



aselsan

**Report of the
Board of Directors**



30 June 2024



Bağımsız
Denetim ve
Yeminli Mali
Müşavirlik A.Ş.



Independent Auditor's Report on Review of Semi-Annual Report



To the Board of Directors of Aselsan Elektronik Sanayi ve Ticaret Anonim Şirketi

We have been assigned to the review whether the financial information in the semi-annual report of Aselsan Elektronik Sanayi ve Ticaret Anonim Şirketi ("the Company") and its subsidiaries (together "the Group") prepared as at 30 June 2024 is consistent with the reviewed interim condensed consolidated financial information. Management is responsible for the preparation of the semi-annual report. Our responsibility is to express a conclusion on whether the financial information provided in the semi-annual report is consistent with the reviewed interim condensed consolidated financial information on which we have expressed our conclusion dated 10 September 2024.

We conducted our review in accordance with the Standard on Review Engagements ("SRE") 2410 *"Review on Interim Financial Information Performed by the Independent Auditor of the Entity"*. Our review includes the assessment as to whether the financial information included in the semi-annual report is consistent with the reviewed interim condensed consolidated financial statements and other explanatory notes. A review is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards, the objective of which is to express an opinion on the financial statements. Consequently, a review on the semi-annual financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to conclude that the accompanying financial information included in the semi-annual report is not consistent, in all material respects, with the interim condensed consolidated financial information and the information presented in the explanatory notes to interim condensed consolidated financial information.

Yeditepe Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.
(Associate member of PRAXITY AISBL)



Yılmaz Güney,
Partner
10 September 2024, Istanbul, Turkey



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Vision

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

Mission

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

1- Principles of Preparation

The 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 June 2024. 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”).

The Company has six 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”), ASELSAN Elektronik Sanayi ve Ticaret A.Ş. Katar (“ASELSAN Qatar”), ASELSAN Elektronik Sanayi ve Ticaret A.Ş. Poland (“ASELSAN Poland”) and ASELSAN Latin Amerika SpA (“ASELSAN Latin Amerika”) located in Republic of South Africa, Macedonia, Turkish Republic of Northern Cyprus (“TRNC”), Qatar, Poland and Chile, respectively. The branches are also included in the consolidated financial statements.

2- Company Information and Organizational Structure

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

The Company, being an establishment of Turkish Armed Forces Foundation (“TSKGV”), stands in a position of a technology center within the fields of design, development, manufacturing, system integration, modernization and after sales services of military and civil communication systems, avionics systems, electronic warfare and intelligence systems, radar systems, command and control systems, naval warfare systems, security systems, transportation systems, energy systems, traffic and automation systems, medical systems, electro-optic systems and products.



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

In addition to the Vice Presidencies above, the Company organization also includes five 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, Supply Chain Management Vice Presidency and Malatya Campus Directorate. 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, Aselsan Temelli Campus and Aselsan Malatya Campus. 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	2024	42	47
	ICI 500 Top Industrial Entreprises	2023	19	20
	Top 500 Companies	2023	31	40
	Sustainability Index	2024	No Ranking	
	Corporate Governance Index		No Ranking	
	BIST Top 30 Index		No Ranking	
	BIST Top 100 Market Value Ranking		10	7
	Top 1000 Exporters	2023	229	122

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	2024	1	1
	Technology Fast 50 Big Star Category	2023	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 1000 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 Balkans	Branch	Macedonia Skopje	Ankarska 29A, Skopje	--	--
ASELSAN Cyprus Advanced Tech. Research Center	Branch	TRNC Güzelyurt	Middle East Technical University North Cyprus Campus ODTÜ KALTEV AR-GE Building 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 Poland Branch	Branch	Poland Warsaw	Skylight Building, 5 th Floor, Złota 59, 00-120 Warsaw	--	--
ASELSAN Saudi Arabia Office	Office	Saudi Arabia Riyad	Riyadh Business Gate, Building: Zone D-3, GF, Unit 1	--	--
ASELSAN Pakistan Office	Office	Pakistan İslamabad	Serena Business Complex 3 rd Level, Office No:3 Sector G-5/ 1 Ramna Suhrwardy Islamabad	--	--
ASELSAN Technologies (BAE)	Office	BAE Abu Dhabi	Office No. 04 30 th Floor- Tamouh Tower, Building 12 - Marina Square - Al Reem Island. Abu Dhabi	--	--
ASELSAN Latin America SpA	Office	Chile Santiago	Don Carlos 2939, Oficina 803, Las Condes, Región Metropolitana, Santiago de Chile	--	--

