

(Convenience Translation of Consolidated Financial
Statements and Related Disclosures and Footnotes
Originally Issued in Turkish)

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

CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS
AS OF AND FOR THE THREE-MONTH
PERIOD ENDED 31 MARCH 2024

28 May 2024

This report contains condensed consolidated interim financial
information and related disclosures and footnotes comprising
46 pages.

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ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 MARCH 2024**

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 March 2024, unless otherwise indicated.)

	Note References	Not Reviewed 31 March 2024	Audited 31 December 2023
ASSETS			
Current Assets			
Cash and Cash Equivalents	3	74.718.525	83.862.881
Trade Receivables	5	3.073.720	7.605.739
<i>From Related Parties</i>	4	19.463.358	23.695.200
<i>From Third Parties</i>		7.543.896	10.408.524
Other Receivables		11.919.462	13.286.676
<i>From Third Parties</i>		1.821.098	1.899.131
Inventories	6	1.821.098	1.899.131
Prepaid Expenses	7	36.302.156	37.023.298
<i>From Related Parties</i>	4	11.529.238	10.461.841
<i>From Third Parties</i>		1.849.539	1.800.525
Other Current Assets		9.679.699	8.661.316
		2.528.955	3.177.672
Non-Current Assets			
Financial Investments		88.449.923	89.397.488
Trade Receivables	5	6.810.518	6.810.372
<i>From Related Parties</i>	4	31.849.775	36.370.852
<i>From Third Parties</i>		22.962.968	27.496.455
Other Receivables		8.886.807	8.874.397
<i>From Third Parties</i>		7.646	8.375
Equity Accounted Investments		7.646	8.375
Property, Plant and Equipment	8	944.676	989.356
Intangible Assets	8	27.211.649	27.304.355
Prepaid Expenses	7	15.189.191	13.977.654
<i>From Related Parties</i>	4	2.616.070	2.829.838
<i>From Third Parties</i>		1.590.878	1.647.502
Deferred Tax Assets	10	1.025.192	1.182.336
Other Non-Current Assets		2.603.907	826.848
		1.216.491	279.838
TOTAL ASSETS		163.168.448	173.260.369

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 MARCH 2024

(Amounts are expressed in Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 March 2024, unless otherwise indicated.)

	Note References	Not Reviewed 31 March 2024	Audited 31 December 2023
LIABILITIES			
Current Liabilities		45.566.833	57.737.307
Short-term Financial Liabilities	19	15.636.458	13.452.592
Short-term Portion of Long-term Financial Liabilities	19	6.288.151	8.188.933
Trade Payables	5	11.731.387	17.103.150
<i>To Related Parties</i>	4	2.786.786	3.685.108
<i>To Third Parties</i>		8.944.601	13.418.042
Employee Benefit Obligations		2.094.701	1.386.128
Other Payables		101.064	393.566
<i>To Related Parties</i>	4	--	307.159
<i>To Third Parties</i>		101.064	86.407
Government Grants and Incentives		57.691	66.131
Deferred Income	7	4.764.885	10.228.407
<i>To Related Parties</i>	4	2.288.273	2.989.698
<i>To Third Parties</i>		2.476.612	7.238.709
Corporate Tax Liability		6.870	--
Short-term Provisions		4.822.071	6.906.582
<i>For Employee Benefits</i>	12	761.511	1.838.437
<i>Other</i>	9	4.060.560	5.068.145
Other Current Liabilities		63.555	11.818
Non-Current Liabilities		14.713.473	13.829.386
Long-term Financial Liabilities	19	885.980	1.299.761
Trade Payables	5	122	86.874
<i>To Third Parties</i>	4	122	86.874
Other Payables		33.665	42.166
<i>To Third Parties</i>		33.665	42.166
Deferred Income	7	9.047.975	6.798.791
<i>To Related Parties</i>	4	4.061.287	4.214.997
<i>To Third Parties</i>		4.986.688	2.583.794
Long-term Provisions		4.740.865	5.596.194
<i>Long-term Provisions for Employee Benefits</i>	12	1.088.269	1.223.446
<i>Other</i>	9	3.652.596	4.372.748
Other Non-Current Liabilities		4.866	5.600

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 MARCH 2024**

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 March 2024, unless otherwise indicated.)

	Note References	Not Reviewed 31 March 2024	Audited 31 December 2023
EQUITY		102.888.142	101.693.676
Equity Attributable to Equity Holders of the Parent		101.822.559	100.463.249
Share Capital	13	4.560.000	4.560.000
Inflation Adjustments on Share Capital Differences	13	18.359.790	18.359.790
Share Premiums		16.739.899	16.739.899
Other Comprehensive Income / (Expense) that will not be Reclassified to Profit or (Loss)		2.532.292	2.532.292
<i>Gain on Revaluation of Property, Plant and Equipment</i>		3.342.984	3.342.984
<i>Gain/ Loss on Remeasurement of Defined Benefit Plans</i>		(810.692)	(810.692)
Other Cumulative Comprehensive Income / (Expense) will be Reclassified to Profit/Loss		20.285	64.736
<i>Cumulative Translation Adjustments</i>		20.285	64.736
Restricted Reserves	13	4.006.609	4.006.609
Retained Earnings		54.199.923	45.811.239
Net Profit for the Year		1.403.761	8.388.684
Non-Controlling Interests		1.065.583	1.230.427
TOTAL LIABILITIES AND EQUITY		163.168.448	173.260.369

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 THREE-MONTH PERIOD ENDED 31 MARCH 2024

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 March 2024, unless otherwise indicated.)

	Note References	Not Audited	
		1 January- 31 March 2024	1 January- 31 March 2023
PROFIT OR LOSS			
Revenue	14	15.139.034	14.401.141
Cost of Sales (-)	14	(10.758.391)	(10.140.811)
GROSS PROFIT		4.380.643	4.260.330
General Administrative Expenses (-)		(1.034.852)	(794.433)
Marketing Expenses (-)		(338.396)	(272.393)
Research and Development Expenses (-)		(299.227)	(495.358)
Other Operating Income	15	5.787.652	5.389.089
Other Operating Expenses (-)	15	(4.013.453)	(4.055.069)
OPERATING PROFIT		4.482.367	4.032.166
Income From Investing Activities		15.029	10.830
Expense From Investing Activities		--	(1.329)
Shares of Profit of Equity Accounted Investees		(27.164)	(2.628)
OPERATING PROFIT BEFORE FINANCIAL EXPENSE		4.470.232	4.039.039
Financial Income	16	269.267	606.432
Financial Expense (-)	17	(1.823.689)	(1.151.747)
Monetary Gain/(Loss)		(3.449.090)	(2.846.294)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		(533.280)	647.430
Tax Income from Continuing Operations	10	1.772.197	(1.627.656)
- Current Corporate Tax Expense(-)		(4.861)	(499)
- Deferred Tax Income		1.777.058	(1.627.157)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		1.238.917	(980.226)
Profit for the Period Attributable to		1.238.917	(980.226)
Non-Controlling Interest		(164.844)	(16.638)
Owners of the Company	18	1.403.761	(963.588)
		1.238.917	(980.226)
Earnings for per 100 Shares (in full kuruş)	18	30,78	(42,26)

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 THREE-MONTH PERIOD ENDED 31 MARCH 2024**

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 March 2024, unless otherwise indicated.)

