10 percent of consolidated amounts.

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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (continued)

Government Grants and Incentives

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.

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.

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 statement of profit or loss 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 in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. 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 future taxable profits will be available against which they can be used.

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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (continued)

Deferred tax (continued)

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

Tax, provided that it is not related with a transaction directly recognized in equity, is classified in the statement of profit or loss. Otherwise, tax is recognized under equity.

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 TAS 19 "Employee Benefits" ("TAS 19").

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

The actuarial gains and losses are recognized in other comprehensive income.

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.

Statement of Cash Flows

Current period statement of cash flows is categorized and reported as operating, investing and financing.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability 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 Entity, disposal group as a single fixed asset.

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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.6 Critical Accounting Judgments and Estimates

Critical judgments in applying the Group's accounting policies

In the process of applying the 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 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 provision is set for some portion of or all of the deferred tax assets (Note 27).

Liabilities with respect to employee benefits

The Group makes various assumptions on discount, inflation rate, wage increase rate, the probability of quitting voluntarily for calculating provisions for employee benefits and retirement pays (Note 17).

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).

Escalation

As of the reporting dates, the amounts of the projects subject to escalation are calculated with respect to the provisions of the contracts and estimated in accordance with TFRS 15 "Revenue from Contracts with Customers".

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 (Note 15).

Development Expenses

As of reporting 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. CASH AND CASH EQUIVALENTS

| | 31 December 2023 | 31 December 2022 |
|---|------------------|------------------|
| Cash | 903 | 661 |
| Bank | | |
| - Time Deposit | 6.321.332 | 8.639.887 |
| - Demand Deposit | 273.516 | 719.154 |
| Other | 5.326 | 7.827 |
| Cash and cash equivalents on the cash flow statement | 6.601.077 | 9.367.529 |
| Interest income accruals | 8.952 | 3.100 |
| | 6.610.029 | 9.370.629 |

As of 31 December 2023, the Group has time deposits denominated in foreign currencies with maturities on January 2024 (31 December 2022: January 2023), with the interest rates between 2,50 percent and 3,50 percent (31 December 2022: 0,75 percent and 3,00 percent) amounting to TL 2.028.759 (31 December 2022: TL 2.772.923) in several banks.

As of 31 December 2023, the Group has time deposits denominated in TL terms with maturities on January 2024 (31 December 2022: January 2023) with the interest rates between 41,50 percent and 42 percent (31 December 2022: 20 percent) amounting to TL 4.292.573 (31 December 2022: TL 5.866.964) in several banks.

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4. INTERESTS IN OTHER ENTITIES

a) Subsidiaries

Details of the Group's material subsidiaries as of 31 December are as follows:

Composition of the Group

Explained in Note 1.

Group's proportion of ownership and voting power held (%)

| Subsidiaries | Location | Functional Currency | 31 December 2023 | 31 December 2022 | Main Activity |
|------------------|------------|---------------------|------------------|------------------|--|
| ASELSANNET | Türkiye | TL | 100 | 100 | Communication systems |
| ASELSAN Baku | Azerbaijan | AZN | 100 | 100 | Marketing and sales of the group products |
| ASELSAN GLOBAL | Türkiye | TL | 100 | 100 | Export |
| ASELSAN OPTİK | Türkiye | TL | 80 | 50 | Sensitive optic technologies |
| Mikro AR-GE | Türkiye | TL | 85 | 85 | Microelectronic R&D projects |
| ASELSAN Malaysia | Malaysia | MYR | 100 | 100 | Remote controlled weapon systems |
| ASELSAN Konya | Türkiye | TL | 51 | 51 | Weapon and weapon systems |
| BİTES | Türkiye | TL | 100 | 51 | Defense, Aerospace, Space Technologies, Software |
| ASELSAN Ukraine | Ukraine | UAH | 100 | 100 | Marketing and sales of the group products |
| ULAK | Türkiye | TL | 51 | 51 | Communication systems |

Change in the Group's ownership interest in a subsidiary:

Change in the Group's subsidiaries ownership is explained in Note 2.1

b) 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.

5. RELATED PARTY DISCLOSURES

Transactions between the Company and its subsidiaries which are related parties of the Company have been eliminated on consolidation, therefore have not been disclosed in this note.

The trade receivables from related parties generally arise from sales activities with maturities of 1 year.

The trade payables to related parties generally arise from the purchase activities with maturities of 1-4 months.

Total amount of salaries and other short-term benefits paid for key management for the period ended 31 December 2023 is approximately TL 209.083 (The vast majority consists of paid wages and benefits.) (31 December 2022: TL 156.203).

The details of transactions between the Group and other related parties are disclosed in the following pages.

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31 December 2023

| | Receivables | | | | | Payables | | | | |
|---|------------------|------------------|-------------------|-------------------|------------------|------------------|------------------|-----------------------------|-----------|------------------|
| | Short-term | | | Long-term | | Short-term | | | Long-term | |
| | Trading | Prepaid Expenses | Other Receivables | Trading | Prepaid Expenses | Trading | Deferred Income | Other Payables ¹ | Trading | Deferred Income |
| Balances with related parties | | | | | | | | | | |
| Main shareholder | | | | | | | | | | |
| TSKGV | 115 | -- | -- | -- | -- | -- | -- | 266.947 | -- | -- |
| Main shareholder's subsidiaries and associates | | | | | | | | | | |
| Hava Elektronik San. ve Tic. Anonim Şirketi ("HAVELSAN") | 80.657 | 291.878 | -- | 15.714 | 44.288 | 406.406 | -- | -- | -- | -- |
| HAVELSAN Teknoloji Radar San. ve Tic. Anonim Şirketi ("HTR") | 8.925 | 204.152 | -- | -- | 4.386 | 175.605 | 1.120 | -- | -- | 567 |
| İşbir Elektrik Sanayii Anonim Şirketi ("İŞBİR") | -- | 220.285 | -- | -- | -- | 77.798 | -- | -- | -- | -- |
| NETAŞ Telekomünikasyon Anonim Şirketi ("NETAŞ") | -- | 35.718 | -- | -- | 10.999 | 186.459 | -- | -- | -- | -- |
| Savunma Teknolojileri Mühendislik ve Ticaret Anonim Şirketi ("STM") | 543.442 | 20.076 | -- | 386.876 | -- | 25.363 | -- | -- | -- | 194.456 |
| Türk Havacılık ve Uzay Sanayi ve Ticaret Anonim Şirketi ("TUSAŞ") | 1.751.618 | -- | -- | 1.719.767 | -- | 725 | 133.241 | -- | -- | 154.517 |
| Financial Instruments | | | | | | | | | | |
| Askeri Pil Sanayi ve Ticaret Anonim Şirketi ("ASPILSAN") | 493 | 40.756 | -- | -- | -- | 76.423 | 4.697 | -- | -- | -- |
| Roket Sanayi ve Ticaret Anonim Şirketi ("ROKETSAN") | 2.037.380 | 148.450 | -- | 303.207 | 1.276.207 | 1.764.840 | 243.840 | -- | -- | 71.421 |
| Joint ventures and its related parties | | | | | | | | | | |
| ASELSAN Bilkent Mikro Nano | -- | 197.038 | -- | -- | 21.553 | 95.259 | -- | -- | -- | -- |
| İhsan Doğramacı Bilkent Üniversitesi | 30 | 5.342 | -- | -- | -- | 13.215 | -- | -- | -- | -- |
| IGG | 257.849 | -- | -- | 4.236 | -- | -- | -- | -- | -- | -- |
| IGG ASELSAN | 34.424 | 25.972 | -- | -- | 3.627 | 21.261 | -- | -- | -- | -- |
| ASELSAN Kazakistan | 385.109 | -- | -- | -- | -- | 240 | 45 | -- | -- | 17 |
| ASELSAN Jordan | 141.672 | -- | -- | -- | -- | 36.707 | 5.687 | -- | -- | -- |
| TÜBİTAK BİLGEM | -- | 77.483 | -- | -- | 10.237 | 58.308 | -- | -- | -- | -- |
| TÜBİTAK-UME | -- | 676 | -- | -- | -- | 540 | -- | -- | -- | -- |
| TÜBİTAK BİLİMSEL TEKNOLOJİK ARAŞTIRMA | 30.005 | 7.746 | -- | 164.388 | 1.440 | 12.735 | 22.072 | -- | -- | 12.649 |
| TÜBİTAK SAGE Savunma Sanayii | 10.979 | 278.180 | -- | -- | 44.331 | 216.010 | 4.950 | -- | -- | -- |
| Savunma Sanayi Başkanlığı ("SSB") | 3.763.188 | -- | -- | 21.302.552 | -- | -- | 2.034.730 | -- | -- | 2.906.392 |
| SSTEK | -- | -- | -- | -- | -- | -- | 147.918 | -- | -- | 323.169 |
| EHSİM | -- | 11.056 | -- | -- | 14.750 | 26.731 | -- | -- | -- | -- |
| DASAL | -- | -- | -- | -- | -- | 7.890 | -- | -- | -- | -- |
| TR Eğitim | -- | -- | -- | -- | -- | 155 | -- | -- | -- | -- |
| | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Shares offered to the public | 9.045.886 | 1.564.808 | -- | 23.896.740 | 1.431.818 | 3.202.670 | 2.598.300 | 266.947 | -- | 3.663.188 |

172 ¹ All other short term payable is 2022 dividend payments.

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5. RELATED PARTY DISCLOSURES (CONTINUED)

31 December 2022

| | Receivables | | | | | Payables | | | | |
|---|-------------------|------------------|-------------------|-------------------|------------------|------------------|------------------|-----------------------------|-----------|------------------|
| | Short-term | | | Long-term | | Short-term | | | Long-term | |
| | Trading | Prepaid Expenses | Other Receivables | Trading | Prepaid Expenses | Trading | Deferred Income | Other Payables ² | Trading | Deferred Income |
| Balances with related parties | | | | | | | | | | |
| Main shareholder | | | | | | | | | | |
| TSKGV | 107 | -- | -- | -- | -- | -- | 57.378 | 375.304 | -- | -- |
| Main shareholder's subsidiaries and associates | | | | | | | | | | |
| Hava Elektronik San. ve Tic. Anonim Şirketi ("HAVELSAN") | 20.396 | 331.212 | -- | 24.456 | 1.992 | 903.903 | -- | -- | -- | 7 |
| HAVELSAN Teknoloji Radar San. ve Tic. Anonim Şirketi ("HTR") | 34.396 | 114.324 | -- | -- | -- | 88.221 | 731 | -- | -- | -- |
| İşbir Elektrik Sanayii Anonim Şirketi ("İŞBİR") | -- | 194.005 | -- | -- | 7.198 | 89.862 | -- | -- | -- | -- |
| NETAŞ Telekomünikasyon Anonim Şirketi ("NETAŞ") | -- | 47.161 | -- | -- | 5.135 | 185.427 | -- | -- | -- | -- |
| Savunma Teknolojileri Mühendislik ve Ticaret Anonim Şirketi ("STM") | 1.109.230 | 24.607 | -- | 592.364 | -- | 38.901 | 2.467 | -- | -- | 296.920 |
| Türk Havacılık ve Uzay Sanayi ve Ticaret Anonim Şirketi ("TUSAŞ") | 1.964.586 | -- | -- | 1.482.208 | -- | 3.777 | 280.766 | -- | -- | 91.606 |
| Financial Instruments | | | | | | | | | | |
| Askeri Pii Sanayi ve Ticaret Anonim Şirketi ("ASPILSAN") | 367 | 78.408 | -- | -- | -- | 65.655 | -- | -- | -- | -- |
| Roket Sanayi ve Ticaret Anonim Şirketi ("ROKETSAN") | 1.529.067 | 2.336.677 | -- | 312.087 | 299.448 | 2.598.378 | 409.886 | -- | -- | 41.344 |
| Joint ventures and its related parties | | | | | | | | | | |
| ASELSAN Bilkent Mikro Nano | -- | 86.592 | -- | -- | 8.041 | 12.989 | -- | -- | -- | -- |
| İhsan Doğramacı Bilkent Üniversitesi | -- | 882 | -- | -- | -- | 16.031 | -- | -- | -- | -- |
| ASELSAN Optik | 67.638 | 336.775 | 9.194 | -- | -- | 81.259 | -- | -- | -- | -- |
| IGG | 258.445 | -- | -- | 6.980 | -- | -- | -- | -- | -- | -- |
| IGG ASELSAN | 26.476 | 8.860 | -- | -- | -- | 23.836 | -- | -- | -- | -- |
| ASELSAN Kazakistan | 243.409 | -- | -- | 92.556 | -- | 830 | 14.121 | -- | -- | 2.574 |
| ASELSAN Ürdün | 43.540 | 1.805 | -- | -- | -- | 35.316 | -- | -- | -- | -- |
| TÜBİTAK BİLGEM | -- | 87.877 | -- | -- | -- | 89.271 | -- | -- | -- | -- |
| TÜBİTAK-UME | -- | 438 | -- | -- | -- | 196 | -- | -- | -- | -- |
| TÜBİTAK BİLİMSEL TEKNOLOJİK ARAŞTIRMA | 40.378 | 70.547 | -- | 296.847 | 3.566 | 5.136 | 14.418 | -- | -- | 24.988 |
| TÜBİTAK SAGE Savunma Sanayii | 1.343 | 108.706 | -- | 15.995 | -- | 116.855 | -- | -- | -- | -- |
| Savunma Sanayi Başkanlığı ("SSB") | 4.946.755 | -- | -- | 20.741.620 | -- | -- | 3.330.108 | -- | -- | 2.278.391 |
| SSTEK | -- | -- | -- | -- | -- | 681 | 214.454 | -- | -- | 193.606 |
| EHSİM | -- | 4.287 | -- | -- | -- | 12.768 | -- | -- | -- | -- |
| DASAL | -- | -- | -- | -- | -- | 5.268 | -- | -- | -- | -- |
| | -- | -- | -- | -- | -- | -- | -- | 130.530 | -- | -- |
| Shares offered to the public | 10.286.133 | 3.833.133 | 9.194 | 23.565.113 | 325.380 | 4.374.560 | 4.374.329 | 505.834 | -- | 2.929.436 |

² All other short term payable is 2021 dividend payments.

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(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

5. RELATED PARTY DISCLOSURES (CONTINUED)

| | 1 January- 31 December 2023 | 1 January- 31 December 2022 |
|---|--------------------------------|--------------------------------|
| Transactions with related parties | Purchases | Purchases |
| Main Shareholder | | |
| TSKGV | 2.346 | 2.427 |
| Main shareholder's subsidiaries and associates | 272.781 | 248.138 |
| NETAŞ | 32.664 | 40.526 |
| STM | 283.321 | 309.033 |
| İŞBİR | 370.938 | 309.638 |
| HTR | 16.493 | 3.963 |
| TUSAŞ | 299.473 | 1.108.716 |
| HAVELSAN | | |
| Financial Instruments | | |
| ROKETSAN | 2.453.277 | 1.009.471 |
| ASPİLSAN | 113.654 | 73.688 |
| Joint ventures and its related parties | | |
| İHSAN DOĞRAMACI BİLKENT ÜNİVERSİTESİ | 24.567 | 60.739 |
| TÜBİTAK BİLGEM | 128.814 | 215.325 |
| TÜBİTAK BİLİMSEL TEKNOLOJİK ARAŞTIRMA | -- | 8.305 |
| TÜBİTAK-UME | 2.091 | 2.234 |
| TÜBİTAK SAGE SAVUNMA SANAYİİ | 276.746 | 265.591 |
| SSTEK | 163 | 824 |
| | 4.277.328 | 3.658.618 |

5. RELATED PARTY DISCLOSURES (CONTINUED)

| | 1 January-31 December 2023 | 1 January-31 December 2022 |
|---|-------------------------------|-------------------------------|
| Transactions with related parties | Sales | Sales |
| Main Shareholder | | |
| TSKGV | 18.919 | 1.008 |
| Main shareholder's subsidiaries and associates | | |
| TUSAŞ | 10.165.013 | 3.940.800 |
| STM | 2.797.456 | 2.539.892 |
| HAVELSAN | 139.374 | 78.259 |
| HTR | 25.378 | 75.052 |
| NETAŞ | -- | 1.752 |
| İŞBİR | 4.710 | -- |
| Financial Instruments | | |
| ROKETSAN | 2.512.792 | 1.293.702 |
| ASPİLSAN | 1.873 | -- |
| Joint ventures and its related parties | | |
| İHSAN DOĞRAMACI BİLKENT ÜNİVERSİTESİ | 78 | -- |
| TÜBİTAK BİLİMSEL TEKNOLOJİK ARAŞTIRMA | 25.981 | 65.510 |
| TÜBİTAK SAGE SAVUNMA SANAYİİ | 22.521 | 8.089 |
| SSB | 57.598.361 | 32.868.132 |
| SSTEK | 210.259 | 283.091 |
| | 73.522.715 | 41.155.287 |

Transactions with related parties are generally related to the purchases and sales of goods and services related to projects under TFRS 15 "Revenue from Contracts with Customers".

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(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

6. TRADE RECEIVABLES AND PAYABLES

a) Trade receivables

Details of the Group's trade receivables are as follows:

| Short-term trade receivables | 31 December 2023 | 31 December 2022 |
|---|-------------------|-------------------|
| Trade receivables | 11.508.559 | 14.133.079 |
| Trade receivables from related parties (Note 5) | 9.045.886 | 10.286.133 |
| Notes receivable | 24.665 | 112.741 |
| Other receivable | 14.019 | -- |
| Doubtful trade receivables | 52.977 | 49.959 |
| Allowance for doubtful trade receivables (-) | (52.977) | (49.959) |
| | 20.593.129 | 24.531.953 |

| Long-term trade receivables | 31 December 2023 | 31 December 2022 |
|--|-------------------|-------------------|
| Unbilled receivables from contracts with customers | 7.070.193 | 6.937.750 |
| Trade receivables | 642.407 | 761.016 |
| Unbilled receivables from contracts with customers | | |
| -Related party (Note 5) | 23.894.150 | 23.534.717 |
| Trade receivables from related parties (Note 5) | 2.590 | 30.396 |
| | 31.609.340 | 31.263.879 |

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

| | 31 December 2023 | 31 December 2022 |
|--------------------------|------------------|------------------|
| Opening balance | 49.959 | 81.667 |
| Provision for the period | 22.658 | 311 |
| Monetary gain/(loss) | (19.640) | (32.019) |
| Closing balance | 52.977 | 49.959 |

The sectorial distribution of trade receivables is as follows:

| | 31 December 2023 | 31 December 2022 |
|---|-------------------|-------------------|
| Public sector | 29.931.478 | 33.347.964 |
| Private sector | 15.755.511 | 13.862.892 |
| Receivables from companies operating abroad | 6.515.480 | 8.584.976 |
| Total receivables | 52.202.469 | 55.795.832 |

Receivables from public sector represent the receivables are due from the Presidency of Defense Industry and other public entities. The Group's operations are based on contracts and no other collaterals are obtained from the customers.

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6. TRADE RECEIVABLES AND PAYABLES (CONTINUED)

b) Trade payables

| Short-term trade payables | 31 December 2023 | 31 December 2022 |
|---------------------------------|-------------------|-------------------|
| Trade payables | 10.340.477 | 9.665.247 |
| Due to related parties (Note 5) | 3.202.670 | 4.374.560 |
| Notes Payable | 1.084.184 | 1.894.707 |
| Other trade payables | 236.750 | 172.485 |
| | 14.864.081 | 16.106.999 |

| Long-term trade payables | 31 December 2023 | 31 December 2022 |
|--------------------------|------------------|------------------|
| Other trade payables | 6.093 | 119.823 |
| Notes payables | 69.408 | -- |
| | 75.501 | 119.823 |

7. OTHER RECEIVABLES AND PAYABLES

a) Other receivables

| Short-term other receivables | 31 December 2023 | 31 December 2022 |
|---|------------------|------------------|
| Receivables from tax office ³ | 1.335.896 | 1.481.320 |
| Deposits and guarantees given | 13.276 | 22.314 |
| Other receivables from related parties (Note 5) | -- | 9.194 |
| Other ⁴ | 301.333 | 178.803 |
| | 1.650.505 | 1.691.631 |

| Long-term other receivables | 31 December 2023 | 31 December 2022 |
|-------------------------------|------------------|------------------|
| Deposits and guarantees given | 7.279 | 9.859 |

b) Other payables

| Short-term other payables | 31 December 2023 | 31 December 2022 |
|---|------------------|------------------|
| Short-term other payables | 45.958 | 71.591 |
| Deposits and guarantees received | 13.260 | 27.975 |
| Leasing Liabilities | 15.877 | 4.167 |
| Short-term other payables to related parties (Note 5) | 266.947 | 505.834 |
| | 342.042 | 609.567 |

| Long-term other payables | 31 December 2023 | 31 December 2022 |
|----------------------------------|------------------|------------------|
| Deposits and guarantees received | 5.970 | 6.981 |
| Other payables | 11.231 | 11.563 |
| Leasing Liabilities | 19.445 | 8.295 |
| | 36.646 | 26.839 |

³ Mainly comprises Value Added Tax (VAT) returns and are expected to be offsetted in the following periods.

⁴ Consists of R&D Center social security premium incentive and R&D Center income tax exceptions.

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8. EQUITY ACCOUNTED INVESTMENTS

The Group's financial information for its shareholdings consolidated with equity method, that are not presented, according to the Group's ownership rates are as below:

| 31 December 2023 | Ownership Rate (%) | Current Assets | Non-current Assets | Total Assets | Short-term Liabilities | Long-term Liabilities | Total Liabilities |
|--------------------|--------------------|------------------|--------------------|------------------|------------------------|-----------------------|-------------------|
| ASELSAN KAZAKHSTAN | 49 | 400.921 | 442.276 | 843.197 | 387.865 | 26.139 | 414.004 |
| ASELSAN JORDAN | 49 | 253.570 | 112.790 | 366.360 | 125.821 | 27.822 | 153.643 |
| IGG ASELSAN | 49 | 130.673 | 268 | 130.941 | 20.740 | 2.438 | 23.178 |
| ASELSAN BİLKENT | 50 | 515.492 | 694.437 | 1.209.929 | 233.547 | 479.642 | 713.189 |
| TEKNOHAB | 13 | 124.432 | 18.578 | 143.010 | 28.363 | -- | 28.363 |
| EHSİM | 50 | 365.555 | 28.849 | 394.404 | 102.608 | 248.067 | 350.675 |
| DASAL | 49 | 105.330 | 244.889 | 350.219 | 36.214 | -- | 36.214 |
| TÜYAR | 51 | 19.769 | 29.190 | 48.959 | 8.373 | -- | 8.373 |
| TR EĞİTİM | 35 | 82.040 | 3.321 | 85.361 | 3.131 | -- | 3.131 |
| İSTANBUL FİNANS | 44 | 5.897 | 966 | 6.863 | 1.325 | 5.539 | 6.864 |
| | | 2.003.679 | 1.575.564 | 3.579.243 | 947.987 | 789.647 | 1.737.634 |

| 31 December 2023 | Ownership Rate (%) | Revenue | Expenses | Net Profit/(Loss) | Group Share of Net Assets | Group Share of Profit/(Loss) |
|--------------------|--------------------|------------------|--------------------|-------------------|---------------------------|------------------------------|
| ASELSAN KAZAKHSTAN | 49 | 196.570 | (201.045) | (4.475) | 210.305 | (2.193) |
| ASELSAN JORDAN | 49 | 133.486 | (135.664) | (2.178) | 104.231 | (1.067) |
| IGG ASELSAN | 49 | 52.702 | (38.580) | 14.122 | 52.804 | 6.920 |
| ASELSAN BİLKENT | 50 | 580.270 | (602.584) | (22.314) | 248.368 | (11.157) |
| BARQ QSTP LLC. | 48 | -- | -- | -- | 3.969 | -- |
| TEKNOHAB | 13 | 21.981 | (11.537) | 10.444 | 14.950 | 1.362 |
| EHSİM | 50 | 369.996 | (370.967) | (971) | 21.865 | (486) |
| DASAL | 49 | 39.779 | (48.099) | (8.320) | 153.862 | (4.077) |
| TÜYAR | 51 | 6.590 | (4.387) | 2.203 | 20.699 | 1.124 |
| TR EĞİTİM | 35 | 99.313 | (52.350) | 46.963 | 28.781 | 16.437 |
| İSTANBUL FİNANS | 44 | 2.422 | (21.180) | (18.758) | -- | (8.336) |
| | | 1.503.109 | (1.486.393) | 16.716 | 859.834 | (1.473) |

8. EQUITY ACCOUNTED INVESTMENTS (CONTINUED)

| 31 December 2022 | Ownership Rate (%) | Current Assets | Non-current Assets | Total Assets | Short-term Liabilities | Long-term Liabilities | Total Liabilities |
|--------------------|--------------------|------------------|--------------------|------------------|------------------------|-----------------------|-------------------|
| ASELSAN KAZAKHSTAN | 49 | 900.763 | 465.349 | 1.366.112 | 354.569 | 87.108 | 441.677 |
| ASELSAN JORDAN | 49 | 210.871 | 174.840 | 385.711 | 83.037 | 29.179 | 112.216 |
| ASELSAN OPTİK | 50 | 358.166 | 816.306 | 1.174.472 | 343.659 | 197.672 | 541.331 |
| IGG ASELSAN | 49 | 112.577 | 61.600 | 174.177 | -- | -- | -- |
| ASELSAN BİLKENT | 50 | 209.285 | 878.220 | 1.087.505 | 104.502 | 463.950 | 568.452 |
| TEKNOHAB | 13 | 89.386 | 15.511 | 104.897 | 694 | -- | 694 |
| EHSİM | 50 | 843.405 | 31.235 | 874.640 | 426.448 | 403.492 | 829.940 |
| DASAL | 40 | 42.461 | 146.834 | 189.295 | 129.737 | -- | 129.737 |
| TÜYAR | 51 | 24.505 | 14.738 | 39.243 | 860 | -- | 860 |
| TR EĞİTİM | 35 | 36.676 | 4.205 | 40.881 | 5.614 | -- | 5.614 |
| | | 2.828.095 | 2.608.838 | 5.436.933 | 1.449.120 | 1.181.401 | 2.630.521 |

| 31 December 2022 | Ownership Rate (%) | Revenue | Expenses | Net Profit/(Loss) | Group Share of Net Assets | Group Share of Profit/(Loss) |
|--------------------|--------------------|------------------|--------------------|-------------------|---------------------------|------------------------------|
| ASELSAN KAZAKHSTAN | 49 | 235.044 | (245.604) | (10.560) | 452.973 | (5.175) |
| ASELSAN JORDAN | 49 | 176.049 | (164.202) | 11.847 | 134.012 | 5.805 |
| ASELSAN OPTİK | 50 | 467.099 | (443.343) | 23.756 | 316.570 | 11.878 |
| IGG ASELSAN | 49 | 51.258 | (43.572) | 7.686 | 85.347 | 3.766 |
| ASELSAN BİLKENT | 50 | 382.334 | (382.334) | -- | 259.527 | -- |
| BARQ QSTP LLC. | 48 | -- | -- | -- | 3.969 | -- |
| TEKNOHAB | 13 | 20.002 | (14.141) | 5.861 | 13.588 | 764 |
| EHSİM | 50 | 186.782 | (165.628) | 21.154 | 22.350 | 10.577 |
| DASAL | 40 | 45.716 | (58.282) | (12.566) | 23.823 | (5.026) |
| TÜYAR | 51 | 6.812 | (4.394) | 2.418 | 19.575 | 1.233 |
| TR EĞİTİM | 35 | 66.976 | (43.912) | 23.064 | 12.344 | 8.073 |
| İSTANBUL FİNANS | 44 | -- | -- | -- | 8.336 | -- |
| | | 1.638.072 | (1.565.412) | 72.660 | 1.352.414 | 31.895 |

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9. INVENTORIES

| | 31 December 2023 | 31 December 2022 |
|---|-------------------|-------------------|
| Raw materials | 18.456.360 | 12.822.474 |
| Work in progress | 9.215.517 | 9.575.110 |
| Goods in transit ⁵ | 1.734.120 | 1.441.563 |
| Finished goods | 2.165.597 | 2.558.930 |
| Other inventories | 165.558 | 927.324 |
| Trade goods | 515.667 | 442.855 |
| Allowance for impairment on inventories (-) | (76.448) | (120.220) |
| | 32.176.371 | 27.648.036 |

The Group provides an allowance for impairment on inventories when the inventories net realizable values are lower than their costs or when they are determined as slow-moving inventories.

The Group has identified raw material, work-in progress and finished goods inventories below net realizable value within the current year.

Impaired inventory movements for the period ended in 31 December are as follows:

| | 2023 | 2022 |
|-------------------------------|---------------|----------------|
| Opening balance | 120.220 | 147.545 |
| Provisions no longer required | (50.203) | (27.417) |
| Provision for the period | 6.431 | 92 |
| Closing balance | 76.448 | 120.220 |

10. PREPAID EXPENSES AND DEFERRED INCOME

| Short-term prepaid expenses | 31 December 2023 | 31 December 2022 |
|---|------------------|------------------|
| Order advances given for inventory purchases | 5.709.317 | 3.405.728 |
| Short-term order advances given to related parties for inventory purchases (Note 5) | 1.564.808 | 3.833.163 |
| Work advances | 318.014 | 8.940 |
| Prepaid expenses | 1.500.084 | 862.864 |
| | 9.092.223 | 8.110.695 |

| Long-term prepaid expenses | 31 December 2023 | 31 December 2022 |
|--|------------------|------------------|
| Long-term order advances given to related parties for inventory purchases (Note 5) | 1.431.818 | 325.380 |
| Order advances given for inventory purchases | 141.345 | 1.464.353 |
| Order advances given for fixed assets purchases | 274.483 | 205.377 |
| Prepaid expenses | 611.722 | 172.355 |
| | 2.459.368 | 2.167.465 |

| Short-term deferred income | 31 December 2023 | 31 December 2022 |
|---|------------------|------------------|
| Order advances received | 2.724.543 | 1.342.374 |
| Order advances received from related parties (Note 5) | 2.598.300 | 4.324.329 |
| Deferred income | 3.566.506 | 3.897.469 |
| | 8.889.349 | 9.564.172 |

Short-term order advances received comprises advances received from 73 customers (31 December 2022: 104 customers) of which first 10 customers constitutes 98 percent of the total (31 December 2022: 97 percent).

| Long-term deferred income | 31 December 2023 | 31 December 2022 |
|---|------------------|------------------|
| Order advances received | 2.024.418 | 1.249.967 |
| Order advances received from related parties (Note 5) | 3.663.188 | 2.929.436 |
| Deferred income | 221.117 | 576.030 |
| | 5.908.723 | 4.755.433 |

Long-term order advances received comprises advances received from 47 customers (31 December 2022: 36 customers) of which the first 10 customers constitutes 93 percent of the total (31 December 2022: 99 percent).

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11. PROPERTY, PLANT AND EQUIPMENT

| | Land | Land improvements | Buildings | Machinery and equipment | Vehicles | Furniture and fixtures | Other fixed assets ⁶ | Leasehold improvements | Financial leasing ⁷ | Construction in progress ⁸ | Total |
|---|------------------|-------------------|------------------|-------------------------|----------------|------------------------|---------------------------------|------------------------|--------------------------------|---------------------------------------|-------------------|
| Cost and revaluation | | | | | | | | | | | |
| Opening balance as of 1 January 20223 | 2.127.556 | 328.672 | 4.203.130 | 12.570.615 | 71.994 | 3.971.516 | 1.544.425 | 1.681.505 | 175.100 | 6.149.313 | 32.823.826 |
| Additions ⁹ | -- | 21.650 | 425.004 | 2.013.111 | 275.046 | 601.061 | 2.793 | 166.084 | 47.905 | 1.782.374 | 5.335.028 |
| Revaluation fund | 2.692.554 | -- | -- | -- | -- | -- | -- | -- | -- | -- | 2.692.554 |
| Disposals | -- | (257) | -- | (228.239) | (733) | (83.147) | (25.361) | -- | -- | (194.749) | (532.486) |
| Transfers | -- | 8.132 | 1.433.952 | 86.917 | -- | -- | 303.315 | 524 | -- | (1.832.840) | -- |
| Closing balance as of 31 December 2023 | 4.820.110 | 358.197 | 6.062.086 | 14.442.404 | 346.307 | 4.489.430 | 1.825.172 | 1.848.113 | 223.005 | 5.904.098 | 40.318.922 |
| Accumulated depreciation | | | | | | | | | | | |
| Opening balance as of 1 January 2023 | -- | 210.174 | 1.527.500 | 8.263.995 | 35.919 | 2.695.091 | 991.801 | 516.632 | 128.180 | -- | 14.369.292 |
| Charge for the period | -- | (252) | -- | (163.345) | (733) | (82.518) | (1.413) | (18.750) | -- | -- | (267.011) |
| Disposals | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Transfers | -- | 234.377 | 1.685.081 | 9.075.196 | 67.506 | 3.455.746 | 1.299.286 | 623.172 | 148.769 | -- | 16.589.133 |
| Closing balance as of 31 December 2023 | | | | | | | | | | | |
| Net book value as of 31 December 2023 | 4.820.110 | 123.820 | 4.377.005 | 5.367.208 | 278.801 | 1.033.684 | 525.886 | 1.224.941 | 74.236 | 5.904.098 | 23.729.789 |

⁶ All of the net book value of other fixed assets consists of mold models manufactured by the Group.

⁷ As of December 31, 2023 and December 31, 2022, Group has two land that leased for 49 years and 46 years and motor-vehicle rentals.

⁸ Includes of investments in molds, models, devices and construction works.

⁹ TL 93.141 of additions are free of charge investment income.

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11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | Land | Land improvements | Buildings | Machinery and equipment | Vehicles | Furniture and fixtures | Other fixed assets ¹⁰ | Leasehold improvements | Financial leasing ¹¹ | Construction in progress ¹² | Total |
|---|------------------|-------------------|------------------|-------------------------|---------------|------------------------|----------------------------------|------------------------|---------------------------------|--|-------------------|
| Cost and revaluation | | | | | | | | | | | |
| Opening balance as of 1 January 2022 | 1.517.167 | 328.677 | 3.864.920 | 11.721.391 | 63.337 | 3.398.367 | 1.310.307 | 1.653.719 | 181.083 | 3.990.074 | 28.029.042 |
| Additions ¹³ | -- | -- | 83.350 | 1.347.421 | 12.674 | 643.888 | 36.749 | 25.160 | 2.883 | 2.698.674 | 4.850.799 |
| Revaluation fund | 610.389 | -- | -- | -- | -- | -- | -- | -- | -- | -- | 610.389 |
| Disposals | -- | (5) | -- | (533.193) | (4.017) | (70.895) | (40.190) | -- | (8.866) | (9.238) | (666.404) |
| Transfers | -- | -- | 254.860 | 34.996 | -- | 156 | 237.559 | 2.626 | -- | (530.197) | -- |
| Closing balance as of 31 December 2022 | 2.127.556 | 328.672 | 4.203.130 | 12.570.615 | 71.994 | 3.971.516 | 1.544.425 | 1.681.505 | 175.100 | 6.149.313 | 32.823.826 |
| Accumulated depreciation | | | | | | | | | | | |
| Opening Balance as of 1 January 2022 | -- | 194.533 | 1.392.625 | 7.878.091 | 30.432 | 2.332.269 | 912.664 | 441.215 | 89.063 | -- | 13.270.892 |
| Charge of the period | -- | 15.641 | 134.875 | 856.793 | 6.691 | 417.653 | 107.589 | 75.417 | 39.117 | -- | 1.653.776 |
| Disposals | -- | -- | -- | (470.889) | (1.204) | (54.831) | (28.452) | -- | -- | -- | (555.376) |
| Transfers | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Closing balance as of 31 December 2022 | -- | 210.174 | 1.527.500 | 8.263.995 | 35.919 | 2.695.091 | 991.801 | 516.632 | 128.180 | -- | 14.369.292 |
| Net book value as of 31 December 2022 | 2.127.556 | 118.498 | 2.675.630 | 4.306.620 | 36.075 | 1.276.425 | 552.624 | 1.164.873 | 46.920 | 6.149.313 | 18.454.534 |

¹⁰ All of the net book value of other fixed assets consists of mold models manufactured by the Group.

¹¹ As of December 31, 2023 and December 31, 2022, Group has two land that leased for 49 years and 46 years and motor-vehicle rentals.

¹² Includes of investments in molds, models, devices and construction works.

¹³ TL 167.109 of additions are free of charge investment income.

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11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The details of the depreciation expenses with respect to the plant, property and equipment is as follows:

| | 31 December 2023 | 31 December 2022 |
|---------------------------------|------------------|------------------|
| Cost of sales | 1.579.075 | 1.163.260 |
| General administrative expenses | 684.551 | 330.795 |
| Inventories | 219.480 | 156.706 |
| Marketing expenses | 3.746 | 3.015 |
| | 2.486.852 | 1.653.776 |

There is no collateral, pledges, and mortgages on tangible assets as of 31 December 2023 and 2022.

There is no capitalized interest expense as of 31 December 2023 and 2022.

Fair value measurement of the Group's land

The lands owned by the Group are revalued and presented at fair value as of 31 December 2023. The fair value of the lands owned by the Group is revalued on 22 December 2023 by Lal Gayrimenkul Değerleme ve Müşavirlik Anonim Şirketi ("Lal Değerleme"), an independent appraisal company. Lal Değerleme is authorized by the CMB and provides real estate appraisal services in accordance with the capital market legislation. The fair value of the lands is determined according to "Market Value Approach (Equivalent Comparison Method)". Gains resulting from revaluation are recognized under "Gain on Revaluation of Property" in other comprehensive income.

In accordance with TFRS 13 "Fair Value Measurement" standard, since measurement techniques do not include observable market inputs, fair values of the lands are considered as level 3 in respect of fair value hierarchy.

| Change in Revaluation | 2023 |
|---|------------------|
| Opening balance as of 31 December 2022: | 2.127.556 |
| Appreciation (Other Comprehensive Income) | 2.692.554 |
| Depreciation (Profit / Loss) | -- |
| TOTAL | 4.820.110 |

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Details of the Group's lands and information regarding fair value hierarchy are as follows:

| | Fair value as of reporting date | | | |
|----------|---------------------------------|------------|------------|------------------|
| | 31 December 2023 | Level 1 TL | Level 2 TL | Level 3 TL |
| Macunköy | 2.344.940 | -- | -- | 2.344.940 |
| Akyurt | 690.915 | -- | -- | 690.915 |
| Gölbaşı | 4.999 | -- | -- | 4.999 |
| Oğulbey | 250.116 | -- | -- | 250.116 |
| Gölbek | 1.660 | -- | -- | 1.660 |
| Temelli | 1.526.900 | -- | -- | 1.526.900 |
| Denizli | 580 | -- | -- | 580 |
| | 4.820.110 | -- | -- | 4.820.110 |

| | Fair value as of reporting date | | | |
|----------|---------------------------------|------------|------------|------------------|
| | 31 December 2022 | Level 1 TL | Level 2 TL | Level 3 TL |
| Macunköy | 1.318.183 | -- | -- | 1.318.183 |
| Akyurt | 606.521 | -- | -- | 606.521 |
| Gölbaşı | 4.350 | -- | -- | 4.350 |
| Oğulbey | 196.656 | -- | -- | 196.656 |
| Gölbek | 1.368 | -- | -- | 1.368 |
| Denizli | 478 | -- | -- | 478 |
| | 2.127.556 | -- | -- | 2.217.556 |

31 Aralık 2023 itibarıyla gerçeğe uygun değer seviyesi hareket tablosu aşağıdaki gibidir:

| | Fair value as of reporting date | | | |
|-------------------------|---------------------------------|------------|------------------|--|
| | Level 1 TL | Level 2 TL | Level 3 TL | |
| 1 January 2023 | -- | -- | 2.127.556 | |
| Additions (Net) | -- | -- | 2.692.554 | |
| 31 December 2023 | -- | -- | 4.820.110 | |

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12. INTANGIBLE ASSETS

| | Rights | Development Costs | Other intangible assets ¹⁴ | Total |
|---|----------------|-------------------|---------------------------------------|-------------------|
| Cost | | | | |
| Opening balance as of 1 January 2023 | 693.317 | 12.947.655 | 2.356.697 | 15.997.669 |
| Additions | 204.690 | 6.763.000 | 187.783 | 7.155.473 |
| Disposals | (19.376) | (2.850.948) | (64.348) | (2.934.672) |
| Transfers | -- | -- | -- | -- |
| Closing balance as of 31 December 2023 | 878.631 | 16.859.707 | 2.480.132 | 20.218.470 |
| Accumulated Amortization | | | | |
| Opening balance as of 1 January 2023 | 579.930 | 4.208.085 | 2.078.571 | 6.866.586 |
| Charge for the period | 28.644 | 998.228 | 225.530 | 1.252.402 |
| Disposals | (14.131) | -- | (34.148) | (48.279) |
| Closing balance as of 31 December 2023 | 594.443 | 5.206.313 | 2.269.953 | 8.070.709 |
| Net book value as of 31 December 2023 | 284.188 | 11.653.394 | 210.179 | 12.147.761 |

12. INTANGIBLE ASSETS (CONTINUED)

| | Rights | Development Costs ⁱ | Other intangible assets ¹⁵ | Total |
|---|----------------|--------------------------------|---------------------------------------|-------------------|
| Cost | | | | |
| Opening balance as of 1 January 2023 | 685.382 | 11.812.661 | 2.165.909 | 14.663.952 |
| Additions | 50.337 | 7.190.654 | 204.498 | 7.445.489 |
| Disposals | (42.402) | (6.055.660) | (13.710) | (6.111.772) |
| Transfers | -- | -- | -- | -- |
| Closing balance as of 31 December 2022 | 693.317 | 12.947.655 | 2.356.697 | 15.997.669 |
| Accumulated Amortization | | | | |
| Opening balance as of 1 January 2023 | 574.942 | 3.485.731 | 1.796.580 | 5.857.253 |
| Charge for the period | 43.711 | 722.354 | 294.246 | 1.060.311 |
| Disposals | (38.723) | -- | (12.255) | (50.978) |
| Closing balance as of 31 December 2022 | 579.930 | 4.208.085 | 2.078.571 | 6.866.586 |
| Net book value as of 31 December 2022 | 113.387 | 8.739.570 | 278.126 | 9.131.083 |

The details of amortization expenses regarding intangible assets is as follows

| | 31 December 2023 | 31 December 2022 |
|-----------------------------------|------------------|------------------|
| Research and development expenses | 824.550 | 485.455 |
| Cost of sales | 265.096 | 225.470 |
| Inventories | 117.610 | 111.550 |
| Marketing expenses | 2.556 | 2.148 |
| General administrative expenses | 42.590 | 235.688 |
| | 1.252.402 | 1.060.311 |

¹⁴ Other intangible assets include licences related to computer software and right of usage assets.

