

**PENTA TEKNOLOJİ ÜRÜNLERİ
DAĞITIM TİCARET A.Ş. AND
ITS SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
AND INDEPENDENT AUDITOR'S REPORT

(CONVENIENCE TRANSLATION INTO ENGLISH OF
THE INDEPENDENT AUDITOR'S REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH)



**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR’S REPORT
ORIGINALLY ISSUED IN TURKISH**

INDEPENDENT AUDITOR’S REPORT

To the General Assembly of Penta Teknoloji Ürünleri Dağıtım Ticaret A.Ş.

A. Audit of the consolidated financial statements

1. Our opinion

We have audited the accompanying consolidated financial statements of Penta Teknoloji Ürünleri Dağıtım Ticaret A.Ş. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements comprising a summary of significant accounting policies.

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

2. Basis for opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the “SIA”) that are part of Turkish Standards on Auditing adopted within the framework of the regulations of the Capital Markets Board and 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 (including Independence Standards) (the “Ethical Rules”) the ethical requirements regarding independent audit in regulations issued by the POA; the regulations of the Capital Markets Board; and other relevant legislation are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.



3. Other information

Management is responsible for the other information. The other information comprises the Appendix I added to “Other information” section in the report but does not include the consolidated financial statements and our auditor’s report thereon. Our conclusion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our review of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the review or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

4. 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.

Key Audit Matters	How the key audit matter was addressed in the audit
Recognition of revenue Revenue is the most important measurement criterion in terms of evaluating the financial performance. The Group's revenues consist of the sales of products and software of the brands which the Group act as distributor. The Group recognizes revenue when the control is transferred to the customer In the framework of TFRS 15, the Group recognizes revenue from product sales when the control is transferred to the customer. Due to the nature and magnitude of the Group's operations, there is a risk that products are invoiced but not delivered and revenue is not recognized properly. Based on the above-mentioned explanations, the recognition of revenue in the correct period within the context of the matching principle, is determined as key audit matter. The accounting policy for revenue recognition and revenue amounts are disclosed in Note 2.8 and Note 17.	During our audit, the following audit procedures are were performed for the revenue recognition: - Understanding and evaluating the business processes related to the revenue streams of the Group. - Evaluating the conformity of the Group’s accounting policices for the recognition of the revenue. - Detailed invoice tests were carried out by sampling method regarding the accuracy of sales transactions and accounting records, and these invoices were also agreed to the dispatch notes. - Testing the sales transactions that were occurred before and after period-end including the review of customer contracts and different delivery terms on a sampling basis to ensure that sales transactions recorded in proper period. - Evaluating the adequacy of the explanations for revenue that are included in the footnotes to the financial statements.



5. Responsibilities of management and those charged with governance for the consolidated 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.

6. Auditor's responsibilities for the audit of the consolidated 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.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. 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.
- 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.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion

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

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

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.



B. Other responsibilities arising from regulatory requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code (“TCC”) No. 6102 and that causes us to believe that the Company’s bookkeeping activities concerning the period from 1 January to 31 December 2023 period are not in compliance with the TCC and provisions of the Company’s articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor’s report on the early risk identification system and committee was submitted to the Company’s Board of Directors on 4 March 2024.

Additional explanation for convenience translation into English

Turkish Financial Reporting Standards differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of IAS 29 - Financial Reporting in Hyperinflationary Economies by 31 December 2023. Accordingly, the accompanying consolidated financial statements are not intended to present fairly the consolidated financial position and results of operations of the Group in accordance with IFRS.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Mert Tüten, SMMM
Independent Auditor

Istanbul, 4 March 2024

CONTENTS	PAGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	1-2
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME.....	3
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.....	4
CONSOLIDATED STATEMENT OF CASH FLOWS.....	5-6
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.....	7-71
SUPPLEMENTARY UNAUDITED INFORMATION.....	72

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

		(Audited) (Turkish Lira) Current Period 31 December 2023	Restated(*) (Audited) (Turkish Lira) Prior Period 31 December 2022	(US Dollar**) Current Period 31 December 2023	Restated(*) (US Dollar**) Prior Period 31 December 2022
	Notes				
ASSETS					
Current Assets		7.815.174.941	4.221.046.442	265.477.337	225.744.931
Cash and Cash Equivalents	3	517.642.604	637.658.607	17.584.044	34.102.491
Financial Assets (Restricted Bank Deposits)	3	554.910	18.698.300	18.850	1.000.000
Trade Receivables	4-5	5.207.622.967	2.524.386.616	176.900.183	135.006.210
- Trade receivables from related parties	4	4.132.652	6.614.972	140.384	353.774
- Trade receivables from third parties	5	5.203.490.315	2.517.771.644	176.759.799	134.652.436
Other Receivables	6	9.845.929	1.063.765	334.461	56.891
- Other receivables from third parties	6	9.845.929	1.063.765	334.461	56.891
Inventories	7	2.072.517.724	1.028.339.074	70.402.325	54.996.394
Prepaid Expenses	8	6.117.052	2.285.923	207.793	122.253
Other Current Assets	15	873.755	8.614.157	29.681	460.692
Non-Current Assets		247.339.286	144.224.008	8.401.984	7.713.215
Investment Properties		3.482.451	2.211.953	118.297	118.297
Property, Plant and Equipment	9	54.123.868	23.264.257	1.838.559	1.244.191
Right of Use Assets	10	53.191.118	26.251.272	1.806.874	1.403.939
Intangible Assets	11-12	64.632.981	41.620.976	2.195.548	2.225.923
- Goodwill	12	56.980.344	36.192.280	1.935.592	1.935.592
- Other intangible assets	11	7.652.637	5.428.696	259.956	290.331
Deferred Tax Assets	23	71.908.868	50.875.550	2.442.706	2.720.865
TOTAL ASSETS		8.062.514.227	4.365.270.450	273.879.321	233.458.146

(*) The effects of restatement are disclosed in “Note 2 Changes and Errors in Accounting Estimates, Comparative Information and Restatement of Prior Period Financial Statements”.

(**) Refers to the amounts in US Dollars, which is the functional currency of the Group. Presentation currency is Turkish Lira. For the conversion of US Dollar and Turkish Lira, see Note 2.

The accompanying notes form an integral part of these consolidated financial statements.

