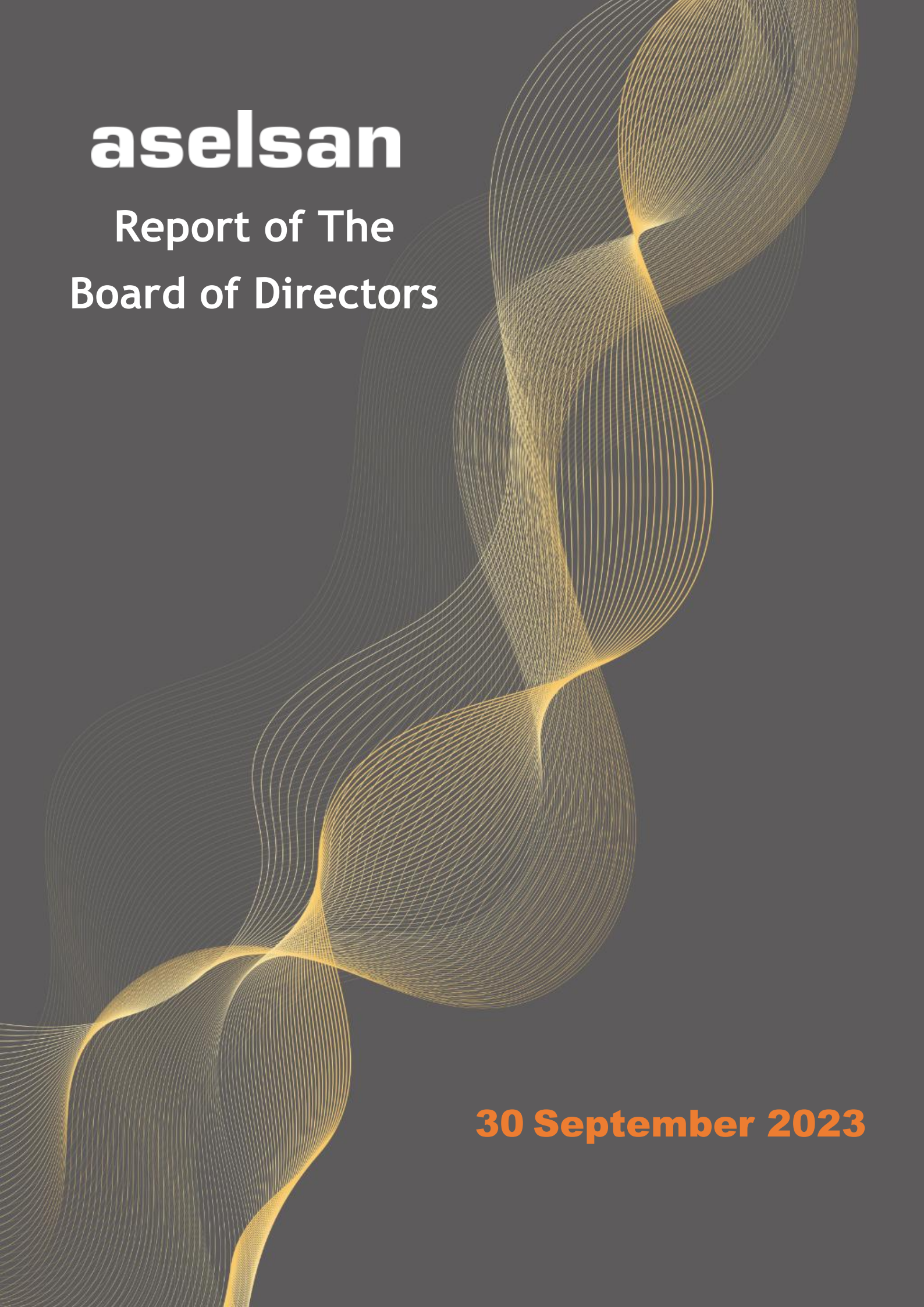


The background of the cover features a complex, abstract pattern of thin, golden-yellow lines. These lines flow and curve across the dark grey background, creating a sense of movement and depth. The pattern resembles a series of overlapping, elongated loops or a stylized, organic form that changes as the viewer's perspective shifts.

aselsan

Report of The Board of Directors

30 September 2023



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Vision

To be a reliable, competitively preferred, environment-friendly and human conscious technology firm which preserves its sustainable growth in the global market via the values created for stakeholders, as well as serving its establishment purposes.

Mission

By focusing primarily on the needs of the Turkish Armed Forces; to provide high-value-added, innovative and reliable products and solutions to both local and foreign customers in the fields of electronic technologies and system integration; continuing activities in line with global targets as well as increasing brand awareness and contributing to the technological independence of Türkiye.

2- Principles of Preparation

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

The report comprises the events took place during the period 1 January - 30 September 2023. The title of the main shareholder in the report is ASELSAN Elektronik Sanayi ve Ticaret A.Ş and will be referred as “the Company” in the accompanying notes.

The Company’s consolidated subsidiaries are ASELSAN Baku (“ASELSAN Baku”), Mikroelektronik Ar-Ge Tasarım ve Ticaret Ltd. Co. (“Mikro AR-GE”), ASELSANNET Elektronik ve Haberleşme Sistemleri Sanayi Ticaret İnşaat ve Taahhüt Ltd. Co. (“ASELSANNET”), ASELSAN Malaysia Sdn. Bhd. (“ASELSAN Malaysia”), Aselsan Konya Silah Sistemleri Anonim Şirketi (“ASELSAN KONYA”), BİTES Savunma Havacılık ve Uzay Teknolojileri Yazılım A.Ş. (“BİTES”), Aselsan Global Dış Ticaret ve Pazarlama A.Ş. (“ASELSAN GLOBAL”), Aselsan Sivas Hassas Optik San. Tic. A.Ş. (“ASELSAN Optik”), ASELSAN UKRAINE LLC. (“ASELSAN Ukraine”) and ULAK Haberleşme A.Ş. (“ULAK”).

