

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

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

CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR
ENDED 31 DECEMBER 2023 WITH INDEPENDENT
AUDITORS' REPORT THEREON

26 March 2024

This report contains independent audit report comprising
consolidated financial statements and footnotes
comprising 97 pages.



Bağımsız
Denetim ve
Yeminli Mali
Müşavirlik A.Ş.



(CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

Aselsan Elektronik Sanayi ve Ticaret Anonim Şirketi

A) Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Aselsan Elektronik Sanayi ve Ticaret Anonim Şirketi ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

Basis for Opinion

We conducted our audit in accordance with the Standards on Independent Auditing ("SIA") which is a part of Turkish Auditing Standards accepted by regulations of the Capital Markets Board and published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Independent Auditors ("Code of Ethics") published by the POA, together with the ethical requirements included in the regulations of the Capital Markets Board and other regulations that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis Of Matter

Within the scope of the "Announcement on Inflation Adjustment of Financial Statements of Companies Subject to Independent Audit" dated November 23, 2023 published by POA, consolidated financial statements as of December 31, 2023 are subject to inflation adjustment in accordance with TAS 29 "Financial Reporting in Hyperinflationary Economies". In this context, we draw attention to note 2.1, which includes explanations regarding the transition to inflation accounting. This issue does not affect our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the Matter is Handled
<i>Revenue – Accounting of Revenue Recognised Over Time</i>	Our audit procedures included, in addition to others, the following;
An important part of Group's revenue is generated from construction contracts which are recognised over time. Revenue recognised over time is mainly due to contracts made with the Presidency of Defense Industry. The Group recognises revenue over-time if any of the following conditions is met:	Controlling the terms of the contract in accordance with the criteria of over time accounting
a) The customer simultaneously receives and consumes the benefits as the entity performs	Cross-check of the amounts subject to revenue calculation with contracts,
b) The customer controls the asset as the entity creates or enhances it,	Controlling monthly changes of variables that directly affect revenue such as profitability on project basis,
c) Group's performance does not create an asset for which the entity has an use; and alternative there is a right to payment for performance to date	Analytical review of the accuracy of expected loss provision,
Due to the fact that over-time revenue is one of the Group's core business volume and size indicators, implementation of related accounting standards is complex and includes management estimates and judgements, this issue has been considered to be a key audit matter.	Performing control tests and test of details for contract cost,
Accounting policies and amounts of the revenue detailed in Note 2.5 and Note 20 respectively.	Questioning the annual changes of over-time revenue and related costs.

Key Audit Matters

Capitalization of Development Cost

The Group capitalizes development costs which are related with development activities and approved by the management.

Capitalized development costs amount to a net book value of TRL 11.653.394 thousand as 31 December 2023 in the accompanying consolidated financial statements.

Capitalized development costs on the consolidated financial statements as of 31 December 2023 is significant for our audit due to variety of nature of costs, management judgments involved in the capitalization process and projects contract costs.

Explanations about intangible assets including the capitalized development costs have been disclosed in Note 12.

How the Matter is Handled

Our audit procedures included, amongst others, the following ;

Examinations of nature of capitalized development costs related to each project,

Examinations of the suitability of management assessments for projects at development phase

Performing test of details for development costs,

Assessment of Group's management approval process,

Additionally, inquiries have been performed with project engineers and executives involved in research and development activities in related division of the Group

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

In independent audit, the responsibilities of us as independent auditors are as follows:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority, we exercise professional judgment and maintain professional skepticism throughout the audit.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.).
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Bağımsız
Denetim ve
Yeminli Mali
Müşavirlik A.Ş.



B) Reports on Independent Auditor's Responsibilities Arising from Other Regulatory Requirements

1) Pursuant to Article 398 of the Turkish Commercial Code ("TCC") no. 6102, the auditor's report on early detection of risk system and the authorized committee is submitted to the Company's Board of Directors on 26 March 2024.

2) Pursuant to subparagraph 4, Article 402 of "TCC", no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – 31 December 2023 is not in compliance with the code and provisions of the Parent Company's articles of association in relation to financial reporting.

3) Pursuant to subparagraph 4, Article 402 of "TCC", the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

Yılmaz Güney is the auditor responsible for conducting and finalizing this independent audit.

Yeditepe Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.
(Associate Member of Praxity AISBL)



Yılmaz Güney
Partner
İstanbul, 26 March 2024

CONTENT	PAGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	1-3
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	4-5
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	6
CONSOLIDATED STATEMENT OF CASH FLOWS	7
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.....	8-97
NOTE	
1. ORGANIZATION AND OPERATIONS OF THE GROUP	8
2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS.....	9
3. CASH AND CASH EQUIVALENTS	35
4. INTERESTS IN OTHER ENTITIES.....	36
5. RELATED PARTY DISCLOSURES.....	37
6. TRADE RECEIVABLES AND PAYABLES	42
7. OTHER RECEIVABLES AND PAYABLES	43
8. EQUITY ACCOUNTED INVESTMENTS	44
9. INVENTORIES	46
10. PREPAID EXPENSES AND DEFERRED INCOME	47
11. PROPERTY, PLANT AND EQUIPMENT	48
12. INTANGIBLE ASSETS	52
13. GOVERNMENT GRANTS AND INCENTIVES	54
14. BORROWING COSTS.....	55
15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	56
16. COMMITMENTS AND CONTINGENCIES.....	59
17. EMPLOYEE BENEFITS.....	62
18. OTHER ASSETS AND LIABILITIES	64
19. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS.....	65
20. REVENUE AND COST OF SALES.....	67
21. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES.....	68
22. OTHER OPERATING INCOME AND EXPENSES.....	70
23. INCOME FROM INVESTING ACTIVITIES	70
24. FINANCIAL INCOME	70
25. FINANCIAL EXPENSES.....	71
26. ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS.....	71
27. INCOME TAXES.....	73
28. EARNINGS PER SHARE	78
29. FINANCIAL INVESTMENTS	78
30. FINANCIAL LIABILITIES.....	80
31. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS.....	82
32. FINANCIAL INSTRUMENTS FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING	95
33. EXPLANATIONS RELATED TO THE STATEMENT OF CASH FLOW	97
34. FEES FOR SERVICES RENDERED FROM INDEPENDENT AUDIT FIRMS	97
35. EVENTS AFTER THE REPORTING PERIOD	97

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

		Audited	
	Note References	31 December 2023	31 December 2022
ASSETS			
Current Assets		72.883.922	72.918.181
Cash and Cash Equivalents	3	6.610.029	9.370.629
Trade Receivables	6	20.593.129	24.531.953
From Related Parties	5	9.045.886	10.286.133
From Third Parties		11.547.243	14.245.820
Other Receivables	7	1.650.505	1.691.631
From Related Parties	5	--	9.194
From Third Parties		1.650.505	1.682.437
Inventories	9	32.176.371	27.648.036
Prepaid Expenses	10	9.092.223	8.110.695
From Related Parties	5	1.564.808	3.833.163
From Third Parties		7.527.415	4.277.532
Other Current Assets	18	2.761.665	1.565.237
Non-Current Assets		77.693.963	71.884.446
Financial Investments	29	5.918.788	7.072.640
Trade Receivables	6	31.609.340	31.263.879
From Related Parties	5	23.896.740	23.565.113
From Third Parties		7.712.600	7.698.766
Other Receivables	7	7.279	9.859
From Third Parties		7.279	9.859
Equity Accounted Investments	8	859.834	1.352.414
Property, Plant and Equipment	11	23.729.789	18.454.534
Intangible Assets	12	12.147.761	9.131.083
Prepaid Expenses	10	2.459.368	2.167.465
From Related Parties	5	1.431.818	325.380
From Third Parties		1.027.550	1.842.085
Deferred Tax Assets	27	718.601	--
Other Non-Current Assets	18	243.203	2.432.572
TOTAL ASSETS		150.577.885	144.802.627

The accompanying notes are an integral part of the consolidated financial statements.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

	Note References	Audited	
		31 December 2023	31 December 2022
LIABILITIES			
Current Liabilities		50.178.593	51.665.811
Short-term Financial Liabilities	30	11.691.438	9.231.463
Short-term Portion of Long-term Financial Liabilities	30	7.116.874	6.856.863
Trade Payables	6	14.864.081	16.106.999
<i>To Related Parties</i>	5	3.202.670	4.374.560
<i>To Third Parties</i>		11.661.411	11.732.439
Employee Benefit Obligations	17	1.204.662	1.049.998
Other Payables	7	342.042	609.567
<i>To Related Parties</i>	5	266.947	505.834
<i>To Third Parties</i>		75.095	103.733
Government Grants and Incentives	13	57.473	115.104
Deferred Income	10	8.889.349	9.564.172
<i>To Related Parties</i>	5	2.598.300	4.324.329
<i>To Third Parties</i>		6.291.049	5.239.843
Corporate Tax Liability	27	--	300
Short-term Provisions		6.002.403	8.043.165
<i>For Employee Benefits</i>	17	1.597.757	1.435.720
<i>Other</i>	15	4.404.646	6.607.445
Other Current Liabilities	18	10.271	88.180
Non-Current Liabilities		12.018.914	12.330.813
Long-term Financial Liabilities	30	1.129.602	1.762.548
Trade Payables	6	75.501	119.823
<i>To Third Parties</i>		75.501	119.823
Other Payables	7	36.646	26.839
<i>To Third Parties</i>		36.646	26.839
Deferred Income	10	5.908.723	4.755.433
<i>To Related Parties</i>	5	3.663.188	2.929.436
<i>To Third Parties</i>		2.245.535	1.825.997
Deferred Tax Liabilities	27	--	367.961
Long-term Provisions		4.863.565	5.290.191
<i>Long-term Provisions for Employee Benefits</i>	17	1.063.278	954.689
<i>Other</i>	15	3.800.287	4.335.502
Other Non-Current Liabilities	18	4.877	8.018

The accompanying notes are an integral part of the consolidated financial statements.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.

	Note References	Audited	
		31 December 2023	31 December 2022
EQUITY		88.380.378	80.806.003
Equity Attributable to Equity Holders of the Parent		87.311.033	79.850.889
Share Capital	19	4.560.000	2.280.000
Inflation Adjustments on Share Capital Differences	19	15.359.232	14.418.756
Share Premiums		14.548.374	14.548.374
Other Comprehensive Income / (Expense) that will not be Reclassified to Profit or (Loss)		2.200.775	15.712
<i>Gain on Revaluation of Property, Plant and Equipment</i>		2.905.335	549.350
<i>Gain/ Loss on Remeasurement of Defined Benefit Plans</i>		(704.560)	(533.638)
Other Cumulative Comprehensive Income / (Expense) will be Reclassified to Profit/Loss		56.262	1.412.564
<i>Gain (Loss) on Financial Assets That Fair Value Difference Reflect in Other Comprehensive income</i>		--	1.084.352
<i>Cumulative Translation Adjustments</i>		56.262	328.212
Restricted Reserves	19	3.482.082	3.424.966
Retained Earnings		39.813.833	42.468.554
Net Profit for the Year		7.290.475	1.281.963
Non-Controlling Interests		1.069.345	955.114
TOTAL LIABILITIES AND EQUITY		150.577.885	144.434.666

The accompanying notes are an integral part of the consolidated financial statements.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS and OTHER COMPREHENSIVE INCOME FOR THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

	Note References	Audited	
		1 January- 31 December 2023	1 January- 31 December 2022
PROFIT OR LOSS			
Revenue	20	73.592.774	66.860.171
Cost of Sales (-)	20	(53.487.594)	(49.026.909)
GROSS PROFIT		20.105.180	17.833.262
General Administrative Expenses (-)	21	(3.387.758)	(2.574.579)
Marketing Expenses (-)	21	(1.446.516)	(1.646.303)
Research and Development Expenses (-)	21	(2.645.753)	(2.018.251)
Other Operating Income	22	33.516.955	23.954.185
Other Operating Expenses (-)	22	(21.168.365)	(17.591.101)
OPERATING PROFIT		24.973.743	17.957.213
Income From Investing Activities	23	34.312	13.229
Shares of Profit of Equity Accounted Investees	8	(1.473)	31.895
OPERATING PROFIT BEFORE FINANCIAL EXPENSE		25.006.582	18.002.337
Financial Income	24	1.181.695	1.448.296
Financial Expense (-)	25	(8.833.499)	(5.788.983)
Parasal kazanç/ (kayıp)		(10.145.147)	(14.573.875)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		7.209.631	(912.225)
Tax Income from Continuing Operations		164.634	2.101.534
- Current Corporate Tax Expense(-)	27	(1.129.233)	(2.875)
- Deferred Tax Income	27	1.293.867	2.104.409
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		7.374.265	1.189.309
Profit for the Period Attributable to		7.374.265	1.189.309
Non-Controlling Interest		83.790	(92.654)
Owners of the Company	28	7.290.475	1.281.963
		7.374.265	1.189.309
Earnings for per 100 Shares (in full kuruş)	28	159,88	56,23

The accompanying notes are an integral part of the consolidated financial statements.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS and OTHER COMPREHENSIVE INCOME FOR THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

	Note References	Audited	
		1 January- 31 December 2023	1 January- 31 December 2022
PROFIT FOR THE YEAR		7.374.265	1.189.309
OTHER COMPREHENSIVE INCOME			
Items that will not to be Reclassified Subsequently in Profit or Loss		2.185.063	15.712
Gain on Remeasurement of Defined Benefit Plans	17	(227.896)	(667.047)
Gain on Revaluation of Property, Plant and Equipment	26	2.692.554	610.389
Deferred Tax Expense	26-27	(279.595)	72.370
Items that may be Reclassified Subsequently to Profit or Loss		(1.356.302)	1.024.050
Gain (Loss) on Financial Assets That Fair Value Difference Reflect in Other Comprehensive income	26	(1.156.642)	1.141.423
Cumulative Translation Adjustments	26	(271.950)	(60.302)
Deferred Tax Expense	26-27	72.290	(57.071)
OTHER COMPREHENSIVE INCOME		828.761	1.039.762
TOTAL COMPREHENSIVE INCOME		8.203.026	2.229.071
Total Comprehensive Income Attributable to			
Non-Controlling Interest		83.790	(92.654)
Owners of the Company		8.119.236	2.321.725
		8.203.026	2.229.071

The accompanying notes are an integral part of the consolidated financial statements.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

				Other Comprehensive Income / Expense that will not to be Reclassified Subsequently to Profit or Loss		Other Comprehensive Income / Expense that may not to be Reclassified Subsequently to Profit or Loss			Retained Earnings				
	Share Capital	Inflation Adjustments on Share Capital	Share Issuance Premiums/ (Discounts)	Revaluation Reserves	Remeasurement of Defined Benefit Plans	Gain (Loss) on Financial Assets That Fair Value Difference Reflect in Other Comprehensi ve income	Translation Reserves	Restricted Reserves	Retained Earnings	Net Profit/(Loss) for the Year	Equity Attributable to Owners of the Company	Non- Controlling Interests	Equity
Balance as of 1 January 2022	2.280.000	14.418.756	14.548.374	--	--	--	388.514	3.236.208	43.902.403	--	78.774.255	1.090.059	79.864.314
Transfers	--	--	--	--	--	--	--	188.758	(1.433.849)	1.245.091	--	--	--
Capital Increase	--	--	--	--	--	--	--	--	--	--	--	--	--
Total Comprehensive Income	--	--	--	549.350	(533.638)	1.084.352	(60.302)	--	--	1.281.963	2.321.725	(92.654)	2.229.071
Consolidation Effect of Share Change in Establishment	--	--	--	--	--	--	--	--	--	--	--	(42.291)	(42.291)
Dividends	--	--	--	--	--	--	--	--	--	(1.245.091)	(1.245.091)	--	(1.245.091)
Balance as of 31 December 2022 (Closing Balance)	2.280.000	14.418.756	14.548.374	549.350	(533.638)	1.084.352	328.212	3.424.966	42.468.554	1.281.963	79.850.889	955.114	80.806.003
Balance as of 1 January 2023	2.280.000	14.418.756	14.548.374	549.350	(533.638)	1.084.352	328.212	3.424.966	42.468.554	1.281.963	79.850.889	955.114	80.806.003
Transfers	--	--	--	--	--	--	--	57.116	565.755	(622.871)	--	--	--
Capital Increase	2.280.000	940.476	--	--	--	--	--	--	(3.220.476)	--	--	--	--
Total Comprehensive Income	--	--	--	2.355.985	(170.922)	(1.084.352)	(271.950)	--	--	7.290.475	8.119.236	83.790	8.203.026
Dividends	--	--	--	--	--	--	--	--	--	--	--	30.441	30.441
Consolidation Effect of Share Change in Establishment	--	--	--	--	--	--	--	--	--	(659.092)	(659.092)	--	(659.092)
Balance as of 31 December 2023 (Closing Balance)	4.560.000	15.359.232	14.548.374	2.905.335	(704.560)	--	56.262	3.482.082	39.813.833	7.290.475	87.311.033	1.069.345	88.380.378

The accompanying notes are an integral part of the consolidated financial statements.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

