



SDT SPACE AND DEFENCE TECHNOLOGIES INC.

Activity Report: January 1st - March 31st, 2024



Vision

"To become the leading privately-owned company in Turkey within the domains of defense electronics and/or software."

Mission

"We are committed to delivering competitive and innovative technological products, along with value-added engineering solutions, to all targeted sectors in Turkey and beyond, with a special emphasis on defense, while upholding our brand's value."



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1.General Information

Report Period : January 1st - March 31st, 2024
Company Name : **SDT SPACE AND DEFENCE TECHNOLOGIES INC.**
Trade Registry No : 200761
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Çankaya/Ankara
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KEP Address : sdtuzay@hs02.kep.tr
Email Address : info@sdt.com.tr
Mersis No : 0757030831100016

2. Company's Capital Ownership Structure

a)- Capital : 58.000.000,00 TL
b)- Shareholding Structure

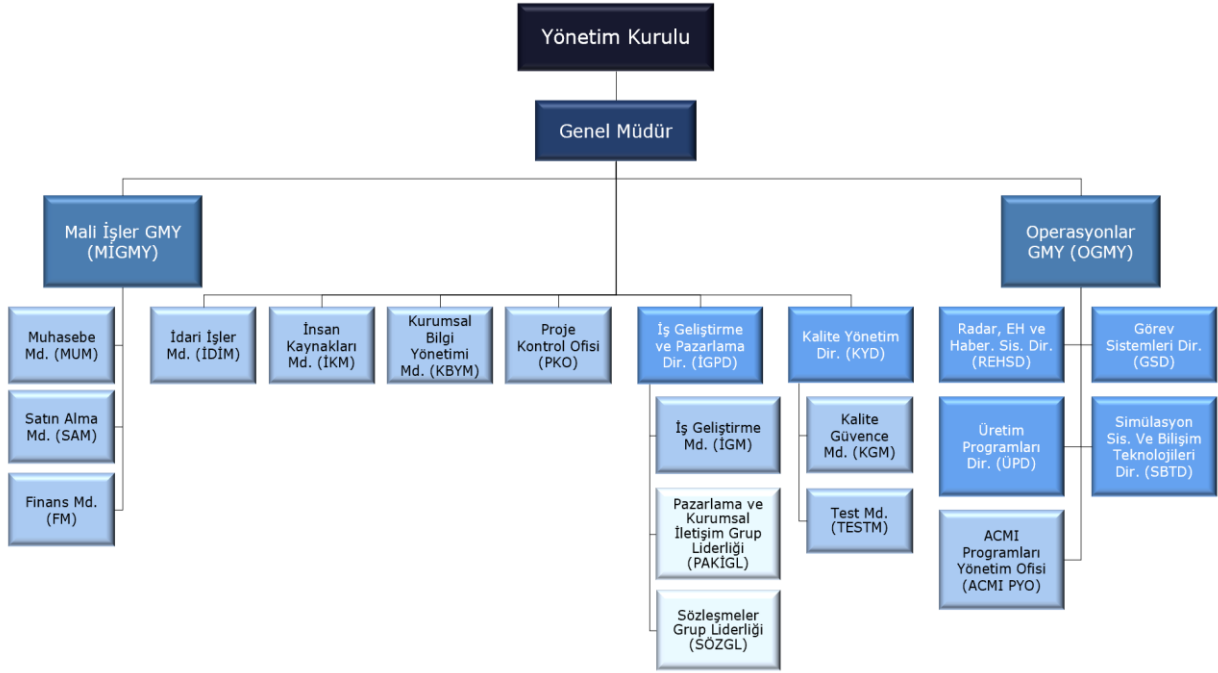
Company's Shareholding Structure		
Name of the Partner/ Name and Surname	Share in Capital	
	Amount (in TL)	Share Rate (%)
Mehmet DORA	42.402.500	73.11
Other	15.597.500	26.89
Total	58.000.000,00	100,00%

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 delivering competitive and cutting-edge technological products and value-added engineering services across various sectors in Turkey and internationally, with a particular focus on the defense industry. Additionally, the company aims to develop products in specific verticals through research and development within the defense sector. On July 13, 2017, it underwent a title change and has since been operating under its current name.

