

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

**CONSOLIDATED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**(ORIGINALLY ISSUED IN TURKISH)**



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(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 2025

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

### **Independent audit of consolidated financial statements**

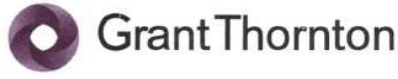
#### **1. Opinion**

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 2025, 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 2025, 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.



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### 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
<p><b>Capitalization of Development Cost</b></p> <p><i>Development Cost</i></p> <p>The Group's consolidated financial statements as of 31 December 2025, show that the net book value of development costs is TRY 3.247.803.946 which represents 33% of the total assets. The total development costs capitalized during 2025 amount to TRY 785.145.798 (31 December 2024: TRY 582.764.622). 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&amp;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"> <li>- 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.</li> <li>- The project-specific expenses related to the capitalized costs were detailed and cross-checked with the movement schedule of intangible assets.</li> <li>- 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.</li> <li>- 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.</li> </ul> <p>As a result of our procedures, no significant findings were identified during the audit of the development costs.</p>



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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, and related engineering and R&amp;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 revenue recognized from services rendered 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"> <li>- 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.</li> <li>- Contracts with customers were examined and the effects of contract items on revenue were evaluated. The terms of the contracts are determined.</li> <li>- 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.</li> <li>- 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.</li> </ul> <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 2025.</p> <p>In accordance with TAS 29, consolidated financial statements and corresponding figures for previous periods 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 Turkish consumer price indices to prepare inflation adjusted financial statements. The principles applied for inflation adjustment are explained in Note 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"> <li>- We held discussions with 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,</li> <li>- We have tested the inputs and indices used, to ensure completeness and accuracy of the calculations,</li> <li>- We have audited the restatements of corresponding figures as required by TAS 29,</li> <li>- We assessed the adequacy of the disclosures in inflation adjusted financial statements for compliance with TAS 29.</li> </ul>



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### 3. Key Audit Matters (Continued)

The Key Audit Matters	How the Key Audit Matter is addressed in our audit
<p data-bbox="197 488 472 510">Related party transactions</p> <p data-bbox="197 546 783 689">6% 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 data-bbox="197 725 783 985">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 data-bbox="197 1021 783 1258">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 data-bbox="197 1294 783 1375">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 27.</p>	<p data-bbox="812 546 1404 689">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 data-bbox="812 725 1374 748">The following audit procedures have been performed:</p> <ul data-bbox="812 784 1404 1021" style="list-style-type: none"> <li>- Related party relationships and transactions have been reviewed and risk factors have been evaluated.</li> <li>- The collectability of receivables from related parties have been evaluated</li> <li>- Reconciliations with the Group companies for the receivables and payables have been obtained.</li> </ul> <p data-bbox="812 1057 1404 1106">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.



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## 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.



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## 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 20 February 2026.

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 2025 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

10 March 2026  
Istanbul, Türkiye

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ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2025 AND 2024

(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2025 unless otherwise expressed.)

ASSETS	Notes	Audited Current Period 31 December 2025 TL	Audited Prior Period 31 December 2024 TL
<b>Current Assets</b>			
Cash and cash equivalents	3	311.850.047	831.533.056
Financial investments	10	38.727.507	230.156.917
Trade receivables			
- Due from related parties	27	301.016.212	809.033.320
- Other trade receivables	5	1.064.236.015	419.753.210
Other receivables			
- Other receivables	6	296.584	591.365
Inventories	7	1.427.720.317	781.336.793
Ongoing project costs	9	867.780.214	740.133.846
Prepaid expenses	8	435.550.007	366.174.916
Current income tax asset	24	5.460.956	16.631.234
Other current assets	17	378.663.083	289.526.515
<b>Total Current Assets</b>		<b>4.831.300.942</b>	<b>4.484.871.172</b>
<b>Non Current Assets</b>			
Other receivables			
- Other receivables	6	617.039	170.309
Financial investments	10	24.007.546	6.444.873
Right-of-use assets	13	39.797.865	1.053.154
Property, plant and equipment	11	1.327.406.089	1.140.938.891
Intangible assets	12	3.256.658.455	2.547.644.426
Prepaid expenses	8	92.015.295	69.007.591
Deferred tax assets	24	90.039.120	93.931.966
<b>Total Non Current Assets</b>		<b>4.830.541.409</b>	<b>3.859.191.210</b>
<b>TOTAL ASSETS</b>		<b>9.661.842.351</b>	<b>8.344.062.382</b>

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 2025 AND 2024

(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2025 unless otherwise expressed.)

LIABILITIES	Notes	Audited	Audited
		Current Period 31 December 2025	Prior Period 31 December 2024
		TL	TL
<b>Current Liabilities</b>			
Financial liabilities	4	1.520.813.143	653.984.934
Current portion of non current borrowings	4	59.285.640	54.488.649
Liabilities from current operational lease transactions	13	20.568.058	872.583
Trade payables			
- Due to related parties	27	1.539.574	296.480
- Other trade payables	5	572.204.515	533.520.052
Liabilities for employee benefits	16	40.694.602	32.997.555
Other payables			
- Due to related parties	27	--	36.883.678
- Other payables	6	68.768.825	284.382
Deferred income	8	1.310.835.606	1.092.207.626
Current income tax liabilities	24	4.235.377	--
Current provisions			
- Provisions for employee benefits	16	66.455.893	56.414.858
- Other current provisions	15	8.600	11.257
Other current liabilities	17	24.876.080	164.646.660
<b>Total Current Liabilities</b>		<b>3.690.285.913</b>	<b>2.626.608.714</b>
<b>Non Current Liabilities</b>			
Financial liabilities	4	328.850.067	276.553.467
Liabilities from non current operational lease transactions	13	14.074.416	1.211.347
Other payables			
- Due to related parties	27	--	73.767.356
Non current provisions			
- Provisions for employee benefits	16	43.453.834	34.868.600
Deferred tax liabilities	24	488.697.567	379.104.229
<b>Total Non Current Liabilities</b>		<b>875.075.884</b>	<b>765.504.999</b>
<b>EQUITY</b>			
<b>Equity Attributable to Owners of the Parent</b>			
Share capital	18	1.000.000.000	235.294.118
Capital adjustment differences	18	245.412.069	943.491.574
Share premium	18	1.570.941.699	1.637.568.076
Other comprehensive income/expense not to be reclassified to profit			
- Actuarial gain / loss	18	(6.696.648)	(10.022.674)
Restricted reserves	18	333.395.050	296.045.332
Prior years' profit	18	1.315.851.409	954.548.580
Net profit for the period		163.432.188	398.477.731
<b>Non controlling interests</b>	18	474.144.787	496.545.932
<b>Total Equity</b>		<b>5.096.480.554</b>	<b>4.951.948.669</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>9.661.842.351</b>	<b>8.344.062.382</b>

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 2025 AND 2024**  
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2025 unless otherwise expressed.)

	Notes	Audited Current Period 1 January - 31 December 2025 TL	Audited Prior Period 1 January - 31 December 2024 TL
Revenue	19	3.139.850.323	2.312.610.207
Cost of sales (-)	19	(2.146.446.349)	(1.129.921.569)
<b>Gross profit</b>		<b>993.403.974</b>	<b>1.182.688.638</b>
General administrative expenses (-)	20	(140.876.492)	(141.822.767)
Marketing, selling and distribution expenses (-)	20	(24.403.260)	(26.751.740)
Research and development expenses (-)	20	(365.937.387)	(276.882.938)
Other operating income	21	514.921.076	256.113.053
Other operating expenses (-)	21	(686.886.125)	(271.713.490)
<b>Operating profit</b>		<b>290.221.786</b>	<b>721.630.756</b>
Income from investing activities	22	60.513.951	131.957.229
Expenses from investing activities (-)	22	(20.984.050)	(42.506)
<b>Operating profit / (loss) before financial income and (expenses)</b>		<b>329.751.687</b>	<b>853.545.479</b>
Financial income	23	270.605.476	301.992.559
Financial expenses (-)	23	(262.380.391)	(181.962.565)
Monetary Loss / Gain	26	(55.572.557)	(12.106.264)
<b>Profit before tax</b>		<b>282.404.215</b>	<b>961.469.209</b>
<b>Tax expense</b>			
Tax for the period	24	(27.291.266)	(2.110.089)
Deferred tax income / (expense)	24	(114.168.759)	(319.276.506)
<b>PROFIT FOR THE PERIOD</b>		<b>140.944.190</b>	<b>640.082.614</b>
<b>Distribution of period profit</b>			
Non controlling interest		(22.487.998)	241.604.883
Parent company interests		163.432.188	398.477.731
<b>Earnings per share</b>	25	<b>0,69</b>	<b>1,79</b>

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 2025 AND 2024**  
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2025 unless otherwise expressed.)

	<b>Audited</b>	<b>Audited</b>
	<b>Current Period</b>	<b>Prior Period</b>
	<b>1 January -</b>	<b>1 January -</b>
	<b>31 December 2025</b>	<b>31 December 2024</b>
	<b>TL</b>	<b>TL</b>
<b>Profit for the Period</b>	<b>140.944.190</b>	<b>640.082.614</b>
<b>Other Comprehensive Income / (Loss):</b>		
<b>Items not to be reclassified to profit or loss</b>	<b>2.730.305</b>	<b>2.301.512</b>
Actuarial gains / loss on defined benefit plans	3.412.880	2.876.890
Deferred tax effect of actuarial gains / loss on defined benefit plans	(682.575)	(575.378)
<b>Other Comprehensive Income / (Loss)</b>	<b>2.730.305</b>	<b>2.301.512</b>
<b>Total Comprehensive Income / (loss)</b>	<b>143.674.495</b>	<b>642.384.126</b>
<b>Total comprehensive income distribution</b>	<b>143.674.495</b>	<b>642.384.126</b>
- Non controlling interest	(22.487.998)	241.604.883
- Equity holders of the parent	166.162.493	400.779.243

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 CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER 2025 AND 2024**

