



**01.01.2023-31.12.2023
ANNUAL REPORT**



A Venn diagram consisting of two overlapping circles. The left circle is labeled 'Vision' and the right circle is labeled 'Mission'. The overlapping area in the center is shaded a lighter blue than the individual circles. The background of the entire slide is a solid dark blue.

Vision

"Being;
a preferred company both
in national and
international markets due
to its designed &
manufactured products
an efficient and effective
company that grows both
in domestic and
international markets via
its cooperation & teaming
approach and
a company that improves
the satisfaction of its
employees, shareholders,
customers, suppliers and
the whole society."

Mission

"To provide sustainable,
competitive and reliable
Turkish products and
engineering solutions
both in national and
international markets by
respecting all
stakeholders' interests."

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ON THE BOARD OF DIRECTORS' ANNUAL REPORT
ORIGINALLY ISSUED IN TURKISH**

To the Board of Directors and General Assembly
SDT Uzay ve Savunma Teknolojileri Anonim Şirketi
Ankara, Türkiye

1. Opinion

We have audited the annual report of SDT Uzay ve Savunma Teknolojileri Anonim Şirketi (referred as "Parent Company" and/or "the Company"), its subsidiaries and joint operations ("the Group"), for the period 01 January - 31 December 2023.

In our opinion, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Group's position in the Board of Directors' Annual Report are consistent and presented fairly, in all material respects, with the audited full set consolidated financial statements and with the information obtained in the course of independent audit.

2. Basis for Opinion

Our independent audit was conducted in accordance with the Independent Standards on Auditing that are part of the Turkish Standards on Auditing (the "TSA") adopted within the framework of the regulations of the Capital Markets Board and issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities in the Audit of the Board of Directors' Annual Report section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (including Independence Standards) (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA and the regulations of the Capital Markets Board and other relevant legislation that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3- Our Audit Opinion on the Full Set Consolidated Financial Statements

We expressed an unqualified opinion in the auditor's report dated 06 May 2024 on the full set consolidated financial statements for the 01 January - 31 December 2023 period.

4- Board of Director's Responsibility for the Annual Report

Group management's responsibilities related to the annual report according to Articles 514 and 516 of Turkish Commercial Code ("TCC") No. 6102 and Capital Markets Board's ("CMB") Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") are as follows:

a) to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;

b) to prepare the annual report to reflect the Group's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Group may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report.

c) to include the matters below in the annual report:

- events of particular importance that occurred in the Company after the operating year,
- the Group's research and development activities,
- financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Ministry of Trade and other relevant institutions.

5- Independent Auditor's Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue a report comprising our opinion within the framework of TCC and Communiqué provisions regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated financial statements of the Group and with the information we obtained in the course of independent audit.

Our audit was conducted in accordance with the TSAs. These standards require that ethical requirements are complied with and that the independent audit is planned and performed in a way to obtain reasonable assurance of whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated financial statements and with the information obtained in the course of audit.



The engagement partner who conducted and concluded this independent audit is Ömer Çekiç.

Ram Bağımsız Denetim ve Danışmanlık Anonim Şirketi
Member firm of ShineWing International

Ömer Çekiç
Managing Partner



06 May 2024
İstanbul, Türkiye



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1.General Information

Report Period : January 1st, 2023 - December 31st, 2023
Company Name : SDT SPACE AND DEFENCE TECHNOLOGIES INC.
Trade Registry No : 200761
Address : Üniversiteler Mah. İhsan Doğramacı Bulvarı, No: 37, İç Kapı No:1,
Çankaya/Ankara
Telephone : (0312) 210 10 15
Fax : (0312) 210 11 21
Web Address : www.sdt.com.tr
KEP Address : sdtuzay@hs02.kep.tr
Email Address : info@sdt.com.tr
Mersis No : 0757030831100016

2. Company's Capital Ownership Structure

a)- Capital : 58.000.000 TL
b)- Shareholding Structure

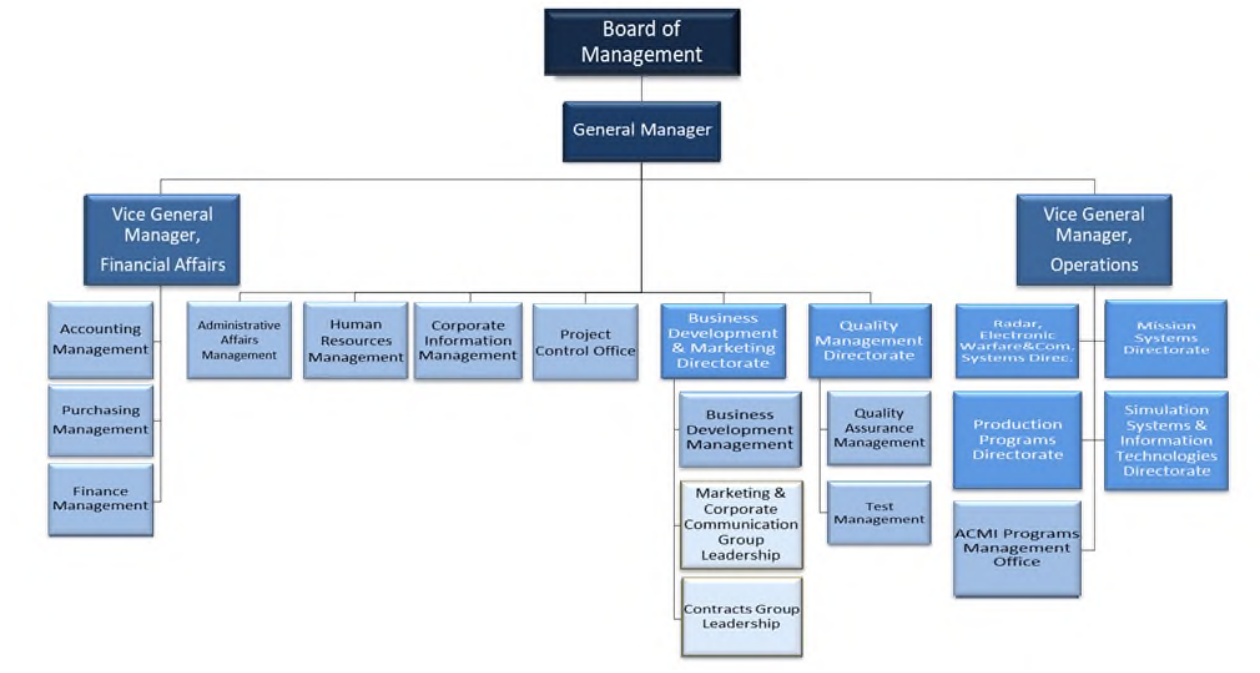
Company's Shareholding Structure		
Name of the Partner/ Name and Surname	Share in Capital	
	Amount (in TL)	Share Rate (%)
Mehmet DORA	42.402.500	73,11
Other	15.597.500	26,89
Total	58.000.000	100,00

Shareholding Structure of the Legal Entity Holding the Largest Share in Capital:

The table below provides details on the information and shareholding structure of shareholders who hold 5% or more of the Company's capital.