	Note References	Audited	
		1 January- 31 March 2024	1 January- 31 March 2023
PROFIT FOR THE YEAR		1.238.917	(980.226)
OTHER COMPREHENSIVE INCOME			
Items that may be Reclassified Subsequently to Profit or Loss			
Cumulative Translation Adjustments		(44.451)	30.279
OTHER COMPREHENSIVE INCOME		(44.451)	30.279
TOTAL COMPREHENSIVE INCOME		1.194.466	(949.947)
Total Comprehensive Income Attributable to			
Non-Controlling Interest		(164.844)	(16.638)
Owners of the Company		1.359.310	(933.309)
		1.194.466	(949.947)

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 THREE MONTH ENDED 31 MARCH 2024

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 March 2024, unless otherwise indicated.)

	Other Comprehensive Income / Expense that will not to be Reclassified Subsequently to Profit or Loss					Other Comprehensive Income / Expense that may not to 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 Plans	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 2023	2.280.000	16.934.194	16.739.887	632.103	(614.023)	1.247.695	377.652	3.940.890	48.865.857	1.475.072	91.879.327	1.098.989	92.978.316
Transfers	--	--	--	--	--	--	--	--	1.475.072	(1.475.072)	--	--	--
Capital Increase	--	--	--	--	--	--	--	--	--	--	--	--	--
Total Comprehensive Income	--	--	--	--	--	--	30.279	--	--	(963.588)	(933.309)	(16.638)	(949.947)
Dividends	--	--	--	--	--	--	--	--	--	--	--	--	--
Balance as of 31 March 2023 (Closing Balance)	2.280.000	16.934.194	16.739.887	632.103	(614.023)	1.247.695	407.931	3.940.890	50.340.929	(963.588)	90.946.018	1.082.351	92.028.369
Balance as of 1 January 2024	4.560.000	18.359.790	16.739.899	3.342.984	(810.692)	--	64.736	4.006.609	45.811.239	8.388.684	100.463.249	1.230.427	101.693.676
Transfers	--	--	--	--	--	--	--	--	8.388.684	(8.388.684)	--	--	--
Capital Increase	--	--	--	--	--	--	--	--	--	--	--	--	--
Total Comprehensive Income	--	--	--	--	--	--	(44.451)	--	--	1.403.761	1.359.310	(164.844)	1.194.466
Dividends	--	--	--	--	--	--	--	--	--	--	--	--	--
Consolidation Effect of New Share Acquisitions	--	--	--	--	--	--	--	--	--	--	--	--	--
Balance as of 31 March 2024 (Closing Balance)	4.560.000	18.359.790	16.739.899	3.342.984	(810.692)	--	20.285	4.006.609	54.199.923	1.403.761	101.822.559	1.065.583	102.888.142

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 THREE MONTH ENDED 31 MARCH 2024

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 March 2024, unless otherwise indicated.)

	Note References	Not Reviewed 1 January- 31 March 2024	Not Reviewed 1 January- 31 March 2023
A. Cash Flows from Operating Activities			
Profit for the Period		(2.971.657)	3.800.695
Adjustments to Reconcile Profit for the Period			
- Adjustments for Depreciation and Amortization Expense	8	689.798	605.910
- Adjustments for Impairment Loss (Reversal of Impairment Loss)		(22.422)	(47.801)
<i>Adjustments for Impairment Loss (Reversal of Impairment Loss) of Receivables</i>	5	(5.868)	17.539
<i>Adjustments for Impairment Loss (Reversal of Impairment Loss) of Inventories</i>	6	(16.554)	(65.340)
- Adjustments for Provisions		(617.399)	535.455
<i>Adjustments for (Reversal of) Provisions Related with Employee Benefits</i>	12	(706.655)	364.186
<i>Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions</i>		(258.992)	(40.443)
<i>Adjustments for (Reversal of) Warranty Provisions</i>		350.811	202.117
<i>Adjustments for (Reversal of) Other Provisions</i>		(2.563)	9.595
- Adjustments for Interest (Income) Expenses		(456.065)	(394.762)
<i>Adjustments for Interest Income</i>		(884.885)	(772.713)
<i>Adjustments for Interest Expense</i>		428.820	377.951
- Adjustments for Retained Profit of Equity Accounted Investees		27.164	2.628
- Adjustments for Tax (Income)/Expenses		(1.772.197)	1.627.656
- Other Adjustments for which Cash Effects are Investing or Financing Cash Flow		1.042.679	471.760
- Other Adjustments to Reconcile Profit (Loss)		524.295	423.685
Changes in Working Capital		(2.942.802)	2.084.418
- Decrease (Increase) in Trade Receivables		5.288.617	6.005.564
- Decrease (Increase) in Other Receivables Related with Operations		(170.960)	(4.514)
- Decrease (Increase) in Inventories	6	812.560	946.976
- Decrease (Increase) in Prepaid Expenses	7	(901.768)	(1.613.593)
- Increase (Decrease) in Trade Payables	5	(2.353.427)	(2.304.024)
- Increase (Decrease) in Employee Benefit Obligations	12	890.039	121.431
- Adjustments for Stage of Completion of Construction or Service Contracts in Progress		(3.660.847)	(3.039.906)
- Increase (Decrease) in Other Operating Payables		(243.959)	(519.134)
- Increase (Decrease) in Government Grants and Subsidies		217	(21.203)
- Increase (Decrease) in Deferred Income		(4.375.726)	365.476
- Adjustments Related to Monetary Gain/ Losses		2.421.587	2.775.001
- Other Increase (Decrease) in Working Capital		(649.135)	(627.656)
Cash Flows From Operations		(2.288.032)	4.328.723
Payments Related with Provisions for Employee Benefits	12	(104.600)	(140.522)
Payments Related with Other Provisions		(581.035)	(386.969)
Income Taxes Refund (Paid)		2.010	(537)
B. Cash Flows From Investing Activities		(2.416.714)	(5.655.043)
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		154.743	21.655
Purchase of Property, Plant and Equipment	8	(679.279)	(3.843.117)
Purchase of Intangible Assets	8	(1.952.470)	(1.806.660)
Other Cash Inflows (Outflows)		60.292	(26.921)
C. Cash Flows From Financing Activities		1.829.996	(1.803.609)
Proceeds from Borrowings		7.025.767	6.427.986
Repayments of Borrowings		(5.195.771)	(8.231.595)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES (A+B+C)		(3.558.375)	(3.657.957)
D. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		29.985	228.264
E. MONETARY GAIN/LOSS EFFECT ON CASH AND CASH EQUIVALENTS		(995.711)	(1.199.860)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D+E)		(4.524.101)	(4.629.553)
F. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		7.595.439	10.778.618
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E+F)	3	3.071.338	6.149.065

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 THREE MONTH ENDED 31 MARCH 2024

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 March 2024, 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, Marketing 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, Gebze IT Valley 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 March 2024, 25,80 percent of the Company's shares are publicly traded (31 December 2023: 25,80 percent) (Note 13).

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 March 2024 is 11.968 (31 December 2023: 11.550).

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH ENDED 31 MARCH 2024

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 March 2024, unless otherwise indicated.)

