

**ALTINAY SAVUNMA TEKNOLOJİLERİ
ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL PERIOD OF 1 JANUARY –
31 DECEMBER 2024**

(ORIGINALLY ISSUED IN TURKISH)

CONTENTS

Consolidated statements of financial position	1-2
Consolidated statements profit or loss and other comprehensive income	3-4
Consolidated statements of changes in shareholders' equity	5
Consolidated statements of cash flows	6
Notes to consolidated financial statements	7-66



Eren Bağımsız Denetim A.Ş.
Maslak,Eski Büyükdere Cad
No.14 Kat :10
34396 Sarıyer /İstanbul,Turkey

T + 90 212 373 00 00
F + 90 212 291 77 97
www.grantthornton.com.tr

(Convenience translation of the Independent Auditors' Report and Consolidated Financial Statements originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2024

Altınay Savunma Teknolojileri Anonim Şirketi and Its Subsidiaries
To the Shareholders and the Board of Directors of

Independent audit of consolidated financial statements

1. Opinion

We have audited the consolidated financial statements of Altınay Savunma Teknolojileri Anonim Şirketi. (the "Company") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as of 31 December 2024, the consolidated statement of profit or loss and other comprehensive income for the year then ended, the consolidated statement of changes in equity, the consolidated statement of cash flows, including the summary of significant accounting policies, as well as the notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2024, and its consolidated financial performance and consolidated cash flows for the year then ended, in accordance with the Turkish Financial Reporting Standards (TFRS).

2 Basis for Opinion

Our audit was conducted in accordance with the independent auditing standards published by the Capital Markets Board ("CMB") and Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA 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 Key Audit Matters

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

According to us; the issues described below are identified as key audit matters and are reported in our report:

Key Audit Matters	How our audit addressed the Key Audit Matter
Capitalization of Development Cost	
<p><i>Development Cost</i></p> <p>The group's consolidated financial statements as of 31 December 2024, show that the net book value of development costs is TRY 1.935.309.569 which represents 30% of the total assets. The total development costs capitalized during 2024 amount to TRY 445.224.430 (31 December 2023: TRY 324.169.712). The Group applies the provisions of TAS 38 "Intangible Assets" and the disclosures in Note 2.5 in capitalizing the costs incurred related to development costs.</p> <p>The Group capitalizes the expenses related to the projects for which feasibility studies have been completed and which are expected to generate future cash flows, within the scope of research and development activities carried out at its R&D Center and Free Zone branch under the 'Company'.</p> <p>The capitalization is done based on rates determined within the framework of estimates and assumptions made by management and project managers.</p> <p>The capitalization calculations have been identified as a key audit matter due to their materiality in the consolidated financial statements and the fact that they involve management's estimates in this regard.</p> <p>The group's accounting policies and amounts related to intangible assets are disclosed in Notes 2.5 and 12.</p>	<p>The following procedures have been applied regarding the audit of development costs:</p> <ul style="list-style-type: none"> - A discussion was held with the Group's management to understand how the criteria outlined in TAS 38 - Intangible Assets are met. Meetings were also conducted with project managers to understand the details of the projects and the feasibility studies regarding the expected future economic benefits of these projects. - The project-specific expenses related to the capitalized costs were detailed and cross-checked with the movement schedule of intangible assets. - For testing the personnel costs associated with the projects, the breakdowns of each project were obtained based on personnel and capitalized costs and checked accordingly. - The personnel subject to capitalization were selected using a sampling method, interviews were conducted, and the development activities they performed within the scope of the projects they were involved in were understood. <p>As a result of our procedures, no significant findings were identified during the audit of the development costs.</p>

3 Key Audit Matters (Continued)

Key Audit Matters	How our audit addressed the Key Audit Matter
<p><i>Revenue Recognition</i></p> <p>When the company fulfils its performance obligation by transferring a promised good or service to its customer, the revenue is recognized in the financial statements.</p> <p>The Group's revenue consists of sales from defense technologies, including motion control system, weapon system, weapon system and related engineering and R&D services. Additionally, it includes revenue from the purchase and sale of raw materials related to these activities.</p> <p>Due to the nature of the Group's operations, there is a risk that the services sold and collected for may not be properly allocated to the corresponding periods over the duration of the contract.</p> <p>Based on the explanations mentioned above, it has been determined as a key audit matter whether the revenue of the products in this situation is recorded in the correct period, in accordance with the principle of periodicity of sales.</p> <p>Explanations on the Company's accounting policies and amounts related to revenue are included in Note 2.5 and Note 19.</p>	<p>In our audit, the following procedures have been followed to record revenue:</p> <ul style="list-style-type: none"> - The revenue process of the Group and the design and implementation of the controls designed by the management in this process were examined. Assurance work was carried out for general controls of both operational and financial information systems applications in the process. - Contracts with customers were examined and the effects of contract items on revenue were evaluated. The terms of the contracts are determined. - Within the scope of the audit work, service sales data and records were tested on a sample basis. In addition, the procedures for the relevant account correlation and analysis were applied using the material verification procedures and data analytics tools on revenue. - In order to test the integrity and accuracy of the data used in these studies, the data obtained from accounting systems and collection information were compared. <p>As a result of our procedures, no significant findings were identified during the audit of revenue recognition.</p>

The Key Audit Matters	How the Key Audit Matter is addressed in our audit
<p><i>Application of the hyperinflationary accounting</i></p> <p>As stated in Note 2.1 to the consolidated financial statements, the Group continues to apply 'TAS 29 Financial Reporting in Hyperinflation Economies' since its functional currency (Turkish Lira) has been classified as the currency of a hyperinflationary economy in accordance with TAS 29 as of 31 December 2024.</p> <p>In accordance with TAS 29, consolidated financial statements and corresponding figures for previous have been restated for the changes in the general purchasing power of Turkish lira and, as a result, are expressed in terms of purchasing power of Turkish Lira as of the reporting date.</p> <p>In accordance with the guidance in TAS 29, the Group utilised the Turkey consumer price indices to prepare inflation adjusted financial statements. The principles applied for inflation adjustment is explained in 2.1.</p> <p>Given the significance of the impact of TAS 29 on the reported result and financial position of the Group, we have assessed the hyperinflation accounting as a key audit matter.</p>	<p>Our audit procedures included the following;</p> <ul style="list-style-type: none"> - We inquired management responsible for financial reporting on the principles, which they have considered during the application of TAS 29, identification of non-monetary accounts and tested TAS 29 models designed, - We have tested the inputs and indices used, to ensure completeness and accuracy of the calculations, - We have audited the restatements of corresponding figures as required by TAS 29, - We assessed the adequacy of the disclosures in inflation adjusted financial statements for compliance with TAS 29.

3 Key Audit Matters (Continued)

The Key Audit Matters	How the Key Audit Matter is addressed in our audit
Related party transactions	
<p>18% of the Group's total current assets consist of trade receivables from related parties. These receivables arise from balances related to the sale of finished goods, services, and merchandise between the Group and other group companies.</p> <p>Related party transactions may occur in the ordinary course of business; however, in some cases, the nature of the relationships and transactions with related parties may give rise to a higher risk of material misstatement in the consolidated financial statements compared to similar transactions with unrelated parties. Related party transactions can be complex, and they may not always be conducted under normal market terms and conditions.</p> <p>Understanding the nature of relationships, transactions, and existing balances — including commitments — with related parties is important for users of the consolidated financial statements in assessing the risks and opportunities faced by the entity, as well as in evaluating its operations. Accordingly, related party transactions and balances have been identified as one of the key audit matters in our audit.</p> <p>The accounting principles and amounts related to the Related Party Transactions in the financial statements are explained in detail in Note 2.5 and Note 26.</p>	<p>When designing audit procedures to address this key issue of auditing, it has been considered whether the accounting policies of the Group's management in relation to the Related Party Transactions comply with TAS and related legislation.</p> <p>The following audit procedures have been performed:</p> <ul style="list-style-type: none"> - Related party relationships and transactions have been studies and risk factors have been evaluated. - The collection capacity of receivables from related parties have been evaluated - Reconciliations with the group companies for the receivables and payables have been obtained. <p>As a result of our studies on related party receivables, we did not find any significant findings.</p>

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

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

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

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

(Convenience translation of the Independent Auditors' Report and Consolidated Financial Statements originally issued in Turkish)

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

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

We use our professional judgment and maintain our professional skepticism throughout the independent audit as a requirement of the independent audit conducted in accordance with the independent auditing standards published by the CMB and the SIA.

We also:

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

Among other matters, we communicate with the Board of Directors regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



(Convenience translation of the Independent Auditors' Report and Consolidated Financial Statements originally issued in Turkish)

5 Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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

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

6 Other Responsibilities Arising From Regulatory Requirements

1) The Auditor's Report on the Early Detection of Risk System and Committee, prepared in accordance with Article 398, paragraph 4 of the Turkish Commercial Code No. 6102 ("TCC"), was submitted to the Company's Board of Directors on 7 March 2025.

2) In accordance with Article 402, paragraph 4 of the TCC, no significant matter has come to our attention indicating that the Group's bookkeeping practices and financial statements for the accounting period 1 January – 31 December 2024 are not in compliance with the legislation and the provisions of the Company's articles of association relating to financial reporting.

3) Pursuant to Article 402, paragraph 4 of the TCC, the Board of Directors has provided the explanations requested and the documents required within the scope of the audit.

The name of the engagement partner who supervised and concluded this audit is Nazım Hikmet.

EREN Bağımsız Denetim A.Ş.
Member Firm of GRANT THORNTON International



Nazım Hikmet
Partner

11 March 2025
Istanbul, Türkiye

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2024 AND 2023

(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

ASSETS		Audited Current Period 31 December 2024	Audited Prior Period 31 December 2023
	Notes	TL	TL
Current Assets			
Cash and cash equivalents	3	635.280.208	129.956.647
Financial investments	10	175.836.827	--
Trade receivables			
- Due from related parties	27	618.090.709	349.562.547
- Other trade receivables	5	320.685.876	168.982.245
Other receivables			
- Due from related parties	27	--	357.729
- Other receivables	6	451.795	1.015.175
Inventories	7	560.540.586	125.246.719
Ongoing project costs	9	601.842.770	239.707.354
Prepaid expenses	8	279.752.771	67.398.103
Current income tax asset	24	12.706.042	12.225.294
Other current assets	17	221.194.411	160.007.649
Total Current Assets		3.426.381.995	1.254.459.462
Non Current Assets			
Other receivables			
- Other receivables	6	130.114	143.290
Financial investments	10	4.923.797	5.032.875
Right-of-use assets	13	804.596	4.185.574
Property, plant and equipment	11	871.662.156	592.959.173
Intangible assets	12	1.946.366.497	1.559.852.622
Prepaid expenses	8	52.720.883	34.604.402
Deferred tax assets	24	71.762.774	188.332.603
Total Non Current Assets		2.948.370.817	2.385.110.539
TOTAL ASSETS		6.374.752.812	3.639.570.001

The accompanying notes are an integral part of these financial statements.

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2024 AND 2023
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

LIABILITIES		Audited Current Period 31 December 2024	Audited Prior Period 31 December 2023
	Notes	TL	TL
Current Liabilities			
Financial liabilities	4	499.635.802	177.863.269
Current portion of long-term borrowings	4	41.628.604	19.227.363
Liabilities from short-term operational lease transactions		666.642	1.882.796
Trade payables			
- Due to related parties	27	226.507	35.100
- Other trade payables	5	407.602.229	303.531.322
Liabilities for employee benefits	16	25.209.694	13.009.212
Other payables			
- Due to related parties	27	28.178.640	--
- Other payables	6	217.264	1.659.446
Deferred income	8	834.432.117	417.837.935
Current income tax liabilities	24	--	12.900.379
Current provisions			
- Provisions for employee benefits	16	43.100.202	26.586.115
- Other current provisions	15	8.600	12.128
Other current liabilities	17	125.787.862	33.047.399
Total Current Liabilities		2.006.694.163	1.007.592.464
Non Current Liabilities			
Financial liabilities	4	211.283.175	208.755.344
Liabilities from long-term operational lease transactions		925.453	1.465.683
Other payables			
- Due to related parties	27	56.357.280	--
Long term provisions			
- Provisions for employee benefits	16	26.639.147	20.712.713
Deferred tax liabilities	24	289.630.595	162.716.996
Total Non Current Liabilities		584.835.650	393.650.736
EQUITY			
Equity Attributable to Owners of the Parent			
Share capital	18	235.294.118	200.000.000
Capital adjustment differences	18	665.282.491	659.053.800
Share premium	18	1.251.080.256	20.630.021
Other comprehensive income/expense not to be reclassified to profit			
- Actuarial gain / loss	18	(7.657.190)	(7.389.525)
Restricted reserves	18	226.174.701	222.636.507
Prior years' profit	18	729.262.433	263.223.654
Net profit for the period		304.431.694	484.163.328
Non controlling interests	18	379.354.496	396.009.016
Total Equity		3.783.222.999	2.238.326.801
TOTAL LIABILITIES AND EQUITY		6.374.752.812	3.639.570.001

The accompanying notes are an integral part of these financial statements.

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEARS ENDED 31 DECEMBER 2024 AND 2023
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

		Audited Current Period 1 January - 31 December 2024	Audited Prior Period 1 January - 31 December 2023
	Notes	TL	TL
Revenue	19	1.766.803.477	1.710.613.755
Cost of sales (-)	19	(863.245.068)	(1.038.382.727)
Gross profit		903.558.409	672.231.028
General administrative expenses (-)	20	(108.350.710)	(51.009.307)
Marketing, selling and distribution expenses (-)	20	(20.437.974)	(3.342.205)
Research and development expenses (-)	20	(211.534.886)	(92.460.890)
Other operating income	21	195.666.970	420.747.980
Other operating expenses (-)	21	(207.585.497)	(392.367.031)
Operating profit		551.316.312	553.799.575
Income from investing activities	22	100.813.570	1.501.157
Expenses from investing activities (-)	22	(32.474)	--
Operating profit / (loss) before financial income and (expenses)		652.097.408	555.300.732
Financial income	23	230.718.303	44.441.670
Financial expenses (-)	23	(139.016.982)	(159.980.545)
Monetary Loss / Gain	26	(9.249.025)	(69.788.715)
Profit before tax		734.549.704	369.973.142
Tax expense			
Tax for the period	24	(1.612.080)	(12.900.379)
Deferred tax income / (expense)	24	(243.923.009)	225.030.219
PROFIT FOR THE PERIOD		489.014.615	582.102.982
Distribution of period profit			
Non controlling interest		184.582.921	97.939.654
Parent company interests		304.431.694	484.163.328
Earnings per share	25	1,3696	4,0865

The accompanying notes are an integral part of these financial statements.

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2024 AND 2023
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

	Audited Current Period 1 January - 31 December 2024 TL	Audited Prior Period 1 January - 31 December 2023 TL
Profit for the Period	489.014.615	582.102.982
Other Comprehensive Income / (Loss):		
Items not to be reclassified to profit or loss	1.758.325	(1.186.367)
Actuarial gains / loss on defined benefit plans	2.197.906	(1.482.959)
Deferred tax effect of actuarial gains / loss on defined benefit plans	(439.581)	296.592
Other Comprehensive Income / (Loss)	1.758.325	(1.186.367)
Total Comprehensive Income / (loss)	490.772.940	580.916.615
Total comprehensive income distribution	490.772.940	580.916.615
- Non controlling interest	184.582.921	97.939.654
- Equity holders of the parent	306.190.019	482.976.961

The accompanying notes are an integral part of these financial statements.

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER 2024 AND 2023
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

	Share capital	Capital adjustment differences	Share premium	Actuarial gain / (loss)	Restricted reserves	Retained earnings	Net profit for the period	Equity attributable to equity holders of the parent	Non controlling interests	Total
Balance at 31 December 2023	55.555.600	239.020.125	585.108.096	(6.144.383)	51.374.948	384.101.410	47.844.816	1.356.860.612	101.264.247	1.458.124.859
Capital increase										
-From share premium	144.444.400	420.033.675	(564.478.075)	--	--	--	--	--	--	--
Transfer to general reserves	--	--	--	--	167.385.438	(160.123.572)	(47.844.816)	(40.582.950)	40.582.950	--
Effect of changes in IAS 19 "Employee Termination Benefits" standard (Note 2)	--	--	--	(1.482.959)	--	--	--	(1.482.959)	--	(1.482.959)
Law of 7263 for restructuring public receivables	--	--	--	--	1.149.316	(1.149.316)	--	--	--	--
Government grants and incentives	--	--	--	--	2.726.805	--	--	2.726.805	--	2.726.805
Minority interests	--	--	--	237.817	--	40.395.132	--	40.632.949	156.222.165	196.855.114
Net profit for the period	--	--	--	--	--	--	484.163.328	484.163.328	97.939.654	582.102.982
Balance at 31 December 2023	200.000.000	659.053.800	20.630.021	(7.389.525)	222.636.507	263.223.654	484.163.328	1.842.317.785	396.009.016	2.238.326.801
Balance at 31 December 2024	200.000.000	659.053.800	20.630.021	(7.389.525)	222.636.507	263.223.654	484.163.328	1.842.317.785	396.009.016	2.238.326.801
Capital increase										
- Cash	35.294.118	6.228.691	--	--	--	--	--	41.522.809	--	41.522.809
Transfer to general reserves	--	--	--	--	(2.190.300)	486.353.628	(484.163.328)	--	--	--
Effect of changes in IAS 19 "Employee Termination Benefits" standard (Note 2)	--	--	--	2.197.906	--	--	--	2.197.906	--	2.197.906
Effect of changes in minority interests	--	--	--	(2.465.571)	--	(14.586.355)	--	(17.051.926)	--	(17.051.926)
Increase in share issuance premiums	--	--	1.230.450.235	--	--	--	--	1.230.450.235	--	1.230.450.235
Government grants and incentives	--	--	--	--	5.728.494	(5.728.494)	--	--	--	--
Minority interests	--	--	--	--	--	--	--	--	(16.654.520)	(16.654.520)
Net profit for the period	--	--	--	--	--	--	304.431.694	304.431.694	--	304.431.694
Balance at 31 December 2024	235.294.118	665.282.491	1.251.080.256	(7.657.190)	226.174.701	729.262.433	304.431.694	3.403.868.503	379.354.496	3.783.222.999

The accompanying notes are an integral part of these financial statements.