		Audited	
		1 January- 31 December 2023	1 January- 31 December 2022
Note References			
A.Cash Flows from Operating Activities		8.374.864	12.044.475
Profit for the Period		7.374.265	1.189.309
Adjustments to Reconcile Profit for the Period		15.057.442	16.784.962
- Adjustments for Depreciation and Amortization Expense	11-12	3.402.164	2.445.831
- Adjustments for Impairment Loss (Reversal of Impairment Loss)		(40.754)	(59.033)
<i>Adjustments for Impairment Loss (Reversal of Impairment Loss) of Receivables</i>	6	3.018	(31.708)
<i>Adjustments for Impairment Loss (Reversal of Impairment Loss) of Inventories</i>	9	(43.772)	(27.325)
- Adjustments for Provisions		4.363.403	7.162.008
<i>Adjustments for (Reversal of) Provisions Related with Employee Benefits</i>	17	1.310.013	1.652.529
<i>Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions</i>	15	1.207.818	2.871.299
<i>Adjustments for (Reversal of) Warranty Provisions</i>	15	2.083.091	2.348.449
<i>Adjustments for (Reversal of) Other Provisions</i>	15	(237.519)	289.731
- Adjustments for Interest (Income) Expenses		310.880	80.609
<i>Adjustments for Interest Income</i>	22-24	(849.274)	(870.341)
<i>Adjustments for Interest Expense</i>	22-25	1.160.154	950.950
- Adjustments for Retained Profit of Equity Accounted Investees	8	1.473	(31.895)
- Adjustments for Tax (Income)/Expenses	27	(164.634)	(2.101.534)
- Other Adjustments for which Cash Effects are Investing or Financing Cash Flow		4.718.404	3.698.067
- Other Adjustments to Reconcile Profit (Loss)		2.466.506	5.590.909
Changes in Working Capital		(11.110.018)	(3.856.115)
- Decrease (Increase) in Trade Receivables		(18.829.690)	(20.713.793)
- Decrease (Increase) in Other Receivables Related with Operations		(625.156)	(507.526)
- Decrease (Increase) in Inventories		(4.147.471)	(1.280.817)
- Decrease (Increase) in Prepaid Expenses	10	(1.204.325)	(380.495)
- Increase (Decrease) in Trade Payables		5.912.711	7.088.770
- Increase (Decrease) in Employee Benefit Obligations		567.422	544.928
- Adjustments for Stage of Completion of Construction or Service Contracts in Progress		(1.723.193)	2.074.672
- Increase (Decrease) in Other Operating Payables		(447.401)	(780.443)
- Increase (Decrease) in Government Grants and Subsidies		(57.631)	40.808
- Increase (Decrease) in Deferred Income		1.527.967	(650.009)
- Adjustments Related to Monetary Gain/ Losses		8.519.395	11.478.477
- Other Increase (Decrease) in Working Capital		(602.646)	(770.687)
Cash Flows From Operations		11.321.689	14.118.156
Payments Related with Provisions for Employee Benefits	17	(327.604)	(760.298)
Payments Related with Other Provisions	15	(1.489.687)	(1.304.308)
Income Taxes Refund (Paid)		(1.129.534)	(9.075)
B.Cash Flows From Investing Activities		(11.681.605)	(11.854.816)
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		307.720	119.275
Purchase of Property, Plant and Equipment	11	(5.292.094)	(4.723.133)
Purchase of Intangible Assets	12	(7.155.473)	(7.445.477)
Dividends Received	23	15.390	9.863
Other Cash Outflows		442.852	184.656
C.Cash Flows From Financing Activities		4.151.264	4.796.119
Proceeds from Borrowings		19.516.101	17.618.995
Repayments of Borrowings		(15.145.602)	(12.408.717)
Dividends Paid	19	(219.235)	(414.159)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES (A+B+C)		844.523	4.985.778
D. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		72.658	276.779
E. MONETARY GAIN/LOSS EFFECT ON CASH AND CASH EQUIVALENTS		(3.683.633)	(2.639.102)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D+E)		(2.766.452)	2.623.455
F.CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		9.367.529	6.744.074
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E+F)	3	6.601.077	9.367.529

The accompanying notes are an integral part of the consolidated financial statements.

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

1. ORGANIZATION AND OPERATIONS OF THE GROUP

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

The Company was established at the end of 1975 as a corporation by Turkish Land Forces Foundation. The Company commenced its production activities in Macunköy Facilities in early 1979.

As of the reporting date, the Company has been organized under five divisions under the Vice Presidential Sector with regard to investment and production requirements of projects. These divisions comprise Communication and Information Technologies Vice Presidency ("HBT"), Radar and Electronic Warfare Systems Vice Presidency ("REHİS"), Defence Systems Technologies Vice Presidency ("SST") and Microelectronics, Guidance & Electro-Optics Vice Presidency ("MGEO") and Transportation, Security, Energy, Automation and Medical Systems Vice Presidency ("UGES").

In addition to the Vice Presidencies above, the Company organization also includes the Financial Management Vice Presidency, Corporate Management Vice Presidency, Technology and Strategy Management Vice Presidency, Business Development, Marketing Vice Presidency and Supply Chain Management Vice Presidency making a total of five Vice Presidencies; in addition to these, there are also Legal Affairs and Private Secreteriat.

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

The Company maintains production and engineering operations in Ankara, Macunköy, Akyurt and Gölbaşı campuses and engineering operations in METU Teknokent, Hacettepe Teknokent and Teknopark İstanbul. General Management is located in Ankara Macunköy.

Turkish Armed Forces Foundation ("TSKGV") is the main shareholder of the Company which holds 74,20 percent of the capital and maintains control of the Company. TSKGV was established on 17 June 1987 with the law number 3388, in order to manufacture or import guns, equipment and appliances needed for Turkish Armed Forces.

The Company is registered to Capital Markets Board of Türkiye ("CMB") and its shares have been quoted in Borsa İstanbul Anonim Şirketi ("BİST") since 1990. As of 31 December 2023, 25,80 percent of the Company's shares are publicly traded (31 December 2022: 25,80 percent) (Note 19).

The Company's trade registry address is Mehmet Akif Ersoy Mahallesi İstiklal Marşı Caddesi No:16 06200 Yenimahalle/Ankara. The average number of personnel employed by the Group as of 31 December 2023 is 11.550 (31 December 2022: 10.948).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

1. ORGANIZATION AND OPERATIONS OF THE GROUP (continued)

The Company's consolidated subsidiaries are ASELSAN Baku ("ASELSAN Baku"), Aselsan Sivas Hassas Optik San. Tic. A.Ş. ("ASELSAN Optik"), Mikroelektronik Ar-Ge Tasarım ve Ticaret Ltd. Co. ("Mikro AR-GE"), ASELSANNET Elektronik ve Haberleşme Sistemleri Sanayi Ticaret İnşaat ve Taahhüt Ltd. Co. ("ASELSANNET"), Aselsan Konya Silah Sistemleri Anonim Şirketi ("ASELSAN Konya"), ASELSAN Malaysia Sdn. Bhd. ("ASELSAN Malaysia"), BİTES Savunma Havacılık ve Uzay Teknolojileri Yazılım A.Ş. ("BİTES"), Aselsan Global Dış Ticaret ve Pazarlama A.Ş. ("ASELSAN GLOBAL"), ASELSAN UKRAINE LLC. ("ASELSAN Ukrayna") and ULAK Haberleşme A.Ş. ("ULAK"). They are collectively referred as the "Group" in the accompanying notes.

The Company has five branch offices; Aselsan Elektronik Sanayi ve Ticaret Anonim Şirketi EP Co. ("ASELSAN South Africa"), ASELSAN Balkans ("ASELSAN Balkans") and ASELSAN Kıbrıs İleri Teknolojiler Araştırma Merkezi ("ASELSAN N.Cyprus") and ASELSAN Elektronik Sanayi ve Ticaret A.Ş. Katar ("ASELSAN Qatar") and ASELSAN Elektronik Sanayi ve Ticaret A.Ş. Poland ("ASELSAN Poland") located in Republic of South Africa, Macedonia, Turkish Republic of Northern Cyprus ("TRNC"), Qatar and Poland respectively. The branches are also included in the consolidated financial statements.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 The Basis of Presentation

Statement of Compliance to TFRS

The accompanying consolidated financial statements are prepared in accordance with the requirements of CMB Communiqué Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets" ("Communiqué"), which were published in the Official Gazette No: 28676 on 13 June 2013 and in accordance with the Turkish Financial Reporting Standards ("TFRS") and Interpretations that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA").

The consolidated financial statements has been presented with examples of Financial Statement by the POA. All reports have suited the TFRS formats.

The consolidated financial statements are prepared according to historical cost accounting except for the revaluation of land and financial instruments.

Approval of the Consolidated Financial Statements

These consolidated financial statements have been approved for issue by the Board of Directors with the resolution number 1222 on 26 March 2024. There is no authority other than General Assembly and legal entities has the right to amend the consolidated financial statements.

Functional Currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment ("Functional Currency") in which the entity operates. The Company's reporting currency is Turkish Lira ("TL"). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TL, which is the functional, and presentation currency of the Company for the consolidated financial statements. Amounts are expressed in thousands of TL or Foreign Currency unless otherwise stated. Kuruş, Turkish Currency subunit and 1 TL is equal to 100 Kuruş.

Preparation of Financial Statements in Hyperinflationary Periods

With the decision taken on March 17, 2005, the CMB has announced that, effective from January 1, 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with CMB Accounting Standards and therefore the preparation and presentation of financial statements in accordance with International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies" is no longer required.

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)**2.1 The Basis of Presentation (continued)**

On November 23, 2023, Public Oversight Accounting and Auditing Standards Authority ("POA") announced the application of inflation accounting in Turkey and according to the announcement, financial statements of entities applying TFRS for the annual reporting period ending on or after December 31, 2023 should be presented as adjusted for the effects of inflation in accordance with the related accounting principles in TAS 29. As of the date of these financial statements, inflation adjustment has been made in accordance with TAS 29 while preparing the financial statements dated December 31, 2023.

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and that corresponding figures for previous periods be restated in the same terms using the general price index. One of the conditions that require the application of TAS 29 is a three-year cumulative inflation rate of approximately 100% or more. In Turkey, based on the consumer price index ("CPI") published by the Turkish Statistical Institute ("TURKSTAT"), the cumulative rate was 271% for the three-year period ended December 31, 2023.

TAS 29 should also be applied if there are signs of hyperinflation, such as the public keeping their savings predominantly in foreign currencies, prices of goods and services being determined in foreign currencies, interest rates, wages and prices being linked to general price indices, and prices being determined with a maturity difference to compensate for losses in purchasing power, including short-term transactions, although there is no increase in price indices at the level mentioned above.

Adjustments for inflation have been calculated based on the coefficients calculated using the Consumer Price Index in Turkey published by the Turkish Statistical Institute. As of December 31, 2023, the indices and coefficients used in the restatement of the accompanying financial statements are as follows:

Period	Index	Correction Coefficient
31 Aralık 2023	1.859,39	1
31 Aralık 2022	1.128,45	1,64773
31 Aralık 2021	686,95	2,70673

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.

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

2.2 The Basis of Presentation (continued)

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.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)**2.3 The Basis of Presentation (continued)****Basis of Consolidation****Subsidiaries:**

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

Subsidiaries	Location	Functional Currency	Group's proportion of ownership and voting power held (%)		Main Activity
			31 December 2023	31 December 2022	
ASELSANNET	Türkiye	TL	100	100	Communication systems
ASELSAN Baku	Azerbaijan	AZN	100	100	Marketing and sales of the group products
ASELSAN GLOBAL	Türkiye	TL	100	100	Export
ASELSAN Optik	Türkiye	TL	80	50	Sensitive optic technologies
Mikro AR-GE	Türkiye	TL	85	85	Microelectronic R&D projects
ASELSAN Malaysia	Malaysia	MYR	100	100	Remote controlled weapon systems
ASELSAN Konya	Türkiye	TL	51	51	Weapon and weapon systems
BITES	Türkiye	TL	100	51	Defense, Aerospace, Space Technologies, Software
ASELSAN Ukraine	Ukraine	UAH	100	100	Marketing and sales of the group products
ULAK	Türkiye	TL	51	51	Communication systems

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns

The Company reassesses whether or not it controls an investee when if facts and circumstances arise there are changes to one or more of the three elements of control listed above.

Even though the Company has voting rights less than a majority, if it has ability to manage the operation of the investee unintentionally, then the Group assess that it has control over that investee.

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

2.1 The Basis of Presentation (continued)

Basis of Consolidation (continued)

Subsidiaries (continued):

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- comparison of voting rights of the Group and the others,
- potential voting rights held by the Group, and others,
- rights arising from contractual arrangements; and
- any additional facts and circumstances that indicate the Group has, or does have, the current ability to direct the relevant activities at the time that decisions need to be made (including voting patterns at previous shareholders' meeting).

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Each item of profit or loss and other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to align with the Group accounting policies and the Group's accounting policies.

All intragroup balances, equity, income and expenses, profits and losses and cash flows relating to transactions between members of the Group are eliminated during consolidation.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

2.1 The Basis of Presentation (continued)

Basis of Consolidation (continued)

Joint Ventures

The details of the Group's interests in joint ventures as of 31 December 2023 and 2022 are as follows:

Joint Ventures	Principal Activity	Country of establishment and operation	Group's proportion of ownership and voting power held (%)	
			31 December 2023	31 December 2022
Mikro Nano Teknolojileri Sanayi ve Ticaret Anonim Şirketi ("ASELSAN Bilkent")	Production of micro and nano sized devices which contains semi-conductive and similar technological materials	Türkiye	50	50
International Golden Group ("IGG") ASELSAN Integrated Systems LLC ("IGG ASELSAN")	Production, integration, sales and technical maintenance service of high technology product	United Arab Emirates	49	49
Kazakhstan ASELSAN Engineering LLP ("ASELSAN Kazakhstan")	Production, sales and technical maintenance service of electronic and electro-optic devices and systems	Kazakhstan	49	49
ASELSAN Middle East PSC ("ASELSAN Jordan")	Production, sales and technical maintenance service of electronic and electro-optic devices and systems	Jordan	49	49
TÜYAR Mikroelektronik Sanayi ve Ticaret Anonim Şirketi ("TÜYAR")	Production of micro and nano-sized devices containing semiconductor	Türkiye	51	51
BARQ QSTP LLC. ("BARQ QSTP LLC.")	Command and control systems, thermal and night vision camera, crypto, remote-controlled weapon systems	Qatar	48	48
Teknohab Teknoloji Geliştirme Bölgesi Yönetici Anonim Şirketi ("TEKNOHAB")	To create investment opportunities in technology intensive areas, provide job opportunities to researchers and skilled people, help technology transfers and facilitate foreign capital to enter our country that will enable high technology	Türkiye	13	13
EHSİM Elektronik Harp Sistemleri Müh. Tic. A.Ş. ("EHSİM")	Electronic Warfare and Tactical Command Systems	Türkiye	50	50
TR Eğitim ve Teknoloji A.Ş. ("TR Eğitim")	Realizing Human Resources studies, Consultancy with respect to HR studies, accreditation services and trainings for every level, educational, cultural, art, sports, fair organizations and digital marketing operations.	Türkiye	35	35
DASAL Havacılık Teknolojileri A.Ş. ("DASAL")	Aviation technologies	Türkiye	49	40
İstanbul Finans ve Teknoloji Merkezi ("İFTÜ")	To establish infrastructure activities for the development of the financial technology ecosystem	Türkiye	44	44

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

2.1 The Basis of Presentation (continued)

Basis of Consolidation (continued)

Joint Ventures (continued):

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group's joint ventures; EHSİM established in 1998, IGG ASELSAN and ASELSAN Kazakhstan established in 2011, ASELSAN Jordan established in 2012 and ASELSAN Bilkent established in 2014, TÜYAR established in 2017, TEKNOHAB established in 2018, TR Eğitim established in 2019, DASAL Havacılık Teknolojileri A.Ş. established in 2020 and İFTÜ established in 2022 were included in the condensed consolidated financial statements by using the equity method. Since BARQ QSTP LLC and TR Eğitim Teknoloji have not started to operate yet, there is no material consolidation effect on the Group's financial statements.

2.2 Comparative Information and Restatement of Prior Period Consolidated Financial Statements

In order to determine the financial position and performance trends, the Group's consolidated financial statements are presented comparatively with the corresponding figures. For the purpose of having consistency with the current term's presentation of consolidated financial statements, comparative information is reclassified and significant differences are explained if necessary.

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

2.3 Accounting Policies, Changes in Accounting Estimates and Errors

Significant changes in accounting policies and errors are applied retrospectively and prior period financial statements are restated, changes in accounting estimates are reflected to the financial in current period profit/loss.

When change in estimate in accounting policies are related with only one period, changes are applied on the current period but if the estimated changes are for the following periods, changes are applied both on the current and following periods prospectively.

2.4 New and Revised Turkish Accounting Standards

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2023 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of 1 January 2023 and thereafter. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

a) The new standards, amendments and interpretations which are effective as at January 1, 2023 are as follows:

TFRS 17 – Insurance Contracts

POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted. In accordance with amendments issued by POA in December 2021, entities have transition option for a "classification overlay" to avoid possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of TFRS 17. The amendments do not have a significant impact on the consolidated financial position and performance of the Group.

Amendments to TAS 1 – Classification of Liabilities as Current or Non-current

On 15 January 2021, POA issued amendments to TAS 1 Presentation of Financial Statements. The amendments issued to TAS 1 which are effective for periods beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted. The amendments do not have a significant impact on the consolidated financial position and performance of the Group.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)**2.4 New and Revised Turkish Accounting Standards (continued)****Amendments to TAS 1 – Disclosure of Accounting Policies**

In August 2021, POA issued amendments to TAS 1, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. In the absence of a definition of the term 'significant' in TFRS, POA decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in TFRS and is widely understood by the users of financial statements, according to POA. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them. Examples of circumstances in which an entity is likely to consider accounting policy information to be material have been added. The amendments issued to TAS 1 are effective for annual periods beginning on or after 1 January 2023. The amendments do not have a significant impact on the consolidated financial position and performance of the Group.

Amendments to TAS 8 – Definition of Accounting Estimates

In August 2021, POA issued amendments to TAS 8, in which it introduces a new definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors.

The amendments issued to TAS 8 are effective for annual periods beginning on or after 1 January 2023. The amendments do not have a significant impact on the consolidated financial position and performance of the Group.

Amendments to TAS 12 – Deferred Tax related to Assets and Liabilities Arising From a Single Transaction

In August 2021, POA issued amendments to TAS 12, which narrow the scope of the initial recognition exception under TAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The amendments issued to TAS 12 are effective for annual periods beginning on or after 1 January 2023. The amendments do not have a significant impact on the consolidated financial position and performance of the Group.

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

2.4 New and Revised Turkish Accounting Standards (continued)

b) Standards Issued But Not Yet Effective and Not Early Adopted as of 31 December 2023

Amendments to TAS 1 – Non-Current Liabilities with Covenants

On 20 December 2022, POA issued amendments to TAS 1 Non-Current Liabilities with Covenants. The amendments set out in 'Non-current Liabilities with Covenants (Amendments to TAS 1)' state that at the reporting date, the entity doesn't need to consider covenants to be complied with in the future, when considering the classification of the debt as current or non-current. Instead, the entity should disclose information about these covenants in the notes to the financial statements. With these changes, aims to help investors understand the risk that such debt could become repayable early and therefore, has improved the information being provided on the long-term debt.