¹⁵ Other intangible assets include licences related to computer software and right of usage assets.

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13. GOVERNMENT GRANTS AND INCENTIVES

The deferred incentive income shown under consolidated statement of financial position is as follows:

| | 31 December 2023 | 31 December 2022 |
|--|------------------|------------------|
| Current government grants and incentives | 57.473 | 115.104 |

As part of the Decision on Government Incentives on Investments, there are 11 investment incentives taken from General Directorate of Turkish Undersecretariat of the Treasury. The incentives allow VAT exemption and customs tax exemption. VAT exemption is applied in both domestic and international purchases while customs tax exemption is applied for international purchases.

In Corporate Tax Calculation, no tax payable is calculated because of R&D deduction and deductions due to investment incentive certificates cannot be applied. For this reason, no deferred tax effect is calculated for the temporary differences arising from investment incentives.

Government grants show 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 reporting 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 Türkiye via Undersecretariat of Foreign Trade's consent. The Scientific and Technological Research Council of Türkiye ("TÜBİTAK") and Technology Development Foundation of Türkiye ("TTGV") act as intermediary in accordance with Communiqué No:98/10 published by the Money-Loans and Coordination Board.

In accordance with Law on Technology Development Zones numbered 4691, Group utilizes withholding income tax incentive, social security premium incentive and stamp

tax exceptions. Such incentives are utilized through not paying withholding income tax incentive, social security premium incentive and stamp tax exceptions calculated based on research and development and software personnel payroll. Income generated in accordance with law on Technology Development Zones numbered 4691 is exempt from corporate income tax until 31 December 2028.

The research and development expenditure deduction rate used as a tax benefit has been increased from 40 percent to 100 percent in accordance with the amended article 10 of the Tax Law numbered 5520, the amended article 89 of Law numbered 193 and 5746 with respect to the Support of Research and Development Activities. The aforementioned law was enacted of April 2008 after its issue in the Official Gazette dated 12 March 2008, numbered 26814. In accordance to the Law regarding the Incentive of Research and Development Activities numbered 6676 published on Official Gazettes numbered 29636 on 26 February 2016 and The Law Regarding the Amendments on Delegated Legislation, the content of the law and incentives has been broadened and additional exceptions has been given. Research and development 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. The remaining amount from previous year is increased according to revaluation ratio defined at Tax Procedure Law. 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 2028.

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14. BORROWING COSTS

As of 31 December 2023, there is no material borrowing cost regarding the qualifying assets. (31 December 2022: None).

15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

| Other short-term provisions | 31 December 2023 | 31 December 2022 |
|---|------------------|------------------|
| Provision for warranties ¹⁶ | 2.784.659 | 3.282.232 |
| Provision for onerous contracts | 216.164 | 461.563 |
| Provision for delay penalties ¹⁷ | 1.203.052 | 2.146.550 |
| Sales commission | 4.758 | 547.776 |
| Provision for legal cases | 36.389 | 54.878 |
| Provision for cost expenses | 148.464 | 87.134 |
| Other | 11.160 | 27.312 |
| | 4.404.646 | 6.607.445 |

The movement of the provision for warranties is as follows:

| | 1 January - 31 December 2023 | 1 January - 31 December 2022 |
|-----------------------------|------------------------------|------------------------------|
| Opening balance | 3.282.232 | 3.360.734 |
| Provision during the period | 2.101.869 | 2.348.449 |
| Realized during the period | (1.290.405) | (1.112.082) |
| Monetary gain/(loss) | (1.309.037) | (1.314.869) |
| Closing balance | 2.784.659 | 3.282.232 |

The movement of the provision for warranties is as follows:

| | 1 January - 31 December 2023 | 1 January - 31 December 2022 |
|--------------------------------------|------------------------------|------------------------------|
| Opening balance | 461.563 | 1.547.906 |
| Provision reversed during the period | (63.956) | (480.733) |
| Monetary gain/(loss) | (181.443) | (605.610) |
| Closing balance | 216.164 | 461.563 |

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

| | 1 January - 31 December 2023 | 1 January - 31 December 2022 |
|--------------------------------------|------------------------------|------------------------------|
| Opening balance | 2.146.550 | 2.293.500 |
| Provision during the period | 794.874 | 954.317 |
| Realized during the period | (199.282) | (192.226) |
| Provision reversed during the period | (695.272) | (11.721) |
| Monetary gain/(loss) | (843.818) | (897.320) |
| Closing balance | 1.203.052 | 2.146.550 |

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

| | 1 January - 31 December 2023 | 1 January - 31 December 2022 |
|-----------------------------|------------------------------|------------------------------|
| Opening balance | 54.878 | 60.679 |
| Provision during the period | 13.913 | 23.511 |
| Realized during the period | (10.829) | (5.572) |
| Monetary gain/(loss) | (21.573) | (23.740) |
| Closing balance | 36.389 | 54.878 |

¹⁶ The Group's provision for warranty is based on sales under warranty are estimated in accordance with historical data. Provision for warranty is calculated by using warranty rate included in the contract as long as the invoice issued throughout the life of the Contract

¹⁷ Provision for delay penalties and fines are calculated in accordance with interest rates mentioned in the agreement for default and within the client's knowledge.

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| Other long-term provisions | 31 December 2023 | 31 December 2022 |
|---------------------------------|------------------|------------------|
| Provision for delay penalties | 334.056 | 550.433 |
| Provision for onerous contracts | 3.466.231 | 3.785.069 |
| | 3.800.287 | 4.335.502 |

The movement of the provision for onerous contracts is as follows:

| | 1 January - 31 December 2023 | 1 January - 31 December 2022 |
|-----------------------------|------------------------------|------------------------------|
| Opening balance | 550.433 | 375.751 |
| Provision during the period | -- | 321.693 |
| Monetary gain/(loss) | (216.377) | (147.011) |
| Closing balance | 334.056 | 550.433 |

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

| | 1 January - 31 December 2023 | 1 January - 31 December 2022 |
|--------------------------------------|------------------------------|------------------------------|
| Opening balance | 3.785.071 | 2.817.659 |
| Provision during the period | 1.735.213 | 2.331.190 |
| Provision reversed during the period | (566.124) | (261.387) |
| Monetary gain/(loss) | (1.487.929) | (1.102.393) |
| Closing balance | 3.466.231 | 3.785.069 |

15. PROVISION, CONTINGENT ASSET AND LIABILITIES (CONTINUED)

b) Legal cases

There has not been any final judicial decision against the Group due to the responsibility related with work accidents within 2023.

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

| Description | 2023 | 2022 |
|---|---------|---------|
| a) Ongoing lawsuits filed by the Group | 39.520 | 47.712 |
| b) Execution proceedings carried out by the Group | 664.908 | 684.945 |
| c) Ongoing lawsuits filed against the Group | 29.094 | 54.878 |
| d) Executions against the Group | 11.420 | 10.634 |
| e) Lawsuits finalized against the Group within the period | 6.929 | 59.714 |
| f) Lawsuits finalized in favor of the Group within the period | 5.408 | 17.295 |

a) Ongoing lawsuits filed by the Group are comprised of lawsuits for patents, trademarks and lawsuits filed by the Group due to the disagreements related to previous lawsuits. These lawsuits will not be recognised in the financial statements until they are finalized.

b) Execution of proceedings carried out by the Group are comprised of lawsuits that would result in favor of the Group that will be recognised as revenue under "Other Operating Income" line when they are collected.

c) The Company made provisions for all lawsuits filed against the Group and recognised as "Provisions" in the statement of financial position and "Other Operating Expense" in the statement of profit or loss and other comprehensive income.

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d) Executions against the Group are not included in Financial Statements.

e) Lawsuits finalized against the Group are recognised in the statement of profit or loss to the extent that the amount differs from the amount previously provided. Amounts in excess of the amount previously provided are recognised under 'Other Operating Expense' when the penalty is paid.

f) Lawsuits finalized in favor of the Group are recognised in statement of profit or loss and other comprehensive income under "Other Operating Income" line when the final judgement is determined.

16. COMMITMENTS AND CONTINGENCIES

a) Guarantees received

| | 31 December 2023 | 31 December 2022 |
|---|-------------------|-------------------|
| Letters of guarantees received from the suppliers | 9.045.437 | 9.233.665 |
| Collaterals received from the customers | 599.871 | 548.241 |
| Letters of guarantees received from the customers | 26.647 | 391.924 |
| Collaterals received from the suppliers | 997.342 | 1.095.910 |
| Letters of guarantees received from the suppliers | 30.244 | 44.308 |
| | 10.699.541 | 11.314.048 |

b) Collaterals / Pledges / Mortgages ("CPM") given

The collaterals/pledges/mortgages ("CPM") given by the Group as of 31 December 2023 and 31 December 2022 is as follows:

In accordance with the terms of the Patrol and Anti-Submarine Warfare Ship Projects ("MİLGEM"), the Company is a guarantor if HAVELSAN cannot be able to fulfill the obligations in this project of an amount of USD 294.111.

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16. COMMITMENTS AND CONTINGENCIES (CONTINUED)

c) Guarantees given (continued)

| 31 December 2023 | | TL Equivalent | TL | USD | EURO | UAE Dirham | ROL | Polish Zloty | Indian Rupee | British Pound | Qatar Rial |
|--|-------------|-------------------|------------------|----------------|----------------|------------|--------------|--------------|--------------|---------------|------------|
| <u>A. Total amount of CPM given on behalf of the legal entity</u> | | | | | | | | | | | |
| | -Collateral | 15.254.948 | 1.363.725 | 304.953 | 149.406 | -- | 6.952 | -- | -- | -- | -- |
| | -Pledge | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| | -Mortgage | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| <u>B. Total amount of CPM given on behalf of the subsidiaries included in full consolidation</u> | | | | | | | | | | | |
| | -Collateral | 130.296 | -- | -- | 4.000 | -- | -- | -- | -- | -- | -- |
| | -Pledge | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| | -Mortgage | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| <u>C. Total amount of CPM given to maintain operations and collect payables from third parties</u> | | | | | | | | | | | |
| | -Collateral | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| | -Pledge | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| | -Mortgage | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| <u>D. Total amount of other CPM given</u> | | | | | | | | | | | |
| <u>i. Total Amount of CPM on behalf of the main partner</u> | | | | | | | | | | | |
| | -Collateral | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| | -Pledge | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| | -Mortgage | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| <u>ii. Total amount of CPM given on behalf of other group companies that do not cover B and C¹⁸</u> | | | | | | | | | | | |
| | -Collateral | 62.409 | -- | 2.120 | -- | -- | -- | -- | -- | -- | -- |
| | -Pledge | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| | -Mortgage | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| <u>iii. Total amount of CPM on behalf of third parties that do not cover</u> | | | | | | | | | | | |
| | -Collateral | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| | -Pledge | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| | -Mortgage | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Total | | 15.447.653 | 1.363.725 | 307.073 | 153.406 | -- | 6.952 | -- | -- | -- | 535 |

¹⁸ The ratio of the other CPM given by the Group to equity as of 31 December 2023 is 0,07 percent. TL 62.409 is the collateral amount pertaining to guarantee letter given on behalf of the entity's joint venture ASELSAN Bilkent.

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16. COMMITMENTS AND CONTINGENCIES (CONTINUED)

c) Guarantees given (continued)

| 31 December 2022 | TL Equivalent | TL | USD | EURO | UAE Dirham | Polish Zloty | Indian Rupee | British Pound | Qatar Rial |
|---|-------------------|------------------|----------------|----------------|------------|--------------|--------------|---------------|------------|
| <u>A. Total amount of CPM given on behalf of the legal entity</u> | | | | | | | | | |
| -Collateral | 21.431.287 | 2.136.741 | 571.658 | 431.529 | -- | -- | -- | -- | 592 |
| -Pledge | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| -Mortgage | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| <u>B. Total amount of CPM given on behalf of the subsidiaries included in full consolidation</u> | | | | | | | | | |
| -Collateral | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| -Pledge | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| -Mortgage | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| <u>C. Total amount of CPM given to maintain operations and collect payables from third parties</u> | | | | | | | | | |
| -Collateral | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| -Pledge | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| -Mortgage | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| <u>D. Total amount of other CPM given</u> | | | | | | | | | |
| <u>i. Total Amount of CPM on behalf of the main partner</u> | | | | | | | | | |
| -Collateral | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| -Pledge | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| -Mortgage | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| <u>ii. Total amount of CPM given on behalf of other group companies that do not cover B and C ¹⁹</u> | | | | | | | | | |
| -Collateral | 65.316 | -- | 3.493 | -- | -- | -- | -- | -- | -- |
| -Pledge | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| -Mortgage | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| <u>iii. Total amount of CPM on behalf of third parties that do not cover</u> | | | | | | | | | |
| -Collateral | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| -Pledge | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| -Mortgage | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Total | 21.496.603 | 2.136.741 | 575.151 | 431.529 | -- | -- | -- | -- | 592 |

The Group is responsible as joint guarantor for the portion amounting to EURO 2,5 Million of investment credit amounting to EURO 5 Million which will be used by ASELSAN Optik , the Group's joint venture.

¹⁹The ratio of the other CPM given by the Group to equity as of 31 December 2022 is 0,10 percent. TL 65.316 is the collateral amount pertaining to guarantee letter given on behalf of the entity's joint venture ASELSAN Bilkent.

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17. EMPLOYEE BENEFITS

a) Obligations for employee benefits

| | 31 December 2023 | 31 December 2022 |
|----------------------------------|------------------|------------------|
| Social security premiums payable | 535.402 | 449.497 |
| Taxes and funds payable | 307.923 | 251.051 |
| Due to personnel | 361.337 | 349.450 |
| | 1.204.662 | 1.049.998 |

b) Short-term provisions for employee benefits

| | 31 December 2023 | 31 December 2022 |
|---|------------------|------------------|
| Provision for vacation pay and overtime | 701.648 | 463.624 |
| Bonus provision | 896.109 | 972.096 |
| | 1.597.757 | 1.435.720 |

As of 31 December the movement of the provision for vacation pay and overtime is as follows:

| | 2023 | 2022 |
|--------------------------------------|----------------|----------------|
| Opening balance | 463.624 | 462.583 |
| Provision for the period | 598.053 | 336.476 |
| Provision paid during the period | (146.611) | (130.086) |
| Provision realized during the period | (31.165) | (24.366) |
| Monetary gain/(loss) | (182.253) | (180.983) |
| Closing balance | 701.648 | 463.624 |

c) Long-term provisions for employee benefits

| | 31 December 2023 | 31 December 2022 |
|-----------------------------|------------------|------------------|
| Provision for severance pay | 1.063.278 | 954.689 |
| | 1.063.278 | 954.689 |

As of 31 December the movement of severance and retirement pays are as follows:

| | 2023 | 2022 |
|------------------------|------------------|----------------|
| Opening balance | 954.689 | 902.712 |
| Service cost | 126.762 | 57.623 |
| Interest cost | 17.697 | 15.141 |
| Actuarial gains/(loss) | 227.896 | 667.047 |
| Payments | (108.505) | (73.765) |
| Monetary gain/(loss) | (155.261) | (614.069) |
| Closing balance | 1.063.278 | 954.689 |

Provision for severance pay:

In accordance with the Labor Law Legislations, the Group is obliged to make legal severance indemnity payments to entitled employees whose employment has been terminated. Furthermore, with regard to Social Security Law numbered 506 dated 6 March 1981, number 2422 dated 25 August 1999 and law numbered 4447, article 60 denotes the legal obligation to make severance payments to all employees who are entitled to indemnity by the date of leave of employment.

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17. EMPLOYEE BENEFITS (CONTINUED)

Provision for severance pay (continued)

Certain provisions regarding services before retirement, has been annulled on 23 May 2002 during the revision of the related law. As of 31 December 2023 severance payments are calculated on the basis of 30 days' pay, limited to a ceiling of TL 23.489,83 (31 December 2022: 15.371,40 TL ²⁰)

As of 1 January 2024, the ceiling for the severance payments is TL 35.058,58.

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. TAS 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 2023 (%) | 31 December 2022 (%) |
|---|----------------------|----------------------|
| Interest rate | 25,50 | 12,70 |
| Inflation rate | 21,70 | 9,50 |
| Discount ratio | 3,12 | 2,92 |
| Estimation of probability of retirement ratio | 94 | 95 |

²⁰ Amount is shown in full TL.

²¹ Taxpayers (Contractor/the Group) who deliver goods and provides services to the Natural Security Institutions (such as MOD and UDI) are to be approved by purchasers (contacting authority) in terms of content and nature accordingly. Value Added Tax (VAT) is 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 usually are not collected, but they are offset with other tax liabilities.

²² Mainly comprises of other assets and liabilities of consolidated subsidiaries.

18. OTHER ASSETS AND LIABILITIES

a) Other current assets

| | 31 December 2023 | 31 December 2022 |
|-----------------------------------|------------------|------------------|
| VAT carried forward ²¹ | 1.567.114 | 862.317 |
| Other VAT | 1.078.861 | 651.952 |
| Other ²² | 115.690 | 50.968 |
| | 2.761.665 | 1.565.237 |

b) Other non-current assets

| | 31 December 2023 | 31 December 2022 |
|-----------------------------------|------------------|------------------|
| VAT carried forward ²¹ | 84.240 | 2.194.273 |
| Other VAT | 134.393 | 203.320 |
| Other ²² | 24.570 | 34.979 |
| | 243.203 | 2.432.572 |

c) Other short-term liabilities

| | 31 December 2023 | 31 December 2022 |
|-------------------------|------------------|------------------|
| Taxes and funds payable | 6.258 | 2.923 |
| Other ²² | 4.013 | 85.257 |
| | 10.271 | 88.180 |

d) Other long-term liabilities

| | 31 December 2023 | 31 December 2022 |
|-------|------------------|------------------|
| Other | 4.877 | 8.018 |
| | 4.877 | 8.018 |

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19. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Capital

| Shareholders | Share (%) | 31 December 2023 | Share (%) | 31 December 2022 |
|-----------------------------------|-----------|---------------------|-----------|---------------------|
| TSKGV | 74,20 | 3.383.302 | 74,20 | 1.691.652 |
| Publicly held | 25,80 | 1.176.698 | 25,80 | 588.348 |
| Nominal capital | 100 | 4.560.000 | 100 | 2.280.000 |
| Share capital adjustment | | 15.359.232 | | 14.418.756 |
| Inflation adjusted capital | | 19.919.232 | | 16.698.756 |

The Group's nominal capital is TL 4.560.000 comprising 4.560.000.000 shares each of which is TL 1. A total of 2.421.818.182 of the shares constitutes "Group A" and 2.138.181.818 of the shares constitutes "Group B" shares. All of the shares are nominative. "Group A" shares are privileged nominative shares and 6 Members of the Board of Directors are assigned from the holders of nominative "Group A" type shareholders or from the ones nominated by "Group A" type shareholders. Moreover, the Board of Directors shall be authorized in matters regarding issuing preferred shares or issuing shares above the nominal values. Regarding capital increases by restricting preemptive rights, the shares to be issued shall be "Group B". In accordance with the CMB's legislation, other Members of the Board of Directors, not including elected Independent Members of the Board of Directors, are assigned from nominative "Group A" shareholders or elected from among candidate nominated by "Group A" shareholders.

Restricted reserves

In accordance with Capital Markets Board's Communiqué Serial II No:19.1 "Share of Profit", effective as of 1 February 2014, and with regard to the Turkish Commercial Code ("TCC"), legal reserves in publicly held companies will be generated by 5 percent of income until it reaches 20 percent of paid-in share capital. After the 5 percent of the dividend is paid to shareholders, 10 percent of the total distributed to shareholders and employees can be added in the other legal reserve. Under the TCC, the legal reserves can be used only to offset losses for the going concern of the company or to prevent unemployment as long as the amount does not exceed 50 percent of the paid-in capital.

Retained Earnings

Accumulated profits apart from net profit for the year and extraordinary reserves which is accumulated profit by nature are shown under retained earnings.

Profit distribution

Publicly traded companies perform dividend distribution in accordance with Capital Markets Board's Communiqué Serial II No: 19.1 "Share of Profit", effective as of 1 February 2014.

Shareholders, distribute dividend with general assembly decision, within the context of profit distribution policies set by general assembly and related regulations. As part of the communiqué, no specific minimum distribution ratio is indicated. Companies pay dividend as defined in their articles of association or dividend distribution policies.

On 26 April 2023, in accordance with the consolidated financial statements, the General Assembly of the Company has decided to allocate legal reserve amounting to TL 28.600 of the TL 11.895.835 which is based on the profit distribution, and to distribute TL 400.000 (31 December 2023 purchasing power; TL 659.092) in cash to shareholders for dividend payment, and the remaining TL 11.467.235 to be within the Group. Thus, the cash gross dividend amount for TL 1 nominal value per share is Kuruş 17,54 (31 December 2022: Kuruş 20,18). Within 2023, dividend amounting to TL 400.000 in gross, 17,54 Kuruş per share of TL 1 (net profit amounting to TL 360.000, 15,79 Kuruş per share of TL 1) will be paid to shareholders. (31 December 2022: TL 460.000 in gross, 20,18 Kuruş per share of TL 1 was paid).

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20. REVENUE AND COST OF SALES

| a) Revenue | 1 January - 31 December 2023 | 1 January - 31 December 2022 |
|---------------------|---------------------------------|---------------------------------|
| Domestic sales | 67.198.217 | 57.164.693 |
| Export sales | 6.472.160 | 10.226.632 |
| Other revenues | 116.229 | 94.533 |
| Sales returns (-) | (187.579) | (612.173) |
| Sales discounts (-) | (6.253) | (13.514) |
| | 73.592.774 | 66.860.171 |

| Revenue Recognized Regarding Performance Obligation | 1 January - 31 December 2023 | 1 January - 31 December 2022 |
|--|---------------------------------|---------------------------------|
| Over time | 54.037.788 | 50.702.354 |
| Point in time | 19.554.986 | 16.157.817 |
| | 73.592.774 | 66.860.171 |

| b) Cost of sales(-) | 1 January - 31 December 2023 | 1 January - 31 December 2022 |
|------------------------------------|---------------------------------|---------------------------------|
| Cost of raw materials and supplies | 40.056.632 | 35.883.521 |
| Cost of merchandise goods sold | 289.836 | 855.328 |
| Cost of services sold | 7.861.011 | 10.987.714 |
| Cost of other sales | 5.280.115 | 1.300.346 |
| | 53.487.594 | 49.026.909 |

21. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

| | 1 January - 31 December 2023 | 1 January - 31 December 2022 |
|---------------------------------------|---------------------------------|---------------------------------|
| General administrative expenses (-) | 3.387.758 | 2.574.579 |
| Marketing expenses (-) | 1.446.516 | 1.646.303 |
| Research and development expenses (-) | 2.645.753 | 2.018.251 |
| | 7.480.027 | 6.239.133 |

| a) General administrative expenses (-) | 1 January - 31 December 2023 | 1 January - 31 December 2022 |
|---|---------------------------------|---------------------------------|
| Personnel expenses | 1.987.977 | 1.520.183 |
| Depreciation and amortization expenses | 727.141 | 566.483 |
| Service procurement | 84.010 | 91.262 |
| Travel expenses | 52.539 | 33.512 |
| Electricity expenses | 43.493 | 71.372 |
| Rent expenses | 42.932 | 47.850 |
| Expertise and consultancy expenses | 33.953 | 31.067 |
| Insurance expenses | 31.436 | 13.730 |
| Personnel transportation expenses | 26.327 | 15.924 |
| Vehicle purchase expenses | 23.011 | -- |
| Cleaning service expenses | 21.036 | 14.061 |
| Course and seminar expenses | 18.470 | 8.884 |
| Personnel meal expenses | 16.722 | 39.844 |
| Subscription and publication expenses | 15.935 | 16.789 |
| Legal expenses | 15.515 | 9.872 |
| IT repair and maintenance expenses | 13.538 | 12.941 |
| Property and environmental cleaning tax | 5.222 | 7.124 |
| Water expenses | 1.859 | 2.821 |
| Other | 226.642 | 70.860 |
| | 3.387.758 | 2.574.579 |

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21. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES (CONTINUED)

| | 1 January - 31 December 2023 | 1 January - 31 December 2022 |
|---|---------------------------------|---------------------------------|
| b) Marketing expenses (-) | | |
| Subcontractor service expenses | 497.757 | 387.172 |
| Personnel expenses | 330.969 | 318.036 |
| Exhibition expenses | 167.357 | 225.294 |
| Travel expenses | 102.333 | 91.010 |
| Commission expenses | 75.314 | 214.539 |
| Sponsorship expenses | 48.081 | 22.786 |
| Shipping and delivery expenses | 27.967 | 55.561 |
| Samples expenses | 22.054 | 31.299 |
| Advertising expenses | 20.558 | 15.715 |
| Expertise and consultancy expenses | 19.347 | 7.617 |
| Packaging expenses | 16.465 | 18.493 |
| Rent expenses | 10.586 | 13.328 |
| Representation expenses | 9.880 | 6.769 |
| Meal expenses | 8.375 | 6.797 |
| Stamp duty expenses | 7.127 | 28.517 |
| Depreciation and amortization expenses | 6.302 | 5.163 |
| Security service | 2.602 | 2.181 |
| Other | 73.442 | 196.026 |
| | 1.446.516 | 1.646.303 |
| c) Research and development expenses (-) | | |
| Personel expenses | 1.645.637 | 753.413 |
| Amortisman ve itfa giderleri | 824.550 | 485.455 |
| Equipment Costs | 172.538 | 390.761 |
| Other | 3.028 | 388.622 |
| | 2.645.753 | 2.018.251 |

22. OTHER OPERATING INCOME AND EXPENSES

a) Other Operating Income

| | 1 January - 31 December 2023 | 1 January - 31 December 2022 |
|---|---------------------------------|---------------------------------|
| Foreign currency exchange gains | 32.385.882 | 22.797.226 |
| Rediscounted interest income | 821.120 | 855.326 |
| Granted fixed assets income ²³ | 93.141 | 167.109 |
| Other income | 216.812 | 134.524 |
| | 33.516.955 | 23.954.185 |

b) Other operating expenses (-)

| | 1 January - 31 December 2023 | 1 January - 31 December 2022 |
|--|---------------------------------|---------------------------------|
| Foreign currency exchange losses (-) | 19.582.581 | 16.391.881 |
| Rediscounted interest expense (-) | 1.160.154 | 950.950 |
| Non-working part expenses and losses (-) | -- | 61.666 |
| Other expense and losses (-) | 425.630 | 186.604 |
| | 21.168.365 | 17.591.101 |

23. INCOME FROM INVESTING ACTIVITIES

| | 1 January - 31 December 2023 | 1 January - 31 December 2022 |
|--|---------------------------------|---------------------------------|
| Gain/(loss) on sales profit of marketable securities | 12.123 | 1.251 |
| Dividend income | 15.390 | 9.863 |
| Gain/(loss) on sales profit of fixed assets | 6.799 | 3.115 |
| | 34.312 | 13.229 |

24. FINANCIAL INCOME

| | 1 January - 31 December 2023 | 1 January - 31 December 2022 |
|---|---------------------------------|---------------------------------|
| Interest income | 474.986 | 249.118 |
| Foreign currency exchange gains from bank loans | 706.709 | 1.199.178 |
| | 1.181.695 | 1.448.296 |

²³ Granted fixed assets income comprises of fixed assets donated by public bodies and utilized within the scope of research projects conducted with universities. Subsequent to the completion of these projects, the subject matter fixed assets have been incorporated to the Group without any charge.

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25. FINANCIAL EXPENSES

| | 1 January - 31 December 2023 | 1 January - 31 December 2022 |
|--|---------------------------------|---------------------------------|
| Foreign currency exchange losses from bank loans (-) | 6.896.455 | 4.703.948 |
| Interest cost related with employee benefits (-) | 17.697 | 15.141 |
| Interest cost of borrowings (-) | 1.919.347 | 1.069.894 |
| | 8.833.499 | 5.788.983 |

26. ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

| | 1 January - 31 December 2023 | 1 Ocak - 31 Aralık 2022 |
|---|---------------------------------|----------------------------|
| Gain from revaluation of financial assets that fair value reflect in other comprehensive income | -- | 1.084.352 |
| Revaluation of property | 2.905.335 | 549.350 |
| Cumulative Translation Adjustments | 56.262 | 328.212 |
| Loss on remeasurement of defined benefit plans | (704.560) | (533.638) |
| | 2.257.037 | 1.428.276 |

| Gain from revaluation of financial assets that fair value reflect in other comprehensive income: | 1 January - 31 December 2023 | 1 January - 31 December 2022 |
|--|---------------------------------|---------------------------------|
| Opening balance | 1.084.352 | -- |
| Gain from revaluation of financial assets that fair value reflect in other comprehensive income | (1.156.642) | 1.141.423 |
| Deferred tax liability arising from revaluation | 72.290 | (57.071) |
| Closing balance | -- | 1.084.352 |

Gain from revaluation of financial assets that fair value reflect in other comprehensive income arises due to revaluation of financial investments. When available for sale financial assets are sold, any related amount included in revaluation reserve is transferred to profit or loss.

26. ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS (CONTINUED)

| | 1 January - 31 December 2023 | 1 January - 31 December 2022 |
|---|---------------------------------|---------------------------------|
| Revaluation of property | | |
| Opening balance (Previously reported) | 549.350 | -- |
| Increase arising from revaluation of property | 2.692.554 | 610.389 |
| Current period value increase deferred tax effect | (336.569) | (61.039) |
| Closing balance | 2.905.335 | 549.350 |

Revaluation of property increase arises from revaluation of the lands. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

The fair value of the lands owned by the Group is revalued on 22 December 2023 by Lal Gayrimenkul Değerleme ve Müşavirlik Anonim Şirketi ("Lal Değerleme"), an independent appraisal company.

| | 1 January - 31 December 2023 | 1 January - 31 December 2022 |
|---|---------------------------------|---------------------------------|
| Foreign currency exchange differences: | | |
| Opening balance | 328.212 | 388.514 |
| Currency differences from net asset currency translation invest in foreign operations | (271.950) | (60.302) |
| Closing balance | 56.262 | 328.212 |

| | 1 January - 31 December 2023 | 1 January - 31 December 2022 |
|---|---------------------------------|---------------------------------|
| Gain/Loss on remeasurement of defined benefit plans | | |
| Opening balance | (533.638) | -- |
| Gain/Loss on remeasurement of defined benefit plans | (170.922) | (533.638) |
| Deferred tax on gain/loss on remeasurement of defined benefit plans | -- | -- |
| Closing balance | (704.560) | (533.638) |

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27. INCOME TAXES

| Corporate tax liabilities: | 31 December 2023 | 31 December 2022 |
|-------------------------------------|------------------|------------------|
| Current corporate tax provision | 1.129.233 | 2.875 |
| Less: Prepaid taxes and funds | (1.129.233) | (2.575) |
| | -- | 300 |
| Tax income: | 31 December 2023 | 31 December 2022 |
| Current corporate tax (expense) (*) | (1.129.233) | (2.875) |
| Deferred tax income / (expense) | 1.293.867 | 2.104.409 |
| | 164.634 | 2.101.534 |

(*) In accordance with the "Law No. 7440 on Restructuring of Certain Receivables and Amending Certain Laws" published in the Official Gazette on March 12, 2023, the exemption and discount amounts deducted from corporate earnings in accordance with the regulations in the law, by being shown in the corporate tax return for 2022. Additional tax must be calculated at the rate of 10% on the bases subject to reduced corporate tax, without associating it with period earnings, and at the rate of 5% on exempt earnings. As of December 31, 2023, the period tax expense effect is amounting to 1.103.336 TL. Payments regarding the tax were made in five installments in 2023.

| | 1 January-31 December 2023 | | |
|---|----------------------------|--------------------|-------------------|
| Tax effects related to components of other comprehensive income | Amount before tax | Tax income/expense | Net of tax amount |
| Defined benefit plan revaluation gains/losses | (227.896) | 56.974 | (170.922) |
| Revaluation of property | 2.692.554 | (336.569) | 2.355.985 |
| Cumulative Currency Translation Adjustments | (271.950) | -- | (271.950) |
| Gain from revaluation of financial assets that fair value reflect in other comprehensive income | (1.156.642) | 72.290 | (1.084.352) |
| Other comprehensive income in the period | 1.036.066 | (207.305) | 828.761 |

| | 1 January-31 December 2022 | | |
|---|----------------------------|--------------------|-------------------|
| Tax effects related to components of other comprehensive income | Amount before tax | Tax income/expense | Net of tax amount |
| Defined benefit plan revaluation gains/losses | (667.047) | (133.409) | (533.638) |
| Revaluation of property | 610.389 | (61.039) | 549.350 |
| Cumulative Currency Translation Adjustments | (60.302) | -- | (60.302) |
| Gain from revaluation of financial assets that fair value reflect in other comprehensive income | 1.141.423 | (57.071) | 1.084.352 |
| Other comprehensive income in the period | 1.024.463 | 15.299 | 1.039.762 |

27. INCOME TAXES (CONTINUED)

| | 1 January - 31 December 2023 | 1 January - 31 December 2022 |
|---|------------------------------|------------------------------|
| Tax recognized directly in equity | | |
| Deferred tax: | (336.569) | (61.039) |
| - Revaluation of property | | |
| - Gain from revaluation of financial assets that fair value reflect in other comprehensive income | 72.290 | (57.071) |
| - Actuarial gain/loss | 56.974 | 133.409 |
| Deferred tax recognized directly in equity | (207.305) | 15.299 |

Corporate tax

The Group is subject to Turkish corporate taxes. The corporate income tax is declared until the relevant accounting period-end's following fourth month, twenty-fifth day's evening and it is batch paid until the end of the related month. In accordance with the tax legislation, quarterly 25 percent (31 December 2022: 23 percent) on profits of advance tax is being calculated and paid. The amounts paid in this way are deducted by the tax on annual earning.

In accordance with the tax legislation in Türkiye, financial losses could be carried forward for a maximum of five years that the year they appeared. Besides, tax returns and the related accounting records may be reviewed within five years by the tax administration.

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.

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Corporate tax rate that will be accrued based on rate able profit of the company is calculated on a basis by including disallowed deductions written of as expense when determining commercial profit with excluding tax-exempt profits and other discounts (also previous year losses and investments allowances used, if preferred)

The tax rate in 2023 is 25 percent (31 December 2022: 23 percent).

27. INCOME TAXES (CONTINUED)

Deferred Tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising from its financial statements as reported for TFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes and the differences are given below.

In Türkiye, the corporate tax rate is 25 percent as of 31 December 2023 (2022: 23 percent). The corporate tax rate is applied to the net corporate income resulting from the addition of expenses that are not allowed to be deducted in accordance with the tax laws to the commercial income of the institutions, and the exemptions and deductions included in the tax laws.

company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes, as reflected in the consolidated financial statements, has been calculated on a separate-entity basis.

The dividend income (excluding the participation certificates of investment funds and profit shares derived from the share certificates of investment trusts) derived by entities from the participation in the capital of another resident entity is exempt from corporate tax. Furthermore, 75 percent of the income derived by entities from the sale of participation shares and real estates (immovable property) preferential rights, founders' shares and redeemed shares which are carried in assets at least for two years is exempt from corporate tax as of 31 December 2023. However, according to the amendments by Law numbered 7061, this rate is reduced from 75 percent to 50 percent with regard to im-

movable properties and tax declarations starting from 2019 will be calculated using 50 percent for immovable properties. In order to be able to benefit from the exemption, the relevant income should be kept under a fund account in the liabilities and should not be withdrawn from the enterprise for 5 years. The sales amount should be collected by the end of the second calendar year following the year of sale.

The details of deferred tax assets and liabilities of the Group are as follows:

| Deferred Tax Assets/Liabilities: | 31 December 2023 | 31 December 2022 |
|---|--------------------|---------------------|
| Discount on receivables | 222.977 | 133.024 |
| Adjustment to costs and provision for expected losses of construction contracts | 8.107.669 | 7.608.330 |
| Capitalized research-development expense | 1.189 | 109.555 |
| Allowance for impairment on inventories | 6.834 | (944) |
| Provision for delay penalties 327.358 | 384.277 | 539.397 |
| Provision for copyright | -- | -- |
| Provision for warranties | 699.011 | 656.948 |
| Provision for severance pay | 193.855 | 184.033 |
| Provision for annual leave | 249.115 | 287.144 |
| Provision for doubtful receivables | 204 | 49 |
| Other | 15.040 | 7.076 |
| Accumulated research and development incentive | 2.889.635 | 2.399.779 |
| Discount on payables | (38.842) | (16.294) |
| Adjustment of progress payments for long-term construction projects | (9.333.166) | (9.511.563) |
| Depreciation of fixed assets / amortization of intangible assets | 251.578 | 1.586.250 |
| Fixed assets revaluation fund | (336.569) | (61.039) |
| Gain on revaluation of available for sale financial assets | 118.791 | (57.071) |
| Monetary gain/(loss) | (2.709.170) | (4.229.178) |
| Other | (3.827) | (3.457) |
| Deferred tax assets | 10.431.005 | 13.511.585 |
| Deferred tax liabilities | (9.712.404) | (13.879.546) |
| Deferred tax assets – net | 718.601 | (367.961) |

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27. INCOME TAXES (CONTINUED)

Deferred tax (continued)

| Movement of deferred tax assets/(liabilities): | 1 January - 31 December 2023 | 1 January - 31 December 2022 |
|--|---------------------------------|---------------------------------|
| Opening balance as of 1 January | (367.961) | (2.487.669) |
| Charged to statement of profit or loss | 1.293.867 | 2.104.409 |
| Charged to equity | (207.305) | 15.299 |
| | 718.601 | (367.961) |

| Tax reconciliations: | Effective Tax Rate (%) | 1 January - 31 December 2023 | Effective Tax Rate (%) | 1 January - 31 December 2022 |
|--|---------------------------------|------------------------------------|---------------------------------|------------------------------------|
| Profit before tax from continuing operations | | 17.354.778 | | 13.661.650 |
| Income tax rate | %25 | | %23 | |
| Tax at the domestic income tax rate | 25 | 4.338.695 | 23 | 3.142.179 |
| Tax effects of: | | | | |
| - revenue that is exempt from taxation | (1) | (137.776) | (2) | (255.857) |
| - expenses that are not deductible in determining taxable profit | 4 | 712.401 | 3 | 420.194 |
| - R&D incentives and other income exempt from taxation | (43) | (7.409.492) | (58) | (7.908.439) |
| - monetary gain/(loss) | 13 | 2.287.803 | 13 | 1.742.890 |
| - effect of other adjustments | 0,3 | 43.735 | 6 | 757.499 |
| Tax (income) / expense recognized in profit or loss | (1) | (164.634) | (15) | (2.101.534) |

28. EARNINGS PER SHARE

Earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the period. The Group does not have diluted shares.

For the years ended 31 December 2023 and 2022, earnings per share calculations are as follows:

| | 1 January - 31 December 2023 | 1 January - 31 December 2022 |
|---|---------------------------------|---------------------------------|
| Number of shares outstanding (in thousands) | 4.560.000 | (2.280.000) |
| Net profit – TL | 7.290.475 | 1.281.963 |
| Earnings per 100 shares | 159,88 | 56,23 |
| Diluted earnings per 100 shares | 159,88 | 56,23 |

29. FINANCIAL INVESTMENTS

Non-Current Financial Investments

| | 31 December 2023 | 31 December 2022 |
|--|------------------|------------------|
| a) Available for sale financial investments | 5.841.844 | 7.017.691 |
| b) Financial investments valued at cost that do not have a quoted market value | 76.944 | 54.949 |
| | 5.918.788 | 7.072.640 |

a) Fair Value Difference Reflect in Other Comprehensive income

| | 31 December 2023 | 31 December 2022 |
|---|------------------|------------------|
| Fair value difference reflect in other comprehensive income that are not traded in an active market | 5.918.788 | 7.072.640 |
| | 5.918.788 | 7.072.640 |

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29. FINANCIAL INVESTMENTS (CONTINUED)

Financial Investments (continued)

a) Available for sale financial investments (continued)

ROKETSAN which is Group's equity investment is revalued and stated at fair value. As of 31 December 2023, the revaluation was performed by Oyak Yatırım Menkul Değerler Anonim Şirketi which is an independent valuation company. The fair value was determined according to "Discounted Cash Flow" and "Similar Company Comparison" methodologies. Discount ratio used in "Discounted Cash Flow" method is 12,10 percent (31 December 2022: 17,00 percent).

| Company Name | Ratio (%) | 31 December 2023 | Ratio (%) | 31 December 2022 |
|--------------|-----------|------------------|-----------|------------------|
| ROKETSAN | 14,897 | 5.841.844 | 14,897 | 7.017.691 |

Roketsan shares, shown under available for sale financial investments, are reported on the third level in the fair value hierarchy (Note 32).

b) Financial investments valued at cost that do not have a quoted market value

The Group's equity investment and participation rate and the amount shown in financial investments are as follows:

| Company Name | Ratio (%) | 31 December 2023 | Ratio (%) | 31 December 2022 |
|--------------------------------|-----------|------------------|-----------|------------------|
| Girişim Sermayesi Yatırım Fonu | | 62.760 | | 42.156 |
| ASPİLSAN | 1 | 14.184 | 1 | 12.793 |
| | | 76.944 | | 54.949 |

The above available-for-sale equity investment amounting to TL 76.944 (31 December 2022: TL 54.949) does not have a quoted market value and the fair value cannot be reliably measured due to a wide range of reasonable fair value estimates is significant and 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.