Four branch offices; Aselsan Elektronik Sanayi ve Ticaret Anonim Şirketi EP Co. (“ASELSAN South Africa”), ASELSAN Makedonya Corridor-10 Highway Toll Collection System Project (“ASELSAN Macedonia”) and ASELSAN Kıbrıs İleri Teknolojiler Araştırma Merkezi (“ASELSAN N.Cyprus”) and ASELSAN Elektronik Sanayi ve Ticaret A.Ş. Katar (“ASELSAN Qatar”) located in Republic of South Africa, Macedonia, Turkish Republic of Northern Cyprus (“TRNC”) and Qatar, respectively. The branches are also included in the consolidated financial statements.

3- Company Information and Organizational Structure

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

The Company, being an establishment of Turkish Armed Forces Foundation (“TSKGV”), stands in a

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

The Company has been organized under five divisions with regard to production and engineering requirements of projects. These divisions comprise Communication and Information Technologies Vice Presidency (“HBT”), Microelectronics, Guidance & Electro-Optics Vice Presidency (“MGEO”), Defence Systems Technologies Vice Presidency (“SST”), Radar and Electronic Warfare Systems Vice Presidency (“REHİS”), and Transportation, Security, Energy, Automation and Medical Systems Vice Presidency (“UGES”).

In addition to the Vice Presidencies above, the Company organization also includes six Vice Presidencies to fulfil the planning, monitoring and analyzing functions: Financial Management Vice Presidency, Corporate Management Vice Presidency, Technology and Strategy Management Vice Presidency, Business Development and Marketing Vice Presidency and Supply Chain Management Vice Presidency. In addition to these, there are also Legal Affairs and Office of the Private Secretary.

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

The Company maintains production and engineering operations in Ankara, Macunköy, Akyurt and Gölbaşı campuses and engineering operations in METU Teknokent, Hacettepe Teknokent, Teknopark İstanbul, Gebze Technology Development Zone and Başkent Organize Sanayi Bölgesi. Headquarters is located in Ankara Macunköy.

The Company's international, nation-wide and sectoral rankings are summarized in the table below:

Institution	Research / Study	Related Period	Ranking Current	Ranking Prior
	Defense News Top 100	2023	47	49
	ICI 500 Top Industrial Enterprises	2023	20	17
	Top 500 Companies	2023	40	31
	Sustainability Index	2023	No Ranking	
	Corporate Management Index		No Ranking	
	BIST Top 30 Index		No Ranking	
	BIST Top 100 Market Value Ranking		12	10
	Top 1000 Exporters	2023	122	366

Institution	Research / Study	Related Period	Ranking Current	Ranking Prior
	Research and Development Expenditures Türkiye Top 100	2023	2	1
	Most Valuable Brands Top 100	2023	27	20
	Top 50 Firms (Universities)	2023	5	3
	Ideal Employers (Engineering and IT) 100 Companies	2022	1	1
	Technology Fast 50 Big Star Category	2022	No Ranking	

Commercial title and trade registration number of the company and contact information pertaining to its headquarters, branches and its website addresses are shown below:

Company	Type	Country / City	Address	Telephone / Fax	Web Site
ASELSAN Elektronik Sanayi ve Ticaret A.Ş.	Head Quarters	Türkiye	Mehmet Akif Ersoy Mahallesi İstiklal Marşı Caddesi No:16 06200 Yenimahalle/Ankara Trade Registry: 31177	Tel: +90 (312) 592 6000 Fax: +90 (312) 354 1302	www.aselsan.com
ASELSAN South Africa	Branch	Rep. Of South Africa Pretoria	Summit Place Office Park Building 2, First Floor 221 Garsfontein Road Menlyn, Pretoria, 0181	Tel: +27 (0) 12 349 2613 Fax: +27 (0) 12 349 2544	--
ASELSAN Macedonia	Branch	Macedonia Skopje	Ankarska 29A, Skopje	--	--
ASELSAN Cyprus Advanced Tech. Research Center	Branch	TRNC Güzelyurt	Orta Doğu Teknik Üniversitesi Kuzey Kıbrıs Kampüsü ODTÜ KALTEV AR-GE Binası No: E-19 99738 Kalkanlı/Güzelyurt	--	www.aselsan.com
ASELSAN Qatar	Branch	Qatar Doha	Qatar Science & Technology Park Free Zone, Street No: 2322, Zone No: 51, Unit No: 107, Building No:153, Building Name: Tech1	Tel: + 974 444 11 975	--
ASELSAN Suudi Arabia Office	Office	Suudi Arabia Riyad	Riyadh Business Gate, Building: Zone D-3, GF, Unit 1	--	--
ASELSAN Pakistan Office	Office	Pakistan İslamabad	Serena Business Complex 3rd Level, Office No:3 Sector G-5/1 Ramna Suhrwardy Islamabad	--	--

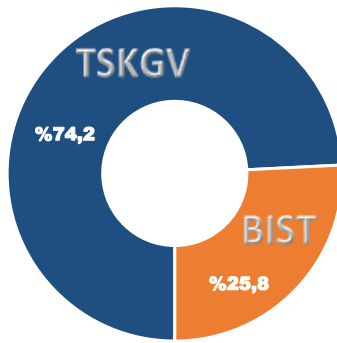
4- The Company's Shareholder Structure

Registered capital ceiling of the Company is TL 10.000.000.000 (TL ten billion). The nominal capital of the Company is TL 4.560.000.000 (TLfour billion five hundred sixty million) and is divided into 4.560.000.000 (TLfour billion five hundred sixty million) shares, each having a nominal value of 1 TL.