The amendments are applicable for annual reporting periods beginning on or after 1 January 2024, with early application permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments of TFRS 16.

Amendments to TFRS 16 – Lease Liability in a Sale and Leaseback

In January 2023, POA issued amendments to TFRS 16. The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. In applying requirements of TFRS 16 under "Subsequent measurement of the lease liability" heading after the commencement date in a sale and leaseback transaction, the seller lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the sellerlessee. The amendments do not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in TFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with TAS 8.

A seller-slessee applies the amendments to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. A seller-lessee applies the amendments retrospectively in accordance with TAS 8 to sale and leaseback transactions entered into after the date of initial application of TFRS 16. The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments of TFRS 16.

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

2.4 New and Revised Turkish Accounting Standards (continued)

Amendments to TAS 7 and TFRS 7 – Supplier Finance Arrangements

On September 19, 2023, POA issued amendments to TAS 7 and TFRS 7 Supplier Finance Arrangements.

With these amendments, companies are expected to disclose the following regarding supplier finance agreements:

- The terms and conditions of the arrangements,
- The carrying amounts, and associated line items presented in the entity's statement of financial position, of the financial liabilities that are part of a supplier finance arrangement. The carrying amounts, and associated line items, of the financial liabilities for which suppliers have already received payment from the finance providers,
- The range of payment due dates,
- Liquidity risk disclosures.

The amendments are applicable for annual reporting periods beginning on or after 1 January 2024, with early application permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments of TAS 7 and TFRS 7.

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

On September 19, 2023, POA issued amendments to Amendments to TMS 12 Income Taxes - International Tax Reform Pillar Two Model Rules. With amendments to the International Tax Reform Pillar Two Model Rules, to provide a better understanding of a company's income tax exposure resulting from the Pillar Two Model, additional disclosure obligations have been imposed on companies. As an exception to the requirements in TMS 12, an entity shall neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

The exception which are recognized in International Tax Reform Pillar Two Model Rules are applicable immediately however, companies must make disclosures for annual reporting periods beginning on 1 January 2024. The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments of TMS 12.

c) The new amendments that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following amendments which are issued by IASB but not yet adapted/issued by POA. Therefore, they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the amendments are issued and become effective under TFRS.

Amendments to IAS 21 - Lack of exchangeability

In August 2023, IASB issued amendments to IAS 21. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, it discloses information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows. Overall, the Group expects no significant impact on its balance sheet and equity.

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

2.5 Summary of Significant Accounting Policies

Related Parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the 'reporting entity').

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity;
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Transaction with related party is a transfer of resources, services or liabilities between the reporting entity and the related party, disregarding it is with or without a value.

Revenue

TFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised.

It replaces existing revenue recognition guidance, including TAS 18 Revenue, TAS 11 Construction Contracts and TFRYK 13 Customer Loyalty Programmes.

General model for revenue recognition

TFRS 15 requires revenue recognition for all contracts with customers to follow the five-step approach to revenue recognition.

Step 1: Identifying the contract with customers

A contract exists only if it is legally enforceable, the collection of the consideration is probable, the rights to goods and services and payment terms can be identified, the contract has commercial substance; and the contract is approved and the parties are committed to their obligations.

If either contracts were negotiated as a single commercial package, or consideration in one contract depends on the other contract or goods or services (or some of the goods or services) are a single performance obligation the Group accounts the contracts as a single contract.

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

2.5 Summary of Significant Accounting Policies (continued)

Step 2: Identifying the performance obligations

Group defines 'performance obligation' as a unit of account for revenue recognition. The Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation either a good or service that is distinct; or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer.

A contract may contain promises to deliver a series of distinct goods or services that are substantially the same. At contract inception, an entity determines whether the series of goods or services is a single performance obligation.

Step 3: Determining the transaction price

In order to determine the transaction price, the Group assesses how much consideration it expects to be entitled to by fulfilling the contract. In arriving at the assessment, the Group considers variable elements of consideration, as well as the existence of a significant financing component.

Significant financing component

The Group revises the promised amount of consideration for the effect of a significant financing component to the amount that reflects what the cash selling price of the promised good or service.

As a practical expedient, the Group does not adjust the transaction price for the effects of a significant financing component if, at contract inception, the entity expects the period between customer payment and the transfer of goods or services to be one year or less. In cases where advance for the services are received and the payment scheme is broadly aligned with the Group's performance throughout the period, the Group concludes that the period between performance and payment is never more than 12 months, therefore the expedient is applied.

Variable consideration

The Group identifies items such as price concessions, incentives, performance bonuses, completion bonuses, price adjustment clauses, penalties, discounts, credits, or similar items may result in variable consideration if there is any in a customer contract.

Step 4: Allocating the transaction price to performance obligations

If distinct goods or services are delivered under a single arrangement, then the consideration is allocated based on relative stand-alone selling prices of the distinct goods or services (performance obligations). If directly observable stand-alone selling prices are not available, the total consideration in the service contracts is allocated based on their expected cost plus a margin.

Step 5: Revenue Recognition

The Group recognises revenue over-time if any of the following conditions is met:

- customer simultaneously receives and consumes the benefits as the entity performs, or
- the customer controls the asset as the entity creates or enhances it, or
- Group's performance does not create an asset for which the entity has an use; and alternative there is a right to payment for performance to date.

For each performance obligation that is satisfied over time, an entity selects a single measure of progress, which depicts the transfer of control of the goods or services to the customer. The Group uses a method that measures the work performed reliably.

The Group uses cost incurred to measure the progress towards to completion of the project where the input method is used and uses units transferred to measure the progress towards to completion of the project where the output method is used.

If a performance obligation is not satisfied over time, then the Group recognise revenue at the point in time at which it transfers control of the good or service to the customer.

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

2.5 Summary of Significant Accounting Policies (continued)

The Group recognises a provision in accordance with TAS 37 "Provisions, Contingent Liabilities and Contingent Assets" when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits.

Contract modifications

The Group recognises a contract modification as a separate contract if the modification results in a promise to deliver additional goods or services that are distinct and an increase in the price of the contract by an amount of consideration that reflects the entity's stand-alone selling price of those goods or services adjusted to reflect the circumstances of the contract.

If the goods or services are distinct, then the entity accounts for the modification as if it were a termination of the existing contract and the creation of a new contract.

If the modification to the contract does not add distinct goods or services, then the entity accounts for it on a combined basis with the original contract, as if the additional goods or services were part of the initial contract.

Dividend and interest income

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

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

The Rental Income

The rental income is charged to the statement of profit or loss on a straight line method bases over the period of the lease.

Inventories

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

Property, Plant and Equipment

Land held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated impairment losses.

Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any increase in the fair value arising on the revaluation of such land is recognized in gain on revaluation of property.

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)**2.5 Summary of Significant Accounting Policies (continued)****Property, Plant and Equipment (continued)**

A decrease in the carrying amount arising on the revaluation of such land is recognized in profit or loss to the extent that it exceeds the balance in the accumulated in the equity, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve inequity is transferred directly to retained earnings.

Land is not depreciated. Property, plant and equipment other than lands are carried at cost less accumulated depreciation and any accumulated impairment losses.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Borrowing cost is capitalized when the assets took a substantial period of time to get ready for their intended use or sale.

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

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

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

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

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

The useful lives of Property, Plant and Equipment are as follows:

	<u>Useful life</u>
Buildings	5-50 years
Land improvements	7-25 years
Machinery and equipment	2-35 years
Motor vehicles	3-18 years
Furniture and fixtures	2-50 years
Leasehold improvements	2-11 years
Other tangible assets	2-20 years

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

2.5 Summary of Significant Accounting Policies (continued)

Intangible Assets

Intangible assets acquired

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

Trademarks and Licenses

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

Computer software

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

Right-of-use assets

The Group reflects the non-cancellable operating leases over one year, which include the right to control the use of the asset defined in the contract, as a right-of-use asset in the accounting records. The right of use is calculated by discounting the lease payments to their present value over the interest rate stated in the contract, either explicitly or secretly. Right-of-use asset is amortized over the lease term.

Internally generated intangible assets – Research and Development

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

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

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

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)**2.5 Summary of Significant Accounting Policies (continued)****Intangible Assets (continued)****Internally generated intangible assets – R&D expenditure (continued)**

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

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

The useful lives of the intangible assets are as follows:

	<u>Useful life</u>
Rights	1-15 years
Computer software	2-3 years
Development expenditures	1-5 years

Borrowing Cost

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

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

Financial Instruments

TFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces TAS 39 Financial Instruments: Recognition and Measurement.

i. Classification – Financial assets

TFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

TFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, Fair Value Through Other Comprehensive Income ("FVOCI") and Fair Value Through Profit or Loss ("FVTPL"). The standard eliminates the existing TAS 39 categories of held to maturity, loans and receivables and available for sale. Financial investments classified as "Available for Sale Financial Assets" in accordance with TAS 39 are classified as FVOCI in accordance with TFRS 9.

Under TFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. The Group does not have any embedded derivatives as of reporting date.

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

2.5 Summary of Significant Accounting Policies (continued)

Financial Instruments (continued)

ii. Impairment – Financial assets and contract assets

TFRS 9 replaces the 'incurred loss' model in TAS 39 with a forward-looking 'expected credit loss' (ECL) model. This requires considerable judgement about how changes in economic factors affect ECLs, which is determined on a probability-weighted basis.

The new impairment model applies to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under TFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement (simplified approach) is always applied to trade receivables and contract assets without a significant financing component.

iii. Classification – Financial liabilities

TFRS 9 largely retains the existing requirements in TAS 39 for the classification of financial liabilities.

However, under TAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under TFRS 9 these fair value changes are generally presented as follows:

The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and the remaining amount of change in the fair value is presented in profit or loss.

The Group has not identified any liability for the fair value recognized in profit or loss and has no objective purpose.

iv. Hedge accounting

When initially applying TFRS 9, the Group may choose as its accounting policy to continue to apply the hedge accounting requirements of TAS 39 instead of the requirements in TFRS 9. During selection of the accounting policies, TFRS 9 gives option of continuing with TAS 39 hedge accounting principles and deferring hedge accounting rules in accordance with TFRS 9. The Group does not apply hedge accounting.

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

2.5 Summary of Significant Accounting Policies (continued)

Capital

Common Stocks

Common stocks are classified as equity. Incremental costs that can be directly attributable to the issue of ordinary shares are recognised as a deduction from equity considering the tax effect.

Leasing

Leasing- the group as lessor

The Group recognizes the contracts that include the right to control the use of an asset, the transfer of it for a specified period and for a certain price, as lease agreements and accounts for the relevant contractual rights as "right-of-use asset".

The right-of-use asset includes the initial measurement amount of the lease liability, all lease incentives and discounts related to the lease, all direct costs incurred and all costs related to dismantling / moving the defined asset. The Group applies the short-term lease registration exemption for assets that have a lease term of twelve months or less from the start date and do not have a purchase option.

The Group depreciates the right-of-use asset based on the lease term and values it at cost.

The lease obligation, on the other hand, is measured over the present value of unrealized lease payments at the actual start date. Lease payments are discounted using the implied interest rate, if any, otherwise the lessee's alternative borrowing interest rate.

Foreign Currency Transactions

Foreign currency transactions and balances

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

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

2.6 Summary of Significant Accounting Policies (continued)

Foreign Currency Transactions (continued)

Foreign currency transactions and balances (continued)

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

Exchange differences are accounted for the period in profit or loss in which they are incurred except for the following cases:

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

Earnings per Share

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

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

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

2.5 Summary of Significant Accounting Policies (continued)

Events After the Reporting Period

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

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

Provisions, Contingent Liabilities and Contingent Assets

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

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

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

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

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

2.5 Summary of Significant Accounting Policies (continued)

Operating Segments

Operations of the Company are technical system design, development, production and after-sales services for various products for defense industry. One kind of operating segment has occurred in consequence of similarities between methods that are used for products, quality of services and processes, client's type and class, and distribution or presentation of products. It is not required to disclose segment reporting for the consolidated subsidiaries, since revenue profit/loss and assets are below 10 percent of consolidated amounts.

Government Grants and Incentives

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

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

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

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

2.5 Summary of Significant Accounting Policies (continued)

Taxes Calculated on the Basis of the Company's Earnings

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

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

Current tax

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

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

2.5 Summary of Significant Accounting Policies (continued)

Taxes Calculated on the Basis of the Company's Earnings (continued)

Deferred tax (continued)

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

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

Current and deferred tax for the period

Tax, provided that it is not related with a transaction directly recognized in equity, is classified in the statement of profit or loss. Otherwise, tax is recognized under equity.

Employee Benefits

Termination and retirement benefits

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per TAS 19 "Employee Benefits" ("TAS 19").

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

The actuarial gains and losses are recognized in other comprehensive income.

Dividend and bonus plans

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

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

2.5 Summary of Significant Accounting Policies (continued)

Employee Benefits (continued)

Statement of Cash Flows

Current period statement of cash flows is categorized and reported as operating, investing and financing.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Non-Current Assets Held for Sale

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

2.6 Critical Accounting Judgments and Estimates

Critical judgments in applying the Group's accounting policies

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

Deferred tax

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities. Currently, there are deferred tax assets resulting from operating loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realized.

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

2.6 Critical Accounting Judgments and Estimates (continued)

Critical judgments in applying the Group's accounting policies (continued)

Deferred tax (continued)

The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset. If based on the weight of all available evidence, it is the Group's belief that taxable profit will not be available sufficient to utilize some portion of these deferred tax assets, then provision is set for some portion of or all of the deferred tax assets (Note 27).

Liabilities with respect to employee benefits

The Group makes various assumptions on discount, inflation rate, wage increase rate, the probability of quitting voluntarily for calculating provisions for employee benefits and retirement pays (Note 17).

Useful lives of tangible and intangible assets

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

Escalation

As of the reporting dates, the amounts of the projects subject to escalation are calculated with respect to the provisions of the contracts and estimated in accordance with TFRS 15 "Revenue from Contracts with Customers".

Provision for guarantee expenses

The Group calculates provision, according to the budgeted estimations for specific parts of the sales under the scope of warranty that needs specific guarantee calculations, and according to the realizations in previous years for the remaining part of the sales (Note 15).

Development Expenses

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

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

3. CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022
Cash	903	661
Bank		
- <i>Time deposit</i>	6.321.332	8.639.887
- <i>Demand deposit</i>	273.516	719.154
Other	5.326	7.827
Cash and cash equivalents on the cash flow statement	6.601.077	9.367.529
Interest income accruals	8.952	3.100
	6.610.029	9.370.629

As of 31 December 2023, the Group has time deposits denominated in foreign currencies with maturities on January 2024 (31 December 2022: January 2023), with the interest rates between 2,50 percent and 3,50 percent (31 December 2022: 0,75 percent and 3,00 percent) amounting to TL 2.028.759 (31 December 2022: TL 2.772.923) in several banks.

As of 31 December 2023, the Group has time deposits denominated in TL terms with maturities on January 2024 (31 December 2022: January 2023) with the interest rates between 41,50 percent and 42 percent (31 December 2022: 20 percent) amounting to TL 4.292.573 (31 December 2022: TL 5.866.964) in several banks.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

4. INTERESTS IN OTHER ENTITIES**a) Subsidiaries**

Details of the Group's material subsidiaries as of 31 December are as follows:

Subsidiaries	Location	Functional Currency	Group's proportion of ownership and voting power held (%)		Main Activity
			31 December 2023	31 December 2022	
ASELSANNET	Türkiye	TL	100	100	Communication systems
ASELSAN Baku	Azerbaijan	AZN	100	100	Marketing and sales of the group products
ASELSAN GLOBAL	Türkiye	TL	100	100	Export
ASELSAN Optik	Türkiye	TL	80	50	Sensitive optic technologies
Mikro AR-GE	Türkiye	TL	85	85	Microelectronic R&D projects
ASELSAN Malaysia	Malaysia	MYR	100	100	Remote controlled weapon systems
ASELSAN Konya	Türkiye	TL	51	51	Weapon and weapon systems
BITES	Türkiye	TL	100	51	Defense, Aerospace, Space Technologies, Software
ASELSAN Ukraine	Ukraine	UAH	100	100	Marketing and sales of the group products
ULAK	Türkiye	TL	51	51	Communication systems

Composition of the Group

Explained in Note 1.

Change in the Group's ownership interest in a subsidiary:

Change in the Group's subsidiaries ownership is explained in Note 2.1

b) Joint Ventures

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

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

5. RELATED PARTY DISCLOSURES

Transactions between the Company and its subsidiaries which are related parties of the Company have been eliminated on consolidation, therefore have not been disclosed in this note.

The trade receivables from related parties generally arise from sales activities with maturities of 1 year.

The trade payables to related parties generally arise from the purchase activities with maturities of 1-4 months.

Total amount of salaries and other short-term benefits paid for key management for the period ended 31 December 2023 is approximately TL 209.083 (The vast majority consists of paid wages and benefits.) (31 December 2022: TL 156.203).