30. FINANCIAL LIABILITIES

Financial Liabilities

| | | 31 December 2023 | 31 December 2022 |
|--|----------------|---------------------|---------------------|
| Short-term financial liabilities | Unsecured loan | 11.069.959 | 8.773.395 |
| Other short-term financial liabilities | Unsecured loan | 621.479 | 458.068 |
| Current portion of long-term financial liabilities | Unsecured loan | 7.116.874 | 6.856.863 |
| Total short-term financial liabilities | | 18.808.312 | 16.088.326 |
| Uzun vadeli diğer finansal borçlar | Unsecured loan | 1.129.602 | 1.762.548 |
| Total long-term financial liabilities | | 1.129.602 | 1.762.548 |
| Total financial liabilities | | 19.937.914 | 17.850.874 |

As of 31 Aralık 2023, TL 4.674.001 of the financial debts included in short-term borrowings consists of EUR Rediscount Foreign Currency Loans, which have maturity dates due between January 2024 and December 2024 and the interest rates between 4,39 percent and 6,50 percent. As of 31 December 2023, TL 1.559.218 of financial debts within short-term borrowings consist of USD Rediscount Foreign Currency Loans, which have maturity dates due between January 2024 and October 2024 and the interest rate is between 6,95 percent and 7,92 percent. As of 31 December 2023, TL 4.836.740 of financial debts within short-term borrowings consist of TL Rediscount Foreign Currency Loans, which have maturity dates due between May 2024 and November 2024 and the interest rates between 14 percent and 27,50 percent.

As of 31 December 2023, there are TL 2.725.350 Rediscount EUR Loans within the short-term borrowings, which have maturity dates due between July 2024 and September 2024, and the interest rates between 8,85 percent and 9,10 percent. As of 31 December 2023, there are TL 3.891.524 Rediscount USD Loans within the short-term borrowings, which have maturity dates due between January 2024 and October 2024, and the interest rates between 7,20 percent and 9,00 percent.

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30. FINANCIAL LIABILITIES (CONTINUED)

Financial Liabilities (continued)

As of 31 December 2023, TL 500.000 of financial debts within short-term borrowings consist of TL Rediscount Foreign Currency Loans, which have maturity dates due between October 2024 and November 2024 and the interest rates 10,50 percent. As of 31 December 2023, TL 559.670 of remaining short-term financial debts consist of Ziraat Bank credit card debts with a maturity of 45 days with 1,00 percent interest rate to pay social security payments.

As of 31 December 2023, TL 61.809 of current portion of long-term financial liabilities were taken within the scope of investment credit, which have maturity dates due March 2024, and the interest rates 15 percent.

As of 31 December 2023, TL 233.539 of the financial debts included in the long-term borrowings consists of EUR Rediscount Foreign Currency Loans, which have maturity dates due March 2025 and the interest rate varies according to EURIBOR. As of 31 December 2023, TL 896.063 of financial debts included in the long-term borrowings were taken within the scope of investment credit, which have maturity dates due October 2025 and the interest rate is between 21 percent and 24 percent.

As of 31 December 2022, TL 5.178.050 of the financial debts included in short-term borrowings consists of EUR Rediscount Foreign Currency Loans, which have maturity dates due between January 2023 and December 2023 and the interest rates between 1,00 percent and 7,50 percent. As of 31 December 2022, TL 231.073 of financial debts within short-term borrowings consist of USD Rediscount Foreign Currency Loans, which have maturity dates due October 2023 and the interest rate is 7,50 percent.

As of 31 December 2022, there are TL 2.834.094 Rediscount TL Loans within the short-term borrowings, which have maturity dates due between February 2023 and June 2023, and the interest rates between 14,75 percent and 21,00 percent. As of 31 December 2022, TL 469.751 of short-term financial debts have been taken within the scope of business loans and their maturity dates due between February and October 2023, and the interest rates between 14,16 and 21,11 percent.

As of December 31, 2022, TL 5.220.215 of the short-term portion of long-term financial debts consists of EUR Rediscount Foreign Exchange loans, which have maturity dates due between January 2023 and December 2023, and the interest rates between 2,40 percent and 6,95 percent. In addition, TL 1.694.536 of these financial debts consists of USD Rediscount Foreign Exchange loans, which have maturity dates due between August 2023 and October 2023, and the interest rates between 7,75 percent and 7,90 percent.

As of 31 December 2022, all of the remaining short-term financial debts consist of Ziraat Bank credit card debts with a maturity of 45 days with 0,79 percent interest rate to pay social security payments. As of 31 December 2022, TL 539.170 of the financial debts included in the long-term borrowings consists of USD Rediscount Foreign Currency Loans, which have maturity dates due between January 2024 – February 2024 and the interest rate varies according to LIBOR. As of 31 December 2022, there are TL 823.865 Rediscount TL Loans within the long-term borrowings, which have maturity dates due between October 2024 – November 2024 and the interest rate is 10,50 percent. TL 100.330 consists of investment loans, which have maturity dates due between October 2025 – November 2026 and the interest rate is between 6.6 percent and 18,50 percent.

Banka Loans

| 31 December 2023 | | | |
|------------------|------------------------------------|-------------------|------------------|
| Currency | Weighted average interest rate (%) | Short-term | Long-term |
| Euro | 6,12% | 7.592.518 | 271.938 |
| TL | 23,78% | 5.971.258 | 857.664 |
| USD | 7,96% | 5.244.536 | -- |
| | | 18.808.312 | 1.129.602 |

| 31 December 2022 | | | |
|------------------|------------------------------------|-------------------|------------------|
| Currency | Weighted average interest rate (%) | Short-term | Long-term |
| Euro | 3,54% | 9.775.964 | -- |
| TL | 13,93% | 4.383.283 | 1.183.404 |
| USD | 7,72% | 1.929.079 | 579.144 |
| | | 16.088.326 | 1.762.548 |

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30. FINANCIAL LIABILITIES (CONTINUED)

Financial Liabilities (continued)

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

| | 31 December 2023 | 31 December 2022 |
|-------------------|---------------------|---------------------|
| Within 1 year | 18.808.312 | 16.088.326 |
| Between 1-2 years | 1.129.602 | 1.707.542 |
| Between 2-3 years | -- | 55.006 |
| | 19.937.914 | 17.850.874 |

31. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS

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 through the optimization of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings as explained Note 30, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. The Group's board of directors review capital structure regularly in the meetings. 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.

Net debt and share capital as of 31 December 2023 and 2022 is as follows:

| | 31 December 2023 | 31 December 2022 |
|---------------------------------|---------------------|---------------------|
| Total financial liabilities | 19.937.914 | 17.850.874 |
| Less: Cash and cash equivalents | (6.610.029) | (9.370.629) |
| Net debt (asset) | 13.327.885 | 8.480.245 |
| Total equity | 88.380.378 | 80.806.003 |

b) Financial Risk Factors:

It refers to the risks arising from the financial structure and financial preferences of the Group. Exchange rate, liquidity and interest rate risks are some risks under this heading. 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.

ASELSAN's Enterprise Risk Management Policy aims; to take proper actions against uncertainties that threaten the existence of the Company and to protect corporate identity and stakeholders' interest at all conditions. Risk management is an integrated element of Corporate Management. The information gathered within the scope of risk management activities in ASELSAN is integrated into decision making mechanisms. The "top-down" and "bottom-up" approach is being applied into Enterprise Risk Management activities together. Risks, which are significant enough to affect ASELSAN's achievement of its targets, are identified, evaluated, monitored and reported along with the risk responses and precautions to be taken. At ASELSAN; The Enterprise Risk Management process is regularly reviewed and improved. ASELSAN's employees and business processes are at the center of the Enterprise Risk Management System. Group's finance department identifies and evaluates financial risks and use tools to reduce risks by working in cooperation with the group's operating units.

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31. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

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. The Group management does not foresee significant credit risk. Additionally, receivables are monitored regularly to minimize the collection risk.

Carrying values of the financial assets reflect the maximum exposure to credit risk. The credit risks as of reporting date is as follows:

| | Receivables | | | | | |
|--|-------------------|-------------|-------------------|-------------|---------------|-------|
| | Trade Receivables | | Other Receivables | | Bank Deposits | Other |
| 31 December 2023 | Related party | Third party | Related party | Third party | | |
| Maximum net credit risk as of the reporting date (A+B+C+D) ²⁴ | 32.942.626 | 19.259.843 | - | 1.692.296 | 6.603.800 | 5.326 |
| -The part of maximum risk under guarantee with collateral etc. ²⁵ | - | 26.647 | - | - | - | - |
| A. Net book value of financial assets that are neither past due nor impaired | 32.942.626 | 5.690.824 | - | 1.692.295 | 6.603.800 | 5.326 |
| B. Net book value of financial assets that are past due but not impaired | - | 13.569.019 | - | - | - | - |
| C. Net book value of impaired assets | | - | - | - | - | - |
| - Overdue (gross carrying amount) | - | 52.977 | - | - | - | - |
| - Impairment (-) | - | (52.977) | -- | -- | -- | -- |
| - 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. | -- | -- | -- | -- | -- | -- |
| D. Factors that include off balance sheet credit risks | -- | -- | -- | -- | -- | -- |

²⁴ While determining the amount, components which provide increase on credit reliability, like guarantees received are not taken into consideration.

²⁵ The guarantees consist of the letters of guarantees, collaterals, checks and mortgages.

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| | Receivables | | | | Bank Deposits | Other |
|--|-------------------|-------------|-------------------|-------------|------------------|-------|
| | Trade Receivables | | Other Receivables | | | |
| 31 December 2022 | Related party | Third party | Related party | Third party | | |
| Maximum net credit risk as of the reporting date (A+B+C+D) ²⁶ | | | | | | |
| -The part of maximum risk under guarantee with collateral etc. ²⁷ | 33.851.246 | 21.944.586 | 9.194 | 1.692.296 | 9.362.141 | 7.827 |
| | -- | 41.705 | -- | -- | -- | -- |
| A. Net book value of financial assets that are neither past due nor impaired | | | | | | |
| B. Net book value of financial assets that are past due but not impaired | 33.851.246 | 20.614.256 | 9.194 | 1.692.296 | 9.362.141 | 7.827 |
| C. Net book value of impaired assets | -- | 1.330.330 | -- | -- | -- | -- |
| - Overdue (gross carrying amount) | | -- | -- | -- | -- | -- |
| - Impairment (-) | -- | 49.959 | -- | -- | -- | -- |
| - The part of net value under guarantee with collateral etc. | -- | (49.959) | | -- | -- | -- |
| - Undue (gross carrying amount) | | -- | -- | -- | -- | -- |
| - Impairment (-) | -- | -- | -- | -- | -- | -- |
| - The part of net value under guarantee with collateral etc. | -- | -- | -- | -- | -- | -- |
| D. Factors that include off balance sheet credit risks | | -- | -- | -- | -- | -- |

²⁶ In determining the amount, factors that increase credit reliability, such as collaterals received, are not taken into consideration.

²⁷ Collaterals consist of letters of guarantee, guarantee notes, checks and mortgages received from customers.

31. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

Credit Risk (continued)

The aging of the overdue receivables is as follows:

| | 31 December 2023 | 31 December 2022 |
|--------------------------|---------------------|---------------------|
| Overdue by 1-30 days | 2.842.387 | 832.573 |
| Overdue by 1-3 months | 2.637.146 | 1.055 |
| Overdue by 3-12 months | 5.490.620 | 122.045 |
| Overdue by 12 months | 2.598.866 | 374.657 |
| Total receivables | 13.569.019 | 1.330.330 |

No collateral has been received for the overdue receivables.

Management has assessed its aged receivables and does not expect any collection problem arising from its aged receivables.

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. ASELSAN eliminates the liquidity risk, which is known as the risk arising from default and inability to fund the the assets, it monitors forecasted and actual cash flows regularly and ensures the continuity of adequate funds and credit lines by matching the maturity of financial assets and liabilities. In order to manage the interest rate risk arising from changes in assets and / or liabilities as a result of fluctuations in interest rates in the future, it conducts transactions with fixed interest rates and uses financial derivative instruments when necessary.

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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. When receivables and payables are not constant, amounts are determined in accordance with interest rates generated from return rates as of the reporting date.

31. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity Risk (continued)

The maturities of the financial liabilities determined with respect to the contracts including the expected interest payments as of 31 December 2023 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 | 19.937.914 | 19.937.914 | 2.299.759 | 16.508.553 | 1.129.602 | -- |

| 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 | 14.939.582 | 15.100.858 | 14.992.041 | 33.316 | 75.501 | -- |
| Other payables | 378.688 | 378.688 | 342.042 | -- | 36.646 | -- |

31. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity Risk (continued)

The maturities of the financial liabilities determined with respect to the contracts including the expected interest payments as of 31 December 2022 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 | 17.850.874 | 17.850.874 | 6.321.708 | 9.766.618 | 1.762.548 | -- |

| Expected Maturity | Değer | 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 | 16.226.822 | 16.308.293 | 16.106.445 | 82.025 | 119.823 | -- |
| Other payables | 636.406 | 636.406 | 609.567 | -- | 26.839 | -- |

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31. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

Market risk management

The Group's activities, as detailed below, expose primarily to the financial risks from changes in foreign currency exchange rates and interest rates.

Market risk exposures are evaluated 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 compared to prior year.

Foreign currency risk management

The exchange rate risk, which is any kind of change that may occur in assets and / or liabilities as a result of exchange rate fluctuations in the future, ASELSAN aims to minimize the effect of exchange rate fluctuations by keeping the long and short foreign exchange position at a minimum level. The balance sheet methods have been used in managing the exchange rate risk. Implementations such as; making use of foreign exchange denominated loans in line with the company's export volume, matching the contract currency with the currency of the costs of the project, and signing the subcontractor contracts in line with the main contract currency are used.

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31. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

| FOREIGN EXCHANGE POSITION | | | | | | |
|--|--|----------------|---|----------------|---|---------------------|
| 31 December 2023 | TL Equivalent (Functional currency) | USD | TL equivalent by using closing rates | EURO | TL equivalent by using closing rates | Other ²⁸ |
| 1. Trade receivables | 13.897.907 | 357.159 | 10.514.116 | 103.881 | 3.383.791 | -- |
| 2a. Monetary financial assets (including cash, bank) | 2.093.365 | 53.431 | 1.572.904 | 15.509 | 505.197 | 15.264 |
| 2b. Non- monetary financial assets | 5.139.739 | 54.252 | 1.597.075 | 40.888 | 1.331.892 | 67.096 |
| 3. Other | 3.743 | 109 | 3.221 | 8 | 261 | 261 |
| 4. Current assets (1+2+3) | 21.134.754 | 464.951 | 13.687.316 | 160.286 | 5.221.141 | 82.621 |
| 5. Trade receivables | 24.487.107 | 451.020 | 13.277.221 | 344.137 | 11.209.886 | -- |
| 6a. Monetary trade receivables | -- | -- | -- | -- | -- | -- |
| 6b. Non-monetary trade receivables | 1.093.322 | 2.176 | 64.064 | 24.114 | 785.501 | 11.626 |
| 7. Other | 32.019 | 590 | 17.362 | 326 | 10.618 | 4.039 |
| 8. Long-term assets (5+6+7) | 25.612.448 | 453.786 | 13.358.647 | 368.577 | 12.006.005 | 15.665 |
| 9. Total assets (4+8) | 46.747.202 | 918.737 | 27.045.963 | 528.863 | 17.227.146 | 98.286 |
| 10. Trade payables | 6.635.480 | 111.244 | 3.280.722 | 96.208 | 3.139.513 | 215.245 |
| 11. Financial liabilities | 12.837.054 | 177.833 | 5.244.536 | 232.667 | 7.592.518 | 0 |
| 12a. Other monetary financial liabilities | 42.451 | 645 | 19.016 | 119 | 3.885 | 19.550 |
| 12b. Other non-monetary financial liabilities | 8.079.672 | 203.199 | 5.992.618 | 133.213 | 4.347.085 | 0 |
| 13. Current liabilities (10+11+12) | 27.594.657 | 492.921 | 14.536.892 | 462.207 | 15.083.001 | 234.795 |
| 14. Trade payables | -- | -- | -- | -- | -- | -- |
| 15. Financial liabilities | 271.938 | -- | -- | 8.333 | 271.938 | -- |
| 16a. Other monetary financial liabilities | 3.834 | 130 | 3.834 | -- | -- | -- |
| 16b. Other non-monetary financial liabilities | 1.689.486 | 141.717 | 4.179.419 | 75.659 | 2.468.947 | -- |
| 17. Non-current liabilities (14+15+16) | 1.965.258 | 141.847 | 4.183.253 | 83.992 | 2.740.885 | -- |

²⁸ Comprises of the currencies CAD, CHF, GBP, JPY, AUD, DKK, ZAR, AED, PHP, SAR.

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31. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

| FOREIGN EXCHANGE POSITION | | | | | | |
|---|--|---------|---|----------|---|-----------|
| 31 December 2023 | TL Equivalent (Functional currency) | USD | TL equivalent by using closing rates | EURO | TL equivalent by using closing rates | Other |
| 18. Total liabilities (13+17) | 29.559.915 | 634.768 | 18.720.145 | 546.199 | 17.823.886 | 234.795 |
| 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) | 17.187.287 | 283.969 | 8.325.818 | (17.336) | (596.740) | (136.509) |
| 21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a) | 20.687.622 | 571.758 | 16.816.133 | 126.200 | 4.091.020 | (219.531) |
| 22. Fair value of derivative financial instruments used in foreign currency hedge | -- | -- | -- | -- | -- | -- |
| 23. Hedged foreign currency assets | -- | -- | -- | -- | -- | -- |
| 24. Hedged foreign currency liabilities | -- | -- | -- | -- | -- | -- |
| 25. Exports | 6.472.160 | 127.833 | 3.213.501 | 125.518 | 3.258.659 | -- |
| 26. Imports | 16.971.783 | 347.796 | 10.238.486 | 161.502 | 5.260.741 | 1.472.556 |

Accompanying foreign exchange position which was prepared in accordance with TAS is different from the foreign exchange position of the financial statement which is prepared according to General Communiqué on Accounting System Application (GCASA). The difference is mainly due to the adjustments and classifications which are related with TFRS 15.

"For TL functional currency" calculations regarding "Other non-monetary assets" and "Other non-monetary liabilities" presented under foreign currency position, advances received are considered with regard to historic values therefore "TL equivalent of currency as at balance sheet date" differentiate.

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31. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

| FOREIGN EXCHANGE POSITION | | | | | | |
|--|--|----------------|---|----------------|---|---------------------|
| 31 December 2022 | TL Equivalent (Functional currency) | USD | TL equivalent by using closing rates | EURO | TL equivalent by using closing rates | Other ²⁹ |
| 1. Trade receivables | 15.200.195 | 356.034 | 10.969.314 | 128.804 | 4.230.881 | -- |
| 2a. Monetary financial assets (including cash, bank) | 3.062.562 | 54.010 | 1.664.037 | 41.987 | 1.379.174 | 19.351 |
| 2b. Non- monetary financial assets | 2.634.849 | 43.955 | 1.354.236 | 58.011 | 1.905.464 | 446.783 |
| 3. Other | 5.134 | 99 | 3.038 | 60 | 1.979 | 117 |
| 4. Current assets (1+2+3) | 20.902.740 | 454.098 | 13.990.625 | 228.862 | 7.517.498 | 466.251 |
| 5. Trade receivables | 23.658.323 | 457.640 | 14.099.767 | 291.000 | 9.558.556 | -- |
| 6a. Monetary trade receivables | -- | -- | -- | -- | -- | -- |
| 6b. Non-monetary trade receivables | 1.552.008 | 1.096 | 33.759 | 72.369 | 2.377.133 | 11.506 |
| 7. Other | 89.767 | 974 | 30.004 | 1.687 | 55.425 | 4.338 |
| 8. Long-term assets (5+6+7) | 25.300.098 | 459.710 | 14.163.530 | 365.056 | 11.991.114 | 15.844 |
| 9. Total assets (4+8) | 46.202.838 | 913.808 | 28.154.155 | 593.918 | 19.508.612 | 482.095 |
| 10. Trade payables | 6.170.647 | 98.333 | 3.035.063 | 88.978 | 2.927.955 | 207.629 |
| 11. Financial liabilities | 11.705.043 | 62.500 | 1.929.079 | 297.083 | 9.775.964 | -- |
| 12a. Other monetary financial liabilities | 69.728 | 1.041 | 32.137 | 1.142 | 37.591 | -- |
| 12b. Other non-monetary financial liabilities | 2.808.643 | 168.328 | 5.195.488 | 144.134 | 4.742.931 | -- |
| 13. Current liabilities (10+11+12) | 20.754.061 | 330.202 | 10.191.767 | 531.337 | 17.484.441 | 207.629 |
| 14. Trade payables | -- | -- | -- | -- | -- | -- |
| 15. Financial liabilities | 579.144 | 18.764 | 579.144 | -- | -- | -- |
| 16a. Other monetary financial liabilities | 6.871 | 155 | 4.782 | 64 | 2.089 | -- |
| 16b. Other non-monetary financial liabilities | 4.315.016 | 190.131 | 5.868.444 | 67.091 | 2.207.740 | -- |
| 17. Non-current liabilities (14+15+16) | 4.901.031 | 209.050 | 6.452.370 | 67.155 | 2.209.829 | -- |

²⁹ Comprises of the currencies CAD, CHF, GBP, JPY, AUD, DKK, ZAR, AED, PHP, SAR.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A. Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

31. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

| FOREIGN EXCHANGE POSITION | | | | | | |
|---|--|---------|---|---------|---|-----------|
| 31 December 2022 | TL Equivalent (Functional currency) | USD | TL equivalent by using closing rates | EURO | TL equivalent by using closing rates | Other |
| 18. Total liabilities (13+17) | 25.655.092 | 539.252 | 16.644.137 | 598.492 | 19.694.270 | 207.629 |
| 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) | 20.547.746 | 374.556 | 11.510.018 | (4.574) | -185.658 | 274.466 |
| 21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a) | 23.389.647 | 686.891 | 21.152.913 | 74.524 | 2.425.012 | (188.278) |
| 22. Fair value of derivative financial instruments used in foreign currency hedge | -- | -- | -- | -- | -- | -- |
| 23. Hedged foreign currency assets | -- | -- | -- | -- | -- | -- |
| 24. Hedged foreign currency liabilities | -- | -- | -- | -- | -- | -- |
| 25. Exports | 10.226.632 | 212.754 | 5.949.853 | 183.642 | 4.276.779 | -- |
| 26. Imports | 13.303.661 | 297.823 | 9.175.851 | 125.639 | 4.126.889 | 921 |

Accompanying foreign exchange position which was prepared in accordance with TAS is different from the foreign exchange position of the financial statement which is prepared according to General Communiqué on Accounting System Application (GCASA). The difference is mainly due to the adjustments and classifications which are related with TFRS 15.

"For TL functional currency" calculations regarding "Other non-monetary assets" and "Other non-monetary liabilities" presented under foreign currency position, advances received are considered with regard to historic values therefore "TL equivalent of currency as at balance sheet date" differentiate.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

31. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

Foreign currency sensitivity

The Group is exposed to foreign currency risk with respect to USD and EURO.

The following table details the Group's sensitivity to a 10 percent increase and decrease in foreign exchange rates. 10 percent 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 present 10 percent change in foreign currency rates. This analysis does not include Group companies' balance sheet items which have functional currency other than TL. The effects of 10 percent changes in foreign currency rate on financial statements is as follows;

| Foreign currency sensitivity table | | | | |
|---|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| 31 December 2023 | | | | |
| | Profit/Loss | | Equity ³⁰ | |
| | Appreciation of foreign currency | Depreciation of foreign currency | Appreciation of foreign currency | Depreciation of foreign currency |
| Change of USD against TL by 10%: | | | | |
| 1- USD denominated net assets/(liabilities) | 1.681.613 | (1.681.613) | 1.681.613 | (1.681.613) |
| 2- Hedged amount against USD risk (-) | -- | -- | -- | -- |
| 3- Net effect of USD (1+2) | 1.681.613 | (1.681.613) | 1.681.613 | (1.681.613) |
| Change of EURO against TL by 10%: | | | | |
| 4- EURO denominated net assets/(liabilities) | 409.102 | (409.102) | 409.102 | (409.102) |
| 5- Hedged amount against EURO risk (-) | -- | -- | -- | -- |
| 6- Net effect of EURO (4+5) | 409.102 | (409.102) | 409.102 | (409.102) |
| Change of other currencies against TL by 10%: | | | | |
| 7- Other currencies denominated net assets/ (liabilities) | (21.953) | 21.953 | (21.953) | 21.953 |
| 8- Hedged amount against other currencies risk (-) | -- | -- | -- | -- |
| 9- Net effect of other currencies (7+8) | (21.953) | 21.953 | (21.953) | 21.953 |

³⁰ Comprises of profit/loss effect.

Foreign currency sensitivity table

| 31 December 2023 | | | | |
|---|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | Profit/Loss | | Equity ³⁰ | |
| | Appreciation of foreign currency | Depreciation of foreign currency | Appreciation of foreign currency | Depreciation of foreign currency |
| Change of USD against TL by 10%: | | | | |
| 1- USD denominated net assets/(liabilities) | 1.283.762 | 1.283.762 | 1.283.762 | 1.283.762 |
| 2- Hedged amount against USD risk (-) | -- | -- | -- | -- |
| 3- Net effect of USD (1+2) | 1.283.762 | 1.283.762 | 1.283.762 | (1.283.762) |
| Change of EURO against TL by 10%: | | | | |
| 4- EURO denominated net assets/(liabilities) | 147.173 | 147.173 | 147.173 | 147.173 |
| 5- Hedged amount against EURO risk (-) | -- | -- | -- | -- |
| 6- Net effect of EURO (4+5) | 147.173 | 147.173 | 147.173 | 147.173 |
| Change of other currencies against TL by 10%: | | | | |
| 7- Other currencies denominated net assets/ (liabilities) | (11.426) | (11.426) | (11.426) | (11.426) |
| 8- Hedged amount against other currencies risk (-) | -- | -- | -- | -- |
| 9- Net effect of other currencies (7+8) | (11.426) | (11.426) | (11.426) | (11.426) |

Interest rate risk management

As of 31 December 2023 and 31 December 2022, 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 2023, the Group does not have interest bearing financial assets, therefore there is no exposure to interest risk (31 December 2022: None).

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A. Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

Price risk

The Group usually enters into fixed price contracts, therefore, is not exposed to any major price risk.

Hierarchy of fair value

As of 31 December 2023 and 31 December 2022, the Group's financial assets at their fair values are as in the following page:

32. FINANCIAL INSTRUMENTS FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING

| 31 December 2023 | Financial assets at fair value P/L | Financial assets at amortized cost | Financial assets at fair value through OCI | Financial liabilities at amortized cost | Carrying value | Note |
|------------------------------|------------------------------------|------------------------------------|--|---|----------------|------|
| Financial assets | | | | | | |
| Cash and cash equivalents | | 6.610.029 | | | 6.610.029 | 3 |
| Financial investments | 76.944 | | 5.841.844 | | 5.918.788 | 29 |
| Equity accounted investments | 859.834 | | | | 859.834 | 8 |
| Trade receivables | | 52.202.469 | | | 52.202.469 | 6 |
| Financial liabilities | | | | | | |
| Borrowings | | | | 19.937.914 | 19.937.914 | 30 |
| Trade payables | | | | 14.939.582 | 14.939.582 | 6 |
| Other payables | | | | 378.688 | 378.688 | 7 |

| 31 December 2022 | Financial assets at fair value P/L | Financial assets at amortized cost | Financial assets at fair value through OCI | Financial liabilities at amortized cost | Carrying value | Note |
|------------------------------|------------------------------------|------------------------------------|--|---|----------------|------|
| Financial assets | | | | | | |
| Cash and cash equivalents | | 9.370.629 | | | 9.370.629 | 3 |
| Financial investments | 54.948 | | 7.017.691 | | 7.072.640 | 29 |
| Equity accounted investments | 1.352.414 | | | | 1.352.414 | 8 |
| Trade receivables | | 55.795.832 | | | 55.795.832 | 6 |
| Financial liabilities | | | | | | |
| Borrowings | | | | 117.850.874 | 19.937.914 | 30 |
| Trade payables | | | | 16.226.822 | 14.939.582 | 6 |
| Other payables | | | | 636.406 | 378.688 | 7 |

The Group's management assesses that the carrying value reflects the fair value of financial instruments. Related financial assets are presented at cost after deducting impairment allowance if any.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

32. FINANCIAL INSTRUMENTS FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING (CONTINUED)

The fair values of financial assets and financial liabilities are determined as follows:

- Level 1: The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- Level 2: The fair value of other financial assets and financial liabilities are determined in accordance with data which can be observed by directly or indirectly and which excludes the registered prices described in Level 1 ; and
- Level 3: The fair value of the financial assets and financial liabilities are determined where there is no observable market data.

Fair value hierarchy of financial assets that are measured at fair value:

ROKETSAN has presented under Group's financial assets that fair value reflect in other comprehensive income as of 31 December 2023. The fair value of ROKETSAN as of 31 December 2023 is TL 5.841.844 and was determined according to "Discounted Cash Flow", "Similar Company Comparison" and "Realized Company Mergers and Acquisitions" methodologies and its fair value hierarchy is Level 3.

Reconciliation of the Group's assets and liabilities that are measured at Level 3 fair value are presented as follow:

| Available for sale financial assets | | | |
|---|-----------------------------|-----------------------------|--|
| | 31 December 2023 | 31 December 2022 | |
| | Marketable Equity Shares | Marketable Equity Shares | |
| Opening balance | 7.017.691 | 5.809.849 | |
| Total gain/loss | | | |
| - transferred to other comprehensive income | (1.156.642) | 1.141.423 | |
| - impairment | (19.205) | -- | |
| Capital increase | -- | 66.415 | |
| Closing balance | 5.841.844 | 7.017.691 | |

| 31 December 2023 | | | |
|-----------------------|---------------------------------------|---------|------------------|
| | Fair value level as of reporting date | | |
| | Level 1 | Level 2 | Level 3 |
| | TL | TL | TL |
| Financial Investments | -- | -- | 5.841.844 |
| | | | 5.841.844 |

| 31 December 2022 | | | |
|-----------------------|---------------------------------------|---------|------------------|
| | Fair value level as of reporting date | | |
| | Level 1 | Level 2 | Level 3 |
| | TL | TL | TL |
| Financial Investments | -- | -- | 7.017.691 |
| | | | 7.017.691 |

| | Fair value level as of reporting date | | |
|-------------------------|---------------------------------------|---------|------------------|
| | Level 1 | Level 2 | Level 3 |
| | TL | TL | TL |
| 1 January 2022 | -- | -- | 7.017.691 |
| Additions | | | (1.175.847) |
| 31 December 2022 | | | 5.841.844 |

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A. Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

33. EXPLANATIONS RELATED TO THE STATEMENT OF CASH FLOW

Finansman faaliyetlerinden kaynaklanan nakit akışları ile yükümlülüklerdeki hareketlerin mutabakatı

| | 31 December 2022 | Cash Movements | Non-cash movements | | | 31 December 2023 |
|--|---------------------|-------------------|--------------------|-------------------------|--------------------|---------------------|
| | | | Additions | Exchange rate change | Other | |
| Financial Liabilities (Note 30) | 17.850.874 | 8.462.569 | 641.724 | -- | (7.017.253) | 19.937.914 |
| Total liabilities arising from financing activities | 17.850.874 | 8.462.569 | 641.724 | -- | (7.017.253) | 19.937.914 |

The table above represents the changes in the cash amounts related to "Proceeds from Borrowings" and "Repayments from Borrowings" which are presented under cash flows from financing activities.

34. FEES FOR SERVICES RENDERED FROM INDEPENDENT AUDIT FIRMS

For the period ended on 31 December 2023, fee for independent audit is TL 495 of the Group (31 December 2022: TL 392).

For the period ended on 31 December 2023, there is no different services rendered from the independent audit firms except fee for independent audit of the Group.

35. EVENTS AFTER THE REPORTING PERIOD

After the reporting period, the Group have signed contracts amounting to USD 867 Million.

INDEPENDENT AUDITOR'S REPORT



A) AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Aselsan Elektronik Sanayi ve Ticaret Anonim Şirketi ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

Basis for Opinion

We conducted our audit in accordance with the Standards on Independent Auditing ("SIA") which is a part of Turkish Auditing Standards accepted by regulations of the Capital Markets Board and published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Independent Auditors ("Code of Ethics") published by the POA, together with the ethical requirements included in the regulations of the Capital Markets Board and other regulations that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis Of Matter

Within the scope of the "Announcement on Inflation Adjustment of Financial Statements of Companies Subject to Independent Audit" dated November 23, 2023 published by POA, consolidated financial statements as of December 31, 2023 are subject to inflation adjustment in accordance with TAS 29 "Financial Reporting in Hyperinflationary Economies". In this context, we draw attention to note 2.1, which includes explanations regarding the transition to inflation accounting. This issue does not affect our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters

Revenue – Accounting of Revenue Recognised Over Time

An important part of Group's revenue is generated from construction contracts which are recognised over time. Revenue recognised over time is mainly due to contracts made with the Presidency of Defense Industry. The Group recognises revenue over-time if any of the following conditions is met:

- The customer simultaneously receives and consumes the benefits as the entity performs
- The customer controls the asset as the entity creates or enhances it,
- Group's performance does not create an asset for which the entity has an use; and alternative there is a right to payment for performance to date

Due to the fact that over-time revenue is one of the Group's core business volume and size indicators, implementation of related accounting standards is complex and includes management estimates and judgements, this issue has been considered to be a key audit matter.

Accounting policies and amounts of the revenue detailed in Note 2.5 and Note 20 respectively.

How the Matter is Handled

Our audit procedures included, in addition to others, the following;

Controlling the terms of the contract in accordance with the criteria of over time accounting

Cross-check of the amounts subject to revenue calculation with contracts,

Controlling monthly changes of variables that directly affect revenue such as profitability on project basis,

Analytical review of the accuracy of expected loss provision,

Performing control tests and test of details for contract cost,

Questioning the annual changes of over-time revenue and related costs.

INDEPENDENT AUDITOR'S REPORT



Key Audit Matters

Capitalization of Development Cost

The Group capitalizes development costs which are related with development activities and approved by the management.

Capitalized development costs amount to a net book value of TRL 11.653.394 thousand as 31 December 2023 in the accompanying consolidated financial statements.

Capitalized development costs on the consolidated financial statements as of 31 December 2023 is significant for our audit due to variety of nature of costs, management judgments involved in the capitalization process and projects contract costs.

Explanations about intangible assets including the capitalized development costs have been disclosed in Note 12.

How the Matter is Handled

Our audit procedures included, amongst others, the following ;

Examinations of nature of capitalized development costs related to each project,

Examinations of the suitability of management assessments for projects at development phase

Performing test of details for development costs,

Assessment of Group's management approval process,

Additionally, inquiries have been performed with project engineers and executives involved in research and development activities in related division of the Group

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

In independent audit, the responsibilities of us as independent auditors are as follows:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.).

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of

INDEPENDENT AUDITOR'S REPORT



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about

the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Reports on Independent Auditor's Responsibilities Arising from Other Regulatory Requirements

1) Pursuant to Article 398 of the Turkish Commercial Code ("TCC") no. 6102, the auditor's report on early detection of risk system and the authorized committee is submitted to the Company's Board of Directors on 26 March 2024.

2) Pursuant to subparagraph 4, Article 402 of "TCC", no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – 31 December 2023 is not in compliance with the code and provisions of the Parent Company's articles of association in relation to financial reporting.

3) Pursuant to subparagraph 4, Article 402 of "TCC", the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

Yılmaz Güney is the auditor responsible for conducting and finalizing this independent audit.

Yeditepe Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.
(Associate Member of Praxity AISBL)

Yılmaz Güney
Partner
İstanbul, 26 March 2024

REPORT OF THE BOARD OF DIRECTORS

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Vision

To be a reliable, competitively preferred, environment-friendly and human conscious technology firm which preserves its sustainable growth in the global market via the values created for stakeholders, as well as serving its establishment purposes.

Mission

By focusing primarily on the needs of the Turkish Armed Forces; to provide high-value-added, innovative and reliable products and solutions to both local and foreign customers in the fields of electronic technologies and system integration; continuing activities in line with global targets as well as increasing brand awareness and contributing to the technological independence of Türkiye.

1- Principles of Preparation

The annual report of the Board of Directors is prepared on the basis of Communiqué Series II, No: 14.1 "Principles of Financial Reporting in Capital Markets" dated 13 June 2013. The report comprises the events took place during the period 1 January – 31 December 2023. The title of the main shareholder in the report is ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and will be referred as "the Company" in the accompanying notes.

The Company's consolidated subsidiaries are ASELSAN Baku ("ASELSAN Baku"), Mikroelektronik Ar-Ge Tasarım ve Ticaret Ltd. Co. ("Mikro AR-GE"), ASELSANNET Elektronik ve Haberleşme Sistemleri Sanayi Ticaret İnşaat ve Taahhüt Ltd. Co. ("ASELSANNET"), ASELSAN Malaysia Sdn. Bhd. ("ASELSAN Malaysia"), Aselsan Konya Silah Sistemleri Anonim Şirketi ("ASELSAN KONYA"), BİTES Savunma Havacılık ve Uzay Teknolojileri Yazılım A.Ş. ("BİTES"), Aselsan Global Dış Ticaret ve Pazarlama A.Ş. ("ASELSAN GLOBAL"), Aselsan Sivas Hassas Optik San. Tic. A.Ş. ("ASELSAN Optik"), ASELSAN UKRAINE LLC. ("ASELSAN Ukraine") and ULAK Haberleşme A.Ş. ("ULAK").

Five branch offices; Aselsan Elektronik Sanayi ve Ticaret Anonim Şirketi EP Co. ("ASELSAN South Africa"), ASELSAN Balkans ("ASELSAN Balkans") and ASELSAN Kıbrıs İleri Teknolojiler Araştırma Merkezi ("ASELSAN N.Cyprus") and ASELSAN Elektronik Sanayi ve Ticaret A.Ş. Katar ("ASELSAN Qatar") and ASELSAN Elektronik Sanayi ve Ticaret A.Ş. Poland ("ASELSAN Poland") located in Republic of South Africa, Macedonia, Turkish Republic of Northern Cyprus ("TRNC"), Qatar and Poland respectively. The branches are also included in the consolidated financial statements.

REPORT OF THE BOARD OF DIRECTORS

2- Company Information and Organizational Structure

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

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

The Company has been organized under five divisions with regard to production and engineering requirements of projects. These divisions comprise Communication and Information Technologies Vice Presidency ("HBT"), Microelectronics, Guidance & Electro-Optics Vice Presidency ("MGEO"), Defence Systems Technologies Vice Presidency ("SST"), Radar and Electronic Warfare Systems Vice Presidency ("REHIS"), and Transportation, Security, Energy, Automation and Medical Systems Vice Presidency ("UGES").

In addition to the Vice Presidencies above, the Company organization also includes six Vice Presidencies to fulfil the planning, monitoring and analyzing functions: Financial Management Vice Presidency, Corporate Management Vice Presidency, Technology and Strategy Management Vice Presidency, Business Development and Marketing Vice Presidency and Supply Chain Management Vice Presidency. In addition to these, there are also Legal Affairs and Office of the Private Secretary.

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

The Company maintains production and engineering operations in Ankara, Macunköy, Akyurt and Gölbaşı campuses and engineering operations in METU Teknokent, Hacettepe Teknokent, Teknopark İstanbul, Gebze Technology Development Zone and Başkent Organize Sanayi Bölgesi. Headquarters is located in Ankara Macunköy.