SDT SPACE AND DEFENCE TECHNOLOGIES INC.		
Name of the Partner/ Name and Surname	Share in Capital	
	Amount (in TL)	Share Rate (%)
Mehmet DORA	42.402.500	73,11
Total	42.402.500	73,11

3. Organizational Structure



4. Evolution and Background of the Company's Operational Domain

The Company was founded on February 11, 2005, with the aim of offering competitive and innovative technological products and value-added engineering services across domestic and international markets, with a particular focus on the defense industry. It also aims to develop products in specific verticals leveraging expertise gained through research and development within the defense sector.

Initially positioned as a technology-focused firm, SDT primarily engaged in subcontracting roles for significant projects during its initial developmental phase. This involvement spanned both the design and production of electronic subsystems and the creation of value-added software. Over time, the Company garnered notable success through collaborations with prominent defense industry entities. In parallel with its project contributions, SDT transitioned into a key player within the defense sector. This evolution saw the Company's involvement extend to the development of subsystem-level products, facilitated by extensive R&D endeavors. These efforts were funded not only through internal resources but also via support from the Scientific and Technological Research Council of Turkey (TÜBİTAK).

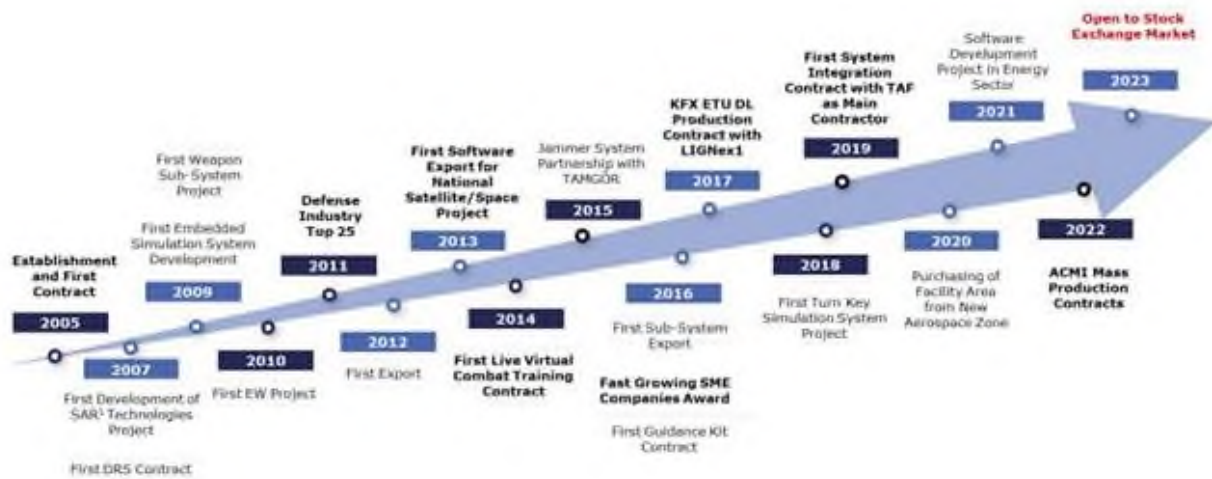
SDT specializes in the following main fields of activity:



- **Radar, Electronic Warfare, and Communication Systems:**
 - Radar Systems
 - Communication Systems
 - Electronic Warfare Systems
- **Mission Systems:**
 - Platform Management Systems
 - Data Recording Systems
 - Launcher Management Systems
- **Simulation Systems and Information Technologies:**
 - Air Combat Training Systems
 - Land Combat Training Systems
 - Naval Combat Training Systems
 - Satellite and UAV Systems
 - Image Processing and Data Technologies
 - Geographic Information System-Based Digital Twin and Asset Management Technologies
 - Cloud-based Autonomous Data Processing Technologies (SaaS)
- **Production Programs**
 - RF Jammer Systems
 - Guidance Electronics
 - Integrated System Solutions

The Company's revenue primarily derives from project-based sales, acquired through various channels including tender procedures, project-based orders, and spot sales. Additionally, the Company may execute certain projects through business partnerships or cooperation agreements. In cases where projects are completed through joint ventures, revenue is distributed proportionally based on each party's share in the venture. Furthermore, the Company recognizes revenue from maintenance and service contracts, as well as recurring revenue streams.

Milestones



5. Industry Focus and Market Position

Details regarding the sectors or markets of activity, the exporter's position within these sectors or markets, and the associated advantages and disadvantages.

Defense Industry Sector:

In line with the principles of a social state, governments are tasked with safeguarding national integrity and ensuring the security of their nations. In the contemporary landscape marked by rising geopolitical tensions and persistent threats of terrorism, countries are increasingly allocating resources to bolster their defense capabilities. Consequently, many nations are enhancing their defense infrastructure and undertaking efforts to modernize and restructure their technological frameworks. The defense industry encompasses the industrial landscape related to the production of defense equipment and the provision of services vital for national security.

Its primary sectors include:

- Aerospace Industry
- Military Shipbuilding Industry
- Military Automotive and Armored Vehicle Industry
- Rocket and Missile Industry
- Electronic Industry
- Military Clothing Industry

Defense Industry Sector on a Global Basis:

The defense industry sector on a global scale saw a notable increase in total expenditures, as per data from the Stockholm International Peace Research Institute (SIPRI). In 2023, fueled by the impact of the Russia-Ukraine conflict, global defense spending surged by 3.7%, reaching a staggering \$2.443 trillion. This amount represents approximately 2.3% of the world's total Gross Domestic Product (GDP).

According to SIPRI's findings, the most significant rise in military expenditures occurred in Africa, with a remarkable 22.34% increase, followed closely by Europe, which experienced a 16.37% uptick. Notably, Central Europe and Eastern Europe saw substantial spikes of 34.44% and 30.88%, respectively, attributed to heightened concerns over Russia's growing threat. In 2022, the five countries with the largest defense expenditures were the USA, China, Russia, India, and Saudi Arabia. Together, these nations accounted for 61% of the total global defense expenditure.

In 2023, the top five countries with the highest defense expenditures were as follows: the USA led the pack with 916 billion USD, followed by China at 296 billion USD, Russia at 109 billion USD, India at 83.6 billion USD, and Saudi Arabia at 75.8 billion USD. As per the SIPRI Report, Turkey secured the 22nd position with a defense expenditure of 15.8 billion USD. Analyzing the surge in military expenditures between 2022 and 2023, Algeria topped the list with a staggering 76% increase, trailed closely by Poland at 75%, Finland at 54%, Ukraine at 51%, and Denmark at 39%, primarily attributed to the perceived Russian threat (Source: SIPRI Military Expenditure Database 2022).

Turkish Defense Industry:

According to TIM data, the Turkish Defense and Aerospace Industry achieved an increase of 27% compared to the previous year by increasing its export success of 4.4 billion USD in 2022 to 5.5 billion USD at the end of 2023.