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

5. RELATED PARTY DISCLOSURES (continued)

	31 December 2023									
	Receivables					Payables				
	Short-term			Long-term		Short-term			Long-term	
	Trading	Prepaid Expenses	Other Receivables	Trading	Prepaid Expenses	Trading	Deferred Income	Other Payables ¹	Trading	Deferred Income
Balances with related parties										
<u>Main shareholder</u>										
TSKGV	115	--	--	--	--	--	--	266.947	--	--
<u>Main shareholder's subsidiaries and associates</u>										
Hava Elektronik San. ve Tic. Anonim Şirketi (“HAVELSAN”)	80.657	291.878	--	15.714	44.288	406.406	--	--	--	--
HAVELSAN Teknoloji Radar San. ve Tic. Anonim Şirketi (“HTR”)	8.925	204.152	--	--	4.386	175.605	1.120	--	--	567
İşbir Elektrik Sanayii Anonim Şirketi (“İŞBİR”)	--	220.285	--	--	--	77.798	--	--	--	--
NETAŞ Telekomünikasyon Anonim Şirketi (“NETAŞ”)	--	35.718	--	--	10.999	186.459	--	--	--	--
Savunma Teknolojileri Mühendislik ve Ticaret Anonim Şirketi (“STM”)	543.442	20.076	--	386.876	--	25.363	--	--	--	194.456
Türk Havacılık ve Uzak Sanayi ve Ticaret Anonim Şirketi (“TUSAŞ”)	1.751.618	--	--	1.719.767	--	725	133.241	--	--	154.517
<u>Financial Instruments</u>										
Askeri Pil Sanayi ve Ticaret Anonim Şirketi (“ASPİLSAN”)	493	40.756	--	--	--	76.423	4.697	--	--	--
Roket Sanayi ve Ticaret Anonim Şirketi (“ROKETSAN”)	2.037.380	148.450	--	303.207	1.276.207	1.764.840	243.840	--	--	71.421
<u>Joint ventures and its related parties</u>										
ASELSAN Bilkent Mikro Nano	--	197.038	--	--	21.553	95.259	--	--	--	--
İhsan Doğramacı Bilkent Üniversitesi	30	5.342	--	--	--	13.215	--	--	--	--
IGG	257.849	--	--	4.236	--	--	--	--	--	--
IGG ASELSAN	34.424	25.972	--	--	3.627	21.261	--	--	--	--
ASELSAN Kazakistan	385.109	--	--	--	--	240	45	--	--	17
ASELSAN Jordan	141.672	--	--	--	--	36.707	5.687	--	--	--
TÜBİTAK BİLGEM	--	77.483	--	--	10.237	58.308	--	--	--	--
TÜBİTAK-UME	--	676	--	--	--	540	--	--	--	--
TÜBİTAK BİLİMSEL TEKNOLOJİK ARAŞTIRMA	30.005	7.746	--	164.388	1.440	12.735	22.072	--	--	12.649
TÜBİTAK SAGE Savunma Sanayii	10.979	278.180	--	--	44.331	216.010	4.950	--	--	--
Savunma Sanayi Başkanlığı (“SSB”)	3.763.188	--	--	21.302.552	--	--	2.034.730	--	--	2.906.392
SSTEK	--	--	--	--	--	--	147.918	--	--	323.169
EHSİM	--	11.056	--	--	14.750	26.731	--	--	--	--
DASAL	--	--	--	--	--	7.890	--	--	--	--
TR Eğitim	--	--	--	--	--	155	--	--	--	--
<u>Shares offered to the public</u>										
	9.045.886	1.564.808	--	23.896.740	1.431.818	3.202.670	2.598.300	266.947	--	3.663.188

¹ All other short term payable is 2022 dividend payments.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

5. RELATED PARTY DISCLOSURES (continued)

	31 December 2022									
	Receivables					Payables				
	Short-term		Other Receivables	Long-term		Short-term		Other Payables ¹	Long-term	
	Trading	Prepaid Expenses		Trading	Prepaid Expenses	Trading	Deferred Income		Trading	Deferred Income
Balances with related parties										
<u>Main shareholder</u>										
TSKGV	107	--	--	--	--	--	57.378	375.304	--	--
<u>Main shareholder's subsidiaries and associates</u>										
Hava Elektronik San. ve Tic. Anonim Şirketi ("HAVELSAN")	20.396	331.212	--	24.456	1.992	903.903	--	--	--	7
HAVELSAN Teknoloji Radar San. ve Tic. Anonim Şirketi ("HTR")	34.396	114.324	--	--	--	88.221	731	--	--	--
İşbir Elektrik Sanayii Anonim Şirketi ("İŞBİR")	--	194.005	--	--	7.198	89.862	--	--	--	--
NETAŞ Telekomünikasyon Anonim Şirketi ("NETAŞ")	--	47.161	--	--	5.135	185.427	--	--	--	--
Savunma Teknolojileri Mühendislik ve Ticaret Anonim Şirketi ("STM")	1.109.230	24.607	--	592.364	--	38.901	2.467	--	--	296.920
Türk Havacılık ve Uzay Sanayi ve Ticaret Anonim Şirketi ("TUSAŞ")	1.964.586	--	--	1.482.208	--	3.777	280.766	--	--	91.606
<u>Financial Instruments</u>										
Askeri Pil Sanayi ve Ticaret Anonim Şirketi ("ASPİLSAN")	367	78.408	--	--	--	65.655	--	--	--	--
Roket Sanayi ve Ticaret Anonim Şirketi ("ROKETSAN")	1.529.067	2.336.677	--	312.087	299.448	2.598.378	409.886	--	--	41.344
<u>Joint ventures and its related parties</u>										
ASELSAN Bilkent Mikro Nano	--	86.592	--	--	8.041	12.989	--	--	--	--
İhsan Doğramacı Bilkent Üniversitesi	--	882	--	--	--	16.031	--	--	--	--
ASELSAN Optik	67.638	336.775	9.194	--	--	81.259	--	--	--	--
IGG	258.445	--	--	6.980	--	--	--	--	--	--
IGG ASELSAN	26.476	8.860	--	--	--	23.836	--	--	--	--
ASELSAN Kazakistan	243.409	--	--	92.556	--	830	14.121	--	--	2.574
ASELSAN Jordan	43.540	1.805	--	--	--	35.316	--	--	--	--
TÜBİTAK BİLGEM	--	87.877	--	--	--	89.271	--	--	--	--
TÜBİTAK-UME	--	438	--	--	--	196	--	--	--	--
TÜBİTAK BİLİMSEL TEKNOLOJİK ARAŞTIRMA	40.378	70.547	--	296.847	3.566	5.136	14.418	--	--	24.988
TÜBİTAK SAGE Savunma Sanayii	1.343	108.706	--	15.995	--	116.855	--	--	--	--
Savunma Sanayi Başkanlığı ("SSB")	4.946.755	--	--	20.741.620	--	--	3.330.108	--	--	2.278.391
SSTEK	--	--	--	--	--	681	214.454	--	--	193.606
EHSİM	--	4.287	--	--	--	12.768	--	--	--	--
DASAL	--	--	--	--	--	5.268	--	--	--	--
<u>Shares Publicly traded</u>	--	--	--	--	--	--	--	130.530	--	--
	10.286.133	3.833.163	9.194	23.565.113	325.380	4.374.560	4.324.329	505.834	--	2.929.436

¹ All other short term payable is 2021 dividend payments.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

5. RELATED PARTY DISCLOSURES (continued)

	1 January- 31 December 2023	1 January- 31 December 2022
Transactions with related parties	Purchases	Purchases
<u>Main Shareholder</u>		
TSKGV	2.346	2.427
<u>Main shareholder's subsidiaries and associates</u>		
NETAŞ	272.781	248.138
STM	32.664	40.526
İŞBİR	283.321	309.033
HTR	370.938	309.638
TUSAŞ	16.493	3.963
HAVELSAN	299.473	1.108.716
<u>Financial Instruments</u>		
ROKETSAN	2.453.277	1.009.471
ASPIŁSAN	113.654	73.688
<u>Joint ventures and its related parties</u>		
İHSAN DOĞRAMACI BİLKENT ÜNİVERSİTESİ	24.567	60.739
TÜBİTAK BİLGEM	128.814	215.325
TÜBİTAK BİLİMSEL TEKNOLOJİK ARAŞTIRMA	--	8.305
TÜBİTAK UME	2.091	2.234
TÜBİTAK SAGE SAVUNMA SANAYİİ	276.746	265.591
SSTEK	163	824
	4.277.328	3.658.618

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

5. RELATED PARTY DISCLOSURES (continued)

	1 January- 31 December 2023	1 January- 31 December 2022
Transactions with related parties	Sales	Sales
<u>Main Shareholder</u>		
TSKGV	18.919	1.008
<u>Main shareholder's subsidiaries and associates</u>		
TUSAŞ	10.165.013	3.940.800
STM	2.797.456	2.539.892
HAVELSAN	139.374	78.259
HTR	25.378	75.052
NETAŞ	--	1.752
İŞBİR	4.710	--
<u>Financial Instruments</u>		
ROKETSAN	2.512.792	1.293.702
ASPIŁSAN	1.873	--
<u>Joint ventures and its related parties</u>		
İHSAN DOĞRAMACI BİLKENT ÜNİVERSİTESİ	78	--
TÜBİTAK BİLİMSEL TEKNOLOJİK ARAŞTIRMA	25.981	65.510
TÜBİTAK SAGE SAVUNMA SANAYİİ	22.521	8.089
SSB	57.598.361	32.868.132
SSTEK	210.259	283.091
	73.522.715	41.155.287

Transactions with related parties are generally related to the purchases and sales of goods and services related to projects under TFRS 15 "Revenue from Contracts with Customers".

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

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

	31 December 2023	31 December 2022
Short-term trade receivables		
Trade receivables	11.508.559	14.133.079
Trade receivables from related parties (Note 5)	9.045.886	10.286.133
Notes receivable	24.665	112.741
Other receivable	14.019	--
Doubtful trade receivables	52.977	49.959
Allowance for doubtful trade receivables (-)	(52.977)	(49.959)
	20.593.129	24.531.953

	31 December 2023	31 December 2022
Long-term trade receivables		
Unbilled receivables from contracts with customers	7.070.193	6.937.750
Trade receivables	642.407	761.016
Unbilled receivables from contracts with customers - Related party (Note 5)	23.894.150	23.534.717
Trade receivables from related parties (Note 5)	2.590	30.396
	31.609.340	31.263.879

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

	31 December 2023	31 December 2022
Opening balance	49.959	81.667
Provision for the period	22.658	311
Monetary gain/(loss)	(19.640)	(32.019)
Closing balance	52.977	49.959

The sectorial distribution of trade receivables is as follows:

	31 December 2023	31 December 2022
Public sector	29.931.478	33.347.964
Private sector	15.755.511	13.862.892
Receivables from companies operating abroad	6.515.480	8.584.976
Total receivables	52.202.469	55.795.832

Receivables from public sector represent the receivables are due from the Presidency of Defense Industry and other public entities. The Group's operations are based on contracts and no other collaterals are obtained from the customers.

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

6. TRADE RECEIVABLES AND PAYABLES (continued)**b) Trade payables**

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

	31 December 2023	31 December 2022
Short-term trade payables		
Trade payables	10.340.477	9.665.247
Due to related parties (Note 5)	3.202.670	4.374.560
Notes Payable	1.084.184	1.894.707
Other trade payables	236.750	172.485
	14.864.081	16.106.999
Long-term trade payables		
Other trade payables	6.093	119.823
Notes payables	69.408	--
	75.501	119.823

7. OTHER RECEIVABLES AND PAYABLES**a) Other receivables**

	31 December 2023	31 December 2022
Short-term other receivables		
Receivables from tax office ¹	1.335.896	1.481.320
Deposits and guarantees given	13.276	22.314
Other receivables from related parties (Note 5)	--	9.194
Other ²	301.333	178.803
	1.650.505	1.691.631
Long-term other receivables		
Deposits and guarantees given	7.279	9.859

b) Other payables

	31 December 2023	31 December 2022
Short-term other payables		
Short-term other payables	45.958	71.591
Deposits and guarantees received	13.260	27.975
Leasing Liabilities	15.877	4.167
Short-term other payables to related parties (Note 5)	266.947	505.834
	342.042	609.567
Long-term other payables		
Deposits and guarantees received	5.970	6.981
Other payables	11.231	11.563
Leasing Liabilities	19.445	8.295
	36.646	26.839

¹ Mainly comprises Value Added Tax (VAT) returns and are expected to be offsetted in the following periods.² Consists of R&D Center social security premium incentive and R&D Center income tax exceptions.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

8. EQUITY ACCOUNTED INVESTMENTS

The Group's financial information for its shareholdings consolidated with equity method , that are not presented, according to the Group's ownership rates are as below:

31 December 2023	Ownership Rate (%)	Current Assets	Non-current Assets	Total Assets	Short-term Liabilities	Long-term Liabilities	Total Liabilities
ASELSAN KAZAKHSTAN	49	400.921	442.276	843.197	387.865	26.139	414.004
ASELSAN JORDAN	49	253.570	112.790	366.360	125.821	27.822	153.643
IGG ASELSAN	49	130.673	268	130.941	20.740	2.438	23.178
ASELSAN BİLKENT	50	515.492	694.437	1.209.929	233.547	479.642	713.189
TEKNOHAB	13	124.432	18.578	143.010	28.363	--	28.363
EHSİM	50	365.555	28.849	394.404	102.608	248.067	350.675
DASAL	49	105.330	244.889	350.219	36.214	--	36.214
TÜYAR	51	19.769	29.190	48.959	8.373	--	8.373
TR EĞİTİM	35	82.040	3.321	85.361	3.131	--	3.131
İSTANBUL FİNANS	44	5.897	966	6.863	1.325	5.539	6.864
		2.003.679	1.575.564	3.579.243	947.987	789.647	1.737.634

31 December 2023	Ownership Rate (%)	Revenue	Expenses	Net Profit/(Loss)	Group Share of Net Assets	Group Share of Profit/(Loss)
ASELSAN KAZAKHSTAN	49	196.570	(201.045)	(4.475)	210.305	(2.193)
ASELSAN JORDAN	49	133.486	(135.664)	(2.178)	104.231	(1.067)
IGG ASELSAN	49	52.702	(38.580)	14.122	52.804	6.920
ASELSAN BİLKENT	50	580.270	(602.584)	(22.314)	248.368	(11.157)
BARQ QSTP LLC.	48	--	--	--	3.969	--
TEKNOHAB	13	21.981	(11.537)	10.444	14.950	1.362
EHSİM	50	369.996	(370.967)	(971)	21.865	(486)
DASAL	49	39.779	(48.099)	(8.320)	153.862	(4.077)
TÜYAR	51	6.590	(4.387)	2.203	20.699	1.124
TR EĞİTİM	35	99.313	(52.350)	46.963	28.781	16.437
İSTANBUL FİNANS	44	2.422	(21.180)	(18.758)	--	(8.336)
		1.503.109	(1.486.393)	16.716	859.834	(1.473)

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

8. EQUITY ACCOUNTED INVESTMENTS (continued)

31 December 2022	Ownership Rate (%)	Current Assets	Non-current Assets	Total Assets	Short-term Liabilities	Long-term Liabilities	Total Liabilities
ASELSAN KAZAKHSTAN	49	900.763	465.349	1.366.112	354.569	87.108	441.677
ASELSAN JORDAN	49	210.871	174.840	385.711	83.037	29.179	112.216
ASELSAN OPTİK	50	358.166	816.306	1.174.472	343.659	197.672	541.331
IGG ASELSAN	49	112.577	61.600	174.177	--	--	--
ASELSAN BİLKENT	50	209.285	878.220	1.087.505	104.502	463.950	568.452
TEKNOHAB	13	89.386	15.511	104.897	694	--	694
EHSİM	50	843.405	31.235	874.640	426.448	403.492	829.940
DASAL	40	42.461	146.834	189.295	129.737	--	129.737
TÜYAR	51	24.505	14.738	39.243	860	--	860
TR EĞİTİM	35	36.676	4.205	40.881	5.614	--	5.614
		2.828.095	2.608.838	5.436.933	1.449.120	1.181.401	2.630.521

31 December 2022	Ownership Rate (%)	Revenue	Expenses	Net Profit/(Loss)	Group Share of Net Assets	Group Share of Profit/(Loss)
ASELSAN KAZAKHSTAN	49	235.044	(245.604)	(10.560)	452.973	(5.175)
ASELSAN JORDAN	49	176.049	(164.202)	11.847	134.012	5.805
ASELSAN OPTİK	50	467.099	(443.343)	23.756	316.570	11.878
IGG ASELSAN	49	51.258	(43.572)	7.686	85.347	3.766
ASELSAN BİLKENT	50	382.334	(382.334)	--	259.527	--
BARQ QSTP LLC.	48	--	--	--	3.969	--
TEKNOHAB	13	20.002	(14.141)	5.861	13.588	764
EHSİM	50	186.782	(165.628)	21.154	22.350	10.577
DASAL	40	45.716	(58.282)	(12.566)	23.823	(5.026)
TÜYAR	51	6.812	(4.394)	2.418	19.575	1.233
TR EĞİTİM	35	66.976	(43.912)	23.064	12.344	8.073
İSTANBUL FİNANS	44	--	--	--	8.336	--
		1.638.072	(1.565.412)	72.660	1.352.414	31.895

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

9. INVENTORIES

	31 December 2023	31 December 2022
Raw materials	18.456.360	12.822.474
Work in progress	9.215.517	9.575.110
Goods in transit ¹	1.734.120	1.441.563
Finished goods	2.165.597	2.558.930
Other inventories	165.558	927.324
Trade goods	515.667	442.855
Allowance for impairment on inventories (-)	(76.448)	(120.220)
	32.176.371	27.648.036

The Group provides an allowance for impairment on inventories when the inventories net realizable values are lower than their costs or when they are determined as slow-moving inventories.

The Group has identified raw material, work-in progress and finished goods inventories below net realizable value within the current year.

Impaired inventory movements for the period ended in 31 December are as follows:

	2023	2022
Opening balance	120.220	147.545
Provisions no longer required	(50.203)	(27.417)
Provision for the period	6.431	92
Closing balance	76.448	120.220

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

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

10. PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2023	31 December 2022
Short-term prepaid expenses		
Order advances given for inventory purchases	5.709.317	3.405.728
Short-term order advances given to related parties for inventory purchases (Note 5)	1.564.808	3.833.163
Work advances	318.014	8.940
Prepaid expenses	1.500.084	862.864
	9.092.223	8.110.695

	31 December 2023	31 December 2022
Long-term prepaid expenses		
Long-term order advances given to related parties for inventory purchases (Note 5)	1.431.818	325.380
Order advances given for inventory purchases	141.345	1.464.353
Order advances given for fixed assets purchases	274.483	205.377
Prepaid expenses	611.722	172.355
	2.459.368	2.167.465

	31 December 2023	31 December 2022
Short-term deferred income		
Order advances received	2.724.543	1.342.374
Order advances received from related parties (Note 5)	2.598.300	4.324.329
Deferred income	3.566.506	3.897.469
	8.889.349	9.564.172

Short-term order advances received comprises advances received from 73 customers (31 December 2022: 104 customers) of which first 10 customers constitutes 98 percent of the total (31 December 2022: 97 percent).