The Company's international, nation-wide and sectoral rankings are summarized in the table below:

| Institution | Research / Study | Related Period | Ranking | |
|-------------------------------------|------------------------------------|----------------|------------|------------|
| | | | Current | Prior |
| Defense News | Defense News Top 100 | 2023 | 47 | 49 |
| İstanbul Sanayi Odası | ICI 500 Top Industrial Enterprises | 2023 | 20 | 17 |
| Fortune Dergisi | Top 500 Companies | 2023 | 40 | 31 |
| BIST (Borsa İstanbul) | Sustainability Index | 2023 | No Ranking | No Ranking |
| | Corporate Management Index | | No Ranking | No Ranking |
| | BIST Top 30 Index | | No Ranking | No Ranking |
| | BIST Top 100 Market Value Ranking | | 7 | 9 |
| TİM (Türkiye İhracatçıları Meclisi) | Top 1000 Exporters | 2023 | 122 | 366 |

| Kurum | Research / Study | Related Period | Ranking | |
|------------------------|---|----------------|------------|-------|
| | | | Current | Prior |
| Turkish Time Dergisi | "Research and Development Expenditures Türkiye Top 100" | 2023 | 2 | 1 |
| Brand Finance | Most Valuable Brands Top 100 | 2023 | 27 | 20 |
| Bloomberg Businessweek | "Top 50 Firms (Universities)" | 2023 | 5 | 3 |
| Universum | "Ideal Employers (Engineering and IT) 100 Companies" | 2022 | 1 | 1 |
| Deloitte | "Technology Fast 50 Big Star Category" | 2022 | No Ranking | |

REPORT OF THE BOARD OF DIRECTORS

Commercial title and trade registration number of the company and contact information pertaining to its headquarters, branches and its website addresses are shown below:

| Company | Type | Country / City | Address | Telephone / Fax | Web Site |
|---|---------------|------------------------------------|--|---|-----------------|
| "ASELSAN Elektronik Sanayi ve Ticaret A.Ş." | Head Quarters | Türkiye Ankara | Mehmet Akif Ersoy Mahallesi İstiklal Marşı Caddesi No:16 06200 Yenimahalle/Ankara Ticaret Sicil No: 31177 | Tel: +90 (312) 592 6000 Faks: +90 (312) 354 1302 | www.aselsan.com |
| ASELSAN South Africa | Branch | "Rep. Of South Africa Pretoria" | Summit Place Office Park Building 2, First Floor 221 Garsfontein Road Menlyn, Pretoria, 0181 | Tel: +27 (0) 12 349 2613 Faks: +27 (0) 12 349 2544 | -- |
| ASELSAN Balkans | Branch | "Macedonia Skopje" | Ankarska 29A, Üsküp | -- | -- |
| "ASELSAN Cyprus Advanced Tech. Research Center" | Branch | "TRNC Güzelyurt" | Orta Doğu Teknik Üniversitesi Kuzey Kıbrıs Kampüsü ODTÜ KALTEV AR-GE Binası No: E-19 99738 Kalkanlı/Güzelyurt | -- | -- |
| ASELSAN Qatar | Branch | "Qatar Doha" | Qatar Science & Technology Park Free Zone, Street No: 2322, Zone No: 51, Unit No: 107, Building No:153, Building Name: Tech1 | Tel: + 974 444 11 975 | -- |
| ASELSAN Poland Branch | Branch | "Poland Warszawa" | Skylight Building, 5th Floor, Złota 59, 00-120 Warszawa Riyadh Business Gate, Building: Zone D-3, GF, Unit 1 | -- | -- |
| ASELSAN Saudi Arabia Office | Office | "Suudi Arabia Riyad" | Serena Business Complex 3rd Level, Office No:3 Sector | -- | -- |
| ASELSAN Pakistan Office | Office | "Pakistan İslamabad" | G-5/1 Ramna Suhrwardy İslamabad Office No. 04 30th Floor- Tamouh Tower, Building 12 - Marina | -- | -- |
| ASELSAN Technologies (BAE) | Office | "BAE Abu Dhabi" | Square - Al Reem Island. Abu Dhabi | -- | -- |
| ASELSAN Latin America SpA | Office | "Chile Santiago" | Don Carlos 2939, Oficina 803, Las Condes, Región Metropolitana, Santiago de Chile | -- | -- |

REPORT OF THE BOARD OF DIRECTORS

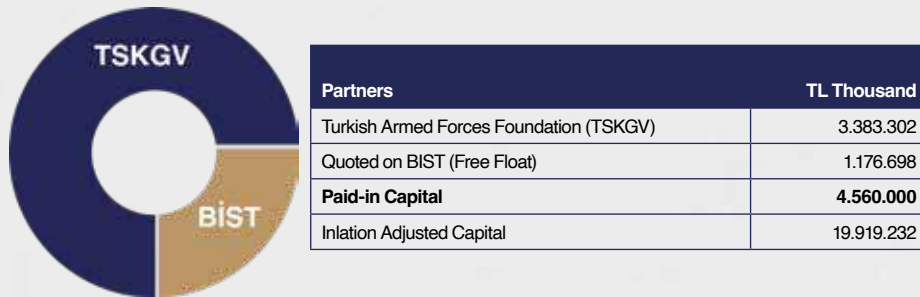
3- The Company's Shareholder Structure

Registered capital ceiling of the Company is TL 10.000.000.000 (TL ten billion). The nominal capital of the Company is TL 4.560.000.000 (TL four billion five hundred sixty million) and is divided into 4.560.000.000 (TL four billion five hundred sixty million) shares, each having a nominal value of 1 TL.

2.421.818.182 (two billion four hundred twenty one million eight hundred eighteen thousand one hundred eighty two) of the shares are Group A shares and 2.138.181.818 (two billion one hundred thirty eight million one hundred eighty one thousand eight hundred eighteen) of the shares are Group B Shares. All shares are in the name of the holder.

Group A shares are nominative preferred shares and 6 of the Members of the Board of Directors are elected among the Group A preferred shareholders or among the candidates presented by them.

Share distribution table of the Shareholders is presented below:



a) Members of the Board of Directors and Senior Executives

Within the framework of the provisions of the Company's Articles of Association, the Board of Directors consists of total 9 members comprising of 6 members to be elected from preferred shareholders or candidates nominated by group A and 3 independent members to be elected under Capital Markets Board (CMB) regulations. Information regarding the Members of the Board of Directors and Senior Executives as of publishing date of the report are as follows:

| Members Of The Board Of Directors And Senior Executives | | | | |
|---|----------------------|--|--|--------------------------|
| List No | Name and Surname | Positions | In Other Company's | Date of First Assignment |
| 1. | Ercüment ARVAS | Chairman of the Board | Member Of The Board Of Directors of Kardemir Sanayi Ve Ticaret A.Ş., Vice Chairman of The Board of Directors of Karçel A.Ş. | 22 September 2023 |
| 2. | Alpaslan KAVAKLIOĞLU | Deputy Chairman of the Board | Deputy Minister of Ministry of Defense, Member of The Board of Directors of Turkish Parliamentarians Union, Chairman of The Board of Directors of Asfat | 26 April 2019 |
| 3. | İsmail ARI | Member | Ozyegin University Faculty Member, Member of The Board of Directors of Tübitak Sage, Member of The Board of Directors of University – Industry Collaboration Centers Platform of Türkiye | 22 September 2023 |
| 4. | Bekir BAYRAKDAR | Member | Commissioner of Revenue Administration | 22 September 2023 |
| 5. | Yavuz ÇELİK | Member / Managing Member | -- | 19 June 2020 |
| 6. | Sahil KUL | Member | -- | 26 April 2019 |
| 7. | Mustafa Murat ŞEKER | Member / Managing Member | Vice President At Presidency of Defence Industries, Vice Chairman of Ankara Aerospace Industry Zone, Vice Chairman of The Board of Directors of SSTEK A.Ş. | 26 June 2021 |
| 8. | Ebru TÜMER | Member | Professor in Gebze Technical University | 22 September 2023 |
| 9. | Ahmet YOZGATLILIL | Member | Deputy Minister of Ministry of Industry And Technology, Member of The Board of Directors of Bilgim Vadisi, Member of The Board of Directors of Saha Istanbul, Member of The Board of Directors of Izmir Biomedicine And Genome Center | 22 September 2023 |
| 10. | Ahmet AKYOL | President and CEO | Member of The Board of Directors of TÜBİTAK Sage, Member of NATO Science And Technology Organization Set Panel, Member of The Board of Directors of BARQ, Vice Chairman of The Board of Directors of IGG-Aselsan Integrated Systems LLC., Member of The Board of Directors of SASAD, Member of The Board of Directors of Saha Istanbul, Chairman of TOBB (The Union of Chambers And Commodity Exchanges of Türkiye) Defense Industry Council, Member of The Board of Turkish Defence And Aerospace Industry/Exporters' Database, Member of The Board of Directors Istanbul Finans Ve Teknoloji Üssü A.Ş. | 1 July 2022 |
| 11. | Yunus POYRAZ | Vice President (Financial Management) | -- | 6 March 2023 |
| 12. | Mehmet ARTAR | Vice President (Corporate Management) | -- | 18 July 2023 |
| 13. | Nuh YILMAZ | Vice President (Supply Chain Management) | Vice Chairman of The Board of Dasal Havacılık Teknolojileri A.Ş., Chairman of The Board of The Directors of Aselsan Konya Silah Sistemleri A.Ş., Member of The Board of Bites Savunma Havacılık ve Uzay Teknolojileri Yazılım Elektronik Ticaret A.Ş. | 1 April 2021 |

REPORT OF THE BOARD OF DIRECTORS

| Members Of The Board Of Directors And Senior Executives | | | | |
|---|-------------------|---|---|--------------------------|
| List No | Name and Surname | Positions | In Other Company's | Date of First Assignment |
| 14. | Taha YÜCEL | Vice President (Technology & Strategy Management) | Chairman of The Board of Information Security Association, Member of The Board of Directors of ÜRTEMM, Member of The Board of Directors of Teknolab | 1 July 2022 |
| 15. | Özgür Taylan SARI | Vice President (Business Development and Marketing) | Chairman of The Board of The Directors of Aselsan Qatar | 17 August 2023 |
| 16. | Mustafa YAMAN | Vice President and President Business Sector (HBT Sector President) | Member of The Board of Directors of Ulak A.Ş., Chairman of The Board of Managers of Aselsanet, Chairman of The Board of The Directors of Communication Technologies Cluster, Chairman of The Board of The Directors of Aselsan Bakü | 1 July 2022 |
| 17. | Murat KARATAŞ* | Vice President and President Business Sector (MGEO Sector President) | Member of The Board of Directors of Aselsan Middle East | 22 January 2024 |
| 18. | M. Mustafa AKKUL | Vice President and President Business Sector (REHIS Sector President) | Chairman of The Board of Directors of Aselsan Bilkent Mikronano A.Ş., Chairman of The Board of Managers of Mikroelektronik Araştırma-Geliştirme Tasarım ve Tic. Ltd. Şti., Member of The Board of Directors of Tüyar | 1 July 2022 |
| 19. | Zekeriyya ŞAHİN* | Vice President and President Business Sector (SST Sector President) | Member of The Board of Directors of IGG-Aselsan Integrated Systems LLC, Chairman of The Board of Directors of Bites Savunma Havacılık ve Uzay Teknolojileri Yazılım Elektronik A.Ş., Member of The Board of Directors of Kazakhstan Aselsan Engineering | 22 January 2024 |
| 20. | Mehmet ÇELİK | Vice President and President Business Sector (UGES Sector President) | Member of The Presidency's Council of Science, Technology And Innovation Policies, Principle Member of Turkish Academy of Sciences, Member of The Board of Managers of Aselsanet, Chairman of The Board of Directors of Aselsan Sivas Hassas Optik A.Ş., Teaching Professor in KTO Karatay University Mechanical Engineering Department | 1 July 2022 |
| 21. | Mürsel Ali KAPLAN | President of Internal Audit | -- | 6 March 2023 |

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

Entitled shareholders, members of the board of directors, senior executives and to their spouses as well as relatives up to second degree are not authorized to perform transactions, which may cause conflict of interest or competition with the Company and/or subsidiaries. There is not any ban on trading for board members with the Company, which they performed on their own or on behalf of a third party. There is no operation regarding the non-compete obligation by the members of the board.

The controls are carried out by the Internal Audit Presidency ("IAP") and Audit Committee within the parent company in order to minimize the substantial error risk on the financial statements of the Group. IAP and Audit Committee carry out their duties independent from each other but within the guidance of common objectives and targets, with the aim of observing 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.

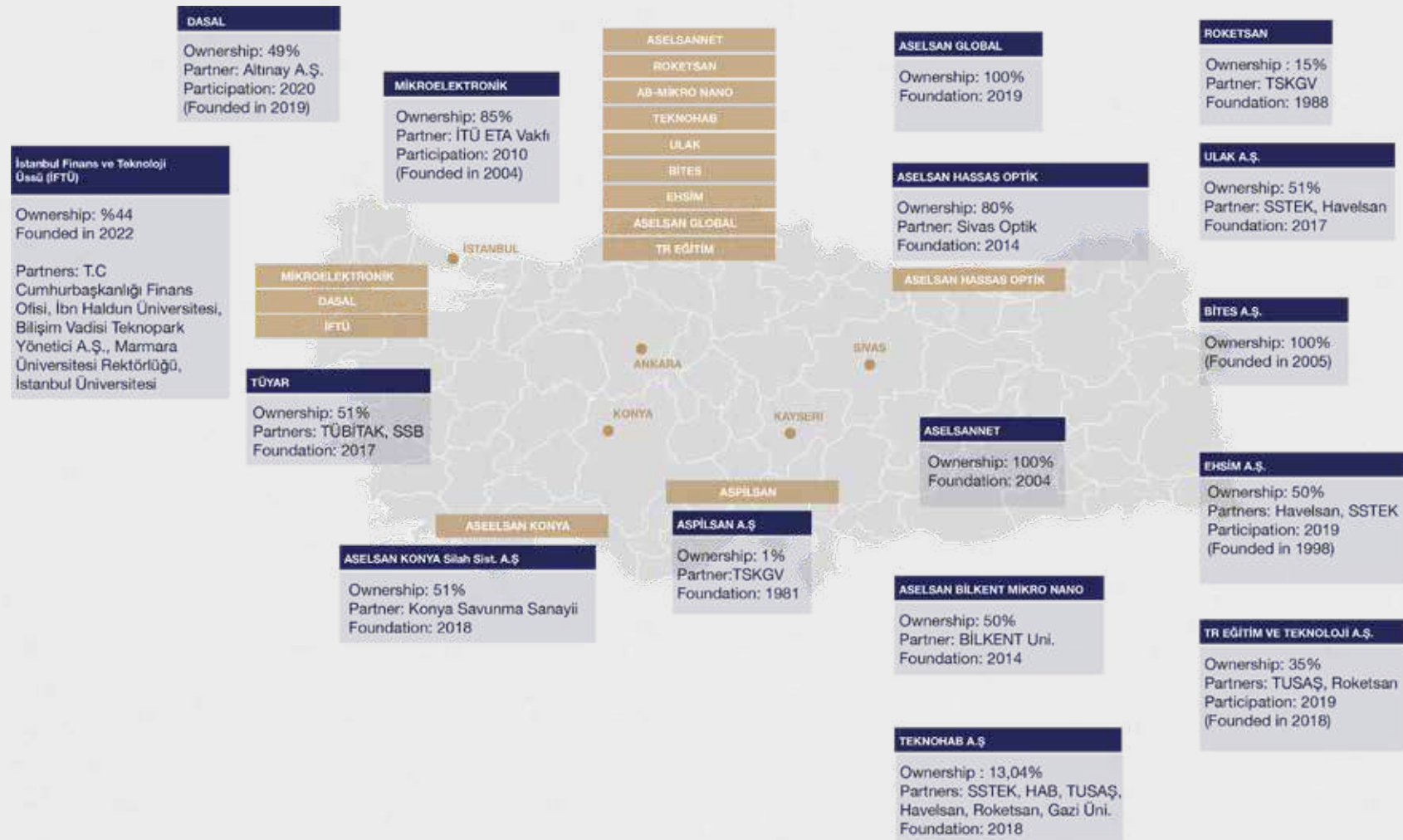
Total Amount of the Financial Benefits Given to Senior Executives:

The total amount of the remuneration and similar benefits paid to the senior executives by the Company as for the period that ended on 31 December 2023 is approximately TL 209.083 Thousand (Of the amount paid, salary and benefit payments comprise the most).

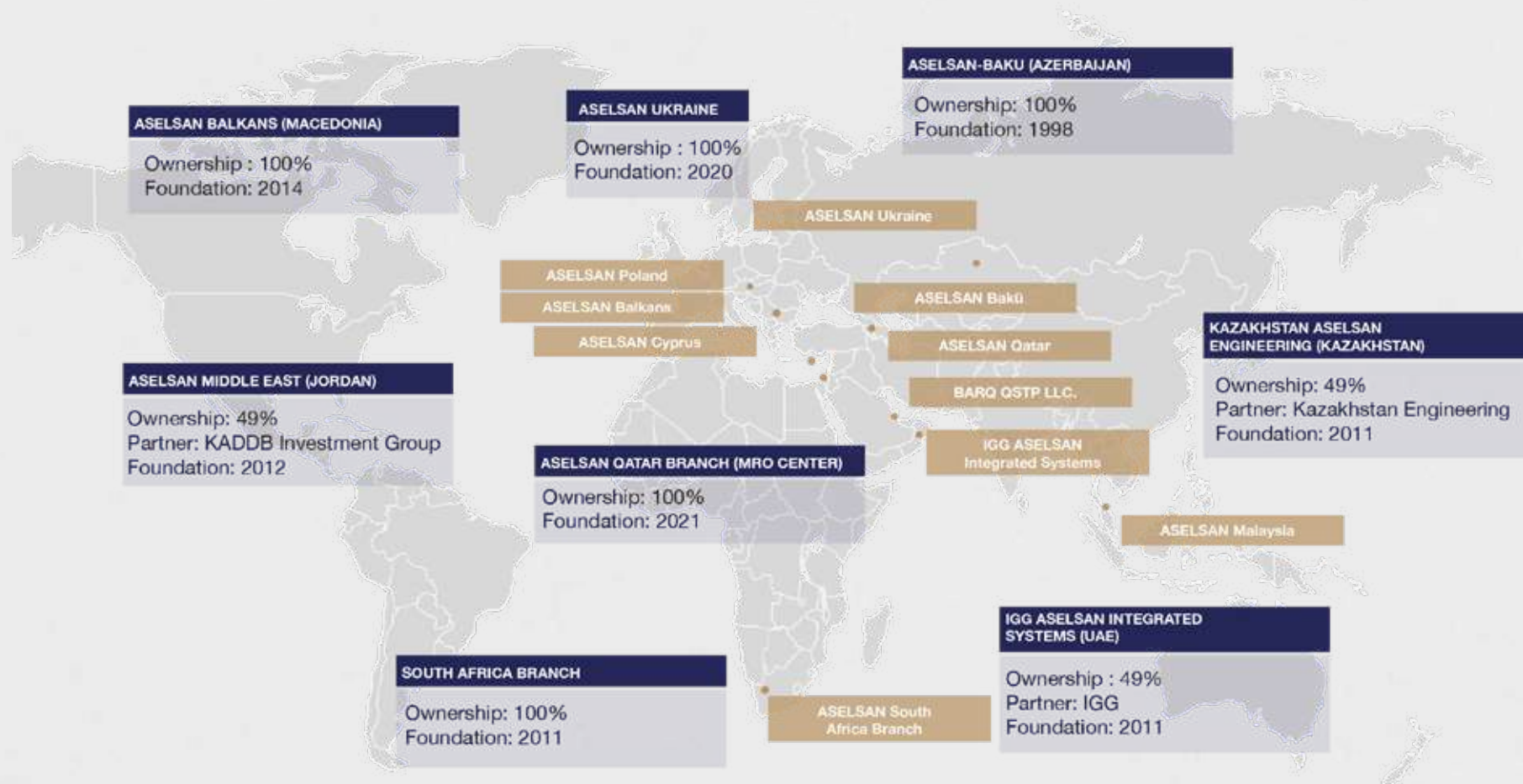
b) Information on Business Partnerships, Associates, Subsidiaries, Joint Ventures and Branches

The Company's consolidated subsidiaries and branches are as follows:

*As per our Board of Director's resolution as on 19th January 2024; Murat KARATAŞ was appointed as Vice President of Microelectronics, Guidance and Electro-Optics (MGEO) Sector, Zekeriyya ŞAHİN was appointed as Vice President of Defense Systems Technologies (SST) Sector.



REPORT OF THE BOARD OF DIRECTORS



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Both our subsidiaries and joint ventures subject to consolidation fulfill their obligations regarding the tax legislation of the countries in which they operate and submit their audited financial statements and declarations regarding their tax assets/liabilities to the relevant authorities.

There is no cross-ownership relation between the companies subject to full consolidation (ASELSANNET, ASELSAN Bakü, ASELSAN Optik, ASELSAN GLOBAL, Mikro Ar-GE, ASELSAN Malaysia, ASELSAN Konya, BİTES, ASELSAN Ukraine and ULAK) and equity pick-up consolidation method (ASELSAN Bilkent, IGG ASELSAN, ASELSAN Kazakhstan, ASELSAN Jordan, TÜYAR, BARQ QSTP LLC, TEKNOHAB, EHSİM, TR EĞİTİM, DASAL, İFTÜ) and the Company.

4- Main Factors That Affect the Performance, Investment and Dividend Policy of the Company

The Company carries on its business operations mainly in defense industry as well as in non-defense industry. According to the latest data, world defense expenditures has increased by 3,7 % reaching USD 2,2 Trillion and the ratio of total expenditures to total GDPs has realized as 2,2%.

The summary table on the right side gives information about the top five countries, which accounted for 63% of the total defense expenditure in 2022 and Türkiye.

| Rank | Country | Expenditure (m USD) | 2022-2021 %Δ | Expend./ GSYH% | Share in the World% |
|------|--------------|------------------------|-----------------|-------------------|------------------------|
| | World | 2.240 | 3,7 | 2,2 | 100 |
| 1 | ABD | 877 | 0,7 | 3,5 | 39,0 |
| 2 | China | 292 | 4,2 | 1,6 | 13,0 |
| 3 | Russia | 86 | 9,2 | 4,1 | 3,9 |
| 4 | India | 81 | 6,0 | 2,4 | 3,6 |
| 5 | Saudi Arabia | 75 | 16,0 | 7,4 | 3,3 |
| 23 | Turkey | 11 | -26,0 | 1,2 | 0,5 |

As of 2022, Türkiye's annual defense expenditures decreased by 26% to USD 11 Billion and ranks 23th in the world. The ratio of defense spending to GDP is 1,2%.

Due to the industry's nature, defense projects spread over years, furthermore a system project lasts approximately 4 to 5 years from its start to its delivery. As of 31 December 2023, The Group's long-term plans which have been accordingly signed as contracts spread over years amounts to USD 10,9 Billion.

The determination of target regions/countries and focusing on these markets for marketing and direct sales as well as engaging in joint productions, transfer of technology to/from international platform producers and strategic initiatives for sales to third countries are concurrent to our sustainable growth objectives. Our structure coincides with our objective to operate in non-defense electronic fields which require high technology.

In this context, the Company, which has displayed a remarkable performance in many areas in recent years, from security to transportation, from health to energy, and especially from defense electronics, has added a new activity by entering the field of financial technologies. The entry will be reflected both in the new orders by the Company in the coming period and in the customer portfolio as a variety.

Technological research, development and testing processes of the Central Bank Digital Turkish Lira R&D project will be carried out in close cooperation with the participation of technology stakeholders. In this direction, the Central Bank signed bilateral memorandums of understanding with ASELSAN, HAVELSAN and TÜBİTAK-BİLGEM and created a "Digital Turkish Lira Cooperation Platform".

The Company's profit distribution policy is posted on www.aselsan.com website under Investor Relations/ Corporate Governance/Policies. According to the policy, at least 10% of the net profit is planned to be distributed.

REPORT OF THE BOARD OF DIRECTORS

As a result of 48th General assembly meeting held on 26.04.2023, of the net profit generated by our company from its 2022 activities;

- As the General Legal Reserves in accordance with Article 519/(1) of the Turkish Commercial Code, which should be allocated up to 20% of the capital according to legal records, have already been set aside, General Legal Reserves shall not be allocated.
- Out of net distributable profit to the shareholders for the period, calculated in the framework of the dividend distribution regulations and decisions of the Capital Markets Board, gross, TL 400.000.000,- (Kuruş 8,77194 per share of TL 1 and 8,77194 % on the basis of the capital) (net TL 360.000.000,- Kuruş 7,89475 per share of TL 1 and 7,89475% on the basis of the capital) shall be distributed in the form of cash and TL 2.280.000.000,- shall be distributed as non paid-up share, which equals to 100% of the capital,
- In accordance with Article 519/(2) of the Turkish Commercial Code, General Legal Reserves amounting to TL 28.600.000,- is going to be allocated,
- The remaining profit shall be allocated as Extraordinary Legal Reserves and the cash dividends to the shareholders shall be distributed as of 22 November 2023, The dividend payment was made on 22 November 2023.

The payment of the dividends was completed. Transactions regarding the profit distribution within the scope of 100% capital increase by bonus issue were completed on August 23, 2023. The issued capital has increased from TL 2.280.000.000 to TL 4.560.000.000.

After completion of our Company's non paid-up capital increase, our capital has increased to TL 4.560.000.000. Therefore, cash dividend distribution ratios are changed according to the calculations with new capital.

5-Enterprise Risk Management

ASELSAN's Enterprise Risk Management sPolicy aims; to take proper actions against uncertainties that threaten the existence of the Company and to protect corporate identity and stakeholders' interest at all conditions. Risk management is an integrated element of Corporate Management. The information gathered within the scope of risk management activities in ASELSAN is integrated into decision making mechanisms.

The "top-down" and "bottom-up" approach is being applied into Enterprise Risk Management activities together. Risks, which are significant enough to affect ASELSAN's achievement of its targets, are identified, evaluated, monitored and reported along with the risk responses and precautions to be taken. At ASELSAN; The Enterprise Risk Management process is regularly reviewed and improved. ASELSAN's employees and business processes are at the center of the Enterprise Risk Management System. In the developing and rapidly changing world, every risk that arises or increases in impact and probability is proactively followed, and the possible effects on the Company and the opportunities created by these risks are evaluated.

At ASELSAN, risks are followed under four main categories:

a) Main Risk Categories

Strategic Risks: Risks that may prevent ASELSAN from reaching its targets in short, medium or long terms are classified under this heading. Risks under this heading include factors such as; growth and continuity, changing customer expectations, technological changes and market share.

While ASELSAN manages its strategic risks effectively; it aims to increase its backlog, increase exports and to take part in sustainable works. In order to increase ASELSAN's market share and offer new products / services, ASELSAN seizes company merger / acquisition opportunities both at home and abroad. ASELSAN also conducts business development activities successfully.

ASELSAN increases its research and development activities in order to meet changing customer expectations and changes in technology, and realizes the necessary infrastructure and technological investments. ASELSAN diversifies the geographical regions in

REPORT OF THE BOARD OF DIRECTORS

sales, customer portfolio and the sectors in order to maintain its growth and continuity in the medium and long term.

Operational Risks: It is defined as the risks arising from errors and negligence that may occur while performing the operational activities of the company. Risks under this section include factors such as; production, supply chain, human resources, information technologies, natural disaster and terrorist attacks.

In order to ensure the continuity of the processes, in-house directives and functors have been prepared and necessary updates are being made when needed. Within the scope of the Internal Audit plan and work schedule prepared in ASELSAN, business processes are being audited and process improvements are made in line with the audit outputs.

Quality in production processes involving internal operations and suppliers is uncompromisable; where subcontractor and supplier development activities are carried without slowing down. In terms of managing Human Resources and increasing employee motivation; activities were made with the participation of employees from every level and process improvements were made. Security policies are sustained at the highest level in Information Technology applications. In this area, internal and external audits are carried out periodically and precautions are taken against probable cyber-attacks and in the field of Information Technologies, business continuity in-house is provided.

Our all processes are administered by directives, quality plans, standards, audits and test instructions. Our processes have been certified by internationally accepted standards such as AS9100, ISO 9001, AQAP and CMMI so that our products and services are secured to protect quality standards. These certificates are renewed every year with the audits performed. Changes and improvements of international standards are being followed and our processes are developed accordingly.

Regarding risks, such as natural disasters, terrorist attacks, necessary precautions are taken, primarily insurances have been made, and drills are carried out.

Financial Risks: It refers to the risks arising from the financial structure and financial preferences of the company. Exchange rate, liquidity and interest rate risks are some risks under this heading.

The exchange rate risk, which is any kind of change that may occur in assets and / or liabilities as a result of exchange rate fluctuations in the future, ASELSAN aims to minimize the effect of exchange rate fluctuations by keeping the long and short foreign exchange position at a minimum level. The balance sheet methods have been used in managing the exchange rate risk. Implementations such as; making use of foreign exchange denominated loans in line with the company's export volume, matching the contract currency with the currency of the costs of the project, and signing the subcontractor contracts in line with the main contract currency are used.

ASELSAN eliminates the liquidity risk, which is known as the risk arising from default and inability to fund the assets, it monitors forecasted and actual cash flows regularly and ensures the continuity of adequate funds and credit lines by matching the maturity of financial assets and liabilities. In order to manage the interest rate risk arising from changes in assets and / or liabilities as a result of fluctuations in interest rates in the future, it conducts transactions with fixed interest rates and uses financial derivative instruments when necessary.

Compliance Risks: It refers to the risks associated with the Company's financial losses and / or loss of reputation as a result of the company's activities or the attitudes and behaviors of the company employees that are not in compliance with the legislation, regulations and standards. While conducting its activities, ASELSAN closely follows national and international standards with the best practices in the sector, and compliance with legislation and regulations is ensured at the highest level. In addition, by Internal Audit Precidency; the effectiveness of controls, compliance with legislation and ASELSAN regulations, compliance with ethical principles and controls to eliminate risks are being evaluated.

b) Early Detection and Management of Risk Committee Works

The Early Detection and Management of Risk Committee, which consists of the members of the Board of Directors, has been operating at ASELSAN since 2012 in order to ensure early detection of risks that may endanger the existence, development and continuity of the Company, to take necessary measures related to the identified risks and to manage the risks. The Chairman of the Committee is an Independent Board Member.

REPORT OF THE BOARD OF DIRECTORS

Committee; carries out its own activities in full compliance with the regulations of the Capital Markets Board and all the related legislation, especially article 378 of the Turkish Commercial Code No. 6102. In addition, the Early Detection of Risk System and Committee, established by ASELSAN, is subjected to independent audits annually and the Auditor Report stating that the activities performed is sufficient, is submitted to the Board of Directors. Committee conducted 7 meetings by the end of year 2023 in order to follow the works on early detection and management of risks and to make evaluations about this issue. The reports containing the works of the Committee were being submitted to the Board of Directors periodically.

c) Training

At ASELSAN, spreading risk management to the Company culture and creating risk awareness in each employee are among the basic elements that ensure the success of the Corporate Risk Management System. In this context, "Corporate Risk Awareness Training" and "Climate Change Risk and Opportunity Studies at ASELSAN" have been added to the vocational and on-the-job training programs of all ASELSAN personnel. It has become compulsory to take these trainings.

CLIMATE CHANGE

ASELSAN has been working as the climate leader within the scope of Carbon Disclosure Project (CDP) Climate Change since 2010. It continues to work as a climate leader in every field by getting the A- grade in CDP Water Reporting.

According to the Global Risks Report 2022 published by the World Economic Forum, climate change risks are the most important risks evaluated according to their probability and impact level in 2023, as in 2022.

ASELSAN continues to take the necessary actions for the management of climate change risks and a sustainable world, especially CDP Climate Change reporting, and maintains its place among the world's important defense industry leaders in this regard. In this context, it has made climate change and environmental risks, which are among the most important risks of our age, a part of the corporate risk system.

6-Financial Information of the Company

The forecasts under the normal conditions regarding the Group's consolidated financial results for the 2024 year are presented below:

| | Non- inflation Adjusted | Inflation Adjusted |
|--|-------------------------|--------------------|
| Financial Targets of 2024 | Amount Ratio | Amount Ratio |
| Revenue Growth (TL) | >70% | >10% |
| EBITDA Margin (Adjusted without Foreign Exchange Rate Differences) | >26% | >22% |
| Capital Expenditures | 12.000 Million TL | 14.000 Million TL |

The Company, which has been in the most prestigious Defense Industry list since 2008, "Defense News Top 100", published by "Defense News" magazine, aims to increase its ranking in the list in following years. Ranking 49th in the 2022 list and ranking 47th place in the 2023 list.

10th Extraordinary General Assembly Meeting held on 22 September 2023.

In order to achieve the sustainable growth:

- The quality and technological perspectives of the cooperation formed with the universities have been increased.
- ASELSAN employees are provided with the opportunity to study in the work environment with the initiation of ASELSAN Academy Postgraduate Training Program. The program serves the purpose of having the necessary technologies and developing existing technologies.
- The eco-system with the sub-industry companies and SME's is formed.
- Company is continuing its operations in non-defense electronic areas which requires high technology.
- Inorganic growth will be also evaluated as well as organic growth.

REPORT OF THE BOARD OF DIRECTORS

a) Financial Resources of the Company

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

During the period between 1 January – 31 December 2023, the cash requirements were met with the available cash, cash inflows from operations and loans.

As of 31 December 2023, there is a loan balance amounting to USD 677 Million.

Planned Measures to Improve the Financial Structure of the Company

As for the annual budgets and implementations for the period 2022-2024, the Group have adopted the principles as the basis to take care of savings in all kinds of expenditures, to follow up the advances and receivables closely, to pay attention to the proportion of the term and currency in purchasing and sales agreements and the risk status of the domestic/foreign suppliers and sub-contractors.

b) Research and Development Activities

The Group, as a leading defense industry establishment, develops advanced technology system solutions on land, air, naval and aerospace platforms, places great importance to Research and Development activities and technological gains since it was founded.

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

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

As for the projects carried out within the Group, Research and Development center application pursuant to the Law regarding the support of Research and Development activities

numbered 5746 is being implemented. As for non-public R&D projects, the approval of TEYDEB (Technology and Innovation Support Programs Directorate) and ARDEB (Research Support Programs Presidency) are received and supported by the institutions.

Within the Company, there are 9 Research and Development centers within the scope of Defense System Technologies (SST-1 and SST-2), Radar Electronic Warfare and Intelligence Systems (REHİS), Microelectronics, Guidance and Electro-optics (MGEO-1 and MGEO-2), Communication and Information Technologies (HBT), Transportation, Security, Energy, Automation and Medical Systems (UGES) Vice Presidencies as well as ASELSAN Research Center of Vice Presidency of Technology (ARME-1 and ARME-2). Currently, 6.729 staff are employed at the Group's Research and Development centers. The Company also carries on its activities at METU Teknokent, Hacettepe Teknokent, Teknopark Ankara and Teknopark İstanbul within the scope of the Law numbered 4691 on Technology Development Regions. 380 staff at METU Teknokent, 77 staff at Teknopark İstanbul, 3 staff at Teknopark Hacettepe and 12 staff at Gebze IT Valley are employed.

c) Progress in Investments and Degree of Incentive Utilization

I. Investments

Directing the Company's resources to profitable, high value-added fields, where advanced technology is used, is anticipated in the first place by considering the global tendencies, technological developments and the actual and prospective requirements of all customers, particularly Turkish Armed Forces. The investments within the Company are carried out after detailed consideration of the technological plans, strategic plans and project requirements.

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

II. Incentives

Income tax withholding incentive, insurance premium support, stamp tax exemption and Research and Development incentives are utilized within the scope of the Law numbered 5746. In accordance to the Law regarding the Incentive of Research and Development Ac-

REPORT OF THE BOARD OF DIRECTORS

activities numbered 6676 published on Legal Gazette numbered 29636 on 26 February 2016 and The Law Regarding the Amendments on Delegated Legislation, the content of the law and incentives has been broadened and additional exceptions has been given. Income tax withholding incentive, insurance premium support and stamp tax exemption are utilized by being calculated over the salaries of the Research and Development personnel and not being paid to the relevant institution and the Research and Development discount is utilized by means of applying a discount on the corporate tax return. Aforesaid law is valid until the date of 31 December 2028.

Within the scope of the Teknokent Law numbered 4691, incentive on withholding income tax, insurance premium support and stamp tax exemption are applied. These are utilized by making calculations on Research and Development and software personnel wages and not being paid to the related institution. The gain obtained with reference to the execution of Technology Development Zones Law numbered 4691 is exempted from the corporate tax of 31 December 2028.

Between the period 1 January –31 December 2023 because of having Research and Development centers, TL 1.545.982 Thousand within the scope of income tax withholding incentive, promotion of insurance premium, stamp duty exception; as a result of being active at ODTÜ Teknokent, Gebze Informatics Valley and İstanbul Technology Development Area Technopark TL 265.662 Thousand incentives have been used. Within the scope of the Research and Development Law No 5746 and Teknokent Law No 4691, TL 3.710.316 Thousand Corporate Tax advantage has been gained as of 1 January – 31 December 2023 period.

At the periods when Group's Research and Development expenses, which is subject of Research and Development discount, is higher than the principal amount of Research and Development discount which is indicated at corporate tax return, Corporate Tax ratio is 25% (%23 for the year 2022, %25 for the year 2021, %22 for the years 2018 - 2020 and 20% for the remaining years) of distinction amount is evaluated as deferred tax income at financial tables.

Subject to the Tübitak Academic Support Programs; there is one ongoing projects in the 1003 –Priority Areas R&D Projects Support Program, and three ongoing projects in the 1004-Center of Excellence Support Program.

Subject to the Tübitak Industry Support Program three ongoing projects in the 1501-Industry R&D Projects Support Program, one project in the 1511-Research Technology Development and Innovation Projects in Priority Areas (Technology Focused Industrial Movement Program), one project in the 1515-Frontier R&D Laboratory Support Programme. The application was removed from the programs for large-scale organizations; SMEs were left under the program based on the changes made on the 1501-Industry R&D Projects Support Program on 1 July 2019. The 1007 Public Institutions Research and Development Project Support Program has been formed in order to meet the requirements of the Public Institutions with Research and Development or to support the projects aimed at solving their problems. In scope of this support five Research and Development projects and one Horizon Europe Programme are still ongoing.

The incentives for the related programs are used periodically. In addition, there are nine projects carried out in the Tübitak 1707 Order-Based R&D Projects Program.

There is one ongoing project within the scope of Tübitak 2247-A National Outstanding Researchers Program.

Incentives were received from Turquality and Support and Price Stability Fund (DFIF) due to the Market research, fair, and library support activities (TL 28.392 Thousand). Supports are received within the scope of TUBITAK projects. (TL 27.463 Thousand).

Within the context of "Taxes and Funds Exemption Certificate" received from Republic of Türkiye Ministry of Trade in order to increase exports and gain competitiveness in international markets, stamp duty and fee exemptions are used in export sales and deliveries and foreign exchange gain activities. (TL 146.514 Thousand)

Within the Decision Regarding the Governmental Grant in Investments, there are eleven Investment Incentive Certificates taken from the Turkish Republic Ministry of Industry and Technology General Directorate of Incentives and Implementation. With such incentive

REPORT OF THE BOARD OF DIRECTORS

certificates, VAT exemption and customs tax exclusion are utilized (TL 318.218 Thousand). VAT exemption is applied to our purchases, which are used for our deliveries subject to VAT 13/f Article and our exports (TL 5.256.613 Thousand).

d) Production, Capacity and Revenue

The Company can conduct complicated projects through its own integrated system architecture by means of knowledge, highly developed R&D infrastructure, well-equipped production lines and facilities.

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

Substantial part of production has been realized based on orders. All related processes are being managed efficiently since product requirements, quantities and prices are different. Works in order to perform distinctive business development and marketing activities in global markets to increase efficiency in international markets and exports have been continued. As of December 2023, net sales increased by 10% to TL 73,8 Billion and export to net sales ratio is 8,8%.

e) Financial Ratios

As of 31 December 2023, the Group's financial statements prepared in accordance with the Communiqué Series II, No: 14.1 "Communiqué on Capital Market Financial Reporting Standards" issued by Capital Markets Board. Based on this, financial ratios are presented as below.

*General administrative expenses, marketing expenses and research and development expenses are subtracted from and current period's depreciation and amortization expenses are added to the gross profit in calculation of Adjusted EBITDA value. Other operating income and other operating expenses are not included in the calculation.

| Financial Ratios | Dec 2023 | Dec 2022 |
|--|----------|----------|
| Current Ratio | 1,45 | 1,41 |
| Liquidity Ratio | 0,58 | 0,69 |
| Short Term Current Liabilities / Total Financial Liabilities | 94,3% | 90,1% |
| Total Financial Liabilities / Total Assests | 13,2% | 12,4% |
| Gross Profit Marjin | 27,3% | 26,7% |
| Operating Profit Margin (EBIT) | 17,2% | 17,3% |
| Adjusted EBITDA Margin (*) | 21,8% | 21,0% |
| Net Profit Margin | 10,0% | 1,8% |
| Return On Equity (ROE) | 8,7% | 1,5% |
| Net Working Capital / Net Sales | 47,4% | 41,8% |
| Return on Assets (ROA) | 5,0% | 0,8% |

7- Changes in the Legislation Which Would Have Significant Impact on the Activities of the Company

Inflation Accounting

With the decision taken on March 17, 2005, the CMB has announced that, effective from January 1, 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with CMB Accounting Standards and therefore the preparation and presentation of financial statements in accordance with International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies" is no longer required.

On November 23, 2023, Public Oversight Accounting and Auditing Standards Authority ("POA") announced the application of inflation accounting in Turkey and according to the announcement, financial statements of entities applying TFRS for the annual reporting period ending on or after December 31, 2023 should be presented as adjusted for the effects of inflation in accordance with the related accounting principles in TAS 29. As of the date of these financial statements, inflation adjustment has been made in accordance with TAS 29 while preparing the financial statements dated December 31, 2023.

REPORT OF THE BOARD OF DIRECTORS

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and that corresponding figures for previous periods be restated in the same terms using the general price index. One of the conditions that require the application of TAS 29 is a three-year cumulative inflation rate of approximately 100% or more. In Turkey, based on the consumer price index ("CPI") published by the Turkish Statistical Institute ("TURKSTAT"), the cumulative rate was 271% for the three-year period ended December 31, 2023.

TAS 29 should also be applied if there are signs of hyperinflation, such as the public keeping their savings predominantly in foreign currencies, prices of goods and services being determined in foreign currencies, interest rates, wages and prices being linked to general price indices, and prices being determined with a maturity difference to compensate for losses in purchasing power, including short-term transactions, although there is no increase in price indices at the level mentioned above.

Adjustments for inflation have been calculated based on the coefficients calculated using the Consumer Price Index in Turkey published by the Turkish Statistical Institute. As of December 31, 2023, the indices and coefficients used in the restatement of the accompanying financial statements are as follows:

| Period | Index | Correction Coefficient |
|------------------|----------|------------------------|
| 31 December 2023 | 1.859,39 | 1,00000 |
| 31 December 2022 | 1.128,45 | 1,64773 |
| 31 December 2021 | 686,95 | 2,70673 |

The main lines of TAS 29 indexation transactions are as follows:

As of the balance sheet date, all items other than those stated in terms of current purchasing power are restated by using the relevant consumer price index coefficients. Prior year amounts are restated in the same way.