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).

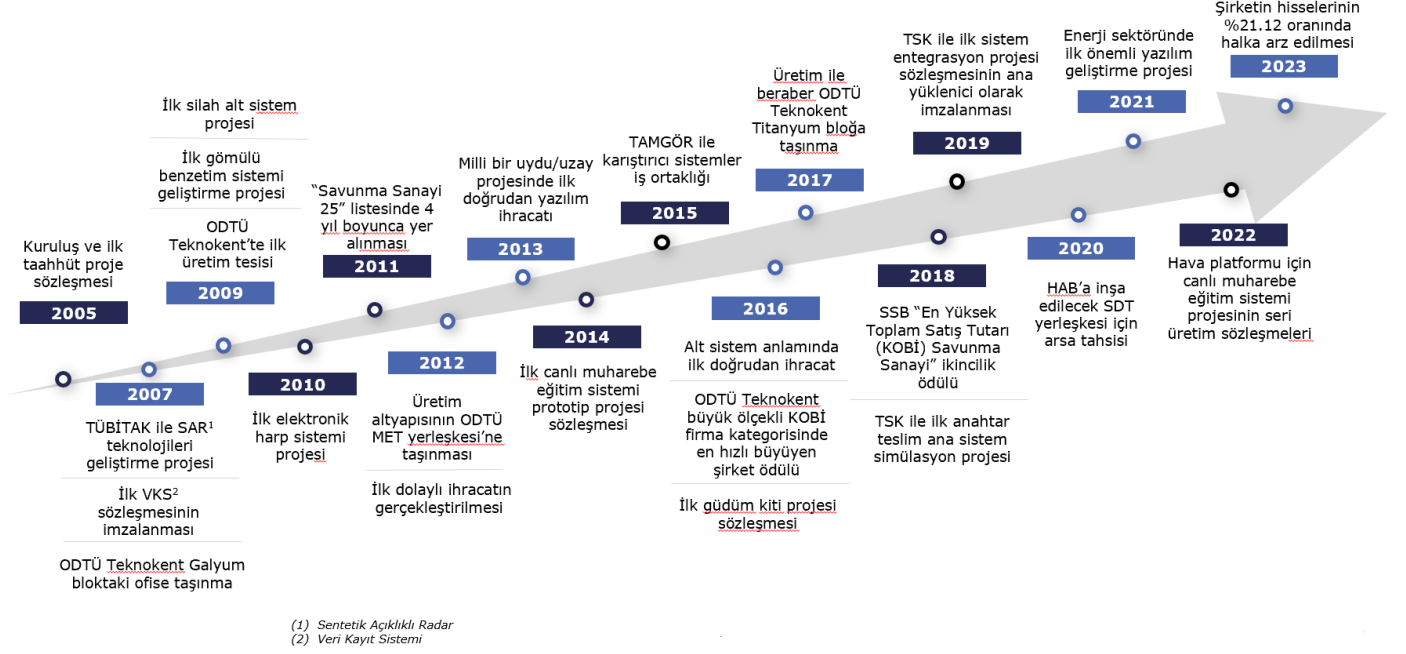
SDT specializes in the following main fields of activity:



- **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 Program Offerings:**
 - RF Jamming Systems
 - Guidance Electronics Systems
 - 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.

Key milestones in the Company's Development



The Company's developmental timeline is as follows:

2005: SDT signed its inaugural contract after establishment.

2007: Concurrently, the SAR* technology development project and the first DRS** contracts with TÜBİTAK were initiated. Additionally, the Company established its office in METU Teknokent Galyum Block.

2009: SDT constructed its initial production facility at METU Teknokent. During the same year, the Company participated in the "First Weapon Subsystem" and "First Embedded Simulation System Development" projects.

2010: Initiation of the first electronic warfare system project.

2011: Inclusion in the "Defence Industry 25" list for four consecutive years.