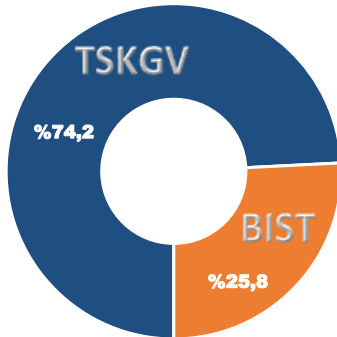
3- The Company's Shareholder Structure

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

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

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

Share distribution table of the Shareholders is presented below:



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	24.846.172



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	Member Of The Board Of Directors of Kardemir Sanayi Ve Ticaret A.Ş.	22 September 2023
2.	Alpaslan KAVAKLIOĞLU	Deputy Chairman of the Board	Deputy Minister of Ministry of Defense, Member of The Board of Directors of Turkish Parliamentarians Union	26 April 2019
3.	İsmail ARI	Member	Ozyegin University Faculty Member, Member of The Board of Directors of Tübitak Sage, Member of The Executive Council of University-Industry Collaboration Centers Platform of Türkiye	22 September 2023
4.	Bekir BAYRAKDAR	Member	Commissioner of Revenue Administration	22 September 2023
5.	Yavuz ÇELİK	Member / Managing Member	--	19 June 2020
6.	Göksel SEVİNDİK	Member	--	14 June 2024
7.	Mustafa Murat ŞEKER	Member / Managing Member	Vice President At Presidency of Defence Industries, Vice Chairman of Ankara Aerospace Industry Zone, Vice Chairman of The Board of Directors of SSTEK A.Ş., Member of The Board of Directors of Asfat A.Ş.	29 June 2021
8.	Ebru TÜMER	Member	Professor in Gebze Technical University	22 September 2023
9.	Ahmet YOZGATLIGİL	Member	Deputy Minister of Ministry of Industry And Technology, Member of The Board of Directors of Bilişim Vadisi, Member of The Board of Directors of Saha İstanbul, Member of The Board of Directors of İzmir Biomedicine And Genome Center	22 September 2023
10.	Ahmet AKYOL	President and CEO	Member of The Board of Directors of TÜBİTAK Sage, Member of NATO Science And Technology Organization Set Panel, Member of The Board of Directors of BARQ, Member of The Board of Directors of SASAD, Member of The Board of Directors of Saha İstanbul, Chairman of TOBB (The Union of Chambers And Commodity Exchanges of Türkiye) Defense Industry Council, Member of The Board of Directors of İstanbul Finans Ve Teknoloji Üssü A.Ş.	1 July 2022
11.	Nuh YILMAZ *	Vice President (Financial Management)	Vice Chairman of The The Board of Dasal Havacılık Teknolojileri A.Ş., Chairman of The Board of The Directors of Aselsan Konya Silah Sistemleri A.Ş.	1 April 2021
12.	Mehmet ARTAR	Vice President (Corporate Management)	--	18 July 2023
13.	Murat ASLAN *	Vice President (Supply Chain Management)	Member of The Board of Directors of Aselsan Sivas Hassas Optik A.Ş.	30 July 2024
14.	Taha YÜCEL	Vice President (Technology & Strategy Management)	Member of The Board of Information Security Association	1 July 2022
15.	Özgür Taylan SARI	Vice President (Business Development and Marketing)	Chairman of The Board of The Directors of Aselsan Qatar, Member of The Board Of Turkish Defence And Aerospace Industry Exporters' Database	17 August 2023
16.	Mustafa YAMAN	Vice President and President Business Sector (HBT Sector President)	Member of The Board of Directors of Ulak A.Ş., Chairman of The Board of Managers of Aselsanet, Chairman of The Board of The Directors of Communication Technologies Cluster, Chairman of The Board of The Directors of Aselsan Bakü	1 July 2022
17.	Murat KARATAŞ	Vice President and President Business Sector (MGEO Sector President)	Member of The Board of Directors of Aselsan Middle East, Chairman of The Board of Aselsan Sivas Hassas Optik A.Ş.	22 January 2024
18.	M. Mustafa AKKUL	Vice President and President Business Sector (REHİS Sector President)	Chairman of The Board of Directors of Aselsan Bilkent Mikronano A.Ş., Chairman of The Board of Managers of Mikroelektronik Araştırma-Geliştirme Tasarım ve Tic. Ltd. Şti., Member of The Board of Directors of Tüyar	1 July 2022
19.	Zekeriyya ŞAHİN	Vice President and President Business Sector (SST Sector President)	Member of The Board of Directors of IGG-Aselsan Integrated Systems LLC., Chairman of The Board of Directors of Bites Savunma Havacılık Ve Uzak Teknolojileri Yazılım Elektronik A.Ş., Member of The Board of Directors of Kazakhstan Aselsan Engineering, Chairman of The Board of Directors of Aselsan Ukraine LLC.	22 January 2024
20.	Mehmet ÇELİK	Vice President and President Business Sector (UGES Sector President)	Member of The Presidency's Council of Science, Technology And Innovation Policies, Principle Member of Turkish Academy of Sciences, Member of The Board of Managers of Aselsanet, Teaching Professor in KTO Karatay University Mechanical Engineering Department	1 July 2022
21.	Mürsel Ali KAPLAN	President of Internal Audit	--	6 March 2023