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOW FOR THE YEARS ENDED 31 DECEMBER 2024 AND 2023
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

	Not	Audited Current Period 1 January - 31 December 2024	Audited Prior Period 1 January - 31 December 2023
A. CASH FLOW FROM OPERATING ACTIVITIES			
Net profit for the period		304.431.694	484.163.328
<u>Adjustments to reconcile net cash generated</u>			
Depreciation and amortization charge	11,12,13	145.726.127	87.085.348
Provision for employee termination benefits	16	11.808.192	10.078.159
Expected credit loss provision	5	(5.809.265)	7.576.530
Provision for litigation expenses	15	200	8.400
Adjustments for revaluation of discounting interest expenses/income	21	24.828.052	954.884
Adjustments related to interest expenses	23	88.298.541	17.369.235
Adjustments related to provisions for leave	16	24.686.058	16.194.014
Monetary loss / gain		(53.376.715)	106.855.982
Deferred tax asset / (liability), net	24	231.022.630	(225.030.220)
<u>Changes in net working capital</u>			
Increases/decreases in inventories	7	(473.791.878)	(85.445.876)
Increases/decreases in trade receivables	26,5	(600.888.398)	(377.584.522)
Increases/decreases in other receivables	26,6	468.241	(18.276)
Changes in ongoing project costs	9	(362.135.416)	(239.707.354)
Increases / decreases in prepaid expenses	8	(261.824.414)	(78.679.452)
Increases / decreases in other current assets	17	(110.369.497)	(117.510.940)
Increases / decreases in trade payables	26,5	199.820.640	267.438.385
Increases / decreases in other payables	26,6	202.701.521	34.900.870
Increase / decreases related to other liabilities in relation with advances received	8	545.028.120	298.091.355
Current income tax paid	24	(4.238.527)	(11.852.510)
Net Cash Flows Generated From / (Used in) Operating Activities		(93.614.094)	194.887.340
Paid severance payments	16	(1.350.512)	(1.836.471)
Net cash flows from operating activities		(94.964.606)	193.050.869
B. CASH FLOWS FROM FINANCING ACTIVITIES			
Cash inflows and outflows from borrowings	4	471.449.486	369.773.454
Paid interest	23	(83.858.832)	(15.167.765)
Cash inflows and outflows from operating lease transactions	13	598.065	(4.051.404)
Capital increase, cash		41.522.809	564.478.075
Share premium	18	1.230.450.235	(564.478.075)
Net Cash Flows Generated From Financing Activities		1.660.161.763	350.554.285
C. CASH FLOWS FROM INVESTMENT ACTIVITIES			
Financial investments	10	(177.274.741)	(4.632.875)
Proceeds from acquisition of property, plant and equipment and intangible assets	11	(359.871.321)	(400.277.049)
Proceeds from sales of property, plant and equipment and intangible assets	12	(449.075.352)	(331.017.526)
Purchase of shares from minorities	18	(33.706.446)	294.794.768
Government grants and incentives	18	--	2.726.805
Net Cash Flows Used in Investment Activities		(1.019.927.860)	(438.405.877)
D. EFFECT OF INFLATION ON CASH		(39.945.736)	(34.139.699)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		505.323.561	71.059.578
E.CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		129.956.647	58.897.069
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		635.280.208	129.956.647

The accompanying notes are an integral part of these financial statements.

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED 1 JANUARY – 31 DECEMBER 2024
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

1. ORGANIZATION AND NATURE OF ACTIVITIES OF THE COMPANY

Altınay Savunma Group (the “Group”) is composed of Altınay Savunma Teknolojileri Anonim Şirketi (the “Company”), which is the parent company, and its subsidiaries over which it holds either a majority shareholding or effective control.

The company was established as a joint-stock company under the name “Altınay Havacılık ve İleri Teknolojiler Sanayi Ticaret Anonim Şirketi” on 27 May 2014, in Istanbul. In 2021, the company changed its trade name to “Altınay Savunma Teknolojileri Anonim Şirketi.” The company’s main areas of activity include the design, development, manufacturing, system integration/modernization, and after-sales services in the fields of motion control systems, unmanned systems, weapon systems, stealth technologies, ammunition disposal, and critical production systems.

The company carries out its engineering and research and development activities at the Teknopark Istanbul campus, while its production and engineering operations continue at the Şekerpınar and Dilovası facilities.

The company’s registered headquarters address is: Sanayi Mahallesi, Teknopark Bulvarı No:1/4A, Interior Door No:201-202, Pendik/Istanbul, Türkiye.

The address of the Gebze Branch is: Şekerpınar Mahallesi, Defne Street, Marmara Recycling Industrial Site, No:22/A, Çayırova/Kocaeli, Türkiye.

The address of the Dilovası Branch is: Organize Sanayi Bölgesi Mahallesi, 6th Street, Factory Building No:1/1, Interior Door No:1, Dilovası/Kocaeli, Türkiye.

The address of the Ankara Branch is: Mustafa Kemal Mahallesi, Dumlupınar Boulevard No: 266B, Interior Door No:91, Çankaya/Ankara, Türkiye.

As of 31 December 2024, and 31 December 2023 the shareholding structure of the Company is as follows:

	31 December 2024	Share Percentage (%)	31 December 2023	Share Percentage (%)
Hakan Altınay	148.235.294	63%	160.000.000	80%
Letven Capital Girişim Serm. Port.				
Yön. A.Ş.	28.235.294	12%	40.000.000	20%
Publicly traded on Borsa İstanbul	58.823.530	25%	--	--
	235.294.118	100	200.000.000	100
Adjustment to share capital	665.282.491		659.053.800	
	900.576.609		859.053.800	

As of 31 December 2024 the Company's share capital is divided into 54.000.000 Class A shares, 100 Class B shares, and 181.294.018 Class C shares, each with a nominal value of 1 Turkish Lira (“TRY”). (As of 31 December 2023: The Company's capital is divided into 200.000.000 shares, each with a nominal value of 1 Turkish Lira (“TRY”).)

Consolidated Subsidiaries

The Group's subsidiaries included in the consolidation as of 31 December 2024 and 31 December 2023 along with their direct and indirect ownership stakes, are provided below:

	Country of Registration	31 December 2024	31 December 2023
Dasal Havacılık Tek. A.Ş.	Türkiye	%100	%51
Taac Havacılık Tek. San. ve Tic. A.Ş.	Türkiye	%50	%50

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED 1 JANUARY – 31 DECEMBER 2024
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

1. ORGANIZATION AND NATURE OF ACTIVITIES OF THE COMPANY (CONTINUED)

In the attached consolidated financial statements, the consolidated subsidiaries are:

Dasal Havacılık Teknolojileri A.Ş. ("Dasal Havacılık") was established on 22 November 2019, in Istanbul. The company's main area of activity is the development, design, and production of vehicles, products, and systems in the fields of aviation, space, and advanced technologies for various institutions, organizations, industrial facilities, the defense industry, medical and research units, educational institutions, and users. This is achieved through a multidisciplinary research and development and design approach, aligned with scientific and technological advancements, focusing on core control technologies and algorithms, micromechanics, design, sensors and application technologies, laser technologies, telematics, autonomous systems, servo motors and controllers, measurement and control technologies, image processing and optics, ergonomics, and human-machine interface systems, with the aim of creating original designs that may be subject to patents.

The Company's subsidiary, Dasal Havacılık Teknolojileri Anonim Şirketi, acquired the shares representing 49% of the capital, which were owned by Aselsan Elektronik Sanayi ve Ticaret Anonim Şirketi, on 25 October 2024, under a share transfer agreement signed with Aselsan Elektronik Sanayi ve Ticaret Anonim Şirketi. As a result, Dasal Havacılık Teknolojileri Anonim Şirketi's ownership stake reached 100% of its capital.

Taac Havacılık Teknolojileri San. ve Tic. A.Ş. ("Taac Havacılık") was established on 11 July 2019, in Istanbul. The company's main area of activity is to enhance flight and motion control systems and actuator capabilities in the National Aviation and Space sector; and to develop, design, produce, integrate, test, qualify, market, and sell a wide range of products, equipment, and test setups at a competitive level in the international market. It also engages in import and export, as well as providing training, maintenance, and after-sales services. The company aims to create projects and products to build a science, technology, and industrial ecosystem to spread these technologies, and to engage in all related commercial and industrial activities.

Among the companies within the Group, subsidiaries in which the parent company holds directly or indirectly 50% or more of the shares, or has control over voting rights or operations, are fully included in the consolidation. Control is considered to exist when the parent company is able to manage the financial and operational policies. The Group has full influence over the management of the companies mentioned above. These subsidiaries have been consolidated in accordance with Turkish Accounting Standards (TAS) 27 (Consolidated and Individual Financial Statements).

The distribution of the number of employees within the Group by company as of 31 December 2024 and 31 December 2023, is as follows:

	31 December 2024	31 December 2023
Altınay Savunma Teknolojileri A.Ş.	270	188
Taac Havacılık Tekn. San. ve Tic. A.Ş.	254	188
Dasal Havacılık Teknolojileri A.Ş.	93	86
Total	617	462

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

Financial reporting standards

The accompanying consolidated financial statements are prepared in accordance with the Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" ("the Communiqué") published in the Official Gazette numbered 28676 on 13 June 2013. According to the article 5 of the Communiqué, consolidated financial statements are prepared in accordance with Turkish Financial Reporting Standards ("TFRS") and its addendum and interpretations ("IFRIC") issued by Public Oversight Accounting and Auditing Standards Authority ("POA") Turkish Accounting Standards Boards. The consolidated financial statements of the Group are prepared as per the CMB announcement of 4 October 2022 relating to financial statements presentations.

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED 1 JANUARY – 31 DECEMBER 2024
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.1 Basis of Presentation (Continued)

Financial reporting standards (Continued)

The Company and its subsidiaries operating in Turkey, maintains its accounting records and prepares its statutory financial statements in accordance with the Turkish Commercial Code (the “TCC”), tax legislation and the uniform chart of accounts issued by the Ministry of Finance. These consolidated financial statements are based on the statutory records, with the required adjustments and reclassifications including those related to changes in purchasing power reflected for the purpose of fair presentation in accordance with the TFRS.

Approval of consolidated financial statements

These consolidated financial statements as of and for the year ended 01 January -31 December 2024 were approved for issue by the Board of Directors on 11 March 2025. The General Assembly and various regulatory authorities have the right to amend the financial statements.

Functional and reporting presentation currency

The functional currency of the Group is the Turkish Lira (TRY), which is also the currency of the country where the Group operates. The company uses the Turkish Lira as the functional currency for the measurement items in its financial reports.

The financial statements of each entity within the Group are presented in the currency that is valid in the primary economic environment in which they operate ("functional currency").

Financial reporting in hyperinflationary economy

The standard requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the purchasing power of that currency at the reporting period and that comparative figures for prior period financial statements be expressed in terms of the measuring unit current at the end of the reporting period. Therefore, the Group has presented its consolidated financial statements as of 31 December 2023, on the purchasing power basis as of 31 December 2024.

In accordance with the CMB's decision dated 28 December 2023, and numbered 81/1820, issuers and capital market institutions subject to financial reporting regulations applying Turkish Accounting/Financial Reporting Standards are required to apply inflation accounting by applying the provisions of TAS 29 to their annual financial statements for the accounting periods ending on 31 December 2023.

On the application of TAS 29, the entity used the conversion coefficient derived from the Consumer Price Indexes (CPI) published by Turkey Statistical Institute according to directions given by POA. The CPI for current and previous year periods and corresponding conversion factors since the time when the Turkish lira previously ceased to be considered currency of hyperinflationary economy, i.e., since 1 January 2005, were as follow:

Year end	Index	Conversion Factor	Three-year cumulative inflation rates
31 December 2024	2.684,55	1,00000	291%
31 December 2023	1.859,38	1,44379	268%
31 December 2022	1.128,45	2,37897	156%

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.1. Basis of Presentation (Continued)

Financial reporting in hyperinflationary economy (Continued)

The main elements of the adjustments made by the Group for financial reporting in hyperinflationary economies are as follows:

- The consolidated financial statements for the current period, prepared in Turkish Lira (TRY), are expressed in terms of the purchasing power of money as of the balance sheet date, with amounts from previous reporting periods also adjusted according to the purchasing power of money as of the most recent balance sheet date.
- Monetary assets and liabilities (cash and cash equivalents, trade receivables and payables, borrowings, etc.) are already expressed in terms of the current purchasing power as of the balance sheet date, and therefore are not adjusted. If the inflation-adjusted values of non-monetary items (such as inventories, property, plant and equipment, intangible assets, and equity items) exceed their recoverable amounts or net realizable values, the provisions of TAS 36 and TAS 2 have been applied, respectively.
- Non-monetary assets and liabilities, as well as equity items, which are not expressed in terms of the current purchasing power as of the balance sheet date, have been adjusted using the relevant indexation coefficients.
- All items in the income statement, except for non-monetary items in the balance sheet that affect the income statement, have been indexed using the coefficients calculated based on the periods in which the income and expense accounts were first reflected in the financial statements.
- The effect of inflation on the Group's net monetary position for the current period was recorded in the income statement under the net monetary position loss account. Companies holding more monetary assets than monetary liabilities see their purchasing power weaken with inflation, while companies holding more monetary liabilities than monetary assets experience an increase in their purchasing power due to inflation. The net monetary position gain or loss is derived from the adjustment differences of non-monetary items, equity, items in the income statement and other comprehensive income statement, and indexed monetary assets and liabilities.

Going concern

The consolidated financial statements attached have been prepared based on the going concern principle. According to this principle, the Group will continue its operations in the foreseeable future and will be able to use its assets and fulfill its liabilities when they become due in the normal course of business.

2.2. Restatement and Errors in the Accounting Policies Estimates

Accounting policy changes resulting from the first application of a new standard, if any, are applied retrospectively or prospectively in accordance with the transitional provisions. Changes that do not include any transitional provisions, optional significant changes in accounting policy or accounting errors detected are applied retrospectively and prior period financial statements are restated. Changes in accounting estimates are applied in the current period if the change is made, if it relates to only one period, and both in the period when the change is made and prospectively if it is related to the future.

2.3. Comparative Information and Adjustment of Financial Statements of Previous Period

In order to enable the identification of financial position and performance trends, the Group's consolidated financial statements are prepared on a comparative basis with the previous period. To ensure consistency with the presentation of the current period consolidated financial statements, comparative information is reclassified when deemed necessary, and significant differences are disclosed. The Group has applied consistent accounting policies in its consolidated financial statements for the presented periods, and there have been no significant changes in accounting policies and estimates during the current period.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.4. The New Standards, Amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as of December 31, 2024 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of January 1, 2024 and thereafter. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as of January 1, 2024 are as follows

Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities

In March 2020 and January 2023, POA issued amendments to TAS 1 to specify the requirements for classifying liabilities as current or non-current. According to the amendments made in January 2023 if an entity’s right to defer settlement of a liability is subject to the entity complying with the required covenants at a date subsequent to the reporting period (“future covenants”), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. In addition, January 2023 amendments require an entity to provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity’s right to defer settlement is contingent on compliance with future covenants within twelve months. This disclosure must include information about the covenants and the related liabilities. The amendments clarify that the requirement for the right to exist at the end of the reporting period applies to covenants which the entity is required to comply with on or before the reporting date regardless of whether the lender tests for compliance at that date or at a later date. The amendments also clarified that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period. The amendments must be applied retrospectively in accordance with TAS 8.

The amendments did not have a significant impact on the financial position or performance of the Group.

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

In January 2023, POA issued amendments to TFRS 16. The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

In applying requirements of TFRS 16 under “Subsequent measurement of the lease liability” heading after the commencement date in a sale and leaseback transaction, the seller lessee determines ‘lease payments’ or ‘revised lease payments’ in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments do not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining ‘lease payments’ that are different from the general definition of lease payments in TFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with TAS 8. A seller-lessee applies the amendments retrospectively in accordance with TAS 8 to sale and leaseback transactions entered into after the date of initial application of TFRS 16.

The amendments did not have a significant impact on the financial position or performance of the Group.

Amendments to TAS 7 and TFRS 7 - Disclosures: Supplier Finance Arrangements

The amendments issued by POA in September 2023 specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity’s liabilities, cash flows and exposure to liquidity risk. Supplier finance arrangements are characterized by one or more finance providers offering to pay amounts an entity owes its suppliers and the entity agreeing to pay according to the terms and conditions of the arrangements at the same date as, or a date later than, suppliers are paid. The amendments require an entity to provide information about terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those liabilities. In the context of quantitative liquidity risk disclosures required by TFRS 7, supplier finance arrangements are also included as an example of other factors that might be relevant to disclose.

The amendments did not have a significant impact on the financial position or performance of the Group.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.4. The New Standards, Amendments and interpretations (Continued)

ii) Standards issued but not yet effective and not early adopted by the group

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. the Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

Amendments to TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

The Group will wait until the final amendment to assess the impacts of the changes.

TFRS 17- The new Standard for insurance contracts

POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. In accordance with amendments issued by POA in December 2021, entities have transition option for a “classification overlay” to avoid possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of TFRS 17.

- Insurance, reinsurance and pension companies.
- Banks that have ownership/investments in insurance, reinsurance and pension companies and
- Other entities that have ownership/investments in insurance, reinsurance and pension companies.

The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

Amendments to TAS 21- Lack of exchangeability

In May 2024, POA issued amendments to TAS 21. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, it discloses information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity’s financial performance, financial position and cash flows. The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

The amendments did not have a significant impact on the financial position or performance of the Group.

iii) The amendments which are effective immediately upon issuance

Amendments to TAS 12- International Tax Reform – Pillar Two Model Rules

In September 2023, POA issued amendments to TAS 12, which introduce a mandatory exception in TAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. The amendments clarify that TAS 12 applies to income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD). The amendments also introduced targeted disclosure requirements for entities affected by the tax laws. The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception apply immediately and retrospectively upon issue of the amendments.

The amendments did not have a significant impact on the financial position or performance of the Group.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.4. The New Standards, Amendments and interpretations (Continued)

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

The following two amendments to IFRS 9 and IFRS 7 and Annual Improvements to IFRS Accounting Standards as well as IFRS 18 and IFRS 19 are issued by IASB but not yet adopted and published by the POA. Therefore, they do not constitute part of TFRS.

The Group will make the necessary changes to its consolidated financial statements after the amendments and new Standard are issued and become effective under TFRS.

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

In May 2024, IASB issued amendments to the classification and measurement of financial instruments (amendments to IFRS 9 and IFRS 7). The amendment clarifies that a financial liability is derecognised on the ‘settlement date’. It also introduces an accounting policy option to derecognise financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met. The amendment also clarified how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features as well as the treatment of non-recourse assets and contractually linked instruments. Additional disclosures in IFRS 7 for financial assets and liabilities with contractual terms that reference a contingent event (including those that are ESG-linked), and equity instruments classified at fair value through other comprehensive income are added with the amendment.

The amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Annual Improvements to IFRS Accounting Standards – Volume 11

In July 2024, the IASB issued Annual Improvements to IFRS Accounting Standards – Volume 11, amending the followings:

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Hedge Accounting by a First-time Adopter:

These amendments are intended to address potential confusion arising from an inconsistency between the wording in IFRS 1 and the requirements for hedge accounting in IFRS 9.

- IFRS 7 Financial Instruments: Disclosures – Gain or Loss on Derecognition:

The amendments update the language on unobservable inputs in the Standard and include a cross reference to IFRS 13.

- IFRS 9 Financial Instruments – Lessee Derecognition of Lease Liabilities and Transaction Price:

IFRS 9 has been amended to clarify that, when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply derecognition requirement of IFRS 9 and recognise any resulting gain or loss in profit or loss. IFRS 9 has been also amended to remove the reference to 'transaction price'.

- IFRS 10 Consolidated Financial Statements – Determination of a 'De Facto Agent':

The amendments are intended to remove the inconsistencies between IFRS 10 paragraphs.

- IAS 7 Statement of Cash Flows – Cost Method:

The amendments remove the term of “cost method” following the prior deletion of the definition of 'cost method'.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.4. The New Standards, Amendments and interpretations (Continued)

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

Amendments to IFRS 9 and IFRS 7- Contracts Referencing Nature-dependent Electricity

In December 2024, the Board issued Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7). The amendment clarifies the application of the “own use” requirements and permits hedge accounting if these contracts are used as hedging instruments. The amendment also adds new disclosure requirements to enable investors to understand the effect of these contracts on a company’s financial performance and cash flows.

The amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

IFRS 18 – The new Standard for Presentation and Disclosure in Financial Statements

In April 2024, IASB issued IFRS 18 which replaces IAS 1. IFRS 18 introduces new requirements on presentation within the statement of profit or loss, including specified totals and subtotals. IFRS 18 requires an entity to classify all income and expenses within its statement of profit or loss into one of five categories: operating; investing; financing; income taxes; and discontinued operations. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information based on the identified ‘roles’ of the primary financial statements and the notes. In addition, there are consequential amendments to other accounting standards, such as IAS 7, IAS 8 and IAS 34.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

IFRS 19 – Subsidiaries without Public Accountability: Disclosures

In May 2024, IASB issued IFRS 19, which allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. Unless otherwise specified, eligible entities that elect to apply IFRS 19 will not need to apply the disclosure requirements in other IFRS accounting standards. An entity that is a subsidiary, does not have public accountability and has a parent (either ultimate or intermediate) which prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards may elect to apply IFRS 19.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group..