2012: Relocation of production infrastructure to METU MET campus and realization of first indirect exports.

2013: Achievement of the first direct software export in the national satellite/space project.

2014: Contract for the first live combat training system prototype project.

2015: Formation of a business partnership for mixing systems with TAMGÖR.

2016: First direct export of a subsystem, receipt of the fastest-growing company award in the large-scale SME company category of METU Teknokent, and contract for the first guidance kit project.

2017: Transition to Teknokent Titanium region campus along with production facilities.

2018: Awarded the Defense Industry Presidency's "Highest sales amount (SME) defense industry" second prize, and commencement of the first turnkey main system simulation project with TAF.

2019: Signing of the first system integration project contract with TAF as the prime contractor.

2020: Land allocation for the forthcoming SDT campus to be constructed in HAB.

2021: Inception of the first significant software development project in the energy sector.

2022: Execution of serial production contracts for the live combat training system project for airborne platforms.

2023: Public offering of 21.12% of the Company's shares. (* SAR: *Synthetic Aperture Radar*, ** VKS: *Data Recording System*)

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 involved in the production of defense equipment and the provision of essential services crucial 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

Defence 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 Defence Industry:

- According to TIM data, the Turkish Defence 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 Defence 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				58.000.000,00	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 Details

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 1st, 2024 to March 31st, 2024, the Company's board of directors convened for a total of 2 meetings, achieving an attendance rate of 90%.

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 30.05.2025	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 30.05.2025	1.347.500	2.32
Beril DORA	Board Member	Board Member	Until 30.05.2025	0	0,00
Mehmet Veysel YAYAN	Independent Board Member	Independent Board Member	Until 30.05.2025	0	0,00
Necip Yalçın PEHLİVANTÜRK	Independent Board Member	Independent Board Member	Until 30.05.2025	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 Müessesillik 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
	İMSAT İnşaat Malzemesi Sanayicileri Derneği	Board Member	Continues	-	0	0
	Türkiye Çelik Üreticileri Derneği	General Secretary	Continues	-	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 (%)
Beril DORA	-	-	-	-	0	0

9. Board of Directors Committees

To ensure the effective fulfillment of its duties and responsibilities, in accordance with Article 4.5 of the Capital Markets Board's Corporate Governance Communiqué No. II-17.1, the Board of Directors has decided to establish the following committees: the "Audit Committee," the "Early Detection of Risk Committee," and the "Corporate Governance Committee." The roles and responsibilities of these committees will be defined. Additionally, it has been resolved not to establish separate "Nomination" and "Remuneration" Committees; instead, these responsibilities will be 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 RISK DETECTION 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 RISK DETECTION COMMITTEE			
Name and Surname	Position	Share in Capital	
		TL	%
Necip Yalçın PEHLİVANTÜRK	President	-	-
Beril DORA	Member	-	-

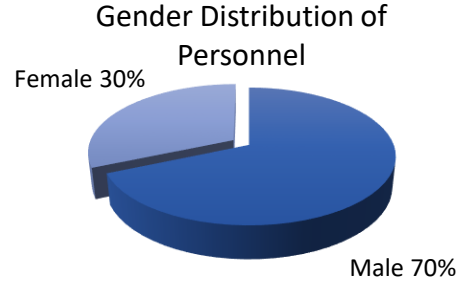
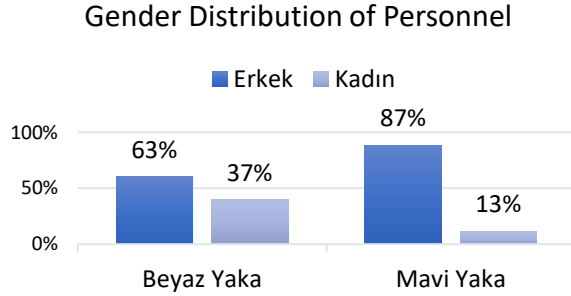
CORPORATE GOVERNANCE COMMITTEE

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.