	31 December 2023	31 December 2022
Long-term deferred income		
Order advances received	2.024.418	1.249.967
Order advances received from related parties (Note 5)	3.663.188	2.929.436
Deferred income	221.117	576.030
	5.908.723	4.755.433

Long-term order advances received comprises advances received from 47 customers (31 December 2022: 36 customers) of which the first 10 customers constitutes 93 percent of the total (31 December 2022: 99 percent).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Other fixed assets ¹	Leasehold improvements	Financial leasing ²	Construction in progress ³	Total
<u>Cost and revaluation</u>											
Opening balance as of 1 January 2023	2.127.556	328.672	4.203.130	12.570.615	71.994	3.971.516	1.544.425	1.681.505	175.100	6.149.313	32.823.826
Additions ⁴	--	21.650	425.004	2.013.111	275.046	601.061	2.793	166.084	47.905	1.782.374	5.335.028
Revaluation fund	2.692.554	--	--	--	--	--	--	--	--	--	2.692.554
Disposals	--	(257)	--	(228.239)	(733)	(83.147)	(25.361)	--	--	(194.749)	(532.486)
Transfers	--	8.132	1.433.952	86.917	--	--	303.315	524	--	(1.832.840)	--
Closing balance as of 31 December 2023	4.820.110	358.197	6.062.086	14.442.404	346.307	4.489.430	1.825.172	1.848.113	223.005	5.904.098	40.318.922
<u>Accumulated depreciation</u>											
Opening balance as of 1 January 2023	--	210.174	1.527.500	8.263.995	35.919	2.695.091	991.801	516.632	128.180	--	14.369.292
Charge for the period	--	24.455	157.581	974.546	32.320	843.173	308.898	125.290	20.589	--	2.486.852
Disposals	--	(252)	--	(163.345)	(733)	(82.518)	(1.413)	(18.750)	--	--	(267.011)
Transfers	--	--	--	--	--	--	--	--	--	--	--
Closing balance as of 31 December 2023	--	234.377	1.685.081	9.075.196	67.506	3.455.746	1.299.286	623.172	148.769	--	16.589.133
Net book value as of 31 December 2023	4.820.110	123.820	4.377.005	5.367.208	278.801	1.033.684	525.886	1.224.941	74.236	5.904.098	23.729.789

¹ All of the net book value of other fixed assets consists of mold models manufactured by the Group.

² As of December 31,2023 and December 31,2022, Group has two land that leased for 49 years and 46 years and motor-vehicle rentals.

³ Includes of investments in molds, models, devices and construction works.

⁴ TL 93.141 of additions are free of charge investment income.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

11. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Other fixed assets ¹	Leasehold improvements	Financial leasing ²	Construction in progress ³	Total
<u>Cost and revaluation</u>											
Opening balance as of 1 January 2022	1.517.167	328.677	3.864.920	11.721.391	63.337	3.398.367	1.310.307	1.653.719	181.083	3.990.074	28.029.042
Additions ⁴	--	--	83.350	1.347.421	12.674	643.888	36.749	25.160	2.883	2.698.674	4.850.799
Revaluation fund	610.389	--	--	--	--	--	--	--	--	--	610.389
Disposals	--	(5)	--	(533.193)	(4.017)	(70.895)	(40.190)	--	(8.866)	(9.238)	(666.404)
Transfers	--	--	254.860	34.996	--	156	237.559	2.626	--	(530.197)	--
Closing balance as of 31 December 2022	2.127.556	328.672	4.203.130	12.570.615	71.994	3.971.516	1.544.425	1.681.505	175.100	6.149.313	32.823.826
<u>Accumulated depreciation</u>											
Opening balance as of 1 January 2022	--	194.533	1.392.625	7.878.091	30.432	2.332.269	912.664	441.215	89.063	--	13.270.892
Charge for the period	--	15.641	134.875	856.793	6.691	417.653	107.589	75.417	39.117	--	1.653.776
Disposals	--	--	--	(470.889)	(1.204)	(54.831)	(28.452)	--	--	--	(555.376)
Transfers	--	--	--	--	--	--	--	--	--	--	--
Closing balance as of 31 December 2022	--	210.174	1.527.500	8.263.995	35.919	2.695.091	991.801	516.632	128.180	--	14.369.292
Net book value as of 31 December 2022	2.127.556	118.498	2.675.630	4.306.620	36.075	1.276.425	552.624	1.164.873	46.920	6.149.313	18.454.534

¹ All of the net book value of other fixed assets consists of mold models manufactured by the Group.

² As of December 31,2022 and December 31,2021, Group has two land that leased for 49 years and 46 years and motor-vehicle rentals.

³ Includes of investments in molds, models, devices and construction works.

⁴ TL 167.109 of additions are free of charge investment income.

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

11. PROPERTY, PLANT AND EQUIPMENT (continued)

The details of the depreciation expenses with respect to the plant, property and equipment is as follows:

	31 December 2023	31 December 2022
Cost of sales	1.579.075	1.163.260
General administrative expenses	684.551	330.795
Inventories	219.480	156.706
Marketing expenses	3.746	3.015
	2.486.852	1.653.776

There is no collateral, pledges, and mortgages on tangible assets as of 31 December 2023 and 2022.

There is no capitalized interest expense as of 31 December 2023 and 2022.

Fair value measurement of the Group's land

The lands owned by the Group are revalued and presented at fair value as of 31 December 2023. The fair value of the lands owned by the Group is revalued on 22 December 2023 by Lal Gayrimenkul Değerleme ve Müşavirlik Anonim Şirketi ("Lal Değerleme"), an independent appraisal company. Lal Değerleme is authorized by the CMB and provides real estate appraisal services in accordance with the capital market legislation. The fair value of the lands is determined according to "Market Value Approach (Equivalent Comparison Method)". Gains resulting from revaluation are recognized under "Gain on Revaluation of Property" in other comprehensive income.

In accordance with TFRS 13 "Fair Value Measurement" standard, since measurement techniques do not include observable market inputs, fair values of the lands are considered as level 3 in respect of fair value hierarchy.

Change in Revaluation	2023
Opening balance as of 31 December 2022:	2.127.556
Appreciation (Other Comprehensive Income)	2.692.554
Depreciation (Profit / Loss)	--
TOTAL	4.820.110

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

11. PROPERTY, PLANT AND EQUIPMENT (continued)
Fair value measurement of the Group's land and buildings (continued)

Details of the Group's lands and information regarding fair value hierarchy are as follows:

	31 December	Fair value as of reporting date		
		Level 1	Level 2	Level 3
	2023	TL	TL	TL
Macunköy	2.344.940	--	--	2.344.940
Akyurt	690.915	--	--	690.915
Gölbaşı	4.999	--	--	4.999
Oğulbey	250.116	--	--	250.116
Gölbek	1.660	--	--	1.660
Temelli	1.526.900	--	--	1.526.900
Denizli	580	--	--	580
	4.820.110	--	--	4.820.110

	31 December	Fair value as of reporting date		
		Level 1	Level 2	Level 3
	2022	TL	TL	TL
Macunköy	1.318.183	--	--	1.318.183
Akyurt	606.521	--	--	606.521
Gölbaşı	4.350	--	--	4.350
Oğulbey	196.656	--	--	196.656
Gölbek	1.368	--	--	1.368
Denizli	478	--	--	478
	2.127.556	--	--	2.127.556

The fair value level action table as of 31 December 2023 are as follows:

	Fair Value Level as of Reporting Date		
	Level 1	Level 2	Level 3
	TL	TL	TL
1 January 2023	--	--	2.127.556
Additions (Net)	--	--	2.692.554
31 December 2023	--	--	4.820.110

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

12. INTANGIBLE ASSETS

	Rights	Development Costs	Other intangible assets¹	Total
<u>Cost</u>				
Opening balance as of 1 January 2023	693.317	12.947.655	2.356.697	15.997.669
Additions	204.690	6.763.000	187.783	7.155.473
Disposals	(19.376)	(2.850.948)	(64.348)	(2.934.672)
Transfers	--	--	--	--
Closing balance as of 31 December 2023	878.631	16.859.707	2.480.132	20.218.470
<u>Accumulated Amortization</u>				
Opening balance as of 1 January 2023	579.930	4.208.085	2.078.571	6.866.586
Charge for the period	28.644	998.228	225.530	1.252.402
Disposals	(14.131)	--	(34.148)	(48.279)
Closing balance as of 31 December 2023	594.443	5.206.313	2.269.953	8.070.709
Net book value as of 31 December 2023	284.188	11.653.394	210.179	12.147.761

¹Other intangible assets include licences related to computer software and right of usage assets.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

12. INTANGIBLE ASSETS (continued)

	Rights	Development Costs	Other intangible assets¹	Total
<u>Cost</u>				
Opening balance as of 1 January 2022	685.382	11.812.661	2.165.909	14.663.952
Additions	50.337	7.190.654	204.498	7.445.489
Disposals	(42.402)	(6.055.660)	(13.710)	(6.111.772)
Transfers	--	--	--	--
Closing balance as of 31 December 2022	693.317	12.947.655	2.356.697	15.997.669
<u>Accumulated Amortization</u>				
Opening balance as of 1 January 2022	574.942	3.485.731	1.796.580	5.857.253
Charge for the period	43.711	722.354	294.246	1.060.311
Disposals	(38.723)	--	(12.255)	(50.978)
Closing balance as of 31 December 2022	579.930	4.208.085	2.078.571	6.866.586
Net book value as of 31 December 2022	113.387	8.739.570	278.126	9.131.083

The details of amortization expenses regarding intangible assets is as follows:

	31 December 2023	31 December 2022
Research and development expenses	824.550	485.455
Cost of sales	265.096	225.470
Inventories	117.610	111.550
Marketing expenses	2.556	2.148
General administrative expenses	42.590	235.688
	1.252.402	1.060.311

¹Other intangible assets include licences related to computer software and right of usage assets.

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

13. GOVERNMENT GRANTS AND INCENTIVES

The deferred incentive income shown under consolidated statement of financial position is as follows:

	31 December 2023	31 December 2022
Current government grants and incentives	57.473	115.104

As part of the Decision on Government Incentives on Investments, there are 11 investment incentives taken from General Directorate of Turkish Undersecretariat of the Treasury. The incentives allow VAT exemption and customs tax exemption. VAT exemption is applied in both domestic and international purchases while customs tax exemption is applied for international purchases.

In Corporate Tax Calculation, no tax payable is calculated because of R&D deduction and deductions due to investment incentive certificates cannot be applied. For this reason, no deferred tax effect is calculated for the temporary differences arising from investment incentives.

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

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

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

In accordance with Law on Technology Development Zones numbered 4691, Group utilizes withholding income tax incentive, social security premium incentive and stamp tax exceptions. Such incentives are utilized through not paying withholding income tax incentive, social security premium incentive and stamp tax exceptions calculated based on research and development and software personnel payroll. Income generated in accordance with law on Technology Development Zones numbered 4691 is exempt from corporate income tax until 31 December 2028.

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

13. GOVERNMENT GRANTS AND INCENTIVES (continued)

The research and development expenditure deduction rate used as a tax benefit has been increased from 40 percent to 100 percent in accordance with the amended article 10 of the Tax Law numbered 5520, the amended article 89 of Law numbered 193 and 5746 with respect to the Support of Research and Development Activities. The aforementioned law was enacted of April 2008 after its issue in the Official Gazette dated 12 March 2008, numbered 26814. In accordance to the Law regarding the Incentive of Research and Development Activities numbered 6676 published on Official Gazettes numbered 29636 on 26 February 2016 and The Law Regarding the Amendments on Delegated Legislation, the content of the law and incentives has been broadened and additional exceptions has been given. Research and development expenditure may be used as a tax deduction in the determination of the taxable income. If taxable income levels are not sufficient to absorb all available tax deductions, any unused research and development tax deduction is allowed to be carried forward to the next tax period. The remaining amount from previous year is increased according to revaluation ratio defined at Tax Procedure Law. According to the item No. 8 of the related law, all the costs related with research and development can be subjected to deduction until 31 December 2028.

14. BORROWING COSTS

As of 31 December 2023, there is no material borrowing cost regarding the qualifying assets. (31 December 2022: None).

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

	31 December 2023	31 December 2022
Other short-term provisions		
Provision for warranties ¹	2.784.659	3.282.232
Provision for onerous contracts	216.164	461.563
Provision for delay penalties ²	1.203.052	2.146.550
Sales commission	4.758	547.776
Provision for legal cases	36.389	54.878
Provision for cost expenses	148.464	87.134
Other	11.160	27.312
	4.404.646	6.607.445

The movement of the provision for warranties is as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Opening balance	3.282.232	3.360.734
Provision during the period	2.101.869	2.348.449
Realized during the period	(1.290.405)	(1.112.082)
Monetary gain/(loss)	(1.309.037)	(1.314.869)
Closing balance	2.784.659	3.282.232

The movement of the provision for onerous contracts is as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Opening balance	461.563	1.547.906
Provision reversed during the period	(63.956)	(480.733)
Monetary gain/(loss)	(181.443)	(605.610)
Closing balance	216.164	461.563

¹ The Group's provision for warranty is based on sales under warranty are estimated in accordance with historical data. Provision for warranty is calculated by using warranty rate included in the contract as long as the invoice issued throughout the life of the Contract² Provision for delay penalties and fines are calculated in accordance with interest rates mentioned in the agreement for default and within the client's knowledge.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (continued)**a) Provisions (continued)**

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

	1 January- 31 December 2023	1 January- 31 December 2022
Opening balance	2.146.550	2.293.500
Provision during the period	794.874	954.317
Realized during the period	(199.282)	(192.226)
Provision reversed during the period	(695.272)	(11.721)
Monetary gain/(loss)	(843.818)	(897.320)
Closing balance	1.203.052	2.146.550

The movement of the provision for legal cases is as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Opening balance	54.878	60.679
Provision during the period	13.913	23.511
Realized during the period	(10.829)	(5.572)
Monetary gain/(loss)	(21.573)	(23.740)
Closing balance	36.389	54.878

	31 December 2023	31 December 2022
Other long-term provisions		
Provision for delay penalties	334.056	550.433
Provision for onerous contracts	3.466.231	3.785.069
	3.800.287	4.335.502

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

	1 January- 31 December 2023	1 January- 31 December 2022
Opening balance	550.433	375.751
Provision during the period	--	321.693
Monetary gain/(loss)	(216.377)	(147.011)
Closing balance	334.056	550.433

The movement of the provision for onerous contacts is as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Opening balance	3.785.071	2.817.659
Provision during the period	1.735.213	2.331.190
Provision reversed during the period	(566.124)	(261.387)
Monetary gain/(loss)	(1.487.929)	(1.102.393)
Closing balance	3.466.231	3.785.069

PROVISION, CONTINGENT ASSET AND LIABILITIES (continued)**b) Legal cases**

There has not been any final judicial decision against the Group due to the responsibility related with work accidents within 2023.

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

	Description	2023	2022
a)	Ongoing lawsuits filed by the Group	39.520	47.712
b)	Execution proceedings carried out by the Group	664.908	684.945
c)	Ongoing lawsuits filed against the Group	29.094	54.878
d)	Executions against the Group	11.420	10.634
e)	Lawsuits finalized against the Group within the period	6.929	59.714
f)	Lawsuits finalized in favor of the Group within the period	5.408	17.295

- a) Ongoing lawsuits filed by the Group are comprised of lawsuits for patents, trademarks and lawsuits filed by the Group due to the disagreements related to previous lawsuits. These lawsuits will not be recognised in the financial statements until they are finalized.
- b) Execution of proceedings carried out by the Group are comprised of lawsuits that would result in favor of the Group that will be recognised as revenue under "Other Operating Income" line when they are collected.
- c) The Company made provisions for all lawsuits filed against the Group and recognised as "Provisions" in the statement of financial position and "Other Operating Expense" in the statement of profit or loss and other comprehensive income.
- d) Executions against the Group are not included in Financial Statements.
- e) Lawsuits finalized against the Group are recognised in the statement of profit or loss to the extent that the amount differs from the amount previously provided. Amounts in excess of the amount previously provided are recognised under 'Other Operating Expense' when the penalty is paid.
- f) Lawsuits finalized in favor of the Group are recognised in statement of profit or loss and other comprehensive income under "Other Operating Income" line when the final judgement is determined.