(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2025 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
<b>Balance at 31 December 2024</b>	<b>200.000.000</b>	<b>924.435.520</b>	<b>27.003.115</b>	<b>(9.672.321)</b>	<b>291.414.107</b>	<b>344.539.572</b>	<b>633.732.653</b>	<b>2.411.452.646</b>	<b>518.345.421</b>	<b>2.929.798.067</b>
Capital increase										
- Cash	35.294.118	19.056.054	--	--	--	--	--	54.350.172	--	54.350.172
Transfer to general reserves	--	--	--	--	(2.866.935)	636.599.588	(633.732.653)	--	--	--
Effect of changes in IAS 19 "Employee Termination Benefits" standard	--	--	--	2.876.890	--	--	--	2.876.890	--	2.876.890
Minority interests	--	--	--	(3.227.243)	--	(19.092.420)	--	(22.319.663)	(21.799.489)	(44.119.152)
Increase in share premium	--	--	1.610.564.961	--	--	--	--	1.610.564.961	--	1.610.564.961
Government grants and incentives	--	--	--	--	7.498.160	(7.498.160)	--	--	--	--
Net profit for the period	--	--	--	--	--	--	398.477.731	398.477.731	--	398.477.731
<b>Balance at 31 December 2024</b>	<b>235.294.118</b>	<b>943.491.574</b>	<b>1.637.568.076</b>	<b>(10.022.674)</b>	<b>296.045.332</b>	<b>954.548.580</b>	<b>398.477.731</b>	<b>4.455.402.737</b>	<b>496.545.932</b>	<b>4.951.948.669</b>
<b>Balance at 1 January 2025</b>	<b>235.294.118</b>	<b>943.491.574</b>	<b>1.637.568.076</b>	<b>(10.022.674)</b>	<b>296.045.332</b>	<b>954.548.580</b>	<b>398.477.731</b>	<b>4.455.402.737</b>	<b>496.545.932</b>	<b>4.951.948.669</b>
Capital increase										
- From share premium	66.626.377	--	(66.626.377)	--	--	--	--	--	--	--
- Capital adjustment differences	698.079.505	(698.079.505)	--	--	--	--	--	--	--	--
Transfer to general reserves	--	--	--	--	25.776.938	372.700.793	(398.477.731)	--	--	--
Effect of changes in IAS 19 "Employee Termination Benefits" standard	--	--	--	3.412.879	--	--	--	3.412.879	--	3.412.879
Government grants and incentives	--	--	--	--	174.816	--	--	174.816	--	174.816
Venture capital investment fund	--	--	--	--	11.397.964	(11.397.964)	--	--	--	--
Minority interests	--	--	--	(86.853)	--	--	--	(86.853)	(22.401.145)	(22.487.998)
Net profit for the period	--	--	--	--	--	--	163.432.188	163.432.188	--	163.432.188
<b>Balance at 31 December 2025</b>	<b>1.000.000.000</b>	<b>245.412.069</b>	<b>1.570.941.699</b>	<b>(6.696.648)</b>	<b>333.395.050</b>	<b>1.315.851.409</b>	<b>163.432.188</b>	<b>4.622.335.767</b>	<b>474.144.787</b>	<b>5.096.480.554</b>

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 2025 AND 2024**  
(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2025 unless otherwise expressed.)

Not	Audited Current Period 1 January - 31 December 2025	Audited Prior Period 1 January - 31 December 2024
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit for the period	163.432.188	398.477.731
<u>Adjustments to reconcile net cash generated</u>		
Depreciation and amortization charge	11,12,13 273.655.579	190.744.322
Provision for employee termination benefits	16 15.119.414	15.456.017
Expected credit loss provision	5 (239.790)	--
Provision for litigation expenses	15 --	262
Adjustments for revaluation of discounting interest expenses/income	21 (18.239.944)	32.498.015
Adjustments related to interest expenses	23 133.984.613	115.576.015
Adjustments related to provisions for leave	16 23.355.691	32.312.156
Monetary loss / gain	189.255.757	(95.634.891)
Deferred tax asset / (liability), net	24 118.404.136	302.390.899
<u>Changes in net working capital</u>		
Increases/decreases in inventories	7 (830.789.387)	(694.588.085)
Increases/decreases in trade receivables	26,5 (431.827.463)	(905.072.299)
Increases/decreases in other receivables	26,6 (331.714)	288.476
Changes in ongoing project costs	9 (127.646.368)	(426.375.309)
Increases / decreases in prepaid expenses	8 (195.091.648)	(364.533.267)
Increases / decreases in other current assets	17 (157.468.672)	(178.701.601)
Increases / decreases in trade payables	26,5 189.746.905	326.503.162
Increases / decreases in other payables	26,6 (101.411.232)	275.530.412
Increase / decreases related to other liabilities in relation with advances received	8 476.403.489	802.803.629
Current income tax paid	24 7.245.086	(8.163.719)
<b>Net Cash Flows Generated From / (Used in) Operating Activities</b>	<b>(272.443.360)</b>	<b>(180.488.075)</b>
Paid severance payments	16 (2.806.954)	(1.767.717)
<b>Net cash flows from operating activities</b>	<b>(275.250.314)</b>	<b>(182.255.792)</b>
<b>B. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash inflows and outflows from borrowings	4 1.156.401.269	703.928.955
Paid interest	23 (128.909.398)	(109.764.778)
Cash inflows and outflows from operating lease transactions	13 (19.510.830)	782.820
Capital increase, cash	--	54.350.172
Share premium	18 --	1.610.564.961
<b>Net Cash Flows Generated From Financing Activities</b>	<b>1.007.981.041</b>	<b>2.259.862.130</b>
<b>C. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		
Financial investments	10 118.025.571	(233.115.907)
Changes in property, plant and equipment	11 (362.249.044)	(471.043.949)
Changes in intangible assets	12 (789.624.233)	(587.805.185)
Effect of non-controlling interests	18 (22.487.998)	(44.119.152)
Government grants and incentives	18 174.816	--
<b>Net Cash Flows Used in Investment Activities</b>	<b>(1.056.160.888)</b>	<b>(1.336.084.193)</b>
<b>D. EFFECT OF INFLATION ON CASH</b>	<b>(196.252.848)</b>	<b>(80.092.371)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(519.683.009)</b>	<b>661.429.774</b>
<b>E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>831.533.056</b>	<b>170.103.282</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>311.850.047</b>	<b>831.533.056</b>

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 31 DECEMBER 2025**

(Currency –Turkish Liras “TRY” in terms of purchasing power of the “TRY” at 31 December 2025 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 Şekerpinar 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: Şekerpinar Mahallesi, Defne Street, Marmara Recycling Industrial Site, No:22/A, Çayırova/Kocaeli, Türkiye.

The address of the Dilovası Branch is: Organize Sanayi Bölgesi Mahallesi, 6<sup>th</sup> 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 2025, and 31 December 2024 the shareholding structure of the Company is as follows:

	31.12.2025	Share Percentage (%)	31.12.2024	Share Percentage (%)
Hakan Altınay	600.101.235	60,01	148.235.294	63
Publicly traded on Borsa İstanbul	399.898.340	39,99	58.823.530	25
Letven Capital Girişim Serm. Port. Yön. A.Ş.	425	0,00	28.235.294	12
	<b>1.000.000.000</b>	<b>100</b>	<b>235.294.118</b>	<b>100</b>
Adjustment to share capital	245.412.069		943.491.574	
	<b>1.245.412.069</b>		<b>1.178.785.692</b>	

As of 31 December 2025 the Company's share capital is divided into 229.500.000 Class A shares, 425 Class B shares, and 770.499.575 Class C shares, each with a nominal value of 1 Turkish Lira (“TRY”). (As of 31 December 2024: The Company's capital is divided into 235.294.118 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 2025 and 31 December 2024 along with their direct and indirect ownership stakes, are provided below:

	Country of Registration	31 December 2025	31 December 2024
Dasal Havacılık Tek. A.Ş.	Türkiye	%100	%100
Taac Havacılık Tek. San. ve Tic. A.Ş.	Türkiye	%50	%50

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**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 2025 and 31 December 2024, is as follows:

	<b>31 December 2025</b>	<b>31 December 2024</b>
Altınay Savunma Teknolojileri A.Ş.	316	270
Taac Havacılık Tekn. San. ve Tic. A.Ş.	268	254
Dasal Havacılık Teknolojileri A.Ş.	89	93
<b>Total</b>	<b>673</b>	<b>617</b>

**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 3 July 2024 relating to financial statements presentations.

**ALTINAY SAVUNMA TEKNOLOJİLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
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## **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 2025 were approved for issue by the Board of Directors on 10 March 2026. 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").

#### *Adjustment of financial statements in hyperinflationary periods*

The Group prepared its consolidated financial statements as at and for the year ended 31 December 2023 by applying TAS 29 "Financial Reporting in Hyperinflationary Economies" in accordance with the announcement made by Public Oversight Accounting and Auditing Standards Authority ("POA") on 23 November 2023 and the "Implementation Guide on Financial Reporting in Hyperinflationary Economies". The restatements in accordance with TAS 29 have been made using the adjustment factor derived from the Consumer Price Index ("CPI") in Türkiye published by the Turkish Statistical Institute.

The Group prepared its consolidated financial statements as at and for the year ended 31 December 2024 by applying TAS 29 “Financial Reporting in Hyperinflationary Economies” in accordance with the announcement made by the Public Oversight, Accounting and Auditing Standards Authority (“POA”) on 23 November 2023 and the published “Implementation Guide on Financial Reporting in Hyperinflationary Economies.” 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 date, and that comparative figures for prior period financial statements be restated 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 2024 on the purchasing power basis as of 31 December 2025

Pursuant to the decision of the Capital Markets Board (CMB) dated 28 December 2023 and numbered 81/1820, it has been resolved that issuers and capital market institutions subject to financial reporting regulations and applying Turkish Accounting/Financial Reporting Standards shall apply inflation accounting in accordance with TAS 29, starting from their annual financial reports for the accounting periods ending as of 31 December 2023.

The restatements made in accordance with TAS 29 have been performed using the adjustment coefficient derived from the Consumer Price Index (“CPI”) in Türkiye, published by the Turkish Statistical Institute (“TURKSTAT”). As of 31 December 2025, the indices and adjustment coefficients used in the restatement of the financial statements are as follows:

<b>Year end</b>	<b>Index</b>	<b>Conversion Factor</b>	<b>Three-year cumulative inflation rates</b>
31 December 2025	3.513,87	1,00000	211%
31 December 2024	2.684,55	1,30892	291%
31 December 2023	1.859,38	1,88980	268%

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

### **2.1. Basis of Presentation (Continued)**

#### *Adjustment of financial statements in hyperinflationary periods (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.
- Inflation’s effect on the Group’s net monetary asset position in the current period has been recognized in the statement of profit or loss under net monetary position gains/(losses).(Note 26)

### **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.

#### *Going concern (Continued)*

The accompanying consolidated financial statements have been prepared on the basis of the going concern assumption. Under this assumption, the Group will be able to continue its operations in the foreseeable future and realize its assets and settle its liabilities in the normal course of business as they become due.

### **2.4. The New Standards, Amendments and Interpretations**

The accounting policies adopted in preparation of the consolidated financial statements as of December 31, 2025 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, 2025 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 1 January 2025 are as follows*

##### **Amendments to IAS 21 - Lack of exchangeability**

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

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**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*

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**

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

**IFRS 17 - The new Standard for insurance contracts**

*The amendments are not applicable to the Group and will have no impact on the financial position or performance of the Group.*

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

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

**Annual Improvements to IFRSs – Volume 11**

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Hedge Accounting by a First-time Adopter.
- IFRS 7 Financial Instruments: Disclosures – Gain or Loss on Derecognition.
- IFRS 9 Financial Instruments – Lessee Derecognition of Lease Liabilities and Transaction Price.
- IFRS 10 Consolidated Financial Statements – Determination of a 'De Facto Agent'.
- IAS 7 Statement of Cash Flows – Cost Method '.

Improvements are effective for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted for all.

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

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

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

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

The POA issued TFRS 18 in May 2025, replacing TAS 1. TFRS 18 introduces new requirements for the presentation of the statement of profit or loss, including the presentation of specified totals and subtotals. TFRS 18 requires entities to classify all income and expenses presented in the statement of profit or loss into one of five categories: operating activities, investing activities, financing activities, income taxes, and discontinued operations.