2.421.818.182 (two billion four hundred twenty one million eight hundred eighteen thousand one hundred eighty two) of the shares are Group A shares and 2.138.181.818 (two billion one hundred thirty eight million one hundred eighty one thousand eight hundred eighteen) of the shares are Group B Shares. All shares are in the name of the holder.

Group A shares are nominative preferred shares and 6 of the Members of the Board of Directors are elected among the Group A preferred shareholders or among the candidates presented by them.

Share distribution table of the Shareholders is presented below:



Partners	TL Thousand
Turkish Armed Forces Foundation (TSKGV)	3.383.302
Quoted on BIST (Free Float)	1.176.698
Paid-in Capital	4.560.000
Inflation Adjusted Capital	4.658.621



a) Members of the Board of Directors and Senior Executives

Within the framework of the provisions of the Company's Articles of Association, the Board of Directors consists of total 9 members comprising of 6 members to be elected from preferred shareholders or candidates nominated by group A and 3 independent members to be elected under Capital Markets Board (CMB) regulations. Information regarding the Members of the Board of Directors and Senior Executives as of publishing date of the report are as follows:

Members Of The Board Of Directors And Senior Executives				
List No	Name and Surname	Position	Positions In Other Company's	Date of First Assignment
1.	Ercüment Arvas	Chairman of the Board	--	22 September 2023
2.	Alpaslan KAVAKLIOĞLU	Deputy Chairman of the Board	Deputy Minister of Ministry of Defense, Member of The Board of Directors of Turkish Parliamentarians Union, Chairman of The Board of Directors of Asfat	26 April 2019
3.	İsmail Arı	Member	Ozyegin University Faculty Member	22 September 2023
4.	Bekir Bayraktar	Member	Commissioner of Revenue Administration	22 September 2023
5.	Yavuz ÇELİK	Member / Managing Member	--	19 June 2020
6.	Salih KUL	Member	--	26 April 2019
7.	Mustafa Murat ŞEKER	Member / Managing Member	Vice President at Presidency of Defence Industries, Vice Chairman of Ankara Aerospace Industry Zone	29 June 2021
8.	Ebru Tümer	Member	Professor in Gebze Technical University	22 September 2023
9.	Ahmet Yozgatlıgil	Member	Deputy Minister of Ministry of Industry And Technology	22 September 2023
10.	Ahmet AKYOL	President and CEO	Member of the Board of Directors of TÜBİTAK SAGE, Member of NATO Science and Technology Organization Set Panel, Vice Chairman of the Board of Directors of Aselsan Middle East PSC Ltd., Member of the Board of Directors of BARQ, Vice Chairman of the Board of Directors of IGG Aselsan Integrated Systems LLC, Member of The Board of Directors of SASAD, Member of The Board of Directors of SAHA İstanbul, Member of TOBB (The Union of Chambers And Commodity Exchanges of Türkiye) Defense Industry Council, Member of The Board of Turkish Defence And Aerospace Industry Exporters' Database, Member of The Board of Directors of İstanbul Finans Ve Teknoloji Üssü A.Ş.	1 July 2022
11.	Yunus POYRAZ	Vice President (Financial Management)	--	6 March 2023
12.	Mehmet ARTAR	Vice President (Corporate Management)	--	18 July 2023
13.	Nuh YILMAZ	Vice President (Supply Chain Management)	Member of the The Board of Dasal Havacılık Teknolojileri A.Ş., Chairman of Board of Directors of ASELSAN Konya Silah Sistemleri A.Ş., Member of the Board of Directors of Bites Savunma Havacılık ve Uzay Teknolojileri Yazılım Elektronik Ticaret A.Ş.	1 April 2021
14.	Taha YÜCEL	Vice President (Technology & Strategy Management)	Chairman of the Board of Information Security Association, Member of the Board of Directors of ÜRTEMM, Member of the Board of Directors of Teknohab	1 July 2022
15.	Özgür Taylan SARI	Vice President (Business Development and Marketing)	--	17 August 2023
16.	Mustafa YAMAN	Vice President and President Business Sector (HBT Sector President)	Member of The Board of Directors of Ulak A.Ş., Chairman of The Board of Managers of AselsanNet	1 July 2022
17.	M. Mustafa AKKUL	Vice President and President Business Sector (REHIS Sector President)	Chairman of the Board of Directors of Aselsan Bilkent MikroNano A.Ş., Chairman of the Board of Managers of Mikroelektronik	1 July 2022
18.	Behcet KARATAŞ	Vice President and President Business Sector (SST Sector President)	Chairman of the Board of Directors of BİTES Savunma Havacılık ve Uzay Teknolojileri Yazılım Elektronik Ticaret A.Ş., Member of The Board of Directors of Kazakhstan Aselsan Engineering	2 November 2020
19.	Mehmet ÇELİK	Vice President and President Business Sector (UGES Sector President)	Member of The Presidency's Council of Science, Technology and Innovation Policies, Principle Member Of Turkish Academy Of Sciences, Member of The Board of Managers of ASELSANNET, Chairman of The Board of Directors of Aselsan Sivas Hassas Optik A.Ş., Teaching Professor in KTO Karatay University Mechanical Engineering Department	1 July 2022
20.	Mürsel Ali KAPLAN	President of Internal Audit	--	6 March 2023

The Members of the Board of Directors are entitled with the authorizations stipulated in the Turkish Code of Commerce ("TCC") and in article 13 of the Articles of Association of the Company.