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

16. COMMITMENTS AND CONTINGENCIES**a) Guarantees received**

	31 December 2023	31 December 2022
Letters of guarantees received from the suppliers	9.045.437	9.233.665
Collaterals received from the customers	599.871	548.241
Letters of guarantees received from the customers	26.647	391.924
Collaterals received from the suppliers	997.342	1.095.910
Letters of guarantees received from the suppliers	30.244	44.308
	10.699.541	11.314.048

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

The collaterals/pledges/mortgages ("CPM") given by the Group as of 31 December 2023 and 31 December 2022 is as follows:

In accordance with the terms of the Patrol and Anti-Submarine Warfare Ship Projects ("MİLGEM"), the Company is a guarantor if HAVELSAN cannot be able to fulfill the obligations in this project of an amount of USD 294.111.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

16. COMMITMENTS AND CONTINGENCIES (continued)
c) Guarantees given (continued)

31 December 2023	TL Equivalent	TL	USD	EURO	UAE Dirham	ROL	Polish Zloty	Indian Rupee	British Pound	Qatar Rial
A. Total amount of CPM given on behalf of the legal entity										
-Collateral	15.254.948	1.363.725	304.953	149.406	--	6.952	--	--	--	535
-Pledge	--	--	--	--	--	--	--	--	--	--
-Mortgage	--	--	--	--	--	--	--	--	--	--
B. Total amount of CPM given on behalf of the subsidiaries included in full consolidation										
-Collateral	130.296	--	--	4.000	--	--	--	--	--	--
-Pledge	--	--	--	--	--	--	--	--	--	--
-Mortgage	--	--	--	--	--	--	--	--	--	--
C. Total amount of CPM given to maintain operations and collect payables from third parties										
-Collateral	--	--	--	--	--	--	--	--	--	--
-Pledge	--	--	--	--	--	--	--	--	--	--
-Mortgage	--	--	--	--	--	--	--	--	--	--
D. Total amount of other CPM given										
i. Total Amount of CPM on behalf of the main partner										
-Collateral	--	--	--	--	--	--	--	--	--	--
-Pledge	--	--	--	--	--	--	--	--	--	--
-Mortgage	--	--	--	--	--	--	--	--	--	--
ii. Total amount of CPM given on behalf of other group companies that do not cover B and C ¹										
-Collateral	62.409	--	2.120	--	--	--	--	--	--	--
-Pledge	--	--	--	--	--	--	--	--	--	--
-Mortgage	--	--	--	--	--	--	--	--	--	--
iii. Total amount of CPM on behalf of third parties that do not cover										
-Collateral	--	--	--	--	--	--	--	--	--	--
-Pledge	--	--	--	--	--	--	--	--	--	--
-Mortgage	--	--	--	--	--	--	--	--	--	--
Total	15.447.653	1.363.725	307.073	153.406	--	6.952	--	--	--	535

¹ The ratio of the other CPM given by the Group to equity as of 31 December 2023 is 0,07 percent. TL 62.409 is the collateral amount pertaining to guarantee letter given on behalf of the entity's joint venture ASELSAN Bilkent.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

16. COMMITMENTS AND CONTINGENCIES (continued)

c) Guarantees given (continued)

31 December 2022	TL Equivalent	TL	USD	EURO	UAE Dirham	Polish Zloty	Indian Rupee	British Pound	Qatar Rial
A. Total amount of CPM given on behalf of the legal entity									
-Collateral	21.431.287	2.136.741	571.658	431.529	--	--	--	--	592
-Pledge	--	--	--	--	--	--	--	--	--
-Mortgage	--	--	--	--	--	--	--	--	--
B. Total amount of CPM given on behalf of the subsidiaries included in full consolidation									
-Collateral	--	--	--	--	--	--	--	--	--
-Pledge	--	--	--	--	--	--	--	--	--
-Mortgage	--	--	--	--	--	--	--	--	--
C. Total amount of CPM given to maintain operations and collect payables from third parties									
-Collateral	--	--	--	--	--	--	--	--	--
-Pledge	--	--	--	--	--	--	--	--	--
-Mortgage	--	--	--	--	--	--	--	--	--
D. Total amount of other CPM given									
i. Total Amount of CPM on behalf of the main partner									
-Collateral	--	--	--	--	--	--	--	--	--
-Pledge	--	--	--	--	--	--	--	--	--
-Mortgage	--	--	--	--	--	--	--	--	--
ii. Total amount of CPM given on behalf of other group companies that do not cover B and C ¹									
-Collateral	65.316		3.493		--	--	--	--	--
-Pledge	--	--	--	--	--	--	--	--	--
-Mortgage	--	--	--	--	--	--	--	--	--
iii. Total amount of CPM on behalf of third parties that do not cover									
-Collateral	--	--	--	--	--	--	--	--	--
-Pledge	--	--	--	--	--	--	--	--	--
-Mortgage	--	--	--	--	--	--	--	--	--
Total	21.496.603	2.136.741	575.151	431.529	--	--	--	--	592

The Group is responsible as joint guarantor for the portion amounting to EURO 2,5 Million of investment credit amounting to EURO 5 Million which will be used by ASELSAN Optik , the Group's joint venture.

¹ The ratio of the other CPM given by the Group to equity as of 31 December 2022 is 0,10 percent. TL 65.316 is the collateral amount pertaining to guarantee letter given on behalf of the entity's joint venture ASELSAN Bilkent.

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

17. EMPLOYEE BENEFITS**a) Obligations for employee benefits**

	31 December 2023	31 December 2022
Social security premiums payable	535.402	449.497
Taxes and funds payable	307.923	251.051
Due to personnel	361.337	349.450
	1.204.662	1.049.998

b) Short-term provisions for employee benefits

	31 December 2023	31 December 2022
Provision for vacation pay and overtime	701.648	463.624
Bonus provision	896.109	972.096
	1.597.757	1.435.720

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

	2023	2022
Opening balance	463.624	462.583
Provision for the period	598.053	336.476
Provision paid during the period	(146.611)	(130.086)
Provision realized during the period	(31.165)	(24.366)
Monetary gain/(loss)	(182.253)	(180.983)
Closing balance	701.648	463.624

c) Long-term provisions for employee benefits

	31 December 2023	31 December 2022
Provision for severance pay	1.063.278	954.689
	1.063.278	954.689

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

	2023	2022
Opening balance	954.689	902.712
Service cost	126.762	57.623
Interest cost	17.697	15.141
Actuarial gains/(loss)	227.896	406.159
Payments	(108.505)	(73.765)
Monetary gain/(loss)	(155.261)	(353.181)
Closing balance	1.063.278	954.689

Provision for severance pay:

In accordance with the Labor Law Legislations, the Group is obliged to make legal severance indemnity payments to entitled employees whose employment has been terminated. Furthermore, with regard to Social Security Law numbered 506 dated 6 March 1981, number 2422 dated 25 August 1999 and law numbered 4447, article 60 denotes the legal obligation to make severance payments to all employees who are entitled to indemnity by the date of leave of employment.

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

17. EMPLOYEE BENEFITS (continued)**Provision for severance pay (continued)**

Certain provisions regarding services before retirement, has been annulled on 23 May 2002 during the revision of the related law. As of 31 December 2023 severance payments are calculated on the basis of 30 days' pay, limited to a ceiling of TL 23.489,83¹ (31 December 2022: 15.371,40 TL ¹)

As of 1 January 2024, the ceiling for the severance payments is TL 35.058,58. ¹

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

Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	31 December 2023	31 December 2022
	(%)	(%)
Interest rate	25,50	12,70
Inflation rate	21,70	9,50
Discount ratio	3,12	2,92
Estimation of probability of retirement ratio	94	95

¹ Tutar tam TL olarak gösterilmiştir.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

18. OTHER ASSETS AND LIABILITIES**a) Other current assets**

	31 December 2023	31 December 2022
VAT carried forward ¹	1.567.114	862.317
Other VAT	1.078.861	651.952
Other ²	115.690	50.968
	2.761.665	1.565.237

b) Other non-current assets

	31 December 2023	31 December 2022
VAT carried forward ²¹	84.240	2.194.273
Prepaid taxes and funds	134.393	203.320
Other ²	24.570	34.979
	243.203	2.432.572

c) Other short-term liabilities

	31 December 2023	31 December 2022
Taxes and funds payable	6.258	2.923
Other ²	4.013	85.257
	10.271	88.180

d) Other long-term liabilities

	31 December 2023	31 December 2022
Other	4.877	8.018
	4.877	8.018

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

² Mainly comprises of other assets and liabilities of consolidated subsidiaries.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

19. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS**Capital**

Shareholders	Share (%)	31 December 2023	Share (%)	31 December 2022
TSKGV	74,20	3.383.302	74,20	1.691.652
Publicly held	25,80	1.176.698	25,80	588.348
Nominal capital	100	4.560.000	100	2.280.000
Share capital adjustment		15.359.232		14.418.756
Inflation adjusted capital		19.919.232		16.698.756

The Group's nominal capital is TL 4.560.000 comprising 4.560.000.000 shares each of which is TL 1. A total of 2.421.818.182 of the shares constitutes "Group A" and 2.138.181.818 of the shares constitutes "Group B" shares. All of the shares are nominative. "Group A" shares are privileged nominative shares and 6 Members of the Board of Directors are assigned from the holders of nominative "Group A" type shareholders or from the ones nominated by "Group A" type shareholders. Moreover, the Board of Directors shall be authorized in matters regarding issuing preferred shares or issuing shares above the nominal values. Regarding capital increases by restricting preemptive rights, the shares to be issued shall be "Group B". In accordance with the CMB's legislation, other Members of the Board of Directors, not including elected Independent Members of the Board of Directors, are assigned from nominative "Group A" shareholders or elected from among candidate nominated by "Group A" shareholders.

Restricted reserves

In accordance with Capital Markets Board's Communique Serial II No:19.1 "Share of Profit", effective as of 1 February 2014, and with regard to the Turkish Commercial Code ("TCC"), legal reserves in publicly held companies will be generated by 5 percent of income until it reaches 20 percent of paid-in share capital. After the 5 percent of the dividend is paid to shareholders, 10 percent of the total distributed to shareholders and employees can be added in the other legal reserve. Under the TCC, the legal reserves can be used only to offset losses for the going concern of the company or to prevent unemployment as long as the amount does not exceed 50 percent of the paid-in capital.

Retained Earnings

Accumulated profits apart from net profit for the year and extraordinary reserves which is accumulated profit by nature are shown under retained earnings.

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

Retained Earnings (continued)

Profit distribution

Publicly traded companies perform dividend distribution in accordance with Capital Markets Board's Communique Serial II No: 19.1 "Share of Profit", effective as of 1 February 2014.

Shareholders, distribute dividend with general assembly decision, within the context of profit distribution policies set by general assembly and related regulations. As part of the communique, no specific minimum distribution ratio is indicated. Companies pay dividend as defined in their articles of association or dividend distribution policies.

On 26 April 2023, in accordance with the consolidated financial statements, the General Assembly of the Company has decided to allocate legal reserve amounting to TL 28.600 of the TL 11.895.835 which is based on the profit distribution, and to distribute TL 400.000 (31 December 2023 purchasing power; TL 659.092) in cash to shareholders for dividend payment, and the remaining TL 11.467.235 to be within the Group. Thus, the cash gross dividend amount for TL 1 nominal value per share is Kuruş 17,54 (31 December 2022: Kuruş 20,18). Within 2023, dividend amounting to TL 400.000 in gross, 17,54 Kuruş per share of TL 1 (net profit amounting to TL 360.000, 15,79 Kuruş per share of TL 1) will be paid to shareholders. (31 December 2022: TL 460.000 in gross, 20,18 Kuruş per share of TL 1 was paid).

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

20. REVENUE AND COST OF SALES

	1 January- 31 December 2023	1 January- 31 December 2022
a) Revenue		
Domestic sales	67.198.217	57.164.693
Export sales	6.472.160	10.226.632
Other revenues	116.229	94.533
Sales returns (-)	(187.579)	(612.173)
Sales discounts (-)	(6.253)	(13.514)
	73.592.774	66.860.171

	1 January - 31 December 2023	1 January - 31 December 2022
Revenue Recognized Regarding Performance Obligation		
Over time	54.037.788	50.702.354
Point in time	19.554.986	16.157.817
	73.592.774	66.860.171

	1 January- 31 December 2023	1 January- 31 December 2022
b) Cost of sales(-)		
Cost of raw materials and supplies	40.056.632	35.883.521
Cost of merchandise goods sold	289.836	855.328
Cost of services sold	7.861.011	10.987.714
Cost of other sales	5.280.115	1.300.346
	53.487.594	49.026.909

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

21. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

	1 January - 31 December 2023	1 January - 31 December 2022
General administrative expenses (-)	3.387.758	2.574.579
Marketing expenses (-)	1.446.516	1.646.303
Research and development expenses (-)	2.645.753	2.018.251
	7.480.027	6.239.133

a) General administrative expenses (-)	1 January - 31 December 2023	1 January - 31 December 2022
Personnel expenses	1.987.977	1.520.183
Depreciation and amortization expenses	727.141	566.483
Service procurement	84.010	91.262
Travel expenses	52.539	33.512
Electricity expenses	43.493	71.372
Rent expenses	42.932	47.850
Expertise and consultancy expenses	33.953	31.067
Insurance expenses	31.436	13.730
Personnel transportation expenses	26.327	15.924
Vehicle purchase expenses	23.011	--
Cleaning service expenses	21.036	14.061
Course and seminar expenses	18.470	8.884
Personnel meal expenses	16.722	39.844
Subscription and publication expenses	15.935	16.789
Legal expenses	15.515	9.872
IT repair and maintenance expenses	13.538	12.941
Property and environmental cleaning tax	5.222	7.124
Water expenses	1.859	2.821
Other	226.642	70.860
	3.387.758	2.574.579

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

21. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES (continued)

	1 January- 31 December 2023	1 January- 31 December 2022
b) Marketing expenses (-)		
Subcontractor service expenses	497.757	387.172
Personnel expenses	330.969	318.036
Exhibition expenses	167.357	225.294
Travel expenses	102.333	91.010
Commission expenses	75.314	214.539
Sponsorship expenses	48.081	22.786
Shipping and delivery expenses	27.967	55.561
Samples expenses	22.054	31.299
Advertising expenses	20.558	15.715
Expertise and consultancy expenses	19.347	7.617
Packaging expenses	16.465	18.493
Rent expenses	10.586	13.328
Representation expenses	9.880	6.769
Meal expenses	8.375	6.797
Stamp duty expenses	7.127	28.517
Depreciation and amortization expenses	6.302	5.163
Security service	2.602	2.181
Other	73.442	196.026
	1.446.516	1.646.303
	1 January- 31 December 2023	1 January- 31 December 2022
c) Research and development expenses (-)		
Personnel expenses	1.645.637	753.413
Depreciation and amortization expenses	824.550	485.455
Equipment costs	172.538	390.761
Other	3.028	388.622
	2.645.753	2.018.251

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

22. OTHER OPERATING INCOME AND EXPENSES**a) Other operating income**

	1 January- 31 December 2023	1 January- 31 December 2022
Foreign currency exchange gains	32.385.882	22.797.226
Rediscounted interest income	821.120	855.326
Granted fixed assets income ¹	93.141	167.109
Other income	216.812	134.524
	33.516.955	23.954.185

b) Other operating expenses (-)

	1 January- 31 December 2023	1 January- 31 December 2022
Foreign currency exchange losses (-)	19.582.581	16.391.881
Rediscounted interest expense (-)	1.160.154	950.950
Non-working part expenses and losses (-)	--	61.666
Other expense and losses (-)	425.630	186.604
	21.168.365	17.591.101

23. INCOME FROM INVESTING ACTIVITIES

	1 January- 31 December 2023	1 January- 31 December 2022
Gain/(loss) on sales profit of marketable securities	12.123	251
Dividend income	15.390	9.863
Gain/(loss) on sales profit of fixed assets	6.799	3.115
	34.312	13.229

24. FINANCIAL INCOME

	1 January- 31 December 2023	1 January- 31 December 2022
Interest income	474.986	249.118
Foreign currency exchange gains from bank loans	706.709	1.199.178
	1.181.695	1.448.296

¹ Granted fixed assets income comprises of fixed assets donated by public bodies and utilized within the scope of research projects conducted with universities. Subsequent to the completion of these projects, the subject matter fixed assets have been incorporated to the Group without any charge.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

25. FINANCIAL EXPENSES

	1 January- 31 December 2023	1 January- 31 December 2022
Foreign currency exchange losses from bank loans (-)	6.896.455	4.703.948
Interest cost related with employee benefits (-)	17.697	15.141
Interest cost of borrowings (-)	1.919.347	1.069.894
	8.833.499	5.788.983

26. ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

	31 December 2023	31 December 2022
Gain from revaluation of financial assets that fair value reflect in other comprehensive income	--	1.084.352
Revaluation of property	2.905.335	549.350
Cumulative Translation Adjustments	56.262	328.212
Loss on remeasurement of defined benefit plans	(704.560)	(533.638)
	2.257.037	1.428.276

	1 January- 31 December 2023	1 January- 31 December 2022
Gain from revaluation of financial assets that fair value reflect in other comprehensive income:		
Opening balance	1.084.352	--
Gain from revaluation of financial assets that fair value reflect in other comprehensive income	(1.156.642)	1.141.423
Deferred tax liability arising from revaluation	72.290	(57.071)
Closing balance	--	1.084.352

Gain from revaluation of financial assets that fair value reflect in other comprehensive income arises due to revaluation of financial investments. When available for sale financial assets are sold, any related amount included in revaluation reserve is transferred to profit or loss.

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

26. ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS (continued)

	1 January- 31 December 2023	1 January- 31 December 2022
Revaluation of property		
Opening balance (Previously reported)	549.350	--
Increase arising from revaluation of property	2.692.554	610.389
Current period value increase deferred tax effect	(336.569)	(61.039)
Closing balance	2.905.335	549.350

Revaluation of property increase arises from revaluation of the lands. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

The fair value of the lands owned by the Group is revalued on 22 December 2023 by Lal Gayrimenkul Değerleme ve Müşavirlik Anonim Şirketi ("Lal Değerleme"), an independent appraisal company.

	1 January- 31 December 2023	1 January- 31 December 2022
Foreign currency exchange differences:		
Opening balance	328.212	388.514
Currency differences from net asset currency translation investent in foreign operations	(271.950)	(60.302)
Closing balance	56.262	328.212

	1 January- 31 December 2023	1 January- 31 December 2022
Gain/Loss on remeasurement of defined benefit plans		
Opening balance	(533.638)	--
Gain/Loss on remeasurement of defined benefit plans	(170.922)	(533.638)
Deferred tax on gain/loss on remeasurement of defined benefit plans	--	--
Closing balance	(704.560)	(533.638)

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

27. INCOME TAXES

Corporate tax liabilities:	31 December 2023	31 December 2022
Current corporate tax provision	1.129.233	2.875
Less: Prepaid taxes and funds	(1.129.233)	(2.575)
	--	300

Tax income:	1 January- 31 December 2023	1 January- 31 December 2022
Current corporate tax (expense) (*)	(1.129.233)	(2.875)
Deferred tax income / (expense)	1.293.867	2.104.409
	164.634	2.101.534

(*) In accordance with the "Law No. 7440 on Restructuring of Certain Receivables and Amending Certain Laws" published in the Official Gazette on March 12, 2023, the exemption and discount amounts deducted from corporate earnings in accordance with the regulations in the law, by being shown in the corporate tax return for 2022. Additional tax must be calculated at the rate of 10% on the bases subject to reduced corporate tax, without associating it with period earnings, and at the rate of 5% on exempt earnings. As of December 31, 2023, the period tax expense effect is amounting to 1.103.336 TL. Payments regarding the tax were made in five installments in 2023.