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

		(Audited) (Turkish Lira) Current Period 31 December 2023	Restated(*) (Audited) (Turkish Lira) Prior Period 31 December 2022	(US Dollar**) Current Period 31 December 2023	Restated(*) (US Dollar**) Prior Period 31 December 2022
	Notes				
LIABILITIES					
Current Liabilities		5.428.899.406	2.840.338.241	184.416.826	151.903.555
Short-Term Borrowings	24	150.487.901	6.555.418	5.111.994	350.589
- Bank loans	24	127.364.048	-	4.326.489	-
- Lease liabilities	24	23.123.853	6.555.418	785.505	350.589
Trade Payables	4-5	4.070.784.703	2.128.571.233	138.282.392	113.837.688
- Trade payables to related parties	4	288.583	1.113.951	9.803	59.575
- Trade payables to third parties	5	4.070.496.120	2.127.457.282	138.272.589	113.778.113
Payables Regarding Employee Benefits	14	16.258.835	7.718.527	552.304	412.793
Other Payables	4-6	748.769.331	557.385.384	25.435.296	29.809.415
- Other payables to related parties	4	748.539.065	557.110.258	25.427.474	29.794.701
- Other payables to third parties	6	230.266	275.126	7.822	14.714
Derivative Financial Instruments	24	4.110.397	1.385.862	139.628	74.117
Deferred Income	8	188.914.673	32.441.419	6.417.331	1.734.993
Current Tax Liabilities	23	147.554.297	47.363.785	5.012.341	2.533.053
Current Provisions	14	17.763.078	14.224.497	603.402	760.737
- Current provisions for employee benefits	14	17.763.078	14.224.497	603.402	760.737
Other Current Liabilities	15	84.256.191	44.692.116	2.862.138	2.390.170
Non-Current Liabilities		89.486.888	58.293.296	3.039.826	3.117.573
Long-Term Borrowings	24	25.665.224	17.934.923	871.834	959.174
- Lease liabilities	24	25.665.224	17.934.923	871.834	959.174
Non-Current Provisions	14	63.821.664	40.358.373	2.167.992	2.158.399
- Non-current provisions for employee benefits	14	50.280.092	34.000.951	1.707.992	1.818.399
- Other non-current provisions		13.541.572	6.357.422	460.000	340.000
EQUITY		2.544.127.933	1.466.638.913	86.422.669	78.437.018
Equity attributable to owners of the Company		2.544.127.933	1.466.638.913	86.422.669	78.437.018
Share Capital	16	393.516.000	393.516.000	64.824.567	64.824.567
Share Premium	16	30.000.000	30.000.000	3.594.149	3.594.149
Other Comprehensive Expense That Will Not Be Reclassified To Profit / (Loss)		1.785.251.353	903.504.725	(1.050.580)	(792.298)
- Accumulated losses on remeasurements of defined benefit plans		(15.852.471)	(8.249.119)	(1.050.580)	(792.298)
- Currency translation differences	16	1.801.103.824	911.753.844	-	-
Restricted Reserves Appropriated from Profit	16	13.880.245	13.880.245	3.629.318	3.629.318
Accumulated Gains		125.737.943	22.057.466	7.181.282	921.821
Net Profit for the Year		195.742.392	103.680.477	8.243.933	6.259.461
TOTAL LIABILITIES AND EQUITY		8.062.514.227	4.365.270.450	273.879.321	233.458.146

(*) The effects of restatement are disclosed in “Note 2 Changes and Errors in Accounting Estimates, Comparative Information and Restatement of Prior Period Financial Statements”.

(**) Refers to the amounts in US Dollars, which is the functional currency of the Group. Presentation currency is Turkish Lira. For the conversion of US Dollar and Turkish Lira, see Note 2.

The accompanying notes form an integral part of these consolidated financial statements.

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

		(Audited) (Turkish Lira) Current Period 1 January - 31 December 2023	(Audited) (Turkish Lira) Prior Period 1 January - 31 December 2022	(US Dollar*) Current Period 1 January - 31 December 2023	(US Dollar*) Prior Period 1 January - 31 December 2022
	Notes				
Revenue	17	18.198.902.432	9.783.134.720	766.469.665	590.633.473
Cost of Sales (-)	17	(16.828.792.880)	(9.022.162.227)	(708.765.778)	(544.691.570)
GROSS PROFIT		1.370.109.552	760.972.493	57.703.887	45.941.903
General Administrative Expenses (-)	18	(150.136.036)	(74.798.924)	(6.323.168)	(4.515.807)
Marketing, Sales and Distribution Expenses (-)	18	(261.040.144)	(141.131.046)	(10.994.034)	(8.520.451)
Other Income From Operating Activities	19	24.741.633	16.536.868	1.042.021	998.373
Other Expenses From Operating Activities (-)	19	(262.744.356)	(166.535.658)	(11.065.809)	(10.054.194)
OPERATING PROFIT		720.930.649	395.043.733	30.362.897	23.849.824
Income From Investing Activities	20	74.453.577	10.942.062	3.135.706	660.601
OPERATING PROFIT BEFORE FINANCE EXPENSE		795.384.226	405.985.795	33.498.603	24.510.425
Finance Income	22	505.695	411.760	21.298	24.859
Finance Expenses (-)	22	(255.967.709)	(163.127.376)	(10.780.402)	(9.848.427)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		539.922.212	243.270.179	22.739.499	14.686.857
Tax Expense From Continuing Operations (-)	23	(344.179.820)	(139.589.702)	(14.495.566)	(8.427.396)
Current tax expense (-)	23	(337.575.292)	(169.796.077)	(14.217.408)	(10.251.034)
Deferred tax (expense) / income	23	(6.604.528)	30.206.375	(278.158)	1.823.638
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		195.742.392	103.680.477	8.243.933	6.259.461
PROFIT FOR THE YEAR		195.742.392	103.680.477	8.243.933	6.259.461
Attributable to:					
Owners of the Company/Parent		195.742.392	103.680.477	8.243.933	6.259.461
		195.742.392	103.680.477	8.243.933	6.259.461
Earnings Per Share	27	0,50	0,26	0,02	0,02
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss		881.746.628	395.857.444	(258.282)	(378.597)
Currency translation differences		889.349.980	402.936.560	-	-
Defined Benefit Plans Measurement (Losses) / Gains	14	(9.874.483)	(8.960.913)	(335.431)	(479.237)
Tax Income / (Expense) Related to					
Other Comprehensive Income Items	23	2.271.131	1.881.797	77.149	100.640
Deferred Tax Income / (Expense)	23	2.271.131	1.881.797	77.149	100.640
OTHER COMPREHENSIVE INCOME		881.746.628	395.857.444	(258.282)	(378.597)
TOTAL COMPREHENSIVE INCOME		1.077.489.020	499.537.921	7.985.651	5.880.864
Profit attributable to:					
Owners of the Company/Parent		1.077.489.020	499.537.921	7.985.651	5.880.864
		1.077.489.020	499.537.921	7.985.651	5.880.864

(*) Refers to the amounts in US Dollars, which is the functional currency of the Group. Presentation currency is Turkish Lira. For the conversion of US Dollar and Turkish Lira, see Note 2.

The accompanying notes form an integral part of these consolidated financial statements.

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated)

	Notes	Share capital	Share premium	Accumulated other comprehensive income or expenses that will not be reclassified subsequently to profit or loss		Restricted reserves	Retained earnings		Total equity
				Accumulated gain / (loss) on remeasurement of defined benefit plans	Currency Translation Differences		Prior Years' Profits or Losses	Net Profit or Loss	
Balances as of 1 January 2022 (Beginning of the Period)		43.724.000	372.000.000	(1.170.003)	508.817.284	13.880.245	49.027.864	(19.178.398)	967.100.992
Transfers		-	-	-	-	-	(19.178.398)	19.178.398	-
Capital Increase		349.792.000	(342.000.000)	-	-	-	(7.792.000)	-	-
Net income		-	-	-	-	-	-	103.680.477	103.680.477
Other comprehensive income		-	-	(7.079.116)	402.936.560	-	-	-	395.857.444
Total comprehensive income		-	-	(7.079.116)	402.936.560	-	-	103.680.477	499.537.921
Balances as of 31 December 2022 (End of the Period)	16	393.516.000	30.000.000	(8.249.119)	911.753.844	13.880.245	22.057.466	103.680.477	1.466.638.913
Balances as of 1 January 2023 (Beginning of the Period)		393.516.000	30.000.000	(8.249.119)	911.753.844	13.880.245	22.057.466	103.680.477	1.466.638.913
Transfers		-	-	-	-	-	103.680.477	(103.680.477)	-
Net income		-	-	-	-	-	-	195.742.392	195.742.392
Other comprehensive income		-	-	(7.603.352)	889.349.980	-	-	-	881.746.628
Total comprehensive income		-	-	(7.603.352)	889.349.980	-	-	195.742.392	1.077.489.020
Balances as of 31 December 2023 (End of the Period)	16	393.516.000	30.000.000	(15.852.471)	1.801.103.824	13.880.245	125.737.943	195.742.392	2.544.127.933

The accompanying notes form an integral part of these consolidated financial statements.