2.5. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements, parent company Altınay Savunma Teknolojileri Anonim Şirketi and its subsidiaries, affiliates, joint ventures and financial investments accounts have been prepared according to the principles set forth in the following articles. During the preparation of the financial statements of the companies included in the consolidation, necessary adjustments and classifications were made in terms of compliance with the TAS/IFRS, which was put into effect by the POA in accordance with the provisions of the Communiqué Serial II, No. 14.1, and compliance with the accounting policies and presentation styles applied by the Group.

Subsidiaries

Subsidiaries refer to companies in which the Company is exposed to or has rights to variable returns from its involvement with the investee, and over which it has control because it has the ability to affect these returns through its power over the investee.

Subsidiaries are included in the scope of consolidation from the date on which control over their activities is transferred to the Group and are excluded from the scope of consolidation on the date that control ceases.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5. Summary of Significant Accounting Policies (Continued)

Principles of Consolidation (Continued)

Subsidiaries (Continued)

Consolidated financial statements include the financial statements of the companies controlled by the Company and its subsidiaries. Control is provided by the Company's fulfilment of the following conditions:

- i.) has power over the investee/asset,
- ii.) is open to or entitled to variable returns from the investee/asset, and
- iii.) can use its power to have an impact on returns.

In the event of a situation or event that may cause any change in at least one of the criteria listed above, the Company re-evaluates whether it has control over its investment.

The financial position statements and profit or loss statements of the subsidiaries are consolidated using the full consolidation method, and the book values of the subsidiaries owned by the Company and their equity are mutually offset. Intra-group transactions and balances between the Company and its subsidiaries are deducted during consolidation. The book values of the shares owned by the Company and the dividends arising from them have been netted off from the related equity and profit or loss statement accounts.

Branches

The branch may not have a different main contract than the parent company; As a result, the branch can act as a parent company in the parent company's fields of activity. Each branch should use the name of the parent company by stating that it is a branch.

Although a branch may act independently from the parent company in its commercial relations with third parties and companies, the rights and obligations arising from its transactions belong to the parent company. Legal cases that may arise as a result of the transactions of the branch can be heard in the relevant court in the headquarters of the parent company or in the relevant courts in the center where the branch is located. The financial statement items of the Branch were combined one by one and mutually lowered from each other.

Non-controlling interests

Non-controlling interests are measured in their proportional share of the acquirer's net assets at the acquisition date. Changes in the shares of subsidiaries without losing the Group's control power are accounted for as equity transactions. Accordingly, in additional share purchase transactions from non-controlling interests, the difference between the acquisition cost and the book value of the company's net assets in proportion to the purchased shares is accounted for under equity. In the sale of shares to non-controlling interests, losses or gains resulting from the difference between the sales price and the book value of the company's net assets in proportion to the sold share are also accounted for under equity.

Transactions eliminated on consolidation

Intra-group balances and transactions and unrealized income and expenses arising from intra-group transactions are eliminated. Unrealized gains from transactions with equity are eliminated in proportion to the Group's interest in the investee. In the absence of any impairment, unrealized losses are eliminated in the same way as unrealized gains.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (Note 3). Bank deposits with original maturities of more than three months are classified under short-term financial investments.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5. Summary of Significant Accounting Policies (Continued)

Financial instruments

Financial assets and liabilities are recognized in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets and liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition or issuance of financial assets and liabilities (excluding financial assets and liabilities at fair value through profit or loss) are added to or subtracted from the fair value of those financial assets and liabilities at initial recognition, as appropriate. Transaction costs directly related to the acquisition or issuance of financial assets and liabilities are recognized directly in profit or loss.

Financial assets

Financial assets bought and sold in the normal way are recorded or removed at the transaction date.

The Group manages its financial assets:

- (a) the business model used by the entity to manage financial assets,
- (b) the amortized cost at subsequent recognition based on the characteristics of the contractual cash flows of the financial asset, through fair value through other comprehensive income or at fair value through profit or loss. classifies as measured through loss. Only when an entity changes its business model for the management of financial assets, it reclassifies all affected financial assets. The reclassification of financial assets is applied prospectively from the date of reclassification. In such cases, no adjustments are made for gains, losses (including impairment gains or losses) or interest previously recognized.

Classification of financial assets

Financial assets that meet the following conditions are measured subsequently at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are measured subsequently at fair value through other comprehensive income:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If a financial asset is not measured at amortized cost or at fair value through other comprehensive income, it is measured at fair value through profit or loss.

At initial recognition, the Group may make an irrevocable election to present subsequent changes in the fair value of its investment in an equity instrument that is not held for trading in other comprehensive income.

Amortized cost and effective interest method

At initial recognition, the Group may make an irrevocable election to present subsequent changes in the fair value of its investment in an equity instrument that is not held for trading in other comprehensive income. This income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset:

- a) Financial assets that are credit-impaired when purchased or created. For such financial assets, the entity applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition..
- b) Financial assets that were not credit-impaired financial assets when purchased or created but subsequently became credit-impaired financial assets. For such financial assets, the entity applies the effective interest rate to the amortized cost of the asset in subsequent reporting periods.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5. Summary of Significant Accounting Policies (Continued)

Financial instruments (Continued)

Amortized cost and effective interest method (Continued)

Interest income is recognized using the effective interest method for debt instruments whose amortized costs and fair value changes are reflected in other comprehensive income on subsequent recognition.

Interest income is recognized in the consolidated statements of profit or loss and shown under the item “financial income – interest income”

Financial assets at fair value through profit or loss

Financial assets that do not meet the criteria to be measured at amortized cost or at fair value through other comprehensive income are measured at fair value through profit or loss.

Financial assets at fair value through profit or loss are measured at fair value at the end of each period and all fair value changes are accounted for in profit or loss unless the related financial assets are part of the hedging transactions (see hedge accounting policy).

Equity Instruments with Fair Value Changes Recognized in Other Comprehensive Income

Upon initial recognition in the financial statements, the Group may make an irrevocable election to present subsequent changes in the fair value of each equity instrument not held for trading in other comprehensive income.

A financial asset is considered to be held for trading under the following conditions:

- It was acquired with the intention of being sold in the near future,
- It is part of a portfolio of financial instruments jointly managed by the Group at the time of initial recognition, and there is evidence that the Group has a recent tendency to profit in the short term,
- It is a derivative instrument (excluding financial collateral agreements or derivatives that are designated and effective hedging instruments).

Investments in equity instruments with fair value changes recognized in other comprehensive income are initially measured at fair value, plus transaction costs. Subsequently, gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the revaluation reserve. In the case of disposal of equity investments, the accumulated total gains or losses are transferred to retained earnings.

Foreign exchange gains and losses

The carrying amount of financial assets denominated in foreign currency is determined in the relevant foreign currency and translated at the prevailing exchange rate at the end of each reporting period. Especially,

- Exchange differences are recognized in profit or loss for financial assets that are carried at amortized cost and are not part of a defined hedging transaction.
- Exchange differences calculated on the amortized cost of debt instruments that are measured at fair value through other comprehensive income and are not part of a defined hedging transaction are recognized in profit or loss for the period. All other exchange differences are recognized in other comprehensive income.
- Exchange differences on financial assets that are measured at fair value through profit or loss and are not part of a defined hedging transaction are recognized in profit or loss for the period.
- Exchange differences related to equity instruments measured by reflecting their fair value to other comprehensive income are recognized in other comprehensive income.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5. Summary of Significant Accounting Policies (Continued)

Financial instruments (Continued)

Impairment of financial assets

The Group provides impairment provisions in its financial statements for debt instruments, lease receivables, trade receivables, assets arising from contracts with customers, as well as expected credit losses on investments in financial guarantee contracts, which are carried at amortized cost or measured by reflecting the fair value change to other comprehensive income. The expected credit loss amount is updated at each reporting period to reflect changes in credit risk since the relevant financial asset was first recognized in the financial statements.

The Group uses the simplified approach for trade receivables that do not have significant financing elements, assets arising from contracts with customers and lease receivables, and calculates impairment provisions in an amount equal to the expected credit loss over the life of the relevant financial assets.

The Group recognizes lifetime expected credit losses for all its other financial instruments if there has been a significant increase in credit risk since initial recognition. However, if the credit risk of the financial instrument has not increased significantly since initial recognition, the Group recognizes a loss provision for that financial instrument in the amount of 12-month expected credit loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, the loss given default (i.e., the magnitude of the loss if there is a default), and the amount at risk given default. The assessment of probability of default and loss given default is based on historical data adjusted for forward-looking information. The risk amount of financial assets in case of default is reflected on the gross book value of the relevant assets at the reporting date.

Expected credit losses on financial assets are the difference between all of the cash flows that the Group expects to receive as contractually due and all of the cash flows that the Group expects to collect (all cash shortfalls) at the initial effective interest rate (or credit-impairment when purchased or originated). It is the present value calculated based on the credit-adjusted effective interest rate for existing financial assets.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights regarding the cash flows arising from the financial asset expire or when it transfers the financial asset and all risks and rewards arising from the ownership of the financial asset to another entity.

When a financial asset measured at amortized cost is derecognized, the difference between the carrying amount of the asset and the amount collected and receivable is recognized in profit or loss. In addition, in the derecognition of a debt instrument whose fair value change is reflected in other comprehensive income, the total gain or loss previously accumulated in the revaluation fund for the relevant instrument is reclassified to profit or loss. If an equity instrument that the Group chooses to measure by reflecting its fair value change to other comprehensive income at initial recognition is derecognised, the total gain or loss accumulated in the revaluation fund is not recognized in profit or loss, but is transferred directly to retained earnings.

Financial liabilities

The entity measures the financial liability at fair value when it is first recognized in the financial statements. In the initial measurement of liabilities other than those whose fair value changes are reflected in profit or loss, transaction costs that are directly attributable to their acquisition or issuance are also added to the fair value.

The entity classifies all financial liabilities as measured at amortized cost on subsequent recognition, except for the following:

- a) Financial liabilities at fair value through profit or loss: These liabilities, including derivative products, are measured at fair value in subsequent accounting.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5. Summary of Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities (Continued)

b) Financial liabilities arising when the transfer of a financial asset does not meet the conditions for derecognition or when the continuing relationship approach is applied: If the Group continues to show an asset in the financial statements to the extent of its ongoing relationship, it also reflects a related liability in the financial statement. The transferred asset and associated liability are measured to reflect the rights and obligations that the entity continues to retain. The liability attached to the transferred asset is measured in the same manner as the net book value of the transferred asset.

c) Contingent consideration recognized in the financial statements by the acquirer in a business combination where TFRS 3 is applied: After its initial recognition in the financial statements, the fair value changes in such contingent consideration are measured by reflecting them in profit or loss.

The entity does not reclassify any financial liabilities.

Derecognition of financial liabilities

The Group derecognises financial liabilities only when the Group's obligations are eliminated, canceled or expired. The difference between the carrying amount of the derecognised financial liability and the amount paid or payable, including non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Related parties

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

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

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

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

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

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

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5. Summary of Significant Accounting Policies (Continued)

Trade receivables

Trade receivables arising as a result of providing products or services to the buyer are shown less any unaccrued financing income. Trade receivables after unaccrued financing income are calculated by discounting the amounts to be obtained in the following periods from the original invoice value of the receivables recorded with the effective interest method. Short-term receivables without a determined interest rate are shown at their original invoice value, unless the effect of the original effective interest rate is significant.

If there is an objective finding that there is no possibility of collection, an impairment provision is made for the relevant trade receivables. Objective evidence is situations such as the fact that the receivable is in the litigation or enforcement phase or preparation, the buyer is in significant financial difficulty, the buyer is in default, or it is probable that there will be a significant and unpredictable delay. The amount of the provision in question is the difference between the registered value of the receivable and the collectible amount. Collectible amount is the discounted value of all cash flows, including amounts collectable from guarantees and guarantees, based on the original effective interest rate of the trade receivable.

Following the provision for impairment, if all or part of the impaired receivable amount is collected, the collected amount is deducted from the impairment provision and recorded in other operating income.

Within the scope of impairment calculations of trade receivables that are recognized at amortized cost in the financial statements and do not contain a significant financing component (with a maturity of less than one year), the "simplified approach" defined in TFRS 9 has been preferred. With this approach, in cases where trade receivables are not impaired for certain reasons (excluding realized impairment losses), the Company measures the loss provisions for trade receivables at an amount equal to the lifetime expected credit losses.

Trade payables

Trade payables refer to the payments to be made for goods and services provided from suppliers in ordinary activities. Trade payables are first measured from their fair value and amortized cost calculated using the effective interest method in the following periods.

Inventories

Inventories are valued at the lower of cost or net realizable value. Cost elements included in inventories are materials, labor and an appropriate amount for factory overheads. The cost of borrowings is not included in the costs of inventories. The cost of inventories is determined on the weighted average basis for each purchase. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Property, plant and equipment

Property, plant and equipment are presented at cost less accumulated depreciation and accumulated impairment losses. Land and lands are not subject to depreciation and are shown at cost less accumulated impairment losses.

In cases where the assets cannot be converted into money over the value they carry, it is checked whether there is any impairment in the assets. If there is such an indication and the value of the assets exceeds the estimated amount to be realized, the assets or cash generating units are brought to their realizable values.

The realizable amount is the higher of the asset's net selling price and net book value in use. To determine the amount of net book value in use, estimated future cash flows are discounted using the pre-tax discount rate, which measures the time value of money and the risk nature of the asset. The net book value in use of a non-independent cash-generating asset is determined for the cash-generating group to which the asset belongs. Provision for impairment expenses are recognized in the consolidated statement of profit or loss.

Except for land and investments in progress, the cost or valued amounts of tangible assets are depreciated using the straight-line method over their expected useful lives or production volumes. The expected useful life, residual value and depreciation method are reviewed each year for the possible effects of changes in estimates, and if there is a change in estimates, they are accounted for prospectively.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5. Summary of Significant Accounting Policies (Continued)

Property, plant and equipment (Continued)

The rates used in the amortization of tangible fixed assets are as follows;

	Useful Life
Buildings	50 years
Machinery and equipment	4-15 years
Motor vehicles	4-5 years
Furniture, fixtures and office equipment	3-18 years
Leasehold improvements	5 years
Other property, plant and equipment	3-5 years

The carrying amount of a tangible fixed asset is the higher of its recoverable amount, which is either the asset's value in use or the net selling price after deducting the costs to sell. As of the reporting date, the useful lives of the assets are reviewed and adjusted when necessary.

Maintenance and repair expenses are recorded as expenses in the profit or loss statement for the period in which they are incurred. The Group removes the carrying amounts of replaced parts, regardless of whether those parts are amortized separately from other components, based on the renewals made. Major renewals are amortized based on the shorter of the remaining useful life of the related tangible fixed asset or the economic life of the renewal itself.

Advances given for tangible fixed asset purchases are recorded under prepaid expenses in the balance sheet until the related asset is capitalized or recognized under the ongoing investments account.

Expenditures incurred after capitalization are added to the cost of the relevant asset or recognized as a separate asset in the financial statements if it is probable that the future economic benefits will flow to the entity and the cost of the expenditure can be measured reliably. Tangible fixed assets are reviewed for impairment in circumstances where their carrying amount may exceed their recoverable amount. To determine impairment, assets are grouped at the lowest level of cash-generating units (Cash-generating unit).

Intangible assets

Intangible assets with a finite life are presented at their cost less accumulated amortization and accumulated impairment losses.

These assets are amortized using the straight-line method based on their expected useful lives and production volumes. The expected useful life and amortization method are reviewed annually to identify the potential effects of changes in estimates, and any changes in estimates are accounted for prospectively.

The amortization rates for intangible assets are presented below:

The useful lives of the intangible assets are as follows:

	Useful life
Rights	3 years

Computer Software

Purchased computer software is capitalized based on the costs incurred during the purchase and the period until it is ready for use.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5. Summary of Significant Accounting Policies (Continued)

Intangible assets (Continued)

Research Expenses and Development Costs

Planned activities carried out to obtain new technological knowledge or findings are defined as research, and the research expenses incurred at this stage are recognized as an expense in the income statement when incurred.

The application of research findings or other knowledge to a plan or design for the production of new or substantially improved products, processes, systems, or services is defined as development. Development expenditures are recognized as intangible assets in the statement of financial position when all of the following criteria are met.

Intangible assets arising from internal development (or from the development phase of an internal project) are recognized only if all of the following conditions are satisfied:

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

The amount of internally generated intangible assets within the group is the total of the expenses incurred from the point when the intangible asset meets the recognition criteria mentioned above. When internally generated intangible assets cannot be recognized, development costs are recorded as expenses in the period in which they are incurred. After initial recognition, internally generated intangible assets are presented in the same way as externally acquired intangible assets, i.e., at their cost value less accumulated amortization and accumulated impairment losses. The useful lives of development costs are assessed on a project-by-project basis and range from 2 to 30 years.

Derecognition of Intangible Assets

An intangible asset is derecognized from the financial position statement (balance sheet) when it is disposed of or when it is expected that no future economic benefits will be derived from its use or sale. Any gain or loss resulting from the derecognition of an intangible asset is calculated as the difference between the net proceeds from the disposal of the asset and its carrying amount. This difference is recognized in profit or loss when the asset is derecognized from the financial position statement (balance sheet).

Finance leases

The Group - in accordance with the lease

The Group evaluates whether a contract is a lease or contains lease terms at the inception of the contract. The Group recognizes the right-of-use asset and the related lease liability for all leases of which it is a lessee, except for short-term leases (leases with a lease term of 12 months or less) and leases of low value assets.

For these leases, the Group recognizes the lease payments as operating expense on a straight-line basis over the lease term, unless there is another systematic basis that better reflects the timing structure in which the economic benefits from the leased assets are used.

In the initial recognition, lease obligations are accounted for at the present value of the lease payments that were not paid at the contract inception date, discounted at the lease rate. If this rate is not specified beforehand, the Group uses the alternative borrowing rate to be determined by itself.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5. Summary of Significant Accounting Policies (Continued)

Finance leases (Continued)

The Group - in accordance with the lease (Continued)

The lease payments included in the measurement of the lease liability consist of:

- fixed lease payments (substantially fixed payments) less any lease incentives;
- variable lease payments based on an index or rate, initially measured using an index or rate at the commencement date of the lease;
- The amount of debt expected to be paid by the lessee under residual value guarantees,
- The enforcement price of the payment options, where the lessee will reasonably implement the payment options; and
- penalty payment for the cancellation of the rental if there is a right to cancel the rental during the rental period.

The lease liability is presented as a separate item in the consolidated statements of financial position.

Lease liabilities are measured by increasing the net carrying amount (using the effective interest method) to reflect the interest on the subsequent lease liability and decreasing the carrying amount to reflect the lease payment made. The Group remeasures the lease liability (and makes appropriate changes to the related right-of-use asset) if:

- When the lease liability is remeasured by discounting the revised lease payments using the revised discount rate when a change occurs in the assessment of the lease term or exercise of a purchase option.
- When the lease payments change due to changes in the index, rate, or expected payment change in the promised residual value, the restated lease payments are discounted using the initial discount rate and the lease liability is remeasured (the revised discount rate is used if the change in lease payments is due to a change in the variable interest rate).
- When a lease is changed and the lease modification is not accounted for as a separate lease, the revised lease payments are discounted using the revised discount rate and the lease liability is restated.

The Group has not made such changes during the periods presented in the consolidated financial statements.