The Standard also requires the disclosure of management-defined performance measures and introduces new requirements for the aggregation and disaggregation of financial information in accordance with the roles defined for the primary financial statements and the notes. With the issuance of TFRS 18, certain amendments have also been made to other financial reporting standards such as TAS 7, TAS 8, and TAS 34. TFRS 18 and the related amendments will become effective for reporting periods beginning on or after 1 January 2027; however, early application is permitted. TFRS 18 will be applied retrospectively.

*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**

*The amendments are not applicable to the Group and do not have any impact on the Group's financial position or financial performance.*

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

### **2.4. The New Standards, Amendments and Interpretations (Continued)**

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

The following amendments to IAS 21 are issued by IASB but not yet adapted/issued by POA. Therefore, they do not constitute part of IFRS. The Group will make the necessary changes to its consolidated financial statements after the amendments are issued and become effective under IFRS.

#### **Amendments to IAS 21 - Translation to a Hyperinflationary Presentation**

The amendments issued by the IASB in November 2025 require the use of the closing exchange rate when translating from a non-hyperinflationary functional currency into a hyperinflationary presentation currency.

Accordingly, when an entity’s functional currency is the currency of a non-hyperinflationary economy but its presentation currency is the currency of a hyperinflationary economy, the entity translates all amounts, including comparative figures (in other words, assets, liabilities, equity items, income and expenses), using the closing exchange rate at the end of the current reporting period. In addition, an entity whose functional currency and presentation currency are both currencies of a hyperinflationary economy restates the comparative amounts of a foreign operation whose functional currency is the currency of a non-hyperinflationary economy by applying the general price index in accordance with IAS 29, thereby expressing such amounts in terms of the current measuring unit. These amendments also introduce certain additional disclosure requirements.

### **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/TFRS, 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.

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.

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

**2.5. Summary of Significant Accounting Policies (Continued)**

**Principles of Consolidation (Continued)**

Branches

Branches do not have a separate legal personality from the parent company. Therefore, all rights and obligations arising from branch operations belong to the parent company. Financial information related to branches is included in the financial statements of the parent company.

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 eliminated against 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.

**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.

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

**2.5. Summary of Significant Accounting Policies (Continued)**

**Financial instruments (Continued)**

*Financial assets (Continued)*

*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.

*(i) 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.

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”

*(ii) 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).

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

### **2.5. Summary of Significant Accounting Policies (Continued)**

#### **Financial instruments (Continued)**

##### *Financial assets (Continued)*

##### *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.

##### *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.

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

### **2.5. Summary of Significant Accounting Policies (Continued)**

#### **Financial instruments (Continued)**

##### Financial assets (Continued)

##### *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.
- 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.

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

### **2.5. Summary of Significant Accounting Policies (Continued)**

#### **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.

#### **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.

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

**2.5. Summary of Significant Accounting Policies (Continued)**

**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 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.

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

	<b>Useful Life</b>
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	3-15 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.

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

### 2.5. Summary of Significant Accounting Policies (Continued)

#### Property, plant and equipment (Continued)

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:

Rights	<b>Useful life</b> 3 years
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#### Computer Software

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

#### 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.

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

**2.5. Summary of Significant Accounting Policies (Continued)**

**Intangible assets (Continued)**

*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 as a lessee*

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.

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.

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

**2.5. Summary of Significant Accounting Policies (Continued)**

**Finance leases (Continued)**

*The Group as a lessee (Continued)*

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.

*The 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.

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.

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

### **2.5. Summary of Significant Accounting Policies (Continued)**

#### **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.

#### *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.

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

### **2.5. Summary of Significant Accounting Policies (Continued)**

#### **Provisions, contingent assets and liabilities (Continued)**

##### Provisions (Continued)

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.

##### 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.

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**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)**

*Deferred tax (Continued)*

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.

**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.

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

**2.5. Summary of Significant Accounting Policies (Continued)**

**Effects of exchange rate changes (Continued)**

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

	<b>31 December 2025</b>	<b>31 December 2024</b>
USD	42,8457	35,2803
EUR	50,2859	36,7362
GBP	57,5123	44,2073
CHF	53,8919	38,9446

**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.

**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.

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

### **2.5. Summary of Significant Accounting Policies (Continued)**

#### **Government grants and incentives (Continued)**

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).
- 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.

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

**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**

	<b>31 December 2025</b>	<b>31 December 2024</b>
Cash at banks		
- Demand deposit	108.691.060	112.296.338
- Time deposit	144.238.096	705.805.790
Interest accrual	58.920.891	13.430.928
<b>Cash and cash equivalents</b>	<b>311.850.047</b>	<b>831.533.056</b>

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

	<b>31 December 2025</b>	<b>31 December 2024</b>
Bank Deposits		
- Turkish Lira	221.048.142	725.550.040
- Foreign currency	31.881.014	92.552.088
Interest accrual	58.920.891	13.430.928
	<b>311.850.047</b>	<b>831.533.056</b>

As of 31 December 2025, there are no mortgages, pledges, or restrictions on the Group's cash and cash equivalents (31 December 2024: None).

**4. FINANCIAL LIABILITIES**

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

	<b>31 December 2025</b>	<b>31 December 2024</b>
<b>Current financial liabilities</b>		
Current bank borrowings	1.350.207.576	583.892.040
Current finance lease liabilities	82.085.725	54.503.066
Current portion of non-current borrowings and interest rates	59.285.640	54.488.649
Interest accruals	88.336.392	15.058.502
Credit card liabilities	183.450	531.326
<b>Total current financial liabilities</b>	<b>1.580.098.783</b>	<b>708.473.583</b>
<b>Non-current financial liabilities</b>		
Non current bank borrowings	140.641.679	189.835.178
Non current finance lease liabilities	188.208.388	86.718.289
<b>Total non-current financial liabilities</b>	<b>328.850.067</b>	<b>276.553.467</b>
<b>Total</b>	<b>1.908.948.850</b>	<b>985.027.050</b>

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**4. FINANCIAL LIABILITIES (CONTINUED)**

The repayment schedule of the financial liabilities are as follows;

<b>Time of payment</b>	<b>31 December 2025</b>	<b>31 December 2024</b>
Within 1 year	1.498.013.058	653.970.517
1 - 2 years	31.605.958	37.369.083
2 - 3 years	17.111.112	56.214.894
3 - 4 years	7.491.750	35.825.145
4 - 5 years	7.491.683	13.428.008
5 - 6 years	76.941.176	46.998.048
<b>Total</b>	<b>1.638.654.737</b>	<b>843.805.695</b>

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

	<b>31 December 2025</b>	<b>31 December 2024</b>
Within 1 year	82.085.725	54.503.066
1 - 2 years	71.894.819	45.249.753
2 - 3 years	61.727.621	20.734.499
3 - 4 years	41.322.292	20.734.037
4 – 5 years	13.263.656	--
<b>Total</b>	<b>270.294.113</b>	<b>141.221.355</b>

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**4. FINANCIAL LIABILITIES (CONTINUED)**

	<b>Foreign currency</b>		<b>TRY Equivalent</b>	
	<b>31 December 2025</b>	<b>31 December 2024</b>	<b>31 December 2025</b>	<b>31 December 2024</b>
<b><u>Current bank borrowings</u></b>				
-TRY	--	--	68.919.840	112.908.812
-USD	13.923.112	6.863.044	596.545.464	316.929.923
-EUR	14.795.955	4.336.956	744.027.912	208.541.954
<b><u>Current finance lease liabilities</u></b>				
-TRY	--	--	8.081.790	16.804.002
-EUR	1.471.664	784.011	74.003.935	37.699.064
Interest accrual	--	--	88.336.392	15.058.502
Credit card liabilities	--	--	183.450	531.326
			<b>1.580.098.783</b>	<b>708.473.583</b>
<b><u>Non-current borrowings</u></b>				
-TRY	--	--	133.608.091	156.506.018
-USD	164.161	--	7.033.588	--
-EUR	--	693.132	--	33.329.160
<b><u>Non-current finance lease liabilities</u></b>				
-TRY	--	--	1.140.590	--
-EUR	3.720.085	1.824.623	187.067.798	86.718.289
			<b>328.850.067</b>	<b>276.553.467</b>

As of 31 December 2025, the interest rate range for the TRY loans utilized by the Group is between 11% and 54%, and the average interest rate for foreign currency-denominated loans is 6-12%. (31 December 2024, the interest rate range for TRY loans was between 11% and 53%, and for foreign currency-denominated loans, it was between 5,4% and 12%).

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

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**5. TRADE RECEIVABLES AND PAYABLES**

**(a) Current trade receivables**

	<b>31 December 2025</b>	<b>31 December 2024</b>
<u>Trade receivables</u>		
- Currents accounts	1.086.711.555	321.989.074
- Post-dated checks and promissory notes	--	117.803.095
Trade receivables from related parties (Note 27)	301.016.212	809.033.320
<b>Current trade receivables (gross)</b>	<b>1.387.727.767</b>	<b>1.248.825.489</b>
Less: Expected credit losses	(4.451.774)	(3.217.809)
Less: Deferred finance income	(18.023.766)	(16.821.150)
<b>Current trade receivables (net)</b>	<b>1.365.252.227</b>	<b>1.228.786.530</b>

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;

	<b>1 January- 31 December 2025</b>	<b>1 January- 31 December 2024</b>
<b>Opening balance, 01 January</b>	<b>(3.217.809)</b>	<b>(14.398.469)</b>
<i>Provisions during the period (Note 21)</i>	<i>(2.235.180)</i>	<i>--</i>
<i>Collections and cancelled provisions (Note 21)</i>	<i>239.790</i>	<i>7.603.882</i>
<i>Monetary loss/(gain)</i>	<i>761.425</i>	<i>3.576.778</i>
	<b>(4.451.774)</b>	<b>(3.217.809)</b>

The maturity breakdown of post-dated checks and notes receivable is as follows;

	<b>31 December 2025</b>	<b>31 December 2024</b>
0-3 months	--	65.446.164
3-6 months	--	52.356.931
<b>Total</b>	<b>--</b>	<b>117.803.095</b>

**(b) Current trade payables**

	<b>31 December 2025</b>	<b>31 December 2024</b>
<u>Trade payables</u>		
- Current accounts	584.475.809	539.836.787
Trade payables from related parties (Note 27)	1.539.574	296.480
<b>Current trade payables (gross)</b>	<b>586.015.383</b>	<b>540.133.267</b>
Less: Deferred finance expense	(12.271.294)	(6.316.735)
<b>Current trade payables (net)</b>	<b>573.744.089</b>	<b>533.816.532</b>

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

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**6. OTHER RECEIVABLES AND PAYABLES**

**(a) Other current receivables**

	<b>31 December 2025</b>	<b>31 December 2024</b>
Deposits and guarantees given	296.584	591.365
<b>Total</b>	<b>296.584</b>	<b>591.365</b>

**(b) Other non-current receivables**

	<b>31 December 2025</b>	<b>31 December 2024</b>
Deposits and guarantees given	617.039	170.309
<b>Total</b>	<b>617.039</b>	<b>170.309</b>

**(c) Other current liabilities**

	<b>31 December 2025</b>	<b>31 December 2024</b>
Other payables to related parties (Note 27)	--	36.883.678
Received deposits and guarantees	--	284.382
Other various liabilities(*)	68.768.825	--
<b>Total</b>	<b>68.768.825</b>	<b>37.168.060</b>

**(d) Other non-current liabilities**

	<b>31 December 2025</b>	<b>31 December 2024</b>
Payables to related parties (Note 27)	--	73.767.356
<b>Total</b>	<b>--</b>	<b>73.767.356</b>

(\*) 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.