1. ORGANIZATION AND OPERATIONS OF THE GROUP (continued)

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"), BİTES Savunma Havacılık ve Uzay Teknolojileri Yazılım A.Ş. ("BİTES"), 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 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. The consolidated condensed financial statements of the Group for the six months ended 31 March 2024 have been prepared in accordance with TAS 34 Interim Financial Reporting. The interim condensed financial statements do not contain all the information and explanations that should be included in the annual financial statements and should be read together with the annual consolidated financial statements of the Group as of 31 December 2023.

Approval of the Consolidated Financial Statements

These consolidated financial statements have been approved for issue by the Board of Directors with the resolution number 1230 on 28 May 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 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.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH ENDED 31 MARCH 2024

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 March 2024, unless otherwise indicated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.1 The Basis of Presentation (continued)

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 March 31, 2024 and 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 309% for the three-year period ended March 31, 2024 (31 December 2023: %268).

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 March 31, 2024, the indices and coefficients used in the restatement of the accompanying financial statements are as follows:

Period	Index	Correction Coefficient
31 March 2024	2.139,47	1
31 December 2023	1.859,38	1,15064
31 March 2023	1.269,75	1,68495
31 December 2022	1.128,45	1,89594
31 March 2021	523,53	4,08662

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.

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(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 March 2024, unless otherwise indicated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.2 The Basis of Presentation (continued)

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:

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

Subsidiaries	Location	Functional Currency	Group's proportion of ownership and voting power held (%)		Main Activity
			31 March 2024	31 December 2023	
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 Optik	Türkiye	TL	80	80	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
BITES	Türkiye	TL	100	100	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

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH ENDED 31 MARCH 2024

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 March 2024, 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 THREE MONTH ENDED 31 MARCH 2024

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 March 2024, 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 March 2024 and 31 December 2023 are as follows:

Joint Ventures	Principal Activity	Country of establishment and operation	Group's proportion of ownership and voting power held (%)	
			31 March 2024	31 December 2023
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

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH ENDED 31 MARCH 2024

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 March 2024, 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 (continued):

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 İstanbul Finans ve Teknoloji Üssü A.Ş. established in 2022 were included in the condensed consolidated financial statements by using the equity method. Since BARQ QSTP LLC has 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.

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.

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(Amounts are expressed in Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 March 2024, unless otherwise indicated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.4 New and Revised Turkish Accounting Standards

The accounting policies adopted in preparation of the consolidated financial statements as at 31 March 2024 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 2024 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 1 January 2024 are as follows:

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 amendments did not have a significant impact on the consolidated financial position and performance of the Group.

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 amendments did not have a significant impact on the consolidated financial position and performance of the Group.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

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(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 March 2024, unless otherwise indicated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.4 New and Revised Turkish Accounting Standards (continued)

Amendments to TMS 7 and TFRS 7 – Supplier Finance Arrangements

On 19 September 2023, POA issued amendments to TMS 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 amendments did not have a significant impact on the consolidated financial position and performance of the Group.

Amendments to TMS 12 Income Taxes – International Tax Reform Pillar Two Model Rules

On 19 September 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 amendments did not have a significant impact on the consolidated financial position and performance of the Group.

b) Standards Issued But Not Yet Effective and Not Early Adopted as of 31 March 2024

Amendments to IAS 21 - Lack of Exchangeability;

Effective from annual periods beginning on or after 1 January 2025. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments of IAS 21.

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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.4 New and Revised Turkish Accounting Standards (continued)

IFRS S2, ‘Climate-related disclosures’;

Effective from annual periods beginning on or after 1 January 2024. This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities. The Group is assessing the potential impact on its consolidated financial statements resulting from IFRS S2.

IFRS S1, ‘General requirements for disclosure of sustainability-related financial information’;

Effective from annual periods beginning on or after 1 January 2024. This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity’s value chain. The Group is assessing the potential impact on its consolidated financial statements resulting from IFRS S1.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

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3. CASH AND CASH EQUIVALENTS

	31 March 2024	31 December 2023
Cash	1.002	1.039
Bank		
- <i>Time deposit</i>	2.825.861	7.273.554
- <i>Demand deposit</i>	186.037	314.717
Other	58.438	6.129
Cash and cash equivalents on the cash flow statement	3.071.338	7.595.439
Interest income accruals	2.382	10.300
	3.073.720	7.605.739

As of 31 March 2024, the Group has time deposits denominated in foreign currencies with maturities on April 2024 (31 December 2023: January 2024), with the interest rates between 2,25 percent and 3,25 percent (31 December 2023: 2,50 percent and 3,50 percent) amounting to TL 1.416.569 (31 December 2023: TL 2.334.364) in several banks.

As of 31 March 2024, the Group has time deposits denominated in TL terms with maturities on April 2024 (31 December 2023: January 2024) with the interest rates between 45 percent and 50 percent (31 December 2023: 41,50 percent and 42 percent) amounting to TL 1.409.292 (31 December 2023: TL 4.939.190) in several banks.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH ENDED 31 MARCH 2024

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4. 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 maturity 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 March 2024 is approximately TL 60.725 (The vast majority consists of paid wages and benefits.) (31 March 2023: TL 55.691).

The details of transactions between the Group and other related parties are disclosed in the following pages.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH ENDED 31 MARCH 2024

(Amounts are expressed in Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 March 2024, unless otherwise indicated.)

4. RELATED PARTY DISCLOSURES (continued)

	31 March 2024									
	Receivables					Payables				
	Short-term			Long-term		Short-term			Long-term	
Balances with related parties	Trading	Prepaid Expenses	Other Receivables	Trading	Prepaid Expenses	Trading	Deferred Income	Other Payables	Trading	Deferred Income
Main shareholder										
TSKGV	18	--	--	--	--	--	--	--	--	--
Main shareholder’s subsidiaries and associates										
Hava Elektronik San. ve Tic. Anonim Şirketi (“HAVELSAN”)	78.766	316.853	--	10.933	45.770	292.150	913	--	--	--
HAVELSAN Teknoloji Radar San. ve Tic. Anonim Şirketi (“HTR”)	5.601	222.509	--	--	205	132.407	839	--	--	--
İşbir Elektrik Sanayii Anonim Şirketi (“İŞBİR”)	--	214.166	--	--	46.943	34.679	--	--	--	--
NETAŞ Telekomünikasyon Anonim Şirketi (“NETAŞ”)	--	29.586	--	--	19.885	60.869	--	--	--	--
Savunma Teknolojileri Mühendislik ve Ticaret Anonim Şirketi (“STM”)	37.647	22.616	--	451.526	--	5.830	964	--	--	211.252
Türk Havacılık ve Uzay Sanayi ve Ticaret Anonim Şirketi (“TUSAŞ”)	1.834.218	--	--	1.848.336	--	768	334.928	--	--	210.202
Financial Instruments										
ASPİLSAN Enerji Sanayi ve Ticaret Anonim Şirketi (“ASPİLSAN”)	21	30.670	--	--	--	33.177	4.697	--	--	--
Roket Sanayi ve Ticaret Anonim Şirketi (“ROKETSAN”)	2.392.068	293.897	--	459.907	1.307.451	1.803.168	264.805	--	--	52.454
Joint ventures and its related parties										
ASELSAN Bilkent Mikro Nano	--	207.165	--	--	63.747	59.324	--	--	--	--
İhsan Doğramacı Bilkent Üniversitesi	--	5.373	--	--	--	546	--	--	--	--
IGG	201.485	--	--	8.434	--	--	--	--	--	--
IGG ASELSAN	37.753	30.631	--	--	3.627	22.817	--	--	--	--
ASELSAN Kazakistan	375.137	--	--	60.476	--	264	41	--	--	--
ASELSAN Jordan	147.424	--	--	--	--	30.861	5.850	--	--	--
TÜBİTAK BİLGEM	--	74.720	--	--	27.858	97.444	--	--	--	--
TÜBİTAK-UME	--	777	--	--	--	3	--	--	--	--
TÜBİTAK BİLİMSEL TEKNOLOJİK ARAŞTIRMA	27.503	34.591	--	249.484	1.384	2.100	5.113	--	--	12.916
TÜBİTAK SAGE Savunma Sanayii	35.223	325.191	--	9.707	46.013	204.607	659	--	--	--
Savunma Sanayi Başkanlığı (“SSB”)	2.371.032	--	--	19.864.165	--	--	1.315.723	--	--	3.555.528
SSTEK	--	--	--	--	--	--	353.741	--	--	18.935
EHSİM	--	40.794	--	--	27.995	4.596	--	--	--	--
DASAL	--	--	--	--	--	612	--	--	--	--
TR Eğitim	--	--	--	--	--	564	--	--	--	--
	7.543.896	1.849.539	--	22.962.968	1.590.878	2.786.786	2.288.273	--	--	4.061.287