Right-of-use assets include the initial measurement of the corresponding lease liability, lease payments made on or before the lease commencement date, and other direct initial costs. These assets are measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter of the lease term and useful life of the main asset. When ownership of the main asset is transferred in a lease or when the Group plans to exercise a purchase option based on the cost of the right-of-use asset, the associated right-of-use asset is depreciated over the useful life of the main asset. Depreciation begins on the date the lease actually begins.

Group - as a lessor

In cases where the Group incurs costs to dismantle and remove a lease asset, restore the area where the asset is located, or restore the main asset in accordance with the lease terms and conditions, a provision is recognized in accordance with TAS 36. These costs are included in the related right-of-use asset unless they are incurred for the production of inventories.

Right-of-use assets are amortized based on the shorter of the lease term or the useful life of the underlying asset. When ownership of the underlying asset is transferred in the lease or the Group plans to exercise a purchase option based on the cost of the right-of-use asset, the related right-of-use asset is amortized over the useful life of the underlying asset. Amortization begins on the actual commencement date of the lease.

The Group does not have any investment properties as a lessor.

Leases in which the Group is the lessor are classified as finance leases or operating leases. The contract is classified as a finance lease if, according to the terms of the lease, all the ownership risks and rewards are transferred to the lessee to a significant extent. All other leases are classified as operating leases.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5. Summary of Significant Accounting Policies (Continued)

Finance leases (Continued)

Group - as a lessor (Continued)

If the Group is the lessor of the vehicle, it accounts for the main lease and the sublease as two separate contracts. A sublease is classified as a finance lease or an operating lease with respect to the right-of-use asset arising from the main lease.

Rental income from operating leases is accounted for using the straight-line method over the relevant lease period. The direct initial costs incurred in realizing and negotiating the operating lease are included in the cost of the leased asset and amortized on a straight-line basis over the lease term.

Finance lease receivables from lessees are accounted for as receivables for the Group's net investment in the leases.

Impairment of Assets

Assets with an indefinite useful life, such as goodwill, are not amortized. These assets are subject to an annual impairment test. For assets subject to amortization, an impairment test is performed if events or circumstances indicate that the carrying amount may not be recoverable. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of the fair value less costs to sell or the value in use. To assess impairment, assets are grouped at the lowest level where there are separately identifiable cash flows (cash-generating units). Non-financial assets, excluding goodwill, are reviewed for possible reversal of impairment at each reporting date.

Borrowing cost

When assets that require a significant amount of time to be made ready for use or sale are involved, borrowing costs directly attributable to their acquisition, construction, or production are included in the cost of the asset until it is ready for use or sale. Financial investment income obtained from the temporarily invested portion of the loan related to the investment is deducted from the capitalizable borrowing costs.

All other borrowing costs are recorded in the profit or loss for the periods in which they are incurred.

Revenue

The Group recognizes revenue in its consolidated financial statements when it satisfies a performance obligation by transferring a promised good or service to a customer, or as it satisfies the obligation. Control of the goods or services is transferred when (or as) the customer obtains control.

When assessing the transfer of control of a good or service to the customer, the Group considers:

- a) The Group's right to collect payment for the good or service,
- b) The customer's legal ownership of the good or service,
- c) The transfer of possession of the good or service,
- d) The customer's assumption of significant risks and rewards related to the good or service,
- e) The customer's acceptance of the good or service.

If the Group anticipates, at the beginning of the contract, that the period between the transfer date of the goods or services promised to the customer and the date on which the customer pays for this good or service will be one year or less, it does not make adjustments for the effect of a significant financing component in the promised price. On the other hand, if there is a significant financing element in the revenue, the revenue value is determined by discounting the future collections with the interest rate included in the financing element. The difference is recorded in the relevant periods as other income from main activities on an accrual basis.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5. Summary of Significant Accounting Policies (Continued)

Revenue (Continued)

Sales of defense electronics and software products:

Revenue is recognized when the significant risks and rewards of ownership related to the products have been transferred to the buyer, it is probable that the economic benefits associated with the sale will flow to the Company, and the amount of revenue can be measured reliably. Revenue and the related costs are recognized simultaneously in the financial statements for the same transaction.

Employee benefits

In accordance with the current social legislation, the Group is obliged to pay accumulated compensation for each employee who completes one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation and misconduct.

In accordance with Turkish laws and union agreements, lump-sum payments are made to employees who retire or leave the Group unintentionally. Such payments are considered to be a part of the defined retirement benefit plan in accordance with "Turkish Accounting Standard (revised) Employee Benefits ("TAS 19") No. 19.

The severance pay liability in the accompanying consolidated financial statements has been calculated in accordance with the recognition and valuation principles specified in TAS 19 "Employee Benefits". Since the severance pay obligations are identical with the 'Specific Post-employment Benefit Plans' defined in this standard in terms of their characteristics, these liabilities have been calculated and included in the financial statements using some of the assumptions explained below.

TAS 19 ("Employee Benefits") has been revised to be valid for accounting periods beginning after January 1, 2013. In accordance with the revised standard, actuarial gains/losses on employee benefits are recognized in the statement of comprehensive income.

Provisions, contingent assets and liabilities

Provisions

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date considering the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount of provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate reflects current market assessments of the time value of money and the risks specific to the liability. The discount rate shall be a pre-tax rate and shall not reflect risks for which future cash flow estimates have been adjusted.

Contingent Assets and Liabilities

Liabilities and assets that can be confirmed by the realization of one or more uncertain future events, arising from past events and the existence of which is not fully under the Group's control, are considered contingent liabilities and assets and are not included in the financial statements.

Taxes calculated on corporate income and deferred tax

As Turkish Tax Legislation does not allow the parent company and its subsidiary to prepare consolidated tax returns, tax provisions have been calculated on a separate-entity basis, as reflected in the consolidated financial statements.

Income tax expense is the sum of current tax and deferred tax expense.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5. Summary of Significant Accounting Policies (Continued)

Taxes calculated on corporate income and deferred tax (Continued)

Current tax

Current year tax liability is calculated over the taxable portion of the profit for the period. Taxable profit differs from profit reported in the statement of profit or loss in that it excludes items that are taxable or deductible in other years and items that are not taxable or deductible. The Group's current tax liability has been calculated using the tax rate that has been enacted or substantially enacted as of the reporting period.

Deferred tax

Deferred tax liability or assets are determined by calculating the tax effects of the temporary differences between the amounts of assets and liabilities shown in the financial statements and the amounts taken into account in the calculation of the legal tax base, according to the balance sheet method, taking into account the enacted tax rates.

While deferred tax liabilities are calculated for all taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated on the condition that it is highly probable to benefit from these differences by generating taxable profit in the future. The mentioned assets and liabilities are not recognized if they arise from the initial recognition of the temporary difference, goodwill or other assets and liabilities (other than business combinations) related to the transaction that does not affect the commercial or financial profit/loss.

Deferred tax liabilities are calculated for all taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, unless the Group is able to control the disappearance of temporary differences and it is unlikely that the difference will disappear in the near future. Deferred tax assets arising from taxable temporary differences associated with such investments and interests are calculated on the condition that it is highly probable that the said differences will be benefited from by earning sufficient taxable profit in the near future and it is probable that the related differences will disappear in the future.

Carrying amount of deferred tax asset is reviewed at each reporting period. The carrying amount of the deferred tax asset is reduced to the extent that it is not likely to generate a financial profit sufficient to allow some or all of the benefits to be obtained.

Deferred tax assets and liabilities are calculated over tax rates (tax regulations) that are expected to be valid in the period when the assets will be realized or the liabilities will be fulfilled and which have been enacted or substantially enacted as of the reporting date.

During the calculation of deferred tax assets and liabilities, the tax results of the methods estimated by the Group to recover the book value of its assets or fulfil its liabilities as of the reporting period are taken into account.

Deferred tax assets and liabilities, when there is a legal right to set off current tax assets and current tax liabilities, or if such assets and liabilities are associated with income tax collected by the same tax authority, or if the Group intends to settle its current tax assets and liabilities on a net basis. is deducted.

Current and Deferred Income Tax

Current tax and deferred tax for the period are expense or income in the statement of profit or loss, excluding those associated with items receivable or payable directly in equity (in which case deferred tax is also recognized directly in equity) or arising from the initial recognition of business combinations. accounted for. In business combinations, tax effects are taken into account when calculating goodwill or determining the portion of the purchaser's share in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary exceeding the acquisition cost.

Dividends

Dividend liabilities are recognized as a liability in the consolidated financial statements in the period when the profit distribution is declared.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5. Summary of Significant Accounting Policies (Continued)

Statement of cash flows

In the consolidated statement of cash flows, cash flows for the period are classified and reported on the basis of operating, investing and financing activities.

Cash flows from operating activities represent cash flows from the Group's ongoing construction activities, mining sales, financial institution income to name a few.

Cash flows from investing activities represent the cash flows that the Group uses and receives from its investing activities (fixed and financial investments).

Cash flows from financing activities show the resources used by the Group in financing activities and the repayments of these resources.

Cash and cash equivalents are cash, demand deposits and other highly liquid short-term investments that have maturities of three months or less from the date of purchase, are immediately convertible into cash, and do not carry the risk of significant changes in value.

Differences arising from the translation of the cash flow statement from the functional currency to the presentation currency are shown as translation differences in the cash flow statement.

Effects of exchange rate changes

The Group uses the exchange rates prevailing at the transaction date when translating foreign currency transactions into Turkish Lira. Monetary assets and liabilities denominated in foreign currencies in the statement of financial position are translated into Turkish Lira using the exchange rates at the reporting date. Foreign exchange gains or losses arising from the translation of foreign currency transactions into Turkish Lira or from monetary items denominated in foreign currencies are recognized in the profit or loss for the relevant period. Non-monetary foreign currency-denominated assets and liabilities measured at fair value are expressed in Turkish Lira using the exchange rate on the date the fair value is determined.

The exchange rate information as of the reporting periods is as follows:

	31 December 2024	31 December 2024
USD	35,2803	29,4382
EUR	36,7362	32,5739
GBP	44,2073	37,4417
CHF	38,9446	34,9666

Offsetting

Any item that is material in terms of content and amount, even if similar in nature, is presented separately in the financial statements. Insignificant amounts are grouped and presented based on their principles and functions. Financial assets and liabilities are presented on a net basis when there is a legal right, an intention to settle the assets and liabilities on a net basis, or when the acquisition of the assets and settlement of the liabilities occur simultaneously.

Earnings / (loss) per share

Earnings per share stated in the income statement are determined by dividing the net income per share of the parent group by the weighted average number of shares in the related year.

Companies in Turkey can increase their capital by distributing shares (“bonus shares”) to existing shareholders from retained earnings and equity inflation adjustment differences. When earnings per share are calculated, these bonus shares are considered as issued shares. Therefore, the weighted average share weight used in calculating the earnings per share is obtained by retrospectively considering the bonus shares received.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5. Summary of Significant Accounting Policies (Continued)

Financial income and expenses

Financial income primarily consists of interest income and foreign exchange gains. Financial income is recognized in the profit and loss statement on an accrual basis.

Financing expenses mainly consist of foreign exchange losses and interest expenses related to loans. Assets that require a long period to be brought to the condition of being ready for intended use or sale are defined as specialized assets. Borrowing costs directly attributable to the acquisition, construction, or production of a specialized asset that is activated on or after January 1, 2009, are capitalized as part of that asset. Other borrowing costs are recorded in the comprehensive income statement.

Events after the reporting date

Events after the reporting date; It covers all events between the reporting date and the date the statement of financial position is authorized for issue, even if they occur after any announcement or other selected financial information that affects profit or loss has been made public.

In the event of events requiring adjustments after the reporting date, the Group adjusts the amounts recognized in the financial statements to reflect the new situation. Matters arising after the reporting date that do not require adjustment are disclosed in the notes based on their materiality.

Government grants and incentives

Government grants are recognized at their fair value when there is reasonable assurance that the company will meet the conditions required to obtain the grant and that the grant will be received.

Government grants are systematically recognized in profit or loss over the periods in which the company recognizes the related costs that the grants are intended to compensate. As a financial instrument, government grants should not be recognized in profit or loss to net the expenses they finance; instead, they should be recognized as deferred income in the statement of financial position and systematically recognized in profit or loss over the useful lives of the related assets.

Government grants provided to compensate for previously incurred expenses or losses, or to provide immediate financial support to the business without any future cost, are recognized in profit or loss when they become receivable. The benefit of loans received from the government at a below-market interest rate is considered a government grant. The benefit created by the low-interest rate is measured as the difference between the initial carrying amount of the loan and the proceeds obtained.

For personnel employed under the Group’s R&D projects, the portion of government incentives related to the research phase is recognized as a period expense in the income statement, while the portion related to the development phase is capitalized in the balance sheet.

2.6. Use of Estimates

In the preparation of the consolidated financial statements, the Group management is required to make assumptions and estimates that will affect the reported amounts of assets and liabilities, determine the probable liabilities and commitments as of the date of the consolidated financial statements, and the income and expense amounts as of the reporting period. Actual results may differ from estimates. Estimates are reviewed regularly; necessary corrections are made and reflected in the comprehensive income statement in the period they are realized. However, actual results may differ from these results.

The assumptions made by considering the interpretations that may have a material effect on the amounts reflected in the consolidated financial statements and the main sources of the existing or future estimates at the date of the financial statements are as follows:

- a) Severance pay liability is determined using actuarial assumptions (discount rates, future salary increases and employee turnover rates).

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.6. Use of Estimates (Continued)

- b) Provisions for litigation are determined by the management in each period by taking the opinions of the Company's legal advisors on the possible consequences of ongoing lawsuits as of the date of preparation of the financial statement, which may lead to cash outflows.
- c) The Group management has made important assumptions in the determination of the useful economic lives of the tangible assets in line with the experience of the technical team.
- d) The Group reviews its assets in order to set aside a provision for impairment when it is revealed that the assets may not be sold at their book value, in line with the developing events or changing conditions. If there is such an indication and the carrying value of the assets exceeds the estimated recoverable value, the assets and cash-generating units are presented at their estimated recoverable value. The recoverable value of the assets is the higher of the net selling price or value in use.
- e) The impairment loss in trade receivables and other receivables is based on the Company management's assessment of the volume of trade receivables, past experiences and general economic conditions.
- f) The application of research findings or other knowledge to a plan for the production of new, unique, and significantly improved products, processes, systems, and devices is defined as development, and the costs incurred for such activities are capitalized by the Group. When capitalizing the salaries of personnel directly involved in the creation of the asset, Group management takes into account the amount of time each employee spends on research and development activities. Personnel costs related to research activities are recognized as an expense when incurred.
- g) The Group recognizes deferred tax assets and liabilities for temporary timing differences arising between the tax base of assets and liabilities in the statutory financial statements and their carrying amounts in the financial statements prepared in accordance with TFRS. These differences typically result from certain income and expense items being recognized in different periods in the statutory financial statements and the TFRS financial statements.

2.7. Segment Reporting

The Group is engaged in a single business activity related to defense industry systems. Accordingly, the Group does not present segment reporting based on industrial segments.

3. CASH AND CASH EQUIVALENTS

	31 December 2024	31 December 2023
Cash on hand	--	3.760
Cash at banks		
- Demand deposit	85.792.911	32.061.445
- Time deposit	539.226.247	97.746.509
Interest accrual	10.261.050	144.933
Cash and cash equivalents	635.280.208	129.956.647

As of the reporting periods, the foreign currency details are as follows;

	31 December 2024	31 December 2023
Cash on hand		
- Turkish Lira	--	--
- Foreign currency	--	3.760
	--	3.760

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED 1 JANUARY – 31 DECEMBER 2024
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

3. CASH AND CASH EQUIVALENTS (CONTINUED)

	31 December 2024	31 December 2023
Bank Deposits		
- Turkish Lira	554.310.592	107.764.062
- Foreign currency	70.708.566	22.043.892
Interest accrual	10.261.050	144.933
	635.280.208	129.952.887

As of 31 December 2024, there are no mortgages, pledges, or restrictions on the Group's cash and cash equivalents (31 December 2023: None).

4. FINANCIAL LIABILITIES

As of the reporting periods the details of the Group's financial liabilities are as follows;

	31 December 2024	31 December 2023
Current financial liabilities		
Current bank borrowings	446.085.763	154.835.423
Current finance lease liabilities	41.639.618	14.142.640
Current portion of non-current borrowings and interest rates	41.628.604	19.227.363
Interest accruals	11.504.495	8.815.470
Credit card liabilities	405.926	69.736
Total current financial liabilities	541.264.406	197.090.632
Non-current financial liabilities		
Non current bank borrowings	145.031.554	172.416.208
Non current finance lease liabilities	66.251.621	36.339.136
Total non-current financial liabilities	211.283.175	208.755.344
Total	752.547.581	405.845.976

The repayment schedule of the financial liabilities are as follows;

Time of payment	31 December 2024	31 December 2023
Within 1 year	499.624.788	182.947.992
1 - 2 years	28.549.483	54.650.218
2 - 3 years	42.947.432	10.294.176
3 - 4 years	27.369.935	16.382.960
4 - 5 years	10.258.820	24.436.816
5 - 6 years	10.258.824	14.811.564
6 - 7 years	10.258.824	14.811.564
7 - 8 years	10.258.824	14.811.564
8 - 9 years	5.129.412	14.811.564
9 - 10 years	--	7.405.782
Total	644.656.342	355.364.200

The repayment schedule of the Group's lease liabilities is as follows:

	31 December 2024	31 December 2023
Within 1 year	41.639.618	14.142.640
1 - 2 years	34.570.210	14.142.640
2 - 3 years	15.840.882	14.142.640
3 - 4 years	15.840.529	8.053.856
Total	107.891.239	50.481.776

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED 1 JANUARY – 31 DECEMBER 2024
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

4. FINANCIAL LIABILITIES (CONTINUED)

	Foreign currency		TRY Equivalent	
	31 December 2024	31 December 2023	31 December 2024	31 December 2023
<u>Current bank borrowings</u>				
-TRY	--	--	86.260.833	166.650.309
-USD	6.863.044	174.401	242.130.251	7.412.477
-EUR	4.336.956	--	159.323.283	--
<u>Current finance lease liabilities</u>				
-TRY	--	--	12.838.034	6.088.786
-EUR	784.011	171.250	28.801.584	8.053.854
Interest accrual	--	--	11.504.495	8.815.470
Credit card liabilities	--	--	405.926	69.736
			541.264.406	197.090.632
<u>Non-current borrowings</u>				
-TRY	--	--	119.568.518	172.416.208
-EUR	693.132	--	25.463.036	--
<u>Non-current finance lease liabilities</u>				
-TRY	--	--	--	12.177.573
-EUR	1.824.623	513.750	66.251.621	24.161.563
			211.283.175	208.755.344

As of 31 December 2024, the interest rate range for the TRY loans utilized by the Group is between 11% and 53%, and the average interest rate for foreign currency-denominated loans is 5,4-12%. (31 December 2023, the interest rate range for TRY loans was between 11% and %62, and for foreign currency-denominated loans, it was between 3,60% and 7,81%).

The guarantees and obligations given by the Group in relation to the loans received are explained in Note 15.

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED 1 JANUARY – 31 DECEMBER 2024
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

5. TRADE RECEIVABLES AND PAYABLES

(a) Current trade receivables

	31 December 2024	31 December 2023
<u>Trade receivables</u>		
- Currents accounts	245.995.375	181.883.115
- Post-dated checks and promissory notes	90.000.000	--
Trade receivables from related parties (Note 27)	618.090.709	349.562.547
Current trade receivables (gross)	954.086.084	531.445.662
Less: Expected credit losses	(2.458.363)	(11.000.239)
Less: Deferred finance income	(12.851.136)	(1.900.631)
Current trade receivables (net)	938.776.585	518.544.792

Trade receivables consist of receivables from the customer for products sold in the normal course of business. The average collection period of trade receivables is 30-60 days and they are classified as current trade receivables. The Group holds trade receivables for the purpose of collecting cash flows arising from the contract.