* As per the resolution of our Board of Directors dated 30 July 2024; Nuh YILMAZ, who has been the Vice President of Supply Chain Management, is assigned as the Vice President and Chief Financial Officer; Murat ASLAN, who has been the Strategic Procurement Director, is assigned as Vice President of Supply Chain Management.

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 are no transactions conducted by board members, either on their own behalf or on behalf others, that violate the Company's transaction ban. 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

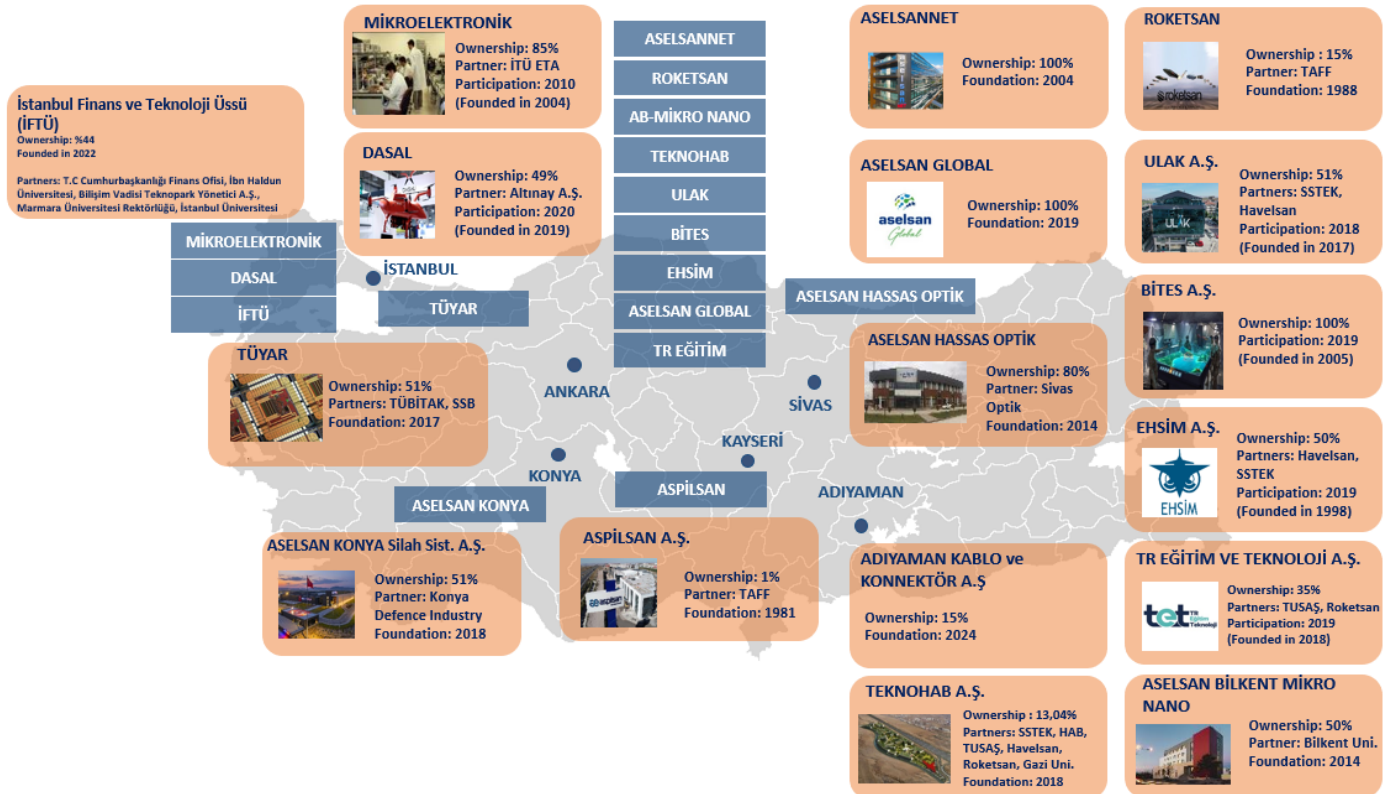
targets, with the aim of observing an internal control system, which provides required controls in matters such as the reliability of the financial reporting system, the efficiency of the activities in order to eliminate the operational risks and compliance with the law. Furthermore, the efficiency and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

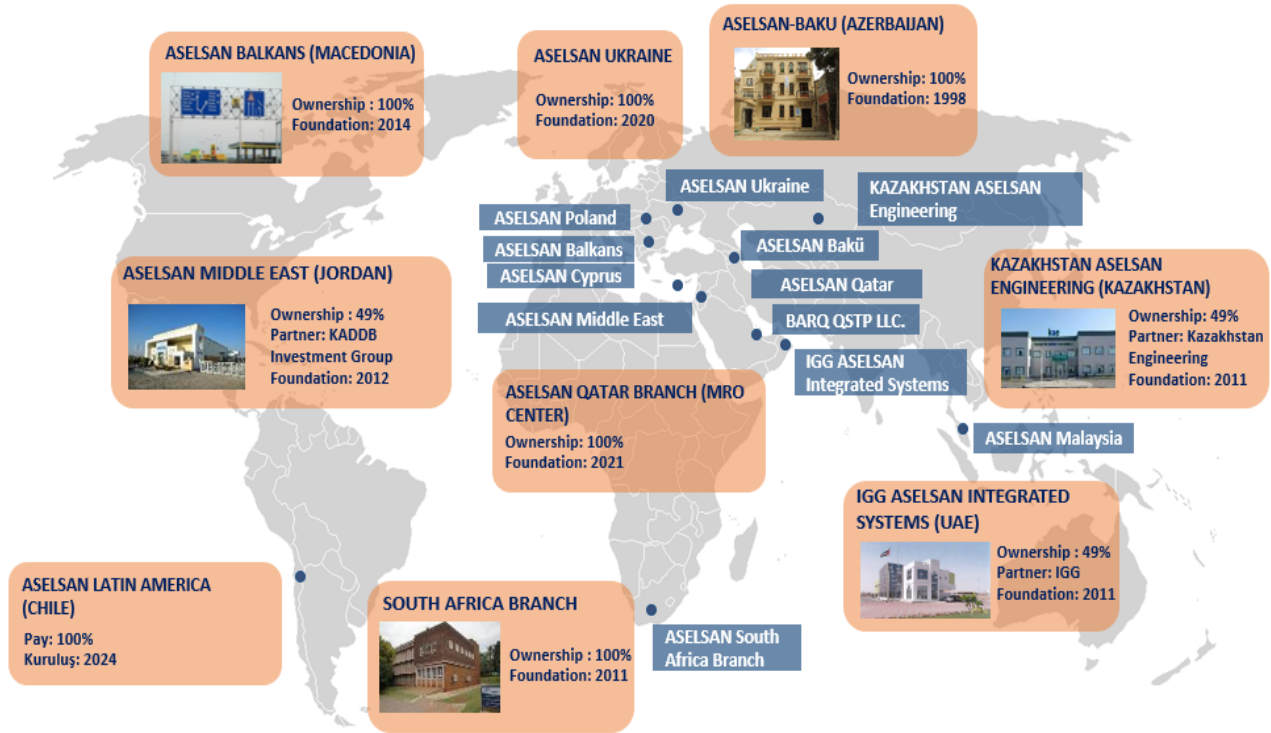
Total Amount of the Financial Benefits Given to Senior Executives:

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 June 2024 is approximately TL 136.641 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 Malaysia, ASELSAN Konya, BİTES, ASELSAN Ukraine and ULAK) and equity pick-up consolidation method (ASELSAN Bilkent, IGG ASELSAN, ASELSAN Kazakhstan, ASELSAN Jordan, TÜYAR, BARQ QSTP LLC, TEKNOHAB, EHSİM, TR EĞİTİM, DASAL, İFTÜ, ADIYAMAN KABLO) and the Company.

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

The Company carries on its business operations mainly in defense industry as well as in non-defense industry. According to the latest data, world defense expenditures has

increased by 6,8% (the highest ratio increase in the last 15 years) reaching USD 2,44 Trillion and the ratio of total expenditures to total GDPs has realized as 2,3%.

The summary table on the right side gives information about the top five countries, which accounted for 61% of the total defense expenditure in 2023 and Türkiye.

Rank	Country	Expenditure (m USD)	2023-2022 %Δ	Expend. /GDP %	Share in the World %
	World	2.443	6,8	2,3	100,0
1	USA	916	2,3	3,4	37,0
2	China	296	6,0	1,7	12,0
3	Russia	109	24,0	5,9	4,5
4	India	84	4,2	2,4	3,4
5	Saudi Arabia	76	4,3	7,1	3,1
22	Türkiye	16	37,0	1,5	0,6

As of 2023, Türkiye's annual defense expenditures increased by 37% to USD 16 Billion and ranks 22nd in the world. The ratio of defense spending to GDP is 1,5%.

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 June 2024, The Group's long-term plans which have been accordingly

signed as contracts spread over years amounts to USD 12,3 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 that will be received 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 targeted to be distributed.

As a result of the 49th Ordinary General Assembly Meeting of the Company held on 14 June 2024; of the net profit for the period obtained from its activities in 2023;

- 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 is decided to be distributed as of 25 November 2024.

5- Enterprise Risk Management

ASELSAN's Enterprise Risk Managements 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 governance. 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 3 meetings by the end of first half of 2024 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 2024" published by the World Economic Forum, as in previous years, the most important risks evaluated according to probability and impact level for the next decade are climate change risks.