Accordingly, the related liability is expected to be fully settled in October 2026 in accordance with the payment schedule stipulated in the agreement. As of 2025, since the Group does not hold any equity interest or ownership stake in Aselsan Elektronik Sanayi ve Ticaret Anonim Şirketi, the related outstanding balance is classified under ‘other payables’ rather than ‘payables to related parties’ in the financial statements.

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**7. INVENTORIES**

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

	<b>31 December 2025</b>	<b>31 December 2024</b>
Raw materials and supplies inventory (*)	476.884.460	36.533.829
Semi-finished goods	950.835.857	697.170.795
Finished goods	--	47.632.169
<b>Total</b>	<b>1.427.720.317</b>	<b>781.336.793</b>

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

As of 31 December 2025 the Group has commodity insurance within its commercial package insurance on its tangible fixed assets.

(\*) The details of raw materials and supplies as of 31 December 2025 and 2024 are as follows:

	<b>31 December 2025</b>	<b>31 December 2024</b>
Raw materials and supplies related to production projects	219.386.661	28.765.317
Raw materials and supplies related to R&D projects	253.656.716	6.820.388
Other raw materials and supplies	3.841.083	948.124
<b>Total</b>	<b>476.884.460</b>	<b>36.533.829</b>

(\*) The primary reason for the increase in materials observed in the first line item within the scope of production and R&D projects is the addition of 10 new projects during the 2025 fiscal period. With the commissioning of these projects, there has been an increase in the requirements for raw materials, work-in-progress and consumables, which has been directly reflected in the related expense line.

**8. PREPAID EXPENSES AND DEFERRED INCOME**

**a) Prepaid expenses in current assets**

	<b>31 December 2025</b>	<b>31 December 2024</b>
Advances given for inventories (*)	395.631.291	316.421.879
Expenses for future months (**)	39.918.716	49.753.037
<b>Total</b>	<b>435.550.007</b>	<b>366.174.916</b>

(\*) The details of advances given for the Group's inventories as of 31 December 2025 and 2024 are as follows:

	<b>31 December 2025</b>	<b>31 December 2024</b>
Advances for production and R&D projects	392.444.665	264.260.217
General advances	3.186.626	52.161.662
<b>Total</b>	<b>395.631.291</b>	<b>316.421.879</b>

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**8. PREPAID EXPENSES AND DEFERRED INCOME(CONTINUED)**

**a) Prepaid expenses in current assets(Continued)**

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

	<b>31 Decemeber 2025</b>	<b>31 December 2024</b>
Project expenses	25.524.958	25.527.555
Software license expenses(*)	5.247.724	21.352.575
Insurance and other expenses	9.146.034	2.872.907
<b>Toplam</b>	<b>39.918.716</b>	<b>49.753.037</b>

(\*) Represents the portion of software usage and license expenses incurred by the Group in 2025 that relates to the 2026 fiscal period.

**b) Prepaid expenses included in non-current assets**

	<b>31 December 2025</b>	<b>31 December 2024</b>
Advances given for tangible fixed assets (*)	92.015.295	68.590.674
Expenses for future years	--	416.917
<b>Total</b>	<b>92.015.295</b>	<b>69.007.591</b>

(\*) 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**

	<b>31 December 2025</b>	<b>31 December 2024</b>
Advances received from orders (*)	1.310.835.606	1.092.207.626
<b>Total</b>	<b>1.310.835.606</b>	<b>1.092.207.626</b>

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

	<b>31 December 2025</b>	<b>31 December 2024</b>
Advances received from other parties	658.403.436	430.284.919
Advances received from related parties (Note 27)	652.432.170	661.922.707
<b>Total</b>	<b>1.310.835.606</b>	<b>1.092.207.626</b>

**9. ONGOING PROJECT COSTS**

	<b>31 December 2025</b>	<b>31 December 2024</b>
Ongoing project costs(*)	867.780.214	740.133.846
<b>Total</b>	<b>867.780.214</b>	<b>740.133.846</b>

(\*) Altınay Savunma and its subsidiaries develops motion control systems, unmanned systems, weapon systems and ammunition disposal systems, and carries out system integration projects for various domestic customers in the defense, aviation and naval platforms sectors. Costs incurred for design, development and testing activities related to these projects are accounted for under work-in-progress project costs. Upon delivery of the respective projects to the customers in subsequent periods, such costs are recognized in the statement of profit or loss.

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**10. FINANCIAL INVESTMENTS**

**Current financial investment**

	<b>31 December 2025</b>	<b>31 December 2024</b>
Investment fund	31.221.259	134.438.072
Lease certificate	7.506.248	95.718.845
<b>Total</b>	<b>38.727.507</b>	<b>230.156.917</b>

**Non current financial investment**

	<b>31 December 2025</b>	<b>31 December 2024</b>
Preo venture capital investment fund	6.247.215	902.976
Second participation venture capital fund	2.207.149	1.854.535
Tars venture capital investment fund	1.302.056	1.570.702
Innovative and advanced technologies participation venture capital fund	5.399.999	--
Çağla venture capital investment fund	8.851.127	--
Retina venture capital investment fund	--	2.116.660
<b>Total</b>	<b>24.007.546</b>	<b>6.444.873</b>

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

	<b>1 January- 31 December 2025</b>	<b>1 January- 31 December 2024</b>
<b>January 1</b>	<b>6.444.873</b>	<b>6.587.647</b>
Additions	14.251.126	--
Disposals	(2.116.660)	--
<i>Increase in the fair value of securities (Note 22)</i>	5.717.093	4.378.450
<i>Monetary gain/(loss)</i>	(288.886)	(4.521.224)
<b>Total</b>	<b>24.007.546</b>	<b>6.444.873</b>

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.”

Within this scope;

In the annual corporate tax return for 2025, taxpayers benefiting from R&D deductions, design deductions, or technopark income exemptions amounting to TRY 5,000,000 or more are required to:

- Allocate a fund equal to 3% of the utilized amount, and
- Utilize this fund by 31 December 2026 through investing in venture capital investment fund units or contributing capital to venture capital investment trusts or to entrepreneurs operating in incubation centers located within technoparks.

However, the amount of the fund to be allocated is capped at TRY 100,000,000 on an annual basis.

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**11. PROPERTY, PLANT AND EQUIPMENT**

As of 31 December 2025 and 31 December 2024 the movements details of the tangible fixed assets are as follows;

	<b>31.12.2023</b>	<b>Additions</b>	<b>Transfers</b>	<b>31.12.2024</b>	<b>Additions</b>	<b>Disposals</b>	<b>31.12.2025</b>
<b>Cost</b>							
Land	211.321.139	--	(211.321.139)	--	12.720.000	--	12.720.000
Buildings	--	42.960.231	744.858.414	787.818.645	2.361.686	--	790.180.331
Machinery and equipment	119.262.595	184.422.910	14.458.869	318.144.374	285.940.899	--	604.085.273
Motor vehicles	25.315.780	51.296.625	--	76.612.405	22.715.091	(1.944.075)	97.383.421
Fixtures and fittings	91.900.338	40.899.659	298.037	133.098.034	36.358.861	--	169.456.895
Special costs	22.335.680	905.672	--	23.241.352	2.152.506	--	25.393.858
Ongoing investments	397.735.329	150.558.852	(548.294.181)	--	--	--	--
	<b>867.870.861</b>	<b>471.043.949</b>	<b>--</b>	<b>1.338.914.810</b>	<b>362.249.043</b>	<b>(1.944.075)</b>	<b>1.699.219.778</b>
<b>Accumulated depreciation (-)</b>							
Buildings							
Machinery and equipment	--	9.182.954	--	9.182.954	22.412.355	--	31.595.309
Motor vehicles	32.210.956	64.052.500	--	96.263.456	103.329.654	--	199.593.110
Fixtures and fittings	7.182.938	7.124.340	--	14.307.278	16.095.257	(1.944.075)	28.458.460
Special costs	39.798.157	22.297.448	--	62.095.605	30.143.010	--	92.238.615
	12.540.742	3.585.884	--	16.126.626	3.801.569	--	19.928.195
	<b>91.732.793</b>	<b>106.243.126</b>	<b>--</b>	<b>197.975.919</b>	<b>175.781.845</b>	<b>(1.944.075)</b>	<b>371.813.689</b>
<b>Net book value</b>	<b>776.138.068</b>			<b>1.1140.938.891</b>			<b>1.327.406.089</b>

As at 31 December 2025, the Group’s tangible fixed assets are insured for approximately EUR 27.373.590, USD 225,000, and TRY 78.778.259 (December 31, 2024: TRY 893.225.353).

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

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**11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

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

	<b>31 December 2025</b>	<b>31 December 2024</b>
Tangible assets	175.781.845	106.243.126
Intangible assets (Note 12)	80.610.204	81.888.174
Right of use assets (Note 13)	17.263.530	2.613.022
<b>Total</b>	<b>273.655.579</b>	<b>190.744.322</b>

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;

	<b>1 January- 31 December 2025</b>	<b>1 January- 31 December 2024</b>
Research expenses (Note 20)	173.808.031	121.174.489
Cost of services sold (Note 19)	83.528.732	63.459.686
General administrative expenses (Note 20)	16.318.816	6.110.147
<b>Total</b>	<b>273.655.579</b>	<b>190.744.322</b>

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**12. INTANGIBLE ASSETS**

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

	<b>31.12.2023</b>	<b>Additions</b>	<b>31.12.2024</b>	<b>Additions</b>	<b>31.12.2025</b>
<b>Cost</b>					
Rights (*)	28.560.309	3.527.559	32.087.868	3.896.833	35.984.701
Development expenses(**)	2.308.618.842	582.764.622	2.891.383.464	785.145.798	3.676.529.262
Other intangible assets	39.614.985	1.513.004	41.127.989	581.602	41.709.591
	<b>2.376.794.136</b>	<b>587.805.185</b>	<b>2.964.599.321</b>	<b>789.624.233</b>	<b>3.754.223.554</b>
<b>Accumulated Amortization (-)</b>					
Rights	13.969.244	10.138.028	24.107.272	6.493.013	30.600.285
Development expenses	292.007.920	66.203.789	358.211.709	70.513.607	428.725.316
Other intangible assets	29.089.557	5.546.357	34.635.914	3.603.584	38.239.498
	<b>335.066.721</b>	<b>81.888.174</b>	<b>416.954.895</b>	<b>80.610.204</b>	<b>497.565.099</b>
<b>Net Book Value</b>	<b>2.041.727.415</b>		<b>2.547.644.426</b>		<b>3.256.658.455</b>

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

(\*\*) Altınay Savunma and its Subsidiaries track the projects they develop using their own equity within intangible assets.