According to the Turkish Exporters Assembly reports (TIM 2023), Turkish Aerospace and Defense exports in 2023 totaled 5 billion 545 million USD. Export figures by month are given below.

- 278 million 885 thousand USD in January 2023,
- 287 million 111 thousand USD in February 2023,
- 505 million 698 thousand USD in March 2023,
- 417 million 260 thousand USD in April 2023,
- 549 million 935 thousand USD in May 2023,
- 332 million 637 thousand USD in June 2023
- 657 million 173 thousand USD in July 2023
- 375 million 763 thousand USD in August 2023
- 430 million 282 thousand USD in September 2023
- 509 million 993 thousand USD in October 2023
- 481 million 780 thousand USD in November 2023
- 719 million 105 thousand USD in December 2023

6. Capital Structure

Capital Representation Share Information:

Group	Holder/Bearer	Privilege Type	Nominal Share Value (TL)	Total (TL)	Share Ratio (%)
A	Holder	Privileged	1,00	7.500.000	12,93
B	Holder	Unprivileged	1,00	50.500.000	87,07
TOTAL				58.000.000	100,00

As per Article 9 of the Company's Articles of Association, half of the Board of Directors, totaling five members, will be elected by the General Assembly from candidates proposed by the majority of Group A shareholders. If the calculated half-member is a fraction, it will be rounded down to the nearest whole number. In accordance with Article 12 of the Articles of Association, Group A shareholders are entitled to five voting rights each, while Group B shareholders hold one voting right each during General Assembly meetings.

7. Privileged Shares

The Company's capital is segmented into Group A and Group B shares, both of which are registered shares. As stipulated in Article 12, titled "General Assembly," of the Company's Articles of Association:

- Group A shares possess voting privileges, with each share valued at TL 1 granting its owner 5 votes during general assembly meetings.
- Conversely, Group B shares lack voting privileges, with each share valued at TL 1 entitling its owner to 1 vote in general assembly meetings.

Mehmet DORA exercises management control over the Company through his ownership of privileged Group A shares, as stipulated in the Articles of Association. According to Article 9, entitled "Board of Directors and its Term," half of the Board's members, with a minimum of 5 members, are to be elected by the General Assembly from candidates nominated by the majority of Group A shareholders.

Should the total number of Board members be an odd number, resulting in a fractional half, the number of members nominated by Group A shareholders shall be rounded up to the nearest whole number. As outlined in Article 12, "General Assembly," each Group A share carries 5 voting rights in general assembly meetings, whereas Group B shares do not possess any privileges.

8. Board of Directors

The Company's management and representation in dealings with third parties are vested in the Board of Directors. The Board, composed of at least 5 members in compliance with Turkish Commercial Code and Capital Markets Law, oversees the Company's affairs and administration. Directors serve a maximum term of 3 years and may be re-elected upon the expiration of their term. The General Assembly retains the authority to change Board members if necessary.

To ensure accountability and impartiality, the General Assembly elects a sufficient number of independent directors in line with the principles of director independence outlined in the Corporate Governance Principles attached to the Capital Markets Board's Corporate Governance Communiqué No. 17.1. The selection and qualifications of independent directors adhere to the regulations of the Capital Markets Board on corporate governance.

Board members are permitted to hold positions on the boards of other companies. Meetings of the Board of Directors may be convened by the Chairman or, in their absence, by the Vice Chairman. Meeting and voting procedures are governed by the Turkish Commercial Code, requiring a majority of members for a quorum.

Decisions are made by a majority of members present, as stipulated in Article 390 of the Turkish Commercial Code, including when the board convenes electronically. Members of the Company's governing body are prohibited from engaging in transactions with the Company or participating in activities that compete with its interests. During the period from January 1, 2023, to December 31, 2023, the Company's board of directors held a total of 19 meetings with an attendance rate of 86%.

Name and Surname	Position	Last (5) Years Assignments	Current Term / Remaining Term	Share of Capital	
				(TL)	(%)
Mehmet DORA	Chairman of the Board of Directors	Chairman of the Board of Directors	Until 27.10.2024	42.402.500	73.11
Mustafa Fatih ÜNAL	Vice-Chairman of the Board of Directors	Vice-Chairman of the Board of Directors/General Manager	Until 27.10.2024	1.347.500	2.32
Beril DORA	Board Member	Board Member	Until 31.05.2024	0	0,00
Mehmet Veysel YAYAN	Independent Board Member	Independent Board Member	Until 31.05.2024	0	0,00
Necip Yalçın PEHLİVANTÜRK	Independent Board Member	Independent Board Member	Until 31.05.2024	0	0,00

ROLES OF THE MEMBERS OF THE BOARD OF DIRECTORS APART FROM THE PARTNERSHIP						
Name and Surname	Title in Company	Role	Continuation of Duty	Capital Amount (in TL)	Capital Share (in TL)	Capital Share (%)
Mehmet DORA	Dormak İthalat İhracat Mümessillik ve Danışmanlık Ticaret A.Ş.	Chairman of the Board of Directors, Shareholder	Continues	27.000.000	27.000.000	100
	Dorsan Uzay ve Havacılık Savunma Sanayi Taahhüt ve Ticaret Ltd. Şti.	Manager, Shareholder	Continues	150.000	72.000	48
	Dorsav Teknik Lojistik ve Ticaret A.Ş.	Chairman of the Board of Directors, Shareholder	Continues	50.000	24.000	48
	Mehmet DORA-Real Person Enterprise	Business Owner	Continues	10.000	10.000	100
Necip Yalçın PEHLİVANTÜRK	MİTAŞ Endüstri Sanayi Ticaret A.Ş.	Board Member	Continues	1.000.000.000	0	0
Mehmet Veysel YAYAN	FNSS Savunma Sistemleri A.Ş.	Board Member	Continues	3.000.000	0	0

ROLES OF THE MEMBERS OF THE BOARD OF DIRECTORS APART FROM THE PARTNERSHIP						
Name and Surname	Title in Company	Role	Continuation of Duty	Capital Amount (in TL)	Capital Share (in TL)	Capital Share (%)
	İMSAT İnşaat Malzemesi Sanayicileri Derneği	Board Member	Continues	-	0	0
	Türkiye Çelik Üreticileri Derneği	General Secretary	Continues	-	0	0
Beril DORA	-	-	-	-	0	0

9. Board of Directors Committees

To uphold the effective execution of its duties as outlined in Article 4.5 of the Corporate Governance Communiqué numbered II-17.1 by the Capital Markets Board, the Board of Directors has decided to establish the "Audit Committee," the "Early Detection of Risk Committee," and the "Corporate Governance Committee." Their respective roles will be defined accordingly.

Additionally, it has been decided not to form distinct "Nomination Committee" and "Remuneration Committee," with their responsibilities instead integrated into the functions of the "Corporate Governance Committee."

AUDIT COMMITTEE

The Audit Committee is responsible for supervising the Company's accounting procedures, the public disclosure of financial information, independent audits, and the efficiency of the Company's internal control and internal audit system. The Company has established an Audit Committee to fulfill these duties.