As of the reporting periods the details of the the provisions for doubtful trade receivables are as follows;

	1 Jan.- 31 December 2024	1 Jan.- 31 December 2023
Opening balance, 01 January	(11.000.239)	(5.641.345)
<i>Provisions during the period (Note 21)</i>	--	(7.576.530)
<i>Collections and cancelled provisions (Note 21)</i>	5.809.265	--
<i>Monetary loss/(gain)</i>	2.732.611	2.217.636
Closing balance, 31 December	(2.458.363)	(11.000.239)

(b) Current trade payables

	31 December 2024	31 December 2023
<u>Trade payables</u>		
- Current accounts	412.428.131	313.030.911
Trade payables from related parties (Note 27)	226.507	35.100
Current trade payables (gross)	412.654.638	313.066.010
Less: Deferred finance expense	(4.825.902)	(9.499.589)
Current trade payables (net)	407.828.736	303.566.422

The payables and maturities of commercial debts vary according to the contracts concluded with suppliers and the average maturity is 60-160 days.

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED 1 JANUARY – 31 DECEMBER 2024
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

6. OTHER RECEIVABLES AND PAYABLES

(a) Other current receivables

	31 December 2024	31 December 2023
Deposits and guarantees given	451.795	294.995
Other receivables from related parties (Note 27)	--	357.729
Other miscellaneous receivables	--	720.180
Total	451.795	1.372.904

(b) Other current payables

	31 December 2024	31 December 2023
Deposits and guarantees given	130.114	143.290
Total	130.114	143.290

c) Other current liabilities

	31 December 2024	31 December 2023
Other payables to related parties (Note 27) (*)	28.178.640	--
Received deposits and guarantees	217.264	1.507.096
Other various liabilities	--	152.350
Total	28.395.904	1.659.446

d) Other non-current liabilities

	31 December 2024	31 December 2023
Payables to related parties (Note 27) (*)	56.357.280	--
Total	56.357.280	--

(*) The entire balance of payables to related parties liabilities arises from the share acquisition resulting from the transfer of 49% of the capital shares of Aselsan Elektronik Sanayi ve Ticaret Anonim Şirketi, which belong to the Group’s subsidiary, Dasal Havacılık Teknolojileri Anonim Şirketi, pursuant to the share transfer agreement signed with Aselsan Elektronik Sanayi ve Ticaret Anonim Şirketi on 25 October 2024.

7. INVENTORIES

As of the reporting periods the details of the the inventories are as follows;

	31 December 2024	31 December 2023
Raw materials and supplies inventory (*)	27.911.360	47.099.501
Semi-finished goods (**)	532.629.226	78.147.218
Total	560.540.586	125.246.719

The Group’s inventories are not subject to any pledges or liens.

As of 31 December 2024 the Group has commodity insurance within its commercial package insurance on its tangible fixed assets.

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED 1 JANUARY – 31 DECEMBER 2024
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

7. INVENTORIES (CONTINUED)

(*) The details of raw materials and supplies as of 31 December 2024 and 2023 are as follows:

	31 December 2024	31 December 2023
Raw materials and supplies related to production projects	21.976.320	32.123.732
Raw materials and supplies related to R&D projects	5.210.686	10.223.677
Other raw materials and supplies	724.354	4.752.092
Total	27.911.360	47.099.501

(**) The project details comprising the Group’s semi-finished goods as of 31 December 2024 and 2023 are as follows:

	31 December 2024	31 December 2023
Altınay Savunma Teknolojileri Anonim Şirketi	395.319.337	6.838.179
MMU - Iron Bird Subcontract Work Package	105.224.869	--
Altay YEE Phase 2 Mass Production Project	87.554.537	--
MİLGEM 6, 7, 8 Helicopter Capture and Transfer System	81.955.316	--
ELRS Actuators Mass Production Project	29.952.868	--
MİLGEM 9, 10, 11, 12 JP5 Fuel System Mass Production Project	23.040.668	--
MİLGEM 6, 7, 8 Helicopter Capture and Transfer System Rails	14.408.888	--
TC600 Lathe Machine Development and TC400 Lathe Machine Service Procurement Project	9.063.792	--
107-122mm Rocket Assembly Line Project	6.988.438	--
Primer Coating Equipment Project	6.564.896	--
DIMDEG Ship HYTS Rail Production	5.929.584	--
Hisar Mast Mass Production Project	4.539.359	--
Leopard Side Axis Actuator (Aselsan) Mass Production Project	3.038.742	--
Altay Side Axis Actuator (Aselsan) Mass Production Project	3.038.742	--
Drone Catching Drone Demo Agreement	2.491.619	--
Fuel Processing Equipment Project	2.541.250	--
Altay Side Axis Actuator Mass Production Project	2.444.716	--
Antenna Elevation System Project	1.490.924	--
Tank/Armored Vehicle Integrated Drone Demo Agreement	1.362.457	--
Flight Control Actuation System	1.025.010	--
Ammunition Propulsion Mechanism Mass Production Project	743.026	--
Hisar Mast Mass Production Project – Equipment	527.832	--
Set Mast Telescopic e/m 2.5x0.7m RS422	490.478	--
Submarine Navigation Radar Antenna Steering Unit	420.293	--
Ammunition Transfer Arm System Mass Production Project	311.616	--
Leopard Actuator Mass Production	169.417	--
20" Satcom Antenna Steering Unit Production	--	3.145.562
Gezkiy (Real-Time Infrared Track Management System)	--	3.692.617
Dasal Havacılık Teknoloji Anonim Şirketi	104.323.024	71.309.039
PUHU -1 75 Kg Cargo UAV Project	104.323.024	71.309.039
Taac Havacılık Teknoloji Sanayi ve Ticaret Anonim Şirketi	32.986.865	--
TT920.09 Hürkuş-2 Canopy Actuator Mass Production	17.154.523	--
TT920.11 Hürjet Canopy Actuator - Mass Production	11.571.778	--
TT920.10 (TFX) MMU Landing Gear P0	2.668.472	--
TT920.01 Hürjet Subcontract Cooperation	870.517	--
TT920.23 System Selector Valve Development Project	721.575	--
Total	532.629.226	78.147.218

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED 1 JANUARY – 31 DECEMBER 2024
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

8. PREPAID EXPENSES AND DEFERRED INCOME

a) Prepaid expenses in current assets

	31 December 2024	31 December 2023
Advances given for inventories (*)	241.742.112	63.710.253
Expenses for future periods (**)	38.010.659	3.687.850
Total	279.752.771	67.398.103

(*) The details of advances given for the Group's inventories as of 31 December 2024 and 2023 are as follows:

	31 December 2024	31 December 2023
Advances for production and R&D projects	201.891.295	53.207.715
General advances	39.850.817	10.502.538
Total	241.742.112	63.710.253

(*) The details of expenses for future months are as follows:

	31 December 2024	31 December 2023
Project expenses (*)	19.502.713	--
Software usage and licensing expenses (**)	16.313.084	1.776.282
Insurance and other expenses	2.194.862	1.911.568
Total	38.010.659	3.687.850

(*) It consists of the expenses for the year 2025 related to the TT 920.05 project, which is being continued by Taac Havacılık Teknoloji Sanayi ve Ticaret Anonim Şirketi included in the Group's consolidation.

(**) It consists of the portion of the software usage and licensing expenses incurred by the Group in 2024 that relates to the year 2025.

b) Prepaid expenses included in non-current assets

	31 December 2024	31 December 2023
Advances given for tangible fixed assets (*)	52.402.364	34.562.137
Expenses for future years	318.519	42.265
Total	52.720.883	34.604.402

(*) Altınay Savunma has an advanced allocation agreement with the Ankara Space and Aviation Specialized Organized Industrial Zone (OSB) for the purchase of land. It consists of the payments related to the mentioned advanced allocation agreement.

c) Current deferred income

	31 December 2024	31 December 2023
Advances received from orders (*)	834.432.117	417.837.935
Total	834.432.117	417.837.935

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED 1 JANUARY – 31 DECEMBER 2024
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

8. PREPAID EXPENSES AND DEFERRED INCOME (CONTINUED)

(*) The details of the advances received from orders by the Group are as follows:

	31 December 2024	31 December 2023
Advances received from other parties	328.731.962	250.915.148
Advances received from related parties (Note 27)	505.700.155	166.922.787
Total	834.432.117	417.837.935

9. ONGOING PROJECT COSTS

	31 December 2024	31 December 2023
TAAC-14/MMU Landing Gear Subsystem Development Phase-1 Stage-2 Project	184.213.497	--
TAAC-06/MMU-Iron Bird Test System R&D Project	161.299.950	31.037.372
TAAC-15/MMU Flight Control Actuators Development Phase-1 Stage-2 Project	39.194.679	--
TAAC-12/Hürjet Block-0 Landing Gear Development Project	35.975.368	--
TT920.10 TF-X Landing Gear P0 Project*	35.967.314	--
TAAC-08/Hürjet Lefas and AGB - TT Development	30.667.615	--
TAAC-13/MU 11A1 Drone Landing Gear Systems Development Project	23.546.634	--
TAAC-07/MMU Weapon Bay Actuator	22.804.131	18.636.796
TAAC-10 MMU Canopy Actuator R&D Project	20.175.624	--
TAAC-11 Hürkuş Speed Brake Actuator	17.604.759	--
TAAC-16/Hürkuş-2 Landing Gear System Development Project	17.342.925	--
TAAC-09 Hürjet Block-1 Program Air Brake Actuator & Air Brake Control Valve Development Project	10.263.337	40.875
TAAC-17 Hürjet Landing Gear Control Panel Localization Project	2.786.937	--
TAAC-04/MMU Landing Gear Subsystem Development R&D Project	--	107.437.566
TAAC-02/Hürjet Canopy Actuator System R&D Project	--	41.156.504
TAAC-03/MMU Flight Control Actuators Development	--	40.069.374
TT920.09 Hürkuş-2 Canopy Actuator Serial Production	--	1.328.867
Total	601.842.770	239.707.354

TAAC-14: The purpose of developing the MMU Landing Gear Subsystem is to provide a system that supports the aircraft's weight, dampens the forces generated during landing impact, slows down, stops, and steers the aircraft on the ground, and allows the landing gear to be extended and retracted during flight. At the end of Phase-1 Stage-1, the goal is to achieve PDR phase maturity of the MMU Landing Gear Development Project. After the successful completion of Phase-1 Stage-1, the project will continue with Phase-1 Stage-2.

TAAC-06: This is the MMU Iron Bird Test System project. The R&D and project processes are ongoing. The project, which was initially planned for completion in 2024, will continue in 2025 due to the extension of R&D processes.

TAAC-15: The purpose of developing the MMU Flight Control Actuators Subsystem is to maximize the aircraft's performance capacity by making it unstable both longitudinally and laterally in certain parts of the flight envelope. The high fuel capacity and different cargo locations provide the aircraft with a wide range of aircraft stabilization and inertia characterization.

TAAC-12: In addition to the design activities of the HÜRJET aircraft, the landing gear will also be localized. This will increase the sustainability of the aircraft and reduce dependence on foreign sources. Furthermore, with local design and production, the landing gear will perform better and improve the operational efficiency of the aircraft. This project aims to strengthen the defense industry's independence and production capacity through the localization of landing gear, an important subsystem of the HÜRJET aircraft.

9. ONGOING PROJECT COSTS (CONTINUED)

TT920.10 TF-X MMU: Landing gear is being developed and produced for the TF-X aircraft.

TAAC-08: This project involves an actuator system powered by electric-controlled hydraulic power to increase the flight control capabilities of the HÜRJET aircraft. The Secondary Flight Control Actuators surfaces of HÜRJET will actively be used in flight programming as a function of speed and angle of attack to achieve aerodynamic optimization throughout the flight envelope.

TAAC-13: The main objective of the project is to produce reliable, durable, and customized landing gear for the customer's drones. This process includes a wide range of activities from design phase to qualification, testing, and final production. In the design phase, the landing gear for the drones will be carefully planned and engineered to meet the customer's specific requirements.

TAAC-07: The National Combat Aircraft (MMU) Internal Weapon Bay Actuators subsystem includes actuators that enable the opening and closing of the left and right internal weapon bay doors and a main internal weapon bay door.

TAAC-10: The goal of the National Combat Aircraft Canopy Actuation System is to operate the canopy mechanism so that the pilots can enter and exit the aircraft. The second function of the canopy actuation system is to lock the degrees of freedom of the canopy in all directions and carry the opening and closing loads when the canopy is subjected to wind loads. The Canopy Actuation System Actuator is a linear electromechanical actuator powered by electricity, and its purpose is to assist the pilots in entering and exiting the cockpit.

TAAC-11: The Next Generation Basic Trainer Aircraft Air Brake Actuator and Air Brake Control Valve subsystem is a hydraulic system that opens and closes surfaces to increase the drag area during active operational activities in the air, slowing the aircraft down by creating drag. This system is also used to slow down the aircraft during landing by generating the necessary drag.

TAAC-16: The purpose of developing the HÜRKUŞ-2 Landing Gear Subsystem is to provide a system that supports the aircraft's weight, dampens the forces generated during landing impact, slows down, stops, and steers the aircraft on the ground, and allows the landing gear to be extended and retracted during flight.

TAAC-09: Hürjet Speed Brake Actuator and Control Valve Project: The Hürjet Speed Brake Actuator and Control Valve project is a localization project. The primary purpose of the Air Brake Actuator system is to provide the necessary aerodynamic braking and speed control required to perform all maneuvers.

TAAC-17: The project consists of four main stages: design, testing, qualification, and production. First, the design to be used for the control panel will be determined and detailed. In this stage, information and experience obtained from foreign suppliers will be utilized, while local design features and engineering requirements will also be taken into account.

10. FINANCIAL INVESTMENTS

Current financial investment

	31 December 2024	31 December 2023
Investment fund	175.836.827	--
Total	175.836.827	--

Non current financial investment

	31 December 2024	31 December 2023
Tars venture capital investment fund	3.306.697	3.186.003
Second participation venture capital fund	1.617.100	1.846.872
Total	4.923.797	5.032.875

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED 1 JANUARY – 31 DECEMBER 2024
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

10. FINANCIAL INVESTMENTS (CONTINUED)

The statement of movements of the Group's financial investments is as follows:

	1 Jan.- 31 December 2024	1 Jan.- 31 December 2023
January 1	5.032.875	951.588
<i>Increase in the fair value of securities (Note 22)</i>	--	1.501.157
<i>Decrease in the fair value of securities (Note 22)</i>	(32.474)	--
<i>Monetary gain/(loss)</i>	(76.604)	2.580.130
Total	4.923.797	5.032.875

Regulations imposing obligations regarding fund allocation and the conversion of allocated funds into investments have been introduced under Law No. 5746 on the “Support of Research, Development and Design Activities” and Law No. 4691 on “Technology Development Zones.”

The obligation to allocate funds and convert the allocated funds into investments applies to corporate tax taxpayers who benefit from R&D deductions of TRY 1.000.000 or more in their annual tax returns, as well as income and corporate tax taxpayers whose exempted Technopark earnings amount to TRY 1.000.000 or more in the annual return.

To be applied to the 2024 earnings; if the R&D deduction or Technopark exemption claimed in the annual tax return filed for 2023 amounts to TRY 2.000.000 or more, a fund must be allocated at a rate of 3% of the deducted or exempted amount. However, the amount of the allocated fund is limited to TRY 100.000.000 on an annual basis.

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED 1 JANUARY – 31 DECEMBER 2024
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

11. PROPERTY, PLANT AND EQUIPMENT

As of 31 December 2024 and 31 December 2023 the movements details of the tangible fixed assets are as follows;

	31.12.2022	Additions	Dispoals	31.12.2023	Additions	Transfers	31.12.2024
Cost							
Land (*)	161.446.544	--	--	161.446.544	--	(161.446.544)	--
Buildings	--	--	--	--	32.821.046	569.061.933	601.882.979
Machinery and equipment	29.658.597	61.456.443	--	91.115.040	140.896.653	11.046.384	243.058.077
Motor vehicles	5.225.486	14.115.433	--	19.340.919	39.189.940	--	58.530.859
Fixtures and fittings	49.854.717	20.643.799	(287.880)	70.210.636	31.246.798	227.697	101.685.131
Special costs	16.546.696	517.465	--	17.064.161	691.920	--	17.756.081
Ongoing investments	320.597	303.543.910	--	303.864.507	115.024.963	(418.889.470)	--
	263.052.637	400.277.050	(287.880)	663.041.807	359.871.320	--	1.022.913.127
Accumulated depreciation (-)							
Buildings	--	--	--	--	7.015.655	--	7.015.655
Machinery and equipment	18.760.102	5.848.640	--	24.608.742	48.935.259	--	73.544.001
Motor vehicles	4.608.845	878.825	--	5.487.670	5.442.901	--	10.930.571
Fixtures and fittings	19.267.155	11.425.987	(287.880)	30.405.262	17.034.954	--	47.440.216
Special costs	6.867.759	2.713.201	--	9.580.960	2.739.568	--	12.320.528
	49.503.861	20.866.653	(287.880)	70.082.634	81.168.337	--	151.250.971
Net book value	213.548.776			592.959.173			871.662.156

(*) Altınay Savunma acquired a plot of land in Demirciler Neighborhood, Dilovası, Kocaeli on 14 June 2022. The building construction was completed in 2024, after which the Group moved from the facility in Şekerpınar, where its production activities were carried out and it was a tenant, to the newly constructed building on the acquired land. The facility in Şekerpınar continues its operations as a testing and application center.

As at 31 December 2024, the Group’s tangible fixed assets are insured for approximately TRY 893.225.353 (31 December 2023: TRY 180.582.740).

The guarantees and commitments given by the Group in relation to its tangible fixed assets are disclosed in Note 15.

The Group’s assets under financial lease are classified within tangible fixed assets.

**ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS
SUBSIDIARIES**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED 1 JANUARY – 31 DECEMBER 2024
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As of the reporting periods the distribution details of depreciation expenses are as follows;

	31 December 2024	31 December 2023
Intangible assets (Note 12)	62.561.477	62.361.616
Property, plant and equipment	81.168.337	20.866.653
Right of use assets (Note 13)	1.996.313	3.857.079
Total	145.726.127	87.085.348

As of the reporting periods the distribution details of depreciation and amortization of property, plant and equipment and intangible assets and right-of-use assets is as follows;

	1 Jan.- 31 December 2024	1 Jan.- 31 December 2023
Research expenses (Note 20)	92.575.699	61.832.407
Cost of services sold (Note 19)	48.482.357	22.560.202
General administrative expenses (Note 20)	4.668.071	2.692.739
Total	145.726.127	87.085.348

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED 1 JANUARY – 31 DECEMBER 2024
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

12. INTANGIBLE ASSESTS

The movements of intangible assets as of the reporting periods are as follows:

	31.12.2022	Additions	Dispoals	31.12.2023	Additions	31.12.2024
Cost						
Rights (*)	20.871.937	947.760	--	21.819.697	2.695.008	24.514.705
Development expenses	1.440.523.237	324.169.712	(938.823)	1.763.754.126	445.224.430	2.208.978.556
Other intangible assets	23.426.447	6.838.877	--	30.265.324	1.155.914	31.421.238
	1.484.821.621	331.956.349	(938.823)	1.815.839.147	449.075.352	2.264.914.499
Accumulated Amortization (-)						
Rights	3.652.960	7.019.357	--	10.672.317	7.745.319	18.417.636
Development expenses	172.794.269	50.295.903	--	223.090.172	50.578.815	273.668.987
Other intangible assets	17.177.680	5.046.356	--	22.224.036	4.237.343	26.461.379
	193.624.909	62.361.616	--	255.986.525	62.561.477	318.548.002
Net Book Value	1.291.196.712			1.559.852.622		1.946.366.497

(*) The Group's rights consist of computer software programs.