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**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;

	<b>31.12.2023</b>	<b>Additions</b>	<b>Disposals</b>	<b>31.12.2024</b>	<b>Additions</b>	<b>Disposals</b>	<b>31.12.2025</b>
<b>Cost</b>							
Building	7.994.069	--	(7.249.682)	744.387	--	--	744.387
Motor vehicles	8.744.255	--	--	8.744.255	56.287.003	(5.783.392)	59.247.866
	<b>16.738.324</b>	<b>--</b>	<b>(7.249.682)</b>	<b>9.488.642</b>	<b>56.287.003</b>	<b>(5.783.392)</b>	<b>59.992.253</b>
<b>Accumulated Amortization</b>							
Building	6.181.650	--	(5.437.263)	744.387	--	--	744.387
Motor vehicles	5.078.079	2.613.022	--	7.691.101	17.263.530	(5.504.630)	19.450.001
	<b>11.259.729</b>	<b>2.613.022</b>	<b>(5.437.263)</b>	<b>8.435.488</b>	<b>17.263.530</b>	<b>(5.504.630)</b>	<b>20.194.388</b>
<b>Net book value</b>	<b>5.478.595</b>			<b>1.053.154</b>			<b>39.797.865</b>

(\*) The Group's vehicle lease agreements are for 1-3 years.

The maturity distinction for operational lease payables is as follows;

	<b>31 December 2025</b>	<b>31 December 2024</b>
Current lease obligations	20.568.058	872.583
Non-current lease liabilities	14.074.416	1.211.347
	<b>34.642.474</b>	<b>2.083.930</b>

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

	<b>31 December 2025</b>	<b>31 December 2024</b>
Within 1 year	20.568.058	872.583
1 - 2 years	10.833.389	1.211.347
2 - 3 years	3.241.027	--
	<b>34.642.474</b>	<b>2.083.930</b>

**14. GOVERNMENT 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 627.044.334 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%.

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**15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**

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

	<b>31 December 2025</b>	<b>31 December 2024</b>
A. CPM’s given in the name of own legal personality	5.401.969.491	4.185.295.990
B. CPM’s given on behalf of the fully consolidated companies(*)	894.811.100	616.067.257
C. CPM’s given on behalf of third parties for ordinary course of business		
D. Total amount of other CPM’s given	3.957.459.850	5.358.346.955
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	3.957.459.850	5.358.346.955
iii. Total amount of CPM’s given on behalf of third parties which are not in scope of C	--	--
<b>Total</b>	<b>10.254.240.441</b>	<b>10.159.710.202</b>

(\*) The guarantee amount provided by Altınay Savunma under the Dasal Havacılık General Credit Agreements consists of TRY 550.250.000, EUR 6.000.000 and USD 1.000.000. (As of 31 December 2024: 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.)

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

	<b>TRY</b>	<b>USD</b>	<b>EUR</b>	<b>31.12.2025 TRY Equivalent</b>
Letters of guarantee	10.247.452	3.830.674	10.247.452	689.677.701
Mortgages (*)	287.600.000	--	--	287.600.000
Guarantee	3.254.800.000	9.700.000	15.000.000	4.424.691.790
	<b>3.552.647.452</b>	<b>13.530.674</b>	<b>25.247.452</b>	<b>5.401.969.491</b>

	<b>TRY</b>	<b>USD</b>	<b>EUR</b>	<b>31.12.2024 Indexed TRY Equivalent</b>
Letters of guarantee	41.141.273	789.958	12.567.843	694.653.488
Mortgages (*)	287.600.000	--	--	376.446.336
Guarantee	1.850.000.000	15.000.000	--	3.114.196.166
	<b>2.178.741.273</b>	<b>15.789.958</b>	<b>12.567.843</b>	<b>4.185.295.990</b>

(\*) 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.

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**15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (CONTINUED)**

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

		<b>31.12.2025</b>			<b>TRY Equivalent</b>
		<b>TRY</b>	<b>USD</b>	<b>EUR</b>	
Altınay Robot Teknolojileri Sanayi ve Tic. A.Ş.	GLA	510.000.000	10.321.000	51.200.000	3.526.848.550
Altınay Elektromobilité ve Enerji Tekn. A.Ş.	GLA	45.000.000	9.000.000	--	430.611.300
Dasal Havacılık Teknolojileri A.Ş.	GLA	550.250.000	1.000.000	6.000.000	894.811.100
		<b>1.105.250.000</b>	<b>20.321.000</b>	<b>57.200.000</b>	<b>4.852.270.950</b>

		<b>31.12.2024</b>			<b>Indexed</b>
		<b>TRY</b>	<b>USD</b>	<b>EUR</b>	<b>TRY Equivalent</b>
Altınay Robot Teknolojileri Sanayi ve Tic. A.Ş.	GLA	1.219.600.000	10.321.000	55.575.000	4.745.294.934
Altınay Elektromobilité ve Enerji Tekn. A.Ş.	GLA	45.000.000	12.000.000	--	613.052.021
Dasal Havacılık Teknolojileri A.Ş.	GLA	250.250.000	--	6.000.000	616.067.257
		<b>1.514.850.000</b>	<b>22.321.000</b>	<b>61.575.000</b>	<b>5.974.414.212</b>

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

		<b>31.12.2025</b>			<b>TRY Equivalent</b>
		<b>TRY</b>	<b>USD</b>	<b>EUR</b>	
Letters of guarantee		10.247.452	3.830.674	10.247.452	689.677.701
		<b>10.247.452</b>	<b>3.830.674</b>	<b>10.247.452</b>	<b>689.677.701</b>

		<b>31.12.2024</b>			<b>Indexed</b>
		<b>TRY</b>	<b>USD</b>	<b>EUR</b>	<b>TRY Equivalent</b>
Letters of guarantee		41.141.273	789.958	12.567.843	694.653.488
		<b>41.141.273</b>	<b>789.958</b>	<b>12.567.843</b>	<b>694.653.488</b>

The Group's current provisions are as follows:

	<b>31 December 2025</b>	<b>31 December 2024</b>
Provision for litigations	8.600	11.257
	<b>8.600</b>	<b>11.257</b>

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**15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (CONTINUED)**

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

	1 January- 31 December 2025	1 January- 31 December 2024
<b>Opening balance, 01 January</b>	<b>11.257</b>	<b>8.400</b>
<i>Provisions during the period (Note 21)</i>	--	262
<i>Monetary loss/(gain)</i>	(2.657)	2.595
<b>Closing balance, 31 December</b>	<b>8.600</b>	<b>11.257</b>

**16. EMPLOYEE BENEFITS**

**a) Current liabilities for employee benefits**

	31 December 2025	31 December 2024
Social security premiums payable	35.517.758	30.530.342
Due to personnel	5.176.844	2.467.213
<b>Total</b>	<b>40.694.602</b>	<b>32.997.555</b>

**b) Provisions for employee benefits**

	31 December 2025	31 December 2024
Current provisions	66.455.893	56.414.858
Non current provisions	43.453.834	34.868.600
<b>Total</b>	<b>109.909.727</b>	<b>91.283.458</b>

**b.1) Current provisions**

	31 December 2025	31 December 2024
Provision for unused vacations	66.455.893	56.414.858
<b>Total</b>	<b>66.455.893</b>	<b>56.414.858</b>

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

	1 January- 31 December 2025	1 January- 31 December 2024
<b>Opening balance, 01 January</b>	<b>56.414.858</b>	<b>34.799.185</b>
<i>Provisions during the period (Note 20)</i>	23.355.691	32.312.156
<i>Monetary loss/(gain)</i>	(13.314.656)	(10.696.483)
	<b>66.455.893</b>	<b>56.414.858</b>

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**16. EMPLOYEE BENEFITS (CONTINUED)**

**b) Provisions for employee benefits (Continued)**

**b.2) Non-Current provisions**

	<b>31 December 2025</b>	<b>31 December 2024</b>
Provision for employee termination benefits	43.453.834	34.868.600
<b>Total</b>	<b>43.453.834</b>	<b>34.868.600</b>

**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 2025 the severance pay ceiling to be paid is subject to the monthly ceiling of TRY 64.948,77 (31 December 2024: TRY 46.655,43) for each year of service. As of 1 January 2025, the severance pay ceiling to be applied has been increased to TRY 64.948,77 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.

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Therefore, the discount rate applied represents the expected real interest rate after adjusting for the effects of future inflation. Accordingly, as of 31 December 2025 and 31 December 2024, the liabilities in the accompanying financial statements are calculated by estimating the present value of the probable future obligation arising from employees’ retirement. The estimated rate of severance indemnities that will not be paid due to voluntary resignations and thus remain with the Company has also been taken into consideration. The severance pay ceiling is revised semi-annually, and the ceiling amount of TRY 64.948,77 has been taken into account in the calculation of the Company’s severance provision as from 1 January 2025.

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

	<b>1 January- 31 December 2025</b>	<b>1 January- 31 December 2024</b>
<b>Beginning of the period. 1 January</b>	<b>34.868.600</b>	<b>27.111.352</b>
<i>Service cost (Note 20)</i>	<i>15.119.414</i>	<i>15.456.017</i>
<i>Interest expense (Note 21)</i>	<i>7.232.529</i>	<i>4.703.872</i>
<i>Actuarial loss/(gain) (deferred tax)</i>	<i>682.575</i>	<i>575.378</i>
<i>Actuarial gain / (loss)</i>	<i>(3.412.880)</i>	<i>(2.876.890)</i>
<i>Payments during the period</i>	<i>(2.806.954)</i>	<i>(1.767.717)</i>
<i>Monetary loss/(gain)</i>	<i>(8.229.450)</i>	<i>(8.333.412)</i>
<b>Total</b>	<b>43.453.834</b>	<b>34.868.600</b>

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**17. OTHER ASSETS AND LIABILITIES**

**a) Other current assets**

	31 December 2025	31 December 2024
VAT carried out	230.331.670	159.920.811
VAT receivables	114.655.623	83.383.794
Employee advances	26.303.447	14.925.633
Business advances given	7.307.564	5.575.946
Revenue Accruals	64.779	25.720.331
<b>Total</b>	<b>378.663.083</b>	<b>289.526.515</b>

**b) Other non-current assets**

The Group has no other non-current assets.

**c) Other current liabilities**

	31 December 2025	31 December 2024
Taxes and funds payable	23.768.423	34.037.702
Accrued expenses	1.107.657	428.094
Revenue for future months	--	130.149.941
Other current liabilities	--	30.923
<b>Total</b>	<b>24.876.080</b>	<b>164.646.660</b>

**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 2025	Share Percentage (%)	31 December 2024	Share Percentage (%)
Hakan Altınay	600.101.235	60,01	148.235.294	63
Publicly traded on Borsa İstanbul	399.898.340	39,99	58.823.530	25
Letven Capital Gir. Serm. Port. Yön. A.Ş.	425	0,00	28.235.294	12
	<b>1.000.000.000</b>	<b>100</b>	<b>235.294.118</b>	<b>100</b>
Adjustment to share capital	245.412.069		943.491.574	
	<b>1.245.412.069</b>		<b>1.178.785.692</b>	

As of 31 December 2025 the Company's capital is divided into 229.500.000 Class A shares, 425 Class B shares, and 770.499.575 Class C shares, each with a nominal value of 1 Turkish Lira ("TRY"). (As of 31 December 2024, the Company's share capital is divided into 235.294.118 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.