AUDIT COMMITTEE			
Name and Surname	Position	Share in Capital	
		TL	%
Mehmet Veysel YAYAN	President	-	-
Necip Yalçın PEHLİVANTÜRK	Member	-	-

EARLY DETECTION OF RISK COMMITTEE

The Early Detection of Risk Committee is tasked with identifying potential risks that could threaten the Company's existence, growth, and continuity. It is responsible for implementing measures to mitigate and manage these risks, as well as reviewing the Company's risk management systems at least annually. Furthermore, corporate opportunities are regularly assessed and evaluated by this committee. The Company has established an Early Detection of Risk Committee to fulfill these responsibilities.

EARLY DETECTION RISK COMMITTEE			
Name and Surname	Position	Share in Capital	
		TL	%
Necip Yalçın PEHLİVANTÜRK	President	-	-
Beril DORA	Member	-	-

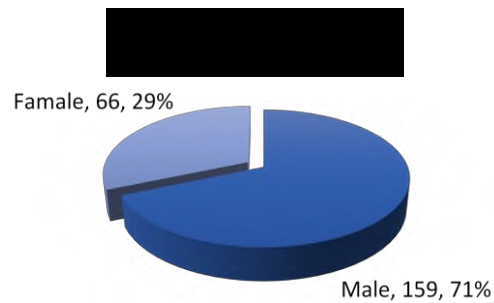
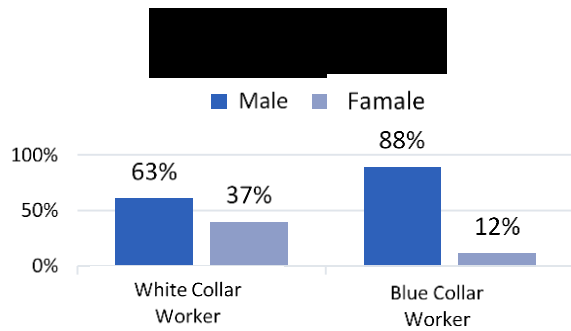
CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee is responsible for assessing the application of corporate governance principles within the Company. In cases where these principles are not fully adhered to, the committee identifies the reasons behind such deviations and any conflicts of interest that may arise as a result. It provides recommendations to the board of directors aimed at enhancing corporate governance practices. Additionally, the committee oversees the activities of the investor relations department. A Corporate Governance Committee has been established to fulfill these duties.

CORPORATE GOVERNANCE COMMITTEE			
Name and Surname	Position	Share in Capital	
		TL	%
Mehmet Veysel YAYAN	President	-	-
Mustafa Fatih ÜNAL	Member	1.347.500	2.32
Emel KOÇAK	Member	-	-

10. Human Resources

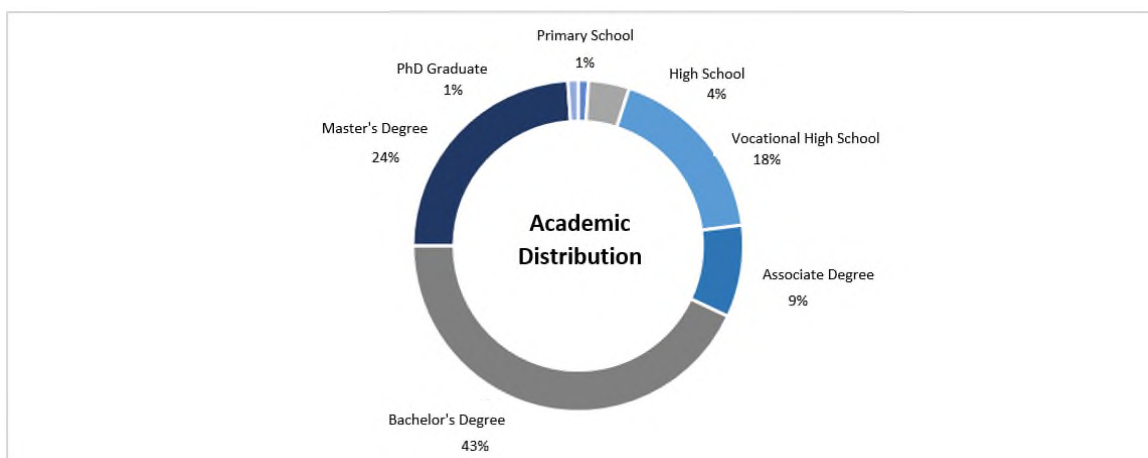
As of December 31, 2023, the total number of SDT personnel is 225. Among them, 70% are classified as white-collar employees. The gender distribution within the personnel is 71% male and 29% female.



Among the SDT employees, the distribution based on job roles is as follows: 36% engineers, 28% technicians, 14% managers, 13% administrative staff, 5% program managers, 3% laborers, and 1% office managers.



Sixty-eight percent of the SDT staff hold at least a bachelor's degree.



11. Initiatives in Sustainability Practices

The Sustainability Principles Compliance Framework was introduced into legislation following the announcement by the Capital Markets Board (CMB) as part of the amendment to the Corporate Governance Communiqué Serial: II-17.1, as published in the Official Gazette dated October 2, 2020, and numbered 31262. Since the company's shares commenced trading on BIST on January 4, 2023, the sustainability report for 2022 has not been prepared. Adherence to sustainability principles is voluntary and is based on the "comply or disclose" principle. The company recognizes the importance of this matter. Accordingly, professional consultancy services were engaged in 2023, and efforts toward

this process will continue in subsequent periods, with outcomes incorporated into the company annual reports as appropriate.

12. Policies

INFORMATION POLICY

In accordance with the company disclosure policy, the company adheres to the principle of providing necessary information, excluding insider information, to all shareholders and stakeholders. This is done within the framework of principles such as equality, accuracy, impartiality, consistency, comprehensibility, accessibility at the lowest possible cost, and timely manner. Methods and tools used for disclosure in relations with stakeholders include Material Event Disclosures, Public Disclosure of Financial Reports, Annual Reports of the Board of Directors, and the Company Website.

METHODS USED TO ENSURE CONFIDENTIALITY OF INFORMATION

The Company establishes a List of Individuals with Access to Inside Information and notifies the relevant authority of this list and any changes to it. Additionally, it periodically informs those concerned about the application of Silent Periods and Prohibited Periods.

DIVIDEND DISTRIBUTION POLICY

The purpose of SDT A.Ş.'s Dividend Distribution Policy is to establish principles for profit distribution in accordance with the Turkish Commercial Code, the CMB's Serial: II No: 19.1 "Dividend Communiqué," and other relevant legislation. In dividend distribution, the Company maintains a balanced and consistent approach between the interests of shareholders and the Company in line with Corporate Governance Principles. The Board of Directors' proposal regarding dividend distribution, its form and content, along with the dividend distribution table determined by the Board, are publicly announced in accordance with CMB regulations on the disclosure of material events.