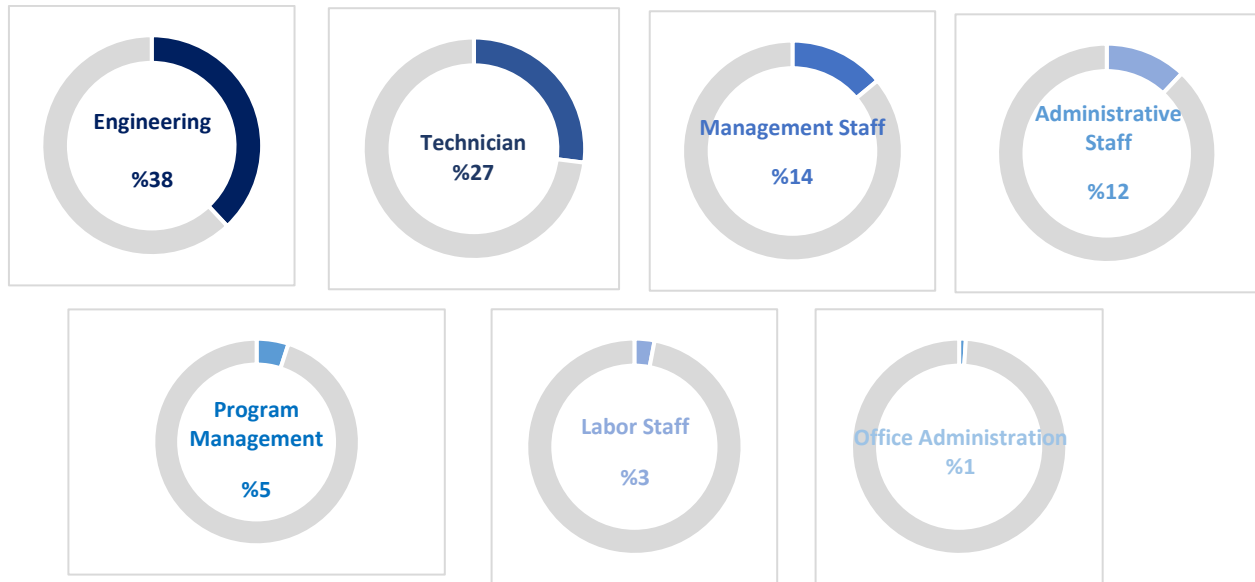
CORPORATE GOVERNANCE COMMITTEE			
Name and Surname	Position	Share in Capital	
		TL	%
Mehmet Veysel YAYAN	President	-	-
Mustafa Fatih ÜNAL	Member	1.347.500	2.32
Emel KOÇAK	Member	-	-

10. Human Resources

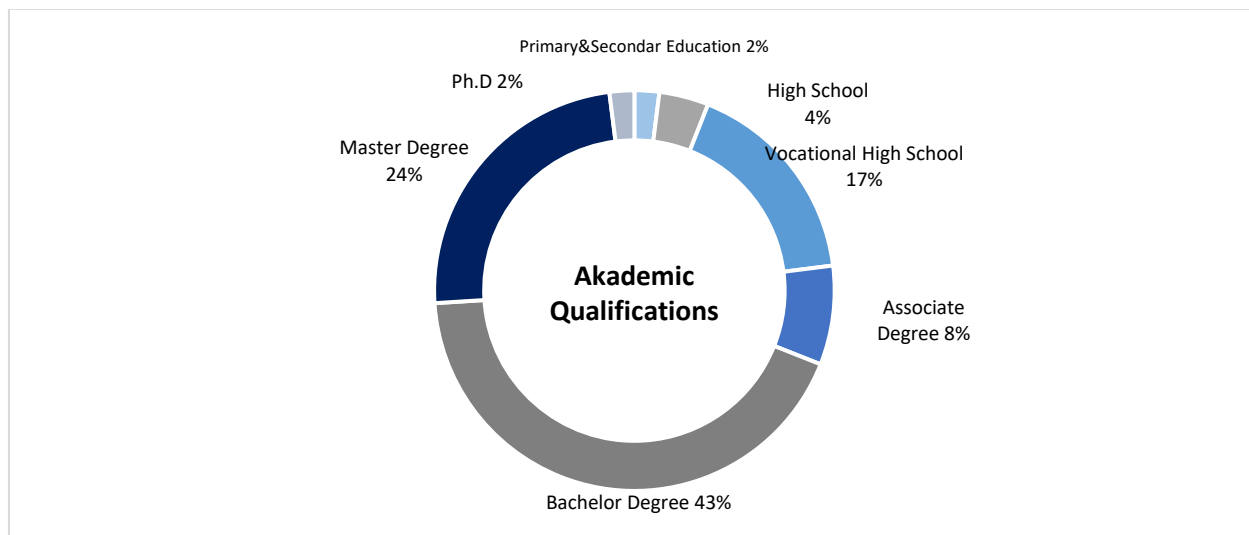
As of March 31, 2024, SDT employs a total of 245 personnel. Among them, 71% are classified as white-collar workers. In terms of gender distribution, 70% of the workforce is male, while 30% is female.