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

		(Audited) Current Period 1 January - 31 December 2023	(Audited) Prior Period 1 January - 31 December 2022
	Notes		
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		195.742.392	103.680.477
Adjustments for:			
Depreciation and amortisation expenses	9-10-11	30.908.350	10.826.929
Provisions for employee termination benefits	14	10.417.119	13.144.535
Allowance for doubtful receivables	5	321.705	394.864
Losses on sale of tangible assets		-	7.702
Unused vacation provision	14	3.648.544	2.193.246
Bonus provision	14	8.039.200	8.515.267
Trade receivables and trade payables discounts, net		-	(854.278)
Allowance for inventories	7	(20.688.638)	(3.125.225)
Income tax expense	23	344.179.820	139.589.702
Interest income	20	(74.453.577)	(10.942.062)
Interest and commissions expense	22	227.651.210	144.405.644
Derivative expense	24	2.724.535	6.092.225
Net foreign exchange loss		(5.208.621)	(5.715.505)
Net cash generated before movement in working capital		723.282.039	408.213.521
Changes in trade receivables		(1.037.522.096)	(447.117.569)
Changes in inventories		(345.106.707)	222.607.915
Changes in other receivables and other assets		5.275.896	(3.858.372)
Changes in trade payables		580.410.163	593.473.252
Changes in other payables		128.380.946	488.218
Net cash generated from operations		54.720.241	773.806.965
Income taxes paid	23	(252.405.234)	(158.225.685)
Collections from doubtful receivables	5	181.735	1.385.645
Employee termination and unused vacation benefits paid	14	(8.612.042)	(1.467.237)
Bonus paid	14	(9.612.606)	(5.802.790)
Net cash (used in) / generated from operating activities		(215.727.906)	609.696.898

The accompanying notes form an integral part of these consolidated financial statements.

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

		(Audited) Current Period 1 January - 31 December 2023	(Audited) Prior Period 1 January - 31 December 2022
	Notes		
CASH FLOWS FROM INVESTING ACTIVITIES		74.482.117	5.606.249
Interest received		74.453.577	10.942.062
Purchases of tangible and intangible assets	9-11	(23.267.689)	(5.335.813)
Proceeds on sale of financial assets		23.296.229	-
CASH FLOWS FROM FINANCING ACTIVITIES		(250.964.913)	(180.765.305)
Interest and commissions paid		(226.567.067)	(60.033.307)
Changes in other payables to related parties		(103.694.564)	-
Proceeds from borrowings		102.727.290	-
Repayment of borrowings		-	(110.706.294)
Payments due to lease contracts	24	(23.430.572)	(10.025.704)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS BEFORE FOREIGN CURRENCY TRANSLATION EFFECTS		(392.210.702)	434.537.842
THE EFFECT OF FOREIGN CURRENCY TRANSLATION DIFFERENCES IN CASH AND CASH EQUIVALENTS		272.194.699	103.296.938
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(120.016.003)	537.834.780
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	3	637.658.607	99.823.827
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3	517.642.604	637.658.607

The accompanying notes form an integral part of these consolidated financial statements.

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated)

1. ORGANIZATION AND OPERATIONS OF THE GROUP

Penta Teknoloji Ürünleri Dağıtım Ticaret A.Ş. ("Penta" or the "Company") and its subsidiaries (all together referred as the "Group"), comprise the parent Penta Teknoloji Ürünleri Dağıtım Ticaret A.Ş. and two subsidiaries in which the Company owns the 100% share of the capital or has controlling interest.

The current operations of the Company started under the roof of Penta Bilgisayar Sistemleri Ticaret Ltd. Şti. ("Penta Bilgisayar") which was established in 1990. In 2012, Penta Bilgisayar was merged with Mersa Elektronik ve Teknolojik Ürünler Ticaret A.Ş. ("Mersa"), a subsidiary of Yıldız Holding A.Ş., which was established in 2003. Although the merger was realized under Mersa, the name of the Company was changed to Penta Teknoloji Ürünleri Dağıtım Ticaret A.Ş. in the period following the merger. The Company is registered in İstanbul, Türkiye in accordance with the provisions of the Turkish Commercial Code. The Company's head office address is Organize Sanayi Bölgesi, 4. Cadde No: 1 34775 Yukarı Dudullu, Ümraniye / İstanbul.

Principal activities of the Company are distribution of computer, hardware and software goods. The Company purchases the trade goods from domestic and foreign suppliers and distributes them mostly to its domestic customers via its sales network. It executes the distributorship of the brands like Acer, Adobe, Asus, Autodesk, Brother, Canon, Corsair, Cricut, Dell, HP, Exper, Huawei, IBM, Intel, Lenovo, Lexar, Logitech, Microsoft, MSI, OKI, TP-Link, Viewsonic, Wacom, Xerox, xFusion and Zyxel.

The Company's shares are publicly traded on Borsa İstanbul ("BIST") as of 17 May 2021. The free float ratio of the shares is 37,87% as of 31 December 2023.

The Company acquired 100% shares of Commonwealth Finance Investment Ltd. ("Commonwealth") for a consideration of TL 3.277 on 1 September 2013. Commonwealth's principal activity is the sale of imported goods from the vendors to Penta.

On 3 January 2014, the Company acquired 100% shares of Ekip Elektronik Sistemler ve Malzemeleri Ticaret A.Ş. ("Ekip") and Beyaz İletişim Sistemleri Dış Ticaret ve Sanayi Ltd. Şti. ("Beyaz İletişim"). On 4 March 2014, Ekip and Beyaz İletişim have been merged under Penta.

The Company acquired 100% shares of Sayısal Grafik Sanayi ve Ticaret A.Ş. ("Sayısal") for a consideration of TL 11.892.295 on 18 June 2015. After the acquisition, on 30 July 2015 Sayısal has been merged under Penta.

The Company acquired 100% shares of Exper Bilgisayar Sistemleri Sanayi ve Ticaret A.Ş. ("Exper") for a consideration of TL 85.400.000 on 22 June 2017. After the acquisition, on 28 June 2017 Exper has been merged under Penta.

The company acquired 100% shares of Arlington Investments B.V. for 20.000 Euros which was a non-operational company as of acquisition date. The company was established in the Netherlands and the commercial title of the company changed as Penta International B.V. ("Penta BV").

Total number of the Group's employees is 358 as of 31 December 2023 (31 December 2022: 355).

Approval of Consolidated Financial Statements:

The consolidated financial statements have been approved by Board of Directors and authorized on the date of 4 March 2024 for publishing. General Assembly has the authority to amend / modify consolidated financial statements.

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of the Presentation

The accompanying financial statements have been prepared in accordance with the provisions of the CMB's Communiqué Series II, No. 14.1 on the "Principles Regarding Financial Reporting in the Capital Markets" published in the Official Gazette dated 13 September 2013 and numbered 28676. Based on the Turkish Accounting Standards / Turkish Financial Reporting Standards ("TMS/IFRS"), which were put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA"), and their annexes and comments.

The consolidated financial statements are presented in accordance with the formats specified in the "Announcement on IFRS Taxonomy" published by the POA on October 4, 2022 and the Financial Statement Examples and User Guide published by the CMB.