Financial statements of previous reporting periods have been restated to reflect the current purchasing power of money at the latest balance sheet date. The current period restatement factor has been applied to the prior period financial statements.

Monetary assets and liabilities are not restated because they are expressed in terms of the purchasing power of money at the balance sheet date. Monetary items are cash and items to be received or paid in cash.

Non-monetary assets and liabilities are restated by reflecting the changes in the general price index from the date of acquisition or initial recognition to the balance sheet date in their acquisition costs and accumulated amortization amounts. Accordingly, property, plant and equipment, intangible assets, right-of-use assets and similar assets are restated to their acquisition values, which do not exceed their market values. Depreciation has been restated in a similar manner. Amounts included in shareholders' equity have been restated by applying the consumer price indices for the periods in which such amounts were contributed to or arose within the Company.

All items in the income statement, except for the effects of non-monetary items in the balance sheet on the income statement, have been restated by applying the multiples calculated over the periods when the income and expense accounts were initially recognized in the financial statements.

The gain or loss arising on the net monetary position as a result of general inflation is the difference between the restatement adjustments to non-monetary assets, equity items and income statement accounts. This gain or loss on the net monetary position is included in net profit.

All items presented in the statement of cash flows are restated for the effects of inflation in the measuring unit current at the end of the reporting period. The effect of inflation on cash flows from operating, investing and financial activities is attributed to the related item and the monetary gain or loss on cash and cash equivalents is presented separately.

8- Compliance Report on Corporate Governance Principles and Sustainability Principles Compliance Framework Report

"Corporate Governance Compliance Report" is in the Appendix 1, "Sustainability Principles Compliance Framework Report" is in the Appendix 2.

9- Information Regarding the Lawsuits of the Group

The lawsuits and execution proceedings filed by or against the Group as of 31 December 2023 are summarized in the table:

REPORT OF THE BOARD OF DIRECTORS

| Statement | December 23 (Thousand TL) |
|--|------------------------------|
| Ongoing lawsuits filed by the Group | 39.520 |
| Execution proceedings carried on by the Group | 664.908 |
| Lawsuits proceedings carried against the Group | 29.094 |
| Execution proceedings carried against the Group | 11.420 |
| Lawsuits finalized in favor the Group within the period | 6.929 |
| Lawsuits finalized in against of the Group within the period | 5.408 |

There has not been any final judicial decision against the Group due to the responsibility related with work accidents within the period.

10- Information Regarding the Transactions Made within the Reporting Period

a) Changes in the Articles of Association

There are no changes in the Articles of Association within the reporting period.

b) Collective Agreement Implementations, Rights and Benefits Provided to the Personnel and Workers

The Group recruited a total number of 1.317 people as the personnel including fixed-term contracted personnel, disabled and terror-stricken personnel during the period 1 January – 31 December 2023 and the number of people quit for the same period is 1.545.

The rights and benefits provided to the personnel by the Company are bonus payments, meal allowances, marriage benefits, maternity benefits, life insurance, transportation, private health insurance, and childcare and kindergarten benefits. The average number of personnel employed by the Group as of 31 December 2023 is 11.550.

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

There has not been such an event within the reporting period.

d) 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 c was realized or at the time the measures were taken or avoided to be taken and whether the company incurred losses due to the taken or avoided measure and if the company incurred losses to observe whether this was equalized or not

There has not been any material event that affects the Company's financial statements within the period.

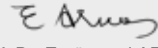
e) Information Regarding the Donations and Social Responsibility

Within the period of 1 January – 31 December 2023, the donation amount made by the Group is TL 153.223 Thousand.

f) Events After the Reporting Period

After the reporting period, the Group has signed contracts amounting to USD 867 Million.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. SIGNATURE SECTION OF ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2023

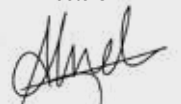

Prof. Dr. Ercüment ARVAS
Chairman of the Board of
Directors


Dr. İsmail ARI
Member of the Board of
Directors


Salih KUL
Member of the Board of
Directors



Bekir BAYRAKDAR
Member of the Board of
Directors


Mustafa Murat ŞEKER
Member of the Board of
Directors


Prof. Dr. Ahmet YÖZGATLIGİL
Member of the Board of
Directors


Alpaslan KAVAKLIOĞLU
Vice Chairman of the Board of
Directors


Yavuz ÇELİK
Member of the Board of
Directors


Prof. Dr. Ebru TÜMER
Member of the Board of
Directors

REPORT OF THE BOARD OF DIRECTORS

CHAPTER I

ASELSAN, in scope of the Corporate Governance Principles which has been implemented by Capital Markets Board (CMB) since 2003, has been making efforts to work in compliance with the principles under the titles shareholders, public disclosure and transparency, stakeholders and Board of Directors.

ASELSAN, adopting the corporate governance understanding as a principle, was rated with a grade of 8,77 out of 10 as the result of the corporate rating studies carried out by SAHA Corporate Governance and Credit Rating Services Inc (SAHA) first in 2012 and therefore was included in the Borsa İstanbul Corporate Governance Index.

In 2023, as a result of the assessment made by SAHA, our rating, which was 9.34 out of 10 on 09.12.2022, reached its historical peak by rising to 9.41 as of 08.12.2023. The reason for the upward revision in our rating is that the damages that may be caused by the members of the board of directors during the execution of their duties are insured for an amount exceeding 25% of the company's capital and this issue is disclosed on Public Disclosure Platform (PDP) and the powers of the Chairman of the Board of Directors and the Chief Executive Officer/General Manager are clearly separated.

Corporate governance rating grade shows to what extent the companies comply with the corporate governance principles set out by the CMB. The Company's compliance level with the principles is defined with a methodology measuring under the main titles Shareholders, Public Disclosure and Transparency, Stakeholders and Board of Directors. Within this context, the methodology that is based on the "Corporate Governance Principles" published by CMB in January 2014, was used in the rating made by SAHA.

The ratings of 2022 and 2023 and the subtitles are given below:

| 2022 Rating Distribution | | 2023 Rating Distribution | |
|------------------------------------|---------------|------------------------------------|---------------|
| Shareholders | : 89,59 / 100 | Shareholders | : 89,59 / 100 |
| Public Disclosure and Transparency | : 98,72 / 100 | Public Disclosure and Transparency | : 98,72 / 100 |
| Stakeholders | : 99,17 / 100 | Stakeholders | : 99,17 / 100 |
| Board of Directors | : 89,82 / 100 | Board of Directors | : 91,88 / 100 |
| Average 9,34 / 10,00 | | Average 9,41 / 10,00 | |

ASELSAN Corporate Rating Reports published by SAHA are available in Turkish and English on the Company's website at www.aselsan.com/en

ASELSAN is in full compliance with all the mandatory principles of Corporate Governance Principles. There are no conflicts of interest arising because of the arbitrary principles where compliance has not been achieved. The titles regarding the arbitrary principles, where compliance has not been achieved yet, are given below and are explained in detail through the Compliance Report.

- No recognition of minority rights to those who own less than twentieth of the capital indicated in the Articles of Association,
- Group A shares having the privileges on Board nominations and the transfer of those shares being subject to permission,
- The fact that although the mechanisms enabling the participation of stakeholders in the management of the company are built, they are not included in the Articles of Association.
- Non-existence of a judgement in the Articles of Association; declaring that shareholders may individually demand special audit of certain incidents from the General Assembly even if it is not on the meeting agenda, under the condition that the right to ask to obtain information and to examine has been used before and if the exercise of shareholders rights is necessary,
- The article "Group A shares shall not be sold or transferred without the consent of the Board of Directors because of the Company's operations in security and defence industry; in the event that these shares are transferred or sold to third parties partially or completely without the consent of the Board of Directors, the Board of Directors is entitled to abstain from recording this sale in the records" in the Articles of Association of the Company,
- The fact that a target, where the ratio of the female members should not be less than 25%, was not set and that there is not a written company policy on that issue,
- Not disclosing the compensation of board of directors and executive managers or the benefits provided to them per each individual,

With the resolution of CMB, numbered 2/49 and dated 10.01.2019, it has been decided that companies shall make their Corporate Governance Compliance Reporting, which is made in accordance with the Corporate Governance Communiqué numbered II-17.1,

REPORT OF THE BOARD OF DIRECTORS

by filling the Corporate Governance Compliance Report and Corporate Management Information Form templates via the PDP. In accordance with this decision, our Company filled the relevant templates in PDP and added the templates to the end of the report as Appendix-1.

Corporate Governance Committee will carry on the necessary efforts in order to achieve full compliance with Corporate Governance Principles.



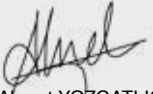
İsmail ARI

Independent Member of Board of Directors
Corporate Governance Committee Chairman



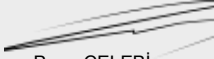
Mustafa Murat ŞEKER

Member of Board of Directors
Member of Corporate Governance Committee



Ahmet YOZGATLIGİL

Member of Board of Directors
Member of Corporate Governance Committee



Pinar ÇELEBİ

Investor Relations Manager
Member of Corporate Governance Committee

CHAPTER II - SHAREHOLDERS

2.1. Investor Relations Department

The information regarding Investor Relations Department responsible for the relations with shareholders is given below.

| | | |
|---------------------------|---|--|
| Yunus POYRAZ | : | Chief Financial Officer |
| Fatih BOZ | : | Finance Director |
| Pinar ÇELEBİ | : | Investor Relations Manager |
| Gülru SELÇUK FİLİZ | : | Investor Relations Department / Senior Leader Specialist |
| Hüseyin Ada ACUN | : | Investor Relations Department / Senior Specialist |

Contact Information
Phone: 0850 828 1 828
e-mail: aselsan.ir@aselsan.com.tr

Investor Relations Department has submitted the report regarding the tasks carried during 2022, to Board of Directors on 31.01.2023.

Pinar ÇELEBİ, Investor Relations Manager, has Capital Markets Transactions Level-3 and Corporate Governance Rating Expertise Licenses.

Main operations carried out by Investor Relations Department during 2023 are as follows:

- Maintenance of the exercise of partnership rights of shareholders, updated and safe records regarding shareholders,
- Coordination of public disclosure of material events,
- Answering the written inquiries of shareholders regarding the company, excluding the information considered as confidential, trade secret and which was not disclosed to public,
- Ensuring the execution of General Assembly meeting in compliance with the regulation in force, Articles of Association and other company regulations, records being kept regarding the ballots and the results being reported to shareholders,
- Monitoring of every issue regarding the public disclosure including the regulations and company policies on information,
- Execution of tasks assigned by Corporate Governance Committee,
- Operation of transactions regarding dividend distribution and tasks regarding Corporate Governance Principles,
- Within the scope of the dividend distribution decision, to increase the capital by bonus issue and distribute it to shareholders as dividend,
- Managing the process of registered authorized capital increase and the process of amendment of the articles of association,
- Coordination of updating the list of people who have access to insider information; informing those people in purpose of protecting the insider information and making sure they follow the confidentiality rules until financial and operational results are disclosed to public,
- Coordination of preparation and publishing of Sustainability Report,

REPORT OF THE BOARD OF DIRECTORS

- Preparing the information requested for the Borsa Istanbul Sustainability Index, entering the information in the relevant fields and ensuring the coordination within the company,
- Preparing the information requested for the Borsa Istanbul Participation Index and entering the information in the relevant fields,
- Performing the tasks regarding the compensation of the beneficiaries with the capital market instruments, the property of which has been lapsed to the Investor Compensation Center (ICC) and have become valid again,
- Answering investors' questions via the Voice Response System, report the phone calls,
- Manage the content of the Investor Relations section on corporate website.

The Investor Relations Department accepted the meeting requests of domestic/foreign corporate and individual investors to the maximum extent in 2023. In this context, a total of 99 investor meetings were held, 20 of which were held at the IDEF 2023 Fair, 35 of which were one-on-one meetings held at intermediary organizations and on-site visits, 41 of which were teleconferences, and 3 of which were held at ASELSAN facilities. Additionally, approximately 1.000 retail shareholders' questions regarding fluctuations in the stock price, exercising shareholder rights, material event disclosures made, financial tables, etc. were answered either written or verbally in 2023.

The information and explanations, which may affect the exercise of shareholders rights, are provided in the company website.

2.2 Exercising of Information Acquisition Rights of the Shareholders

Investor Relations Department has taken care of every written and verbal inquiry of all shareholders in 2023 with the most accurate and fastest way. It has paid attention to respond to all the information demands of shareholders with complete and comprehensible responses.

Investor Relations Department has been using Turkish and English website www.aselsan.com/en actively in order to inform ASELSAN's investors on a timely and accurate basis and has been updating the information given on the web constantly. The electronic platform on our website is being effectively used regarding the issues that may affect exercising of the shareholders rights. The material event disclosures made through Public Disclosure Platform incorporated under Borsa İstanbul are being disclosed both in

Turkish and in English from 26.10.2015 onwards, the material event disclosure and other notifications are being published on our corporate website in Turkish and in English on the same day. In general, any changes occurred in the Company structure are immediately announced on our website and the investor presentations are constantly updated. Information on capital increases and dividend distribution is also submitted to our investors' knowledge on the website. In addition, notifications regarding the attendance of shareholders to the General Assembly and electronic general assembly principles within the context of the new Turkish Code of Commerce (TCC) are being made.

Full compliance of both Turkish and English chapters on "Investor Relations" of our company's website as per the regulations was achieved.

Within the context of regulations of CMB, in 2023;

- General Assembly documents within legal deadlines,
 - General Assembly minutes and participants list,
 - 2022 Annual Report was uploaded to website
 - The reports for the 1st quarter, 2nd quarter, and 3rd quarter period for 2023,
 - The investor presentations which are updated every 3 months,
 - Disclosure of material events made in 2023,
 - Our Company's consolidated financial statements and basic performance indicators for the last 5 years along with the Financial Report,
 - Forward looking evaluations,
 - Earnings Release has been published,
 - Investor Calendar
 - Corporate Governance Principles Compliance Report,
 - Articles of Association,
 - Shareholding structure and privileged shares,
 - ASELSAN Sustainability Report,
 - Board Committees,
 - Corporate Governance Committee Meeting Minutes,
 - Corporate Governance Rating Report,
 - Credit Rating Report,
 - Share data fields have been updated.
- were published on the website in Turkish and English.

Due to the reason that a regulation is present within the TCC numbered 6102 according to which the shareholders will be able to request from the General Assembly the assignment of a special auditor for the inspection and disclosure of the financial status, and

REPORT OF THE BOARD OF DIRECTORS

due to the reason that the law and the relevant legislation are considered for the issues not present in the Articles of Association of the Company, there is no respective provision with regard to this issue in the Articles of Association. There was no request of any shareholders with respect to the assignment of a special auditor in 2023.

2.3 General Assembly Meetings

The agenda and invitation for the 48th Ordinary General Assembly Meeting held on 26.04.2023 and the 10th Extraordinary General Assembly Meeting held on 22.09.2023 were duly announced on 03.04.2023, 18.08.2023 and 21.08.2023, respectively, in a daily newspaper published throughout Türkiye, on the website and in the Turkish Trade Registry Gazette on 03.04.2023, 18.08.2023 and 21.08.2023, respectively, in a manner to include all necessary information. Furthermore, the invitation was sent to the main shareholders and the shareholders who attended the previous meeting via mail two weeks prior to the General Assembly. The 48th Ordinary General Assembly Meeting was held on 26.04.2023 with the representation of a total of TL 1.829.540.503,84 out of 2.280.000.000.000 shares representing the issued capital of TL 2.280.000.000.000, of which TL 486.691,92 shares were represented in person, TL 137.323.863 shares were represented by the depositing representatives and TL 1.691.651.248,92 shares were represented by other representatives. The decisions taken at the meeting were registered on 27.04.2023 and announced in the Trade Registry Gazette on 28.04.2023.

The 10th Extraordinary General Assembly Meeting was held on 22.09.2023 with a total of TL 3.606.399.296,84 out of 4.560.000.000 shares representing the issued capital of TL 4.560.000.000, of which TL 663.825 shares were represented in person, TL 221.842.674 shares were represented by the depositary representatives and TL 3.383.892.797,84 shares were represented by other representatives. The decisions taken at the meeting were registered and announced in the Trade Registry Gazette on 04.10.2023.

In accordance with CMB regulations, the Ordinary General Assembly Meeting was also held electronically simultaneously with the physical meeting and the media did not attend the meeting.

In scope of the Communiqué on Corporate Governance numbered II.17-1 of CMB, three weeks before the General Assembly Meetings in 2023, on 30.03.2023 and 17.08.2023,

Information Documents containing all details regarding the General Assembly Meeting were announced on PDP and were published on our Company website. The annual report was made available for the review of shareholders at the headquarters 15 days prior to the date of the Ordinary General Assembly Meeting, and was provided to shareholders who applied to attend the general shareholders' meeting and to those who requested it. For the facilitation of physical attendance to General Assembly Meetings in 2023, transportation from central spots to our Akyurt facility was provided for our shareholders.

In the General Assembly Meetings in 2023, the shareholders were informed regarding the presence of managing members, all the Board of Directors members and auditors at the meeting. No proposals were set forth by the shareholders during the meeting regarding the agenda. The shareholders exercised their rights to ask questions regarding the topics in the agenda and the answers to the questions took place in the General Assembly Meetings minutes. There are no questions, which has not been answered in the General Assembly Meetings and answered by the Investor Relations Department later on. Within the period, there have not been any transactions of which their resolutions were submitted to General Assembly because the confirmative vote of the majority of the independent board members are required where as they have voted negatively. The minutes of the General Assembly Meeting held in 2023 can be accessed from the website of our Company.

The shareholders were informed about donations and aids were made in 2022, with a separate agenda item at the 48th Ordinary General Assembly Meeting.

2.4 Right to Vote and Minority Rights

In article 25 of the Articles of Association titled "Right to Vote", there is a provision stating that "the Shareholders and their representatives who are present at the Ordinary and Extraordinary General Assemblies shall have one right to vote for each share" and there is no privilege or no upper limit pertaining to the numbers of votes. The right to vote arises as soon as the share is acquired and there is no regulation setting forth that the vote shall be used when a certain time passes after the acquisition date of the share.

REPORT OF THE BOARD OF DIRECTORS

The regulations regarding the voting of the shareholders through their representatives are followed by; in the event of a legal representation, it is certified and the open proxy rule is applied.

Particular attention is paid in exercising the minority rights in our Company and the provisions of Turkish Code of Commerce and the relevant legislation regarding minority rights are applied as is. All shareholders are treated equally in our Company, including the minority and foreign shareholders.

There are no prevailing partners in our Company. In the Articles of Association, there is no provision with respect to the representation of the minority shares in the management and their accumulated casting of votes. Due to the voluntary implementation of this issue regarding the capital market legislation, provision with respect to the current General Assembly quorum is applied.

2.5 Dividend Rights

There are no privileges with respect to the participation in the profit gained by the Company. The dividend policy was last revised in 2016 and was submitted to following ordinary general assembly meeting. The dividend policy published on our website is given below.

“The dividend amounts which shall be calculated considering the sustainable growth rate, market capitalization, net working capital requirements, dividend yield and cash flows, equity ratio, with the relevant legislation and the provisions of the articles of association over the distributable profit amount calculated taking the period profit as the basis which is shown on the financial statements of our Company prepared pursuant to the existing legal regulations (after the compulsory legal reserves are reserved and the taxes, funds and financial liabilities and losses of the previous year, if any, are deducted and the donations are added), the profit distribution proposal which shall be prepared by the Board of Directors in order for the shares which shall be issued by means of adding the cash or the dividend on the capital on the date(s) determined pursuant to the regulations of the Capital Markets Board to be distributed targeting at least %10 of net profit in cash in the defined amounts or as bonus shares or partly in cash, partly as bonus shares in defined amounts, shall be submitted to the approval of the General Assembly. Following the approval of the General Assembly, the determined dividends are distributed to the shareholders within the legal periods on the date determined by the General Assembly.

There is no privilege to participate to the profit of our Company. The dividends are distributed equally regardless of all the existing shares and their issue and acquiring dates.

In case of a revision made on the Dividend Policy, the resolution of Board of Directors regarding this revision and the reason for revision shall be publicly announced with respect to the legislation of Capital Markets Board.”

The net distributable profit calculated within the scope of the profit distribution decision taken at the Ordinary General Assembly Meeting held on 26.04.2023 within the framework of the Capital Markets Law and other legal regulations and the provisions of the articles of association, is equal to TL 400.000.000,- (Kuruş 8,77194 per share of TL 1 and 8,77194% on the basis of the capital) (net TL 360.000.000,- Kuruş 7,89475 per share of TL 1 and 7,89475% on the basis of the capital) shall be distributed in the form of cash, The said profit distribution rates, which were decided at the Ordinary General Assembly meeting, were announced on the PDP. Of the dividends decided to be distributed, it was paid on 22.11.2023. In addition, it was decided to distribute 100% of the issued capital (TL 2.2800.000.000) as dividend to the shareholders to be covered from the profit of 2022, and the registration procedures regarding the capital change were completed on 23.08.2023. On 25.08.2023, the capital of our company increased from TL 2.280.000.000 to TL 4.560.000.000.

2.6 Transfer of Shares

The transfer of the nominated Group A shares representing majority part of the capital and which are not traded in Borsa İstanbul has been restricted with the provision of article 6 of the Articles of Association stating “As the company operates in security and defense sector; 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”.

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CHAPTER III - PUBLIC DISCLOSURE AND TRANSPARENCY

3.1 Company Website and its Content

In order to inform our shareholders in a timely and accurate manner within the context of public disclosure and transparency; the website of the Company at the address www.aselsan.com/en in Turkish and English is actively used and the information published on the web are updated regularly.

The section “Investor Relations” is included on our website also comprising the issues listed in article 2.1.1 of the corporate governance principles of Communiqué on Corporate Governance numbered II-17.1 issued by CMB on 03.01.2014.

Under “Investor Relations” section;

1. Corporate Governance
 - 1.1 Shareholder Structure and Privileged Shares
 - 1.2 Board of Directors
 - 1.3 Key Resolutions of Board of Directors
 - 1.4 Board of Committees
 - 1.5 Articles of Association
 - 1.6 Company Profile and Trade Register Information
 - 1.7 Policies
 - 1.8 Ethical Principles
 - 1.9 Corporate Governance Rating
 - 1.10 Credit Rating
 - 1.10 General Assembly Meeting
 - 1.11 Compliance with Corporate Governance Principles
2. Financial and Operational Data
 - 2.1 Financial Reports
 - 2.2 Financial Highlights
 - 2.3 Investor Presentations
 - 2.4 Board of Directors Reports
 - 2.5 Earnings Release

3. Stock Info

- 3.1 Stock ID
- 3.2 Capital Increases
- 3.3 Analyst Coverage
- 3.4 Divided Info

4. BIST Disclosures

5. Annual Reports
6. Investor Calendar
7. FAQ

chapters exist. Necessary records and information are included under these titles. The information given on the Turkish website under “Investor Relations” section is included entirely on the English website.

3.2 Annual Report

The Board of Directors prepare the annual report in detail regarding the operations of the Company and enable the public to reach complete and accurate information that can be comprehensive. The 2022 annual report of our Company was prepared as per the Turkish Code of Commerce numbered 6102, the Regulation Regarding the Determination of the Minimum Content of the Annual Reports of Companies issued by the Ministry of Customs and Trade, the Communiqué Regarding the Principles Related to Financial Reporting in the Capital Market and the Communiqué Regarding the Determination and Implementation of the Corporate Governance Principles, both issued by the CMB.

CHAPTER IV - STAKEHOLDERS

4.1 Informing the Stakeholders

The information requests of stakeholders are keenly handled and attention is paid in responding these accurately and in an understandable manner. Our employees are informed with an employee hand book and informative presentations over the intranet; continuous access to data and support is provided through help desk application over the intranet. Nonetheless, general and personal data that can be necessary outside the company are provided to access over the internet.

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On the suppliers' side, activities to expand the ASELSAN Supplier Portal and Powerful Together, which were put into use to ensure effective information exchange, continued. Technical development and improvements are continuously made on the Supplier Portal. On-site trainings provided to suppliers, starting with sub-industry companies, continued. In 2023, ASELSAN suppliers were provided with trainings in this context. On-site trainings will continue to be provided in the coming period. In addition, our supplier communication and development activities are carried out on a single interface with the Powerful Together Platform, which was developed specifically for our suppliers and launched in April 2020. In 2023, the most comprehensive training program in the sector was established within the scope of continuous learning and development activities. Employees of the Vice President, Supply Chain Management Office participated in a training program consisting of 14 modules and 116 sessions and lasting approximately 3 months. The training program was digitized and made available to all ASELSAN employees and our suppliers through Gücümüz Bir. Throughout 2023, 102 personnel from our suppliers benefited from 52 different trainings and 705 training services were provided in total.

High quality standards and high technological solutions are offered for services or delivered products with regard to customer needs and expectations so as to meet customer satisfaction. Requirements of these quality standards are met and inspections, tests are applied through every process from projects' start till the delivery phases. Our all processes are administered by directives, quality plans, standards, audits and test instructions. Our processes have been certified by internationally accepted standards such as AS9100, ISO 9001, AQAP and CMMI so that our products and services are secured to protect quality standards. These certificates are renewed every year with the audits performed. Changes and improvements of international standards are being followed and our processes are developed accordingly. Customer satisfaction, which is the primary objective, is evaluated and reported for the access of related executives. In addition, results and trends are evaluated by the senior management on an annual basis and required improvement activities are planned.

It is possible to increase the quality of product and service correspondingly increasing customer satisfaction by supplying the materials used in products from the right and trusted sources. For this purpose, suppliers are subject to product and/or field of activity-based selection, evaluation and auditing processes. These activities that target continuous

improvement and high quality standards for suppliers are regarded as playing an important role in eventual product quality. In this direction, technical, trainings, technology/equipment transfers, on site visits and guidance, on the job trainings are for creating a high quality supplier portfolio. In addition, risk based delivery and quality inspections are conducted in order to clarify ASELSAN's expectations from the firms, increase their awareness and take improving actions. In order to reduce the ASELSAN's burden of design, development and/or production, and to maximize the utilization of suppliers' expertise through the cooperation starting from the design stage, and to have a faster and safer product/service supply chain; Strategic Cooperation Agreements are signed with ASELSAN approved suppliers having adequate technological infrastructure and expertise and that are able to develop themselves technicalwise and to sustain long-term relationship with ASELSAN. Within this context, ASELSAN approved suppliers are continuously evaluated and annually the number of firms that sign Strategic Cooperation Agreements with ASELSAN is being increased in order to enrich the Strategic Cooperation network. All information is shared within the context of confidentiality with our suppliers, who have the status of our business partners, and it is not permitted to share this information with unauthorized persons and third-party firms. Through related directives, handling any kind of relations between ASELSAN and the suppliers within the scope of law and ethical values, minimizing the occurrence of unsuitable conditions for protecting parties and securing the justice and transparency.

ASELSAN Magazine, published in Turkish and English every 3 months and A Bülten published in Turkish every month, provide information regarding the activities, technical issues and up-to-date social events. Hard copies of ASELSAN Magazine is delivered to the end users of products, shareholders who participated to the General Assembly Meeting, company employees and other related parties. A Bülten is uploaded to the social media, Turkcell Dergilik application and the corporate website right after it is publication.

The Compensation Policy can be accessed from our Company's website under Corporate Governance title.

The members of the Board of Directors and the executives do not perform any activities that may cause shareholders to incur losses or may diminish the Company assets. The subject that no debt shall be given, no loans shall be granted or no pledges such as guarantees in favor thereof may be extended to any members of the Board of Directors

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or to any employees through the use of ASELSAN assets, is declared within the "ASELSAN Ethical Principles, Values and Conduct Rules Document", which is available on our Company's website.

The e-mail mechanism for the stakeholders to report their complaints regarding the transactions of the company, which are against the legislation or deemed unethical, is stated in the ASELSAN Ethical Principles Policy. The policy has been published on the Turkish and English web site following the approval of the policy. Within the context of the policy, the Ethics Committee is informing the Corporate Governance Committee.

4.2 Participation of Stakeholders in the Management

ASELSAN observes the sensitivities of the sector where it operates; never compromises on the principles of fairness, transparency, accountability, and responsibility, which are the cornerstones of corporate governance; adds momentum into its consistent growth, and safeguards the interests of stakeholders. In an attempt to bring its lead on domestic platforms to the international arena, the Company works without respite towards full compliance with corporate governance principles and legal regulations.

In the Articles of Association, there are no provisions regulating the participation of the stakeholders in the management. However, their participation to management shall be supported provided that it does not corrupt the Company activities.

The corporate governance structure of the Company gives the opportunity to all stakeholders including the employees and representatives to convey their worries with regard to transactions, which are inappropriate in terms of legality and ethics.

Our employee suggestion system with the theme of "Development Workshop", which aims to live, keep alive and take our values of development and excellence further together, continued to work in 2023.

Throughout the year, our employees conveyed suggestions to Development Workshop with the following topics; increasing productivity and efficiency, developing business processes, raising the level of quality, reducing cost / increasing income, enhancing employee and customer satisfaction, providing occupational health and safety, improving working conditions and the company image. Each suggestion was evaluated attentively and necessary actions were ensured to be taken.

4.3 Human Resources Policy

ASELSAN updates its Human Resources Policy regularly to maintain its strong employer brand and enhance employee experience. ASELSAN's main focus areas are to manage qualified human resources in full compliance with applicable laws and regulations governing the working life, provide modern employment and working conditions, encourage personal development, and boost work performance. ASELSAN's Human Resources Policy is aimed at creating a fair, respectful, and transparent working environment, and is made up of principles based on the Universal Declaration of Human Rights, the Conventions of the International Labor Organization (ILO) to which the Republic of Türkiye is a party, and the Turkish regulations on labor and social security. Our human resources management policy is a set of principles which creates a fair, respectful and transparent working environment. All employees are responsible for the implementation of the Human Resources Management Policy within the limits of their duties and authorities. Our Human Resources Policy supports a management strategy that not only allows the recruitment of successful and dynamic talents in compliance with vision of ASELSAN but also contributes to sustainable achievement of the company. The strategy also aims to enrich the culture by supporting its employees. Therefore, a lot of new human resources projects have been implemented in 2023.

The basic principles of ASELSAN Human Resources Management Policy are as follows:

- To accept the employees as a social entity with a personality, to respect their personalities, to protect their material and moral rights.
- To ensure that the authorities and responsibilities are fully determined, and to consider the fit of the characteristics of the task and the competencies of the employees.
- Creating equal learning and development opportunities and designing learning programs according to abilities, qualifications and development areas of ASELSAN employees.
- To ensure that the employees are motivated for high performance.
- To ensure that the workforce plan is dynamic and meets the strategic needs of the company.
- To design a career management system which allows employees to ensure their career development and promotion in accordance with their performances.
- To create a peaceful working environment which promotes creative, constructive, honest, well intentioned and open communication.

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- To ensure that appointment, dismissal and evaluation procedures are based on objective and egalitarian principles, away from personal criteria.
- To encourage every employee to express their ideas by activating all possible communication channels.
- To encourage each employee for improvement and development, as an individual or team member.
- To make employees feel safe regarding their job security unless their behaviors contradict with ethical rules, general principles and laws.
- To continuously review and revise the human resources management policy, in accordance with the values and strategic plans of the company.
- Not to discriminate based on language, race, gender, disability, political thought, philosophical belief, religion, sect etc. in the business relations.
- Except for compulsory reasons, not to take any different action directly or indirectly due to gender or pregnancy while making, implementing and terminating the employment contract.

63% of our employees stand for the engineering group, 27% for the technician group, 7% for the administrative group, 2% for the office personnel and 1% of the worker group.

Within the scope of the ASELSAN Talent Management Model, short, medium and long-term succession plans are created for managerial and critical roles in order to plan human resources in advance, prepare the organization for the future, and create a sustainable and healthy organization. These succession plans are based on the principle of determining the employees to be appointed to the vacant positions in the event that managerial positions and critical positions at the director and manager level are vacant for various reasons and bringing these employees to a level where they can undertake the said duties. It is under the authority of the Board of Directors to equip the employees determined for key positions with the qualifications required by the relevant positions and to train the relevant employees as the managers of the future, to identify the managers who will come to the key positions, to evaluate the managers who contribute to the realization of the company's strategic goals, and to assign them with an employment policy that provides equal opportunity in the relevant positions.

4.4 Ethical Rules and Social Responsibility

4.4.1 Ethical Rules

ASELSAN's Ethical Principles, Values, and Code of Conduct is reviewed and updated regularly to create working environments that comply with ethical principles based on integrity, honesty, and work discipline; prevent unethical behavior; raise awareness on ethical values; and align the Company's practices with ethical principles.

Ethical Principles enable ASELSAN to create and preserve a working environment where ASELSAN employees treat one another with kindness, genuineness, tolerance, and respect, and voice their opinions open-mindedly. Thanks to the mutual trust established in the Company, employees act responsibly and look after not only their interests but also the long-term interests of their society, their Company, and all the stakeholders.

ASELSAN's Ethical Principles Committee is established under the corporate structure and management system of the Company and consists of seven members. Chaired by the VicePresident of Supply Chain Management, the Committee consists of the representatives from Internal Audit Presidency, Support Services Directorate, Legal Affairs, and Human Resources, and two ASELSAN employees who are elected with the votes of employees. All ASELSAN employees are entitled to obtain information from the Committee and report any suspected unethical conduct to the Committee. Unethical conduct is promptly inspected by the Committee, which also implements necessary measures in line with the information and contributions received from the Senior Management.

When selecting new hires, utmost attention is paid to choose who are willing to comply with ASELSAN's core values and ethical principles. Every new member of the ASELSAN family takes an onboarding program whereby they go through comprehensive training on ASELSAN's Ethical Principles, Values and Code of Conduct, and ASELSAN's Directive on Ethical Values. New recruits are also tasked with mandatory Ethical Principles, Values, and Code of Conduct; provided a booklet on ethical principles, values, and code of conduct; and are expected to commit to ethical principles specified in the ASELSAN Covenant for Employment. Efforts are undertaken to ensure that all ASELSAN employees internalize ethical values in an environment where they are encouraged to uphold these values in their day-to-day work and at all times after the onboarding period. All ASELSAN

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employees can apply to the Ethical Principles Committee via the Ethical Principles Help Desk, while external applications are received at etik@aselsan.com.tr. ASELSAN's Ethical Principles Committee regularly announces the applications received and the evaluations made by the Committee to all ASELSAN employees to raise awareness on ethical principles and values. The Ethical Principles Committee presents a report at the Board Meeting every year in January regarding its activities, applications received and evaluations conducted.

The Committee issues certificates of appreciation for employees to encourage employee behavior that help promote ethical principles and values. Meanwhile, necessary steps were taken to send "Glad to Have You" notifications to employees via the "Glad to Have You" app on behalf of the Committee.

4.4.2 Social Responsibility

4.4.2.1 Environment

In ASELSAN, where decreasing carbon emission is one of the strategic goals, carbon emission has been monitored since 2009. ASELSAN is the first company among defense industry companies in Türkiye to participate in the climate change study of the UK-based independent Carbon Disclosure Project (CDP), which reports on how climate change risks are managed by companies. Thanks to its leadership on the subject, ASELSAN is among the important defense industry leaders in the world in climate change management with its scores above the global and national average. With the success it received in the first year of CDP Water Reporting, it reflected the value it places on water management. ASELSAN continued its success in CDP Climate Change Supply Chain Management with the studies it has carried out for the value chain.

ASELSAN aims a sustainable carbon emission management and continues to work on increasing energy efficiency in production, giving priority to energy production technologies that will decrease carbon emission and production of environmentally friendly products as a responsible manufacturer with increasing momentum. Within the scope of the 2050 net zero emission target, ASELSAN set the goal of creating our entire passenger vehicle fleet from electric vehicles by 2030 and converted 25% of our passenger vehicle fleet to electric vehicles in 2023. By 2025, ASELSAN has started to work to meet the electricity consumption of its campuses from renewable energy sources.

ASELSAN was deemed worthy of many national and international awards for its works. We were awarded award in 2023 with our "Climate Change Management" at the UK-based The Green Awards, which is shown among the most prestigious competitions by environmental authorities all over the world. Likewise, our sustainability efforts and climate change management received awards from the U.S.-based The Stevie Awards.

Zero Waste is a system, which gives importance to reuse, decrease in waste production due to service and production, collection of the waste separately according to its type and recycling. By aiming protection of environment and human health, ASELSAN has strengthened its zero-waste management system during 2023. Wastes are collected separately to be recycled in a manner that will add value to the environment and the economy. The lunch leftovers are being shipped to animal shelters and used as organic waste composting and office waste is recycled. Food waste was sent to animal shelters, organic waste was composted and office waste was sent for recycling. Garment and toy collection boxes have been placed in the campus parking areas and delivered to those in need within the scope of social responsibility. Thanks to the vegetable waste oil waste stations placed in the parking lots, vegetable waste oils brought by ASELSAN employees from their homes are sent for recycling.

Having certifications for ISO 45001:2018 Occupational Health and Safety, ISO 14001:2015 Environmental and ISO 14064: 2006 Greenhouse Gas Integrated Management System, we will proceed to take part in pioneer applications through actualization of national and international initiatives. Our work on Occupational Safety, which is one of the biggest indicators of our human-sensitive approach, was appreciated in 2023 with international Rospa awards and British Safety Council awards in England. With the ISO 39001 Road Traffic Safety Management System, the installation of which was completed in 2021 and system development continued in 2023, the company was awarded in the International Traffic Safety category from Road Safety.

In November 2014, Borsa Istanbul (BIST) has launched Sustainability Index that display the performance of January-March 2014 time period for BIST-30 firms in the fields of financial, environmental, social issues and corporate governance. With respect to that, as of this date, ASELSAN started publishing sustainability reports. As a result of the evaluation of our Company on the ASELSAN Sustainability Report, published in Turkish and English for the first time before the Index assessments, ASELSAN was among the 15 firms

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that were approved to be included in BIST Sustainability Index. In 2021, ASELSAN kept its place in the index as a consequence of the re-evaluation of ASELSAN Sustainability Report that was published in July 2021.

Prepared in Turkish and English, ASELSAN's strategic management, corporate governance, ethical principles, internal audit, bribery and corruption, risk management, communication with stakeholders, supply chain, information systems, facility management, employee development, human rights, occupational health and ASELSAN Sustainability Report, which includes details on sustainable practices in the fields of safety and environmental management, was published on our Company's website (www.aselsan.com/en) in July 2023.

The valuation methodology used by Borsa Istanbul (BIST) to determine the companies that will be included in the BIST Sustainability Index has been changed, and it has been announced to companies that the sustainability valuation results of Refinitiv Information Limited Şirketi ("Refinitiv") will be used in the determination of companies that will be included in the BIST Sustainability Index as of 2021 valuations. According to the aforementioned rules, companies that are traded in Yıldız Market or that are already included in the BIST Sustainability Index will be subject to a sustainability assessment upon request. Companies subject to sustainability assessment are expected to respond to relevant questions and provide links to their publicly available information via Refinitiv's ESG Contributor Tool (<https://contribute.refinitiv.com/>). Companies have the opportunity to see their notes and update the data they have entered in the relevant field throughout the year. In this context, data entries and updates were made through the Contributor Tool as the Investor Relations Department throughout the year. In addition, internal ASELSAN studies were/coordinated in order to raise ASELSAN's grade within the scope of BIST Sustainability Index. In addition, surveys of independent sustainability rating agencies such as Sustainalytics, S&P Global, FTSE Russell, Corporate Knights Research Global 100 Ranking, Fortune & CRIF were participated.

4.4.2.2 Social

ASIL Association has implemented many important projects in 2023. Looking back, we have reached out to a total of 3.863 families who were unable to meet their needs due to financial constraints.

- On February 6, 12 trucks of aid materials were sent to the earthquake zone in response to the earthquake centered in Kahramanmaraş and affecting 10 provinces. A tent city with a capacity of 600 beds was established in Hatay and all needs were met. Food, clothing, stationery and household goods were provided to 151 families who came to Ankara from the earthquake zone.
- In Ramadan 2023, zekat aid was provided to 161 families and food vouchers to 45 families.
- Within the scope of education aids, a study center was established for students in the earthquake zone to study. 10,000 tablets were sent to the region through the Ministry of National Education for students in the earthquake zone who will take the YKS and LGS exams. 40 successful students studying at Aselsan Vocational and Technical Anatolian High School were given success scholarships, and 40 needy female students staying at the Credit and Dormitories Institution were given educational support. 1000 students were provided with stationery sets and 60 schools were provided with material support.
- Within the scope of health aids, leg prostheses of families in need were made, surgery costs of patients who could not undergo surgery due to financial impossibility were covered, medicines of patients who could not take their medicines were purchased, and the costs of patients receiving rehabilitation support were covered by our association.
- Clothing vouchers were sent to 549 children in need to buy coats and boots.
- Due to the war in Palestine, 800 ready-made food packages were purchased and sent to the region.
- In 2023, 193 families received food vouchers and 131 families received clothing vouchers.

ASIL Association will continue to work with all its strength to reach out to many families in need, with the belief and support of its participants, and to add "Hope for the Future, Value to Life".

Tekno Adventure is a corporate social responsibility project implemented by ASELSAN on April 24, 2019. The project aims to instill a love for science, coding and technology production in children, to whom we will entrust our future in a changing world.

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In line with this aim, it is aimed to contribute to, inspire and arouse curiosity in children to discover themselves, their environment and the world they live in through science and technology by bringing children together with various activities that both teach and entertain in order to increase their technological literacy.

The project carries out its activities in many different science festivals and events to ensure that children between the ages of 7-13 gain awareness and self-confidence, acquire the ability to develop ideas, combine their imagination with the skills they gain in real life, become technology and code literate, and understand the importance of domestic and national production.