Among the SDT employees, the distribution based on job roles is as follows: 38% engineers, 27% technicians, 14% managers, 12% administrative staff, 5% program managers, 3% laborers, and 1% office managers.



Sixty-nine 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 BİAŞ 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

SDT A.Ş.'s Dividend Distribution Policy serves to outline the principles governing profit distribution in alignment with the Turkish Commercial Code, the Capital Markets Board's "Communiqué on Dividends" Serial II, No: 19.1, effective as of January 23, 2014, and other relevant legislative provisions. In distributing dividends, the Company adheres to a balanced and consistent approach that considers both shareholder interests and the Company's objectives in accordance with Corporate Governance Principles. The Board of Directors presents its proposal on dividend distribution, including its form and content, along with a dividend distribution table, which is publicly disclosed in accordance with the Capital Markets Board's 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 ISMS 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. By January 1, 2021, the implementation of the second phase functionalities of the Enterprise Resource Planning (ERP) application had been 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 Ver2.0 certification efforts were successfully concluded. Following our assessments, it has been established that the company has attained Level-3 maturity in both Development (Development-DEV) and Supplier Management (Supplier Management-SPM). This achievement positions us as the third company globally and the second company in Turkey to reach this level of maturity in these specific areas.

Furthermore, in the evaluation conducted by the Presidency of Defense Industry in 2023 as part of the Industrial Competence Evaluation and Support Program (EYDEP), the company was recognized for maintaining its competence as a category A company in the Defense Industry Capability Inventory (YETEN). The completion of Level 3 evaluation processes in both CMMI DEV and CMMI SPM further underscores the company commitment to excellence and continuous improvement.

13. Financial Status

Financial Statements and Results as of March 31, 2024

	Not subjected to limited audit in the current period.	Subjected to independent audit in prior period
	31.03.2024	31.12.2023
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	476.599.833	288.853.423
Financial Investments	261.573.805	438.385.013
Trade Receivables	316.905.756	562.296.950
- Trade receivables from related parties	6.316.474	4.471.842
- Trade receivables from third parties	310.589.282	557.825.108
Other Receivables	22.852.877	21.212.468
- Other receivables from related parties	-	-
- Other receivables from third parties	22.852.877	21.212.468
Stocks	891.187.013	832.209.914
Prepaid Expenses	105.386.002	109.615.741
Other Current Assets	30.984.133	32.042.096
TOTAL CURRENT ASSETS	2.105.489.419	2.284.615.605
NON-CURRENT ASSETS		
Other Receivables	545.583	627.768
- Other receivables from related parties	-	-
- Other receivables from third parties	545.583	627.768
Financial Investments	516.652	16.963.113
Investments Accounted through Equity Method	3.688.926	2.227.501
Right of Use Assets	9.265.594	12.211.630
Tangible Fixed Assets	49.656.426	41.331.567
Intangible Assets	57.972.236	60.506.354
Prepaid Expenses	82.037.680	70.060.544
Deferred Tax Assets	69.657.536	57.328.845
TOTAL FIXED ASSETS	273.340.633	261.257.322
TOTAL ASSETS	2.378.830.052	2.545.872.927