The Company complies with the principles and conditions issued by the CMB, the Turkish Commercial Code ("TCC"), the tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance in keeping accounting records and preparing its statutory financial statements. Subsidiaries operating in foreign countries have prepared their statutory financial statements in accordance with the laws and regulations applicable in the countries in which they operate. Consolidated financial statements have been prepared on the basis of historical cost, except for derivative instruments shown at fair value. As the Group uses US Dollar as its functional currency, TMS 29 (Financial Reporting in Hyperinflationary Economies) has not been applied in the preparation of the financial statements. Explanations regarding the functional currency are given in Note 2.2.

2.2 Functional Currency

The financial statements of each enterprise of the Group are presented in the currency (functional currency) valid in the basic economic environment in which they operate. The company mainly uses USD in its operations (trading). The US Dollar also reflects the economic basis of situations and events that are important to the Company. The company's purchase and sales prices are largely based on US Dollars. The Company, by evaluating the economic environment and its activities, has determined the functional currency as USD in accordance with TMS 21 (Effects of Changes in Exchange Rates). Although the functional currency of the Group is US Dollars, the presentation currency is expressed in Turkish Lira ("TL" or "TRY").

If the legal records are kept in a currency other than the functional currency, the financial statements are first converted to the functional currency and then back to TL, which is the Group's presentation currency. For companies in Türkiye, the functional currency of the statutory records, which are made from TL is held within the framework conversion into US dollars as described below;

- Monetary assets and liabilities accounts, T.C. The Central Bank ("CBRT") is converted to the functional currency with the foreign exchange buying rate.
- Non-monetary items are converted into functional currency with the CBRT buying rates valid on the date of the transaction.
- Income statement accounts have been converted to the functional currency using the exchange rates on the transaction date, excluding depreciation charges..
- Capital has been tracked according to historical costs.

The translation differences resulting from the above conversions are recorded in the profit or loss statement, in the foreign exchange income / expense accounts included in the financial income and expenses item.

The exchange rates and methods used in converting from functional currency to presentation currency are listed below.

Items in the consolidated statement of financial position are translated into Turkish Lira with the year-end exchange rates announced by the Central Bank of the Republic of Türkiye ("CBRT"). Equity items are shown with their historical values. Income and expenses and cash flows are translated at the annual average exchange rate for the relevant period. Translation gain/loss arising from this conversion has been included in the "foreign currency translation differences" account under equity and accounted as a separate component of the other comprehensive income.

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.2 Functional Currency (cont'd)

Average USD / TRY exchange rates for each period as of December 31, 2023 and 2022 are as follows:

	2023	2022
USD / TRY – as of reporting date	29,4382	18,6983
USD / TRY – average for the period	23,7438	16,5638

The US Dollar ("USD") amounts shown in the consolidated financial statements are the financial statements prepared in accordance with the functional currency of the Group and are not part of the consolidated financial statements.

2.3 Going Concern

The consolidated financial statements of the Group are prepared on a going concern basis, which presumes the realization of assets and settlement of liabilities in the normal course of operations and in the foreseeable future.

2.4 Changes in Accounting Policies

Important changes on the accounting policies are accounted retrospectively and prior period's financial statements are restated. The Group did not apply any changes in its accounting policies for current period.

2.5 Changes and Errors in Accounting Estimates, Comparative Information and Restatement of Prior Period Financial Statements

The effect of a change in an accounting estimate is recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only, in the period of the change and future periods, if the change affects both. The Group does not have any important changes in the accounting estimates in the current year. Significant accounting errors are corrected retrospectively, by restating the prior period consolidated financial statements.

To enable the determination of financial status and performance trends, the Group's consolidated financial statements for the current period are prepared in comparison with the previous period. Comparative information is reclassified, where necessary, to conform to the presentation of the current period consolidated financial statements.

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.5 Changes and Errors in Accounting Estimates, Comparative Information and Restatement of Prior Period Financial Statements (cont’d)

Impacts of related reclassifications and adjustments are as follows:

	Previously Reported 31 December 2022	Restatement Effect	Restated 31 December 2022
ASSETS			
Current Assets	4.343.494.185	(122.447.743)	4.221.046.442
Cash and Cash Equivalents	637.658.607	-	637.658.607
Financial Assets (Restricted Bank Deposits)	18.698.300	-	18.698.300
Trade Receivables	2.524.386.616	-	2.524.386.616
Other Receivables	1.063.765	-	1.063.765
Derivative Financial Instruments	-	-	-
Inventories	1.028.339.074	-	1.028.339.074
Prepaid Expenses	2.285.923	-	2.285.923
Assets Related to Current Tax (1)	122.447.743	(122.447.743)	-
Other Current Assets	8.614.157	-	8.614.157
Non-Current Assets	144.224.008	-	144.224.008
Investment Properties	2.211.953	-	2.211.953
Property, Plant and Equipment	23.264.257	-	23.264.257
Right of Use Assets	26.251.272	-	26.251.272
Intangible Assets	41.620.976	-	41.620.976
Deferred Tax Assets	50.875.550	-	50.875.550
TOTAL ASSETS	4.487.718.193	(122.447.743)	4.365.270.450

1) Assets related to current tax amounting to TRY 122.447.743 tax has been reclassified to current tax liabilities.

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.5 Changes and Errors in Accounting Estimates, Comparative Information and Restatement of Prior Period Financial Statements (cont’d)

	Previously Reported 31 December 2022	Restatement Effect	Restated 31 December 2022
LIABILITIES			
Current Liabilities	2.962.785.984	(122.447.743)	2.840.338.241
Short-Term Borrowings	6.555.418	-	6.555.418
Trade Payables	2.128.571.233	-	2.128.571.233
Payables Regarding Employee Benefits	7.718.527	-	7.718.527
Other Payables	557.385.384	-	557.385.384
Derivative Financial Instruments	1.385.862	-	1.385.862
Deferred Income	32.441.419	-	32.441.419
Current Tax Liabilities (1)	169.811.528	(122.447.743)	47.363.785
Current Provisions	14.224.497	-	14.224.497
Other Current Liabilities	44.692.116	-	44.692.116
Non-Current Liabilities	58.293.296	-	58.293.296
Long-Term Borrowings	17.934.923	-	17.934.923
Non-Current Provisions	40.358.373	-	40.358.373
EQUITY	1.466.638.913	-	1.466.638.913
Equity attributable to owners of the Company	1.466.638.913	-	1.466.638.913
Share Capital	393.516.000	-	393.516.000
Share Premium	30.000.000	-	30.000.000
Other Comprehensive Expense That Will Not Be Reclassified To Profit / (Loss)	903.504.725	-	903.504.725
Restricted Reserves Appropriated from Profit	13.880.245	-	13.880.245
Accumulated Gains	22.057.466	-	22.057.466
Net Profit for the Year	103.680.477	-	103.680.477
TOTAL LIABILITIES AND EQUITY	4.487.718.193	(122.447.743)	4.365.270.450

1) Assets related to current tax amounting to TRY 122.447.743 tax has been reclassified to current tax liabilities.