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4. RELATED PARTY DISCLOSURES (continued)

Balances with related parties	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
Main shareholder										
TSKGV	132	--	--	--	--	--	--	307.159	--	--
Main shareholder’s subsidiaries and associates										
Hava Elektronik San. ve Tic. Anonim Şirketi (“HAVELSAN”)	92.807	335.845	--	18.081	50.959	467.625	--	--	--	--
HAVELSAN Teknoloji Radar San. ve Tic. Anonim Şirketi (“HTR”)	10.269	234.905	--	--	5.047	202.057	1.289	--	--	652
İşbir Elektrik Sanayii Anonim Şirketi (“İŞBİR”)	--	253.468	--	--	--	89.517	--	--	--	--
NETAŞ Telekomünikasyon Anonim Şirketi (“NETAŞ”)	--	41.098	--	--	12.656	214.546	--	--	--	--
Savunma Teknolojileri Mühendislik ve Ticaret Anonim Şirketi (“STM”)	625.304	23.100	--	445.154	--	29.184	--	--	--	223.748
Türk Havaçılık ve Uzay Sanayi ve Ticaret Anonim Şirketi (“TUSAŞ”)	2.015.475	--	--	1.978.826	--	834	153.312	--	--	177.793
Financial Instruments										
ASPİLSAN Enerji Sanayi ve Ticaret Anonim Şirketi (“ASPİLSAN”)	567	46.895	--	--	--	87.935	5.405	--	--	--
Roket Sanayi ve Ticaret Anonim Şirketi (“ROKETSAN”)	2.344.283	170.812	--	348.881	1.468.450	2.030.689	280.571	--	--	82.180
Joint ventures and its related parties										
ASELSAN Bilkent Mikro Nano	--	226.719	--	--	24.800	109.608	--	--	--	--
İhsan Doğramacı Bilkent Üniversitesi	35	6.147	--	--	--	15.206	--	--	--	--
IGG	296.690	--	--	4.874	--	--	--	--	--	--
IGG ASELSAN	39.610	29.884	--	--	4.173	24.464	--	--	--	--
ASELSAN Kazakistan	443.120	--	--	--	--	276	52	--	--	20
ASELSAN Jordan	163.013	--	--	--	--	42.236	6.544	--	--	--
TÜBİTAK BİLGEM	--	89.155	--	--	11.779	67.091	--	--	--	--
TÜBİTAK-UME	--	778	--	--	--	621	--	--	--	--
TÜBİTAK BİLİMSEL TEKNOLOJİK ARAŞTIRMA	34.526	8.914	--	189.151	1.657	14.655	25.395	--	--	14.554
TÜBİTAK SAGE Savunma Sanayii	12.633	320.084	--	--	51.009	248.549	5.696	--	--	--
Savunma Sanayi Başkanlığı (“SSB”)	4.330.060	--	--	24.511.488	--	--	2.341.234	--	--	3.344.200
SSTEK	--	--	--	--	--	--	170.200	--	--	371.850
EHSİM	--	12.721	--	--	16.972	30.758	--	--	--	--
DASAL	--	--	--	--	--	9.079	--	--	--	--
TR Eğitim	--	--	--	--	--	178	--	--	--	--
	10.408.524	1.800.525	--	27.496.455	1.647.502	3.685.108	2.989.698	307.159	--	4.214.997

¹ All other short term payable is 2023 dividend payments.

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4. RELATED PARTY DISCLOSURES (continued)

	1 January- 31 March 2024	1 January- 31 March 2023
Transactions with related parties	Purchases	Purchases
<u>Main Shareholder</u>		
TSKGV	435	945
<u>Main shareholder's subsidiaries and associates</u>		
NETAŞ	28.292	19.855
STM	2.881	3.030
İŞBİR	43.590	122.193
HTR	171.875	83.644
TUSAŞ	228	15.992
HAVELSAN	8.502	42.662
<u>Financial Instruments</u>		
ASPİLSAN	36.360	12.141
<u>Joint ventures and its related parties</u>		
İHSAN DOĞRAMACI BİLKENT ÜNİVERSİTESİ	519	--
TÜBİTAK BİLGEM	72.843	31.500
TÜBİTAK BİLİMSEL TEKNOLOJİK ARAŞTIRMA	2.410	--
TÜBİTAK UME	478	777
TÜBİTAK SAGE SAVUNMA SANAYİİ	114.158	7.441
	482.571	340.180

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4. RELATED PARTY DISCLOSURES (continued)

	1 January- 31 March 2024	1 January- 31 March 2023
Transactions with related parties	Sales	Sales
<u>Main Shareholder</u>		
TSKGV	43	303
<u>Main shareholder’s subsidiaries and associates</u>		
TUSAŞ	3.154.118	369.305
STM	1.379.289	263.823
HAVELSAN	9.935	4.066
HTR	10.211	1.938
NETAŞ		
İŞBİR		
<u>Financial Instruments</u>		
ROKETSAN	563.507	234.438
ASPİLSAN	105	1.236
<u>Joint ventures and its related parties</u>		
İHSAN DOĞRAMACI BİLKENT ÜNİVERSİTESİ	--	85
TÜBİTAK BİLİMSEL TEKNOLOJİK ARAŞTIRMA	29.128	23.979
TÜBİTAK SAGE SAVUNMA SANAYİİ	38.902	12.703
SSB	11.617.917	7.694.941
SSTEK	10.615	156.188
	16.813.770	8.763.005

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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5. TRADE RECEIVABLES AND PAYABLES**a) Trade receivables**

Details of the Group's trade receivables are as follows:

	31 March 2024	31 December 2023
Short-term trade receivables		
Trade receivables	11.877.155	13.242.165
Trade receivables from related parties (Note 4)	7.543.896	10.408.524
Notes receivable	32.548	28.380
Other Receivables	9.759	16.131
Doubtful trade receivables	55.090	60.958
Allowance for doubtful trade receivables (-)	(55.090)	(60.958)
	19.463.358	23.695.200

	31 March 2024	31 December 2023
Long-term trade receivables		
Unbilled receivables from contracts with customers	8.168.886	8.135.220
Trade receivables	717.921	739.177
Unbilled receivables from contracts with customers - Related party (Note 4)	22.960.127	27.493.475
Trade receivables from related parties (Note 4)	2.841	2.980
	31.849.775	36.370.852

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

	31 March 2024	31 March 2023
Opening balance	60.958	57.484
Provision for the period	2.113	23.936
Monetary gain/(loss)	(7.981)	(6.397)
Closing balance	55.090	75.023

b) Trade payables

Details of The Group's trade payables are as follows:

	31 March 2024	31 December 2023
Short-term trade payables		
Trade payables	8.383.726	11.898.128
Due to related parties (Note 4)	2.786.786	3.685.108
Notes Payable	397.016	1.247.501
Other trade payables	163.859	272.413
	11.731.387	17.103.150

	31 March 2024	31 December 2023
Long-term trade payables		
Other trade payables	122	7.011
Notes Payable	--	79.863
	122	86.874

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(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 March 2024, unless otherwise indicated.)

6. INVENTORIES

	31 March 2024	31 December 2023
Raw materials	22.025.358	21.236.557
Work-in progress	9.752.823	10.603.708
Goods in transit ¹	9.624	1.995.341
Finished goods	2.100.172	2.491.814
Other inventories	2.049.066	190.497
Trade goods	436.522	593.344
Allowance for impairment on inventories (-)	(71.409)	(87.963)
	36.302.156	37.023.298

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 March are as follows:

	2024	2023
Opening balance	87.963	103.455
Provision for the period	28.195	19.249
Provision unrealised	(44.749)	(84.589)
Closing balance	71.409	38.115

¹ Goods in transit includes the goods for which significant risks and rewards of ownership has been transferred to the Group due to their shipping terms.

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7. PREPAID EXPENSES AND DEFERRED INCOME

	31 March 2024	31 December 2023
Short-term prepaid expenses		
Order advances given for inventory purchases	6.768.084	6.569.347
Short-term order advances given to related parties for inventory purchases (Note 4)	1.849.539	1.800.525
Work advances	621.646	365.918
Prepaid expenses	2.289.969	1.726.051
	11.529.238	10.461.841

	31 March 2024	31 December 2023
Long-term prepaid expenses		
Long-term order advances given to related parties for inventory purchases (Note 4)	1.590.878	1.647.502
Order advances given for inventory purchases	146.340	162.637
Order advances given for fixed assets purchases	267.690	315.830
Prepaid expenses	611.162	703.869
	2.616.070	2.829.838

	31 March 2024	31 December 2023
Short-term deferred income		
Order advances received	2.312.564	3.134.958
Order advances received from related parties (Note 4)	2.288.273	2.989.698
Deferred income	164.048	4.103.751
	4.764.885	10.228.407

	31 March 2024	31 December 2023
Long-term deferred income		
Order advances received	3.421.836	2.329.369
Order advances received from related parties (Note 4)	4.061.287	4.214.997
Deferred income	1.564.852	254.425
	9.047.975	6.798.791

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8. PROPERTY, PLANT AND EQUIPMENT

<u>Cost</u>	<u>Property, Plant and Equipment</u>	<u>Intangible Assets</u>
Opening balance as of 1 January 2024	46.392.412	19.835.944
Additions	681.204	1.952.470
Disposals	(550.841)	(641.507)
Closing balance as of 31 March 2024	46.522.775	21.146.907
Accumulated Depreciation and Amortisation		
Opening balance as of 1 January 2024	19.088.057	5.858.290
Change for the period ¹	563.794	200.869
Disposals	(340.725)	(101.443)
Closing balance as of 31 March 2024	19.311.126	5.957.716
Net book value as of 31 March 2024	27.211.649	15.189.191
Net book value as of 31 December 2023	27.304.355	13.977.654

<u>Cost</u>	<u>Property, Plant and Equipment</u>	<u>Intangible Assets</u>
Opening balance as of 1 January 2023	37.768.283	18.407.498
Additions	3.848.762	1.806.660
Disposals	(230.827)	(682.863)
Transfers	--	--
Closing balance as of 31 March 2023	41.386.218	19.531.295
Accumulated Depreciation and Amortisation		
Opening balance as of 1 January 2023	16.533.828	7.900.942
Change for the period	452.758	222.843
Disposals	(209.163)	(55.547)
Closing balance as of 31 March 2023	16.777.423	8.068.238
Net book value as of 31 March 2023	24.608.795	11.463.057
Net book value as of 31 December 2022	21.234.455	10.506.555

In accordance with TFRS 13 “Fair Value Measurement” standard, fair values of the lands are considered as level three of fair value hierarchy, since measurement techniques do not include observable market inputs.

¹ The amount of amortization related to inventories are TL 74.865 in the year 2024 (March 2023: TL 69.691)

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9. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**a) Provisions**

	31 March 2024	31 December 2023
Other short-term provisions		
Provision for warranties ¹	2.630.948	3.204.130
Provision for onerous contracts	218.525	248.726
Provision for delay penalties ²	1.008.386	1.384.275
Sales commission	4.758	5.475
Provision for legal cases	40.881	41.871
Provision for cost expenses	146.616	170.828
Other	10.446	12.840
	4.060.560	5.068.145
Other long-term provisions		
Provision for delay penalties	334.186	384.377
Provision for onerous contracts	3.318.410	3.988.371
	3.652.596	4.372.748

b) Legal cases

There has not been any final judicial decision against the Group due to the responsibility related with work accidents within 2024.

As of the dates 31 March 2024 and 31 December 2023, according to the declarations written by the legal counselors, the lawsuits and legal executions in favor of and against the Group are as follows:

	2024	2023
Description		
a) Ongoing lawsuits filed by the Group	41.469	45.473
b) Execution proceedings carried out by the Group	708.728	765.067
c) Ongoing lawsuits filed against the Group	40.881	33.477
d) Executions against the Group	11.693	13.140
e) Lawsuits finalized against the Group within the period	5.345	7.973
f) Lawsuits finalized in favor of the Group within the period	7.259	6.223

- 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.
- 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.

¹ 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

² 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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10. TAX

"Deferred Tax Assets" of the Group as of 31 March 2024 is TL 2.603.907. The amount is comprised of the items below.

	31 March 2024	31 December 2023
Carried Forward R&D Incentives Effect	5.000.067	4.082.880
Temporary Differences	(2.396.160)	(3.256.032)
Deferred Tax Assets - Net	2.603.907	826.848

The earnings gained within the scope of Technology Development Zones Law numbered 4691 and the Support of Research and Development Activities Law numbered 5746 were exempted from corporate tax until 31 December 2028.

Prospective profit/loss projection and forecasts and expected duration of research and development incentives are considered in calculating deferred tax asset.