Entitled shareholders, members of the board of directors, senior executives and to their spouses as well as relatives up to second degree are not authorized to perform transactions, which may cause conflict of interest or competition with the Company and/or subsidiaries. There is not any ban on trading for board members with the Company, which they performed on their own or on behalf of a third party. There is no operation regarding the non-compete obligation by the members of the board.

The controls are carried out by the Internal Audit Presidency ("IAP") and Audit Committee within the parent company in order to minimize the substantial error risk on the financial statements of the Group. IAP and Audit Committee carry out their duties independent from each other but within the guidance of common objectives and

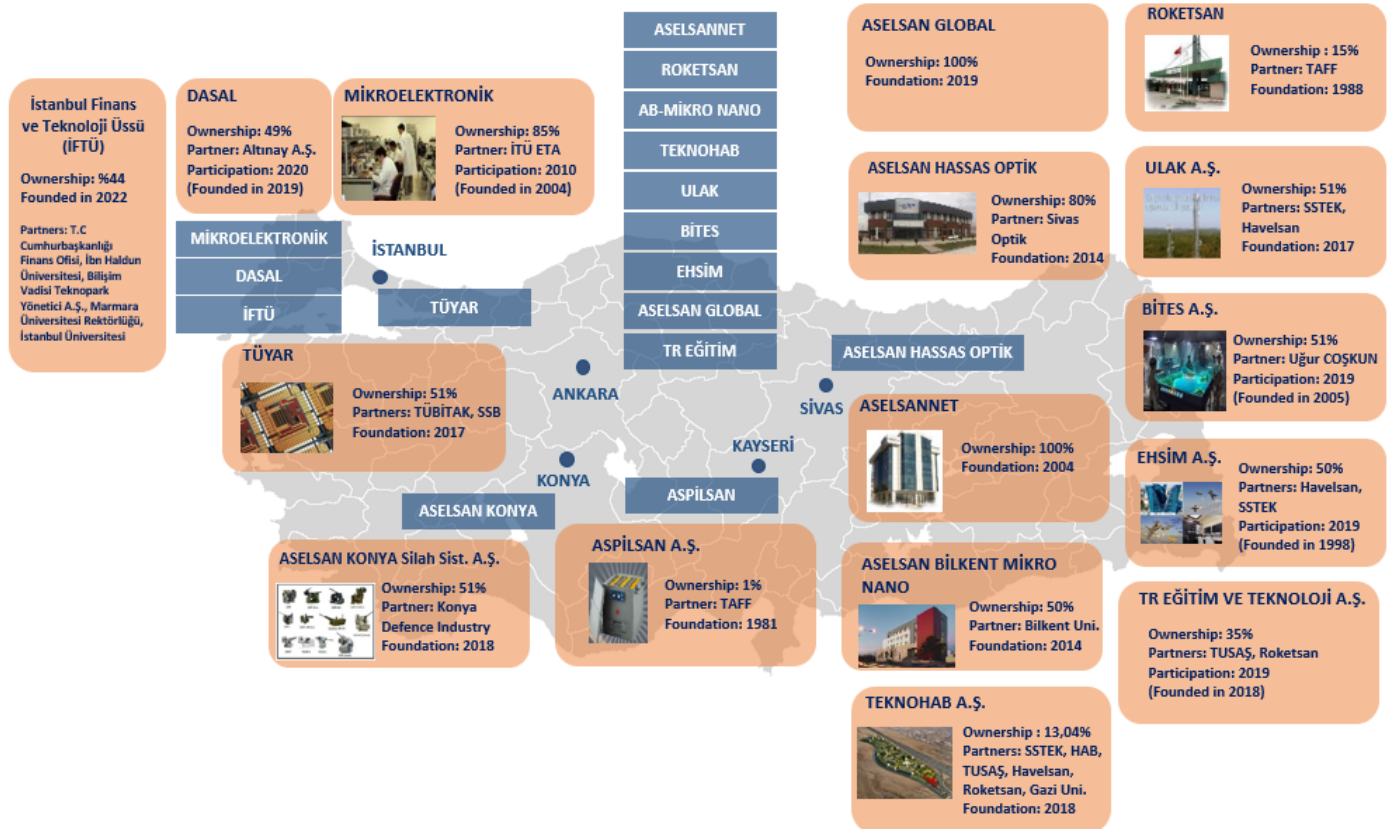
targets, with the aim of observing an internal control system, which provides required controls in matters such as the reliability of the financial reporting system, the efficiency of the activities in order to eliminate the operational risks and compliance with the law. Furthermore, the efficiency and sufficiency of the internal control are supported with the directives in effect.

Total Amount of the Financial Benefits Given to Senior Executives:

The total amount of the remuneration and similar benefits paid to the senior executives by the Company as for the period that ended on 30 September 2023 is approximately TL 114.551 Thousand (Of the amount paid, salary and benefit payments comprise the most).

b) Information on Business Partnerships, Associates, Subsidiaries, Joint Ventures and Branches

The Company's consolidated subsidiaries and branches are as follows:





Both our subsidiaries and joint ventures subject to consolidation fulfill their obligations regarding the tax legislation of the countries in which they operate and submit their audited financial statements and declarations regarding their tax assets/liabilities to the relevant authorities.

There is no cross-ownership relation between the companies subject to full consolidation (ASELSANNET, ASELSAN Bakü, ASELSAN Optik, ASELSAN GLOBAL, Mikro Ar-GE, ASELSAN Malezya, ASELSAN Konya, BİTES, ASELSAN Ukrayna and ULAK) and equity pick-up consolidation method (ASELSAN Bilkent, IGG ASELSAN, ASELSAN Kazakistan, ASELSAN Ürdün, TÜYAR, BARQ QSTP LLC, TEKNOHAB, EHSİM, TR EĞİTİM, DASAL, İFTÜ) and the Company.