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED 1 JANUARY – 31 DECEMBER 2024
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

12. INTANGIBLE ASSESTS (CONTINUED)

The details of the Group’s capitalized development costs by company and project are as follows:

	31 December 2024	31 December 2023
Altınay Savunma Teknolojileri Anonim Şirketi	1.744.257.363	1.449.965.656
ALTNY01 - Design and Development of Multi-Rotor Aerial Robot Project	32.824.506	32.824.504
ALTNY02 - Development of Multi-Purpose Service Robot Project	7.573.609	7.573.609
ALTNY03 - Development of Electric Vehicle Components Project	35.916.165	35.916.166
ALTNY04 - Production and Characterization of High-Quality Membrane Electrode Assemblies for Polymer Electrolyte Membrane Fuel Cells Project	10.164.533	10.164.533
ALTNY05 - Development of a 6-Axis Motion Platform Project	8.425.969	8.425.970
ALTNY06 - Development of Ex-Proof Desktop Press Project	3.650.422	3.650.422
ALTNY07 - Development of Mold Cleaning Robot Project	6.875.543	6.875.542
ALTNY08 - Development of Ammunition and Explosive Cutting-Disassembly Systems Project	5.838.805	5.838.805
ALTNY09 - Development of Actuator System Technologies Project	7.680.718	7.680.718
ALTNY10 - Development of Multi-Axis Motion Platform Project	25.883.783	25.883.783
ALTNY11 - Development of Electromechanical Actuator Systems Project	60.867.509	60.867.509
ALTNY12 - Development of Mast Systems Project	46.967.422	46.967.422
ALTNY13 - Development of Ammunition Ejection Systems Project	91.857.204	91.857.203
ALTNY14 - Development of Multi-Bomb Dispenser Project	138.355.750	138.355.750
ALTNY15 - Development of Servo Motor Drivers Project	32.419.080	32.419.079
ALTNY16 - Development of High Payload Capacity Unmanned Aerial Vehicle Project	38.040.483	38.040.483
ALTNY17 - Development of Pyrotechnic-Assisted Carbothermic Synthesis for Metal and Metal Carbide Production Project	17.367.126	17.367.126
ALTNY18 - Development of a 1-Axis Antenna Steering System with 50 kg Payload Capacity for Submarine Systems Project	37.444.780	37.444.780
ALTNY19 - Development of a 2-Axis Stabilized Line of Sight with 200 kg Payload Capacity for Marine Platforms Project	92.627.195	92.627.196
ALTNY20 - Development of a Discardable Ground Vehicle Project	36.312.384	36.312.384
ALTNY21 - Gökbey Helicopter Main Landing Gear Actuators for General Purpose Helicopter Project	136.573.940	103.379.796
ALTNY22 - Development of Hürjet Iron Bird Test System Project	385.625.539	354.953.086
ALTNY23 - Development of Automatic Fuel Dispensing System Project	34.374.372	34.374.372
ALTNY24 - Development of Tipping Test Equipment Project	37.504.253	37.504.253
ALTNY25 - Development of 3-Axis Gimbal Project	66.838.208	66.838.207
ALTNY26 - Development of 2-Axis Stabilized Weapon Gimbal Project	71.176.482	71.176.482
ALTNY27 - Development of Hisar 6-Meter Lockless Mast System Project	31.568.404	31.568.404
ALTNY28 - Development of High-Reliability Motor Controller for Aerial Vehicles Phase I Project	26.852.567	553.375
ALTNY29 - Helicopter Capture and Transfer System	116.570.547	12.524.697
ALTNY30 - Development of Robotic Sludge Cleaning System Project	21.856.773	--
ALTNY31 - Development of Next-Generation Broadband Satellite Communication System Project	25.539.070	--
ALTNY32 - Development of Helicopter SOTM Antenna Pedestal Project	24.986.950	--
ALTNY33 - Development of JP5 Fuel Transfer and Service System Project	22.711.911	--
ALTNY34 - Development of ERU System Project	4.956.943	--
ALTNY35 - Development of KU-LOS Airborne Antenna Pedestal Project	28.418	--
Dasal Havacılık Teknoloji Anonim Şirketi	453.729.124	310.162.231
DASAL01 - Modular Unmanned Aerial Vehicle with 100 KG Payload Capacity	54.411.544	54.411.542
DASAL02 - Development of High Payload Capacity and Long-Range Multi-Rotor Rotary-Wing Hybrid Unmanned Aerial Vehicle Project	175.363.328	137.172.086
DASAL03 - Swallow HQ Mini-Class Unmanned Aerial Vehicle Project	52.833.788	52.833.789
DASAL04 - Development of Vertical Takeoff and Landing Fixed-Wing Unmanned Aerial Vehicle Project	109.959.337	61.167.909
DASAL05 - Development of 500 Gram Munition-Packed Micro Unmanned Aerial Vehicle (UAV) System	15.242.854	1.373.517
DASAL06 - Development of Medium-Class Rotary-Wing Unmanned Aerial Vehicle with Hybrid Power Pack Project	30.756.938	3.203.388
DASAL07 - Development of 1000 Gram Munition-Packed and Unique Micro Unmanned Aerial Vehicle System	10.548.881	--
DASAL08 - Payload Release System for Unmanned Aerial Vehicle	4.612.454	--
Taac Havacılık Teknoloji Sanayi ve Ticaret Anonim Şirketi	10.992.069	3.626.239
TAAC01 - Development of Spoiler Actuator Project	3.386.765	3.386.765
TT920.12 Hürjet Block Landing Gear	162	--
TT070.07	4.534.025	--
TT070.08 MU 11A1 - LGS - SCM-BCM	2.752.040	--
TT070.03 - Valve Assemblies Development Activities	313.992	206.042
TT070.05 Direct Drive Valf	5.085	33.432
Total	2.208.978.556	1.763.754.126

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED 1 JANUARY – 31 DECEMBER 2024
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

13. RIGHT OF USE ASSETS AND LIABILITIES FROM OPERATIONAL LEASING TRANSACTIONS

The movements of right-of-use assets as of the reporting periods are as follows;

	31.12.2022	Additions	31.12.2023	Additions	Dispoals	31.12.2024
Cost						
Building (*)	6.107.361	--	6.107.361	--	(5.538.662)	568.699
Motor vehicles (**)	2.262.059	4.418.436	6.680.495	--	--	6.680.495
	8.369.420	4.418.436	12.787.856	--	(5.538.662)	7.249.194
Accumulated Amortization (-)						
Building	2.876.476	1.846.220	4.722.696	--	(4.153.997)	568.699
Motor vehicles	1.868.727	2.010.859	3.879.586	1.996.313	--	5.875.899
	4.745.203	3.857.079	8.602.282	1.996.313	(4.153.997)	6.444.598
Net book value	3.624.217		4.185.574			804.596

(*) The Group rented the factory and factory garden located at Şekerpınar Mahallesi Defne Sokak No:22/A Çayırova/Kocaeli from Metal Çatı İnşaat San. ve Tic. AŞ in 2021. The contract was completed on 01.09.2024. Negotiations on the new contract are still ongoing.

(**) The Group's vehicle lease agreements are for 1-2 years.

The maturity distinction for operational lease payables is as follows;

	31 December 2024	31 December 2023
Current lease obligations	666.642	1.882.796
Non-current lease liabilities	925.453	1.465.683
	1.592.095	3.348.479

The maturity details of the Group's operating lease liabilities are as follows:

	31 December 2024	31 December 2023
Within 1 year	666.642	1.882.796
1 - 2 years	925.453	1.280.052
2 - 3 years	--	185.631
	1.592.095	3.348.479

14. GOVERTMENT GRANTS

In general terms, incentive refers to various supports or premiums provided by the government to the investor for investment purposes.

As of 31 December 2024 the Group holds an investment incentive certificate dated 27 July 2022, and numbered 539118, due to its manufacturing activities in the field of aerospace vehicles. The total investment amount stated in the incentive certificate is TRY 438.978.759 and it is valid until 17 January 2027. Within the scope of this investment incentive certificate;

- VAT exemption
- Interest support.
- Customs duty exemption
- Employer's share of social security premiums
- Tax reduction rate of 70%, with an Investment Contribution Rate (YKO) of 30%.

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED 1 JANUARY – 31 DECEMBER 2024
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Collaterals, pledges and mortgages “CPM” given by the Group are as follows:

	31 December 2024	31 December 2023
A. CPM’s given in the name of own legal personality	3.197.510.537	754.313.819
B. CPM’s given on behalf of the fully consolidated companies	470.667.200	17.686.400
C. CPM’s given on behalf of third parties for ordinary course of business	--	--
D. Total amount of other CPM’s given	4.093.705.891	4.295.494.958
i. Total amount of CPM’s given on behalf of the majority shareholder	--	--
ii. Total amount of CPM’s given on behalf of the group companies which are not in scope of B and C	4.093.705.891	4.295.494.958
iii. Total amount of CPM’s given on behalf of third parties which are not in scope of C	--	--
Total	7.761.883.628	5.067.495.177

- (*) The guarantee amount provided by Altınay Savunma under the Dasal Havacılık General Credit Agreements consists of TRY 250.250.000 and EUR 6.000.000. (As of 31 December 2023: The guarantee letter provided by Altınay Savunma to the Pendik Tax Office on behalf of Taac Aviation in the amount of TRY 12.000.000 and the guarantee amount of TRY 250.000 provided under the Dasal Aviation General Credit Agreements.) The guarantee letter and the guarantee amount of TRY 250.000 (at historical value) provided under the Dasal Aviation General Credit Agreements.

The details of the GPM provided by the Group on behalf of its own legal entity and the fully consolidated affiliate are as follows;

	TRY	USD	EUR	31.12.2024 TRY Equivalent
Letters of guarantee	41.141.273	789.958	12.567.843	530.706.037
Mortgages (*)	287.600.000	--	--	287.600.000
Guarantee	1.850.000.000	15.000.000	--	2.379.204.500
	2.178.741.273	15.789.958	12.567.843	3.197.510.537

	TRY	USD	EUR	31.12.2023 Indexed TRY Equivalent
Letters of guarantee	27.940.005	240.700	8.532.637	325.366.475
Mortgages (*)	287.600.000	--	--	415.233.347
Pledge	9.498.624	--	--	13.713.997
	325.038.629	240.700	8.532.637	754.313.819

- (*) On the land located in Demirciler District, Dilovası, Kocaeli, which was acquired by Altınay Savunma on 14 June 2022, there are first and second degree mortgages in favor of Türkiye Vakıflar Bankası.

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED 1 JANUARY – 31 DECEMBER 2024
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (CONTINUED)

The details of the guarantee amounts provided by Altınay Savunma under the Group’s general loan agreements are as follows:

	31.12.2024			
	TRY	USD	EUR	TRY Equivalent
Altınay Robot Teknolojileri Sanayi ve Tic. A.Ş.	1.219.600.000	10.321.000	55.575.000	3.625.342.291
Altınay Elektromobilité ve Enerji Tekn. A.Ş.	45.000.000	12.000.000	--	468.363.600
Dasal Havacılık Teknolojileri A.Ş.	250.250.000	--	6.000.000	470.667.200
	1.514.850.000	22.321.000	61.575.000	4.564.373.091

	31.12.2023			
	TRY	USD	EUR	TRY Equivalent Indexed
Altınay Robot Teknolojileri Sanayi ve Tic. A.Ş.	1.219.600.000	10.321.000	55.575.000	418.228.847
Altınay Elektromobilité ve Enerji Tekn. A.Ş.	45.000.000	12.000.000	--	3.874.969.651
Dasal Havacılık Teknolojileri A.Ş.	250.000	--	--	360.947
Altınay Robot Teknolojileri San. ve Tic. A.Ş.	--	--	70.500	2.296.460
Dasal Havacılık Teknolojileri A.Ş.	12.000.000	--	--	17.325.453
	1.276.850.000	22.321.000	55.645.500	4.313.181.358

The guarantee letters obtained by the Group within the scope of building construction works on the land located in Dilovası are as follows:

	31.12.2024			
	TRY	USD	EUR	TRY Equivalent
Letters of guarantee	3.200.000	--	123.018	7.719.214
	3.200.000	--	123.018	7.719.214

	31.12.2023			
	TRY	USD	EUR	TRY Equivalent Indexed
Letters of guarantee	13.176.105	7.500	567.018	36.591.875
	13.176.105	7.500	567.018	36.591.875

The Group's current provisions are as follows:

	31 December 2024	31 December 2023
Provision for litigations	8.600	12.128
	8.600	12.128

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED 1 JANUARY – 31 DECEMBER 2024
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (CONTINUED)

As of the reporting periods the details of the provisions for litigations are as follows;

	1 Jan.- 31 December 2024	1 Jan.- 31 December 2023
Opening balance, 01 January	12.128	--
<i>Provisions during the period (Note 21)</i>	200	8.400
<i>Monetary loss/(gain)</i>	(3.728)	3.728
Closing balance, 31 December	8.600	12.128

16. EMPLOYEE BENEFITS

a) Current liabilities for employee benefits

	31 December 2024	31 December 2023
Social security premiums payable	23.324.776	11.757.057
Due to personnel	1.884.918	1.252.155
Total	25.209.694	13.009.212

b) Provisions for employee benefits

	31 December 2024	31 December 2023
Current provisions	43.100.202	26.586.115
Non current provisions	26.639.147	20.712.713
Total	69.739.349	47.298.828

b.1) Current provisions

	31 December 2024	31 December 2023
Provision for unused vacations	43.100.202	26.586.115
Total	43.100.202	26.586.115

As of the reporting periods the details of the provisions for unused vacations are as follows;

	1 Jan.- 31 December 2024	1 Jan.- 31 December 2023
Opening balance, 01 January	26.586.115	17.123.368
<i>Provisions during the period (Note 20)</i>	24.686.058	16.194.014
<i>Monetary loss/(gain)</i>	(8.171.971)	(6.731.267)
	43.100.202	26.586.115

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED 1 JANUARY – 31 DECEMBER 2024
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

16. EMPLOYEE BENEFITS (CONTINUED)

b) Provisions for employee benefits (Continued)

b.2) Non-Current provisions

	31 December 2024	31 December 2023
Provision for employee termination benefits	26.639.147	20.712.713
Total	26.639.147	20.712.713

Provision for employee termination benefits

According to Turkish Labor Law, the Group is required to pay severance pay to each employee who has completed at least one year of service and retires after 25 years of employment, has their employment relationship terminated, is called for military service, or passes away.

As of 31 December 2024 the severance pay ceiling to be paid is subject to the monthly ceiling of TRY 46.655,43 (31 December 2023: TRY 35.058,58) for each year of service. As of 1 January 2025, the severance pay ceiling to be applied has been increased to TRY 46.655,43 per month.

The severance pay obligation is not subject to any legal funding.

The severance pay obligation is calculated by estimating the present value of the Group’s future probable obligations arising from employees’ retirement. IAS 19 ("Employee Benefits") requires the use of actuarial valuation methods to determine the Group’s obligations within the framework of defined benefit plans.

As of the reporting periods the details of the provisions for employment termination benefits are as follows;

	1 Jan.- 31 December 2024	1 Jan.- 31 December 2023
Beginning of the period. 1 January	20.712.713	15.311.308
<i>Service cost (Note 20)</i>	<i>11.808.192</i>	<i>10.078.159</i>
<i>Interest expense (Note 21)</i>	<i>3.593.696</i>	<i>1.992.284</i>
<i>Actuarial loss/(gain) (deferred tax)</i>	<i>439.581</i>	<i>(296.592)</i>
<i>Actuarial gain / (loss)</i>	<i>(2.197.906)</i>	<i>1.482.959</i>
<i>Payments during the period (-)</i>	<i>(1.350.512)</i>	<i>(1.836.471)</i>
<i>Monetary loss/(gain)</i>	<i>(6.366.617)</i>	<i>(6.018.934)</i>
Total	26.639.147	20.712.713

17. OTHER ASSETS AND LIABILITIES

a) Other current assets

	31 December 2024	31 December 2023
VAT receivables	63.704.111	59.132.063
VAT carried out	122.177.375	43.556.843
Employee advances	11.402.985	3.298.304
Business advances given	4.259.949	3.695.653
Revenue Accruals (*)	19.649.991	50.324.786
Total	221.194.411	160.007.649

(*) It originates from the balance carried over to 2025 due to the timing of the delivery made by the Group under project number 920.28. (2023; It consists of the invoices to be issued by Taac Havacılık to TUSAŞ–Turkish Aerospace Industries Inc. under the TT920.07 project.)

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED 1 JANUARY – 31 DECEMBER 2024
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

17. OTHER ASSETS AND LIABILITIES (CONTINUED)

b) Other non-current assets

The Group has no other non-current assets.

c) Other current liabilities

	31 December 2024	31 December 2023
Revenue for future months (*)	99.432.826	--
Taxes and funds payable	26.004.353	32.710.083
Accrued expenses	327.058	337.316
Other current liabilities	23.625	--
Total	125.787.862	33.047.399

(*) The sales contract made by the Group's consolidated subsidiary, Taac Havacılık Teknoloji Sanayi ve Ticaret Anonim Şirketi, with Abu Dhabi Autonomous Systems Investments LLC, under the TT 902.01 drone landing gear systems project, which is still under development, consists of revenue for 2025.

d) Non current liabilities

The Group has no non current liabilities.

18. EQUITY

a) Capital

The company's capital structure as of the reporting period is as follows:

	31 December 2024	Share Percentage (%)	31 December 2023	Share Percentage (%)
Hakan Altınay	148.235.294	63%	160.000.000	80%
Letven Capital Girişim Serm. Port.				
Yön. A.Ş.	28.235.294	12%	40.000.000	20%
Publicly traded on Borsa İstanbul	58.823.530	25%	--	--
	235.294.118	100	200.000.000	100
Adjustment to share capital	665.282.491		659.053.800	
	900.576.609		859.053.800	

As of 31 December 2024 the Company's capital is divided into 54.000.000 Class A shares, 100 Class B shares, and 181.294.018 Class C shares, each with a nominal value of 1 Turkish Lira ("TRY"). (As of 31 December 2023, the Company's share capital is divided into 200.000.000 shares, each with a nominal value of 1 Turkish Lira ("TRY").)

Capital inflation adjustment differences represent the difference between the total amounts of cash and cash-equivalent additions made to the paid-in capital, adjusted for inflation, and the amounts before inflation adjustment.

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED 1 JANUARY – 31 DECEMBER 2024
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

18. EQUITY (Continued)

b) Other equity items

As of the reporting periods the details of the restricted reserves are as follows;

	31 December 2024	31 December 2023
Legal reserves	178.796.485	178.796.485
Special funds	47.378.216	43.840.022
Total	226.174.701	222.636.507

Legal reserves are set aside as first-order legal reserves until 5% of the "profit" reaches 20% of the paid/issued capital, pursuant to the first paragraph of Article 519 of the New TCC No. 6102. After deducting the amount set aside as the first-order reserve fund from the "profit", the first dividend is set aside for the shareholders from the remaining amount. The General Assembly is authorized to decide whether to allocate or distribute the remaining balance after the first legal reserve fund and the first dividend, taking into account the profit distribution policy of the Company. II. the legal reserve fund, pursuant to the 3rd subparagraph of the 2nd paragraph of the 519th article of the New TCC; One tenth of the amount found after deducting 5% of the issued/paid-up capital from the portion that has been decided to be distributed is set aside. In case it is decided to distribute bonus shares by adding the profit to the capital, II. legal reserves are not set aside.