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)

2.6 Basis of Consolidation

The details of subsidiaries as of December 31, 2023 and 2022 are as follows:

Name of subsidiaries	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group (%)	
			31 December 2023	31 December 2022
Commonwealth Finance Investment Ltd.	International Trade of IT Products	British Virgin Islands	100%	100%
Penta International B.V.	International Trade of IT Products	Netherlands	100%	100%

Functional currencies of these subsidiaries are US Dollar.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

When the Company has less than the majority of the voting rights of an investee, it has still power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company’s voting rights in an investee are sufficient to give it power, including:

- the size of the Company’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders’ meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)

2.7 Application of New and Revised Turkish Financial Reporting Standards (TFRSs)

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2023 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of January 1, 2023 and thereafter. These standards and interpretations do not have an impact on the financial position and performance of the Group.

a) Standards, amendments, and interpretations applicable as of 31 December 2023:

- **Narrow scope amendments to TMS 1, Practice Statement 2 and TMS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- **Amendment to TMS 12 – Deferred tax related to assets and liabilities arising from a single transaction;** effective from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
- **Amendment to TMS 12 - International tax reform ;** The temporary exception is effective for December 2023 year ends and the disclosure requirements are effective for accounting periods beginning on or after 1 January 2023, with early application permitted. These amendments give companies temporary relief from accounting for deferred taxes arising from the Minimum Tax Implementation Handbook international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.
- **TFRS 17, ‘Insurance Contracts’;** effective from annual periods beginning on or after 1 January 2023. This standard replaces TFRS 4, which permitted a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts.

b) Standards, amendments, and interpretations that are issued but not effective as of 31 December 2023:

- **Amendment to TFRS 16 – Leases on sale and leaseback;** effective from annual periods beginning on or after 1 January 2024. These amendments include requirements for sale and leaseback transactions in TFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
- **Amendment to TMS 1 – Non-current liabilities with covenants;** effective from annual periods beginning on or after 1 January 2024. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.
- **Amendments to TMS 7 and TFRS 7 on Supplier finance arrangements;** effective from annual periods beginning on or after 1 January 2024. These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company’s liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the TMSB’s response to investors’ concerns that some companies’ supplier finance arrangements are not sufficiently visible, hindering investors’ analysis.
- **Amendments to TMS 21 - Lack of Exchangeability;** effective from annual periods beginning on or after 1 January 2025. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)

2.7 Application of New and Revised Turkish Financial Reporting Standards (TFRSs) (cont’d)

b) Standards, amendments, and interpretations that are issued but not effective as of 31 December 2023: (cont’d)

- **TSRS 1, ‘General requirements for disclosure of sustainability-related financial information;** effective from annual periods beginning on or after 1 January 2024. This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity’s value chain.
- **TSRS 2, ‘Climate-related disclosures’;** effective from annual periods beginning on or after 1 January 2024. This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.

2.8 Significant Accounting Policies

Related Parties

A related party is a person or entity that is related to the entity that is preparing its financial statements.

- a) A person or a close family member of that person is related to a reporting entity if that person:
- has control or joint control over the reporting entity;
 - has significant influence over the reporting entity; or
 - 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:
- 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).
 - 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).
 - Both entities are joint ventures of the same third party.
 - One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - The entity is a post-employment 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.
 - The entity is controlled or jointly controlled by a person identified in (a).
 - If a person defined in subparagraph (i) of article (a) has a significant influence on the entity or is a member of the key management personnel of the entity (or the parent company of this entity).

A related party transaction is the transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Revenue

The Group recognizes revenue in line with the following 5 fundamental principles:

- Identify contracts with customers,
- Identify the performance obligations in the contracts,
- Determine the transaction price,
- Allocate the transaction price to the performance obligations in the contracts,
- Recognize revenue when each performance obligation is satisfied.

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated)

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.8 Significant Accounting Policies (cont'd)

Revenue (cont'd)

The Group accounts for a contract with its customer as revenue if all the following conditions are met:

- a) The parties to the contract have approved the contract (in writing, verbally or in accordance with other commercial practices) and are committed to fulfilling their own performance obligations,
- b) The rights of each party related to the goods or services to be transferred can be defined,
- c) Payment terms for goods or services to be transferred can be defined,
- d) The contract is inherently commercial in nature,
- e) It is probable that the Group will collect a price for goods or services to be transferred to the customer. While evaluating whether a price is likely to be collected, the Group takes into account only the customer's ability to pay this price on due date and its intention.

Revenue related to performance obligations in the form of goods or service transfer commitments are recognized when the control of the goods or services is taken over by the customers. While evaluating the transfer of control of the goods or services sold to the customer, the Group takes into account;

- a) Ownership of the Group's right to collection regarding goods or services,
- b) The customer's ownership of the legal ownership of the goods or services,
- c) Transfer of possession of goods or services,
- d) The customer's possession of significant risks and rewards arising from owning the property or service,
- e) The conditions of acceptance of the goods or services by the customer.

Revenue is recognized in the financial statements at the transaction price. Transaction price is the amount that the Group expects to deserve in return for the transfer of the committed goods or services to the customer, excluding the amounts collected on behalf of third parties. When control of goods or services is transferred to customers, the Group reflects the related amount as revenue in the Consolidated Financial Statements. Net sales represent the invoiced value of goods shipped less sales returns and discounts. Turnover premiums and discounts received from sellers are recognized on an accrual basis during the period in which the sellers benefit from the services and deducted from the cost of the goods sold.

Sale of goods:

The sale of the products completes when the order from the customers is prepared and delivered to the requested point or by delivery from the warehouse. After delivery of the products, the Group has no other obligations except for the replacement of defective products. As soon as the control of the products is transferred to the customer, the related sales are reflected as revenue in the Group's consolidated financial statements. Sales revenue for estimated customer returns, discounts and other similar allowances is reduced. Discounts, sales discounts, stock protection and other similar allowances from suppliers are deducted from the cost of goods sold.

Interest Income:

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

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)

2.8 Significant Accounting Policies (cont’d)

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on a weighted average basis. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of profit or loss in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

Property, Plant and Equipment

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group’s accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Leasehold Improvements

Leasehold improvements consists of permanent improvements made to rented buildings of the Group for expected benefits. The Group accounts leasehold improvements based on deduction of accumulated depreciation and impairments (if any) from cost as of improvement day.

Intangible Assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)

2.8 Significant Accounting Policies (cont’d)

Intangible Assets (cont’d)

Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss when the asset is derecognized.

Impairment of Tangible and Intangible Assets Other than Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Leases

The Group has applied TFRS 16 standard starting from January 1, 2019. Accounting policies applied before January 1, 2019 are explained in detail in the notes to the consolidated financial statements dated December 31, 2018.

Group - as tenant,

At the inception of a contract, it evaluates whether the contract is a lease or includes a lease. In case the contract transfers the right to control the use of the defined asset for a price, this contract is in the nature of a lease or includes a lease. After these evaluations, the Group reflects a right-of-use asset and a lease liability in its financial statements at the date the lease actually commences.

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)

2.8 Significant Accounting Policies (cont’d)

Right of Use Assets

The group recognizes right-of-use assets at the commencement of the financial lease agreement (for example, as of the date the asset is available for use). Right-of-use assets are calculated by deducting accumulated depreciation and impairment losses from their cost value. In case of revaluation of financial lease debts, this figure is also corrected.

The cost of the right-of-use asset includes:

- (a) the initial measurement amount of the lease liability,
- (b) all lease payments made on or before the actual commencement date, less any lease incentives received, and
- (c) all initial direct costs incurred by the group.
- (d) the estimated costs incurred by the lessee in connection with dismantling and moving the underlying asset, restoring the area on which it is placed, or restoring the underlying asset to the condition required by the terms and conditions of the lease (except where those costs are incurred for stock production).

Unless the transfer of ownership of the underlying asset to the Group at the end of the lease term is reasonably certain, the Group depreciates the right of use asset from the actual commencement of the lease to the end of the useful life of the underlying asset.

Right-of-use assets are subject to impairment assessment.

Variable lease payments that are not dependent on an index or rate are recorded as an expense in the period in which the event or condition triggering the payment occurs.

The Group uses the revised discount rate for the remaining part of the lease term, if the implied interest rate in the lease can be easily determined, as this rate; If it cannot be determined easily, the Group determines it as the alternative borrowing interest rate on the date of re-evaluation.