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**18. EQUITY (CONTINUED)**

**b) Other equity items**

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

	<b>31 December 2025</b>	<b>31 December 2024</b>
Legal reserves	251.274.220	234.030.882
Special funds	82.120.830	62.014.450
<b>Total</b>	<b>333.395.050</b>	<b>296.045.332</b>

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;

	<b>31 December 2025</b>	<b>31 December 2024</b>
Actuarial gain / (loss) funds	(6.696.648)	(10.022.674)
<b>Total</b>	<b>(6.696.648)</b>	<b>(10.022.674)</b>

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

	<b>31 December 2025</b>	<b>31 December 2024</b>
Retained earnings gain/ (loss)	1.315.851.409	954.548.580
<b>Total</b>	<b>1.315.851.409</b>	<b>954.548.580</b>
	<b>31 December 2025</b>	<b>31 December 2024</b>
Share premiums	1.570.941.699	1.637.568.076
	<b>1.570.941.699</b>	<b>1.637.568.076</b>

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**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 2025 and 31 December 2024 is as follows:

<b>31.12.2023, Non-controlling interests</b>	<b>518.345.421</b>
Change in general reserves of associates	(263.404.372)
Profit/(loss) for the period – non-controlling interests	241.604.883
<b>31.12.2024, Non-controlling interests</b>	<b>496.545.932</b>
Change in general reserves of associates	86.853
Non-controlling interest in profit/(loss) for the period	(22.487.998)
<b>31.03.2025, Non-controlling interests</b>	<b>474.144.787</b>

**19. REVENUE AND COST OF SALES**

	<b>1 January- 31 December 2025</b>	<b>1 January- 31 December 2024</b>
Domestic sales	3.096.612.822	2.200.905.117
Foreign Sales	239.442.566	133.365.970
Other Income	595.400	358.437
<b>Revenue, (net)</b>	<b>3.336.650.788</b>	<b>2.334.629.524</b>
Sales returns	(196.800.465)	(22.019.317)
<b>Sales revenue, (net)</b>	<b>3.139.850.323</b>	<b>2.312.610.207</b>
Cost of goods sold	(969.756.398)	(467.713.624)
Cost of trade goods sold	--	(6.103.049)
Cost of services sold	(14.795.883)	(9.985.587)
Cost of other sales	(1.161.894.068)	(646.119.309)
<b>Cost of sales (-)</b>	<b>(2.146.446.349)</b>	<b>(1.129.921.569)</b>
<b>Gross profit</b>	<b>993.403.974</b>	<b>1.182.688.638</b>

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**19. REVENUE AND COST OF SALES (CONTINUED)**

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

	<b>1 January- 31 December 2025</b>	<b>1 January- 31 December 2024</b>
Direct raw materials and supplies expenses	384.304.896	559.567.312
Direct labour cost	243.909.646	211.773.147
Other production costs	464.504.899	280.107.658
Depreciation and amortization expenses (Note 11)	83.528.732	63.459.686
<b>Total production cost</b>	<b>1.176.248.173</b>	<b>1.114.907.803</b>
Change in inventories of semi-finished and finished goods	(251.571.293)	(596.959.351)
Change in inventories of finished goods	46.739.836	(47.632.169)
<b>I. Cost of goods sold</b>	<b>971.416.716</b>	<b>470.316.283</b>
II. Cost trade goods sold	--	6.103.048
III. Cost of services rendered and trading goods sold	1.175.029.619	653.502.238
<b>Cost of sales (-)</b>	<b>2.146.446.349</b>	<b>1.129.921.569</b>

**20. EXPENSES BY NATURE**

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

	<b>1 January- 31 December 2025</b>	<b>1 January- 31 December 2024</b>
Research expenses (-)	(365.937.387)	(276.882.938)
General administrative expenses (-)	(140.876.492)	(141.822.767)
Marketing, selling and distribution expenses (-)	(24.403.260)	(26.751.740)
<b>Total</b>	<b>(531.217.139)</b>	<b>(445.457.445)</b>

As of the reporting period the details of the researching expenses are as follows;

	<b>1 January - 31 December 2025</b>	<b>1 January - 31 December 2024</b>
Depreciation and amortization expenses (Note 11)	(173.808.031)	(121.174.489)
Research expenses	(192.129.356)	(155.708.449)
	<b>(365.937.387)</b>	<b>(276.882.938)</b>

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**20. EXPENSES BY NATURE(CONTINUED)**

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

	<b>1 January- 31 December 2025</b>	<b>1 January- 31 December 2024</b>
Advertising, promotion, trade fair, and other expenses	(7.297.584)	(4.429.399)
Export, import, and customs expenses	(4.635.666)	(22.206.718)
Communication expenses	(4.336.435)	--
Travelling expenses	(3.897.574)	--
Rent expenses	(1.224.631)	--
Personnel expenses	(1.039.230)	(109.088)
Insurance expenses	(565.397)	--
Other	(1.406.743)	(6.535)
<b>Total</b>	<b>(24.403.260)</b>	<b>(26.751.740)</b>

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

	<b>1 January- 31 December 2025</b>	<b>1 January- 31 December 2024</b>
Personnel expenses	(55.758.755)	(38.933.430)
Provision for unused vacation (Note 15)	(23.355.691)	(32.312.156)
Depreciation and amortization expenses (Note 11)	(16.318.816)	(6.110.147)
Consultancy and advisory expenses	(16.183.753)	(14.410.430)
Severance pay expense (Note 15)	(15.119.414)	(15.456.017)
Motor vehicle expenses	(4.085.099)	(7.955.426)
Rent expenses	(3.209.583)	(10.413.719)
Accommodation-travel, parking expenses	(2.735.708)	(1.136.220)
Taxes, duties, and fees expenses	(2.363.853)	(3.625.991)
Maintenance and repair expenses	(1.124.079)	(2.501.746)
Insurance expenses	(163.559)	(81.021)
Communication expenses	--	(748.987)
Other	(458.182)	(8.137.477)
<b>Total</b>	<b>(140.876.492)</b>	<b>(141.822.767)</b>

*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:

	<b>1 January- 31 December 2025</b>	<b>1 January- 31 December 2024</b>
Independent audit fee for the reporting period	3.700.000	3.200.000
<b>Total</b>	<b>3.200.000</b>	<b>1.350.000</b>

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**21. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES**

**a) Other income from operating activities**

	<b>1 January- 31 December 2025</b>	<b>1 January- 31 December 2024</b>
Foreign exchange income	463.379.731	216.608.168
Discount income	23.831.555	2.943.596
Incentive and support income	19.286.237	20.093.776
Scrap sales income	916.715	767.278
Prior period income	251.759	970.264
Reversal of expected credit loss allowance (Note 5)	239.790	7.603.882
Other	7.015.289	7.126.089
<b>Total</b>	<b>514.921.076</b>	<b>256.113.053</b>

**b) Other expense from operating activities**

	<b>1 January- 31 December 2025</b>	<b>1 January- 31 December 2024</b>
Foreign exchange expenses	(661.711.376)	(216.455.359)
Interest expense on severance pay liability (Note 16)	(7.232.529)	(4.703.872)
Discount expenses	(5.591.611)	(35.441.611)
Prior period expenses	(3.613.526)	(3.412.472)
Insurance expenses	(3.529.708)	--
Expected credit loss allowance (Note 5)	(2.235.180)	--
Provision for litigation expense (Note 15)	--	(262)
Other	(2.972.195)	(11.699.914)
<b>Total</b>	<b>(686.886.125)</b>	<b>(271.713.490)</b>

**22. INCOME AND EXPENSES FROM INVESTING ACTIVITIES**

**a) Income from investing activities**

	<b>1 January- 31 December 2025</b>	<b>1 January- 31 December 2024</b>
Capital gain on securities (*)	49.868.505	127.578.779
Increase in the fair value of securities (Note 10)	5.717.093	4.378.450
Profit on sale of fixed assets	4.928.353	--
<b>Total</b>	<b>60.513.951</b>	<b>131.957.229</b>

(\*) The Group's gain on sale of securities consists of mutual funds sold in 2025.

**b) Expenses from investing activities**

	<b>1 January- 31 December 2025</b>	<b>1 January- 31 December 2024</b>
Capital loss on securities	(20.984.050)	(42.506)
<b>Total</b>	<b>(20.984.050)</b>	<b>(42.506)</b>

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**23. FINANCIAL INCOME AND EXPENSES**

**a) Financial income**

	<b>1 January- 31 December 2025</b>	<b>1 January- 31 December 2024</b>
Interest income	238.458.111	281.547.583
Foreign exchange income	32.147.365	20.444.976
<b>Total</b>	<b>270.605.476</b>	<b>301.992.559</b>

**b) Financial expenses**

	<b>1 January- 31 December 2025</b>	<b>1 January- 31 December 2024</b>
Interest expenses	(128.909.398)	(109.764.778)
Foreign exchange expenses	(125.692.521)	(65.539.284)
Letter of guarantee expenses	(3.411.856)	(3.963.847)
Bank commission expenses	(2.209.302)	(1.587.291)
Interest expenses on operating leases	(2.157.314)	(1.107.365)
<b>Total</b>	<b>(262.380.391)</b>	<b>(181.962.565)</b>

**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.

50% of the gains arising from the sale of participation shares that have been held in the assets of the company for at least two full years are exempt from corporate tax, provided that such gains are added to share capital in accordance with 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.

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**24. TAXES ON INCOME (CONTINUED)**

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, 2025, the general corporate tax rate is 25%. 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.

The tax expenses shown in the comprehensive income statements for the periods ending on 31 December 2025 and 2024 are as follows:

	<b>1 January- 31 December 2025</b>	<b>1 January- 31 December 2024</b>
Deferred tax income / (expense)	(114.168.759)	(319.276.506)
Current period corporate tax expense	(27.291.266)	(2.110.089)
<b>Total</b>	<b>(141.460.025)</b>	<b>(321.386.595)</b>

The tax provision in the balance sheet for the fiscal years ending on 31 December 2025 and 31 December 2024 is as follows;

	<b>31 December 2025</b>	<b>31 December 2024</b>
Prepaid taxes (-)	(5.460.956)	(16.631.234)
Provision for Corporate Tax for current period	4.235.377	--
<b>Total</b>	<b>(1.225.579)</b>	<b>(16.631.234)</b>

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.