Since its inception, the project has reached many children through both physical and digital channels. Since 2019, more than 56 thousand children have been reached in 8 different cities, 4 different schools, more than 10 festivals, more than 75 educational workshops and experience areas. These activities include the Kit Workshop, Mars Rover, Space Journey-themed 9D cinema and experience areas. In addition, within the scope of ASELSAN 48th Anniversary activities, children had the opportunity to get to know technology and science with a theater play specially prepared for ASELSAN, and they also conducted fun experiments with the science show.

As of December 31, 2023, Tekno Macera has reached a total of more than 21,000 followers on social media, shared educational content has been viewed by approximately 795 thousand people and liked by more than 10 thousand people.

YouTube training videos were viewed by approximately 2.4 million people. Total viewing time reached approximately 170 thousand hours.

CHAPTER V - BOARD OF DIRECTORS

5.1 Structure and Formation of Board of Directors

In our Company, 3 members of 9 members of Board of Directors are independent members. The duties of Nomination Committee are executed by Corporate Governance Committee. The report regarding the evaluation of the list of Independent Members of Board of Directors prepared by Corporate Governance Committee on 05.09.2023 were presented to Board of Directors. Within the scope of CMB's Communiqué on Corporate Governance numbered II.17-1, CMB has not stated any adverse opinion on the nominee list and the evaluation report. The CVs and independence statements of the 5 nominees

were announced to public on our website on 18.09.2023. As a result of the voting at the Extraordinary Assembly Meeting on 22.09.2023, 3 nominees were elected as Independent Members of Board of Directors. There is 1 female member among 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 2023.

The CVs of the Members of the Board of Directors are included in the annual report and the information with respect to their duty terms is provided in the table below.

| Name Surname | Duty | Election Date |
|----------------------|--------------------------|----------------|
| Ercümend ARVAS | Chairman | September 2023 |
| Alpaslan KAVAKLIOĞLU | Vice Chairman | April 2019 |
| İsmail ARI | Independent Member | September 2023 |
| Bekir BAYRAKDAR | Member | September 2023 |
| Yavuz ÇELİK | Member (Managing Member) | June 2020 |
| Salih KUL | Independent Member | April 2019 |
| Mustafa Murat ŞEKER | Member (Managing Member) | June 2021 |
| Ebru TÜMER | Independent Member | September 2023 |
| Ahmet YOZGATLIGİL | Member | September 2023 |
| Ahmet AKYOL | CEO | June 2023 |

In article 13 of the Articles of Association titled "Duties and Authorization of the Board of Directors", the duties and authorization of the Board of Directors have been defined. Besides, the Board of Directors Working Directive also describes the Duties and Authorization of the Board of Directors. With the article 14 of the Articles of Association titled "Assignment of the Authorization to the CEO", the assignment of the authorization of the Board of Directors to the CEO has been set out. The duties and authorization of the executives are described in the "Duties and Responsibilities Documents" formed within the Company.

The duties of the Members of the Board of Directors and of the CEO carried out outside the Company, information regarding the term of office and the statements of the board of members with respect to their independencies were given below.

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- There is an executive member (CEO) in the Board of Directors.
- The statements of independence of the Independent Members of the Board of Directors have been provided at the annex of the Compliance Report.
- All of our independent board members are strictly independent board members such that
 - none is employed by ASELSAN;
 - none has served in our Board of Directors for more than ten years;
 - none is a shareholder of ASELSAN with more than 5% of holdings;
 - none has cross-board membership neither in the parent company of ASELSAN nor in any affiliates or subsidiaries of ASELSAN;
 - none has recent, immediate family ties to ASELSAN;
 - none accepts any compensation other than compensation for board service.
- The Members of the Board of Directors fulfill their duties without any interest or benefit and pursuant; to the liabilities and authorizations undertaken by the Board of Directors and to the regulations of the Turkish Code of Commerce and CMB.
- Members of the Board of Directors, in accordance with the Working Directive of Board of Directors, are liable not to enter into any commercial treatments directly or indirectly with the Company that coincides with the Company objectives, on their behalf or on behalf of others without the consent of the General Assembly.

5.2 Principles of Activity of Board of Directors

Board of Directors carries out its duties and responsibilities determined with reference to TCC, Capital Market Law and Articles of Association. In this context, the basis of duties and operations are indicated in details in ASELSAN Board of Directors Working Directives.

The agenda of the Board of Directors meetings is formed with the proposals of the Members of the Board of Directors and the committees and the CEO, it is afterwards evaluated by the Board of Directors Chairman and finalized. The subjects emerged as urgent and which are considered worthwhile to discuss may be added to the agenda during the Board of Directors meeting.

As per article 10 of the Articles of Association, the Board of Directors assemble when required and at least once a month. The number of Board of Directors Meetings in 2023 was 14. 97% of the Members of the Board of Directors attended all of the meetings.

The place, date, time and agenda of the next meeting is decided at the Board of Directors Meetings. Documents pertaining to the meeting agenda are sent to the members of Board of Directors at least 3 work days before the meeting by the Presidency.

The Members of the Board of Directors attend the meetings and fulfill their duties as per their authorization and responsibilities. The members who do not attend the meetings submit their excuses.

Board Office is established under Board of Directors in order to coordinate necessary issues in the name of the Board, particularly the relationships with the Presidency and TAFF, to execute planning and support the Board of Directors' operations.

All members have one right to vote, including the chairman. If the numbers of votes are equal, the vote of the chairman does not change the result. Abstaining is not possible, either rejection or acceptance is voted. The vote of the abstaining member is considered as a rejecting vote. The member casting a reject vote states the ground for this in the meeting minutes and undersigns it. According to the article 11 of the Articles of Association titled "Quorum of Meeting and Decision Making"; "The provisions of the TCC, Capital Market Law, regulations of the Capital Markets Board in connection with corporate governance and other relevant legislation are considered with respect to the meetings and decisionmaking quorums of the Board of Directors as well as with respect to any Board of Directors members assuming duties and positions outside the Company. Any action and resolutions taken by the Board of Directors without complying with the Corporate Governance Principles, which are made mandatory as to be complied by the Capital Markets Board, are invalid and considered as in contrary to the Articles of Association". In the operation year 2023, 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, senior management and authorized employees in the electronic platform.

Executive Liability Insurance Policy was signed for Board of Directors members on 04.08.2023 with a validity period of 1 year.

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5.3 Number of Committees Formed in the Board of Directors with Their Structures and Independency

As per the title “Committees Formed in the Board of Directors” in the Communiqué Regarding Determination and Implementation of Corporate Governance Principles by the Capital Markets Board, our Company’s Board of Directors, in the meeting dated 10.04.2012, formed an Audit Committee, Corporate Governance Committee and Early Detection and Management of Risk Committee and announced this to the public. There are no Nomination and Compensation Committees within the Board of Directors and the duties of these are carried out by the Corporate Governance Committee.

The directives of Audit Committee, Corporate Governance Committee and Early Detection and Management of Risk Committee are made available at the website of our Company. The Independent Members of the Board of Directors have duties in more than one committee. This is because it is mandatory that all members of the Audit Committee and the chairman of the other committees should be Independent Members of the Board of Directors.

Boards of Directors have made the annual evaluation of the committees composed under its structure and the evaluation report is available in Annual Report.

The Committees formed by the Board of Directors has not received any consultancy services in 2023.

| AUDIT COMMITTEE | |
|--|---|
| Committee Members (January - September 2023) | |
| Nurşen SARI | Chairman / Independent Member of Board of Directors |
| İbrahim ÖZKOL | Member / Independent Member of Board of Directors |
| Turan EROL | Member / Independent Member of Board of Directors |

| Committee Members (September - December 2023) | |
|---|---|
| Ebru TÜMER | Chairman / Independent Member of Board of Directors |
| İsmail ARI | Member / Independent Member of Board of Directors |
| Salih KUL | Member / Independent Member of Board of Directors |

The main duties of the Audit Committee that were set out in the “ASELSAN Audit Committee Work Directives” regulating the working principles of Audit Committee are as follows;

- To enable the disclosure of the financial data of ASELSAN, to pursue the operation and efficiency of the accounting system, independent audit, internal audit and internal control system of the company,
- To assemble at least every 3 months, to share the meeting minutes with the Board of Directors

Meetings were held by Audit Committee on dates 28.02.2023, 26.04.2023, 15.08.2023 and 31.10.2023 regarding the financial statements with the participation of the related independent audit company in 2023. Committee members fully attended these meetings.

In order to increase the efficiency of internal audit, attention was paid to strengthen the cooperation with Internal Audit Presidency and to the supervision of internal audit activities, direct and continuous communication was established between Audit Committee and Internal Audit Presidency. A dimension of this communication; Audit Committee-Internal Audit Presidency coordination meetings in 2023, were held 12 times on dates 23.01.2023, 28.02.2023, 20.03.2023, 25.04.2023, 23.05.2023, 13.06.2023, 10.07.2023, 15.08.2023, 19.09.2023, 6.10.2023, 22.11.2023, and 15.12.2023

REPORT OF THE BOARD OF DIRECTORS

The Committee was active in two main topics in 2023.

i. Independent Audit Activities and Works Regarding the Audited Financial Statements:

“Communiqué on Financial Reporting in Capital Markets” Serial: II, 14.1 regulated the preparation of financial reports and their basis, principles of presentation to the relevant parties. December 2022, March 2023, June 2023 and September 2023 financials and Board of Directors reports were prepared in accordance with the communiqué numbered II, 14.1, and submitted to Board of Directors by Audit Committee and presented to the public via Public Disclosure Platform.

The procurement process for independent audit services for the year 2023 as per the CMB'S communiqué numbered II-14:1, was handled by the Industrialization and Procurement Directorate and the procurement proposal resolution of the Board of Directors regarding procurement of services from “YEDİTEPE Bağımsız Denetim A.Ş.” was submitted for approval on the General Assembly Meeting dated 26.04.2023 and was accepted.

ii. Internal Audit Presidency:

Within the scope of the internal audit activities of the Company, the relations between the Internal Audit Presidency and the Board of Directors have been carried out through Audit Committee. A direct and continuous contact between Audit Committee and Internal Audit Presidency is present.

CORPORATE GOVERNANCE COMMITTEE

Committee Members (January - September 2023)

| | |
|---------------------|---|
| İbrahim ÖZKOL | Chairman / Independent Member of the Board of Directors |
| Yavuz ÇELİK | Member / Member of the Board of Directors |
| Salih KUL | Member / Member of the Board of Directors |
| Mustafa Murat ŞEKER | Member / Member of the Board of Directors |
| Pınar ÇELEBİ | Member / Investor Relations Manager |

Committee Members (September - December 2023)

| | |
|---------------------|---|
| İsmail ARI | Chairman / Independent Member of the Board of Directors |
| Ahmet YOZGATLIGİL | Member / Member of the Board of Directors |
| Mustafa Murat ŞEKER | Member / Member of the Board of Directors |
| Pınar ÇELEBİ | Member / Investor Relations Manager |

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

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

Corporate Governance Committee assembles every 3 months and in every situation when necessary. The meeting minutes are submitted to the Board of Directors.

The Corporate Governance Committee assembled 4 times within the activity year 2023 on dates, 23.02.2023, 28.03.2023, 05.09.2023 and 28.11.2023. Committee members fully attended these meetings. The meeting minutes of the Committee may be reached on our website. The committee was active in 3 respective tasks in 2023:

i. Operations of Investor Relations Department:

Investor Relations Department have attended all the meetings in 2023 and performed secretariat procedures of the committee with regard to “ASELSAN Corporate Governance Committee Working Directive”. Information was provided to the committee about the activities of the Investor Relations Department in the Committee meetings.

REPORT OF THE BOARD OF DIRECTORS

In 2023, the subjects discussed and tasks carried by the Corporate Governance Committee within the context of the meetings are given below:

- Corporate Governance Committee Evaluation Report,
- Preparation of ASELSAN Corporate Governance Principles Compliance Report and the submission of the report to Board of Directors,
- Independent Board Members selection process,
- Corporate Governance Rating,
- Preparation of Corporate Governance Committee Evaluation Report and the submission of the report to Board of Directors.

ii. Corporate Governance Rating:

The evaluation of corporate governance rating performed by SAHA Corporate Governance and Credit Rating Services were concluded, ASELSAN'S corporate governance rating grade, which was 9.34 out of 10 on 09.12.2022, reached its historical peak by rising to 9.41 as of 08.12.2023.

Our Company's share has been listed in the corporate governance index since the date 14.12.2012, which it first entered the index. Rating reports can be accessed on the company website.

iii. Election of Independent Board Members

As given by Corporate Governance Principles, the responsibility of evaluating and reporting the nominations and their independency status is given to the Nomination Committee, in companies where this committee is not formed because of the structure of the Board of Directors, the responsibility is given to Corporate Governance Committee. Within this context, the evaluation of nominations was carried on by the Committee and the resulting nominee list was presented at the Board of Directors meetings on dates 28.03.2023 before the 48th Ordinary General Assembly.

CMB has not stated any opposing opinions regarding the nominees' list and evaluation report which was submitted by the Board of Directors. The final list was submitted to shareholders' voting on 48th General Assembly Meeting on 26.04.2023 and as a result, İbrahim ÖZKOL, Turan EROL and Nurşen SARI were elected as independent members to serve for 1 year.

Subsequently, the new candidate list formed as a result of the evaluation made by our Committee prior to the 10th Extraordinary General Assembly held on 22.09.2023 was submitted to the Board of Directors on 05.09.2023. The CMB did not express any negative opinion on the list. The list was submitted to the voting of the shareholders at the 10th Extraordinary General Assembly Meeting held on 22.09.2023 and as a result of the voting, İsmail ARI, Salih KUL and Ebru TÜMER were elected as independent members of the Board of Directors to serve for one year until the next Ordinary General Assembly Meeting.

EARLY DETECTION AND MANAGEMENT OF RISK COMMITTEE

ASELSAN Board of Directors established the "Early Detection and Management of Risk Committee" with the resolution dated 10.04.2012 and numbered 720/1. The Committee executes as per the directive numbered ASY-01-066.

Committee Members (January - September 2023)

| | |
|-------------|---|
| Turan EROL | Chairman / Independent Member of the Board of Directors |
| Yavuz ÇELİK | Member / Member of the Board of Directors |
| Salih KUL | Member / Member of the Board of Directors |

Committee Members (September - December 2023)

| | |
|-----------------|---|
| Salih KUL | Chairman / Independent Member of the Board of Directors |
| Bekir BAYRAKDAR | Member / Member of the Board of Directors |

REPORT OF THE BOARD OF DIRECTORS

In 2020 the Committee continued to identify the risks which prevent ASELSAN from reaching its goals; manage the risks in accordance with the company's risk-taking profile; report the risk activities; build risk aware decision mechanisms and internal control. Risks identified through risk management processes are prioritized depending on their probability and impact. It is ensured that important risks are monitored and reported. In this context, in 2023 the Committee held 7 meetings on 27.02.2023, 27.03.2023, 29.05.2023, 17.07.2023, 30.10.2023, 27.11.2023 and 25.12.2023. Committee members fully attended these meetings.

Committee's activities are summarized below:

- "2022 Evaluation Report" was prepared and submitted to Board of Directors in January 2023.
- In 2023, a total of 7 Corporate Risk Evaluation Reports were prepared and submitted to the Board of Directors. In the reports;
 - Important risks of ASELSAN were evaluated and monitored. The risk classification, explanation, rating, strategy, owner/responsible, current control operations and relevant indicators and mitigating actions were included in the report.
 - Warning levels of benchmarks for risk indicators were determined and the risk indicators which divert from the benchmark and can signal the poor performance of a goal during the reporting period were also reported.
- Risk management chapters in the annual report and the other reports set by the legal authorities were prepared.

The secretariat formalities of the Committee were performed by Enterprise Risk and Process Management Department of Finance Directorate.

5.4 Risk Management and Internal Control Mechanism

In ASELSAN, the effectiveness of internal audit activities, corporate governance, risk management and internal control processes are improved and the Company contributes to the achievement of the Company's targets. The most important role of the internal audit activities, which is an important component of the internal control system, is the provision of assurance and consultancy services to the Audit Committee and the Board of Directors on the internal control system and enterprise risk management. The 3-year audit plan and work programs are prepared on a risk-based basis and the results of the audit are reported to the Audit Committee and regular meetings are held with the Committee. By

the Internal Audit Department; compliance with legal regulations and company regulations, the application of ethical principles and the adequacy of controls to eliminate risks are evaluated.

5.5 Strategic Objectives of the Company

The Board of Directors is the top-level body to make strategic decisions and to execute and represent. As per the Articles of Association of the Company, the Board of Directors is responsible to determine the Strategic Plans and control its implementations.

Strategic Management Process is a part of Corporate Governance and is managed by the CEO in the name of Board of Directors, following the approval of the ASELSAN Strategic Plan which is prepared with the coordination of Strategic Management and Digital Transformation Directorate. Reaching ASELSAN's long term goals and sustaining success can be achieved through environment friendly strategies.

ASELSAN's vision is to be a reliable, competitively preferred, environment-friendly and human conscious technology firm, which preserves its sustainable growth in the global market via the values created for stakeholders, as well as serving its establishment purposes. Within this concept, annually updated 5-year Strategic Plan and 3-year Budgets are prepared. With this methodology, short- and medium-term targets are specified by considering long term goals. The operations to be carried out for these targets are executed by Vice Presidencies and performance evaluations are made based on Balanced Scorecard method, which is widely used in the world.

5.6 Financial Rights

Compensation procedures for Board of Directors Members and Managers with Executive Responsibility, which are set in written form in accordance with the Corporate Governance Principles, are published on our Company's website.

Monthly remunerations provided to our Members of the Board of Directors are determined by the General Assembly and no other benefits are granted apart from the monthly remuneration. Pursuant to the resolution taken at the 48th Ordinary General Assembly held on 26.04.2023, the Members of the Board of Directors are paid TL 9.750,- 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.

REPORT OF THE BOARD OF DIRECTORS

Statement of Independence

TO THE BOARD OF DIRECTORS OF ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş.

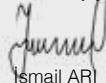
ANKARA
Date: 05.09.2023

With respect to the corporate governance principle numbered 4.3.6 of the Capital Markets Board's Communiqué on Corporate Governance numbered II-17.1, in order for me to be selected as an Independent Board Member of ASELSAN Elektronik Sanayi ve Ticaret A.Ş. (Company), I hereby agree, represent and undertake that I;

- a) do not have a relationship in terms of employment at an administrative level to take upon significant duty and responsibilities within the last five years, do not own more than 5% of the capital or voting rights or privileged shares either jointly or solely or do not have established a significant commercial relation between the corporation, companies on which the corporation hold control of management or significant effect and shareholders who hold control of management of the corporation or have significant effect in the corporation and legal entities on which these shareholders hold control of management and myself, my spouse and my relatives by blood or marriage up to second degree,
- b) have not been a shareholder (5% and more), an employee at an administrative level to take upon significant duty and responsibilities or member of board of directors within the last five years in companies that the corporation purchases or sells goods or service at a significant level within the framework of the contracts executed, especially on audit (including tax audit, statutory audit, internal audit), rating and consulting of the corporation, at the time period when the corporation purchases or sells services or goods,
- c) have professional education, knowledge and experience in order to duly fulfill the duties assigned for being an independent board member,
- d) will not be serving as a full time employee at public authorities and institutions after being elected, except being an academic member at university provided that is in compliance with the relevant legislation,
- e) am residing in Turkey in accordance with the Income Tax Law (I.T.L) dated 31.12.1960 and numbered 193,
- f) am capable to contribute positively to the operations of the corporation, to maintain my objectivity in conflicts of interests between the corporation and the shareholders, have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders,
- g) am able to allocate time for the corporation's business in order to follow up the activities of the corporation and duly fulfill the allocated duties,
- h) have not conducted membership of board of directors more than a term of six years in the last ten years,
- i) am not the independent member of the board of directors in more than three of the corporations as such; the corporation or the controlling shareholders of the corporation who hold the control of management corporations and in more than five corporations in total which are admitted to the trading on the exchange,
- j) have not been registered and announced as a board member representing a legal entity.

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

Sincerely yours,



İsmail ARI

Statement of Independence

TO THE BOARD OF DIRECTORS OF ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş.


ANKARA
Date: 05.09.2023

With respect to the corporate governance principle numbered 4.3.6 of the Capital Markets Board's Communiqué on Corporate Governance numbered II-17.1, in order for me to be selected as an Independent Board Member of ASELSAN Elektronik Sanayi ve Ticaret A.Ş. (Company), I hereby agree, represent and undertake that I;

- a) do not have a relationship in terms of employment at an administrative level to take upon significant duty and responsibilities within the last five years, do not own more than 5% of the capital or voting rights or privileged shares either jointly or solely or do not have established a significant commercial relation between the corporation, companies on which the corporation hold control of management or significant effect and shareholders who hold control of management of the corporation or have significant effect in the corporation and legal entities on which these shareholders hold control of management and myself, my spouse and my relatives by blood or marriage up to second degree,
- b) have not been a shareholder (5% and more), an employee at an administrative level to take upon significant duty and responsibilities or member of board of directors within the last five years in companies that the corporation purchases or sells goods or service at a significant level within the framework of the contracts executed, especially on audit (including tax audit, statutory audit, internal audit), rating and consulting of the corporation, at the time period when the corporation purchases or sells services or goods,
- c) have professional education, knowledge and experience in order to duly fulfill the duties assigned for being an independent board member,
- d) will not be serving as a full time employee at public authorities and institutions after being elected, except being an academic member at university provided that is in compliance with the relevant legislation,
- e) am residing in Turkey in accordance with the Income Tax Law (I.T.L) dated 31.12.1960 and numbered 193,
- f) am capable to contribute positively to the operations of the corporation, to maintain my objectivity in conflicts of interests between the corporation and the shareholders, have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders,
- g) am able to allocate time for the corporation's business in order to follow up the activities of the corporation and duly fulfill the allocated duties,
- h) have not conducted membership of board of directors more than a term of six years in the last ten years,
- i) am not the independent member of the board of directors in more than three of the corporations as such; the corporation or the controlling shareholders of the corporation who hold the control of management corporations and in more than five corporations in total which are admitted to the trading on the exchange,
- j) have not been registered and announced as a board member representing a legal entity.

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

Sincerely yours,



Salih KUL

REPORT OF THE BOARD OF DIRECTORS

Statement of Independence

TO THE BOARD OF DIRECTORS OF ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş.

ANKARA

Date: 05.09.2023

With respect to the corporate governance principle numbered 4.3.6 of the Capital Markets Board's Communiqué on Corporate Governance numbered II-17.1, in order for me to be selected as an Independent Board Member of ASELSAN Elektronik Sanayi ve Ticaret A.Ş. (Company), I hereby agree, represent and undertake that I;

- a) do not have a relationship in terms of employment at an administrative level to take upon significant duty and responsibilities within the last five years, do not own more than 5% of the capital or voting rights or privileged shares either jointly or solely or do not have established a significant commercial relation between the corporation, companies on which the corporation hold control of management or significant effect and shareholders who hold control of management of the corporation or have significant effect in the corporation and legal entities on which these shareholders hold control of management and myself, my spouse and my relatives by blood or marriage up to second degree,
- b) have not been a shareholder (5% and more), an employee at an administrative level to take upon significant duty and responsibilities or member of board of directors within the last five years in companies that the corporation purchases or sells goods or service at a significant level within the framework of the contracts executed, especially on audit (including tax audit, statutory audit, internal audit), rating and consulting of the corporation, at the time period when the corporation purchases or sells services or goods,
- c) have professional education, knowledge and experience in order to duly fulfill the duties assigned for being an independent board member,
- d) will not be serving as a full time employee at public authorities and institutions after being elected, except being an academic member at university provided that is in compliance with the relevant legislation,
- e) am residing in Turkey in accordance with the Income Tax Law (I.T.L) dated 31.12.1960 and numbered 193,
- f) am capable to contribute positively to the operations of the corporation, to maintain my objectivity in conflicts of interests between the corporation and the shareholders, have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders,
- g) am able to allocate time for the corporation's business in order to follow up the activities of the corporation and duly fulfill the allocated duties,
- h) have not conducted membership of board of directors more than a term of six years in the last ten years,
- i) am not the independent member of the board of directors in more than three of the corporations as such; the corporation or the controlling shareholders of the corporation who hold the control of management corporations and in more than five corporations in total which are admitted to the trading on the exchange,
- j) have not been registered and announced as a board member representing a legal entity.

Sincerely yours,



PROF. DR. EBRU TÜMER

REPORT OF THE BOARD OF DIRECTORS

| Compliance | | | | | | |
|---|-----|---------|----|----------|----------------|--|
| CORPORATE GOVERNANCE COMPLIANCE REPORT | Yes | Partial | No | Exempted | Not applicable | Explanation |
| 1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS | | | | | | |
| 1.1.2-Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website. | X | - | - | - | - | |
| 1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION | | | | | | |
| 1.2.1-Management did not enter into any transaction that would complicate the conduct of special audit. | X | - | - | - | - | |
| 1.3. GENERAL ASSEMBLY | | | | | | |
| 1.3.2-The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics. | X | - | - | - | - | |
| 1.3.7-Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting. | - | - | - | - | X | |
| 1.3.8-Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting. | X | - | - | - | - | |
| 1.3.10-The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions. | X | - | - | - | - | |
| 1.3.11-The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak. | - | X | - | - | - | The General Assembly meeting is not open to the media. |
| 1.4. VOTING RIGHTS | | | | | | |
| 1.4.1-There is no restriction preventing shareholders from exercising their shareholder rights. | X | - | - | - | - | |
| 1.4.2-The company does not have shares that carry privileged voting rights. | X | - | - | - | - | |
| 1.4.3-The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control. | - | - | - | - | X | |

| Compliance | | | | | | |
|---|-----|---------|----|----------|----------------|---|
| CORPORATE GOVERNANCE COMPLIANCE REPORT | Yes | Partial | No | Exempted | Not applicable | Explanation |
| 1.5. MINORITY RIGHTS | | | | | | |
| 1.5.1-The company pays maximum diligence to the exercise of minority rights. | X | - | - | - | - | |
| 1.5.2-The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights. | - | - | X | - | - | Utmost attention is paid for the execution of minority rights in our Company and the provisions of Turkish Code of Commerce and the relevant legislation regarding minority rights are applied as is. |
| 1.6. DIVIDEND RIGHT | | | | | | |
| 1.6.1-The dividend policy approved by the General Shareholders' Meeting is posted on the company website. | X | - | - | - | - | |
| 1.6.2-The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future. | X | - | - | - | - | |
| 1.6.3-The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item. | - | - | - | - | X | |
| 1.6.4-The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company. | X | - | - | - | - | |
| 1.7. TRANSFER OF SHARES | | | | | | |
| 1.7.1-There are no restrictions preventing shares from being transferred. | - | - | X | - | - | The transfer of the nominated Group A shares representing majority part of the capital and which are not traded in Borsa İstanbul has been restricted with the provision of article 6 of the Articles of Association stating "As the company operates in security and defense sector, 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". |

REPORT OF THE BOARD OF DIRECTORS

| Compliance | | | | | | |
|--|-----|---------|----|----------|----------------|---|
| CORPORATE GOVERNANCE COMPLIANCE REPORT | Yes | Partial | No | Exempted | Not applicable | Explanation |
| 2.1. CORPORATE WEBSITE | | | | | | |
| 2.1.1-The company website includes all elements listed in Corporate Governance Principle 2.1.1. | X | - | - | - | - | |
| 2.1.2-The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months. | X | - | - | - | - | |
| 2.1.4-The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content. | X | - | - | - | - | |
| 2.2. ANNUAL REPORT | | - | - | - | - | |
| 2.2.1-The board of directors ensures that the annual report represents a true and complete view of the company's activities. | X | - | - | - | - | |
| 2.2.2-The annual report includes all elements listed in Corporate Governance Principle 2.2.2. | X | - | - | - | - | |
| 3.1. CORPORATION'S POLICY ON STAKEHOLDERS | | | | | | |
| 3.1.1- The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles. | X | - | - | - | - | |
| 3.1.3-Policies or procedures addressing stakeholders' rights are published on the company's website. | X | - | - | - | - | |
| 3.1.4-A whistleblowing programme is in place for reporting legal and ethical issues. | X | - | - | - | - | |
| 3.1.5-The company addresses conflicts of interest among stakeholders in a balanced manner. | X | - | - | - | - | |
| 3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT | | | | | | |
| 3.2.1-The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management. | - | X | - | - | - | Although the mechanisms that enable the participation of stakeholders in the management of the company are built, they are not included in the Articles of Association. |

| Compliance | | | | | | |
|--|-----|---------|----|----------|----------------|--|
| CORPORATE GOVERNANCE COMPLIANCE REPORT | Yes | Partial | No | Exempted | Not applicable | Explanation |
| 3.2.2-Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them. | X | - | - | - | - | |
| 3.3. HUMAN RESOURCES POLICY | | | | | | |
| 3.3.1-The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions. | X | - | - | - | - | |
| 3.3.2-Recruitment criteria are documented. | X | - | - | - | - | |
| 3.3.3-The company has a policy on human resources development, and organises trainings for employees. | X | - | - | - | - | |
| 3.3.4-Meetings have been organised to inform employees on the financial status of the company, remuneration, career planning, education and health. | X | - | - | - | - | |
| 3.3.5-Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken. | - | - | X | - | - | There is no employee representative practice and union organization in our company. |
| 3.3.6-Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration. | X | - | - | - | - | |
| 3.3.7-Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment. | X | - | - | - | - | |
| 3.3.8-The company ensures freedom of association and supports the right for collective bargaining. | - | X | - | - | - | Establishment of associations by employees about social responsibility, social activities, etc. is encouraged and there is no regulation regarding the recognition of the right to collective bargaining agreements. |
| 3.3.9-A safe working environment for employees is maintained. | X | - | - | - | - | |

REPORT OF THE BOARD OF DIRECTORS

| Compliance | | | | | | |
|---|-----|---------|----|----------|----------------|-------------|
| CORPORATE GOVERNANCE COMPLIANCE REPORT | Yes | Partial | No | Exempted | Not applicable | Explanation |
| 3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS | | | | | | |
| 3.4.1-The company measured its customer satisfaction, and operated to ensure full customer satisfaction. | X | - | - | - | - | |
| 3.4.2-Customers are notified of any delays in handling their requests. | X | - | - | - | - | |
| 3.4.3-The company complied with the quality standards with respect to its products and services. | X | - | - | - | - | |
| 3.4.4-The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers. | X | - | - | - | - | |
| 3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY | | - | - | - | - | |
| 3.5.1-The Board of the corporation has adopted a code of ethics, disclosed on the corporate website. | X | - | - | - | - | |
| 3.5.2-The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery. | X | - | - | - | - | |
| 4.1. ROLE OF THE BOARD OF DIRECTORS | | - | - | - | - | |
| 4.1.1-The Board of Directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place. | X | - | - | - | - | |
| 4.1.2-The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance. | X | - | - | - | - | |
| 4.2. ACTIVITIES OF THE BOARD OF DIRECTORS | | | | | | |
| 4.2.1-The Board of Directors documented its meetings and reported its activities to the shareholders. | X | - | - | - | - | |
| 4.2.2-Duties and authorities of the members of the Board of Directors are disclosed in the annual report. | X | - | - | - | - | |
| 4.2.3-The Board has ensured the company has an internal control framework adequate for its activities, size and complexity. | X | - | - | - | - | |
| 4.2.4-Information on the functioning and effectiveness of the internal control system is provided in the annual report. | X | - | - | - | - | |

| Compliance | | | | | | |
|--|-----|---------|----|----------|----------------|--|
| CORPORATE GOVERNANCE COMPLIANCE REPORT | Yes | Partial | No | Exempted | Not applicable | Explanation |
| 4.2.5-The roles of the Chairman and Chief Executive Officer are separated and defined. | X | - | - | - | - | |
| 4.2.7-The Board of Directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them when communicating and settling disputes with shareholders. | X | - | - | - | - | |
| 4.2.8-The company has a Directors and Officers liability insurance covering more than 25% of the capital. | X | - | - | - | - | |
| 4.3. STRUCTURE OF THE BOARD OF DIRECTORS | | | | | | |
| 4.3.9-The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy. | - | X | - | - | - | There is 1 female member in the Board of Directors, but a target was not set to keep the female member ratio at a minimum of 25%. There is no written Company policy regarding this issue. |
| 4.3.10-At least one member of the audit committee has 5 years of experience in audit/accounting and finance. | X | - | - | - | - | |
| 4.4. BOARD MEETING PROCEDURES | | | | | | |
| 4.4.1-Each board member attended the majority of the board meetings in person. | X | - | - | - | - | |
| 4.4.2-The Board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members. | X | - | - | - | - | |
| 4.4.3-The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members. | X | - | - | - | - | |
| 4.4.4-Each member of the board has one vote. | X | - | - | - | - | |
| 4.4.5-The Board has a charter/written internal rules defining the meeting procedures of the board. | X | - | - | - | - | |

REPORT OF THE BOARD OF DIRECTORS

| Compliance | | | | | | |
|---|-----|---------|----|----------|----------------|--|
| CORPORATE GOVERNANCE COMPLIANCE REPORT | Yes | Partial | No | Exempted | Not applicable | Explanation |
| 4.4.6-Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any. | X | - | - | - | - | |
| 4.4.7-There are limits to external commitments of board members. Shareholders are informed of Board members' external commitments at the General Shareholders' Meeting. | - | X | - | - | - | There are no limitations for the members of the Board of Directors regarding them to carry duties outside the company, except the duties that are subject to prohibition of competition. |
| 4.5. BOARD COMMITTEES | | | | | | |
| 4.5.5-Board members serve in only one of the Board's committees. | - | - | X | - | - | The independent members take part in more than one committee because the number of independent members is 3. |
| 4.5.6-Committees have invited persons to the meetings as deemed necessary to obtain their views. | X | - | - | - | - | |
| 4.5.7-If external consultancy services are used, the independence of the provider is stated in the annual report. | X | - | - | - | - | The Committees formed by the Board of Directors have not received any consultancy services in 2023. |
| 4.5.8-Minutes of all committee meetings are kept and reported to board members. | X | - | - | - | - | |

| Compliance | | | | | | |
|---|-----|---------|----|----------|----------------|--|
| CORPORATE GOVERNANCE COMPLIANCE REPORT | Yes | Partial | No | Exempted | Not applicable | Explanation |
| 4.6. FINANCIAL RIGHTS | | | | | | |
| 4.6.1-The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively. | - | X | - | - | - | The Board of Directors holds a performance evaluation meeting to evaluate whether it fulfills its responsibilities effectively, and the results are not disclosed to the public. |
| 4.6.4-The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favour of them. | X | - | - | - | - | |
| 4.6.5-The individual remuneration of Board members and executives is disclosed in the annual report. | - | - | X | - | - | The remuneration of the members of the board of directors and senior managers are given as a sum. |

REPORT OF THE BOARD OF DIRECTORS

CORPORATE GOVERNANCE INFORMATION FILLINGS

| 1. SHAREHOLDERS | |
|---|--|
| 1.1. Facilitating the Exercise of Shareholders Rights | |
| The number of investor meetings (conference, seminar/etc.) organised by the company during the year | 99 |
| 1.2. Right to Obtain and Examine Information | |
| The number of special audit request(s) | - |
| The number of special audit requests that were accepted at the General Shareholders' Meeting | - |
| 1.3. General Assembly | |
| Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d) | https://www.kap.org.tr/en/Bildirim/1141475 https://www.kap.org.tr/en/Bildirim/1196955 |
| Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time | https://www.kap.org.tr/en/Bildirim/1141475 https://www.kap.org.tr/en/Bildirim/1196955 |
| The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9 | - |
| The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communique on Corporate Governance (II-17.1) | https://www.kap.org.tr/en/Bildirim/1139381 |
| The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communique on Corporate Governance (II-17.1) | https://www.kap.org.tr/en/Bildirim/1139381 |
| The name of the section on the corporate website that demonstrates the donation policy of the company | Investor Relations > Corporate Governance > Policies |
| The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved | https://www.kap.org.tr/en/Bildirim/1141475 |
| The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting | - |
| Identified stakeholder groups that participated in the General Shareholders' Meeting, if any | The representatives of the Independent Audit Company attended the general assembly meeting. |

| | |
|---|--|
| 1.4. Voting Rights | |
| Whether the shares of the company have differential voting rights | No |
| In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares. | - |
| The percentage of ownership of the largest shareholder | 74,20% |
| 1.5. Minority Rights | |
| Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association | No |
| If yes, specify the relevant provision of the articles of association | - |
| 1.6. Dividend Right | |
| The name of the section on the corporate website that describes the dividend distribution policy | Investor Relations > Corporate Governance > Policies |
| Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend | - |
| PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends | - |

REPORT OF THE BOARD OF DIRECTORS

CORPORATE GOVERNANCE INFORMATION FILLINGS

| General Assembly Meetings | | | | | | | | | |
|---------------------------|---|---|--|---|--|---|---|---|---|
| General Meeting Date | The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting | Shareholder participation rate to the General Shareholders' Meeting | Percentage of shares directly present at the GSM | Percentage of shares represented by proxy | Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against | Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them | The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions | The number of declarations by insiders received by the board of directors | The link to the related PDP general shareholder meeting notification |
| 26/04/2023 | 0 | 80,24% | 6,04% | 86,28% | Investor Relations > Corporate Governance > General Assembly > General Assembly | Investor Relations > Corporate Governance > General Assembly > General Assembly Documents | Article 12 | 133 | https://www.kap.org.tr/en/Bildirim/1141475 |
| 22/09/2023 | 0 | 79,09% | 4,88% | 83,97% | | | | 152 | https://www.kap.org.tr/tr/Bildirim/1196955 |

2. DISCLOSURE AND TRANSPARENCY

| 2.1. Corporate Website | |
|---|---|
| Specify the name of the sections of the website providing the information requested by the Principle 2.1.1. | Investor Relations > Corporate Governance |
| If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares. | - |
| List of languages for which the website is available | Turkish, English |
| 2.2. Annual Report | |
| 2.2.2. The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2. | |

| a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the Board of directors and executives conducted out of the company and declarations on independence of board members | The information on the duties of the members of the board of directors and executives conducted out of the company is under Article 4/a of the Report of Board of Directors. Declarations on independence of board members are end of the Annual Report > Corporate Governance Principles Compliance Report. |
|--|--|
| b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure | The information is in the Annual Report > Corporate Governance Principles Compliance Report > Number of Committees Formed in the Board of Directors with Their Structures and Independency title. |
| c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings | The information is in the Annual Report > Corporate Governance Principles Compliance Report > Principles of Activity of the Board of Directors title. |
| ç) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation | The information is under Article 8 of the Report of Board of Directors. |
| d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof | The information is under Financial Information Note 15 and at the same time under Article 10 of the Report of Board of Directors. |
| e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest | None. |
| f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5% | The information is under Article 4/b of the Report of Board of Directors. |
| g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results | The information is in the Annual Report > Corporate Governance Principles Compliance Report > Ethical Rules and Social Responsibility title. |
| 3. STAKEHOLDERS | |
| 3.1. Corporation's Policy on Stakeholders | |
| The name of the section on the corporate website that demonstrates the employee remedy or severance policy | Investor Relations > Corporate Governance > Policies |
| The number of definitive convictions the company was subject to in relation to breach of employee rights | The information is under Article 10 of the Annual Report of Board of Directors. |
| The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism) | CEO |

REPORT OF THE BOARD OF DIRECTORS

| | |
|--|---|
| The contact detail of the company alert mechanism. | CEO Ahmet AKYOL Phone Number: (0312) 592 60 00 Address: ASELSAN Elektronik Sanayi ve Ticaret A.Ş. Mehmet Akif Ersoy Mahallesi İstiklal Marşı Caddesi No: 16 06200 Yenimahalle ANKARA, TÜRKİYE |
| 3.2. Supporting the Participation of the Stakeholders in the Corporation's Management | |
| Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies. | It was regulated by internal directives and it is not open to the public. |
| Corporate bodies where employees are actually represented | None. |
| 3.3. Human Resources Policy | |
| The role of the board on developing and ensuring that the company has a succession plan for the key management positions | There is the role of the board on developing and ensuring that the company has a succession plan for the key management positions. |
| The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy. | Career > Being Part of Our Team |
| Whether the company provides an employee stock ownership program | There isn't an employee stock ownership program. |
| The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy. | About Us > Our Human Rights Policy |
| The number of definitive convictions the company is subject to in relation to health and safety measures | The information is under Article 10 of the Annual Report of Board of Directors. |
| 3.5. Ethical Rules and Social Responsibility | |
| The name of the section on the corporate website that demonstrates the code of ethics | Investor Relations > Corporate Governance > Ethical Principles |
| The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues. | Investor Relations > Corporate Governance > Sustainability |
| Any measures combating any kind of corruption including embezzlement and bribery | Investor Relations > Corporate Governance > Policies |

| 4. BOARD OF DIRECTORS-I | |
|---|--|
| 4.2. Activity of the Board of Directors | |
| Date of the last board evaluation conducted | 26.03.2024 |
| Whether the board evaluation was externally facilitated | No |
| Whether all board members released from their duties at the GSM | Yes |
| Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties | It was resolved at the meeting of the Board of Directors of our Company, held on 22.09.2023 that; Prof. Dr. Ercüment ARVAS'ın shall be appointed as the Chairman of the Board of Directors, Alpaslan KAVAKLIOĞLU shall be appointed as the Vice Chairman and Yavuz ÇELİK and Mustafa Murat ŞEKER shall be appointed as the Managing Members. The details regarding the context of the authorities are included in the articles of association. |
| Number of reports presented by internal auditors to the audit committee or any relevant committee to the board | 24 |
| Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls | The information is under Article 4/a of the Annual Report of Board of Directors. |
| Name of the Chairman | Prof. Dr. Ercüment ARVAS |
| Name of the CEO | Ahmet AKYOL |
| If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles | - |
| Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital | https://www.kap.org.tr/en/Bildirim/1180650 |
| The name of the section on the corporate website that demonstrates current diversity policy targeting women directors | None. |
| The number and ratio of female directors within the Board of Directors | 1/9 |