	1 January-31 December 2023		
Tax effects related to components of other comprehensive income	Amount before tax	Tax income/expense	Net of tax amount
Defined benefit plan revaluation gains/losses	(227.896)	56.974	(170.922)
Revaluation of property	2.692.554	(336.569)	2.355.985
Cumulative Currency Translation Adjustments	(271.950)	--	(271.950)
Gain from revaluation of financial assets that fair value reflect in other comprehensive income	(1.156.642)	72.290	(1.084.352)
Other comprehensive income in the period	1.036.066	(207.305)	828.761

	1 January-31 December 2022		
Tax effects related to components of other comprehensive income	Amount before tax	Tax income/expense	Net of tax amount
Defined benefit plan revaluation gains/losses	(667.047)	133.409	(533.638)
Revaluation of property	610.389	(61.039)	549.350
Cumulative Currency Translation Adjustments	(60.302)	--	(60.302)
Gain from revaluation of financial assets that fair value reflect in other comprehensive income	1.141.423	(57.071)	1.084.352
Other comprehensive income in the period	1.024.463	15.299	1.039.762

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

27. INCOME TAXES (continued)

	1 January- 31 December 2023	1 January- 31 December 2022
Tax recognized directly in equity		
Deferred tax:		
- Revaluation of property	(336.569)	(61.039)
- Gain from revaluation of financial assets that fair value reflect in other comprehensive income	72.290	(57.071)
- Actuarial gain/loss	56.974	133.409
Deferred tax recognized directly in equity	(207.305)	15.299

Corporate tax

The Group is subject to Turkish corporate taxes. The corporate income tax is declared until the relevant accounting period-end's following fourth month, twenty-fifth day's evening and it is batch paid until the end of the related month. In accordance with the tax legislation, quarterly 25 percent (31 December 2022: 23 percent) on profits of advance tax is being calculated and paid. The amounts paid in this way are deducted by the tax on annual earning.

In accordance with the tax legislation in Türkiye, financial losses could be carried forward for a maximum of five years that the year they appeared. Besides, tax returns and the related accounting records may be reviewed within five years by the tax administration.

Provision is made in the accompanying consolidated financial statements for the estimated change based on the Group's results for the year. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate entity bases.

Corporate tax rate that will be accrued based on rate able profit of the company is calculated on a basis by including disallowed deductions written of as expense when determining commercial profit with excluding tax-exempt profits and other discounts (also previous year losses and investments allowances used, if preferred)

The tax rate in 2023 is 25 percent (31 December 2022: 23 percent).

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

27. INCOME TAXES (continued)**Deferred Tax**

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising from its financial statements as reported for TFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes and the differences are given below.

In Türkiye, the corporate tax rate is 25 percent as of 31 December 2023 (2022: 23 percent). The corporate tax rate is applied to the net corporate income resulting from the addition of expenses that are not allowed to be deducted in accordance with the tax laws to the commercial income of the institutions, and the exemptions and deductions included in the tax laws.

company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes, as reflected in the consolidated financial statements, has been calculated on a separate-entity basis.

The dividend income (excluding the participation certificates of investment funds and profit shares derived from the share certificates of investment trusts) derived by entities from the participation in the capital of another resident entity is exempt from corporate tax. Furthermore, 75 percent of the income derived by entities from the sale of participation shares and real estates (immovable property) preferential rights, founders' shares and redeemed shares which are carried in assets at least for two years is exempt from corporate tax as of 31 December 2023. However, according to the amendments by Law numbered 7061, this rate is reduced from 75 percent to 50 percent with regard to immovable properties and tax declarations starting from 2019 will be calculated using 50 percent for immovable properties. In order to be able to benefit from the exemption, the relevant income should be kept under a fund account in the liabilities and should not be withdrawn from the enterprise for 5 years. The sales amount should be collected by the end of the second calendar year following the year of sale.

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

27. INCOME TAXES (continued)**Deferred Tax (continued)**

The details of deferred tax assets and liabilities of the Group are as follows:

	31 December 2023	31 December 2022
Deferred Tax Assets/Liabilities:		
Discount on receivables	222.977	133.024
Adjustment to costs and provision for expected losses of construction contracts	8.107.669	7.608.330
Capitalized research-development expense	1.189	109.555
Allowance for impairment on inventories	6.834	(944)
Provision for delay penalties 327.358	384.277	539.397
Provision for copyright	--	--
Provision for warranties	699.011	656.948
Provision for severance pay	193.855	184.033
Provision for annual leave	249.115	287.144
Provision for doubtful receivables	204	49
Other	15.040	7.076
Accumulated research and development incentive	2.889.635	2.399.779
Discount on payables	(38.842)	(16.294)
Adjustment of progress payments for long- term construction projects	(9.333.166)	(9.511.563)
Depreciation of fixed assets / amortization of intangible assets	251.578	1.586.250
Fixed assets revaluation fund	(336.569)	(61.039)
Gain on revaluation of available for sale financial assets	118.791	(57.071)
Monetary gain/(loss)	(2.709.170)	(4.229.178)
Other	(3.827)	(3.457)
Deferred tax assets	10.431.005	13.511.585
Deferred tax liabilities	(9.712.404)	(13.879.546)
Deferred tax assets – net	718.601	(367.961)

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

27. INCOME TAXES (continued)
Deferred tax (continued)

	1 January- 31 December 2023		1 January- 31 December 2022	
<u>Movement of deferred tax assets/(liabilities):</u>				
Opening balance as of 1 January	(367.961)		(2.487.669)	
Charged to statement of profit or loss	1.293.867		2.104.409	
Charged to equity	(207.305)		15.299	
	718.601		(367.961)	
<u>Tax reconciliations:</u>	Effective Tax Rate (%)	1 January- 31 December 2023	Effective Tax Rate (%)	1 January- 31 December 2022
Profit before tax from continuing operations		17.354.778		13.661.650
Income tax rate		%25		%23
Tax at the domestic income tax rate	25	4.338.695	23	3.142.179
Tax effects of:				
- revenue that is exempt from taxation	(1)	(137.776)	(2)	(255.857)
- expenses that are not deductible in determining taxable profit	4	712.401	3	420.194
- R&D incentives and other income exempt from taxation	(43)	(7.409.492)	(58)	(7.908.439)
- monetary gain/(loss)	13	2.287.803	13	1.742.890
- effect of other adjustments	0,3	43.735	6	757.499
Tax (income) / expense recognized in profit or loss	(1)	(164.634)	(15)	(2.101.534)

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

28. EARNINGS PER SHARE

Earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the period. The Group does not have diluted shares.

For the years ended 31 December 2023 and 2022, earnings per share calculations are as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Number of shares outstanding (in thousands)	4.560.000	2.280.000
Net profit – TL	7.290.475	1.281.963
Earnings per 100 shares	159,88	56,23
Diluted earnings per 100 shares	159,88	56,23

29. FINANCIAL INVESTMENTS**Financial Investments****Non-Current Financial Investments**

	31 December 2023	31 December 2022
a) Available for sale financial investments	5.841.844	7.017.691
b) Financial investments valued at cost that do not have a quoted market value	76.944	54.949
	5.918.788	7.072.640

a) Fair Value Difference Reflect in Other Comprehensive income

	31 December 2023	31 December 2022
Fair value difference reflect in other comprehensive income that are not traded in an active market	5.918.788	7.072.640
	5.918.788	7.072.640

ROKETSAN which is Group's equity investment is revalued and stated at fair value. As of 31 December 2023, the revaluation was performed by Oyak Yatırım Menkul Değerler Anonim Şirketi which is an independent valuation company. The fair value was determined according to "Discounted Cash Flow" and "Similar Company Comparison" methodologies. Discount ratio used in "Discounted Cash Flow" method is 12,10 percent (31 December 2022: 17,00 percent).

Company Name	Ratio(%)	31 December 2023	Ratio (%)	31 December 2022
ROKETSAN	14,897	5.841.844	14,897	7.017.691

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

29. FINANCIAL INVESTMENTS (continued)**a) Available for sale financial investments (continued)****Financial Investments (continued)**

Roketsan shares, shown under available for sale financial investments, are reported on the third level in the fair value hierarchy (Note 32).

b) Financial investments valued at cost that do not have a quoted market value

The Group's equity investment and participation rate and the amount shown in financial investments are as follows:

Company Name	Ratio (%)	31 December 2023	Ratio (%)	31 December 2022
Girişim Sermayesi Yatırım Fonu		62.760		42.156
ASPIŁSAN	1	14.184	1	12.793
		76.944		54.949

The above available-for-sale equity investment amounting to TL 76.944 (31 December 2022: TL 54.949) does not have a quoted market value and the fair value cannot be reliably measured due to a wide range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. For this reason they are stated at cost less provision for diminution in value, if any.

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

30. FINANCIAL LIABILITIES**Financial Liabilities**

		31 December 2023	31 December 2022
Short-term financial liabilities	Unsecured loan	11.069.959	8.773.395
Other short-term financial liabilities	Unsecured loan	621.479	458.068
Current portion of long-term financial liabilities	Unsecured loan	7.116.874	6.856.863
Total short-term financial liabilities		18.808.312	16.088.326
Other long-term financial liabilities	Unsecured loan	1.129.602	1.762.548
Total long-term financial liabilities		1.129.602	1.762.548
Total financial liabilities		19.937.914	17.850.874

As of 31 Aralık 2023, TL 4.674.001 of the financial debts included in short-term borrowings consists of EUR Rediscount Foreign Currency Loans, which have maturity dates due between January 2024 and December 2024 and the interest rates between 4,39 percent and 6,50 percent. As of 31 December 2023, TL 1.559.218 of financial debts within short-term borrowings consist of USD Rediscount Foreign Currency Loans, which have maturity dates due between January 2024 and October 2024 and the interest rate is between 6,95 percent and 7,92 percent. As of 31 December 2023, TL 4.836.740 of financial debts within short-term borrowings consist of TL Rediscount Foreign Currency Loans, which have maturity dates due between May 2024 and November 2024 and the interest rates between 14 percent and 27,50 percent.

As of 31 December 2023, there are TL 2.725.350 Rediscount EUR Loans within the short-term borrowings, which have maturity dates due between July 2024 and September 2024, and the interest rates between 8,85 percent and 9,10 percent. As of 31 December 2023, there are TL 3.891.524 Rediscount USD Loans within the short-term borrowings, which have maturity dates due between January 2024 and October 2024, and the interest rates between 7,20 percent and 9,00 percent.

As of 31 December 2023, TL 500.000 of financial debts within short-term borrowings consist of TL Rediscount Foreign Currency Loans, which have maturity dates due between October 2024 and November 2024 and the interest rates 10,50 percent. As of 31 December 2023, TL 559.670 of remaining short-term financial debts consist of Ziraat Bank credit card debts with a maturity of 45 days with 1,00 percent interest rate to pay social security payments.

As of 31 December 2023, TL 61.809 of current portion of long-term financial liabilities were taken within the scope of investment credit, which have maturity dates due March 2024, and the interest rates 15 percent.

As of 31 December 2023, TL 233.539 of the financial debts included in the long-term borrowings consists of EUR Rediscount Foreign Currency Loans, which have maturity dates due March 2025 and the interest rate varies according to EURIBOR. As of 31 December 2023, TL 896.063 of financial debts included in the long-term borrowings were taken within the scope of investment credit, which have maturity dates due October 2025 and the interest rate is between 21 percent and 24 percent.

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

30. FINANCIAL LIABILITIES (continued)**Financial Liabilities (continued)**

As of 31 December 2022, TL 5.178.050 of the financial debts included in short-term borrowings consists of EUR Rediscount Foreign Currency Loans, which have maturity dates due between January 2023 and December 2023 and the interest rates between 1,00 percent and 7,50 percent. As of 31 December 2022, TL 231.073 of financial debts within short-term borrowings consist of USD Rediscount Foreign Currency Loans, which have maturity dates due October 2023 and the interest rate is 7,50 percent.

As of 31 December 2022, there are TL 2.834.094 Rediscount TL Loans within the short-term borrowings, which have maturity dates due between February 2023 and June 2023, and the interest rates between 14,75 percent and 21,00 percent. As of 31 December 2022, TL 469.751 of short-term financial debts have been taken within the scope of business loans and their maturity dates due between February and October 2023, and the interest rates between 14,16 and 21,11 percent.

As of December 31, 2022, TL 5.220.215 of the short-term portion of long-term financial debts consists of EUR Rediscount Foreign Exchange loans, which have maturity dates due between January 2023 and December 2023, and the interest rates between 2,40 percent and 6,95 percent. In addition, TL 1.694.536 of these financial debts consists of USD Rediscount Foreign Exchange loans, which have maturity dates due between August 2023 and October 2023, and the interest rates between 7,75 percent and 7,90 percent.

As of 31 December 2022, all of the remaining short-term financial debts consist of Ziraat Bank credit card debts with a maturity of 45 days with 0,79 percent interest rate to pay social security payments. As of 31 December 2022, TL 539.170 of the financial debts included in the long-term borrowings consists of USD Rediscount Foreign Currency Loans, which have maturity dates due between January 2024 – February 2024 and the interest rate varies according to LIBOR. As of 31 December 2022, there are TL 823.865 Rediscount TL Loans within the long-term borrowings, which have maturity dates due between October 2024 – November 2024 and the interest rate is 10,50 percent. TL 100.330 consists of investment loans, which have maturity dates due between October 2025 – November 2026 and the interest rate is between 6.6 percent and 18,50 percent.

Bank Loans

31 December 2023			
Currency	Weighted average interest rate (%)	Short-term	Long-term
Euro	6,12%	7.592.518	271.938
TL	23,78%	5.971.258	857.664
USD	7,96%	5.244.536	--
		18.808.312	1.129.602
31 December 2022			
Currency	Weighted average interest rate (%)	Short-term	Long-term
Euro	3,54%	9.775.964	--
TL	13,93%	4.383.283	1.183.404
USD	7,72%	1.929.079	579.144
		16.088.326	1.762.548

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

30. FINANCIAL LIABILITIES (continued)**Financial Liabilities (continued)**

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

	31 December 2023	31 December 2022
Within 1 year	18.808.312	16.088.326
Between 1-2 years	1.129.602	1.707.542
Between 2-3 years	--	55.006
	19.937.914	17.850.874

31. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS**a) Capital risk management**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return through the optimization of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings as explained Note 30, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. The Group's board of directors review capital structure regularly in the meetings. The risks that are associated with every equity item together with the Group's cost of capital are evaluated by the board of directors. Based on the recommendations of the board, the Group aims to balance its overall capital structure through the payment of dividends.

Net debt and share capital as of 31 December 2023 and 2022 is as follows:

	31 December 2023	31 December 2022
Total financial liabilities	19.937.914	17.850.874
Less: Cash and cash equivalents	(6.610.029)	(9.370.629)
Net debt (asset)	13.327.885	8.480.245
Total equity	88.380.378	80.806.003

b) Financial Risk Factors:

It refers to the risks arising from the financial structure and financial preferences of the Group. Exchange rate, liquidity and interest rate risks are some risks under this heading. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

ASELSAN's Enterprise Risk Management Policy aims; to take proper actions against uncertainties that threaten the existence of the Company and to protect corporate identity and stakeholders' interest at all conditions. Risk management is an integrated element of Corporate Management. The information gathered within the scope of risk management activities in ASELSAN is integrated into decision making mechanisms. The "top-down" and "bottom-up" approach is being applied into Enterprise Risk Management activities together. Risks, which are significant enough to affect ASELSAN's achievement of its targets, are identified, evaluated, monitored and reported along with the risk responses and precautions to be taken. At ASELSAN; The Enterprise Risk Management process is regularly reviewed and improved. ASELSAN's employees and business processes are at the center of the Enterprise Risk Management System. Group's finance department identifies and evaluates financial risks and use tools to reduce risks by working in cooperation with the group's operating units.

Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is mainly working with public sector and obtaining advance payments where appropriate, both from public sector and private sector entities. The Group management does not foresee significant credit risk. Additionally, receivables are monitored regularly to minimize the collection risk.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

31. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)
Credit risk (continued)

Carrying values of the financial assets reflect the maximum exposure to credit risk. The credit risks as of reporting date is as follows:

31 December 2023	Receivables				Bank Deposits	Other
	Trade Receivables		Other Receivables			
	Related party	Third party	Related party	Third Party		
Maximum net credit risk as of the reporting date (A+B+C+D) ¹	32.942.626	19.259.843	--	1.657.784	6.603.800	5.326
- The part of maximum risk under guarantee with collateral etc. ²	--	26.647	--	--	--	--
A. Net book value of financial assets that are neither past due nor impaired	32.942.626	5.690.824	--	1.657.784	6.603.800	5.326
B. Net book value of financial assets that are past due but not impaired	--	13.569.019	--	--	--	--
C. Net book value of impaired assets	--	--	--	--	--	--
- Overdue (gross carrying amount)	--	52.977	--	--	--	--
- Impairment (-)	--	(52.977)	--	--	--	--
- The part of net value under guarantee with collateral etc.	--	--	--	--	--	--
- Undue (gross carrying amount)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
- The part of net value under guarantee with collateral etc.	--	--	--	--	--	--
D. Factors that include off balance sheet credit risks	--	--	--	--	--	--

¹ While determining the amount, components which provide increase on credit reliability, like guarantees received are not taken into consideration.

² The guarantees consist of the letters of guarantees, collaterals, checks and mortgages.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

31. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)
Credit risk (continued)

Carrying values of the financial assets reflect the maximum exposure to credit risk. The credit risks as of reporting date is as follows:

31 December 2022	Receivables				Bank Deposits	Other
	Trade Receivables		Other Receivables			
	Related party	Third party	Related party	Third party		
Maximum net credit risk as of the reporting date (A+B+C+D) ¹	33.851.246	21.944.586	9.194	1.692.296	9.362.141	7.827
- The part of maximum risk under guarantee with collateral etc. ²	-	41.705	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	33.851.247	20.614.256	9.194	1.692.295	9.362.141	7.827
B. Net book value of financial assets that are past due but not impaired	-	1.330.330	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-
- Overdue (gross carrying amount)	-	49.959	-	-	-	-
- Impairment (-)	--	(49.959)	--	--	--	--
- The part of net value under guarantee with collateral etc.	--	--	--	--	--	--
- Undue (gross carrying amount)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
- The part of net value under guarantee with collateral etc.	--	--	--	--	--	--
D. Factors that include off balance sheet credit risks	--	--	--	--	--	--

¹ While determining the amount, components which provide increase on credit reliability, like guarantees received are not taken into consideration.