Equity inflation adjustment differences and the registered values of extraordinary reserves may be used for non-cash capital increases, cash dividend distributions, or offsetting losses. However, if the equity inflation adjustment differences are used for cash dividend distribution, they will be subject to corporate tax.

As of the reporting periods the details of the other comprehensive income not to be reclassified to profit or loss are as follows;

	31 December 2024	31 December 2023
Actuarial gain / (loss) funds	(7.657.190)	(7.389.525)
Total	(7.657.190)	(7.389.525)

As of the reporting periods the details of the retained earnings are as follows;

	31 December 2024	31 December 2023
Retained earnings gain/ (loss)	729.262.433	263.223.654
Total	729.262.433	263.223.654

	31 December 2024	31 December 2023
Share issuance premiums (*)	1.251.080.256	20.630.021
	1.251.080.256	20.630.021

- (*) The difference arises from the discrepancy between the nominal share value and the purchase price corresponding to the shares held by Letven Capital Venture Capital Portfolio Management Inc. – Milres Venture Capital Investment Fund, in line with the shareholders' agreement signed at the end of 2021. In 2023, a portion of the share premiums amounting to TRY 144.444.400 (expressed at historical value) was added to the capital. The resulting amount was formed by adding the share premium income obtained from the public offering in May to the balance carried forward from 2023. The additional amount corresponds to the remaining balance after deducting public offering expenses from the share premium generated through a capital increase in May, in which shares with a nominal value of TRY 1 were offered to the public at a price of TRY 32.

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED 1 JANUARY – 31 DECEMBER 2024
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

18. EQUITY (Continued)

c) Non-controlling interests

The amounts corresponding to the shares of the parent company and subsidiaries in all equity account group items, including paid-in share capital, of the consolidated subsidiaries are eliminated. In the consolidated balance sheet, these are presented under the account group titled non-controlling interests within the equity section.

The portion of the net profit or loss of consolidated subsidiaries attributable to shares other than those subject to full consolidation is presented as non-controlling interest under the distribution of profit/(loss) for the period, following the profit/(loss) for the period item.

The statement of changes in non-controlling interests as of 31 December 2024 and 31 December 2023 is as follows:

31.12.2022, Non-controlling interests	101.264.247
Change in general reserves of associates	196.805.114
Profit/(loss) for the period – non-controlling interests	97.939.655
31.12.2023, Non-controlling interests	396.009.016
Change in general reserves of associates	(201.237.441)
Non-controlling interest in profit/(loss) for the period	184.582.921
31.03.2024, Non-controlling interests	379.354.496

19. REVENUE AND COST OF SALES

	1 Jan.- 31 December 2024	1 Jan.- 31 December 2023
Domestic sales	1.681.462.273	1.720.308.680
Foreign Sales	101.889.829	4.129.321
Other Income	273.841	2.160.794
Revenue, (net)	1.783.625.943	1.726.598.795
Sales returns	(16.822.466)	(15.985.040)
Sales revenue, (net)	1.766.803.477	1.710.613.755
Cost of goods sold	(357.326.995)	(419.965.577)
Cost of services sold	(12.291.504)	(10.616.191)
Cost of other sales	(493.626.569)	(607.800.959)
Cost of sales (-)	(863.245.068)	(1.038.382.727)
Gross profit	903.558.409	672.231.028

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED 1 JANUARY – 31 DECEMBER 2024
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

19. REVENUE AND COST OF SALES (CONTINUED)

As of the reporting periods the details of the cost of sales are as follows;

	1 Jan.- 31 December 2024	1 Jan.- 31 December 2023
Direct raw materials and supplies expenses	427.501.993	286.877.356
Direct labour cost	161.791.871	42.496.211
Other production costs	213.998.530	135.349.447
Depreciation and amortization expenses (Note 11)	48.482.357	22.560.202
Total production cost	851.774.751	487.283.216
Change in inventories of semi-finished and finished goods	(492.459.358)	(51.427.193)
I. Cost of goods sold	359.315.393	435.856.023
II. Cost of Services Rendered and Trading Goods Sold	503.929.675	602.526.704
Cost of sales (-)	863.245.068	1.038.382.727

20. EXPENSES BY NATURE

As of the reporting periods the details of the operating expenses are as follows;

	1 Jan.- 31 December 2024	1 Jan.- 31 December 2023
Research expenses (-)	(211.534.886)	(92.460.890)
General administrative expenses (-)	(108.350.710)	(51.009.307)
Marketing, selling and distribution expenses (-)	(20.437.974)	(3.342.205)
Total	(340.323.570)	(146.812.402)

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED 1 JANUARY – 31 DECEMBER 2024
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

20. EXPENSES BY NATURE (CONTINUED)

The details of the Group's research expenses by nature as of the reporting period are as follows:

	1 Jan.- 31 December 2024	1 Jan.- 31 December 2023
Depreciation and amortization expenses (Note 11)	(92.575.699)	(61.832.407)
Altınay Savunma research expenses (*)	(96.736.412)	(9.187.849)
<i>ALTNY33 - JP5 Fuel Transfer and Service System Development Project</i>	(26.373.834)	--
<i>ALTNY34 - ERU System Development Project</i>	(26.261.449)	--
<i>ALTNY28 - Phase I Development Project of High-Reliability Motor Driver for Aerial Vehicles</i>	(23.151.507)	(6.212.708)
<i>ALTNY30 - Robotic Slag Cleaning System Development Project</i>	(8.465.959)	
<i>ALTNY31 - Next-Generation Broadband Satellite Communication System Development Project</i>	(5.908.042)	--
<i>ALTNY32 - Helicopter SOTM Antenna Pedestal Development Project</i>	(5.694.555)	--
<i>ALTNY22 - Hürjet Iron Bird Test System Development Project</i>	(558.884)	(1.560.812)
<i>ALTNY35 - Ku-Los Airborne Antenna Pedestal Development Project</i>	(112.056)	--
<i>LTNY36 - Ku-Los Ground Antenna Pedestal Development Project</i>	(210.126)	--
<i>ALTNY29 - Helicopter Capture and Transfer System</i>	--	(1.414.329)
Dasal Havacılık research expenses	(22.222.775)	(21.440.634)
<i>DASAL06 - Development Project of a Hybrid-Powered Medium-Class Rotary-Wing Unmanned Aerial Vehicle</i>	(12.076.652)	(8.648.278)
<i>DASAL05 - Development of a 500-Gram Armed Micro Unmanned Aerial Vehicle (UAV) System</i>	(7.301.635)	(12.120.780)
<i>DASAL07 - Development of a 1000-Gram Armed and Unique Micro Unmanned Aerial Vehicle (UAV) System</i>	(1.889.326)	--
<i>DASAL08 - Payload Release System for Unmanned Aerial Vehicle (UAV)</i>	(583.129)	--
<i>DASAL02 - Development of a High Payload Capacity and Long-Range Multi-Rotor Hybrid Unmanned Aerial Vehicle</i>	(372.033)	(671.576)
	(211.534.886)	(92.460.890)

(*) It consists of the research expenses related to the projects activated by the Group over the periods.

As of the reporting periods the details of the marketing, selling and distribution expenses are as follows;

	1 Jan.- 31 December 2024	1 Jan.- 31 December 2023
Export, import, and customs expenses	(16.965.637)	(2.525.762)
Advertising, promotion, trade fair, and other expenses	(3.472.337)	(816.443)
Total	(20.437.974)	(3.342.205)

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED 1 JANUARY – 31 DECEMBER 2024
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

20. EXPENSES BY NATURE (CONTINUED)

As of the reporting periods the details of the general administrative expenses are as follows;

	1 Jan.- 31 December 2024	1 Jan.- 31 December 2023
Personnel expenses	(29.744.623)	(9.262.689)
Provision for unused vacation (Note 16)	(24.686.058)	(16.194.014)
Severance pay expense (Note 16)	(11.808.192)	(10.078.159)
Consultancy and advisory expenses	(11.009.377)	(5.246.433)
Rent expenses	(7.955.943)	(2.082.021)
Motor vehicle expenses	(6.077.840)	--
Depreciation and amortization expenses (Note 11)	(4.668.071)	(2.692.739)
Taxes, duties, and fees expenses	(2.770.209)	(1.806.031)
Maintenance and repair expenses	(1.911.301)	(380.050)
Accommodation-travel, parking expenses	(868.057)	(1.445.317)
Communication expenses	(572.216)	(28.896)
Insurance expenses	(61.899)	(36.905)
Other	(6.216.924)	(1.756.053)
Total	(108.350.710)	(51.009.307)

Fees for Services Provided by Independent Auditor/Independent Auditing Firm

The Group's explanation regarding the fees for services provided by independent auditing firms, based on the decision published in the Official Gazette on 30 March 2021, by the Public Oversight, Accounting and Auditing Standards Authority (KGK) and the principles outlined in the KGK letter dated 19 August 2021, is as follows:

	1 Jan.- 31 December 2024	1 Jan.- 31 December 2023
Independent audit fee for the reporting period	3.200.000	1.350.000
Total	3.200.000	1.350.000

21. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

a) Other income from operating activities

	1 Jan.- 31 December 2024	1 Jan.- 31 December 2023
Foreign exchange income	165.485.763	407.473.744
Incentive and support income	15.351.378	--
Reversal of expected credit loss allowance (Note 5)	5.809.265	--
Discount income	2.248.868	7.469.486
Prior period income	741.269	160.416
Scrap sales income	586.190	347.551
Other	5.444.237	5.296.783
Total	195.666.970	420.747.980

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED 1 JANUARY – 31 DECEMBER 2024
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

21. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES (CONTINUED)

b) Other expense from operating activities

	1 Jan.- 31 December 2024	1 Jan.- 31 December 2023
Foreign exchange income	(165.369.019)	(346.567.574)
Discount income	(27.076.920)	(8.424.370)
Interest expense on severance pay liability (Note 16)	(3.593.696)	(1.992.284)
Prior period expenses	(2.607.083)	(1.310.917)
Provision for litigation expense (Note 15)	(200)	(8.400)
Expected credit loss allowance (Note 5)	--	(7.576.530)
Additional earthquake tax	--	(20.807.441)
Other	(8.938.579)	(5.679.515)
Total	(207.585.497)	(392.367.031)

22. INCOME AND EXPENSES FROM INVESTING ACTIVITIES

a) Income from investing activities

	1 Jan.- 31 December 2024	1 Jan.- 31 December 2023
Capital gain on securities (*)	100.813.570	--
Increase in the fair value of securities (Note 10)	--	1.501.157
Total	100.813.570	1.501.157

(*) The Group's gain on sale of securities consists of mutual funds sold in 2024.

b) Expenses from investing activities

	1 Jan.- 31 December 2024	1 Jan.- 31 December 2023
Decrease in the fair value of securities (Note 10)	(32.474)	--
Total	(32.474)	--

23. FINANCIAL INCOME AND EXPENSES

a) Financial income

	1 Jan.- 31 December 2024	1 Jan.- 31 December 2023
Interest income	215.098.613	25.626.356
Foreign exchange income	15.619.690	18.815.314
Total	230.718.303	44.441.670

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED 1 JANUARY – 31 DECEMBER 2024
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

23. FINANCIAL INCOME AND EXPENSES (CONTINUED)

b) Financial expenses

	1 Jan.- 31 December 2024	1 Jan.- 31 December 2023
Interest expenses	(83.858.832)	(15.167.765)
Foreign exchange expenses	(50.071.142)	(141.413.852)
Letter of guarantee expenses	(3.028.326)	(1.301.529)
Bank commission expenses	(1.212.669)	(1.888.213)
Interest expenses on operating leases	(846.013)	(209.186)
Total	(139.016.982)	(159.980.545)

24. TAXES ON INCOME

The corporate tax rate is applied to the tax base to be found as a result of adding the expenses that are not accepted as a deduction in accordance with the tax laws to the commercial income of the corporations and deducting the exceptions and deductions in the tax laws. If the profit is not distributed, no other tax is paid, and all or part of the profit is dividends;

- To real people
- Natural and legal persons who are exempt or exempt from Income and Corporate Tax,
- Limited taxpayer real and legal persons,

In case of distribution, 15% Income Tax Withholding is calculated. The addition of the period profit to the capital is not considered as profit distribution and no withholding tax is applied.

Corporate income tax is declared and paid by the end of the fourth month following the end of the relevant fiscal year. The provisional taxes paid throughout the year pertain to that fiscal year and are offset against the corporate income tax calculated in the return to be submitted in the following year.

75% of the profits arising from the sale of participation shares, which are in the assets of the corporations for at least two full years, and 50% of the gains from the sale of the immovables that are in the assets for the same period of time, are exempt from tax, provided that they are added to the capital as stipulated in the Corporate Tax Law.

According to the Turkish tax legislation, financial losses shown on the declaration can be deducted from the corporate income for the period, provided that they do not exceed 5 years. However financial losses cannot be offsite from last year's profits. There is no practice in Turkey to reach an agreement with the tax authority regarding the taxes to be paid. Corporate tax returns are submitted to the relevant tax office until the evening of the last day of the fourth month following the month in which the accounting period is closed. However, the tax inspection authorities can examine the accounting records within five years, and if an incorrect transaction is detected, the tax amounts to be paid may change.

The corporate tax is applied to the tax base, which is determined by adding expenses that are not deductible according to tax legislation to the commercial income, and deducting exemptions specified in the tax legislation from the commercial income. As of December 31, 2023, the general corporate tax rate is 25%. However, for the Group, the tax rate to be applied over the next five accounting periods starting from the public offering year, 2024, is 23%. Corporations are required to submit their corporate tax returns to the tax authorities by the end of the fourth month following the relevant accounting period.

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED 1 JANUARY – 31 DECEMBER 2024
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

24. TAXES ON INCOME (CONTINUED)

The tax expenses shown in the comprehensive income statements for the periods ending on 31 December 2024 and 2023 are as follows:

	1 Jan.- 31 December 2024	1 Jan.- 31 December 2023
Deferred tax income / (expense)	(243.923.009)	225.030.219
Current period corporate tax expense	(1.612.080)	(12.900.379)
Total	(245.535.089)	212.129.840

The tax provision in the balance sheet for the fiscal years ending on 31 December 2024 and 31 December 2023 is as follows;

	31 December 2024	31 December 2023
Prepaid taxes (-)	(12.706.042)	(12.225.294)
Provision for Corporate Tax for current period	1.612.080	12.900.379
Total	(11.093.962)	675.085

Group, deferred income tax assets and liabilities. It calculates by taking into account the effects of temporary differences that arise as a result of different evaluations between the legal financial statements of balance sheet items. These temporary differences generally arise from the recognition of income and expenses in different reporting periods in accordance with the communiqué and tax laws.

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED 1 JANUARY – 31 DECEMBER 2024
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

24. TAXES ON INCOME (CONTINUED)

The breakdown of accumulated temporary differences and deferred tax assets and liabilities as of the balance sheet dates, prepared using the applicable tax rates, is as follows:

	31.12.2024		31.12.2023	
	Cumulative	Deferred tax	Cumulative	Deferred tax
	temporary differences		temporary differences	
Deferred tax assets				
Adjustment of tangible and intangible fixed assets	97.084.520	24.271.130	632.522.787	158.130.697
Inventory temporary differences	44.015.528	11.003.882	15.994.292	3.998.573
Provision for unused vacation	43.100.202	10.775.051	26.586.115	6.646.529
Discounting of trade receivable	29.839.757	7.459.939	10.150.347	2.537.587
Provision for severance pay	26.639.147	6.659.787	20.712.713	5.178.178
Expensed assets	26.384.128	6.596.033	20.538.524	5.134.631
Right-of-use assets	4.903.806	1.225.952	4.214.221	1.053.555
Expected credit loss	2.458.363	614.591	11.000.239	2.750.060
Financial Investments	2.000.459	500.115	--	--
Foreign exchange difference	676.551	169.138	18.626	4.657
Provision for litigation	8.600	2.150	12.128	3.032
Other	9.940.016	2.485.006	11.580.413	2.895.104
Deferred tax assets		71.762.774		188.332.603
Deferred tax liabilities				
Adjustment of tangible and intangible assets	(848.810.756)	(212.202.689)	(478.973.050)	(119.743.263)
Deferred income	(256.312.850)	(64.078.213)	(133.575.947)	(33.393.987)
Financial investments	(30.282.382)	(7.570.596)	(1.501.155)	(375.289)
Discount of trade payables	(4.837.038)	(1.209.260)	(9.501.623)	(2.375.406)
Right-of-use assets	(4.379.020)	(1.094.755)	(7.302.427)	(1.825.607)
Foreign exchange difference	(1.154.524)	(288.631)	(72)	(18)
Inventory temporary differences	(134.332)	(33.583)	(19.238.815)	(4.809.704)
Other	(12.611.467)	(3.152.868)	(774.881)	(193.722)
Deferred tax liabilities		(289.630.595)		(162.716.996)
Deferred tax, net		(217.867.821)		25.615.607

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED 1 JANUARY – 31 DECEMBER 2024
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

24. TAXES ON INCOME (CONTINUED)

As of the reporting periods the movements of deferred tax assets / (liabilities) are as follows:

	31 December 2024	31 December 2023
Opening balance, 01 January	25.615.607	(199.118.020)
Effect of actuarial loss / gain on tax	439.581	(296.592)
Deferred tax asset / (liabilities) for the period	(243.923.009)	225.030.219
Total	(217.867.821)	25.615.607

25. EARNINGS PER SHARE

	1 Jan.- 31 December 2024	1 Jan.- 31 December 2023
Profit for the period	304.431.694	484.163.328
Weighted average number of shares with nominal value	222.275.796	118.477.955
Total	1,3696	4,0865

26. MONETARY POSITION GAINS/(LOSSES)

Financial Position Statement Items	31.12.2024
Inventories	(3.383.766)
Other current assets	4.704.252
Financial investments	115.423.822
Tangible fixed assets	306.331.396
Intangible assets	615.181.355
Right-of-use assets	(2.858.339)
Other assets	(22.370.058)
Other current liabilities	19.133.649
Share capital	(408.911.725)
Legal reserves	(67.155.765)
Other reserves	(14.769.911)
Share Premiums	(190.920.878)
Revaluation	(2.557.551)
Deferred tax liabilities	(30.338.102)
Income statement items	(57.329.698)
Retained earnings/(accumulated losses)	(269.427.706)
Total	(9.249.025)

27. RELATED PARTY DISCLOSURES

Transactions between the Group and its subsidiaries, which are related parties of the Group, are not disclosed in this note since they are eliminated during consolidation.

The balance details of the Group and other related parties are described below.

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED 1 JANUARY – 31 DECEMBER 2024
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

27. RELATED PARTY DISCLOSURES (CONTINUED)

a) Trade receivables from related parties

Current	31 December 2024	31 December 2023
Tusaş-Türk Havacılık ve Uzay Sanayi A.Ş.	536.049.392	326.660.639
Aselsan Elektronik ve Ticaret A.Ş.	81.795.424	22.901.908
Altınay Modifikasyon Merkezi Ticaret A.Ş.	182.379	--
Altınay Robot Teknoloji Sanayi Ticaret A.Ş.	63.514	--
Total	618.090.709	349.562.547

b) Trade payables to related parties

	31 December 2024	31 December 2023
Altınay Robot Teknolojileri San. ve Tic. A.Ş.	--	24.186
Tusaş-Türk Havacılık ve Uzay Sanayi A.Ş.	226.507	10.914
Total	226.507	35.100

c) Other receivables from related parties

	31 December 2024	31 December 2023
Altınay Modifikasyon Merkezi Ticaret A.Ş.	--	357.729
Total	--	357.729

d) Other current liabilities

	31 December 2024	31 December 2023
Aselsan Elektronik ve Tic. A.Ş.(*)	28.178.640	--
Total	28.178.640	--

e) Other non-current liabilities

	31 December 2024	31 December 2023
Aselsan Elektronik San. ve Tic. A.Ş.	56.357.280	--
Total	56.357.280	--

- (*) The entire balance of payables to related parties arises from the acquisition of shares representing 49% of the capital of Dasal Havacılık Teknolojileri Anonim Şirketi, a subsidiary of the Group, from Aselsan Elektronik Sanayi ve Ticaret AŞ. This acquisition occurred as a result of the share transfer agreement signed with Aselsan Elektronik Sanayi ve Ticaret AŞ on 25 October 2024.