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**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:

	<b>31 December 2025</b>		<b>31 December 2024</b>	
	<b>Cumulative temporary differences</b>	<b>Deferred tax</b>	<b>Cumulative temporary differences</b>	<b>Deferred tax</b>
<b><u>Deferred tax assets</u></b>				
Adjustment of tangible and intangible fixed assets	176.791.370	44.197.844	127.076.189	31.769.047
Provision for unused vacation	66.455.893	16.613.973	56.414.858	14.103.715
Provision for severance pay	43.453.834	10.863.459	34.868.600	8.717.150
Expensed assets	22.957.879	5.739.471	34.534.799	8.633.701
Discounting of trade receivable	19.069.771	4.767.443	39.057.953	9.764.488
Inventory temporary differences	4.898.102	1.224.526	57.612.949	14.403.237
Expected credit loss	4.451.774	1.112.944	3.217.809	804.452
Right-of-use assets	1.343.632	335.908	6.418.706	1.604.677
Provision for litigation	8.600	2.150	11.257	2.814
Financial Investments	--	--	2.618.447	654.612
Foreign exchange difference	--	--	885.553	221.389
Other	20.725.626	5.181.402	13.010.718	3.252.684
<b>Deferred tax assets</b>		<b>90.039.120</b>		<b>93.931.966</b>
<b><u>Deferred tax liabilities</u></b>				
Tangible and intangible assets temporary differences	(1.443.758.566)	(360.939.642)	(1.111.028.162)	(277.757.040)
Deferred income	(398.663.352)	(99.665.838)	(335.493.857)	(83.873.465)
Inventory temporary differences	(93.398.791)	(23.349.698)	(175.830)	(43.958)
Discount of trade payables	(12.304.006)	(3.076.002)	(6.331.312)	(1.582.829)
Right-of-use assets	(5.766.804)	(1.441.701)	(5.731.801)	(1.432.950)
Financial investments	(898.743)	(224.686)	(39.637.315)	(9.909.329)
Foreign exchange difference	--	--	(1.511.183)	(377.796)
Other	--	--	(16.507.443)	(4.126.862)
<b>Deferred tax liabilities</b>		<b>(488.697.567)</b>		<b>(379.104.229)</b>
<b>Deferred tax, net</b>		<b>(398.658.447)</b>		<b>(285.172.263)</b>

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**24. TAXES ON INCOME (CONTINUED)**

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

	<b>31 December 2025</b>	<b>31 December 2024</b>
<b>Opening balance, 01 January</b>	<b>(285.172.263)</b>	<b>33.528.865</b>
Effect of actuarial loss / gain on tax	682.575	575.378
Deferred tax asset / (liabilities) for the period	(114.168.759)	(319.276.506)
<b>Total</b>	<b>(398.658.447)</b>	<b>(285.172.263)</b>

**25. EARNINGS PER SHARE**

	<b>1 January- 31 December 2025</b>	<b>1 January- 31 December 2024</b>
Profit for the period	163.432.188	398.477.731
Weighted average number of shares with nominal value	237.389.203	222.275.796
<b>Total</b>	<b>0,69</b>	<b>1,79</b>

**26. MONETARY POSITION GAINS/(LOSSES)**

<b>Financial Position Statement Items</b>	<b>31 December 2025</b>	<b>31 December 2024</b>
Intangible assets	869.163.017	805.225.199
Share capital	280.543.907	(535.234.078)
Tangible fixed assets	233.553.308	400.964.297
Inventories	139.078.307	(4.429.090)
Financial investments	121.755.390	151.080.928
Right-of-use assets	7.227.479	(3.741.346)
Other current assets	3.829.428	6.157.505
Other current liabilities	1.434.539	25.044.479
Revaluation	--	(3.347.638)
Other assets	(30.599)	(29.280.690)
Other reserves	(16.741.359)	(19.332.680)
Deferred tax liabilities	(67.304.443)	(39.710.248)
Income statement items	(68.327.092)	(75.040.177)
Legal reserves	(69.803.044)	(87.901.744)
Share Premiums	(362.628.696)	(249.900.782)
Retained earnings/(accumulated losses)	(1.127.322.699)	(352.660.199)
<b>Total</b>	<b>(55.572.557)</b>	<b>(12.106.264)</b>

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**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.

**a) Trade receivables from related parties**

<b>Current</b>	<b>31 December 2025</b>	<b>31 December 2024</b>
Tusaş-Türk Havacılık ve Uzay Sanayi Ticaret A.Ş.	260.653.030	701.647.530
Altınay Elektromobilite Ve Enerji Teknolojileri A.Ş.	40.363.182	--
Aselsan Elektronik San. ve Ticaret A.Ş.	--	107.063.935
Altınay Modifikasyon Merkezi Ticaret A.Ş.	--	238.720
Altınay Robot Teknoloji Sanayi Ticaret A.Ş.	--	83.135
<b>Total</b>	<b>301.016.212</b>	<b>809.033.320</b>

**b) Trade payables to related parties**

	<b>31 December 2025</b>	<b>31 December 2024</b>
Tusaş-Türk Havacılık ve Uzay Sanayi A.Ş.	1.539.574	296.480
<b>Total</b>	<b>1.539.574</b>	<b>296.480</b>

**c) Other current liabilities**

	<b>31 December 2025</b>	<b>31 December 2024</b>
Aselsan Elektronik ve Tic. A.Ş.(*)	--	36.883.678
<b>Total</b>	<b>--</b>	<b>36.883.678</b>

**d) Other non-current liabilities**

	<b>31 December 2025</b>	<b>31 December 2024</b>
Aselsan Elektronik San. ve Tic. A.Ş.(*)	--	73.767.356
<b>Total</b>	<b>--</b>	<b>73.767.356</b>

(\* ) 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.

This liability is expected to be fully settled in October 2026 in accordance with the payment schedule stipulated in the agreement. As of 2025, since the Group does not hold any share capital or equity interest in Aselsan Elektronik Sanayi ve Ticaret Anonim Şirketi, the related outstanding balance is classified under “other payables” rather than “payables to related parties” in the financial statements (Note 6).

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**27. RELATED PARTY DISCLOSURES (CONTINUED)**

**e) Order Advances Received**

	<b>31 December 2025</b>	<b>31 December 2024</b>
Tusaş Türk Havacılık ve Uzay Sanayi A.Ş.	652.432.170	160.597.837
Aselsan Elektronik San. ve Tic. A.Ş.	--	501.324.870
	<b>652.432.170</b>	<b>661.922.707</b>

**f) Related party purchases**

	<b>1 January- 31 December 2025</b>	<b>1 January- 31 December 2024</b>
Tusaş Türk Havacılık ve Uzay Sanayi A.Ş.	3.535.976	4.187.813
Altınay Elektromobilite ve Enerji Teknolojileri A.Ş.	1.507.044	3.751.142
Altınay Robot Teknolojileri Sanayi ve Ticaret A.Ş.	88.783	2.480.435
Olbricht Cam ve Transfer Tekn. Sanayi Ticaret A.Ş.	--	589.086
Aselsan Elektronik ve Tic. A.Ş.	--	420.285
<b>Total</b>	<b>5.131.803</b>	<b>11.428.761</b>

**g) Related party sales**

	<b>1 January- 31 December 2025</b>	<b>1 January- 31 December 2024</b>
Tusaş Türk Havacılık ve Uzay Sanayi A.Ş.	1.301.932.040	1.298.232.620
Altınay Elektromobilite ve Enerji Teknolojileri A.Ş.	40.775.447	--
Altınay Robot Teknoloji Sanayi ve Ticaret A.Ş.	--	514.030
Altınay Modifikasyon Merkezi Ticaret A.Ş.	--	230.683
Aselsan Elektronik San. ve Tic. A.Ş.	--	136.256.994
<b>Total</b>	<b>1.342.707.487</b>	<b>1.435.234.327</b>

**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:

	<b>31 December 2025</b>	<b>31 December 2024</b>
Benefits provided to key management personnel	60.194.994	43.564.797
	<b>60.194.994</b>	<b>43.564.797</b>

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**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 2025 and 31 December 2024 is as follows:

	<b>31 December 2025</b>	<b>31 December 2024</b>
Total financial liabilities	1.908.948.850	985.027.050
Less: Cash and cash equivalents	(311.850.047)	(831.533.056)
<b>Net financial debt</b>	<b>1.597.098.803</b>	<b>153.493.994</b>
Total equity	5.096.480.554	4.951.948.669
<b>Total equity used</b>	<b>6.693.579.357</b>	<b>5.105.442.663</b>
<b>Net financial debt / Total equity used</b>	<b>24%</b>	<b>3%</b>

**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

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**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:

	Receivables				Bank Deposits	Other
	Trade Receivables		Other Receivables			
	Related Parties	Other Parties	Related Parties	Other Parties		
<b>31 December 2025</b>						
- Maximum credit risk exposures as of report date (A+B+C+D) (*)	301.016.212	1.064.236.015	--	913.623	252.929.156	58.920.891
- Secured part of maximum credit risk exposure via collateral etc. (**)	--	--	--	--	--	--
A. Net book value of financial assets that are neither overdue nor impaired	301.016.212	1.068.687.789	--	913.623	252.929.156	58.920.891
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	--	(4.451.774)	--	--	--	--

(\*) 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.

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

**b) Financial Risk Factors (Continued)**

**b.1) Credit risk management (Continued)**

	Receivables				Bank Deposits	Other
	Trade Receivables		Other Receivables			
	Related Parties	Other Parties	Related Parties	Other Parties		
<b>31 December 2024</b>						
- Maximum credit risk exposures as of report date (A+B+C+D) (*)	809.033.320	419.753.210	--	761.674	818.102.128	13.430.928
- Secured part of maximum credit risk exposure via collateral etc. (**)	--	--	--	--	--	--
A. Net book value of financial assets that are neither overdue nor impaired	809.033.320	422.971.019	--	761.674	818.102.128	13.430.928
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	--	(3.217.809)	--	--	--	--

(\*) 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.

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**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.

<b>31 December 2025</b>	<b>Net Book Value</b>	<b>Contractual cash outflow (I+II+III+IV)</b>	<b>Less than 3 months (I)</b>	<b>3 -12 months (II)</b>	<b>1 – 5 years (III)</b>	<b>Longer than 5 years (IV)</b>
Bank loans	1.638.654.737	1.703.409.953	466.668.498	1.079.266.708	80.533.571	76.941.176
Financial Lease Obligations	270.294.113	301.621.733	18.957.323	76.121.467	206.542.943	--
Operational Lease Obligations	34.642.474	34.642.474	6.170.417	14.397.641	14.074.416	--
Trade payables	573.744.089	586.015.383	175.804.615	410.210.768	--	--
Other payables	68.768.825	68.768.825	20.630.647	48.138.178	--	--
<b>Total liabilities</b>	<b>2.586.104.238</b>	<b>2.694.458.368</b>	<b>688.231.500</b>	<b>1.628.134.762</b>	<b>301.150.930</b>	<b>76.941.176</b>

<b>31 December 2024</b>	<b>Net Book Value</b>	<b>Contractual cash outflow (I+II+III+IV)</b>	<b>Less than 3 months (I)</b>	<b>3 -12 months (II)</b>	<b>1 – 5 years (III)</b>	<b>Longer than 5 years (IV)</b>
Bank loans	843.805.695	874.801.414	213.188.983	402.295.824	201.429.616	57.886.991
Financial Lease Obligations	141.221.355	169.570.190	14.989.291	43.370.717	111.210.182	--
Operational Lease Obligations	2.083.930	2.083.930	218.146	654.438	1.211.346	--
Trade payables	533.816.532	539.858.866	215.934.713	323.924.153	--	--
Other payables	110.935.416	110.935.416	37.168.060	--	73.767.356	--
<b>Total liabilities</b>	<b>1.631.862.928</b>	<b>1.697.249.816</b>	<b>481.499.193</b>	<b>770.245.132</b>	<b>387.618.500</b>	<b>57.886.991</b>