5- Main Factors That Affect the Performance, Investment and Dividend Policy of the Company

The Company carries on its business operations mainly in defense industry as well as in non-defense industry. According to the latest data, world defense expenditures has increased by 3,7 % reaching USD 2,2 Trillion and the ratio of total expenditures to total GDPs has realized as 2,2%.

The summary table on the right side gives information about the top five countries, which accounted for 63% of the total defense expenditure in 2022 and Türkiye.

Rank	Country	Expenditure (m USD)	2022-2021 %Δ	Expend./GDP %	Share in the World %
	World	2.240	3,7	2,2	100,0
1	USA	877	0,7	3,5	39,0
2	China	292	4,2	1,6	13,0
3	Russia	86	9,2	4,1	3,9
4	India	81	6,0	2,4	3,6
5	Saudi Arabia	75	16,0	7,4	3,3
23	Türkiye	11	-26,0	1,2	0,5

As of 2022, Türkiye's annual defense expenditures decreased by 26% to USD 11 Billion and ranks 23th in the world. The ratio of defense spending to GDP is 1,2%.

Due to the industry's nature, defense projects spread over years, furthermore a system project lasts approximately 4 to 5 years from its start to its delivery. As of 30 September 2023, The Group's long term plans which have been accordingly signed as contracts spread over years amounts to USD 10,8 Billion.

The determination of target regions/countries and focusing on these markets for marketing and direct sales as well as engaging in joint productions, transfer of technology to/from international platform producers and strategic

initiatives for sales to third countries are concurrent to our sustainable growth objectives. Our structure coincides with our objective to operate in non-defense electronic fields which require high technology.

In this context, the Company, which has displayed a remarkable performance in many areas in recent years, from security to transportation, from health to energy, and especially from defense electronics, has added a new activity by entering the field of financial technologies. The entry will be reflected both in the new orders by the Company in the coming period and in the customer portfolio as a variety.

Technological research, development and testing processes of the Central Bank Digital Turkish Lira R&D project will be carried out in close cooperation with the participation of technology stakeholders. In this direction, the Central Bank; signed bilateral memorandums of understanding with ASELSAN, HAVELSAN and TÜBİTAK-BİLGEM and created a "Digital Turkish Lira Cooperation Platform". The Company's profit distribution policy is posted on www.aselsan.com website under Investor Relations/ Corporate Governance/Policies. According to the policy, at least 10% of the net profit is planned to be distributed.

As a result of 48th General assembly meeting held on 26.04.2023, of the net profit generated by our company from its 2022 activities;

- As the General Legal Reserves in accordance with Article 519/(1) of the Turkish Commercial Code, which should be allocated up to 20% of the capital according to legal records, have already been set aside, General Legal Reserves shall not be allocated.
- Out of net distributable profit to the shareholders for the period, calculated in the framework of the dividend distribution regulations and decisions of the Capital Markets Board, gross, TL 400.000.000,- (Kuruş 8,771920 per share of TL 1 and 8,771920 % on the basis of the capital) (net TL 360.000.000,- Kuruş 7,894720 per share of TL 1 and 7,894720% on the basis of the capital) shall be distributed in the form of cash and TL

4.560.000.000,- shall be distributed as non paid-up share, which equals to 100% of the capital,

- In accordance with Article 519/(2) of the Turkish Commercial Code, General Legal Reserves amounting to TL 28.600.000,- is going to be allocated,
- The remaining profit is going to be allocated as Extraordinary Legal Reserves, and distribution of the cash dividend to the shareholders are planned to be distributed as of November 22, 2023 and the non paid-up share is to be distributed following the completion of the legal process.

After completion of our Company's non paid-up capital increase, our capital has increased to TL 4.560.000.000. Therefore, cash dividend distribution ratios are changed according to the calculations with new capital.

6- Enterprise Risk Management

ASELSAN's Enterprise Risk Management Policy aims; to take proper actions against uncertainties that threaten the existence of the Company and to protect corporate identity and stakeholders' interest at all conditions. Risk management is an integrated element of Corporate Management. The information gathered within the scope of risk management activities in ASELSAN is integrated into decision making mechanisms.

The "top-down" and "bottom-up" approach is being applied into Enterprise Risk Management activities together. Risks, which are significant enough to affect ASELSAN's achievement of its targets, are identified, evaluated, monitored and reported along with the risk responses and precautions to be taken. At ASELSAN; The Enterprise Risk Management process is regularly reviewed and improved. ASELSAN's employees and business processes are at the center of the Enterprise Risk Management System. In the developing and rapidly changing world, every risk that arises or increases in impact and probability is proactively followed, and the possible effects on the Company and the opportunities created by these risks are evaluated.

At ASELSAN, risks are followed under four main categories:

a) Main Risk Categories

Strategic Risks: Risks that may prevent ASELSAN from reaching its targets in short, medium or long terms are classified under this heading. Risks under this heading include factors such as; growth and continuity, changing customer expectations, technological changes and market share.

While ASELSAN manages its strategic risks effectively; it aims to increase its backlog, increase exports and to take part in sustainable works. In order to increase ASELSAN's market share and offer new products / services, ASELSAN seizes company merger / acquisition opportunities both at home and abroad. ASELSAN also conducts business development activities successfully.

ASELSAN increases its research and development activities in order to meet changing customer expectations and changes in technology, and realizes the necessary infrastructure and technological investments. ASELSAN diversifies the geographical regions in sales, customer portfolio and the sectors in order to maintain its growth and continuity in the medium and long term.

Operational Risks: It is defined as the risks arising from errors and negligence that may occur while performing the operational activities of the company. Risks under this section include factors such as; production, supply chain, human resources, information technologies, natural disaster and terrorist attacks.