In accordance with the law numbered 5746 pertaining to 1 January-31 March 2024 period the Group has calculated "Deferred Tax Asset" amounting to TL 5.000.067 from Research and Development expenses comprising "Outstanding Research and Development Deductions".

	31 March 2024	31 March 2023
Profit before tax from continuing operations	(533.280)	647.430
Tax (expense)/income recognized in profit or loss	1.772.197	(1.627.656)
Effective tax rate	(%332)	(%251)

Effective tax rate is calculated by dividing profit before tax from continuing operations to net tax income recognized in profit or loss.

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11. COMMITMENTS AND CONTINGENCIES

a) Guarantees received

	31 March 2024	31 December 2023
Letters of guarantees received from the suppliers	8.885.521	10.408.008
Collaterals received from the customers	640.893	690.233
Letters of guarantees received from the customers	29.509	30.661
Collaterals received from the suppliers	1.073.961	1.147.578
Letters of guarantees received from the suppliers	119.390	34.800
	10.749.274	12.311.280

b) Collaterals / Pledges / Mortgages ("CPM") given

The collaterals/pledges/mortgages ("CPM") given by the Group as of 31 March 2024 and 31 December 2023 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 293.470.

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11. COMMITMENTS AND CONTINGENCIES (continued)

c) Guarantees given

31 March 2024	TL Equivalent	TL	USD	EURO	UAE Dirham	Rumen Leyi	Indian Rupee	British Pound	Qatar Rial
A. Total amount of CPM given on behalf of the legal entity									
-Collateral	13.449.185	1.368.736	267.030	98.462	--	4.004	--	--	535
-Pledge	--	--	--	--	--	--	--	--	--
-Mortgage	--	--	--	--	--	--	--	--	--
B. Total amount of CPM given on behalf of the subsidiaries included in full consolidation									
-Collateral	139.209	--	--	4.000	--	--	--	--	--
-Pledge	--	--	--	--	--	--	--	--	--
-Mortgage	--	--	--	--	--	--	--	--	--
C. Total amount of CPM given to maintain operations and collect payables from third parties									
-Collateral	--	--	--	--	--	--	--	--	--
-Pledge	--	--	--	--	--	--	--	--	--
-Mortgage	--	--	--	--	--	--	--	--	--
D. Total amount of other CPM given									
i. Total Amount of CPM on behalf of the main partner									
-Collateral	--	--	--	--	--	--	--	--	--
-Pledge	--	--	--	--	--	--	--	--	--
-Mortgage	--	--	--	--	--	--	--	--	--
ii. Total amount of CPM given on behalf of other group companies that do not cover B and C ¹									
-Collateral	41.002	--	1.270	--	--	--	--	--	--
-Pledge	--	--	--	--	--	--	--	--	--
-Mortgage	--	--	--	--	--	--	--	--	--
iii. Total amount of CPM on behalf of third parties that do not cover									
-Collateral	--	--	--	--	--	--	--	--	--
-Pledge	--	--	--	--	--	--	--	--	--
-Mortgage	--	--	--	--	--	--	--	--	--
Total	13.629.396	1.368.736	268.300	102.462	--	4.004	--	--	535

¹ The ratio of the other CPM given by the Group to equity as of 31 March 2024 is 0,04 percent. TL 41.002 is the collateral amount pertaining to guarantee letter given on behalf of the entity's joint venture ASELSAN Bilkent.

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11. COMMITMENTS AND CONTINGENCIES (continued)

c) Guarantees given (continued)

31 December 2023	TL Equivalent	TL	USD	EURO	UAE Dirham	Rumen Leyi	Indian Rupee	British Pound	Qatar Rial
A. Total amount of CPM given on behalf of the legal entity									
-Collateral	17.552.896	1.569.151	304.953	149.406	--	6.952	--	--	535
-Pledge	--	--	--	--	--	--	--	--	--
-Mortgage	--	--	--	--	--	--	--	--	--
B. Total amount of CPM given on behalf of the subsidiaries included in full consolidation									
-Collateral	149.923	--	--	4.000	--	--	--	--	--
-Pledge	--	--	--	--	--	--	--	--	--
-Mortgage	--	--	--	--	--	--	--	--	--
C. Total amount of CPM given to maintain operations and collect payables from third parties									
-Collateral	--	--	--	--	--	--	--	--	--
-Pledge	--	--	--	--	--	--	--	--	--
-Mortgage	--	--	--	--	--	--	--	--	--
D. Total amount of other CPM given									
i. Total Amount of CPM on behalf of the main partner									
-Collateral	--	--	--	--	--	--	--	--	--
-Pledge	--	--	--	--	--	--	--	--	--
-Mortgage	--	--	--	--	--	--	--	--	--
ii. Total amount of CPM given on behalf of other group companies that do not cover B and C ¹									
-Collateral	71.810	--	2.120	--	--	--	--	--	--
-Pledge	--	--	--	--	--	--	--	--	--
-Mortgage	--	--	--	--	--	--	--	--	--
iii. Total amount of CPM on behalf of third parties that do not cover									
-Collateral	--	--	--	--	--	--	--	--	--
-Pledge	--	--	--	--	--	--	--	--	--
-Mortgage	--	--	--	--	--	--	--	--	--
Total	17.774.629	1.569.151	307.073	153.406	--	6.952	--	--	535

¹ The ratio of the other CPM given by the Group to equity as of 31 December 2023 is 0,07 percent. TL 71.810 is the collateral amount pertaining to guarantee letter given on behalf of the entity's joint venture ASELSAN Bilkent.

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12. EMPLOYEE BENEFITS

a) Short-term provisions for employee benefits

	31 March 2024	31 December 2023
Provision for vacation pay and overtime	761.511	807.342
Bonus provision	--	1.031.095
	761.511	1.838.437

As of 31 March the movement of the provision for vacation pay and overtime is as follows:

	2024	2023
Opening balance	807.342	533.463
Provision for the period	101.789	120.406
Provision paid during the period	(48.770)	(63.028)
Provision realized during the period	(4.928)	(14.809)
Monetary gain/(loss)	(93.922)	(59.365)
Closing balance	761.511	516.667

b) Long-term provisions for employee benefits

	31 March 2024	31 December 2023
Provision for severance pay	1.088.269	1.223.446
	1.088.269	1.223.446

As of 31 March the movement of severance and retirement pays are as follows:

	2024	2023
Opening balance	1.223.446	1.098.499
Service cost	80.821	258.588
Payments	(55.830)	(77.494)
Monetary gain/(loss)	(160.168)	(122.243)
Closing balance	1.088.269	1.157.350

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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12. 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 March 2024 severance payments are calculated on the basis of 30 days' pay, limited to a ceiling of TL 35.058,58 (31 December 2023: 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 March 2024	31 December 2023
	(%)	(%)
Interest rate	25,50	25,50
Inflation rate	21,70	21,70
Discount ratio	3,12	3,12
Estimation of probability of retirement ratio	94	94

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13. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Capital

<u>Shareholders</u>	<u>Share (%)</u>	<u>31 March 2024</u>	<u>Share (%)</u>	<u>31 December 2023</u>
TSKGV	74,20	3.383.302	74,20	3.383.302
Publicly held	25,80	1.176.698	25,80	1.176.698
Nominal capital	100	4.560.000	100	4.560.000
Share capital adjustment		18.359.790		18.359.790
Inflation adjusted capital		22.919.790		22.919.790

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 Communique 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.