**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.

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**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)**

	<b>31 December 2025</b>				
	<b>TRY Equivalent (functional currency)</b>	<b>USD</b>	<b>EUR</b>	<b>GBP</b>	<b>CHF</b>
1 Trade receivables	991.440.881	7.687.919	13.165.651	--	--
2a. Monetary financial assets, (cash and banks account included)	31.881.005	84.949	346.312	188.028	237
2b. Non-monetary financial assets	--	--	--	--	--
3. Other	315.539.508	3.362.848	3.091.814	272.828	5.387
<b>4. Current assets (1+2+3)</b>	<b>1.338.861.394</b>	<b>11.135.716</b>	<b>16.603.777</b>	<b>460.856</b>	<b>5.624</b>
5. Trade receivables	--	--	--	--	--
6. Other	--	--	--	--	--
<b>7. Non-current assets (5+6)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>8. Total assets (4+7)</b>	<b>1.338.861.394</b>	<b>11.135.716</b>	<b>16.603.777</b>	<b>460.856</b>	<b>5.624</b>
9. Trade payables	402.312.523	3.584.746	4.896.369	36.953	7.014
10. Financial liabilities	1.414.577.310	13.923.112	16.267.619	--	--
11a. Other monetary liabilities	1.140.281.151	14.808.530	10.058.472	--	--
11b. Other non-monetary liabilities	--	--	--	--	--
<b>12. Current liabilities (9+10+11)</b>	<b>2.957.170.984</b>	<b>32.316.388</b>	<b>31.222.460</b>	<b>36.953</b>	<b>7.014</b>
13. Trade payables	--	--	--	--	--
14. Financial liabilities	194.101.386	164.161	3.720.086	--	--
<b>15. Non-current liabilities (13+14)</b>	<b>194.101.386</b>	<b>164.161</b>	<b>3.720.086</b>	<b>--</b>	<b>--</b>
<b>16. Total liabilities (12+15)</b>	<b>3.151.272.370</b>	<b>32.480.549</b>	<b>34.942.544</b>	<b>36.953</b>	<b>7.014</b>
<b>17. Net assets of off-balance sheet derivative items (liability) position (18a - 18b)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>18a. Total amount of assets hedged</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>18b. Total amount of liabilities hedged</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>19. Net foreign currency assets / (liability) position (8-16+17)</b>	<b>(1.812.410.976)</b>	<b>(21.344.833)</b>	<b>(18.338.767)</b>	<b>423.903</b>	<b>(1.390)</b>

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**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)*

	<b>31 December 2024</b>					
	<b>TRY Equivalent (functional currency)</b>	<b>TRY Equivalent (Indexed Value)</b>	<b>USD</b>	<b>EUR</b>	<b>GBP</b>	<b>CHF</b>
1 Trade receivables	932.410.227	1.220.453.456	19.263.360	6.881.308	--	--
2a. Monetary financial assets, (cash and banks account included)	70.667.703	92.498.602	990.303	964.844	6.322	137
2b. Non-monetary financial assets	--	--	--	--	--	--
3. Other	289.087.156	378.392.909	3.253.591	4.687.967	46.377	801
<b>4. Current assets (1+2+3)</b>	<b>1.292.165.086</b>	<b>1.691.344.967</b>	<b>23.507.254</b>	<b>12.534.119</b>	<b>52.699</b>	<b>938</b>
5. Trade receivables	--	--	--	--	--	--
6. Other	--	--	--	--	--	--
<b>7. Non-current assets (5+6)</b>	--	--	--	--	--	--
<b>8. Total assets (4+7)</b>	<b>1.292.165.086</b>	<b>1.691.344.967</b>	<b>23.507.254</b>	<b>12.534.119</b>	<b>52.699</b>	<b>938</b>
9. Trade payables	486.737.851	637.102.506	9.539.035	3.999.164	40.230	38.652
10. Financial liabilities	430.255.119	563.170.943	6.863.044	5.120.967	--	--
11a. Other monetary liabilities	666.901.466	872.922.856	13.244.219	5.434.461	--	--
11b. Other non-monetary liabilities	--	--	--	--	--	--
<b>12. Current liabilities (9+10+11)</b>	<b>1.583.894.436</b>	<b>2.073.196.305</b>	<b>29.646.298</b>	<b>14.554.592</b>	<b>40.230</b>	<b>38.652</b>
13. Trade payables	--	--	--	--	--	--
14. Financial liabilities	92.492.751	121.065.914	--	2.517.755	--	--
<b>15. Non-current liabilities (13+14)</b>	<b>92.492.751</b>	<b>121.065.914</b>	--	<b>2.517.755</b>	--	--
<b>16. Total liabilities (12+15)</b>	<b>1.676.387.187</b>	<b>2.194.262.221</b>	<b>29.646.298</b>	<b>17.072.347</b>	<b>40.230</b>	<b>38.652</b>
<b>17. Net assets of off-balance sheet derivative items (liability) position (18a - 18b)</b>	--	--	--	--	--	--
<b>18a. Total amount of assets hedged</b>	--	--	--	--	--	--
<b>18b. Total amount of liabilities hedged</b>	--	--	--	--	--	--
<b>19. Net foreign currency assets / (liability) position (8-16+17)</b>	<b>(384.222.101)</b>	<b>(502.917.254)</b>	<b>(6.139.044)</b>	<b>(4.538.228)</b>	<b>12.469</b>	<b>(37.714)</b>

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**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 Group is mainly exposed to foreign exchange risk arising from fluctuations in the US Dollar, EUR and GBP exchange rates.

The following table demonstrates the Group’s sensitivity to a 10% increase and decrease in the US Dollar, EUR and GBP exchange rates. The 10% rate represents the rate used in reporting foreign currency risk to key management personnel within the Group and reflects management’s assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items at the reporting date and shows the effect of a 10% change in foreign exchange rates at year-end.

<b>Foreign Currency Sensitivity Analysis Table</b>		
<b>31 December 2025</b>		
	<b>Profit and Loss</b>	
	Appreciation of foreign currency	Depreciation of foreign currency
<b>Change of USD against TRY by 10%:</b>		
1- USD net assets / liabilities	(91.453.429)	91.453.429
2- Hedged portion of USD risk (-)	--	--
<b>3- USD net effect (1+2)</b>	<b>(91.453.429)</b>	<b>91.453.429</b>
<b>Change of EUR against TRY by 10%:</b>		
4- EUR net assets / liabilities	(92.218.141)	92.218.141
5- Hedged portion of EUR risk (-)	--	--
<b>6- EUR net effect (4+5)</b>	<b>(92.218.141)</b>	<b>92.218.141</b>
<b>Change of GBP against TRY by 10%:</b>		
7- GBP net assets / liabilities	2.437.964	(2.437.964)
8- Hedged portion of GBP risk (-)	--	--
<b>9- GBP net effect (7+8)</b>	<b>2.437.964</b>	<b>(2.437.964)</b>
<b>Change of CHF against TRY by 10%:</b>		
10- CHF net assets / liabilities	2.284.494	(2.284.494)
11- Hedged portion of CHF risk (-)	--	--
<b>12- CHF net effect (10+11)</b>	<b>2.284.494</b>	<b>(2.284.494)</b>
<b>TOTAL (3+6+9+12)</b>	<b>(178.949.112)</b>	<b>178.949.112</b>

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**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)**

<b>Foreign Currency Sensitivity Analysis Table</b>				
<b>31 December 2024</b>				
	<b>Profit and Loss (Historical Cost)</b>		<b>Profit and Loss (Indexed Value)</b>	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>Change of USD against TRY by 10%:</b>				
1- USD net assets / liabilities	(21.658.731)	21.658.731	(28.349.617)	28.349.617
2- Hedged portion of USD risk (-)	--	--	--	--
<b>3- USD net effect (1+2)</b>	<b>(21.658.731)</b>	<b>21.658.731</b>	<b>(28.349.617)</b>	<b>28.349.617</b>
<b>Change of EUR against TRY by 10%:</b>				
4- EUR net assets / liabilities	(16.671.725)	16.671.725	(21.822.009)	21.822.009
5- Hedged portion of EUR risk (-)	--	--	--	--
<b>6- EUR net effect (4+5)</b>	<b>(16.671.725)</b>	<b>16.671.725</b>	<b>(21.822.009)</b>	<b>21.822.009</b>
<b>Change of GBP against TRY by 10%:</b>				
7- GBP net assets / liabilities	55.122	(55.122)	72.150	(72.150)
8- Hedged portion of GBP risk (-)	--	--	--	--
<b>9- GBP net effect (7+8)</b>	<b>55.122</b>	<b>(55.122)</b>	<b>72.150</b>	<b>(72.150)</b>
<b>Change of CHF against TRY by 10%:</b>				
10- CHF net assets / liabilities	48.560	(48.560)	63.561	(63.561)
11- Hedged portion of CHF risk (-)	--	--	--	--
<b>12- CHF net effect (10+11)</b>	<b>48.560</b>	<b>(48.560)</b>	<b>63.561</b>	<b>(63.561)</b>
<b>TOTAL (3+6+9+12)</b>	<b>(38.226.774)</b>	<b>38.226.774</b>	<b>(50.035.915)</b>	<b>50.035.915</b>

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**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;

<b>Interest rate sensitive</b>	<b>31 December 2025</b>	<b>31 December 2024</b>
<i>Financial instruments with fixed interest rates</i>		
Financial assets	144.238.096	705.805.790
Financial liabilities	1.499.351.215	721.115.051
	<b>1.643.589.311</b>	<b>1.426.920.841</b>
<i>Financial instruments with variable interest rates</i>		
Financial assets	--	--
Financial liabilities	321.261.243	248.853.499
	<b>321.261.243</b>	<b>248.853.499</b>

As of 31 December 2025, the interest rate range of TRY loans used by the Group is 11-54%, and the interest rate range of foreign currency loans is 6-12%.

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*

The carrying amounts of financial assets measured at cost, including cash and cash equivalents, are considered to approximate their fair values due to their short-term nature.

The carrying amounts of trade receivables, together with the related impairment allowances, are considered to reflect their fair values.

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

***Fair value of financial instruments (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.

<b>31 December 2025</b>	<b>Financial assets/liabilities at amortized cost</b>	<b>Book value</b>	<b>Fair value</b>
<b><i>Financial assets</i></b>			
Cash and cash equivalents	311.850.047	311.850.047	311.850.047
Trade receivables	1.365.252.227	1.365.252.227	1.365.252.227
<b><i>Financial liabilities</i></b>			
Financial liabilities	1.908.948.850	1.908.948.850	1.908.948.850
Trade payables	573.744.089	573.744.089	573.744.089
<hr/>			
<b>31 December 2024</b>	<b>Financial assets/liabilities at amortized cost</b>	<b>Book value</b>	<b>Fair value</b>
<b><i>Financial assets</i></b>			
Cash and cash equivalents	831.533.056	831.533.056	831.533.056
Trade receivables	1.228.786.530	1.228.786.530	1.228.786.530
<b><i>Financial liabilities</i></b>			
Financial liabilities	985.027.050	985.027.050	985.027.050
Trade payables	533.816.532	533.816.532	533.816.532

**30. Events After the Reporting Date**

None.