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED 1 JANUARY – 31 DECEMBER 2024
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

27. RELATED PARTY DISCLOSURES (CONTINUED)

f) Order Advances Received

	1 Jan.- 31 December 2024	1 Jan.- 31 December 2023
Tusaş Türk Havacılık ve Uzay Sanayi A.Ş.	383.005.541	127.397.168
Aselsan Elektronik San. ve Tic. A.Ş.	122.694.614	39.461.346
Altınay Modifikasyon Merkezi Ticaret A.Ş.	--	64.273
	505.700.155	166.922.787

Related party purchases

	1 Jan.- 31 December 2024	1 Jan.- 31 December 2023
Tusaş Türk Havacılık ve Uzay Sanayi A.Ş.	3.199.434	442.795
Altınay Elektromobilite ve Enerji Teknolojileri A.Ş.	2.865.823	2.242.903
Altınay Robot Teknolojileri Sanayi ve Ticaret A.Ş.	1.895.020	45.328
Olbricht Cam ve Transfer Tekn. Sanayi Ticaret A.Ş.	450.054	1.787.422
Aselsan Elektronik ve Tic. A.Ş.	321.092	1.746.995
Total	8.731.423	6.265.443

Related party sales

	1 Jan.- 31 December 2024	1 Jan.- 31 December 2023
Tusaş Türk Havacılık ve Uzay Sanayi A.Ş.	991.832.476	957.214.137
Aselsan Elektronik ve Tic. A.Ş.	104.098.533	45.002.192
Altınay Robot Teknoloji Sanayi ve Ticaret A.Ş.	392.712	--
Altınay Modifikasyon Merkezi Ticaret A.Ş.	176.239	--
Total	1.096.499.960	1.002.216.329

Salaries, bonuses, and other benefits provided to key management personnel

The Group's top management team consists of the Chairman of the Board, Vice Chairman of the Board, Board Members, General Manager, and Assistant General Managers. The amounts of salaries, bonuses, and other similar benefits provided to the Group's top management team on a short-term basis for the reporting periods are as follows:

	31 December 2024	31 December 2023
Benefits provided to key management personnel	43.564.797	36.713.851
	43.564.797	36.713.851

28. THE NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The main financial instruments of the Group consist of cash, marketable securities and short-term deposits. The main purpose of these financial instruments is to finance the Group's operating activities.

a) Capital Management Policies and Procedures

The primary objective of the Group's capital management objectives is to ensure that it maintains a healthy capital structure in order to support its business and maximize shareholder value.

The debt-to-equity ratio, calculated by dividing the net debt (which is determined by subtracting cash and cash equivalents from financial liabilities) by the total equity, as of 31 December 2024 and 31 December 2023 is as follows:

	31 December 2024	31 December 2023
Total financial liabilities	752.547.581	405.845.976
Less: Cash and cash equivalents	(635.280.208)	(129.956.647)
Net financial debt	117.267.373	275.889.329
Total equity	3.783.222.999	2.238.326.801
Total equity used	3.900.490.372	2.514.216.130
Net financial debt / Total equity used	3%	11%

b) Financial Risk Factors

The main risks posed by the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Group management and board of directors examine and accept the policies regarding the management of the following risks. The Group also considers the market value risk of all its financial instruments

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED 1 JANUARY – 31 DECEMBER 2024
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

28. THE NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

b) Financial Risk Factors (Continued)

b.1) Credit risk management

The carrying amounts of financial assets represent the maximum credit risk exposure. As of the reporting date, the maximum exposure to credit risk is as follows:

31 December 2024	Receivables				Bank Deposits	Other
	Trade Receivables		Other Receivables			
	Related Parties	Other Parties	Related Parties	Other Parties		
- Maximum credit risk exposures as of report date (A+B+C+D) (*)	618.090.709	320.685.876	--	581.909	625.019.158	--
- Secured part of maximum credit risk exposure via collateral etc. (**)	--	--	--	--	--	--
A. Net book value of financial assets that are neither overdue nor impaired	618.090.709	323.144.239	--	581.909	625.019.158	--
B. Net book value of assets that are overdue but not impaired	--	--	--	--	--	--
C. Net book value of impaired financial assets	--	--	--	--	--	--
- Overdue (Gross Book Value)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
- Secured portion of net value with collateral, etc.	--	--	--	--	--	--
- Not Overdue (Gross Book Value)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
- Secured portion of net value with collateral, etc.	--	--	--	--	--	--
D. Expected credit losses	--	(2.458.363)	--	--	--	--

(*) In determining the amount, the elements that provide an increase in credit reliability, such as the guarantees received, were not taken into account.

(**) The guarantees consist of security certificates, letters of guarantee and mortgages received from customers.

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED 1 JANUARY – 31 DECEMBER 2024
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

28. THE NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

b) Financial Risk Factors (Continued)

b.1) Credit risk management (Continued)

31 December 2023	Receivables				Bank Deposits	Other
	Trade Receivables		Other Receivables			
	Related Parties	Other Parties	Related Parties	Other Parties		
- Maximum credit risk exposures as of report date (A+B+C+D) (*)	349.562.547	168.982.245	357.729	1.158.465	129.807.954	3.760
- Secured part of maximum credit risk exposure via collateral etc. (**)	--	--	--	--	--	--
A. Net book value of financial assets that are neither overdue nor impaired	349.562.547	179.982.484	357.729	1.158.465	129.807.954	3.760
B. Net book value of assets that are overdue but not impaired	--	--	--	--	--	--
C. Net book value of impaired financial assets	--	--	--	--	--	--
- Overdue (Gross Book Value)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
- Secured portion of net value with collateral, etc.	--	--	--	--	--	--
- Not Overdue (Gross Book Value)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
- Secured portion of net value with collateral, etc.	--	--	--	--	--	--
D. Expected credit losses	--	(11.000.239)	--	--	--	--

(*) In determining the amount, the elements that provide an increase in credit reliability, such as the guarantees received, were not taken into account.

(**) The guarantees consist of security certificates, letters of guarantee and mortgages received from customers.

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED 1 JANUARY – 31 DECEMBER 2024
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

28. THE NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

b) Financial Risk Factors (Continued)

b.2) Liquidity risk

Liquidity risk is the risk that a company may be unable to meet its funding needs. The Group aims to ensure the continuity and variability of cash inflows through long-term bank loans.

31 December 2024	Net Book Value	Contractual cash outflow (I+II+III+IV)	Less than 3 months (I)	3 -12 months (II)	1 – 5 years (III)	Longer than 5 years (IV)
Bank loans	644.656.342	668.336.659	162.873.551	307.348.665	153.889.551	44.224.892
Financial Lease Obligations	107.891.239	129.549.373	11.451.619	33.134.652	84.963.102	--
Operational Lease Obligations	1.592.095	1.592.095	166.661	499.982	925.452	--
Trade payables	407.828.736	412.445.002	164.971.252	247.473.750	--	--
Other payables	84.753.184	84.753.184	28.395.904	--	56357280	--
Total liabilities	1.246.721.596	1.296.676.313	367.858.987	588.457.049	296.135.385	44.224.892

31 December 2023	Net Book Value	Contractual cash outflow (I+II+III+IV)	Less than 3 months (I)	3 -12 months (II)	1 – 5 years (III)	Longer than 5 years (IV)
Bank loans	346.478.994	438.722.242	26.945.827	171.657.808	154.173.665	85.944.942
Financial Lease Obligations	50.481.776	68.746.882	6.376.992	16.882.460	45.487.430	--
Operational Lease Obligations	3.348.479	3.348.479	470.699	1.412.097	1.465.683	--
Trade payables	303.566.422	313.068.049	125.212.365	187.855.684	--	--
Other payables	1.659.446	1.659.446	1.659.446	--	--	--
Total liabilities	705.535.117	825.545.098	160.665.329	377.808.049	201.126.778	85.944.942

b.3) Market risk

The Group is exposed to financial risks arising from changes in currency rate, interest rate and price risk which arise directly from its operations. The market risks that the Group is exposed to are measured on the basis of sensitivity analysis. When compared to prior periods, there has been no change in the Group’s exposure to market risks, hedging methods used or the measurement methods used for such risks.

b.3.1) Foreign currency risk

Transactions in foreign currencies cause exchange rate risk. Currency risk is managed with forward foreign exchange purchase/sell contracts based on approved policies.

The Company is exposed to foreign currency risk arising from the translation of foreign currency denominated assets and liabilities to TRY. The Company is also exposed to foreign currency risk due to the transactions made in foreign currency. This risk occurs due to purchases, sales and bank borrowings of the Company which are denominated in currencies other than the functional currency.

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED 1 JANUARY – 31 DECEMBER 2024
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

28. THE NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

b) Financial Risk Factors (Continued)

b.3) Market risk (Continued)

b.3.1) Foreign currency risk (Continued)

	31 December 2024				
	TRY Equivalent (functional currency)	USD	EUR	GBP	CHF
1 Trade receivables	932.410.227	19.263.360	6.881.308	--	--
2a. Monetary financial assets, (cash and banks account included)	70.667.703	990.303	964.844	6.322	137
2b. Non-monetary financial assets	--	--	--	--	--
3. Other	289.087.156	3.253.591	4.687.967	46.377	801
4. Current assets (1+2+3)	1.292.165.086	23.507.254	12.534.119	52.699	938
5. Trade receivables	--	--	--	--	--
6. Other	--	--	--	--	--
7. Non-current assets (5+6)	1.292.165.086	23.507.254	12.534.119	52.699	938
8. Total assets (4+7)	--	--	--	--	--
9. Trade payables	486.737.851	9.539.035	3.999.164	40.230	38.652
10. Financial liabilities	6.152.920	174.401	--	--	--
11a. Other monetary liabilities	666.901.466	13.244.219	5.434.461	--	--
11b. Other non-monetary liabilities	--	--	--	--	--
12. Current liabilities (9+10+11)	1.159.792.237	22.957.655	9.433.625	40.230	38.652
13. Trade payables	--	--	--	--	--
14. Financial liabilities	25.164.297	--	685.000	--	--
15. Non-current liabilities (13+14)	25.164.297	--	685.000	--	--
16. Total liabilities (12+15)	1.184.956.534	22.957.655	10.118.625	40.230	38.652
17. Net assets of off-balance sheet derivative items (liability) position (18a - 18b)	--	--	--	--	--
18a. Total amount of assets hedged	--	--	--	--	--
18b. Total amount of liabilities hedged	--	--	--	--	--
19. Net foreign currency assets / (liability) position (8-16+17)	107.208.552	549.599	2.415.494	12.469	(37.714)

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED 1 JANUARY – 31 DECEMBER 2024
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

28. THE NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

b) Financial Risk Factors (Continued)

b.3) Market risk (Continued)

b.3.1) Foreign currency risk (Continued)

	31 December 2023					
	TRY Equivalent (historical value)	TRY Equivalent (indexed value)	USD	EUR	GBP	CHF
1 Trade receivables	352.478.914	508.904.726	6.580.277	4.874.068	--	--
2a. Monetary financial assets, (cash and banks account included)	15.270.633	22.047.552	387.880	110.557	5.504	1.281
2b. Non-monetary financial assets	--	--	--	--	--	--
3. Other	82.301.893	118.826.462	1.666.037	965.441	48.304	--
4. Current assets (1+2+3)	450.051.440t	649.778.740	8.634.194	5.950.066	53.808	1.281
5. Trade receivables	--	--	--	--	--	--
6. Other	--	--	--	--	--	--
7. Non-current assets (5+6)	--	--	--	--	--	--
8. Total assets (4+7)	450.051.440	649.778.740	8.634.194	5.950.066	53.808	1.281
9. Trade payables	168.878.471	243.824.662	3.753.424	1.791.895	394	19
10. Financial liabilities	10.712.332	15.466.333	174.401	171.250	--	--
11a. Other monetary liabilities	257.145.142	371.262.997	3.353.677	4.863.370	--	--
11b. Other non-monetary liabilities	--	--	--	--	--	--
12. Current liabilities (9+10+11)	436.735.945	630.553.992	7.281.502	6.826.515	394	19
13. Trade payables	--	--	--	--	--	--
14. Financial liabilities	16.734.841	24.161.558	--	513.750	--	--
15. Non-current liabilities (13+14)	16.734.841	24.161.558	--	513.750	--	--
16. Total liabilities (12+15)	453.470.786	654.715.550	7.281.502	7.340.265	394	19
17. Net assets of off-balance sheet derivative items (liability) position (18a - 18b)	--	--	--	--	--	--
18a. Total amount of assets hedged	--	--	--	--	--	--
18b. Total amount of liabilities hedged	--	--	--	--	--	--
19. Net foreign currency assets / (liability) position (8-16+17)	(3.419.346)	(4.936.810)	1.352.692	(1.390.199)	53.414	1.262

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED 1 JANUARY – 31 DECEMBER 2024
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

28. THE NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

b) Financial Risk Factors (Continued)

b.3) Market risk (Continued)

b.3.1) Foreign currency risk (Continued)

Currency risk sensitivity

The table below presents the Company’s sensitivity to a 10% deviation in foreign exchange rates (especially USD and EUR). 10% is the rate used by the Company when generating its report on exchange rate risk; the related rate stands for the presumed possible change in the foreign currency rates by the Company’s management. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. This analysis includes foreign currency denominated bank loans other than the functional currency of the ultimate user or borrower of the bank loans. The positive amount indicates increase in profit / loss before tax or equity.

Foreign Currency Sensitivity Analysis Table		
31 December 2024		
	Profit and Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD against TRY by 10%:		
1- USD net assets / liabilities	1.939.002	(1.939.002)
2- Hedged portion of USD risk (-)	--	--
3- USD net effect (1+2)	1.939.002	(1.939.002)
Change of EUR against TRY by 10%:		
4- EUR net assets / liabilities	8.873.607	(8.873.607)
5- Hedged portion of EUR risk (-)	--	--
6- EUR net effect (4+5)	8.873.607	(8.873.607)
Change of GBP against TRY by 10%:		
7- GBP net assets / liabilities	55.122	(55.122)
8- Hedged portion of GBP risk (-)	--	--
9- GBP net effect (7+8)	55.122	(55.122)
Change of CHF against TRY by 10%:		
10- CHF net assets / liabilities	48.560	(48.560)
11- Hedged portion of CHF risk (-)	--	--
12- CHF net effect (10+11)	48.560	(48.560)
TOTAL (3+6+9+12)	10.916.291	(10.916.291)

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED 1 JANUARY – 31 DECEMBER 2024
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

28. THE NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

b) Financial Risk Factors (Continued)

b.3) Market risk (Continued)

b.3.1) Foreign currency risk (Continued)

Currency risk sensitivity (Continued)

Foreign Currency Sensitivity Analysis Table				
31 December 2023				
	Profit and Loss (Historical Cost)		Profit and Loss (Indexed Value)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD against TRY by 10%:				
1- USD net assets / liabilities	3.982.082	(3.982.082)	5.749.281	(5.749.281)
2- Hedged portion of USD risk (-)	--	--	--	--
3- USD net effect (1+2)	3.982.082	(3.982.082)	5.749.281	(5.749.281)
Change of EUR against TRY by 10%:				
4- EUR net assets / liabilities	(4.528.420)	4.528.420	(6.538.077)	6.538.077
5- Hedged portion of EUR risk (-)	--	--	--	--
6- EUR net effect (4+5)	(4.528.420)	4.528.420	(6.538.077)	6.538.077
Change of GBP against TRY by 10%:				
7- GBP net assets / liabilities	199.991	(199.991)	288.745	(288.745)
8- Hedged portion of GBP risk (-)	--	--	--	--
9- GBP net effect (7+8)	199.991	(199.991)	288.745	(288.745)
Change of CHF against TRY by 10%:				
10- CHF net assets / liabilities	186.771	(186.771)	269.658	(269.658)
11- Hedged portion of CHF risk (-)	--	--	--	--
12- CHF net effect (10+11)	186.771	(186.771)	269.658	(269.658)
TOTAL (3+6+9+12)	(159.576)	159.576	(230.393)	230.393

28. THE NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

b) Financial Risk Factors (Continued)

b.3) Market risk (Continued)

b.3.2) Interest rate risk management

The Group's borrowing at fixed and variable interest rates exposes the Group to interest rate risk. The details of fixed and variable interest financial instruments are as follows;

Interest rate sensitive	31 December 2024	31 December 2023
<i>Financial instruments with fixed interest rates</i>		
Financial assets	539.226.247	97.746.509
Financial liabilities	550.922.319	367.030.506
	1.090.148.566	464.777.015
<i>Financial instruments with variable interest rates</i>		
Financial assets	--	--
Financial liabilities	190.120.767	30.000.000
	190.120.767	30.000.000

As of 31 December 2024, the interest rate range of TRY loans used by the Group is 11-53%, and the interest rate range of foreign currency loans is 5.4-12%.

Any increase in the interest rates of the loans used by the Group will result in an increase in the Group's financial expenses.

29. FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATIONS AND DISCLOSURES WITHIN THE FRAMEWORK OF HEDGE ACCOUNTING)

Fair value of financial instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methods. However, estimates are necessary in interpreting market data to determine fair value. Accordingly, the estimates presented here may not represent the amounts that the Group could realize in a current market transaction.

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

Monetary assets

It is assumed that the carrying values of financial assets shown at cost, including cash and cash equivalents, are equal to their fair values due to their short-term nature. It is anticipated that the carrying values of trade receivables, together with the related impairment provisions, reflect the fair value.

ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED 1 JANUARY – 31 DECEMBER 2024
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2024 unless otherwise expressed.)

29. FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATIONS AND DISCLOSURES WITHIN THE FRAMEWORK OF HEDGE ACCOUNTING) (CONTINUED)

Monetary liabilities

The fair values of short-term bank loans and other monetary liabilities are considered to be close to their book values due to their short-term nature.

Due to the fact that long-term financial liabilities mostly have variable interest rates and are repriced in the short term, it is anticipated that the carrying values of the borrowings are close to their fair values as of the reporting date.

First level: Valuation techniques that use active market (unadjusted) market prices for identical assets and liabilities.

Second level: Valuation techniques that include inputs used to find the directly or indirectly observable market price of the relevant asset or liability other than the market price specified at the first level.

Third level: Valuation techniques that include inputs that are not based on market observable data used to determine the fair value of the asset or liability.

31 December 2024	Financial assets/liabilities at amortized cost	Book value	Fair value
<i>Financial assets</i>			
Cash and cash equivalents	635.280.208	635.280.208	635.280.208
Trade receivables	938.776.585	938.776.585	938.776.585
<i>Financial liabilities</i>			
Financial liabilities	752.547.581	752.547.581	752.547.581
Trade payables	407.828.736	407.828.736	407.828.736

31 December 2023	Financial assets/liabilities at amortized cost	Book value	Fair value
<i>Financial assets</i>			
Cash and cash equivalents	129.956.647	129.956.647	129.956.647
Trade receivables	518.544.792	518.544.792	518.544.792
<i>Financial liabilities</i>			
Financial liabilities	405.845.976	405.845.976	405.845.976
Trade payables	303.566.422	303.566.422	303.566.422

30. Events After the Reporting Date

None.