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13. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (continued)

Retained Earnings (continued)

Profit distribution

Publicly traded companies perform dividend distribution in accordance with Capital Markets Board's Communique 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 communique, no specific minimum distribution ratio is indicated. Companies pay dividend as defined in their articles of association or dividend distribution policies.

14. REVENUE AND COST OF SALES

	1 January- 31 March 2024	1 January- 31 March 2023
a) Revenue		
Domestic sales	12.354.737	13.279.844
Export sales	2.784.297	1.121.297
	15.139.034	14.401.141
	1 January - 31 March 2024	1 January - 31 March 2023
Revenue Recognized Regarding Performance Obligation		
Over time	12.590.031	11.984.256
Point in time	2.549.003	2.416.885
	15.139.034	14.401.141
	1 January- 31 March 2024	1 January- 31 March 2023
b) Cost of sales(-)		
Cost of raw materials and supplies (-)	8.113.893	7.376.845
Cost of merchandise goods sold (-)	1.317.277	213.933
Cost of services sold (-)	1.000.786	2.273.697
Cost of other sales (-)	326.435	276.336
	10.758.391	10.140.811

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15. OTHER OPERATING INCOME AND EXPENSES

a) Other operating income	1 January- 31 March 2024	1 January- 31 March 2023
Foreign currency exchange differences from operations	4.659.884	4.578.207
Amortized cost effect of trade payables	854.647	748.898
Other income	273.121	61.984
	5.787.652	5.389.089
b) Other operating expense (-)	1 January- 31 March 2024	1 January- 31 March 2023
Foreign currency exchange differences from operations (-)	3.157.681	3.428.220
Amortized cost effect of trade receivables (-)	428.820	377.951
Other expense and losses (-)	426.952	248.898
	4.013.453	4.055.069

16. FINANCIAL INCOME

	1 January- 31 March 2024	1 January- 31 March 2023
Interest income	190.692	208.732
Foreign currency exchange gains from bank loans	78.575	397.700
	269.267	606.432

17. FINANCIAL EXPENSES

	1 January- 31 March 2024	1 January- 31 March 2023
Foreign currency exchange losses from bank loans (-)	1.121.912	762.687
Interest cost of borrowings (-)	701.777	389.060
	1.823.689	1.151.747

18. 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 31 March 2024 and 2023 earnings per share calculations are as follows:

	1 January- 31 March 2024	1 January- 31 March 2023
Number of shares outstanding (in thousands)	4.560.000	2.280.000
Net profit – TL	1.403.761	(963.588)
Earnings per 100 shares (kuruş)	30,78	(42,26)
Diluted earnings per 100 shares (kuruş)	30,78	(42,26)

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19. FINANCIAL LIABILITIES

Financial Liabilities

		31 March 2024	31 December 2023
Short-term financial liabilities	Unsecured loan	14.801.305	12.737.496
Other short-term financial liabilities	Unsecured loan	835.153	715.096
Current portion of long-term financial liabilities	Unsecured loan	6.288.151	8.188.933
Total short-term financial liabilities		21.924.609	21.641.525
Other long-term financial liabilities	Unsecured loan	885.980	1.299.761
Total long-term financial liabilities		885.980	1.299.761
Total financial liabilities		22.810.589	22.941.286

As of 31 March 2024, TL 3.132.207 of the financial debts included in short-term borrowings consists of EUR Rediscount Foreign Currency Loans, which have maturity dates due between May 2024 and December 2024 and the interest rates between 4,39 percent and 4,74 percent. As of 31 March 2024, TL 6.394.700 of financial debts within short-term borrowings consist of USD Rediscount Foreign Currency Loans, which have maturity dates due between April 2024 and October 2024 and the interest rate is between 5,25 percent and 7,75 percent. As of 31 March 2024, TL 5.274.398 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 March 2024, there are TL 2.331.754 Rediscount EUR Loans within the short-term borrowings, which have maturity dates due between July 2024, and the interest rates between 8,85 percent and 9,10 percent. As of 31 March 2024, there are TL 3.456.397 Rediscount USD Loans within the short-term borrowings, which have maturity dates due between August 2024 and February 2025, and the interest rates between 5,25 percent and 9,00 percent. As of 31 March 2024, 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 March 2024, TL 776.206 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 March 2024, TL 58.947 of current portion of long-term financial liabilities were taken within the scope of investment credit, which have maturity dates due June 2024, and the interest rates 15 percent.

As of 31 March 2024, TL 885.980 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.

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19. FINANCIAL LIABILITIES (continued)

Financial Liabilities (continued)

As of 31 December 2023, TL 5.378.075 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 1.794.093 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 5.565.328 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 3.135.886 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 4.477.729 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.

As of 31 December 2023, TL 575.318 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 643.976 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 71.120 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 268.718 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 1.031.043 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.

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20. FOREIGN EXCHANGE POSITION

FOREIGN EXCHANGE POSITION						
31 March 2024	TL Equivalent (Functional currency)	USD	TL equivalent by using closing rates	EURO	TL equivalent by using closing rates	Other ¹
1. Trade receivables	15.537.109	294.064	9.493.979	173.642	6.043.130	--
2a. Monetary financial assets (including cash, bank)	1.477.688	37.386	1.207.032	7.307	254.288	16.368
2b. Non- monetary financial assets	5.771.535	56.626	1.828.208	34.440	1.198.585	90.922
3. Other	4.106	100	3.233	17	592	281
4. Current assets (1+2+3)	22.790.438	388.176	12.532.452	215.406	7.496.595	107.571
5. Trade receivables	24.310.918	463.243	14.955.986	268.802	9.354.932	--
6a. Monetary trade receivables	--	--	--	--	--	--
6b. Non-monetary trade receivables	1.109.939	2.155	69.590	21.168	736.684	12.627
7. Other	144.592	2.164	69.851	1.775	61.767	12.974
8. Long-term assets (5+6+7)	25.565.449	467.562	15.095.427	291.745	10.153.383	25.601
9. Total assets (4+8)	48.355.887	855.738	27.627.879	507.151	17.649.978	133.172
10. Trade payables	5.352.403	72.119	2.328.389	81.649	2.841.557	182.457
11. Financial liabilities	15.730.718	318.000	10.266.757	157.000	5.463.961	--
12a. Other monetary financial liabilities	38.971	439	14.180	111	3.850	20.941
12b. Other non-monetary financial liabilities	1.831.695	157.664	5.090.232	78.354	2.726.903	--
13. Current liabilities (10+11+12)	22.953.787	548.222	17.699.558	317.114	11.036.271	203.398
14. Trade payables	--	--	--	--	--	--
15. Financial liabilities	--	--	--	--	--	--
16a. Other monetary financial liabilities	6.356	128	4.146	64	2.210	--
16b. Other non-monetary financial liabilities	4.379.688	200.849	6.484.492	80.717	2.809.122	--
17. Non-current liabilities (14+15+16)	4.386.044	200.977	6.488.638	80.781	2.811.332	--

¹ Comprises of the currencies CAD, CHF, GBP, JPY, AUD, DKK, ZAR, AED, PHP, SAR.