² The guarantees consist of the letters of guarantees, collaterals, checks and mortgages.

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

31. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)**Credit Risk (continued)**

The aging of the overdue receivables is as follows:

	31 December 2023	31 December 2022
Overdue by 1-30 days	2.842.387	832.573
Overdue by 1-3 months	2.637.146	1.055
Overdue by 3-12 months	5.490.620	122.045
Overdue by 12 months	2.598.866	374.657
Total receivables	13.569.019	1.330.330

No collateral has been received for the overdue receivables.

Management has assessed its aged receivables and does not expect any collection problem arising from its aged receivables.

Liquidity risk

Board of directors has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. ASELSAN eliminates the liquidity risk, which is known as the risk arising from default and inability to fund the the assets, it monitors forecasted and actual cash flows regularly and ensures the continuity of adequate funds and credit lines by matching the maturity of financial assets and liabilities. In order to manage the interest rate risk arising from changes in assets and / or liabilities as a result of fluctuations in interest rates in the future, it conducts transactions with fixed interest rates and uses financial derivative instruments when necessary.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest payment date. The table includes both interest and principal cash flows. When receivables and payables are not constant, amounts are determined in accordance with interest rates generated from return rates as of the reporting date.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

31. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)**Liquidity Risk (continued)**

The maturities of the financial liabilities determined with respect to the contracts including the expected interest payments as of 31 December 2023 is as follows:

Contractual Maturity Analysis	Carrying value	Total cash outflow according to contract (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Non-derivative financial instruments	--	--	--	--	--	--
Financial liabilities	19.937.914	19.937.914	2.299.759	16.508.553	1.129.602	--

Expected Maturity	Carrying value	Total cash outflow according to contract (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Non-derivative financial instruments	--	--	--	--	--	--
Trade payables	14.939.582	15.100.858	14.992.041	33.316	75.501	--
Other payables	378.688	378.688	342.042	--	36.646	--

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

31. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)**Liquidity Risk (continued)**

The maturities of the financial liabilities determined with respect to the contracts including the expected interest payments as of 31 December 2022 is as follows:

Contractual Maturity Analysis	Carrying value	Total cash outflow according to contract (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Non-derivative financial instruments	--	--	--	--	--	--
Financial liabilities	17.850.874	17.850.874	6.321.708	9.766.618	1.762.548	--

Expected Maturity	Carrying value	Total cash outflow according to contract (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Non-derivative financial instruments	--	--	--	--	--	--
Trade payables	16.226.822	16.308.293	16.106.445	82.025	119.823	--
Other payables	636.406	636.406	609.567	--	26.839	--

31. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

Market risk management

The Group's activities, as detailed below, expose primarily to the financial risks from changes in foreign currency exchange rates and interest rates.

Market risk exposures are evaluated by sensitivity analysis, and stress scenario analysis.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk in the current year compared to prior year.

Foreign currency risk management

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

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

31. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

FOREIGN EXCHANGE POSITION						
31 December 2023	TL Equivalent (Functional currency)	USD	TL equivalent by using closing rates	EURO	TL equivalent by using closing rates	Other¹
1. Trade receivables	13.897.907	357.159	10.514.116	103.881	3.383.791	--
2a. Monetary financial assets (including cash, bank)	2.093.365	53.431	1.572.904	15.509	505.197	15.264
2b. Non- monetary financial assets	5.139.739	54.252	1.597.075	40.888	1.331.892	67.096
3. Other	3.743	109	3.221	8	261	261
4. Current assets (1+2+3)	21.134.754	464.951	13.687.316	160.286	5.221.141	82.621
5. Trade receivables	24.487.107	451.020	13.277.221	344.137	11.209.886	--
6a. Monetary trade receivables	--	--	--	--	--	--
6b. Non-monetary trade receivables	1.093.322	2.176	64.064	24.114	785.501	11.626
7. Other	32.019	590	17.362	326	10.618	4.039
8. Long-term assets (5+6+7)	25.612.448	453.786	13.358.647	368.577	12.006.005	15.665
9. Total assets (4+8)	46.747.202	918.737	27.045.963	528.863	17.227.146	98.286
10. Trade payables	6.635.480	111.244	3.280.722	96.208	3.139.513	215.245
11. Financial liabilities	12.837.054	177.833	5.244.536	232.667	7.592.518	0
12a. Other monetary financial liabilities	42.451	645	19.016	119	3.885	19.550
12b. Other non-monetary financial liabilities	8.079.672	203.199	5.992.618	133.213	4.347.085	0
13. Current liabilities (10+11+12)	27.594.657	492.921	14.536.892	462.207	15.083.001	234.795
14. Trade payables	--	--	--	--	--	--
15. Financial liabilities	271.938	--	--	8.333	271.938	--
16a. Other monetary financial liabilities	3.834	130	3.834	--	--	--
16b. Other non-monetary financial liabilities	1.689.486	141.717	4.179.419	75.659	2.468.947	--
17. Non-current liabilities (14+15+16)	1.965.258	141.847	4.183.253	83.992	2.740.885	--

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

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

31. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

FOREIGN EXCHANGE POSITION						
31 December 2023	TL Equivalent (Functional currency)	USD	TL equivalent by using closing rates	EURO	TL equivalent by using closing rates	Other
18. Total liabilities (13+17)	29.559.915	634.768	18.720.145	546.199	17.823.886	234.795
19. Net asset/liability position of off- balance sheet derivative financial instruments (19a-19b)	--	--	--	--	--	--
19a. Hedged total financial assets	--	--	--	--	--	--
19b. Hedged total financial liabilities	--	--	--	--	--	--
20. Net foreign currency asset/liability (9- 18+19)	17.187.287	283.969	8.325.818	(17.336)	(596.740)	(136.509)
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10- 11-12a-14-15-16a)	20.687.622	571.758	16.816.133	126.200	4.091.020	(219.531)
22. Fair value of derivative financial instruments used in foreign currency hedge	--	--	--	--	--	--
23. Hedged foreign currency assets	--	--	--	--	--	--
24. Hedged foreign currency liabilities	--	--	--	--	--	--
25. Exports	6.472.160	127.833	3.213.501	125.518	3.258.659	--
26. Imports	16.971.783	347.796	10.238.486	161.502	5.260.741	1.472.556

Accompanying foreign exchange position which was prepared in accordance with TAS is different from the foreign exchange position of the financial statement which is prepared according to General Communiqué on Accounting System Application (GCASA). The difference is mainly due to the adjustments and classifications which are related with TFRS 15 .

“For TL functional currency” calculations regarding “Other non-monetary assets” and “Other non-monetary liabilities” presented under foreign currency position, advances received are considered with regard to historic values therefore “TL equivalent of currency as at balance sheet date” differentiate.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

31. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

FOREIGN EXCHANGE POSITION						
31 December 2022	TL Equivalent (Functional currency)	USD	TL equivalent by using closing rates	EURO	TL equivalent by using closing rates	Other¹
1. Trade receivables	15.200.195	356.034	10.969.314	128.804	4.230.881	--
2a. Monetary financial assets (including cash, bank)	3.062.562	54.010	1.664.037	41.987	1.379.174	19.351
2b. Non- monetary financial assets	2.634.849	43.955	1.354.236	58.011	1.905.464	446.783
3. Other	5.134	99	3.038	60	1.979	117
4. Current assets (1+2+3)	20.902.740	454.098	13.990.625	228.862	7.517.498	466.251
5. Trade receivables	23.658.323	457.640	14.099.767	291.000	9.558.556	--
6a. Monetary trade receivables	--	--	--	--	--	--
6b. Non-monetary trade receivables	1.552.008	1.096	33.759	72.369	2.377.133	11.506
7. Other	89.767	974	30.004	1.687	55.425	4.338
8. Long-term assets (5+6+7)	25.300.098	459.710	14.163.530	365.056	11.991.114	15.844
9. Total assets (4+8)	46.202.838	913.808	28.154.155	593.918	19.508.612	482.095
10. Trade payables	6.170.647	98.333	3.035.063	88.978	2.927.955	207.629
11. Financial liabilities	11.705.043	62.500	1.929.079	297.083	9.775.964	--
12a. Other monetary financial liabilities	69.728	1.041	32.137	1.142	37.591	--
12b. Other non-monetary financial liabilities	2.808.643	168.328	5.195.488	144.134	4.742.931	--
13. Current liabilities (10+11+12)	20.754.061	330.202	10.191.767	531.337	17.484.441	207.629
14. Trade payables	--	--	--	--	--	--
15. Financial liabilities	579.144	18.764	579.144	--	--	--
16a. Other monetary financial liabilities	6.871	155	4.782	64	2.089	--
16b. Other non-monetary financial liabilities	4.315.016	190.131	5.868.444	67.091	2.207.740	--
17. Non-current liabilities (14+15+16)	4.901.031	209.050	6.452.370	67.155	2.209.829	--

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

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

31. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

FOREIGN EXCHANGE POSITION						
31 December 2022	TL Equivalent (Functional currency)	USD	TL equivalent by using closing rates	EURO	TL equivalent by using closing rates	Other
18. Total liabilities (13+17)	25.655.092	539.252	16.644.137	598.492	19.694.270	207.629
19. Net asset/liability position of off- balance sheet derivative financial instruments (19a-19b)	--	--	--	--	--	--
19a. Hedged total financial assets	--	--	--	--	--	--
19b. Hedged total financial liabilities	--	--	--	--	--	--
20. Net foreign currency asset/liability (9- 18+19)	20.547.746	374.556	11.510.018	(4.574)	-185.658	274.466
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10- 11-12a-14-15-16a)	23.389.647	686.891	21.152.913	74.524	2.425.012	(188.278)
22. Fair value of derivative financial instruments used in foreign currency hedge	--	--	--	--	--	--
23. Hedged foreign currency assets	--	--	--	--	--	--
24. Hedged foreign currency liabilities	--	--	--	--	--	--
25. Exports	10.226.632	212.754	5.949.853	183.642	4.276.779	--
26. Imports	13.303.661	297.823	9.175.851	125.639	4.126.889	921

Accompanying foreign exchange position which was prepared in accordance with TAS is different from the foreign exchange position of the financial statement which is prepared according to General Communiqué on Accounting System Application (GCASA). The difference is mainly due to the adjustments and classifications which are related with TFRS 15.

“For TL functional currency” calculations regarding “Other non-monetary assets” and “Other non-monetary liabilities” presented under foreign currency position, advances received are considered with regard to historic values therefore “TL equivalent of currency as at balance sheet date” differentiate.

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

31. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)**Foreign currency sensitivity**

The Group is exposed to foreign currency risk with respect to USD and EURO.

The following table details the Group's sensitivity to a 10 percent increase and decrease in foreign exchange rates. 10 percent is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and present 10 percent change in foreign currency rates. This analysis does not include Group companies' balance sheet items which have functional currency other than TL. The effects of 10 percent changes in foreign currency rate on financial statements is as follows;

Foreign currency sensitivity table				
31 December 2023				
	Profit/Loss		Equity¹	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD against TL by 10%:				
1- USD denominated net assets/(liabilities)	1.681.613	(1.681.613)	1.681.613	(1.681.613)
2- Hedged amount against USD risk (-)	--	--	--	--
3- Net effect of USD (1+2)	1.681.613	(1.681.613)	1.681.613	(1.681.613)
Change of EURO against TL by 10%:				
4- EURO denominated net assets/(liabilities)	409.102	(409.102)	409.102	(409.102)
5- Hedged amount against EURO risk (-)	--	--	--	--
6- Net effect of EURO (4+5)	409.102	(409.102)	409.102	(409.102)
Change of other currencies against TL by 10%:				
7- Other currencies denominated net assets/(liabilities)	(21.953)	21.953	(21.953)	21.953
8- Hedged amount against other currencies risk (-)	--	--	--	--
9- Net effect of other currencies (7+8)	(21.953)	21.953	(21.953)	21.953

¹ Comprises of profit/loss effect.

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

31. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)**Foreign currency sensitivity (continued)**

Foreign currency sensitivity table				
31 December 2022				
	Profit/Loss		Equity ¹	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD against TL by 10%:				
1- USD denominated net assets/(liabilities)	1.283.762	(1.283.762)	1.283.762	(1.283.762)
2- Hedged amount against USD risk (-)	--	--	--	--
3- Net effect of USD (1+2)	1.283.762	(1.283.762)	1.283.762	(1.283.762)
Change of EURO against TL by 10%:				
4- EURO denominated net assets/(liabilities)	147.173	(147.173)	147.173	(147.173)
5- Hedged amount against EURO risk (-)	--	--	--	--
6- Net effect of EURO (4+5)	147.173	(147.173)	147.173	(147.173)
Change of other currencies against TL by 10%:				
7- Other currencies denominated net assets/(liabilities)	(11.426)	11.426	(11.426)	11.426
8- Hedged amount against other currencies risk (-)	--	--	--	--
9- Net effect of other currencies (7+8)	(11.426)	11.426	(11.426)	11.426

Interest rate risk management

As of 31 December 2023 and 31 December 2022, since all of the loans obtained by the Group are fixed-rate loans, the Group is not exposed to significant interest rate risk.

As of 31 December 2023, the Group does not have interest bearing financial assets, therefore there is no exposure to interest risk (31 December 2022: None).

Price risk

The Group usually enters into fixed price contracts, therefore, is not exposed to any major price risk.

Hierarchy of fair value

As of 31 December 2023 and 31 December 2022, the Group's financial assets at their fair values are as in the following page:

¹ Comprises of profit/loss effect.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

32. FINANCIAL INSTRUMENTS FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING

31 December 2023	Financial assets at fair value P/L	Financial assets at amortized cost	Financial assets at fair value through OCI	Financial liabilities at amortized cost	Carrying value	Note
<u>Financial assets</u>						
Cash and cash equivalents		6.610.029			6.610.029	3
Financial investments	76.944		5.841.844		5.918.788	29
Equity accounted investments	859.834				859.834	8
Trade receivables		52.202.469			52.202.469	6
<u>Financial liabilities</u>						
Borrowings				19.937.914	19.937.914	30
Trade payables				14.939.582	14.939.582	6
Other payables				378.688	378.688	7
31 December 2022	Financial assets at fair value P/L	Financial assets at amortized cost	Financial assets at fair value through OCI	Financial liabilities at amortized cost	Carrying value	Note
<u>Financial assets</u>						
Cash and cash equivalents	--	9.370.629	--	--	9.370.629	3
Financial investments	54.949	--	7.017.691	--	7.072.640	29
Equity accounted investments	1.352.414	--	--	--	1.352.414	8
Trade receivables	--	55.795.832	--	--	55.795.832	6
<u>Financial liabilities</u>						
Borrowings	--	--	--	17.850.874	17.850.874	30
Trade payables	--	--	--	16.226.822	16.226.822	6
Other payables	--	--	--	636.406	636.406	7

The Group's management assesses that the carrying value reflects the fair value of financial instruments. Related financial assets are presented at cost after deducting impairment allowance if any.

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

32. FINANCIAL INSTRUMENTS FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING (continued)

The fair values of financial assets and financial liabilities are determined as follows:

- **Level 1:** The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- **Level 2:** The fair value of other financial assets and financial liabilities are determined in accordance with data which can be observed by directly or indirectly and which excludes the registered prices described in Level 1 ; and
- **Level 3:** The fair value of the financial assets and financial liabilities are determined where there is no observable market data.

Fair value hierarchy of financial assets that are measured at fair value:

ROKETSAN has presented under Group's financial assets that fair value reflect in other comprehensive income as of 31 December 2023. The fair value of ROKETSAN as of 31 December 2023 is TL 5.841.844 and was determined according to "Discounted Cash Flow", "Similar Company Comparison" and "Realized Company Mergers and Acquisitions" methodologies and its fair value hierarchy is Level 3.

Reconciliation of the Group's assets and liabilities that are measured at Level 3 fair value are presented as follow:

Available for sale financial assets	31 December 2023	31 December 2022
	Marketable Equity Shares	Marketable Equity Shares
Opening balance	7.017.691	5.809.849
Total gain/loss		
- transferred to other comprehensive income	(1.156.642)	1.141.423
- impairment	(19.205)	--
Capital increase	--	66.419
Closing balance	5.841.844	7.017.691

(Amounts are expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

32. FINANCIAL INSTRUMENTS FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING (continued)**31 December 2023**

	Fair value level as of reporting date		
	Level 1	Level 2	Level 3
	TL	TL	TL
Financial Investments	--	--	5.841.844
	--	--	5.841.844

31 December 2022

	Fair value level as of reporting date		
	Level 1	Level 2	Level 3
	TL	TL	TL
Financial Investments	--	--	7.017.691
	--	--	7.017.691

The movement of the fair value level as of 31 December 2023 is as follows:

	Fair value level as of reporting date		
	Level 1	Level 2	Level 3
	TL	TL	TL
1 January 2022	--	--	7.017.691
Additions	--	--	(1.175.847)
31 December 2022	--	--	5.841.844

33. EXPLANATIONS RELATED TO THE STATEMENT OF CASH FLOW***Reconciliation of the movements related to cash flows from financing activities and liabilities***

	31 December 2022	Cash Movements	Non-cash movements			31 December 2022
			Additions	Exchange rate change	Other	
Financial Liabilities (Note 30)	17.850.874	8.462.569	641.724	--	(7.017.253)	19.937.914
Total liabilities arising from financing activities	17.850.874	8.462.569	641.724	--	(7.017.253)	19.937.914

The table above represents the changes in the cash amounts related to "Proceeds from Borrowings" and "Repayments from Borrowings" which are presented under cash flows from financing activities.

34. FEES FOR SERVICES RENDERED FROM INDEPENDENT AUDIT FIRMS

For the period ended on 31 December 2023, fee for independent audit is TL 495 of the Group (31 December 2022: TL 392).

For the period ended on 31 December 2023, there is no different services rendered from the independent audit firms except fee for independent audit of the Group.

35. EVENTS AFTER THE REPORTING PERIOD

After the reporting period, the Group have signed contracts amounting to USD 867 Million.