In order to ensure the continuity of the processes, in-house directives and functors have been prepared and necessary updates are being made when needed. Within the scope of the Internal Audit plan and work schedule prepared in ASELSAN, business processes are being audited and process improvements are made in line with the audit outputs.

Quality in production processes involving internal operations and suppliers is uncompromisable; where subcontractor and

supplier development activities are carried without slowing down. In terms of managing Human Resources and increasing employee motivation; activities were made with the participation of employees from every level and process improvements were made. Security policies are sustained at the highest level in Information Technology applications. In this area, internal and external audits are carried out periodically and precautions are taken against probable cyber-attacks and in the field of Information Technologies, business continuity in-house is provided.

Our all processes are administered by directives, quality plans, standards, audits and test instructions. Our processes have been certified by internationally accepted standards such as AS9100, ISO 9001, AQAP and CMMI so that our products and services are secured to protect quality standards. These certificates are renewed every year with the audits performed. Changes and improvements of international standards are being followed and our processes are developed accordingly.

Regarding risks, such as natural disasters, terrorist attacks, necessary precautions are taken, primarily insurances have been made, and drills are carried out.

Financial Risks: It refers to the risks arising from the financial structure and financial preferences of the company. Exchange rate, liquidity and interest rate risks are some risks under this heading.

The exchange rate risk, which is any kind of change that may occur in assets and / or liabilities as a result of exchange rate fluctuations in the future, ASELSAN aims to minimize the effect of exchange rate fluctuations by keeping the long and short foreign exchange position at a minimum level. The balance sheet methods have been used in managing the exchange rate risk. Implementations such as; making use of foreign exchange denominated loans in line with the company's export volume, matching the contract currency with the currency of the costs of the project, and signing the subcontractor contracts in line with the main contract currency are used.

ASELSAN eliminates the liquidity risk, which is known as the risk arising from default and inability to fund the assets, it monitors forecasted and actual cash flows regularly and ensures the continuity of adequate funds and credit lines by matching the maturity of financial assets and liabilities. In order to manage the interest rate risk arising from changes in assets and / or liabilities as a result of fluctuations in interest rates in the future, it conducts transactions with fixed interest rates and uses financial derivative instruments when necessary.

Compliance Risks: It refers to the risks associated with the Company's financial losses and / or loss of reputation as a result of the company's activities or the attitudes and behaviors of the company employees that are not in compliance with the legislation, regulations and standards. While conducting its activities, ASELSAN closely follows national and international standards with the best practices in the sector, and compliance with legislation and regulations is ensured at the highest level. In addition, by Internal Audit Presidency; the effectiveness of controls, compliance with legislation and ASELSAN regulations, compliance with ethical principles and controls to eliminate risks are being evaluated.

b) Early Detection and Management of Risk Committee Works

The Early Detection and Management of Risk Committee, which consists of the members of the Board of Directors, has been operating at ASELSAN since 2012 in order to ensure early detection of risks that may endanger the existence, development and continuity of the Company, to take necessary measures related to the identified risks and to manage the risks. The Chairman of the Committee is an Independent Board Member.

Committee; carries out its own activities in full compliance with the regulations of the Capital Markets Board and all the related legislation, especially article 378 of the Turkish Commercial Code No. 6102. In addition, the Early Detection of Risk System and Committee, established by ASELSAN, is subjected to independent audits annually and the Auditor Report stating that the

activities performed is sufficient, is submitted to the Board of Directors. Committee conducted 4 meetings by the end of third quarter of 2023 in order to follow the works on early detection and management of risks and to make evaluations about this issue. The reports containing the works of the Committee were being submitted to the Board of Directors periodically.

c) Training

At ASELSAN, spreading risk management to the Company culture and creating risk awareness in each employee are among the basic elements that ensure the success of the Corporate Risk Management System. In this context, "Corporate Risk Awareness Training" and "Climate Change Risk and Opportunity Studies at ASELSAN" have been added to the vocational and on-the-job training programs of all ASELSAN personnel. It has become compulsory to take these trainings.

CLIMATE CHANGE

ASELSAN has been working as the climate leader within the scope of Carbon Disclosure Project (CDP) Climate Change since 2010. It continues to work as a climate leader in every field by getting the A- grade in CDP Water Reporting.

According to the Global Risks Report 2022 published by the World Economic Forum, climate change risks are the most important risks evaluated according to their probability and impact level in 2023, as in 2022.

ASELSAN continues to take the necessary actions for the management of climate change risks and a sustainable world, especially CDP Climate Change reporting, and maintains its place among the world's important defense industry leaders in this regard. In this context, it has made climate change and environmental risks, which are among the most important risks of our age, a part of the corporate risk system.



7- Financial Information of the Company

The forecasts under the normal conditions regarding the Group's consolidated financial results for the 2023 year are presented below:

Financial Targets of 2023	Amount Ratio
Revenue Growth (TL)	>%65
EBITDA Margin (Adjusted without Foreign Exchange Rate Differences)	>%24
Capital Expenditures	10.000 Million TL

The Company, which has been in the most prestigious Defense Industry list since 2008, "Defense News Top 100", published by "Defense News" magazine, aims to increase its ranking in the list in following years. Ranking 49th in the 2022 list and ranking 47th place in the 2023 list.

10th Extraordinary General Assembly Meeting held on 22 September 2023.

In order to achieve the sustainable growth:

- The quality and technological perspectives of the cooperation formed with the universities have been increased.
- ASELSAN employees are provided with the opportunity to study in the work environment with the initiation of ASELSAN Academy Postgraduate Training Program. The program serves the purpose of having the necessary technologies and developing existing technologies.
- The eco-system with the sub-industry companies and SME's is formed.
- Company is continuing its operations in non-defense electronic areas which requires high technology.
- Inorganic growth will be also evaluated as well as organic growth.

a) Financial Resources of the Company

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

During the period between 1 January - 30 September 2023, the cash requirements were met with the available cash, cash inflows from operations and loans.