REMUNERATION POLICY

The objective of the Remuneration Policy is to establish principles for determining the compensation of the Company's Board Members and senior executives in accordance with the CMB's "Corporate Governance Communiqué," Serial: IV No: 17.1, which came into effect upon publication in the Official Gazette dated 01.03.2014, and numbered 28871. The remuneration principles for Board Members and senior executives, given the absence of a separate Remuneration Committee, are documented by the Corporate Governance Committee. These principles consider the Company's long-term objectives and are then presented to the Board of Directors for approval. The approved remuneration principles are separately disclosed to shareholders during General Assembly meetings, providing them with an opportunity to express their views on the matter.

INFORMATION SECURITY POLICY

Given the critical nature of the defense sector in which SDT primarily operates, ensuring information security is paramount. With a keen awareness of this sensitivity, the company is dedicated to guaranteeing the confidentiality, integrity, and accessibility of information assets belonging to itself and its internal and external stakeholders in all organizational activities. This commitment is upheld through the implementation and maintenance of an Information Security Management System (ISMS) established within the framework of the TS ISO/IEC 27001 standard.

To achieve this, the company:

- Abides by its legal, regulatory, and contractual obligations concerning information security.
- Implements and sustains a risk management methodology to identify, evaluate, and control risks associated with information assets.
- Develops suitable business continuity plans and systems to ensure the continuity of business activities with minimal interruption. These plans are implemented, tested, and continuously enhanced.
- Conducts regular training and awareness-raising activities to enhance information security awareness among stakeholders.
- Constantly enhances the Information Security Management Systems through regular audits and reviews based on objective measurements. Control targets are established to enhance information security performance.
- Ensures that appropriate measures are taken and necessary sanctions are imposed to manage and prevent the recurrence of information security violations.

QUALITY POLICY AND QUALITY MANAGEMENT SYSTEM

SDT, as an institution committed to fulfilling the requirements of the Quality Management System, aims to:

- Meet customer needs in the most appropriate and competitive manner through its processes and applications.
- Ensure sustainable growth in both foreign and domestic markets by fostering effective and efficient teams with its employees and establishing strong collaborative relationships with other companies through its products/solutions.
- Achieve, enhance, and maintain balanced satisfaction among all stakeholders (customers, employees, shareholders, suppliers, subcontractors, business partners) and instill confidence in society through the development and production of products and services.
- Ensure that all functions within the company operate in an integrated manner with a process-oriented approach based on measurement and improvement, managing them with data.
- Increase and manage the competencies of all employees within the framework of the quality system in accordance with needs, focusing on continuous improvement and development. This is achieved

by recognizing employees as integral parts of a larger whole and prioritizing internal information sharing.

OPTIMIZING CORPORATE INFORMATION MANAGEMENT VIA TECHNOLOGY INFRASTRUCTURE

In 2022, significant upgrades were made to the information system server and storage infrastructure as part of a comprehensive modernization initiative. The implementation of the second phase functionalities of the Enterprise Resource Planning (ERP) application which had been fielded in the Company at the beginning of 2021 was successfully concluded, aligning with the strategic plan's objectives to fortify the corporate infrastructure.

In pursuit of bolstering corporate memory, streamlining processes through digitization, and transitioning towards a paperless office environment, the deployment and expansion of the content management system were completed. Furthermore, infrastructure investments pertaining to internet network IT services were finalized and implemented.

SDT has obtained certifications for its Quality Management System in compliance with AS 9100 Rev D, TS EN ISO 9001:2015, TS EN ISO/IEC 27001:2017, AQAP 2310, and AQAP 2210 standards. Additionally, SDT's Quality Management System adheres to the requirements outlined in IEEE/EIA 12207, IEEE 1220, and MIL-STD-498 for engineering processes, and MIL-STD-973 and ANSI/EIA-649 for Configuration Management processes. Moreover, in 2023, CMMI Level 3 assessment activities both in CMMI DEV and CMMI SPM were concluded.

13. Financial Status: (TL)

	Current Period Audited 31.12.2023	Prior Period Audited 31.12.2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalent	251.038.004	361.284.003
Financial Investments	380.993.576	135.278.281
Trade Receivables	488.683.507	147.754.224
<i>- Trade receivables from related parties</i>	3.886.408	-
<i>- Trade receivables from other parties</i>	484.797.099	147.754.224
Other Receivables	18.435.425	5.069.885
<i>- Other receivables from related parties</i>	-	-
<i>- Other receivables from other parties</i>	18.435.425	5.069.885
Inventories	723.260.653	294.887.128
Prepaid Expenses	95.265.330	77.407.140
<i>- Prepaid expenses from related parties</i>	4.286.110	-
<i>- Prepaid expenses from other parties</i>	90.979.220	77.407.140
Other Current Assests	27.847.285	3.913.319
TOTAL CURRENT ASSETS	1.985.523.780	1.025.593.980

NON-CURRENT ASSETS

Other Receivables	545.583	875.259
- <i>Other receivables from related parties</i>	-	-
- <i>Other receivables from other parties</i>	545.583	875.259
Financial Investments	14.742.377	14.622.906
Investments Valued by Equity Method	1.935.886	-
Right of Use Assets	10.612.937	415.900
Tangible Fixed Assets	35.920.620	27.975.207
Intangible Fixed Assets	52.585.128	52.344.051
Prepaid Expenses	60.888.526	42.654.602
Deferred Tax Assets	49.823.605	-
TOTAL NON-CURRENT ASSETS	227.054.662	138.887.925
TOTAL ASSETS	2.212.578.442	1.164.481.905

LIABILITIES**CURRENT LIABILITIES**

Financial Borrowings	101.417	136.467
Current Installment of Long Term Financial Borrowings	11.305.425	5.912.380
Trade Payables	147.452.929	39.327.381
- <i>Trade payables to related parties</i>	156.712	385.699
- <i>Trade payables to other parties</i>	147.296.217	38.941.682
Employee Benefit Liabilities	24.152.921	15.448.842
Other Payables	5.817.932	8.241.076
- <i>Other payables to related parties</i>	-	-
- <i>Other payables to other parties</i>	5.817.932	8.241.076
Deferred Income	482.943.759	197.058.022
Current Tax Liabilities	21.745.622	6.140.563
Short Term Provisions	39.072.608	39.611.126
- <i>Provision for employee benefits</i>	30.114.049	32.617.699
- <i>Other Short Term Provisions</i>	8.958.559	6.993.427
TOTAL CURRENT LIABILITIES	732.592.613	311.875.857

NON-CURRENT LIABILITIES

Financial Borrowings	301.024	2.366.126
Deferred Income	89.337.627	50.867.797
Long Term Provisions	14.238.971	18.682.937
- <i>Provision for employee benefits</i>	10.822.341	13.806.997
- <i>Other Long Term Provisions</i>	3.416.630	4.875.940
Deferred Tax Liabilities	-	407.361
TOTAL NON-CURRENT LIABILITIES	103.877.622	72.324.221
TOTAL LIABILITIES	836.470.235	384.200.078