REPORT OF THE BOARD OF DIRECTORS

Composition of Board of Directors

| Name, Surname of Board Member | Whether Executive Director Or Not | Whether Independent Director Or Not | The First Election Date To Board | Link to PDP Notification That Includes The Independence Declaration | Whether the Independent Director Considered By The Nomination Committee | Whether She/He is the Director Who Ceased to Satisfy The Independence or Not | Whether The Director Has At Least 5 Years' Experience On Audit, Accounting And/Or Finance Or Not |
|-------------------------------|-----------------------------------|-------------------------------------|----------------------------------|---|---|--|--|
| Ercüment ARVAS | Non-executive | Not independent | 22/09/2023 | - | Not considered | No | Yes |
| Alpaslan KAVAKLIOĞLU | Non-executive | Not independent | 26/04/2019 | - | Not considered | No | Yes |
| İsmail ARI | Non-executive | Independent | 22/09/2023 | https://www.kap.org.tr/tr/Bildirim/1195997 | Considered | No | Yes |
| Bekir BAYRAKDAR | Non-executive | Not independent | 22/09/2023 | - | Not considered | No | Yes |
| Yavuz ÇELİK | Non-executive | Not independent | 19/06/2020 | - | Not considered | No | Yes |
| Salih KUL | Non-executive | Independent | 26/04/2019 | https://www.kap.org.tr/tr/Bildirim/1195997 | Considered | No | Yes |
| Mustafa Murat ŞEKER | Non-executive | Not independent | 29/06/2021 | - | Not considered | No | Yes |
| Ebru TÜMER | Non-executive | Independent | 22/09/2023 | https://www.kap.org.tr/tr/Bildirim/1195997 | Considered | No | Yes |
| Ahmet YOZGATLIGIL | Non-executive | Not independent | 22/09/2023 | - | Not considered | No | Yes |

4. BOARDS OF DIRECTORS-II

4.4. Meeting Procedures of the Board of Directors

| | |
|--|-----|
| Number of physical board meetings in the reporting period (meetings in person) | 14 |
| Director average attendance rate at board meetings | 97% |
| Whether the board uses an electronic portal to support its work or not | Yes |

| | |
|---|---|
| Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter | At least 3 days prior |
| The name of the section on the corporate website that demonstrates information about the board charter | It was regulated by internal directives and it is not open to the public. |
| Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors | There are no limitations for the members of the Board of Directors regarding them to carry duties outside the company, except the duties that are subject to prohibition of competition. |
| 4.5. Board Committees | |
| Page numbers or section names of the annual report where information about the board committees are presented. | The information is in the Annual Report > Corporate Governance Principles Compliance Report > Number of Committees Formed in the Board of Directors with Their Structures and Independence title. |
| Link(s) to the PDP announcement(s) with the board committee charters | The working principles of the committees are not disclosed on PDP, yet they are presented at the end of the Annual Report. |

Composition of Board Committees-I

| Names Of The Board Committees | Name Of Committees Defined As "Other" In The First Column | Name-Surname of Committee Members | Whether Committee Chair Or Not | Whether Board Member Or Not |
|--------------------------------------|---|-----------------------------------|--------------------------------|-----------------------------|
| Audit Committee | - | Ebru TÜMER | Yes | Board member |
| Audit Committee | - | İsmail ARI | No | Board member |
| Audit Committee | - | Salih KUL | No | Board member |
| Corporate Governance Committee | - | İsmail ARI | Yes | Board member |
| Corporate Governance Committee | - | Ahmet YOZGATLIGIL | No | Board member |
| Corporate Governance Committee | - | Mustafa Murat ŞEKER | No | Board Member |
| Corporate Governance Committee | - | Pınar ÇELEBİ | No | Not Board Member |
| Committee of Early Detection of Risk | - | Salih KUL | Yes | Board Member |
| Committee of Early Detection of Risk | - | Bekir BAYRAKDAR | No | Board Member |

REPORT OF THE BOARD OF DIRECTORS

4. BOARD OF DIRECTORS-III

4.5. Board Committees-II

| | |
|---|--|
| Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/website) | The information is in the Annual Report > Corporate Governance Principles Compliance Report > Number of Committees Formed in the Board of Directors with Their Structures and Interdependency title. |
| Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website) | The information is in the Annual Report > Corporate Governance Principles Compliance Report > Number of Committees Formed in the Board of Directors with Their Structures and Interdependency title. |
| Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website) | The duties of the nomination committee is carried by the Corporate Governance Committee. |
| Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website) | The information is in the Annual Report > Corporate Governance Principles Compliance Report > Number of Committees Formed in the Board of Directors with Their Structures and Interdependency title. |
| Specify where the activities of the compensation committee are presented in your annual report or website (Page number or section name in the annual report/website) | The duties of the compensation committee is carried by the Corporate Governance Committee. |

4.6. Financial Rights

| | |
|--|---|
| Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report) | The information is given under Article 7 of the Report of Board of Directors. |
| Specify the section of website where compensation policy for executive and non-executive directors are presented. | Investor Relations > Corporate Governance > Policies title. |
| Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report) | The information is given under Article 4/a of the Report of Board of Directors. |

Composition of Board Committees-II

| Names Of The Board Committees | Name Of Committees Defined As "Other" In The First Column | The Percentage Of Non-executive Directors | The Percentage Of Independent Directors In The Committee | The Number Of Meetings Held In Person | The Number of Reports on its Activities Submitted to the Board |
|--------------------------------------|---|---|--|---------------------------------------|--|
| Audit Committee | - | 100% | 100% | 12 | 11 |
| Corporate Governance Committee | - | 80% | 25% | 4 | 5 |
| Committee of Early Detection of Risk | - | 100% | 50% | 7 | 7 |
| | | | | | |

REPORT OF THE BOARD OF DIRECTORS

A. General Principles

A1. Strategy, Policy and Goals

Maintaining its place since the inception of the Sustainability Index by Borsa Istanbul in 2014, ASELSAN takes the utmost care so as to fully comply with the principles in the Framework for Compliance with Sustainability Principles, which was announced within the scope of the amendment made on October 2, 2020 in the Capital Markets Board's Corporate Governance Communiqué numbered II-17.1. Continuing its activities in this field with the aim of continuous improvement, ASELSAN's compliance with the sustainability principles is presented below.

ASELSAN believes that growth will be achieved not only in economic and institutional but also in social and environmental fields with the awareness of our impact and responsibilities, and makes maximum efforts to carry out its activities within this framework. With the awareness of its responsibility for sustainable life, it accepts environmental, social and corporate governance issues as our priority and discloses its efforts for the benefit of our country, society and future generations.

In this context, the basis of the work is "to carefully monitor the sustainability programs developed in the national and international arena and to create the sustainability added value at the highest level", which is also included in the company policies.

ASELSAN continues to support the goals of our country with its achievements, practices, systems and solutions on climate change. In this context, in June 2021, our company has taken a net zero emission decision for 2050.

Within the scope of the relevant Strategic Activities of the ASELSAN Strategic Plan, the targets of reducing energy intensity are provided by the units responsible for the management of the existing energy infrastructure in the campuses. In this direction, efficiency studies are carried out, especially on energy-consuming resources, and the data obtained are evaluated through analyzers and software systems.

ASELSAN revised its business strategy and sustainability understanding in 2021 and continued improvements in the 2023 report, taking into account the needs of all its stakeholders, in the face of developing and changing needs, with the strength we derive from our vision that emphasizes "trustworthy, sensitive to the environment and people", and our commitment to "take into account the expectations of the relevant parties" in our

policies. Our short, medium and long-term goals and our business strategies, risks and opportunities are being worked on together with all ASELSAN's family members, customers, investors, suppliers, universities, industry and civil society organizations, public institutions, society, future generations and entrepreneurs will center on the sustainability understanding, the details of which will be shared in the 2023 Sustainability Report as a separate report and/or Carbon Emissions Report and/or Water Report. It is considered that the issue of sustainability is a path that needs to be strongly advanced not only at ASELSAN, but also with our stakeholders such as our customers, investors, suppliers and society. With the devoted support and valuable opinions of all relevant parties, it is anticipated that many studies will be undertaken that will add value to ASELSAN's sustainability journey.

The list of policies prepared by ASELSAN on sustainability and announced to the public on its website is given below:

- Information Security Policy
- Human Rights Policy
- Human Resources Management Policy
- Integrated Management System Policy
- Energy Management Policy
- Water Policy
- Export Control Compliance Policy
- Human Resources Management Policy
- Conflict Minerals Policy
- Sustainable Climate Change Policy
- Food Safety, Hygiene and Sanitation Policy
- Quality Policies
- Supply Policies
- Business Ethics and Code of Conduct for Suppliers
- Dividend Policy
- Disclosure Policy
- Anti-Bribery and Anti-Corruption Policy
- Tax Policy
- Compensation Policy
- Stakeholders Policy
- Donation and Aid Policy

REPORT OF THE BOARD OF DIRECTORS

A2. Implementation / Monitoring

Sustainability Ambassadors consisting of 50 people representing different functions within the company, have been determined under the leadership of the Corporate Management Vice President for the coordination of ASELSAN's efforts on sustainability. Sustainability Ambassadors play a leading role in raising awareness within the company regarding important and priority sustainability issues that fall under their duties and responsibilities, and contribute to the management of the issues addressed with a more holistic approach and reporting of sustainability performance.

ASELSAN has complied with the regulations of Borsa Istanbul at the highest level in 2023 and continued to be included in the Sustainable Index.

A3. Reporting

ASELSAN attaches importance to the continuity of its communication with all its stakeholders, and accordingly, it shares important information for stakeholders in a direct and concise manner through its sustainability reports, annual reports, corporate website and investor relations website.

Every year, ASELSAN announces its Sustainability Report to the public both on its website and on the Public Disclosure Platform. Although the report covers the developments that took place in the relevant activity period, it expresses a period of 1 year.

In 2023, there are no lawsuits filed and/or concluded against ASELSAN on environmental, social and corporate governance issues.

A4. Verification

ASELSAN will receive assurance services from an independent institution for the titles determined in the 2022 Sustainability Report.

Greenhouse gas emission management is carried out in line with ASELSAN ISO 14064 and ISO 14001 standards. In order to reduce the effects of the global climate change committed in the Environmental Management System policy and to monitor and report the greenhouse gas emissions in a transparent manner, the emission sources in the ASELSAN campuses are determined and the greenhouse gas emissions are calculated, reported and verified by an independent firm every year.

B. Environmental Principles

Being aware of the need to protect the environment it interacts with in order to leave a more livable world to future generations, ASELSAN pays attention to the most effective management of environmental impacts, responsible use of resources, development of environmentally friendly business processes and environmental impact assessments in its activities and operations.

In line with the sensitivity of ASELSAN to environmental management, employees are provided with online environmental trainings on a regular basis every year. In 2022, a total of 6.978 employees were given 2.350 hours online training on environmental protection. The details of 2023 will be shared in the 2023 Sustainability Report. At the same time, drills are carried out in order to understand what needs to be done in case of chemical leakage and spillage in line with the ISO 14001 Environmental Management System Standard and legal regulations, and to ensure that the personnel are prepared in advance for such environmental accident situations. ASELSAN, which wants to include not only its employees but also the entire value chain in its development journey, has produced an informative short- film on occupational safety, environment and climate change issues for the delegations. Every delegation that comes to ASELSAN campuses is shown this film, and ASELSAN's perspective on these issues is tried to be reflected. In addition, ASELSAN's perspective is shared by making presentations on sustainable environmental practices to the delegations coming outside to ASELSAN facilities.

ASELSAN, which considers the targeted economic, environmental and social performance with the sustainability approach it adopts in its activities, also in the global supply chain formed by thousands of registered suppliers, builds its cooperation with its suppliers within the framework of compliance with the laws, human rights and defined corporate ethical rules. ASELSAN sets the Environmental Management and Occupational Health and Safety Management standards in advance regarding the measurement and evaluation of its suppliers and acts in accordance with these standards in their selections.

The main issues that ASELSAN questions in order to measure and evaluate the suppliers; it has been determined within the scope of compliance with ASELSAN targets and policies, Environmental Management, Occupational Health and Safety Management standards and labor laws, in line with the Company's supply chain policies and international standards, accompanied by technological infrastructure, qualified personnel, comprehensive quality system and strong financial structure.

REPORT OF THE BOARD OF DIRECTORS

ASELSAN carries out its activities related to environmental management in accordance with all environmental laws and regulations and in line with international standards. Obtaining, updating and renewing the permits, licenses and documents required for environmental issues for facilities and activities are carried out by the Environmental Officer. The Environmental Officer also prepares a monthly evaluation report and reports the environmental status of the facility to the facility manager. At the end of each year, an Environmental Performance Report containing the previous year's work is prepared and presented to the senior management.

As a result of the Company's sensitivity towards environmental compliance, there were no violations or penalties in 2023 within the scope of the Environmental Law and related regulations.

According to the information included in the CDP report that ASELSAN announces every year together with the Sustainability Report, our Company's Chairman, President and CEO is defined as the person responsible for carrying out sustainability activities. After the Extraordinary General Assembly held on 22.09.2023, the duties of the Chairman of the Board of Directors and the CEO were carried out by different persons, and the execution of the duty was started to be carried out by the CEO. In addition, the company monitors and measures the incentives it offers for the management of environmental issues, with the CEO and Corporate Management Vice President, with balanced score cards.

ASELSAN aims to be a responsible manufacturer by considering environmental problems on a global scale and includes this issue in its strategic goals. It strategically prefers to use carbon-friendly technologies in its production. It also benefits from smart digital solutions, electric vehicles and solar energy. In addition, studies have been completed to meet the requirements for rail transportation, electric vehicles and wind energy, which are designed and served in the civil field.

ASELSAN sees its suppliers as one of the most important links of the value chain, which directly contributes to the quality of the products/services it offers and thus to the success of its operations and plays a decisive role in its competitiveness. While realizing the economic growth and technological development targets with every stakeholder in the supply chain, ensuring the spread of environmental awareness where all resources are used respectfully and in moderation; it is aimed to raise awareness on social issues such as employment, equality, security, education and health and to protect ethical values. ASELSAN's supply chain, which carries out its project-based activities through signed contracts, plays a role in the execution of all activities from the signature stage of the projects to the process after their delivery to the customer.

ASELSAN has positioned all individuals, institutions and companies that directly or indirectly affect and are affected by its activities on the stakeholder map. Providing great support to stakeholder participation in the realization of business continuity and operational excellence targets, the Company has included customers, employees, investors, suppliers/subcontractors, universities, sector organizations and non-governmental organizations, public institutions, society, future generations and entrepreneurs in its stakeholder map.

ASELSAN accelerates its corporate development by collaborating with all sectoral and non-governmental organizations operating in the defense industry sector. ASELSAN, which is a member of the leading local and international organizations of the defense industry sector, provides representation in domestic and foreign sectoral organizations through its executives and employees, as well as its Senior Management. However, the company is not a member of any non-governmental organization related to environmental issues.

Greenhouse gas emission management at ASELSAN is carried out in line with ISO 14064 and ISO 14001 standards. In order to reduce the effects of the global climate change committed in the Environmental Management System policy and to monitor and report the greenhouse gas emissions in a transparent manner, the emission sources in the ASELSAN campuses are determined and the greenhouse gas emissions are calculated, reported and verified by an independent firm every year. In this context, internal and external audits were carried out within the framework of the ISO 14064 standard for 2023 data.

ASELSAN is committed to "determining climate change risks and managing them in the light of legislation, monitoring and reporting greenhouse gas emissions in order to reduce the effects of global climate change, carefully monitoring the national and international sustainability programs developed for the environment, and creating the added value for sustainability at the highest level". is doing.

ASELSAN's carbon emission targets are set in line with the strategies determined by the Senior Management, and a Greenhouse Gas Management Plan is prepared and implemented in order to achieve the targets. Periodic review of the practices within the scope of the Management Plan and coordination of improvement works are carried out by the Climate Change Unit and CDP Representatives.

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| Energy Consumption | Unit | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|------|------------|------------|------------|------------|-------------|
| a) Nonrenewable Fuel Purchased and Consumed (Natural Gas + Diesel) | MWh | 45.285 | 47.213 | 56.507 | 42.969 | 51.872 |
| b) Nonrenewable Electricity Purchased | MWh | 82.430 | 81.730 | 88.169 | 85.103 | 83.136 |
| Total Nonrenewable Energy Consumption | MWh | 127.715 | 128.943 | 144.676 | 135.008 | 128.072 |
| Total Cost of Energy Consumed | TL | 28.240.039 | 37.589.014 | 46.121.137 | 76.126.396 | 299.397.900 |

In line with the greenhouse gas emission management plan, which is included in ASELSAN's Sustainability Report every year and updated annually for the CDP Climate Change reporting, Scope 1 and 2 aims to reduce the emission intensity by 64.12% compared to the base year until 2022, based on unit turnover. 2023 realization and 2024 targets will be included in the 2023 sustainability report.

| Greenhouse Gas Emissions | Scope 1 | Scope 2 | Scope 3 |
|--------------------------|---------|---------|---------|
| 2018 | 10.738 | 37.663 | 15.000 |
| 2019 | 14.148 | 37.786 | 15.661 |
| 2020 | 14.690 | 42.320 | 14.170 |
| 2021 | 15.482 | 37.927 | 33.788 |
| 2022 | 22.594 | 41.389 | 40.959 |

In line with the responsible and effective management of the resources it uses, ASELSAN received the strong support of the Senior Management in the implementation process of the ISO 50001:2018 Energy Management System, which is a management approach that considers the conscious and efficient use of energy in its activities. Energy management activities are carried out on the basis of processes/production, purchasing processes

and in parallel with other integrated management systems. Within the scope of Strategic Activities related to ASELSAN Strategic Plan, the targets of reducing energy intensity are provided by the units responsible for the management of the existing energy infrastructure in the campuses. In this direction, efficiency studies are carried out, especially on energy-consuming resources, and the data obtained are evaluated through analyzers and software systems.

ASELSAN's 2023 Energy Targets set at the 2023 Energy Management System Management Review meeting are stated below.

- 1% improvement in ASELSAN's total electricity consumption based on the Energy Performance Indicator.
- 0.5% improvement in ASELSAN's total natural gas consumption based on the Energy Performance Indicator. In line with these targets, Energy Performance Indicators (EnPI) are checked monthly for energy consumption and necessary actions are taken in case of deviation from the target.

| Date | Total Facility Energy | Electricity | Natural Gas | Diesel |
|---------------|-----------------------|-------------|-------------|--------|
| January 2022 | 0,92 | 0,98 | 0,84 | 0,97 |
| February 2022 | 0,94 | 0,95 | 0,93 | 0,95 |
| March 2022 | 1,00 | 0,99 | 1,02 | 0,95 |
| April 2022 | 0,99 | 1,00 | 1,04 | 0,90 |
| May 2022 | 0,93 | 0,96 | 0,90 | 1,19 |
| June 2022 | 0,94 | 0,94 | 0,95 | 0,89 |
| July 2022 | 0,95 | 0,98 | 0,91 | 0,98 |
| August 2022 | 1,02 | 0,96 | 1,12 | 1,01 |

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| Date | Total Facility Energy | Electricity | Natural Gas | Diesel |
|--------------------------------|-----------------------|-------------|-------------|-------------|
| September 2022 | 0,96 | 0,98 | 0,87 | 0,98 |
| October 2022 | 0,92 | 0,95 | 0,85 | 0,97 |
| November 2022 | 0,93 | 0,94 | 0,86 | 0,95 |
| December 2022 | 0,97 | 1,01 | 0,90 | 0,98 |
| 2022 Realized (average) | 0,96 | 0,97 | 0,94 | 0,98 |
| 2022 Target | | 0,99 | 1,00 | |

C. Social Principles

C1. Human Rights and Employee Rights

ASELSAN constantly updates its Human Resources Management Policy in order to protect its strong employer brand and strengthen the employee experience. While managing its qualified human resources, ASELSAN focuses on ensuring full compliance with all laws and regulations regulating business life, providing modern employment and working conditions, supporting personal development and increasing business performance. ASELSAN's human resources management policy consists of principles that aim to create a fair, respectful and transparent working environment and are based on compliance with the Universal Declaration of Human Rights, International Labor Organization (ILO) Conventions to which the Republic of Türkiye is a party, and Turkish Labor and Social Security legislation.

ASELSAN's Human Resources Management Policy is made available to all stakeholders on the Company's corporate website. According to this policy, ASELSAN aims to treat people fairly and without prejudice, to promote diversity in the workplace and throughout society, and to protect human dignity.

With the understanding of "decent work" that ASELSAN has adopted, it is to offer equal opportunities to all its employees, regardless of religion, language, race, gender, ethnicity, age, disability and political opinion. It is one of the principles that ASELSAN attaches great importance to, approaching its employees, who are at the beginning of the value chain, without any discrimination during their entire working period, starting from the rec-

ruitment process. In this direction, ASELSAN adopts an equal pay policy for equal work and does not discriminate on the basis of gender. The wages of the employees are determined in a way that is proportional to the work family they work and their length of service. All employees with the same wages and career scores in their work family receive the same wage, regardless of gender.

At ASELSAN, the remuneration policy is applied to all employees with the same approach and equal denominator, regardless of contract type, gender and disability. Within the growing ASELSAN team, the number of disabled personnel deemed appropriate by law to be included in the staff is carefully monitored.

In ASELSAN, which carries out all its activities on the basis of full compliance with the laws, the equal opportunity approach that prevents and prevents discrimination before the law is always applied, and this issue is integrated into the strategic relations with suppliers and customers. ASELSAN takes all the decisions regarding its employees; regardless of race, religion, language, sect or any belief, gender, mental or physical disability, age, cultural or social class differences. ASELSAN expects its approach in this matter from all its stakeholders, especially its strategic business partnerships and suppliers. ASELSAN did not experience any discrimination in terms of religion, language, race, gender, ethnicity, age, disability or political opinion in 2023.

ASELSAN expects its approach in this matter from all its stakeholders, especially its strategic business partnerships and suppliers. ASELSAN did not experience any discrimination in terms of religion, language, race, gender, ethnicity, age, disability or political opinion in 2022. ASELSAN Human Resources Directorate bases its activities on diversity and equal opportunity practices in its area of responsibility, and developments in this regard are reported to the Corporate Management Vice Presidency.

At ASELSAN, measures are taken along the value chain to observe minority rights/equal opportunities.

Within the scope of the "ASELSAN WITHOUT OBSTACLES" project, which was initiated together with the Value Ambassadors selected from among ASELSAN employees, the project team carries out activities with the motto "It's in Our Hands to Build an Inclusive World" to increase awareness within the company and to reinforce the sense of togetherness for disabled employees. As of 2023, it is planned to raise awareness by assigning separate trainings for both managers and employees. In this context, some exemptions have been defined in the working hours of the employees in the disabled staff. Thanks to

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this method, disabled employees are enabled to move more comfortably during crowded hours. In addition, it is aimed to increase the excused leave hours of the employees in the disabled staff to allocate more time to themselves and their families.

Necessary notice and complaint mechanisms exist in order to ensure that employees are not discriminated due to their individual differences. The establishment and operation of these mechanisms is a matter followed by the Senior Management, and is managed by the Ethical Principles Board, which includes managers from different business units and employee representatives under the Corporate Governance Vice Presidency. If any employee is exposed to discrimination for any reason, it has the right to apply directly to the ASELSAN Ethical Principles Board, with sensitivity to personal confidentiality. Details of this process are discussed within the scope of ASELSAN's Human Rights Policy on the corporate website.

Ensuring a balance between the work life and private life of its employees, who are its most valuable resource, increasing their health, welfare and working motivation is among the main priorities of ASELSAN. Active studies are carried out at ASELSAN in order to ensure employee loyalty and to measure it continuously. Employees' satisfaction with respect to both their loyalty values and Human Resources practices is measured with the annual Employee Satisfaction Survey. After the survey, demographic data and satisfaction data on the basis of departments are analyzed, presented to the Senior Management along with action suggestions, and improvement studies are carried out. Measurements of employee satisfaction are also monitored by the Company's Senior Management and are among the goals of the managers. In order to create an effective feedback mechanism, meetings are held where employees and managers come together. By evaluating the feedback received from the employees, actions that are predicted to contribute to sustainable success are implemented.

The Occupational Health and Safety Management System has been managed at ASELSAN since 2009, within the scope of ISO 45001:2018 Occupational Health and Safety Management System Standard, in compliance with the requirements of the Occupational Health and Safety Law No. 6331. As a result of the work carried out since July 2018 and the external audit carried out by the international certification body in June 2019, the transition to the "ISO 45001:2018 Occupational Health and Safety Management System" published by the international standardization organization has been made. With this study, ASELSAN has maintained its leadership in Occupational Health and Safety studies by becoming one of the first companies in Türkiye to adopt the "ISO 45001:2018 Occupational Health and Safety Management System".

Focusing on human capital in all of its operations and activities, ASELSAN provides a safe working environment for its employees by considering their health and safety in this direction. Suitable and reliable working conditions provided by the Company. It is designed within the framework of occupational health and safety culture along with legal obligations. Occupational health and safety studies are carried out with high importance within the framework of the Integrated Management System (IMS) Policy determined by the Senior Management. The aim of the occupational health and safety studies carried out within the scope of the Integrated Management System Policy is to minimize the risks by eliminating the dangers that may arise due to various reasons in the workplace environment, thus ensuring the safety of the employees and the work environment as well as the workplace.

In the activities carried out by ASELSAN, the principle of full compliance with the Personal Data Protection Law No. 6698, secondary legislation and the fundamental opinions and policy decisions of the Personal Data Protection Board is observed. In this context, ASELSAN fulfills the necessary disclosure obligation with the Illumination Text and its annexes on the Protection of Personal Data. The procedures and principles applied to the protection of personal data at ASELSAN are regulated through the "ASELSAN Personal Data Protection and Processing Policy and ASELSAN Personal Data Retention and Disposal Policy" and announced on ASELSAN's website with Turkish and English texts.

ASELSAN Information Security and Business Continuity Policies are made available to all stakeholders on the Company's corporate website.

ASELSAN Ethical Principles, Values and Codes of Conduct are regularly reviewed and updated in order to create working environments in accordance with ethical principles, which are based on honesty, integrity and business discipline, to prevent unethical behaviors, to raise awareness of ethical values and to integrate ethical principles with practices. Ethical principles enable the creation and preservation of a working environment where ASELSAN employees treat each other with courtesy, sincerity and tolerance, and where everyone shares their views with an open mind. Employees act responsibly with the mutual trust provided, not only taking care of their own interests as individuals, but also the long-term interests of the society they are a part of, the company they work for and their stakeholders.

Particular attention is paid to the selection of new employees who will join the ASELSAN Family among candidates who tend to act in line with ASELSAN's core values and ethical principles. Every employee joining the ASELSAN Family is included in the orientation

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program, where they undergo a comprehensive training process on the ASELSAN Ethical Principles, Values and Codes of Conduct and ASELSAN Ethical Principles Directive, value and code of conduct certificate is given to them as a booklet and employees undertake to act in accordance with ethical principles in the ASELSAN Working Undertaking. In the processes following the orientation, an environment is provided that encourages all ASELSAN employees to internalize ethical principles and to always apply these principles in their daily business lives. While all ASELSAN employees can apply to the Ethical Principles Board through the Ethics Principles Help Desk, external applications can also be received through the e-mail address etik@aselsan.com.tr. ASELSAN Ethical Principles Committee regularly announces the applications to the Board and the related Board evaluations to all ASELSAN employees in order to raise awareness about ethical principles and values. The report on the work of the Ethical Principles Committee, the applications and the measures taken with the evaluations is presented at the Board of Directors meeting in January every year.

ASELSAN Ethical Principles Board, which was established within the scope of ASELSAN's corporate structure and management system, consists of seven members. Among the members of the board, chaired by the Supply Chain Vice Presidency, there are two ASELSAN employees, who are determined by voting by the employees, in addition to the representatives from the Internal Audit Department, Legal Counsel, Support Services Directorate and Human Resources Directorate. In addition to obtaining information from the Board, all ASELSAN employees are able to convey to the Board the behaviors they think are contrary to ethical principles. Behaviors contrary to ethical principles are immediately evaluated by the Board, and the relevant measures are implemented within the knowledge and contribution of the Senior Management.

ASELSAN Social Innovation Leaders (ASIL) Solidarity Association, acting with the awareness of social responsibility, aims to reach every individual in need inside and outside the institution, to be by their side in their desperation and to show that ASELSAN does not only produce technology that gives confidence, but also gives value, was established in 2019. The main fields of activity of ASIL Association are; in addition to providing humanitarian aid in education, health, family and natural disasters, it organizes campaigns periodically and reaches those in need through these campaigns. Since its establishment, it has been providing support to scientific projects, schools in need, children waiting for coats and boots, as well as taking responsibility in case of disasters and epidemics faced by the country, and delivering urgent needs to the necessary places in a short time. Details regarding ASIL activities will be included in the 2023 Sustainability Report.

Within the scope of training activities; providing an area for students to receive education by building schools in areas in need, creating computer classes and libraries in order to meet the educational needs of students, bringing design skill workshops to schools and delivering robotic coding sets, stationery and exam preparation sets to students in order to support the development of students. In addition, with the "Alimhane Project", the first of which was implemented in Ankara Science High School, it is aimed to prepare students with high potential for engineering with a model that will enable them to develop their projects together by giving them a sense of achievement together. In addition, ASELSAN Vocational and Technical Anatolian High School, which was established in 2020 in cooperation with the Ministry of National Education (MoNE), continues its education and training life by enrolling its first students. In 2022, ASELSAN Vocational and Technical Anatolian High School received students from the 0.44th percentile during the preference period.

Within the scope of health activities; medicine, surgery, treatment, prosthesis and health equipment need of families in need are met. Families in need are evaluated by teams, needs are clarified through one-on-one meetings with hospitals and doctors, and relief efforts are carried out in order of priority.

Within the scope of family activities; food boxes containing basic foods for families in need, food cards to meet market needs during holidays, zakat distribution within the scope of Ramadan Feast, clothing for children, boots and coats to be used in winter months, and basic household items for the continuation of life at home are provided. Distributions are delivered directly to families by professional teams.

Volunteer teams consisting of ASELSAN personnel work in order to carry out all these activities.

ASELSAN aims to contribute to the society by supporting institutions, while making projects to increase social opportunities for the welfare of the society and scientific activities for the development of the society. In this direction, the Donation and Aid Policy was created and shared on the ASELSAN website. Cash donations and aid can be made to institutions, establishments, foundations and associations engaged in scientific research and development activities, institutions established for social purposes and similar organizations, the construction of structures such as schools and health facilities, which are of public benefit, and other works that may be deemed beneficial by the Company. Every year, one-year donation plans and the upper limit of donation amounts are determined at the General Assembly meetings, and donations are made by the decision of the Board of

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Directors. ASELSAN has not and is not involved in activities supporting political parties, politicians or political candidates. No political donations were made in 2023.

C2. Stakeholders, International Standards and Initiatives

ASELSAN has positioned all individuals, institutions and companies that directly or indirectly affect and are affected by its activities on its stakeholder map. Providing great support to stakeholder participation in the realization of business continuity and operational excellence targets, the Company has included customers, employees, investors, suppliers/subcontractors, universities, sector organizations and non-governmental organizations, public institutions, society, future generations and entrepreneurs in its stakeholder map.

The definitions, operation and performance of the ASELSAN Quality Management System have been verified and documented by internal and external audits in 2023. ASELSAN's quality policy for each sector presidency and statements regarding customer satisfaction within these policies are submitted for the information of all stakeholders on the Company's corporate website.

ASELSAN prioritizes its activities in the field of sustainability by taking into account the suggestions and expectations of different stakeholder groups, especially employees. It explains these activities through a communication based on mutual interaction with all its stakeholders, from its employees to investors, within the framework of transparency and accountability principles through the Sustainability Report, which it has brought to the attention of its stakeholders.

ASELSAN maintains its sustainability activities by observing national and international reporting standards. ASELSAN is the first company to participate in the CDP Climate Change study among defense industry companies in Türkiye and is among the important defense industry leaders in the world in climate change management with the scores it has received. ASELSAN 2022 Sustainability Report will be prepared in accordance with the GRI Standards and will be made available to all stakeholders on the Company's corporate website.

D. Corporate Governance Principles

ASELSAN observes the sensitivities of the sector where it operates; never compromises on the principles of fairness, transparency, accountability, and responsibility, which are the cornerstones of corporate governance; adds momentum into its consistent growth, and safeguards the interests of stakeholders. In an attempt to bring its lead on domestic platforms to the international arena, the Company works without respite towards full

compliance with corporate governance principles and legal regulations. ASELSAN bases its processes on a professional corporate governance approach and releases a Corporate Governance Principles Compliance Report every year since 2004.

Driven by its listing in 2012 on the Corporate Governance Index of Borsa Istanbul, ASELSAN manages its corporate governance approach as a continuous and dynamic process. As a result of these improvements made by the Company, ASELSAN's corporate governance rating went from 8.77 out of 10 in 2012 to 9.34 out of 10 in 2022 according to the evaluation of SAHA, the corporate governance and credit rating company. ASELSAN's Corporate Governance Principles Compliance Reports are available on the corporate website as well as within the annual reports.

ASELSAN's corporate governance rating, which was 8.77 out of 10 in 2012, rose to 9.41 in 2023, reaching its historical peak. ASELSAN Corporate Governance Principles Compliance Reports are shared on the corporate website and in the annual reports.

ASELSAN's rating scores by subcategories are as follows (out of 100):

| Subcategory | Rating | Weight |
|---|--------|--------|
| Shareholders | 89,59 | 25% |
| Public Disclosure and Transparency | 98,72 | 25% |
| Stakeholders | 99,17 | 15% |
| Board of Directors | 91,88 | 35% |
| Governance Principles Compliance Rating | 94,11 | 100% |

ASELSAN's management structure is a single tier system where the General Assembly elects a Board of Directors. ASELSAN's Board of Directors is composed of 9 members, 3 of them are independent. The Board of Directors has decision making and supervisory roles in the determination and management of economic, environmental, and social impacts as well as risks and opportunities. The Board of Directors ensures that the works are performed in an effective and effective manner and comply with the regulation, Articles of Association, directives, and policies established.

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| Compliance | | | | | | |
|--|-----|----|---------|-----|-------------------------------------|--|
| SUSTAINABILITY COMPLIANCE REPORT | Yes | No | Partial | N/A | Explanation | REPORT / LINK REGARDING THE PUBLICLY DISCLOSED INFORMATION |
| A. General Principles | | | | | | |
| A1. Strategy, Policy and Goals | | | | | | |
| A1.1. The preferred environmental, social and corporate governance (ESG) issues, risks and opportunities have been determined by the Board of Directors. | - | - | X | - | Page 26 | https://www.aselsan.com/en/sustainability/reports |
| A1.1. The ESG policies (e.g. Environmental Policy, Energy Policy, Human Rights and Labour Rights Policy) have been set out by the Board of Directors and disclosed to public. | X | - | - | - | Throughout the Report | https://www.aselsan.com/en/sustainability/reports https://www.aselsan.com/en/sustainability/our-policies |
| https://www.aselsan.com/tr/surdurulebilirlik/raporlarimiz | | | | | | |
| https://www.aselsan.com/tr/surdurulebilirlik/politikalarimiz | | | | | | |
| A1.2. The short-term and long-term ESG goals have been disclosed to public. | - | - | X | - | Page 17,18,33,73 106,107,113,118 | https://www.aselsan.com/en/sustainability/reports |
| A.2. Execution/Supervision | | | | | | |
| A2.1. The committees and/or boards responsible for the supervision of ESG policies and the seniors / directors to execute the ESG issues have been disclosed to public including their duties. | X | - | - | - | Page 39 Page 5 | https://www.aselsan.com/en/sustainability/reports https://www.wcdn.aselsan.com/api/file/ASELSAN_2023_CDP_Climate_Change_Report.pdf |
| https://www.wcdn.aselsan.com/api/file/ASELSAN_2023_CDP_Climate_Change_Report.pdf | | | | | | |
| A2.1. The activities carried out within the scope of the policies by the responsible committee and/or department have been reported to the Board of Directors at least once a year. | X | - | - | - | Page 39 Page 20 | https://www.aselsan.com/en/sustainability/reports https://www.wcdn.aselsan.com/api/file/ASELSAN_2023_CDP_Climate_Change_Report.pdf |
| https://www.wcdn.aselsan.com/api/file/ASELSAN_2023_CDP_Climate_Change_Report.pdf | | | | | | |
| A2.2. The action plan in accordance with the ESG goals have been formed and disclosed to public. | - | - | X | - | Page 111-118 | https://www.aselsan.com/en/sustainability/reports |
| A2.3. The key performance indicators regarding the ESG and the achievement rates per years have been disclosed to public. | - | - | X | - | Page 66 | https://www.aselsan.com/en/sustainability/reports |

* <https://www.aselsan.com/en/sustainability/reports> refers to the report for 2022.

| Compliance | | | | | | |
|---|-----|----|---------|-----|-----------------------|--|
| SUSTAINABILITY COMPLIANCE REPORT | Yes | No | Partial | N/A | Explanation | REPORT / LINK REGARDING THE PUBLICLY DISCLOSED INFORMATION |
| A2.4. The improvement activities for sustainability performance regarding business processes or product and services have been disclosed to public | X | - | - | - | Throughout the Report | https://www.aselsan.com/en/sustainability/reports |
| A3. Reporting | | | | | | |
| A3.1. The annual report covers the sustainability performance, KPIs and actions understandable, right and qualified. | X | - | - | - | Throughout the Report | https://www.aselsan.com/en/sustainability/reports |
| A3.2. The information on the activities implemented in line with the United Nations (UN) 2030 Sustainable Development Goals have been disclosed to public. | - | - | X | - | Page 33 | https://www.aselsan.com/en/sustainability/reports |
| A3.3. The lawsuits in progress against the Company regarding the ESG issues that effect the material business lines and the legal sanctions in regard of the sustainability policies have been disclosed to public. | X | - | - | - | Page 109 | https://www.aselsan.com/en/sustainability/reports |
| A4. Verification | | | | | | |
| A4.1. The KPI measurements have been verified by an independent third party and disclosed to public | X | - | - | - | Page 8 | https://www.aselsan.com/en/sustainability/reports https://www.wcdn.aselsan.com/api/file/Dogrulama_2022.pdf |
| https://www.wcdn.aselsan.com/api/file/Dogrulama_2022.pdf | | | | | | |
| * https://www.aselsan.com/tr/surdurulebilirlik/raporlarimiz 2022 yılına ilişkin raporu ifade etmektedir. | | | | | | |
| B. Environmental Principles | | | | | | |
| B1. The company has disclosed its policies and practices on environmental management, action plans, environmental management systems (known as ISO 14001 standard) and programmes. | - | - | X | - | Page 105 | https://www.aselsan.com/en/sustainability/reports |

REPORT OF THE BOARD OF DIRECTORS

| Compliance | | | | | | REPORT / LINK REGARDING THE PUBLICLY DISCLOSED INFORMATION |
|--|-----|----|---------|-----|-------------|---|
| SUSTAINABILITY COMPLIANCE REPORT | Yes | No | Partial | N/A | Explanation | |
| B2. The scope, period, date and the constraints of conditions of the environmental reporting regarding environmental management have been disclosed to public. | X | - | - | - | Page 9 | https://www.aselsan.com/en/sustainability/reports |
| B4. The environmental KPIs counted for remuneration criteria for stakeholders (e.g. board members, executives and employees) within frame of the performance incentives have been disclosed to public. | - | X | - | - | - | - |
| B5. The integration of the environmental difficulties, which are preferably determined, with the business goals and strategy have been disclosed to public. | - | X | - | - | - | - |
| B7. The integration of environmental management issues covering the customers and suppliers throughout the value chain of the company including the operational process with the business model and strategy have been disclosed to public. | - | X | - | - | - | - |
| B8. The cooperation with the non - govern- mental organizations and the environmental institutions and taking (or not) a part of the policy -making processes with those institutions have been disclosed to public. | X | - | - | - | Page 27-31 | https://www.aselsan.com/en/sustainability/reports |
| * https://www.aselsan.com/tr/surdurulebilirlik/raporlarimiz 2022 yılına ilişkin raporu ifade etmektedir. | | | | | | |
| B9. In the light of environmental indicators (Greenhouse gas emissions (Scope-1 (Direct), Scope-2 (Energy indirect), Scope-3 (Other indirect), air quality, energy management, water and wastewater management, waste management, biodiversity impacts)), information on environmental impacts is periodically disclosed to the public in a comparable manner. | X | - | - | - | Page 113 | https://www.aselsan.com/en/sustainability/reports |
| B10. The standard, protocol, methodology and the base year details for collection and calculation of the data have been disclosed to public. | X | - | - | - | Page 13 | https://www.aselsan.com/en/sustainability/reports |

* <https://www.aselsan.com/en/sustainability/reports> refers to the report for 2022.