	Not subjected to limited audit in the current period.	Subjected to independent audit in prior period
SOURCES		
SHORT-TERM LIABILITIES		
Short Term Borrowings	69.338.892	116.694
Short-term portion of long-term borrowings	7.454.946	13.008.432
Trade Payables	114.806.967	169.664.683
- Trade payables to related parties	16.870.320	180.319
- Trade payables to third parties	97.936.647	169.484.364
Employee Benefit Payables	37.162.954	27.791.226
Other Payables	28.330.870	6.694.323
- Other payables to related parties	-	-
- Other payables to third parties	28.330.870	6.694.323
Deferred Income	523.002.937	555.692.588
Current Period Profit Tax Liability	801.151	25.021.301
Short Term Provisions	35.555.387	44.958.359
- Provisions for employee benefits	27.177.742	34.650.316
- Other short-term provisions	8.377.645	10.308.043
Derivative Instruments	2.239.817	-
TOTAL SHORT-TERM LIABILITIES	818.693.921	842.947.606
LONG TERM LIABILITIES		
Long Term Borrowings	-	346.369
Deferred Income	58.077.768	102.795.111
Long Term Provisions	18.469.389	16.383.876
- Provisions for employee benefits	15.687.054	12.452.578
- Other long-term provisions	2.782.335	3.931.298
TOTAL LONG-TERM LIABILITIES	76.547.157	119.525.356
TOTAL LIABILITIES	895.241.078	962.472.962
EQUITY		
Equity attributable to equity holders of the parent	1.483.588.974	1.583.399.965
Paid-in Capital	58.000.000	58.000.000
Capital Adjustment Differences	123.386.502	123.386.502
Share Premiums/Discounts	410.953.957	410.953.957
Not to be Reclassified to Profit or Loss Accumulated		
Other Comprehensive Income or Expense	(428.362)	200.174
Gain (Loss) on Remeasurement	(428.362)	200.174
- Gain on remeasurement of defined benefit plans		
Losses)	(428.362)	200.174
Restricted Reserves	22.561.620	22.561.620
Retained Earnings	968.297.712	597.360.706
Net Profit / Loss for the Period	(99.182.455)	370.937.006
Non-controlling shares	-	-
TOTAL SHAREHOLDERS' EQUITY	1.483.588.974	1.583.399.965
TOTAL SOURCES	2.378.830.052	2.545.872.927

	Not subjected to limited audit in the current period 01.01.2024- 31.03.2024	Not subjected to limited audit in the prior period 01.01.2023-31.03.2023
PROFIT OR LOSS		
Revenue	247.783.424	164.897.261
Cost of Sales	(188.171.150)	(109.718.714)
GROSS PROFIT / (LOSS)	59.612.274	55.178.547
General Administrative Expenses	(39.272.431)	(36.091.601)
Marketing Expenses	(10.275.935)	(10.344.152)
Research and Development Expenses	(3.407.635)	-
Other Operating Income	67.468.058	8.678.536
Other Operating Expenses	(31.388.644)	(14.708.964)
OPERATING PROFIT / (LOSS)	42.735.687	2.712.366
Income from Investing Activities	38.764.555	58.463.178
Expenses from Investing Activities	(727.025)	-
Share of Profit/Loss of Investments Accounted Through Equity Method	1.461.425	-
BEFORE FINANCIAL INCOME / (EXPENSE) OPERATING PROFIT / (LOSS)	82.234.642	61.175.544
Financing Revenues	37.996.899	10.742.259
Finance Expenses (-)	(50.265.723)	(14.995.038)
Monetary Gain / (Loss), net	(179.314.700)	(68.123.577)
CONTINUING OPERATIONS BEFORE TAX PROFIT / (LOSS)	(109.348.882)	(11.200.812)
Tax Income / (Expense) from Continuing Operations	10.166.427	(45.567.908)
Current Period Tax (Expense) / Income	(1.974.519)	(37.102.203)
Deferred Tax (Expense) / Income	12.140.946	(8.465.705)
PROFIT / (LOSS) FOR THE PERIOD	(99.182.455)	(56.768.720)
Distribution of Profit / (Loss) for the Period		
Non-controlling Interests	-	-
Parent Company Shares	(99.182.455)	(56.768.720)
Per Share Earnings	(1,71)	(1,01)