SHAREHOLDERS' EQUITY

Parent Company's Equity	1.376.108.207	780.281.827
Paid In Capital	58.000.000	50.000.000
Adjustment to Share Capital	99.640.179	95.280.156
Premiums/Discounts Related to Shares	357.153.673	-
Other Comprehensive Income or Loss		
Not to Be Reclassified Under Profit or Loss	173.968	-68.958
<i>Remeasurement Gains (Loss)</i>	<i>173.968</i>	<i>-68.958</i>
<i>- Actuarial gains/losses on defined benefit plans</i>	<i>173.968</i>	<i>-68.958</i>
Restricted Reserves	19.607.952	6.401.248
Retained Earnings or Losses	519.156.870	515.437.108
Net Profit or Loss for the Period	322.375.565	113.232.273
Non-controlling Interests	-	-
TOTAL SHAREHOLDERS' EQUITY	1.376.108.207	780.281.827
TOTAL LIABILITIES AND EQUITY	2.212.578.442	1.164.481.905

PROFIT OR LOSS

Revenue	1.140.348.009	913.600.638
Cost of Sales	-664.058.316	-542.839.885
GROSS PROFIT / (LOSS)	476.289.693	370.760.753
General Administrative Expenses	-108.413.877	-84.645.715
Marketing Expense	-29.554.396	-30.762.797
Research and Development Expenses	-16.215.605	-16.198.760
Other Income from Main Operations	37.836.454	68.230.981
Other Expense from Main Operations	-72.363.094	-122.529.805
PROFIT/ (LOSS) FROM OPERATING ACTIVITIES	287.579.175	184.854.657
Income From Investment Activities	277.653.403	49.473.545
Expense From Investment Activities	-293.560	-73.367
Shares of Profits/Loss of Investments Valued by Equity Method	-1.589.114	-
OPERATING INCOME	563.349.904	234.254.835
BEFORE FINANCIAL INCOME/ (EXPENSE)		
Financial Income	133.509.504	86.861.275
Financial Expenses	-102.634.022	-42.588.534
Monetary Gain / (Loss)	-255.591.289	-151.946.967
PROFIT/ (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	338.634.097	126.580.609
Operating Activity Tax Income/ (Expense)	-16.258.532	-13.348.336
Current Tax (Expense) / Income	-65.631.233	-22.008.285

Deferred Tax (Expense) / Income	49.372.701	8.659.949
NET PROFIT / (LOSS) FOR THE YEAR	322.375.565	113.232.273
Parent Company's Share	322.375.565	113.232.273
Earnings Per Share	5,61	2,65

14. KEY MILESTONES IN COMPANY ACTIVITIES AND OPERATIONS

a. Company Investments in the Current Accounting Period

During the accounting period, the Company has directed investments towards consolidating its operations in response to growing business demands. This includes the consolidation of all existing premises, including those utilized for business partnership activities, into a single campus. The new campus, spanning approximately 16,000 m2 of closed area, is being constructed on a 30,376 m2 plot of land acquired in the Ankara Space and Aviation Specialized Organized Industrial Zone in 2020.

Construction is currently underway, with progress being made towards gathering all operations under one roof. Amendments to building licenses have been successfully obtained, and negotiations with subcontractors and suppliers for rough construction works have been finalized, with construction contracts signed accordingly. Additionally, negotiations for electrical, mechanical, and other finishing works are ongoing as part of the construction activities.

b. Absence of significant administrative sanctions and penalties against the Company and Board Members

c. No significant changes in legislation impacting company operations

d. Internal Control System and Audit activities

The Company currently does not have an internal control system in place. However, it undergoes independent audits and receives comprehensive certification services to ensure compliance with tax laws.

e. Resolving Conflicts of Interest between the Company and Service-Providing Institutions in Investment Consultancy and Rating

There exists no conflict of interest between the Company and institutions offering services like investment consultancy and rating.

f. Mutual Associates with Ownership Exceeding 5%

	Parent Company's Equity Share in the Subsidiary		Uncontrollable Equity Capital
Subsidiary Shareholding Structure	(Direct)	(Direct+ Indirect)	Share
SDT Azerbaijan/Azerbaijan	%100.00	%100.00	-
Cey Savunma	%100.00	%100.00	-

g. Company's acquisition of own shares

No shares were acquired by the Company.

h. Explanation regarding special and public audits conducted during the Accounting Period

Ram Bağımsız Denetim Ve Danışmanlık has been appointed to audit the Company's financial statements for the years 2020, 2021, 2022, and 2023.

i. Lawsuits impacting company's financial position and operations

There are no lawsuits filed against the Company.

j. Information regarding Company's direct or indirect subsidiaries and share ratios

Subsidiaries	Ownership of the Parent through the Equity Affiliates		Non-controllable Interests
	(Direct)	(Direct+ Indirect)	Ratio
SDT Azerbaijan/Azerbaijan	%100.00	%100.00	-
Cey Savunma	%100.00	%100.00	-

Equity Method:

Affiliates	Ownership of the Parent through the Equity Affiliates		Non-controllable Interests
	(Direct)	(Direct+ Indirect)	Ratio
Sirius	%40	%40	%60

- k. Legal Transactions and Measures with Controlling Company and Affiliates:** If the Company is a subsidiary of a group of companies, this section includes details on legal transactions with the controlling company, any affiliated companies, directives from the controlling company benefiting itself or affiliated entities, as well as any other actions taken or avoided for the benefit of the controlling company or its affiliates during the previous activity year.

No such transactions occurred.

l. Evaluation of previous period targets and General Assembly resolutions

The company successfully achieved its targets for the period spanning from January 1, 2023, to December 31, 2023. All resolutions set forth by the General Assembly were duly fulfilled during this period. As a result, there were no instances where targets were not met or resolutions were left unfulfilled.

m. Details regarding company donations and aid within the period, and expenditures on social responsibility projects

As of December 31, 2023, the Company has contributed donations and grants totaling TL 3,104,746. No such donations were made during the previous period from January 1 to December 31, 2022.

n. Summary of General Assembly Meetings Held

The Ordinary General Assembly Meeting for the year 2022 was convened by the Company on May 30, 2023.

o. Corporate Social Responsibility (CSR) Activities

No CSR activities were undertaken by the Company during the period from January 1, 2023, to December 31, 2023, regarding the social rights, vocational training of employees, or other activities with social and environmental implications.

p. Dividend Distribution Policy

The Company's shareholders, Mehmet DORA and Mustafa Fatih ÜNAL, have unanimously agreed and committed to voting for the distribution of a minimum of 35% of the distributable profit in cash dividends for a duration of 5 years following the commencement of the Company's shares trading on the Stock Exchange.

q. Company Activities and Major Developments

A significant milestone was achieved with the signing of the "Live Virtual Simulated Training Integrated System Serial Production Project" with the Presidency of Defense Industries (SSB). This initiative aims to fulfill the requirements of the Turkish Air Force. The project involves the production and delivery of pods known as "Air Combat Maneuvering Instrument - ACMI," which will facilitate pilots in conducting combat readiness training in a live environment, utilizing ground stations and specialized software situated in their command centers.