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

6- Financial Information of the Company

The guidance under the normal conditions regarding the Group's consolidated financial results for the 2024 year are presented below:

Financial Targets of 2024	Non-inflation Adjusted	Inflation Adjusted
	Amount Ratio	Amount Ratio
Revenue Growth (TL)	>70%	>10%
EBITDA Margin (Adjusted without Foreign Exchange Rate Differences)	>26%	>22%
Capital Expenditures	12.000 Million TL	14.000 Million TL

The Company, which has been in the most prestigious Defense Industry list since 2008,

“Defense News Top 100”, published by “Defense News” magazine, aims to increase its ranking in the list in following years. Ranking 47th in the 2023 list and ranking 42nd place in the 2024 list.

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 also be 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 June 2024, the cash requirements were met with the available cash, cash inflows from operations and loans.

As of 30 June 2024, there is a loan balance amounting to USD 819 Million.

Planned Measures to Improve the Financial Structure of the Company

As for the annual budgets and implementations for the period 2023-2024, 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 11 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-1 and UGES-2), Information Management Director (BYD) as well as Middle East Technical University (Teknokent and Titanyum). Currently, 7.453 staff are employed at the Group's Research and Development centers.

The Company also carries on its activities at METU Teknokent, Hacettepe Teknokent, and

Teknopark İstanbul within the scope of the Law numbered 4691 on Technology Development Regions. 3 staff at METU Teknokent, 55 staff at Teknopark İstanbul, 3 staff at Teknopark Hacettepe and 7 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 infrastructure and equipment in order to be used in research and development projects 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 June 2024 because of having Research and Development centers, TL 1.665.284 Thousand within the scope of income tax withholding incentive, promotion of insurance premium, stamp duty exception; as a result of being active at ODTÜ Teknokent (as of March 2024 restructured as Research and Development Center), Gebze Informatics Valley and İstanbul Technology Development Area Teknopark TL 159.837 Thousand incentives have been used. Within the scope of the Research and Development Law No 5746 and Teknokent Law No 4691, TL 123.244 Thousand Corporate Tax advantage has been gained as of 1 January - 30 June 2024 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% of distinction amount is evaluated as deferred tax income at financial tables.

Subject to the Tübitak Academic Support Programs; there is one ongoing project in the 1003 -Priority Areas R&D Projects Support Program, and four ongoing projects in the 1004-Center of Excellence Support Program.

Subject to the Tübitak, one project in the 1511-Research Technology Development and Innovation Projects in Priority Areas (Technology Focused Industrial Movement Program), one project in the 1515-Frontier R&D Laboratory Support Programme. The application was removed from the programs for large-scale organizations; SMEs were left under the program

based on the changes made on the 1501-Industry R&D Projects Support Program on 1 July 2019. The 1007 Public Institutions Research and Development Project Support Program has been formed in order to meet the requirements of the Public Institutions with Research and Development or to support the projects aimed at solving their problems. In scope of this support five Research and Development projects and one Horizon Europe Programme are still ongoing.

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

There is one ongoing project within the scope of Tübitak 2247-A National Outstanding Researchers Program.

Incentives were received from Turquality and Support and Price Stability Fund (DFIF) due to the Market research, fair, and library support activities (TL 22.392 Thousand). Supports are received within the scope of TUBITAK projects. (TL 478 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 134.497 Thousand)

Within the Decision Regarding the Governmental Grant in Investments, there are fourteen

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 153.331 Thousand). VAT exemption is applied to our purchases, which are used for our deliveries subject to VAT 13/f Article and our exports (TL 1.948.195 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 June 2024, net sales increased by 8% to TL 35,7 Billion and export to net sales ratio is 13,5%.

e) Financial Ratios

As of 30 June 2024, 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	June 24	Dec 23
Current Ratio	1,44	1,45
Liquidity Ratio	0,49	0,58
Short Term Current Liabilities / Total Financial Liabilities	97,7%	94,3%
Total Financial Liabilities / Total Assets	14,5%	13,2%
Gross Profit Margin	31,9%	27,3%
Operating Profit Margin (EBIT)	20,4%	17,2%
Adjusted EBITDA Margin (*)	24,3%	21,8%
Net Profit Margin	10,2%	10,0%
Return On Equity (ROE)	10,5%	8,7%
Net Working Capital / Net Sales	52,7%	47,4%
Return on Assets (ROA)	6,1%	5,0%

* 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.