The group measures the lease liability as follows, after the date the lease actually commences:

- (a) increase the carrying value to reflect the interest on the lease liability, and
- (b) It reduces the book value to reflect the lease payments made.
- (c) Re-measure the book value to reflect reassessments and reconstructions, if any.

The Group reflects the remeasurement amount of the lease liability as an adjustment to the right-of-use asset in its financial statements.

In addition, in the event of a change in the lease term, a change in essentially fixed lease payments, or a change in the assessment of the option to purchase the underlying asset, the value of the lease obligations is remeasured.

Short-term leases and leases where the underlying asset is of low value

The Group applies the short-term lease registration exemption to short-term machinery and equipment lease contracts (i.e. assets with a lease term of 12 months or less from the start date and without a call option). It also applies the exemption from accounting for low value assets to office equipment whose rental is considered to be of low value. Short-term lease contracts and lease contracts of low value assets are recorded as expense according to the linear method during the lease term.

Financial Instruments

Financial assets and financial liabilities are recognised in the Group’s consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)

2.8 Significant Accounting Policies (cont’d)

Financial Instruments (cont’d)

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

The Group classifies its financial assets as (a) Business model used for managing financial assets, (b) financial assets subsequently measured at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss based on the characteristics of contractual cash flows. The Company reclassifies all financial assets effected from the change in the business model it uses for the management of financial assets. The reclassification of financial assets is applied prospectively from the reclassification date. In such cases, no adjustment is made to gains, losses (including any gains or losses of impairment) or interest previously recognized in the consolidated financial statements.

Classification of financial assets

Financial assets that meet the following conditions are measured subsequently at amortised 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 (“FVTOCI”):

- 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.

By default, all other financial assets are measured subsequently at fair value through profit or loss (“FVTPL”).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset; the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met.

Amortised cost and effective interest method

Interest income on financial assets carried at amortized cost is calculated using the effective interest method. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)

2.8 Significant Accounting Policies (cont’d)

Financial Instruments (cont’d)

Amortised cost and effective interest method (cont’d)

This income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset:

- a) Credit-impaired financial assets when purchased or generated. For such financial assets, the Group applies the effective interest rate on the amortized cost of a financial asset based on the loan from the date of the recognition in the financial statements.
- b) Non-financial assets that are impaired at the time of acquisition or generation but subsequently become a financial asset that has been impaired. For such financial assets, the Group applies the effective interest rate to the amortized cost of the asset in the subsequent reporting periods.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI.

Interest income is recognised in consolidated profit or loss statement. Interest income is recognized as income from investments if it is based on deposits. Interest income from in-group borrowings are shown as finance income.

Financial assets at fair value through profit or loss

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

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

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically,

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the ‘other gains and losses’ line item;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the ‘other gains and losses’ line item. Other exchange differences are recognised in other comprehensive income in the investments revaluation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the ‘other gains and losses’ line item; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated)

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.8 Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Impairment of financial assets (cont'd)

The Group utilizes a simplified approach for non-significant trade receivables, contract assets and lease receivables and calculates the allowance for impairment against the lifetime expected credit losses ("ECL") of the related financial assets.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Trade receivables

Trade receivables arising from the provision of products or services to the buyer are recognized over the amortized value of the receivables to be recorded in the following periods from the original invoice value, using the effective interest method. Short-term receivables with no determined interest rate are shown from the invoice amount, if the effect of the original effective interest rate is not too great.

The "simplified approach" is applied for the impairment calculations of trade receivables that are accounted at amortized cost in the financial statements and do not contain a significant financing component (with a maturity of less than 1 year). With this approach, in cases where the trade receivables are not impaired for certain reasons (except for the realized impairment losses), the loss allowance for trade receivables is measured at an amount equal to "lifetime expected credit losses". Following the allocation of a provision for impairment, if all or a portion of the impaired receivable is collected, the collected amount is deducted from the provision for impairment and recorded in other operating income.

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)

2.8 Significant Accounting Policies (cont’d)

Financial Instruments (cont’d)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

The Group classifies the blocked deposits held in banks from cash and cash equivalents and follows them in the 'Financial Assets (Restricted Bank Balances)' account in the statement of financial position.

Financial liabilities

Financial liabilities are classified as at FVTPL on initial recognition. On initial recognition of liabilities other than those that are recognised at FVTPL, transaction costs directly attributable to the acquisition or issuance thereof are also recognised in the fair value.

A financial liability is subsequently classified at amortized cost except:

- Financial liabilities at FVTPL: These liabilities including derivative instruments are subsequently measured at fair value.
- Financial liabilities arising if the transfer of the financial asset does not meet the conditions of derecognition from the financial statements or if the ongoing relationship approach is applied: When the Group continues to present an asset based on the ongoing relationship approach, a liability in relation to this is also recognised in the financial statements. The transferred asset and the related liability are measured to reflect the rights and liabilities that the Company continues to hold. The transferred liability is measured in the same manner as the net book value of the transferred asset.
- A contingent consideration recognized in the financial statements by the entity acquired in a business combination where TFRS 3 is applied: After initial recognition, the related contingent consideration is measured as at FVTPL.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Financial liabilities

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies applied for the debt and equity instruments are stated below.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)

2.8 Significant Accounting Policies (cont’d)

Financial Instruments (cont’d)

Financial liabilities at FVTPL

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

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.

Loans

Loans are first recorded at their fair value after deducting the transaction costs incurred. Borrowings are measured at amortized cost later.

Derivative Instruments

Derivative instruments are first recorded at their acquisition cost reflecting their fair value at the contract date, and are valued at fair value in the following periods. The derivative instruments of the Group consist of forward foreign exchange purchase and sale contracts. Although these derivatives provide effective protection against risks for the Group economically, if they do not meet the necessary conditions for risk accounting, they are accounted as trading derivatives in the consolidated financial statements and the fair value changes related to them are reflected in the statement of profit or loss.

Offsetting

In the existence of legal right or power of sanction for offsetting the financial assets and liabilities included in the consolidated financial statements and in the case of collection/payment or simultaneous finalization of aforementioned financial assets and liabilities, the net amounts are stated.

Business Combinations

The acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)

2.8 Significant Accounting Policies (cont’d)

Business Combinations (cont’d)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with TMS 12 Income Taxes and TMS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with TFRS 2 Share-Based Payments at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with TFRS 5 Non-Current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another TFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with TMS 39, or TMS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)

2.8 Significant Accounting Policies (cont’d)

Business Combinations (cont’d)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Group’s cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Effects of Changes in Foreign Exchange Rates

Foreign Currency Transactions

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position of each entity are expressed in USD, which is the functional currency of the Company, and presented in Turkish Lira which is the presentation currency for the consolidated financial statements.

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

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on transactions entered into in order to hedge certain foreign currency risks (see below for hedging accounting policies); and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)

2.8 Significant Accounting Policies (cont’d)

Effects of Changes in Foreign Exchange Rates (cont’d)

Financial Statements of Subsidiaries that Operates in Foreign Country

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group’s foreign operations are translated into USD using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

Events after the Reporting Period

It refers to events that occur in favor or against the company between the reporting date and the date of authorization for the publication of financial statements. Events after the reporting date are divided into two:

- there is new evidence that relevant events existed as of the reporting date, and
- there is evidence that relevant events occurred after the reporting date (events that did not require correction after the reporting date).

In the event that there is new evidence regarding the existence of the mentioned events as of the reporting date or the related events occur after the reporting date and these events require the financial statements to be corrected, the Group revises its consolidated financial statements in accordance with the new situation. If the events in question do not require correction of the consolidated financial statements, the Group explains the related issues in the related footnotes.