Additionally, in 2022, the company secured a second contract for the production of ACMI Pods, this time with the Pakistan Air Force as part of an export venture. Similar to the Turkish project, these pods will be integrated into the Pakistan-China jointly produced JF-17 aircraft. This endeavor marks a significant achievement for the company, as it becomes the first to integrate this capability into both NATO inventory and non-NATO aircraft, thus expanding its global reach and impact.

In the last quarter of 2023, the Company initiated design and development activities for a new work package, in addition to the ongoing "Cloud Based Satellite Ground Systems Project" in collaboration with the Italian company Telespazio. This project is slated for completion by the last quarter of 2024. Furthermore, progress was made on the Göktürk-1 Mobile Ground Station Virtualization work package with Telespazio, which was then submitted for approval to the Presidency of Defense Industry. The project is scheduled to commence in 2024 and reach completion in the first quarter of 2025.

Moreover, SDT successfully concluded the crucial "Phase-1" process, the primary phase of the "Seismic Data Processing, Analysis and Imaging Application Development Project," initiated in 2021 for the Turkish Petroleum Corporation (TPAO), by December 2022. By the end of 2023, the initial part of Phase-2 acceptance was accomplished,

with the remaining segment anticipated to be finalized in the first quarter of 2024, paving the way for the commencement of Phase 3.

The Company commenced the "Spatial Data Management System Based Digital Twin and Asset Management Project" with Offshore Technology Center (OTC), a subsidiary of TPAO, in March 2022. By December 2022, the first phase was successfully concluded, and the developed application was launched for user service.

Throughout this endeavor, the Company acquired extensive expertise in developing infrastructure and applications utilizing advanced software technologies in digital twin, asset management, workflow data systems integration, and data processing. SDT recognizes the escalating significance of the digital twin concept in analyzing, designing, implementing, and monitoring needs or processes, foreseeing its critical importance in the near future.

Consequently, it remains committed to establishing a prominent presence within the country in this field. The project modules were finalized in the last quarter of 2023, and the transition process to the institution's developer and support team has commenced to enable customer utilization. With development now fully concluded, the training and transition plan has been communicated to the customer.

The preliminary design phase of the "Göktürk Renewal Satellite Ground Station Development Project," undertaken by TUSAŞ (TAI) and SDT, was successfully concluded in the last quarter of 2023, marking the commencement of the critical design phase.

The Aircraft Arresting Systems Project, conducted in collaboration with the SSB to fulfill the requirements of the Air Force Command, reached completion. As part of this initiative, a total of 20 systems were installed and delivered to ensure the safe interception of fighter aircraft during emergency landings at bases affiliated with the Turkish Air Force. Since 2007, the Company has been actively engaged in advancing signal processing and SAR/ISAR image generation algorithms, alongside developing onboard and real-time software for Synthetic Aperture Radars (SAR/ISAR) through the SAR/ISAR Algorithm and Software Development Project for AESA Radar. The signal processing algorithms and software designed for the AESA Radar, intended for use in both manned and unmanned aerial platforms and featuring Ground/Surface Imaging Modes, were finalized and delivered in 2023, followed by the completion of system integration and testing activities.

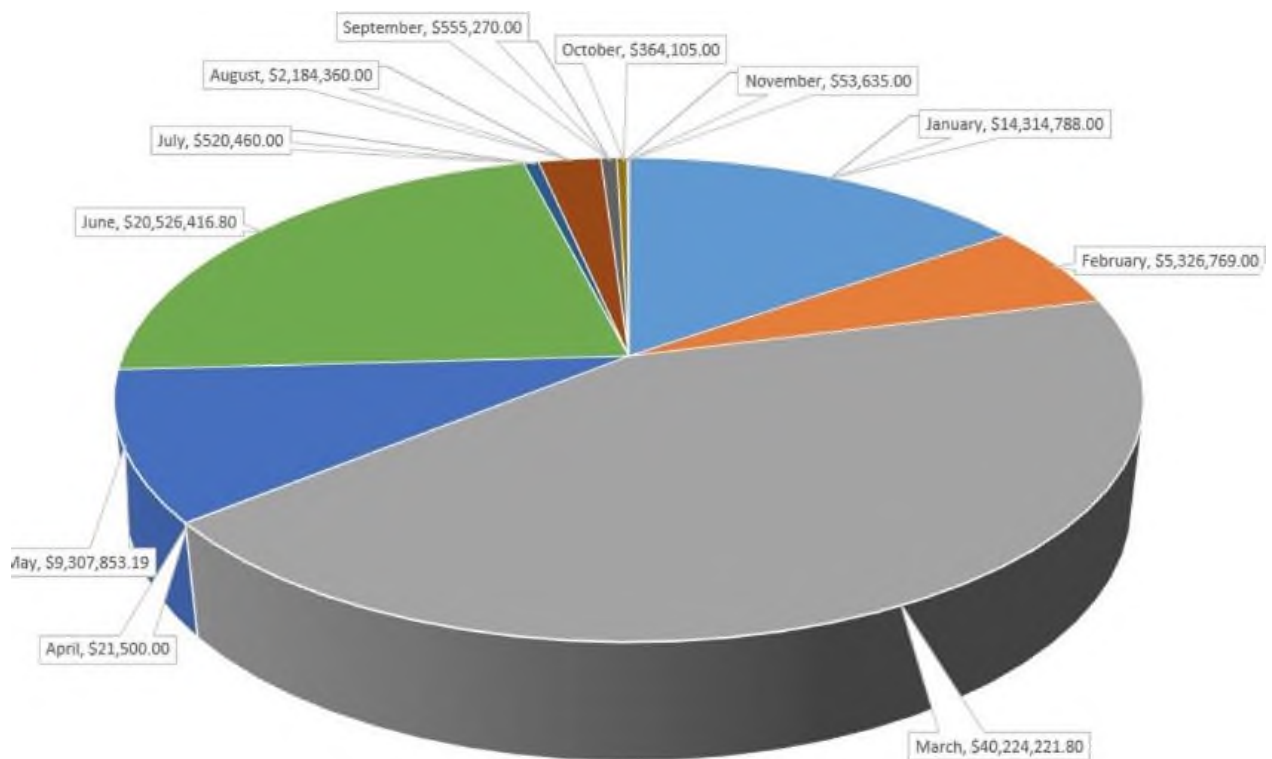
Concurrently, the Portable Comint System R&D Project, an internal R&D initiative, is ongoing. This project aims to develop a versatile mobile communication intelligence system capable of detecting broadband communication signals and performing precise directional detection. The system is meticulously designed to incorporate materials exempt from ITAR regulations. Additionally, the project strives to implement deep learning-based methods for the automatic classification of signals detected by the portable Comint system, thereby achieving a continuously updated threat library.