As of 30 September 2023, there is a loan balance amounting to USD 601 Million.

Planned Measures to Improve the Financial Structure of the Company

As for the annual budgets and implementations for the period 2022-2024, the Group have adopted the principles as the basis to take care of savings in all kinds of expenditures, to follow up the advances and receivables closely, to pay attention to the proportion of the term and currency in purchasing and sales agreements and the risk status of the domestic/foreign suppliers and sub-contractors.

b) Research and Development Activities

The Group, as a leading defense industry establishment, develops advanced technology system solutions on land, air, naval and aerospace platforms, places great importance to Research and Development activities and technological gains since it was founded.

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

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

As for the projects carried out within the Group, Research and Development center application pursuant to the Law regarding the support of Research and Development activities numbered 5746 is being implemented. As for non-public R&D projects, the approval of TEYDEB

(Technology and Innovation Support Programs Directorate) and ARDEB (Research Support Programs Presidency) are received and supported by the institutions.

Within the Company, there are 9 Research and Development centers within the scope of Defense System Technologies (SST-1 and SST-2), Radar Electronic Warfare and Intelligence Systems (REHİS), Microelectronics, Guidance and Electro-optics (MGEO-1 and MGEO-2), Communication and Information Technologies (HBT), Transportation, Security, Energy, Automation and Medical Systems (UGES) Vice Presidencies as well as ASELSAN Research Center of Vice Presidency of Technology (ARME-1 and ARME-2). Currently, 8.519 staff are employed at the Group's Research and Development centers.

The Company also carries on its activities at METU Teknokent, Hacettepe Teknokent, Teknopark Ankara and Teknopark İstanbul within the scope of the Law numbered 4691 on Technology Development Regions. 391 staff at METU Teknokent, 129 staff at Teknopark İstanbul, 3 staff at Teknopark Hacettepe and 12 staff at Gebze IT Valley are employed.

c) Progress in Investments and Degree of Incentive Utilization

I. Investments

Directing the Company's resources to profitable, high value-added fields, where advanced technology is used, is anticipated in the first place by considering the global tendencies, technological developments and the actual and prospective requirements of all customers, particularly Turkish Armed Forces. The investments within the Company are carried out after detailed consideration of the technological plans, strategic plans and project requirements.

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

II. Incentives

Income tax withholding incentive, insurance premium support, stamp tax exemption and Research and Development incentives are utilized within the scope of the Law numbered 5746. In accordance to the Law regarding the Incentive of Research and Development Activities numbered 6676 published on Legal Gazette numbered 29636 on 26 February 2016 and The Law Regarding the Amendments on Delegated Legislation, the content of the law and incentives has been broadened and additional exceptions has been given. Income tax withholding incentive, insurance premium support and stamp tax exemption are utilized by being calculated over the salaries of the Research and Development personnel and not being paid to the relevant institution and the Research and Development discount is utilized by means of applying a discount on the corporate tax return. Aforesaid law is valid until the date of 31 December 2028.

Within the scope of the Teknokent Law numbered 4691, incentive on withholding income tax, insurance premium support and stamp tax exemption are applied. These are utilized by making calculations on Research and Development and software personnel wages and not being paid to the related institution. The gain obtained with reference to the execution of Technology Development Zones Law numbered 4691 is exempted from the corporate tax of 31 December 2028.

Between the period 1 January - 30 September 2023 because of having Research and Development centers, 1.047.243 Thousand TL within the scope of income tax withholding incentive, promotion of insurance premium, stamp duty exception; as a result of being active at ODTÜ Teknokent, Gebze Informatics Valley and İstanbul Technology Development Area Teknopark TL 167.766 Thousand incentives have been used. Within the scope of the Research and Development Law No 5746 and Teknokent Law No 4691, TL 678.449 Thousand Corporate Tax advantage has been gained as of 1 January - 30 September 2023 period.

At the periods when Group's Research and Development expenses, which is subject of Research and Development discount, is higher than the principal amount of Research and Development discount which is indicated at corporate tax return, Corporate Tax ratio is 25% (%23 for the year 2022, %25 for the year 2021, %22 for the years 2018 - 2020 and 20% for the remaining years) of distinction amount is evaluated as deferred tax income at financial tables. Subject to the Tübitak Academic Support Programs; there are three ongoing projects in the 1003 -Priority Areas R&D Projects Support Program, and five ongoing projects in the 1004-Center of Excellence Support Program.

Subject to the Tübitak Industry Support Program three ongoing projects in the 1501-Industry R&D Projects Support Program. The application was removed from the programs for large-scale organizations; SMEs were left under the program based on the changes made on the 1501-Industry R&D Projects Support Program on 1 July 2019. The 1007 Public Institutions Research and Development Project Support Program has been formed in order to meet the requirements of the Public Institutions with Research and Development or to support the projects aimed at solving their problems. In scope of this support ten Research and Development projects are still ongoing.

The incentives for the related programs are used periodically. In addition, there are seven projects carried out in the Tübitak 1707 Order-Based R&D Projects Program.

Incentives were received from Turquality and Support and Price Stability Fund (DFIF) due to the Market research, fair, and library support activities (TL 16.419 Thousand). Supports are received within the scope of TUBITAK projects. (TL 29.473 Thousand).