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 BAĞIMSIZ DENETİM VE DANIŞMANLIK RAM BAĞIMSIZ DENETİM VE DANIŞMANLIK A.Ş. 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

	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	-

	Parent Company's Equity Share in the Subsidiary		Uncontrollable Equity Capital
Partnership Shareholding Structure	(Direct)	(Direct+ Indirect)	(Share)
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, 2024, to March 31, 2024. All resolutions set forth by the General Assembly were duly fulfilled during this period.

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

As of March 31, 2024, there have been no donations or grants made. (March 2023 - NONE).

n. Summary of General Assembly Meetings Held

The Company convened its Ordinary General Assembly Meeting for the year 2023 on May 30, 2024.

o. Corporate Social Responsibility (CSR) Activities

No CSR activities were undertaken by the Company during the period from January 1, 2024, to March 31, 2024, 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 Defence 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.

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 conclusion of 2023, the initial segment of Phase-2 acceptance was accomplished successfully. The remaining Phase-2 work packages were accepted in March 2024, marking the completion of this phase, and the commencement of work on Phase 3 of the project.

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. In the context of this project, SDT has garnered expertise in infrastructure and application development, particularly in advanced software technologies related to digital twin, asset management, workflow data systems integration, and data processing. Recognizing the growing significance of the digital twin concept for analyzing, designing, implementing, and monitoring needs or processes, SDT is committed to further establishing itself as a key player in this domain within our country.

The project modules were finalized in the last quarter of 2023, and the transition process began to integrate them into the organization's developer and support team for customer utilization. Development reached full completion, and a comprehensive training and transfer plan was shared with the customer. As of 2024, the final iteration of the project was delivered to the organization, and the digital twin infrastructure software developments were transferred to the OTC software development team by March 31, 2024. SDT remains dedicated to contributing to the project through warranty, maintenance, and support activities until the culmination of 2024. The preliminary design phase of the "Göktürk Renewal Satellite Ground Station Development Project," undertaken through a partnership between TAI and SDT, was successfully concluded in the final quarter of 2023. Subsequently, the critical design phase of the project has commenced. Additionally, within the framework of the Göktürk-1 Mobile Satellite Ground Station Virtualization Project, SDT is collaborating with the Italian prime contractor, Telespazio (TPZ), to formulate a technical solution and finalize a proposal. The initiation of the project is anticipated in the second quarter of 2024, with completion expected within a maximum timeframe of 13 months.

The Portable Comint COMINT System R&D Project was launched with the objective of creating a versatile mobile communication intelligence system capable of detecting broadband communication signals and executing precise direction detection. Within our In-House R&D Project, design and development endeavors are currently underway. The system's design incorporates materials that are not subject to ITAR regulations. Furthermore, our aim is to develop deep learning-based techniques for automatically classifying signals detected by the portable Comint system and establishing a continuously updated threat library. SDT is actively engaged in product development initiatives under the Gökbeý helicopter air conditioning control unit development and delivery project, established with a domestic customer on May 25, 2023.

In addition, SDT secured an additional order in 2023 for the Air Vehicle Control Hardware Unit, previously developed and currently utilized in unmanned aerial vehicle ground control stations. Partial deliveries were made in 2023, with the remaining shipments scheduled for 2024.

Furthermore, the Company has been fulfilling deliveries of additional orders received in 2023 for various VKS (Data Recording System) Devices developed for diverse avionic platforms. New orders will continue to be executed, with deliveries planned for 2024 and 2025.