SDT continues its product development efforts as part of the Gökbey helicopter air conditioning control unit development and delivery project, initiated with a domestic customer on May 25, 2023. Additionally, SDT received an extra order in 2023 for the Air Vehicle Control Hardware Unit, previously developed and still utilized in unmanned aerial vehicle ground control stations. While a portion of this order was delivered in 2023, the remaining deliveries are

scheduled for completion in 2024. Furthermore, the Company secured another order in 2023 for various VKS (Data Recording System) Devices designed for diverse avionic platforms. These new orders are set to be delivered to customers in 2024 and 2025.

SDT has recently signed contracts for the production of Precision Guidance Electronics and the Explorer (GPS device), essential components utilized in diverse guidance electronics. Additionally, contracts were secured for various cards employed in guidance electronics, a mission controller destined for integration into various land platforms, and the Domestic Pendant Cable employed in Aircraft Interceptor Systems utilized in F-16 aircraft. Material procurement has commenced in accordance with these agreements. The delivery of products under these orders is scheduled for completion in 2024 and 2025.

Total Order Value for the Period January 1, 2023, to December 31, 2023



The Company has garnered new orders totaling USD 93,399,378 for the period spanning January 1, 2023, to December 31, 2023.

r. Remuneration Provided to the Members of the Board of Directors and Senior Management for the Period January 1, 2023, to December 31, 2023

The Company's board of directors comprises 5 members, and there is no fixed remuneration paid to them. Instead, they receive attendance fees. For the aforementioned period, the total remuneration and benefits disbursed to the

board of directors and senior executives amount to TL 28.790.719 (compared to TL 19,522,027 in the corresponding period of 2022).

s. Research and Development Activities

The Company persists in its research and development endeavors aimed at designing indigenous products in the fields of radar and electronics/warfare, utilizing SDT's internal resources. These R&D activities align with the "R&D Road Map" framework, wherein the Company endeavors to allocate 20% of the income derived from public offerings.

t. Transactions with Related Parties

To mitigate potential conflicts of interest arising from transactions between the Company, its subsidiaries, and related parties such as controlling shareholders, board members, senior executives, as well as their spouses and relatives up to the second degree, prior approval from the general assembly is mandatory. Full disclosure of such transactions is also required during general assembly meetings.

i. Receivables and Payables Involving Related Parties

a) The details of receivables from related parties classified under other short-term receivables are as follows :

	31.12.2023	31.12.2022
Dorsan Uzay ve Hav.Sav. San.Taah.ve Tic. Ltd.Şti.	3.886.408	-
	3.886.408	-

b) The details of advances given to related parties classified under the prepaid expenses account item are as follows:

	31.12.2023	31.12.2022
Sirius Tasarım Laboratuvarı Mühendislik A.Ş.	3.000.000	-
Dormak İth. İhr. Müm. ve Dan. Tic. A.Ş.	1.286.110	-
	4.286.110	-

c) The details of payables to related parties classified under the short-term trade payables account item are as follows:

	31.12.2023	31.12.2022
Gate-Tamgör Elektronik Sanayi Ticaret Limited Şirketi	93.513	84.710
Tamgör Elektronik Sanayi ve Ticaret Limited Şirketi	63.199	-
Dormak İth. İhr. Müm. ve Dan. Tic. A.Ş.	-	300.989
	156.712	385.699

d) Details of deposits and guarantees received from related parties classified under other short-term payables account item are as follows:

	31.12.2023	31.12.2022
Dormak İth. İhr. Müm. ve Dan. Tic. A.Ş.	21.564	-
	21.564	-

II. Sales to Related Parties Classified under Revenue Details

a) The details of sales to related parties classified in the revenue are as follows:

	01.01.- 31.12.2023	01.01.- 31.12.2022
Tamgör Elektronik Sanayi ve Ticaret Limited Şirketi	11.737.027	2.300.176
Dorsan Uzay ve Hav.Sav. San.Taah.ve Tic. Ltd.Şti.	3.391.651	-
	15.128.678	2.300.176

b) The details of purchases from related parties classified within the cost of sales account are as follows:

	01.01.- 31.12.2023	01.01.- 31.12.2022
Dormak İth. İhr. Müm. ve Dan. Tic. A.Ş.	111.904.982	1.623.161
Tamgör Elektronik Sanayi ve Ticaret Limited Şirketi	14.251.630	4.162.940
Gate-Tamgör Elektronik Sanayi Ticaret Limited Şirketi	1.442.811	1.659.012
	127.599.423	7.445.113

c) The details of other income obtained from related parties classified under the other income from main activities account item are as follows:

	01.01.- 31.12.2023	01.01.- 31.12.2022
Tamgör Elektronik Sanayi ve Ticaret Limited Şirketi	714.142	10.204.923
Dorsan Uzun ve Hav.Sav. San.Taah.ve Tic. Ltd.Şti.	4.731	927.478
	718.873	11.132.401

d) The details of other expenses obtained from related parties classified under the other expenses from main activities account item are as follows:

	01.01.- 31.12.2023	01.01.- 31.12.2022
Tamgör Elektronik Sanayi ve Ticaret Limited Şirketi	293.030	4.329.756
Dormak İth. İhr. Müm. ve Dan. Tic. A.Ş.	-	180.997
	293.030	4.510.753

e) The details of tangible fixed assets purchased from related parties classified under the tangible fixed assets account item are as follows:

	01.01.- 31.12.2023	01.01.- 31.12.2022
Dormak İth. İhr. Müm. ve Dan. Tic. A.Ş.	714.706	-
	714.706	-

- u. Information regarding transactions of governing body members with the company on their own or others' behalf within general assembly permission, if any, and activities prohibited by competition

None.

- v. Evaluation and analysis by the management body on financial position, operational results, achievement of planned activities, and alignment with strategic targets

None.

15. Governing Body Risk Assessment

Details of the Company's Risk Management Policy to Address Anticipated Risks:

To mitigate foreign currency risk in the current period, the Company strives to avoid the use of foreign currency-denominated debts and credits, particularly on the liability side. Additionally, derivative products are employed to minimize exchange rate risk.

Moreover, to mitigate liquidity risk, the Company endeavors to balance purchase and payment terms to ensure sufficient cash flow. When necessary, funding is secured through loans to further minimize liquidity risk.

16. Miscellaneous

The report presents events of significant importance that transpired during the operational period from January 1, 2023, to December 31, 2023, which may have implications for the rights of shareholders, creditors, and other relevant individuals and organizations.

Notable events subsequent to the statement of financial position date are detailed as follows;

- The investment incentive certificate, obtained by the Parent Company on July 04, 2022, under the HAB facility, underwent revision on February 12, 2024. Consequently, the fixed investment incentive amount was increased from TL 32,605,000 to TL 96,459,044.
- The closure of the "TAMGÖR - SDT Joint Venture (ST02)," a joint operation of the Parent Company, was finalized on January 31, 2024.
- The commencement of operations for the "TAMGÖR - SDT Joint Venture (ST17)," a joint operation of the Parent Company, commenced on January 03, 2024.

Mehmet DORA
Chairman of the Board of Directors

Mehmet Veysel YAYAN
Independent Board Member