Provisions, Contingent Assets and Liabilities

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the 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 end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation, including property under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal. Any gain or loss arising on derecognition of the property is included in profit or loss in the period in which the property is derecognized.

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)

2.8 Significant Accounting Policies (cont’d)

Investment Properties (cont’d)

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property that is measured at fair value to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property that is measured at fair value, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

As of December 31, 2023, the investment properties item consists of the building in Adana Reşatbey; and its value is TL 3.482.451 (31 December 2022: TL 2.211.953).

Income Taxes

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

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from ‘profit before tax’ as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and it excludes items that are never taxable or deductible. The Group’s current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax liability or asset is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)

2.8 Significant Accounting Policies (cont’d)

Income Taxes (cont’d)

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

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The management reviewed the Group’s investment property portfolios and concluded that none of the Group’s investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the management has determined that the ‘sale’ presumption set out in the amendments to TMS 12 is not rebutted. As a result, since the gain on sale of investment properties is subject to tax at the rate of 10%, a deferred tax liability at the rate of 10% is recognized from the difference between the fair value of investment properties and their tax value.

Current and deferred tax for the period

Current and deferred tax are recognized as in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Employee Benefits

Termination and retirement benefits

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

The retirement benefit obligation recognized in the consolidated statement of financial position represents the present value of the defined benefit obligation. The actuarial gains and losses are recognized in other comprehensive income.

Statement of Cash Flows

In statement of cash flows, cash flows are classified according to operating, investing and financing activities.

Cash flows from operating activities reflect cash flows generated from sales of the Group.

Cash flows from investing activities express cash used in investment activities (direct investments and financial investments) and cash flows generated from investment activities of the Group.

Cash flows from financing activities express sources of financial activities and payment schedules of the Group.

Share Capital and Dividends

Common shares are classified as equity. Dividends on common shares are recognized in equity in the period in which they are approved and declared.

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)

2.8 Significant Accounting Policies (cont’d)

Earnings Per Share

Earnings per share stated in the consolidated statement of profit or loss are determined by dividing the consolidated net profit of the parent company by the weighted average number of shares available during the year.

2.9 Segment Reporting

The Group applied TFRS 8 and its operating segments are identified based on the information provided to and analyzed by the senior executives, which represents the chief operating decision makers (CODM), making decisions regarding the allocation of resources and assessing performance. For the purposes of TFRS 8, the Group also considers the operating segments that present management reporting have similar economic characteristics and considers the operating segments offer similar financial performance in the long term. In addition the Group reports these operating segments as a single operating segment to have similar nature of products and services, customer type and class, product distribution and service delivery and additionally subject to similar legal regulations. Therefore, the Group is considered as one single operating segment.

2.10 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

Critical judgments in applying the Group’s accounting policies

In the process of applying the Group’s accounting policies, which are described in Note 2.8, the Group Management has made the following judgments that have the most significant effect on the amounts recognized in the financial statements:

Useful life of property, plant and equipment and intangible assets

The Company has calculated the depreciation and amortization amounts regarding the useful lives specified in Notes 9 and 11.

Duration of Leasing Liabilities

The Group's leasing liabilities within the scope of TFRS 16 are related to vehicle and building leasing contracts. The lifetime of the leasing agreements for vehicles are determined on the basis of the relevant lease agreement. The lifetime of the lease contracts for buildings are determined based on the best estimate of the period in which the management plans to use the asset in lease contracts and auto-renewal contracts.

Doubtful receivables provision

A credit risk provision for trade receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount. The recoverable amount is the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception. As of 31 December 2023, the provision amount is TL 91.788.661 (31 December 2022: TL 91.499.925).

Severance benefits

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

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)

2.10 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

Severance benefits (cont’d)

The retirement benefit obligation recognized in the consolidated statement of financial position represents the present value of the defined benefit obligation. The actuarial gains and losses are recognized in other comprehensive income.

Inventory impairment provision

When the net realizable value of inventories is less than their cost, the inventories are reduced to their net realizable value and are reflected to profit and loss as loss. According to the expectations of the Group, as the net realizable value of the inventories are below of their cost value, for some part of the inventories the Group has allocated provision and reduced to their net realizable value. The Group has allowance for impairment on inventory amounting to TL 48.927.495 as of 31 December 2023 (31 December 2022: TL 47.369.694).

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

3. DISCLOSURES RELATED TO STATEMENT OF CASH FLOWS

	31 December 2023	31 December 2022
Cash on banks	498.979.021	632.402.590
<i>Demand deposits</i>	361.087.510	249.171.268
<i>Time deposits</i>	137.891.511	383.231.322
Credit card receivables	18.663.583	5.256.017
	<u>517.642.604</u>	<u>637.658.607</u>

The average maturity of credit card receivables is 1 day as of 31 December 2023 (31 December 2022: 1 day).

The Group subtracts the blocked deposits held in banks (31 December 2023: TL 554.910, 31 December 2022: TL 18.698.300) from cash and cash equivalents and presents them under Financial Assets (Restricted Bank Deposits) in the consolidated statement of financial position.

Currency Type	Maturity	Interest Rate	31 December 2023
TRY	January 2, 2024	32%-42,5%	137.891.511
			<u>137.891.511</u>

Currency Type	Maturity	Interest Rate	31 December 2022
TRY	2 - 6 January 2023	8% - 25%	196.248.322
USD	2 January 2023	1%	186.983.000
			<u>383.231.322</u>

Explanations related to nature and level of risks in cash and cash equivalents are explained in Note 25.

4. RELATED PARTY DISCLOSURES

The trade receivables from related parties arise mainly from sales transactions whereas non-trade receivables arise from financial transactions. Trade receivables from related companies have 2 months of maturities on average. These receivables are by nature not secured and bear no interest.

Payables to related parties arise mainly from purchase transactions and financial transactions. Trade payables to related companies have 2 months of maturities on average. Non-trade payables are comprised of short term financial liabilities and long-term financial debts in the scope of the parent company’s syndication loan agreement. Interest rates within the scope of the syndication loan agreement is fixed at 6,80% for USD denominated liabilities (2022: 6,80 %).

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

4. RELATED PARTY DISCLOSURES (cont’d)

a) The detail of trade and non-trade receivables and payables as of 31 December 2023 and 31 December 2022 is as follows:

Balances with Related Parties	31 December 2023				
	Receivables		Payables		
	Current		Current	Non-Current	
	Trade	Non-Trade	Trade	Non-Trade	Non-Trade
Yıldız Holding A.Ş. (*)	-	-	-	748.539.065	-
Ülker Bisküvi San. A.Ş.	1.129.632	-	-	-	-
Kereviş Gıda San. ve Tic. A.Ş.	736.603	-	-	-	-
Horizon Hızlı Tüketim Ürünleri Üretim Pazarlama Satış ve Tic	386.288	-	-	-	-
Marsa Yağ San. ve Tic. A.Ş.	313.340	-	-	-	-
Önem Gıda San. ve Tic. A.Ş.	290.702	-	-	-	-
Continental Confectionery Company Gıda San. ve Tic. A.Ş.	225.143	-	-	-	-
Şok Marketler Tic. A.Ş.	222.082	-	-	-	-
Donuk Fırıncılık Ürünleri Sanayi ve Tic. A.Ş.	163.441	-	-	-	-
Polinas Plastik San. ve Tic. A.Ş.	155.816	-	-	-	-
Other	509.605	-	288.583	-	-
	4.132.652	-	288.583	748.539.065	-
Balances with Related Parties	31 December 2022				
	Receivables		Payables		
	Current		Current	Non-Current	
	Trade	Non-Trade	Trade	Non-Trade	Non-Trade
Yıldız Holding A.Ş. (*)	67.445	-	14.173	557.110.258	-
İzsal Gayrimenkul Geliştirme A.Ş. (**)	1.748.665	-	465.756	-	-
Kereviş Gıda San. ve Tic. A.Ş.	1.625.855	-	-	-	-
Şok Marketler Tic. A.Ş.	723.849	-	404.257	-	-
Ülker Bisküvi San. A.Ş.	518.990	-	-	-	-
Bizim Toptan Satış Mağazaları A.Ş.	459.903	-	39.117	-	-
Future Teknoloji Tic. A.Ş.	390.290	-	-	-	-
Donuk Fırıncılık Ürünleri San. ve Tic. A.Ş.	305.568	-	-	-	-
Marsa Yağ San. Ve Tic. A.Ş.	233.897	-	-	-	-
Other	540.510	-	190.648	-	-
	6.614.972	-	1.113.951	557.110.258	-