Within the context of "Taxes and Funds Exemption Certificate" received from Republic of Türkiye Ministry of Trade in order to increase exports and gain competitiveness in international markets, stamp duty and fee exemptions are used in export sales and deliveries and foreign exchange gain activities. (TL 124.598 Thousand)

Within the Decision Regarding the Governmental Grant in Investments, there are ten Investment Incentive Certificates taken from the Turkish Republic Ministry of Industry and Technology General Directorate of Incentives and Implementation. With such incentive certificates, VAT exemption and customs tax exclusion are utilized (TL 142.912 Thousand). VAT exemption is applied to our purchases, which are used for our deliveries subject to VAT 13/f Article and our exports (TL 2.588.889 Thousand).

d) Production, Capacity and Revenue

The Company can conduct complicated projects through its own integrated system architecture by means of knowledge, highly developed R&D infrastructure, well-equipped production lines and facilities.

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

Substantial part of production has been realized based on orders. All related processes are being managed efficiently since product requirements, quantities and prices are different. Works in order to perform distinctive business development and marketing activities in global markets to increase efficiency in international markets and exports have been continued. As of September 2023, net sales increased by 81% to TL 32,1 Billion and export to net sales ratio is 11%.

e) Financial Ratios

As of 30 September 2023, the Group's financial statements prepared in accordance with the Communiqué Series II, No: 14.1 "Communiqué on Capital Market Financial Reporting Standards" issued by Capital Markets Board. Based on this, financial ratios are presented as below.

Financial Ratios	September 23	Dec 22
Current Ratio	1,25	1,29
Liquidity Ratio	0,57	0,73
Short Term Current Liabilities / Total Financial Liabilit	88,7%	90,1%
Total Financial Liabilities / Total Assets	16,6%	14,2%
Gross Profit Margin	29,7%	33,4%
Operating Profit Margin (EBIT)	20,2%	25,2%
Adjusted EBITDA Margin (*)	22,3%	26,8%
Net Profit Margin	30,7%	33,8%
Return On Equity (ROE)	39,8%	36,3%
Net Working Capital / Net Sales	46,4%	36,1%
Return on Assets (ROA)	20,3%	19,5%

* General administrative expenses, marketing expenses and research and development expenses are subtracted from and current period's depreciation and amortization expenses are added to the gross profit in calculation of Adjusted EBITDA value. Other operating income and other operating expenses are not included in the calculation.

8- Changes in the Legislation Which Would Have Significant Impact on the Activities of the Company

There is no material change in the legislation within the reporting period.

9- Compliance Report on Corporate Governance Principles and Sustainability Principles Compliance Framework Report

"Corporate Governance Compliance Report" and Sustainability Principles Compliance Framework Report will be announced in the year-end report of the Board of Directors.

10- Information Regarding the Lawsuits of the Group

The lawsuits and execution proceedings filed by or against the Group as of 30 September 2023 are summarized in the table:

Açıklama	September 23 (TL Thousand)
Ongoing lawsuits filed by the Group	37.165
Execution proceedings carried on by the Group	595.396
Lawsuits proceedings carried against the Group	35.249
Execution proceedings carried against the Group	10.811
Lawsuits finalized in favor the Group within the period	3.625
Lawsuits finalized in against of the Group within the period	4.281

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

11- Information Regarding the Transactions Made within the Reporting Period

a) Changes in the Articles of Association

There are no changes in the Articles of Association within the reporting period.

b) Collective Agreement Implementations, Rights and Benefits Provided to the Personnel and Workers

The Group recruited a total number of 1083 people as the personnel including fixed-term contracted personnel, disabled and terror-stricken personnel during the period 1 January - 30 September 2023 and the number of people quit for the same period is 919.

The rights and benefits provided to the personnel by the Company are bonus payments, meal allowances, marriage benefits, maternity benefits, life insurance, transportation, private health insurance, and childcare and kindergarten benefits. The average number of personnel employed by the Group as of 30 September 2023 is 11.454.

c) If it is an affiliate company, the legal transactions carried out in favor of the parent company or its affiliate with the parent company, with an affiliate company connected to the parent company with the direction of the parent company and all other measures taken or avoided to be taken in favor of the parent company or its affiliate in the previous activity year

There has not been such an event within the reporting period.

d) If it is an affiliate company, whether any counter performance was realized for each legal transaction according to the known status and conditions at the time the legal transaction mentioned in article c was realized or at the time the measures were taken or avoided to be taken and whether the company incurred losses due to the taken or avoided measure and if the company incurred losses to observe whether this was equalized or not

There has not been any material event that affects the Company's financial statements within the period.

e) Information Regarding the Donations and Social Responsibility

Within the period of 1 January - 30 September 2023, the donation amount made by the Group is TL 104.297 Thousand.

f) Events After the Reporting Period

After the reporting period, the Group has signed contracts amounting to USD 17,6 Million.

In order to increase the efficiency and focus in the company management of BİTES Savunma Havacılık ve Uzay Teknolojileri Yazılım Elektronik Ticaret A.Ş., to carry out artificial intelligence, augmented reality, military and civil software activities more intensively in our company, ASELSAN's share in the partnership was increased from 51% to 100% by purchasing the 49% share of the company's other partner.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş.**SIGNATURE SECTION OF ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD****BETWEEN 1 JANUARY – 30 SEPTEMBER 2023**

Prof. Dr. Ercüment ARVAS
Chairman of the Board of
Directors

Alpaslan KAVAKLIOĞLU
Vice Chairman of the Board of
Directors

Dr. İsmail ARI
Member of the Board of
Directors

Bekir BAYRAKDAR
Member of the Board of
Directors

Yavuz ÇELİK
Member of the Board of
Directors

Salih KUL
Member of the Board of
Directors

Mustafa Murat ŞEKER
Member of the Board of
Directors

Prof. Dr. Ebru TÜMER
Member of the Board of
Directors

Prof. Dr. Ahmet YOZGATLIGİL
Member of the Board of
Directors