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

Inflation Accounting

With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Türkiye 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 23 November 2023, Public Oversight Accounting and Auditing Standards Authority ("POA") announced the application of inflation accounting in Türkiye and according to the announcement, financial statements of entities applying TFRS for the annual reporting period ending on or after 31 December 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 30 June 2024, 31 December 2023 and 30 June 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 Türkiye, based on the consumer price index ("CPI") published by the Turkish Statistical Institute ("TURKSTAT"), the cumulative rate was 324% for the three-year period ended 30 June 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 Türkiye published by the Turkish Statistical Institute. As of 30 June 2024, the indices and coefficients used in the restatement of the accompanying financial statements are as follows:

Period	Index	Correction Coefficient
30 June 2024	2.319,29	1
31 December 2023	1.859,38	1,24735
30 June 2023	1.351,59	1,71597
31 December 2022	1.128,45	2,05529

The main lines of TAS 29 indexation transactions are as follows:

As of the balance sheet date, all items other than those stated in terms of current purchasing power are restated by using the relevant consumer price index coefficients. Prior year amounts are restated in the same way.

Financial statements of previous reporting periods have been restated to reflect the current purchasing power of money at the latest balance sheet date. The current period restatement factor has been applied to the prior period financial statements.

Monetary assets and liabilities are not restated because they are expressed in terms of the purchasing power of money at the balance sheet date. Monetary items are cash and items to be received or paid in cash.

Non-monetary assets and liabilities are restated by reflecting the changes in the general price index from the date of acquisition or initial recognition to the balance sheet date in their acquisition costs and accumulated amortization amounts. Accordingly, property, plant and equipment, intangible assets, right-of-use assets and similar assets are restated to their acquisition values, which do not exceed their market values. Depreciation has been restated in a similar manner. Amounts included in shareholders' equity have been restated by applying the consumer price indices for the periods in which such amounts were contributed to or arose within the Company.

All items in the income statement, except for the effects of non-monetary items in the balance sheet on the income statement, have been restated by applying the multiples calculated over the periods when the income and expense accounts were initially recognized in the financial statements.

The gain or loss arising on the net monetary position as a result of general inflation is the difference between the restatement adjustments to non-monetary assets, equity items and income statement accounts. This gain or loss on the net monetary position is included in net profit.

All items presented in the statement of cash flows are restated for the effects of inflation in the measuring unit current at the end of the reporting period. The effect of inflation on cash flows from operating, investing and financial activities is attributed to the related item and the monetary gain or loss on cash and cash equivalents is presented separately.

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

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

9- Information Regarding the Lawsuits of the Group

The lawsuits and execution proceedings filed by or against the Group as of 30 June 2024 are summarized in the table:

Statement	June 24 (TL Thousand)
<i>Ongoing lawsuits filed by the Group</i>	41.691
<i>Execution proceedings carried on by the Group</i>	715.460
<i>Lawsuits proceedings carried against the Group</i>	35.244
<i>Execution proceedings carried against the Group</i>	12.055
<i>Lawsuits finalized in favor the Group within the period</i>	3.411
<i>Lawsuits finalized in against of the Group within the period</i>	3.054

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

10- Information Regarding the Transactions Made within the Reporting Period

a) Changes in the Articles of Association

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

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

The Group recruited a total number of 436 people as the personnel including fixed-term contracted personnel, disabled and terror-stricken personnel during the period 1 January - 30 June 2024 and the number of people quit for the same period is 291.

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 June 2024 is 12.020.

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 June 2024, the donation amount made by the Group is TL 13.821 Thousand.

f) Events After the Reporting Period

After the reporting period, the Group has signed contracts amounting to USD 370 Million.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş.**SIGNATURE SECTION OF ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD****BETWEEN 1 JANUARY – 30 JUNE 2024**

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

Göksel SEVİNDİK
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