SDT has recently entered into contracts for the production of Precision Guidance Electronics, the Explorer (GPS device) employed in various guidance electronics, assorted cards utilized in guidance electronics, mission counters intended for integration into diverse land platforms, and the Indigenous Pendant Cable employed in Aircraft Interceptor Systems utilized in F-16 aircraft. Material procurement has commenced in line with these agreements. Scheduled deliveries of the products covered by these contracts are anticipated to occur throughout 2024 and 2025. Furthermore, between January 1, 2024, and March 31, 2024, the Company secured new orders totaling USD 9,098,556.

r. Remuneration Provided to the Members of the Board of Directors and Senior Management for the Period January 1, 2024, to March 31, 2024

The Company's board of directors comprises 5 members, and there is no remuneration provided to these members as of the last annual accounting period. However, attendance fees are disbursed to the board members. During the period from January 1, 2024, to March 31, 2024, the total salaries and benefits disbursed to the board of directors and senior executives amounted to TL 5,397,623 (compared to TL 3,601,922 during the same period in 2023).

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 breakdown of receivables from related parties categorized as short-term trade receivables is outlined below.

	31.03.2024	31.12.2023
Dorsan Uzak ve Hav.Sav. San.Taah.ve Tic. Ltd.Şti.	6.316.474	4.471.842
	6.316.474	4.471.842

b) Below are the particulars of advances extended to related parties categorized under prepaid expenses:

	31.03.2024	31.12.2023
Sirius Tasarım Laboratuvarı Mühendislik A.Ş.	-	3.451.909
Dormak İth. İhr. Müm. ve Dan. Tic. A.Ş.	-	1.479.844
	-	4.931.753

c) The breakdown of amounts owed to related parties categorized under short-term trade payables is as follows:

	31.03.2024	31.12.2023
Dormak İth. İhr. Müm. ve Dan. Tic. A.Ş.	16.741.344	-
Gate-Tamgör Elektronik Sanayi Ticaret Limited Şirketi	103.106	107.599
Tamgör Elektronik Sanayi ve Ticaret Limited Şirketi	25.870	72.719
	16.870.320	180.318

d) The particulars of deposits and guarantees received from related parties, categorized under other short-term payables, are as follows:

	31.03.2024	31.12.2023
Dormak İth. İhr. Müm. ve Dan. Tic. A.Ş.	-	24.812
		24.812

II. Sales to Related Parties Classified under Revenue Details

a) Below are the specifics regarding sales made to related parties, categorized under revenue.

	01.01.- 31.03.2024	01.01.- 31.03.2023
Dorsan Uzak ve Hav.Sav. San.Taah.ve Tic. Ltd.Şti.	6.538.449	-
Sirius Tasarım Laboratuvarı Mühendislik A.Ş.	1.065.579	-
Tamgör Elektronik Sanayi ve Ticaret Limited Şirketi	490.573	57.499
	8.094.601	57.499

b) Below are the specifics regarding purchases from related parties categorized under cost of sales.

	01.01.- 31.03.2024	01.01.- 31.03.2023
Tamgör Elektronik Sanayi ve Ticaret Limited Şirketi	902.580	707.408
Gate-Tamgör Elektronik Sanayi Ticaret Limited Şirketi	219.926	263.869
	1.122.506	971.277

c) The breakdown of other income from related parties, categorized under other income from operating activities, is as follows:

	01.01.- 31.03.2024	01.01.- 31.03.2023
Tamgör Elektronik Sanayi ve Ticaret Limited Şirketi	-	299.504
	-	299.504

d) The breakdown of other expenses from related parties, categorized as expenses from investing activities, is as follows:

	01.01.- 31.03.2024	01.01.- 31.03.2023
Sirius Tasarım Laboratuvarı Mühendislik A.Ş.	365.348	-
	365.348	

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

Notable events subsequent to the statement of financial position date include:

- Commencement of operations for the "TAMGÖR - SDT Joint Venture (ST17)," a joint operation of the Parent Company, effective April 03, 2024.
- Approval of the Parent Company's board of directors' decision to distribute dividends totaling gross TL 130,192,124 during the general assembly convened on May 30, 2024.

Mehmet DORA
Chairman of the Board of Directors

Mehmet Veysel YAYAN
Independent Board Member