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20. FOREIGN EXCHANGE POSITION (continued)

FOREIGN EXCHANGE POSITION						
31 March 2024	TL Equivalent (Functional currency)	USD	TL equivalent by using closing rates	EURO	TL equivalent by using closing rates	Other
18. Total liabilities (13+17)	27.339.831	749.199	24.188.196	397.895	13.847.603	203.398
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)	21.016.056	106.539	3.439.683	109.256	3.802.375	(70.226)
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	20.197.267	404.007	13.043.525	210.927	7.340.772	(187.030)
22. Fair value of derivative financial instruments used in foreign currency hedge	--	--	--	--	--	--
23. Hedged foreign currency assets	--	--	--	--	--	--
24. Hedged foreign currency liabilities	--	--	--	--	--	--
25. Exports	2.784.297	17.835	553.603	38.990	1.309.728	920.966
26. Imports	4.908.449	96.542	3.116.904	40.804	1.420.080	371.465

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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20. FOREIGN EXCHANGE POSITION (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	Other¹
1. Trade receivables	15.991.435	357.159	12.097.923	103.881	3.893.512	--
2a. Monetary financial assets (including cash, bank)	2.408.702	53.431	1.809.840	15.509	581.299	17.563
2b. Non- monetary financial assets	5.913.970	54.252	1.837.652	40.888	1.532.523	77.203
3. Other	4.306	109	3.706	8	300	300
4. Current assets (1+2+3)	24.318.413	464.951	15.749.121	160.286	6.007.634	95.066
5. Trade receivables	28.175.753	451.020	15.277.252	344.137	12.898.501	--
6a. Monetary trade receivables	--	--	--	--	--	--
6b. Non-monetary trade receivables	1.258.016	2.176	73.714	24.114	903.826	13.377
7. Other	36.842	590	19.977	326	12.218	4.647
8. Long-term assets (5+6+7)	29.470.611	453.786	15.370.943	368.577	13.814.545	18.024
9. Total assets (4+8)	53.789.024	918.737	31.120.064	528.863	19.822.179	113.090
10. Trade payables	7.635.024	111.244	3.774.918	96.208	3.612.437	247.669
11. Financial liabilities	14.770.779	177.833	6.034.553	232.667	8.736.226	--
12a. Other monetary financial liabilities	48.846	645	21.880	119	4.471	22.495
12b. Other non-monetary financial liabilities	9.296.763	203.199	6.895.323	133.213	5.001.914	--
13. Current liabilities (10+11+12)	31.751.412	492.921	16.726.674	462.207	17.355.048	270.164
14. Trade payables	--	--	--	--	--	--
15. Financial liabilities	312.902	--	--	8.333	312.902	--
16a. Other monetary financial liabilities	4.412	130	4.412	--	--	--
16b. Other non-monetary financial liabilities	1.943.984	141.717	4.808.991	75.659	2.840.860	--
17. Non-current liabilities (14+15+16)	2.261.298	141.847	4.813.403	83.992	3.153.762	--

¹ Comprises of the currencies CAD, CHF, GBP, JPY, AUD, DKK, ZAR, AED, PHP, SAR.

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20. FOREIGN EXCHANGE POSITION (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)	34.012.710	634.768	21.540.077	546.199	20.508.810	270.164
19. Net asset/liability position of off- balance sheet derivative financial instruments (19a-19b)	--	--	--	--	--	--
19a. Hedged total financial assets	--	--	--	--	--	--
19b. Hedged total financial liabilities	--	--	--	--	--	--
20. Net foreign currency asset/liability (9- 18+19)	19.776.314	283.969	9.579.987	(17.336)	(686.631)	(157.074)
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10- 11-12a-14-15-16a)	23.803.927	571.758	19.349.252	126.200	4.707.276	(252.601)
22. Fair value of derivative financial instruments used in foreign currency hedge	--	--	--	--	--	--
23. Hedged foreign currency assets	--	--	--	--	--	--
24. Hedged foreign currency liabilities	--	--	--	--	--	--
25. Exports	7.447.102	127.833	3.697.571	125.518	3.749.531	--
26. Imports	19.528.348	347.796	11.780.773	161.502	6.053.199	1.694.376

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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20. FOREIGN EXCHANGE POSITION (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 March 2024				
	Profit/Loss		Equity¹	
	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)	1.304.353	(1.304.353)	1.304.353	(1.304.353)
2- Hedged amount against USD risk (-)	--	--	--	--
3- Net effect of USD (1+2)	1.304.353	(1.304.353)	1.304.353	(1.304.353)
Change of EURO against TL by 10%:				
4- EURO denominated net assets/(liabilities)	734.077	(734.077)	734.077	(734.077)
5- Hedged amount against EURO risk (-)	--	--	--	--
6- Net effect of EURO (4+5)	734.077	(734.077)	734.077	(734.077)
Change of other currencies against TL by 10%:				
7- Other currencies denominated net assets/(liabilities)	(18.703)	18.703	(18.703)	18.703
8- Hedged amount against other currencies risk (-)	--	--	--	--
9- Net effect of other currencies (7+8)	(18.703)	18.703	(18.703)	18.703

¹ Comprises of profit/loss effect.

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20. FOREIGN EXCHANGE POSITION (continued)

Foreign currency sensitivity (continued)

Foreign currency sensitivity table				
31 December 2023				
	Profit/Loss		Equity¹	
	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)	1.934.925	(1.934.925)	1.934.925	(1.934.925)
2- Hedged amount against USD risk (-)	--	--	--	--
3- Net effect of USD (1+2)	1.934.925	(1.934.925)	1.934.925	(1.934.925)
Change of EURO against TL by 10%:				
4- EURO denominated net assets/(liabilities)	470.728	(470.728)	470.728	(470.728)
5- Hedged amount against EURO risk (-)	--	--	--	--
6- Net effect of EURO (4+5)	470.728	(470.728)	470.728	(470.728)
Change of other currencies against TL by 10%:				
7- Other currencies denominated net assets/ (liabilities)	(25.260)	25.260	(25.260)	25.260
8- Hedged amount against other currencies risk (-)	--	--	--	--
9- Net effect of other currencies (7+8)	(25.260)	25.260	(25.260)	25.260

¹ Comprises of profit/loss effect.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH ENDED 31 MARCH 2024

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 March 2024, unless otherwise indicated.)

21. EVENTS AFTER THE REPORTING PERIOD

After the reporting period, the Group have signed contracts amounting to USD 527 Million.

It was decided at the Board of Directors meeting dated 10 May 2024 that; of the net profit generated by our company from its 2023 activities;

- In accordance with Article 519/(1) of the Turkish Commercial Code, General Legal Reserves amounting to TL 456.000.000,- is going to 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 510.000.000,- (Kuruş 11,184211 per share of TL 1 and 11,184211% on the basis of the capital) (net TL 459.000.000,- Kuruş 10,06579 per share of TL 1 and 10,06579% on the basis of the capital) shall be distributed in the form of cash,
- In accordance with Article 519/2 of the Turkish Commercial Code, General Legal Reserves amounting to TL 28.200.000,- is going to be allocated,
- The remaining profit is going to be allocated as Extraordinary Legal Reserves, and distribution of the cash dividends to the shareholders are planned to be distributed as of November 25, 2024 shall be submitted to the 49th Ordinary General Assembly.