| Compliance | | | | | | REPORT / LINK REGARDING THE PUBLICLY DISCLOSED INFORMATION |
|--|-----|----|---------|-----|---|---|
| SUSTAINABILITY COMPLIANCE REPORT | Yes | No | Partial | N/A | Explanation | |
| B11. The comparable increase or decrease rates with the previous years have been disclosed to public in the current period's report. | X | - | - | - | Page 125-132 | https://www.aselsan.com/en/sustainability/reports |
| B12. The short-term and long-term targets are determined to decrease the environmental impacts; the called targets and the progress status in comparison to the previous years' targets have been disclosed to public. | - | - | X | - | Page 17, 18, 33, 73, 106, 107, 113, 118 | https://www.aselsan.com/en/sustainability/reports |
| B13. The strategy for fight against climate crises is set out and the action plan has been disclosed to public. | - | - | X | - | Page 111 | https://www.aselsan.com/en/sustainability/reports |
| B14. The programmes or procedures to prevent or to decrease to the minimum level of the negative environmental effects of the products and/or services have been disclosed to public. | - | X | - | - | - | - |
| B14. The actions taken to make the third parties' (e.g. supplier, subcontractor, dealer, etc.) decrease their greenhouse gas emission figures have been disclosed to public. | - | X | - | - | - | - |
| B15. The environmental benefits/gaining and cost savings provided by the initiatives/projects to decrease the environmental impacts have been disclosed to public. | - | X | - | - | - | - |
| B16. Energy consumption (natural gas, diesel, gas, LPG, coal, electricity, heating, cooling, etc.) figures as Scope-1 and Scope-2 have been disclosed to public | X | - | - | - | Page 113 | https://www.aselsan.com/en/sustainability/reports |
| B17. The information about the produced electricity, heat, steam and cooling for the reporting period have been disclosed to public. | - | X | - | - | - | - |
| B18. The actions taken to increase renewable energy consumption, transit to zero or low carbon electricity have been disclosed to public. | - | X | - | - | - | - |
| B19. The renewable energy production and consumption figures have been disclosed to public. | - | X | - | - | - | - |
| B20. Energy productivity projects have been carried out and the decrease rates on energy consumption and emission based on those projects have been disclosed to public. | X | - | - | - | Page 50,51,113,123 | https://www.aselsan.com/en/sustainability/reports |

REPORT OF THE BOARD OF DIRECTORS

| Compliance | | | | | | REPORT / LINK REGARDING THE PUBLICLY DISCLOSED INFORMATION |
|---|-----|----|---------|-----|-------------|--|
| SUSTAINABILITY COMPLIANCE REPORT | Yes | No | Partial | N/A | Explanation | |
| B21. Water consumption, underground or above-ground drawn water, recycled or discharged water figures, sources and procedures have been disclosed to public. | X | - | - | - | Page 117 | https://www.aselsan.com/en/sustainability/reports |
| B22. It has been disclosed to public if the operations or activities included to any carbon pricing system (Emission Trading System, Cap & Trade or Carbon Tax) or not | - | X | - | - | - | - |
| B23. The information on accumulated or purchased carbon credit in the reporting period has been disclosed to public. | - | X | - | - | - | - |
| B24. The details have been disclosed to public if there is a carbon pricing mechanism at the company. | - | X | - | - | - | - |
| B25. The platforms, which the environmental figures of the company are announced, have been disclosed to public. | - | X | - | - | - | - |
| * https://www.aselsan.com/tr/surdurulebilirlik/raporlarimiz 2022 yılına ilişkin raporu ifade etmektedir. | | | | | | |
| C. Social Principles | | | | | | |
| C1. Human Rights and Labour Rights | | | | | | |
| C1.1. The Human Rights and Labour Rights Policy has been set out covering the United Nations Universal Declaration of Human Rights and the International Labour Organization principles, the responsible directors for execution of the policy are assigned and disclosed to public. | X | - | - | - | Page 94 | https://www.aselsan.com/en/sustainability/reports https://www.wcdn.aselsan.com/api/file/ASELSAN_Human_Rights_Policy.pdf |
| C1.2. The labour rights policy covers the fair workforce, improving work conditions, women's employment and inclusion (no discrimination on gender, race, religion, language, marital status, ethnicity, sexual orientation, gender identity, family responsibilities, trade union activities, political view, disability, social and cultural differences, etc.) considering the supply and value chain impacts. | X | - | - | - | Page 72-77 | https://www.aselsan.com/en/sustainability/reports https://www.wcdn.aselsan.com/api/file/ASELSAN_Human_Rights_Policy.pdf |

* <https://www.aselsan.com/en/sustainability/reports> refers to the report for 2022.

| Compliance | | | | | | REPORT / LINK REGARDING THE PUBLICLY DISCLOSED INFORMATION |
|--|-----|----|---------|-----|-------------|--|
| SUSTAINABILITY COMPLIANCE REPORT | Yes | No | Partial | N/A | Explanation | |
| C1.3. The measures taken throughout the value chain to watch over the susceptible segments to certain economic, environmental, social factors (e.g. low income group, women, etc.) or minority rights/opportunity equality. | X | - | - | - | Page 72-77 | https://www.aselsan.com/en/sustainability/reports https://www.wcdn.aselsan.com/api/file/ASELSAN_Human_Rights_Policy.pdf |
| C1.4. The preventive and improver practices on discrimination, inequality, human rights violation, forced labour, and child labour have been disclosed to public. | X | - | - | - | Page 72-77 | https://www.aselsan.com/en/sustainability/reports https://www.wcdn.aselsan.com/api/file/ASELSAN_Human_Rights_Policy.pdf |
| C1.5. The labour rights policy covers investment in employees (training, improvement policies), remuneration, side rights, right to unionize, work/life balance and skill management issues. The mechanism regarding the employee complaints and the dispute resolution process is determined. | X | - | - | - | Page 72-77 | https://www.aselsan.com/en/sustainability/reports |
| C1.5. The mechanism regarding the employee complaints and the dispute resolution process is determined. | X | - | - | - | Page 72-77 | https://www.aselsan.com/en/sustainability/reports https://www.wcdn.aselsan.com/api/file/ASELSAN_Human_Rights_Policy.pdf |
| C1.5. The reported employee satisfaction activities in the period have been disclosed to public | X | - | - | - | Page 78 | https://www.aselsan.com/en/sustainability/reports |
| C1.6. Occupational Health and Safety Policy has been set out and disclosed to public. | X | - | - | - | Page 95-101 | https://www.aselsan.com/en/sustainability/reports |

REPORT OF THE BOARD OF DIRECTORS

| Compliance | | | | | | |
|---|-----|----|---------|-----|------------------|---|
| SUSTAINABILITY COMPLIANCE REPORT | Yes | No | Partial | N/A | Explanation | REPORT / LINK REGARDING THE PUBLICLY DISCLOSED INFORMATION |
| C1.6. The measures taken to prevent the work accidents, health protection and accident statistics have been disclosed to public. | X | - | - | - | Page 96,99 | https://www.aselsan.com/en/sustainability/reports https://www.wcdn.aselsan.com/api/file/ASELSAN_OHS.pdf |
| C1.7. Protection of the personal data and information security policy has been disclosed to public. | X | - | - | - | Page 54,55 | https://www.aselsan.com/en/sustainability/reports https://www.aselsan.com/en/pdp |
| C1.8. Code of Ethics has been set out and disclosed to public. | X | - | - | - | Page 36 | https://www.aselsan.com/en/sustainability/reports https://www.aselsan.com/en/about/aselsan-ethical-principles |
| C1.9. The studies related to social investment, social responsibility, finansal inclusivity and access to finance have been explained. | X | - | - | - | Page 87-89 | https://www.aselsan.com/en/sustainability/reports |
| C1.10. The informative meetings and training programmes on ESG practices organised for the employees | X | - | - | - | Page 109 | https://www.aselsan.com/en/sustainability/reports |
| C2. Stakeholders, International Standards and Initiatives | | | | | | |
| C2.1. Customer satisfaction policy covering the management and solution of the customer complaints has been set out and disclosed to public | - | - | X | - | Page 43 | https://www.aselsan.com/en/sustainability/reports * https://www.aselsan.com/en/sustainability/reports refers to the report for 2022. |
| C2.2. The information about the communication with stakeholders (which stakeholder, subject and frequency) have been disclosed. | X | - | - | - | Page 31 | https://www.aselsan.com/en/sustainability/reports |
| C2.3. The international reporting standards adopted have been disclosed to public. | X | - | - | - | Page 9, 133, 136 | https://www.aselsan.com/en/sustainability/reports |

* <https://www.aselsan.com/en/sustainability/reports> refers to the report for 2022.

| Compliance | | | | | | |
|---|-----|----|---------|-----|--------------|--|
| SUSTAINABILITY COMPLIANCE REPORT | Yes | No | Partial | N/A | Explanation | REPORT / LINK REGARDING THE PUBLICLY DISCLOSED INFORMATION |
| C2.4. The adopted principles, being a signatory or a member of an international institution, committee on sustainability have been disclosed to public. | - | X | - | - | - | - |
| C2.5. Borsa İstanbul'un ve/veya uluslararası endeks sağlayıcıların sürdürülebilirlik endekslerinde yer almak için geliştirmelerde bulunulmuş, çalışmalar yürütülmüştür. | - | - | X | - | - | Our company carried out its studies during the year to be included in Borsa İstanbul indices and international indices. |
| D. Corporate Governance Principles | | | | | | |
| D1. It has been consulted with the stakeholders regarding the determination of the sustainability measures and strategy. | - | - | X | - | - | Our company sought the opinions of stakeholders in determining the measures and strategies in the field of sustainability. |
| D2. CSR projects, awareness activities and training programmes have been realized to increase the awareness of on sustainability | X | - | - | - | Page 102-104 | https://www.aselsan.com/en/sustainability/reports |

INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S ANNUAL REPORT



To the Board of Directors

Aselsan Elektronik Sanayi ve Ticaret Anonim Şirketi

Opinion

We have audited the annual report of Aselsan Elektronik Sanayi ve Ticaret Anonim Şirketi ("the Company") and its subsidiaries ("the Group") for the period of 1 January 2023 – 31 December 2023.

In our opinion, the consolidated financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Group are presented fairly and consistent, in all material respects, with the audited full set consolidated financial statements and the information we obtained during the audit.

Basis for Opinion

We conducted our audit in accordance with the Standards on Independent Auditing ("SIA") which is a part of Turkish Auditing Standards accepted by regulations of the Capital Markets Board and published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibility is disclosed under Responsibilities of the Independent Auditor on the Independent Audit of the Annual Report in detail. We declare that we are independent from the Group in accordance with the Code of Ethics for Independent Auditors ("Code of Ethics") issued by POA, together with the ethical requirements included in the regulations of the Capital Markets Board and other regulations that are relevant to our audit. We have fulfilled other responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our Auditor's Opinion on the Full Set Consolidated Financial Statements

We have expressed an unqualified opinion in our auditor's report dated March 26, 2024 on the full set consolidated financial statements of the Group for the period of 1 January – 31 December 2023.

The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC") and the provisions of the Communiqué II-14.1 on the Principles of Financial Reporting in Capital Markets ("the Communiqué") of the Capital Market Board ("CMB"), the management of the Group is responsible for the following items:

- a) Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.
- b) Preparation and fair presentation of the annual report; reflecting the operations of the Group for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the consolidated financial statements. The development of the Group and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.
- c) The annual report also includes the matters below:
 - Subsequent events occurred after the end of the fiscal year which have significance,
 - The research and development activities of the Group,
 - Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Trade and related institutions.

INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S ANNUAL REPORT

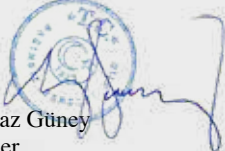


Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code and the Communiqué, on whether the consolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Group's audited consolidated financial statements and to prepare a report including our opinion. The independent audit we have performed is conducted in accordance with the standards on auditing as issued by the Capital Markets Board of Turkey. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the consolidated financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the consolidated financial statements.

The name of the engagement partner who supervised and concluded this audit is Yılmaz Güney.

Yeditepe Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.
(Associate Member of Praxity AISBL)


Yılmaz Güney
Partner
İstanbul, 26 March 2024

STATEMENT OF RESPONSIBILITY

BORSA İSTANBUL A. Ş.
34467-Emirgan-İSTANBUL
ASELSAN ELEKTRONİK
SANAYİ VE TİCARET A. Ş.

Tarih: 26/03/2024
No : AS011-2024-0003

BOARD OF DIRECTORS MEETING ON APPROVAL OF FINANCIAL TABLES AND ANNUAL REPORTS

DATE OF RESOLUTION: 26/03/2024
RESOLUTION NUMBER: 1222

STATEMENT OF RESPONSIBILITY AS PER SECTION TWO, ARTICLE 9 OF THE CAPITAL MARKETS BOARD COMMUNIQUE SERIAL NUMBERED II, NUMBERED 14.1


We hereby declare that;

a) We have examined the consolidated balance sheet dated 31 December 2022 and comparative consolidated balance sheet dated 31 December 2023, consolidated income statement issued for the period 1 January 2022 - 31 December 2022 and comparative consolidated income statement issued for the period 1 January 2023 - 31 December 2023, consolidated additional financial tables, all audited independently, notes dated 31 December 2023 and annual report of the Board of Directors issued for the period ending on 31 December 2023,

b) As per the information we obtained in line with our duties and responsibilities at the company, the financial tables and annual report of the Board of Directors do not include any comments which materially misrepresent the facts and any missing data which might be misleading as of the announcement date,

c) As per the information we obtained in line with our duties and responsibilities at the Company, the consolidated financial statements prepared in accordance with the CMB Communiqué Serial II, No:14.1, accurately represents the assets, liabilities, financial position and profit or loss information of the Company and the companies in the scope of consolidation; the annual report accurately represents the development and performance of the business, the financial position of the Company and the companies in the scope of consolidation and the significant risks and uncertainties which may company faces.

Regards,


Prof. Dr. Ebru TÜMER
Audit Committee
Chairman


Dr. İsmail ARI
Audit Committee
Member


Salih KUL
Audit Committee
Member


Yunus POYRAZ
Chief Financial Officer
Vice President

CORPORATE GOVERNANCE

Our Shareholders

ASELSAN, which is a company of the Turkish Armed Forces Foundation (TAFF), is a joint stock company with 74.20% of its shares belonging to TAFF and 25.80% of the shares listed on Borsa İstanbul (BIST).

| Our Shareholders | Share Amount (TRY) | Share (%) |
|----------------------|--------------------|-----------|
| TAFF | 3.383.302.497,84 | 74,20 |
| Publicly Held (BIST) | 1.176.697.502,16 | 25,80 |
| Total | 4.560.000.000,00 | 100,00 |

Corporate Governance

ASELSAN ADVANCED ITS CORPORATE GOVERNANCE PROCESSES IN 2023 AND CARRIED ITS SUCCESS TO THE PEAK

Taking into consideration the sensitivity of the sector in which it operates, ASELSAN keeps the principles of fairness, transparency, responsibility and accountability, which are the basic principles of corporate governance, accelerating its stable growth and protecting the interests of stakeholders at the core of its activities. In order to carry its leadership in the national platform to the international arena, the company continues its works without slowing down to ensure full compliance with corporate governance and legal regulations. As a result of the changing and developing global conditions, our company, which adopts the understanding of "corporate sustainability" in order to fulfill its economic, social and environmental responsibilities, fulfills its responsibilities towards the society by maintaining both being sustainable and ethical values with its work in the field of corporate governance.

ASELSAN, which has adopted the concept of corporate governance as a core principle, has been publishing a Compliance Report on the Principles of Corporate Governance every year since 2004. The rights of shareholders, Annual General Meetings, dividend policy, disclosure policy, human resources and ethical principles, relations with stakehol-

ders, corporate social responsibility, the structure, formation, activity essentials and committees of members of board, risk management and internal audit including minority rights which are under the headings of shareholders, informing the public and transparency, interest groups and members of the board within the scope of the Corporate Governance Principles regulated by Capital Markets Board are detailed within the report. The Report on the Compliance of Corporate Governance Principles and its activity reports are published on the Company's website (www.aselsan.com.tr) and in the annual reports.

ASELSAN's Corporate Governance Grade Score was revised to 9.41 and reached its historical peak.

ASELSAN was awarded a score 8.77 out of 10 on 13 December 2012 by the SAHA Corporate Governance and Credit Grading (SAHA) in 2012. This mark is the second best preliminary mark among the corporate governance grading marks given in Türkiye. Since then, our Company's level of compliance of corporate governance principles is evaluated and updated by an independent rating institution.

ASELSAN's Corporate Governance rating, which was 9.34 out of 10 on 09.12.2022, was revised to 9.41 out of 10 according to the report published by SAHA on 08.12.2023 as a result of the activities conducted to improve the Corporate Governance rating during 2023.

Corporate governance ratings in 2022 and 2023 and their sub topics are presented below:

| 2022 Rating Distribution | 2023 Rating Distribution |
|--|--|
| Shareholders: 89,59 / 100 | Shareholders: 89,59 / 100 |
| Public Disclosure and Transparency: 98,72 / 100 | Public Disclosure and Transparency: 98,72 / 100 |
| Stakeholders: 99,17 / 100 | Stakeholders: 99,17 / 100 |
| Board of Directors: 89,82 / 100 | Board of Directors: 91,88 / 100 |
| Average 9,34 | Average 9,41 |

ASELSAN's Corporate Governance Rating Reports published by SAHA are available on www.aselsan.com.tr.

CORPORATE GOVERNANCE

ASELSAN has been included in Borsa Istanbul Corporate Governance Index since the Company obtained its first corporate governance rating.

ASELSAN's Management Structure

ASELSAN Board of Directors

There is a board of directors consisting of 9 members elected by the general assembly in accordance with the TCC and the articles of association. Three members of the Board, which consists of nine members in total, are independent. Three committees formed in accordance with the corporate governance regulations of the Capital Markets Board, operate to enable the Board to fully execute its duties and responsibilities in ASELSAN.

Audit Committee

The committee consists of three independent members of the board. The main responsibilities of the committee are to inform the public regarding financial issues and monitor ASELSAN's accountancy systems, independent internal and external auditing and internal control systems' effectiveness and efficiency. The Internal Auditing Office reports directly to the Audit Committee and Members of the Board. The Audit Committee convenes at least four times a year.

Corporate Governance Committee

The committee consists of four members of the board. The head of the committee is an independent member of the board. The investor relations manager also is a member of the committee in accordance with the regulations of the Capital Markets Board. The committee proposes suggestions to members of the board for the compliance with corporate governance principles and the realization of improvement activities. It also observes the activities conducted by the Investor Relations Department. The committee convenes at least four times a year.

Early Detection and Management of Risk Committee

The committee was established to determine the risks arising from the Company's strategic, operational, financial and external factors and to manage the risks identified in line with the Company's corporate risk profile. There are two members of the board in the committee. The chairman of the committee is an independent member of the Board of Directors. The Committee meets at least six times a year and reports to the Board of Directors.

The principles regarding the formation of committees and the manner in which they work, meet and report are determined by the Board of Directors. Detailed information regarding the corporate management structure of ASELSAN, Members of the Board and the committees may be obtained from the www.aselsan.com.tr website.

Committees at ASELSAN

Three committees have been formed in accordance with the Capital Markets Board's Principles of Corporate Governance by ASELSAN's Board of Directors.

| Audit Committee | Corporate Governance Committee** | Early Detection and Management of Risk Committee |
|-------------------------------------|---|--|
| Ebru TÜMER* (Committee Chairman) | İsmail ARI* (Committee Chairman) | Salih KUL* (Committee Chairman) |
| İsmail ARI* (Committee Member) | Ahmet YOZGATLIGİL (Committee Member) | Bekir BAYRAKDAR (Committee Member) |
| Salih KUL* (Committee Member) | Mustafa Murat ŞEKER (Committee Member) | |
| | Pınar ÇELEBİ (Committee Member) | |

* Independent Board Member

** The Nomination Committee and Compensation Committee were not formed due to the structure of the Board of Directors. The duties and responsibilities of these committees are undertaken by the Corporate Governance Committee.

AUDIT COMMITTEE WORK DIRECTIVES

1. PURPOSE

The purpose of These Directives is to determine duties, authorities, responsibilities and work principles of the Audit Committee.

2. SCOPE

These Directives cover the works and activities to be performed by the Audit Committee as per the related regulations.

3. DEFINITIONS

3.1 Independent Auditing Firm (IAF): Firms meeting the requirements of the Capital Markets Board Communiqué and granted with the authority of independent audit on the capital market as per Article 22, 4/c of the Act.

3.2 Auditor: Auditor titles of any seniority and rank assigned to make audits by the Independent Auditing Firms.

3.3 Audit Committee: Committee appointed among the company's Board of Directors as per Capital Markets Board Communiqué Serial numbered X, numbered 22.

3.4 Audit Committee Secretariat: ASELSAN personnel arranging operations and meetings of Audit Committee, archiving correspondences and coordinating communication between the members.

3.5 Financial Tables: Balance sheets and incomes statements issued as interim and annual documents, including the footnotes, and tables enclosed to such documents.

3.6 Financial Reports: Reports including financial tables, Board of Directors activity reports and states of responsibility.

3.7 Internal Auditor: Personnel assigned for internal auditing activities.

3.8 Internal Audit Department (IAD): ASELSAN Department in charge of internal audit activities.

3.9 Executives: Persons having titles such as under Financial Management Vice Presidency, Vice President, Director and Managers that are authorized to represent and bind the company.

3.10 Stakeholders: In achieving the objectives of the Company or with an interest in the activities of employees, creditors, customers, suppliers, various non-governmental organizations as well as individuals, institutions or interest groups.

4. RELATED REFERENCE DOCUMENTS

4.1 Capital Markets Board Communiqué on Independent Audit on Capital Market dated 12.06.2006, Serial numbered X and numbered 22.

4.2 Capital Markets Board Communiqué on Determination and Practice of Corporate Governance Principles dated 03.01.2014, Serial numbered II and numbered 17.

4.3 ASELSAN Board of Directors Work Directives numbered ASY-01-060.

4.4 Turkish Commercial Code (TCC).

5. DUTIES AND RESPONSIBILITIES

5.1 BOARD OF DIRECTORS' DUTIES AND RESPONSIBILITIES REGARDING THE AUDIT COMMITTEE

5.1.1 Appointing Audit Committee members,

5.1.2 Authorizing Committee Members,

5.1.3 Making separate Board of Directors Resolution for approving interim and annual financial tables and reports evaluated by the Committee and submitted to the Board of Directors,

5.1.4 Taking necessary actions for facilitating operations of Audit Committee members.

5.2. DUTIES, AUTHORITIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

5.2.1 GENERAL DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

5.2.1.1 The Audit Committee shall ensure; company's accounting system, public disclosure of financial information, independent audit of the Company's internal control and makes supervision of the operation and effectiveness of the internal control system. Selection of independent audit company, prepared independent audit contracts and the initiation of the audit process and the independent auditors' work in each stage is carried out under the supervision of Audit Committee.

5.2.1.2 The Audit Committee notify, their duties and responsibilities identified in the field and their evaluations and recommendations on the subject immediately to the Board of Directors.

5.2.1.3 The Audit Committee's duties include reviewing, settling the complaints forwarded to the Company about ASELSAN's accounting, internal audit system and independent audit; determining the methods and criteria to be practiced on assessing company personnel's statements on company's accounting and independent audit as per the confidentiality principles are determined by Audit Committee.

AUDIT COMMITTEE WORK DIRECTIVES

5.2.1.4 The Audit Committee might seek assistance of independent consultants on matters required for its operations provided that the costs shall be covered by ASELSAN. But in this case the person who received services / organizations with information about these people / organizations of any relationship with the company on the issue of whether information is given in the annual report.

5.2.1.5 The duties and responsibilities of the Audit Committee shall not relive Board of Directors from its responsibilities imposed by the Turkish Commercial Code.

5.2.2. DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE REGARDING INDEPENDENT AUDIT OF ASELSAN

5.2.2.1 The Audit Committee shall determine the services to be provided by the Independent Auditing Firm and services and submit to the Board of Directors approval.

5.2.2.2 It shall ensure signing a contract with IAF.

5.2.2.3 It shall monitor compliance with contract provisions during IAF operations.

5.2.2.4 It shall always be in contact with the independent auditor for monitoring any incidents having an impact on the independency or objectivity of the independent auditor and shall ensure elimination of such incidents, if any, and efficient performance of the auditor.

5.2.2.5 It shall evaluate the outcomes of audits performed by IAF and financial tables at the joint meetings to be scheduled.

5.2.2.6 It shall evaluate the important findings received from IAF about ASELSAN accounting policy and practices and the auditor's suggestions.

5.2.2.7 It shall obtain the correspondences made between IAF and ASELSAN Management from the Firm.

5.2.2.8 It shall ensure that Independent Audit activities are included on the Board of Directors agenda minimum every 3 months for the purpose of determining efficiency of IAF operations.

5.2.2.9 IAF shall immediately inform the Audit Committee in written about important issues related to ASELSAN's accounting policy and practices, alternative implementation and public disclosure options from Public Oversight Accounting and Auditing Standards Authority as per the firm's accounting standards and accounting principles previously declared to the Company management and possible outcomes, practice suggestions as well as important correspondences made with the Company management.

5.2.3 DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE REGARDING THE FINANCIAL REPORTS

5.2.3.1 The Audit Committee shall consult the company's authorized executives and IAF about interim and annual financial reports to be disclosed to the public in terms of compliance to the Company's accounting principles and to the actual figures and shall inform the Board of Directors in written with its own evaluation.

5.2.3.2 It shall sign the interim and annual financial tables, activity reports controlled and undersigned by the ASELSAN's authorized executives as well as the statement of responsibility enclosed as Annex-A quarterly and ensure public disclosure of these.

5.2.3.3 Financial Reports approved by the Audit Committee and Board of Directors shall be disclosed to the public on the Public Disclosure Platform and Company's website.

5.2.4. DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE REGARDING TO INTERNAL CONTROLS

5.2.4.1 It shall monitor efficiency and adequacy of the internal control system adopted by the company and its subsidiaries and ensures its acknowledgement by the personnel and support of the management.

5.2.4.2 It shall evaluate auditor and internal auditor suggestions related to internal control and whether or not the necessary ones are applied.

5.2.4.3 It shall monitor the process of forming a mechanism for reviewing and settling complaints received from Stakeholders related to company transactions, which violate the regulation and are unethical, and its operations as per the confidentiality principle.

5.2.5 DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE REGARDING TO THE INTERNAL AUDITS

5.2.5.1 It shall review efficiency of IAD directives, structure and activities and ensure settlement of particulars limiting the internal audit operations.

5.2.5.2 It shall monitor the coordination and communication between the IAD and Company's other departments, subsidiaries and independent audits for ensuring smooth processes.

5.2.5.3 It shall evaluate the audit plans and internal audit reports issued by IAD.

AUDIT COMMITTEE WORK DIRECTIVES

5.3 DUTIES AND RESPONSIBILITIES OF AUDIT COMMITTEE SECRETARIAT

5.3.1 It shall provide communication between the members, prepare committee meetings, keep meeting minutes and duly archive correspondences.

5.3.2 It shall plan, realize and follow up formalities before, during and after the Committee meetings in order to ensure outmost efficiency.

5.3.3 It shall ensure timely communication all of kinds of information to the committee members.

5.3.4 It shall always keep the records available to the members.

6. STRUCTURE OF THE AUDIT COMMITTEE

6.1 The Audit Committee shall be as a member of Board of Directors and have minimum 2 (two) members. If the committee has two members the both members shall be Board of Directors Non-executive independent members. If there are more than two members, then the same rule shall be applicable for majority of the members. Members of the Audit Committee should have experience at least five (5) years at audit / accounting and finance subject.

6.2 As per the Capital Markets Board regulations, the Audit Committee shall be formed and authorized on the first Board of Directors Meeting held after the Annual Ordinary ASELSAN General Assembly Meeting.

6.3 At least two Audit Committee members shall be required for the committee meetings and at least two members are required for decisions.

6.4 The Audit Committee shall convene minimum every 3 months and four times a year and outcome of the meeting connecting with the minute submitted to the Board of Directors. The audit committee's activities and about the outcome of the meeting must be disclosed in the annual report. During the period how many times the audit committee makes written notification to the Board shall indicated in the annual report.

6.5 The Committee's secretariat duties related to the financial tables shall be performed by the Chief Office of Capital Markets Board Financial Control and Reporting attached to the Accounting Department and the secretariat duties related to internal control and internal audit activities shall be performed by IAD.

7. ENFORCEMENT

These Directives have been approved by the Board of Directors as per the resolution dated 22.09.2003 and numbered 443/16 and came into force as of 25.09.2003

8. EXECUTION

The Audit Committee shall be responsible for executing the provisions listed on these Directives.

9. CIRCULATION PLAN

The document shall be circulated as per ASELSAN PLAN A. It shall be published to all users via intranet and internet.

10. ANNEX- STATEMENT OF RESPONSIBILITY

ANNEX- STATEMENT OF RESPONSIBILITY

BOARD OF DIRECTORS' EARLY DETECTION AND MANAGEMENT OF RISK COMMITTEE WORK DIRECTIVES

1. PURPOSE

The purpose of these directives is to determine the duties, authorities, responsibilities and work principles of the Early Detection and Management of Risk Committee, which is established under Article 378 of the Turkish Commercial Code numbered 6102 and Board of Directors Resolution dated 10.04.2012, as per the Turkish Commercial Code and Corporate Governance Principles announced by the Capital Markets Board.

2. SCOPE

These directives cover works and actions to be performed as per the Turkish Commercial Code and Corporate Governance Principles by the Early Detection and Management of Risk Committee and/or Company personnel not a member of the Committee but assigned by the Committee.

3. DEFINITIONS

3.1 Independent Auditing Firm (IAF): Firms meeting the requirements of the Capital Markets Board Communiqué and granted with the authority of independent audit on the capital market as per Article 22/d of the Act.

3.2 Auditor: Auditor titles of any seniority and rank assigned to make audits by the Independent Auditing Firms

3.3 Early Detection and Management of Risk Committee (Committee): A committee to be appointed by the Board of Directors among the Board of Directors members or third parties specialized in certain areas for the purpose of fulfilling the liabilities listed on the Turkish Commercial Code for systematic early detection and management of company risks and executing, coordinating related risks.

3.4 Early Detection and Management of Risk Committee Secretariat (Secretariat): ASELSAN personnel arranging operations and meetings of Early Detection and Management of Risk Committee, archiving correspondences and coordinating communication between the members.

3.5 Capital Markets Board: Public legal entity established as per Article 17 of the Capital Market Law.

3.6 Company: ASELSAN Elektronik Sanayi ve Ticaret A.Ş.

4. RELATED REFERENCE DOCUMENTS

4.1 Turkish Commercial Code.

4.2 Capital Markets Board Regulations.

4.3 Corporate Governance Principles published by the Capital Markets Board

4.4 Regulations, provisions and principles on ASELSAN Articles of Association

5. DUTIES AND RESPONSIBILITIES

5.1 DUTIES AND RESPONSIBILITIES OF ASELSAN EARLY DETECTION AND MANAGEMENT OF RISK COMMITTEE

5.1.1 The main function of the Early Detection and Management of Risk Committee is early detection of risks threatening existence, development and sustainability of ASELSAN as well as taking action for the risks determined and trying to manage the risks determined.

5.1.2 The Committee shall determine, identify the potential risks having an impact on ASELSAN beforehand and ensure duly management of the risks according to the risk-taking approach of the company.

5.1.3 It shall evaluate the situation by means of a report to be submitted to the Board of Directors every two months as well as pointing out the threats, if any, and suggesting solutions.

5.1.4 It shall review the changes suggested to the risk management systems by the Enterprise Risk and Process Management Department under Finance Directorate as often as the agenda permits but minimum once a year.

5.1.5 The Committee shall advise the Board of Directors on internal audit systems including risk management and information systems and processes minimizing the risks and related impacts to be suffered by the shareholders and company stakeholders.

5.1.6 The Committee shall prepare an annual assessment report, including meeting frequency of Committee members and activities performed, which shall be included in the Annual Company Activity Report and basis to the Board of Directors assessment related to the work principles and Committee's efficiency.

5.1.7 The resolutions taken at the meetings shall be documented and undersigned by the Committee Members and archived by the Secretariat.

BOARD OF DIRECTORS' EARLY DETECTION AND MANAGEMENT OF RISK COMMITTEE WORK DIRECTIVES

5.2 DUTIES AND RESPONSIBILITIES OF THE EARLY DETECTION AND MANAGEMENT OF RISK COMMITTEE SECRETARIAT

5.2.1 It shall provide communication between the members, prepare committee meetings, keep meeting minutes and duly archive correspondences.

5.2.2 It shall plan, realize and follow up formalities before, during and after the Committee meetings in order to ensure outmost efficiency.

5.2.3 It shall ensure timely communication all of kinds of information to the committee members.

5.2.4 It shall always keep the records available to the members.

6. STRUCTURE AND AUTHORITIES OF THE EARLY DETECTION AND MANAGEMENT OF RISK COMMITTEE

6.1 COMMITTEE'S STRUCTURE

6.1.1 The Committee shall be formed and authorized at the first Board of Directors meeting held after the Annual Ordinary General Assembly Meeting of the company, as per the Capital Markets Board regulations.

6.1.2 The Committee shall have minimum two members. If the committee has two members then both members shall be Board of Directors members not having executive function and if there are more than two members, then majority of the members shall not have executive functions. Third parties specialized in certain areas can also be appointed as Committee members. The Committee chairman shall be appointed among Independent Members of Board of Directors.

6.1.3 The Chief Executive Officer / General Manager shall not take office in the committee.

6.1.4 The secretariat formalities of the Committee including the preparation of the report submitted to the Board of Directors shall be performed by Enterprise Risk and Process Management Department under Finance Directorate.

6.1.5 One more than half of the total members shall be required for committee meetings and majority is required for decisions.

6.1.6 The Committee shall convene once every two months, unless otherwise is required, and, if required, it shall convene at the Company's registered office following a call to be made by the Secretariat on behalf of the Committee Chairman. The Committee Chairman might offer to reschedule the meeting date, hour and place provided that the Committee Members are informed beforehand.

6.2 AUTHORITIES OF THE COMMITTEE

6.2.1 If required, the Committee shall start special inspections and appoint people specialized in their areas as consultant for the purpose of ensuring assistance in such inspections.

6.2.2 If required, the Committee shall hold meetings with representatives of Company's related parties and specialists, including Company personnel or subsidiaries; and under the provision of the Board of Directors and coordinated with the General Manager, it shall seek external and professional consultancy service.

6.2.3 The Committee shall act according to its authorities and responsibilities and make recommendations to the Board of Directors however the Board of Directors shall always have the final decision making responsibility and the Committee shall not relieve the Board of Directors from its duties and responsibilities arising from the Turkish Commercial Code.

7. ENFORCEMENT

These directives have been approved by the Board of Directors as per the resolution dated 29.11.2012 and numbered 750/4.3.e and came into force as of 29.11.2012.

8. EXECUTION

ASELSAN Early Detection and Management of Risk Committee shall be responsible for executing the provisions listed on these directives.

9. CIRCULATION PLAN

The document shall be circulated as per ASELSAN PLAN A. It shall be published to all users via intranet and internet. The document shall be circulated as per ASELSAN PLAN A. It shall be published to all users via intranet and internet.

BOARD OF DIRECTORS' CORPORATE GOVERNANCE COMMITTEE WORK DIRECTIVES

1. PURPOSE

The purpose of these directives is to determine the duties, authorities, responsibilities and work principles of the Corporate Governance Committee established as per the Corporate Governance Principles announced by the Capital Markets Boards (CMB).

2. SCOPE

These directives cover works and actions to be performed as per the Corporate Governance Principles by the Corporate Governance Committee and/or Company personnel not a member of the Committee but assigned by the Committee.

3. DEFINITIONS

3.1 Corporate Governance: Index of relations between the Board of Directors, shareholders and other stakeholders of a company.

3.2 Corporate Governance Committee (Committee): A committee to be appointed by the Board of Directors among the Board of Directors members or third parties specialized in certain areas for the purpose of executing and coordinating Corporate Governance Principles related formalities of the Company, provided that majority of the members are from the Board of Directors and the executive of Investor Relations Department shall be appointed as a member of the Committee.

3.3 Corporate Governance Committee Secretariat (Secretariat): ASELSAN personnel arranging operations and meetings of Corporate Governance Committee, archiving correspondences and coordinating communication between the members.

3.4 Capital Markets Board: Public legal entity established the Capital Market Law numbered 6362.

3.5 Company: ASELSAN Elektronik Sanayi ve Ticaret A.Ş.

4. RELATED REFERENCE DOCUMENTS

4.1 Capital Markets Board Regulations.

4.2 Corporate Governance Principles published by the Capital Markets Board.

4.3 Prepared as per the regulations, provisions and principles on ASELSAN Articles of Association.

5. DUTIES AND RESPONSIBILITIES

5.1 DUTIES AND RESPONSIBILITIES OF ASELSAN CORPORATE GOVERNANCE COMMITTEE

5.1.1 The Corporate Governance Committee shall mainly work on implementing corporate governance principles at the Company.

5.1.2 The Committee shall determine whether or not the Corporate Governance Principles are implemented and if not implemented, the Committee shall determine the reasons as well as conflicts of interest caused by failing to fully comply with these principles.

5.1.3 It shall monitor the operations of Investor Relations Department.

5.1.4 It shall play a leading part in maintaining effective communication between the Board of Directors, Company and shareholders, eliminating and settling any possible disputes as well as advising the Board of Directors accordingly.

5.1.5 The Committee shall advise the Board of Directors on due effectiveness of infrastructures related to management applications aiming at improving company performance as well as acknowledgement by the personnel and support of the management.

5.1.6 The Committee shall issue the Company's Corporate Governance Compliance Report.

5.1.7 The Committee shall revise the Company's Activity Report to be disclosed to the public and checks whether or not the information included in the Report conform to the information possessed by the Committee.

5.1.8 The Committee shall prepare an annual assessment report, including meeting frequency of Committee members and activities performed, which shall be included in the Annual Company Activity Report and basis to the Board of Directors assessment related to the work principles and Committee's efficiency.

5.1.9 The Committee shall make suggestions ensuring compliance to the law and regulations, company's Information Policy in terms of public disclosures to be made.

5.1.10 The Committee shall present its operations and suggestions to the Board of Directors in the form of a report.

5.1.11 The resolutions taken at the meetings shall be documented and undersigned by the Committee Members and archived by the Secretariat.

5.1.12 If Nomination Committee and Remuneration Committee cannot be established separately due to the structure of the Board of Directors, the Committee shall perform the duties assigned to these committees as per the Corporate Governance Principles published by the Capital Markets Board.

BOARD OF DIRECTORS' CORPORATE GOVERNANCE COMMITTEE WORK DIRECTIVES

5.1.13 Within the scope of the responsibilities of Nomination Committee; the Committee carries the duties on creating a transparent system for the evaluation of the nominees for Board of Directors and the nominees for the executives with administrative responsibility, their training and setting out policies and strategies regarding these matters. In this context, the Committee also regularly makes assessments on the structure and efficiency of Board of Directors and presents suggestions for improvement related to these issues.

5.1.14 Within the scope of the responsibilities of Remuneration Committee; the Committee determines and monitors the principles, criteria and the practices for the remuneration of the members of Board of Directors and executives with administrative responsibility, considering the long term objectives of the Company. In this context, the Committee also presents suggestions about the remuneration of the members of Board of Directors and executives with administrative responsibility, taking the level of achievement regarding the remuneration criteria met into account.

5.2 DUTIES AND RESPONSIBILITIES OF THE CORPORATE GOVERNANCE COMMITTEE SECRETARIAT

5.2.1 It shall provide communication between the members, prepare Committee meetings, keep meeting minutes and duly archive correspondences.

5.2.2 It shall plan, realize and follow up formalities before, during and after the Committee meetings in order to ensure utmost efficiency.

5.2.3 It shall ensure timely communication all of kinds of information to the Committee members.

5.2.4 It shall always keep the records available to the members.

5.2.5 It shall periodically submit reports on investor questions and content.

6. STRUCTURE AND AUTHORITIES OF THE CORPORATE GOVERNANCE COMMITTEE

6.1 COMMITTEE'S STRUCTURE

6.1.1 The Committee shall be formed and authorized at the first Board of Directors meeting held after the Annual Ordinary General Assembly Meeting of the company, as per the Capital Markets Board regulations.

6.1.2 The Committee shall be formed by at least 3 (three) members; two of whom shall be members of Board of Directors and one shall be the Investor Relations Department Executive. The majority of the members of Board of Directors in the Committee shall not have executive functions. Investor Relations Department Executive must have the "Capital Markets Activities Advanced Level" and "Corporate Governance Rating Expertise" certificates and must be working full time in the Company.

6.1.3 Third parties specialized in certain areas who are not members of Board of Directors can also be appointed as Committee members. The Committee Chairman shall be appointed among Independent Members of Board of Directors.

6.1.4 The Chief Executive Officer / General Manager shall not take office in the Committee.

6.1.5 The secretariat formalities of the Committee shall be performed by Investor Relations Department.

6.1.6 One more than half of the total members shall be required for Committee meetings and majority is required for decisions.

6.1.7 The Committee shall convene every 3 (three) months as a principle and, if required, it shall convene at the Company's registered office following a call to be made by the Secretariat on behalf of the Committee Chairman. The Committee chairman might reschedule the meeting date, hour and place provided that the Committee Members are informed beforehand.

6.2 AUTHORITIES OF THE COMMITTEE

6.2.1 If required, the Committee shall start special inspections and appoint people specialized in their areas as consultant for the purpose of ensuring assistance in such inspections.

6.2.2 If required, the Committee shall hold meetings with representatives of Company's related parties and specialists, including Company personnel or subsidiaries; and it shall seek external and professional consultancy service.

6.2.3 The Committee shall act according to its authorities and responsibilities and make recommendations to the Board of Directors however the Board of Directors shall always have the final decision making responsibility.

7. ENFORCEMENT

These directives have been approved by the Board of Directors as per the resolution dated 23.02.2006 and numbered 529/2.d and came into force as of 30.05.2006.

8. EXECUTION

ASELSAN Corporate Governance Committee shall be responsible for executing the provisions listed on these directives.

9. CIRCULATION PLAN

The document shall be circulated as per ASELSAN PLAN A. It shall be published to all users via intranet and internet.

Tasarım

ARMA PR GROUP - DUYGU KAYA



ARMA PR GROUP

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