(*) As of 31 December 2023 and 31 December 2022, non-trade payables to Yıldız Holding consist of financial debt.

(**) Most Bilgi Sistemleri Tic. A.Ş. has merged with İzsal Gayrimenkul Geliştirme A.Ş. on 30 December 2022. Therefore, current trade payables to Most Bilgi Sistemleri Tic. A.Ş. and current trade receivables from Most Bilgi Sistemleri Tic. A.Ş. as of December 31, 2022 are given under İzsal Gayrimenkul Geliştirme A.Ş..

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

4. RELATED PARTY DISCLOSURES (cont’d)

b) The details of transactions between related parties for the years 2023 and 2022 are presented below:

Transactions with related parties	1 January - 31 December 2023			
	Sales	Purchases	Interest Income	Interest Expense
Yıldız Holding A.Ş.	1.058.758	12.619.440	505.695	73.940.176
Ülker Bisküvi San. A.Ş.	6.950.256	-	-	-
İzsal Gayrimenkul Geliştirme A.Ş.	1.227.771	2.645.492	-	-
Şok Marketler Tic. A.Ş.	2.415.975	957.607	-	-
G2MEKSPER Satış ve Dağıtım Hizmetleri A.Ş.	3.164.596	-	-	-
Kereviş Gıda Sanayi ve Ticaret A.Ş.	2.342.878	-	-	-
Bizim Toptan Satış Mağazaları A.Ş.	1.397.858	337.193	-	-
Sağlam İnş.Taah.Tic. A.Ş.	725.956	150.000	-	-
Polinas Plastik San. ve Tic. A.Ş.	765.201	-	-	-
Marsa Yağ San. Ve Tic. A. Ş.	752.813	-	-	-
Azmüsebat Çelik San. ve Tic. A.Ş.	325.936	-	-	-
Other	3.774.184	337.860	-	-
	<u>24.902.182</u>	<u>17.047.592</u>	<u>505.695</u>	<u>73.940.176</u>

Transactions with related parties	1 January - 31 December 2022			
	Sales	Purchases	Interest Income	Interest Expense
Yıldız Holding A.Ş.	891.006	6.226.506	411.760	33.422.385
G2MEKSPER Satış ve Dağıtım Hizmetleri A.Ş.	4.555.500	-	-	-
İzsal Gayrimenkul Geliştirme A.Ş.	2.805.358	1.350.831	-	-
Şok Marketler Tic. A.Ş.	2.764.152	777.652	-	-
Bizim Toptan Satış Mağazaları A.Ş.	2.754.979	67.536	-	-
Kereviş Gıda San. ve Tic. A.Ş.	1.940.342	-	-	-
Ülker Bisküvi San. A.Ş.	1.435.485	625	-	-
Sağlam İnş.Taah.Tic. A.Ş.	1.085.732	16.000	-	-
Continental Confectionery Company Gıda San. ve Tic. A.Ş.	869.665	-	-	-
Biskot Bisküvi Gıda San.Tic. A.Ş.	808.301	-	-	-
Ülker Çikolata Sanayi A.Ş.	786.168	-	-	-
Önem Gıda Sanayi Tic. A.Ş.	674.995	-	-	-
Makina Takım Endüstrisi A.Ş.	562.732	-	-	-
Other	2.932.178	543.172	-	-
	<u>24.866.593</u>	<u>8.982.322</u>	<u>411.765</u>	<u>33.422.385</u>

The companies in the list consist of Yıldız Holding and its related parties. Purchases from Yıldız Holding mainly consist of service purchases. Ufuk Yatırım Yönetim ve Gayrimenkul A.Ş. purchases consist of rent payments. Trade receivables from other companies arise from sales of commercial goods, trade payables from other companies arise from purchases of products and services.

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

4. RELATED PARTY DISCLOSURES (cont’d)

Compensation of key management personnel:

The key management personnel of the Company consists of board members, the general manager and the directors. The benefits provided to key management comprise benefits such as salary and premiums. The remuneration of top management during the year were as follows:

	1 January - 31 December 2023	1 January - 31 December 2022
Salaries and other current benefits	25.561.743	12.081.054
	<u>25.561.743</u>	<u>12.081.054</u>

5. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables

The details of the Group’s trade receivables are as follows:

	31 December 2023	31 December 2022
Short term trade receivables		
Trade receivables	5.032.607.834	2.374.383.805
Notes receivables	170.882.481	143.387.839
Due from related parties (Note 4)	4.132.652	6.614.972
Doubtful receivables	91.788.661	91.499.925
Provision for doubtful receivables (-)	(91.788.661)	(91.499.925)
	<u>5.207.622.967</u>	<u>2.524.386.616</u>

The average maturity of trade receivables is 62 days (2022: 64 days)

Allowances for doubtful receivables are recognized against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty. Movements of provision for doubtful trade receivables are as follows:

	1 January - 31 December 2023	1 January - 31 December 2022
Movement of provision for doubtful receivables		
Balance at beginning of the year	91.499.925	94.792.782
Charge for the year (Note 19)	321.705	394.864
Collections (Note 19)	(181.735)	(1.385.645)
Translation difference	148.766	(2.302.076)
Closing balance	<u>91.788.661</u>	<u>91.499.925</u>

Explanations about the nature and level of risks related to trade receivables are provided in Note 25.

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

5. TRADE RECEIVABLES AND PAYABLES (cont’d)

b) Trade Payables

The details of the Group’s trade payables are as follows:

	31 December 2023	31 December 2022
Short term trade payables		
Trade payables	3.606.170.256	1.921.264.704
Due to related parties (Note 4)	288.583	1.113.951
Expense accruals (*)	464.325.864	206.192.578
	<u>4.070.784.703</u>	<u>2.128.571.233</u>

(*) Mainly consist of cost accruals such as price protection and marketing support to be provided to the Group's customers within the framework of the operational activities and preferences of the Group's suppliers.

As of 31 December 2023, the average maturity of trade payables is 54 days (2022: 54 days). Explanations about the nature and level of risks related to trade payables are provided in Note 25.

6. OTHER RECEIVABLES AND PAYABLES

a) Other Receivables

	31 December 2023	31 December 2022
Short Term Other Receivables		
Other current receivables (*)	9.845.929	1.063.765
	<u>9.845.929</u>	<u>1.063.765</u>

(*) Other current receivables consist of receivables from personnel and other miscellaneous receivables.

b) Other Payables

	31 December 2023	31 December 2022
Short Term Other Payables		
Non-trade payables to related parties (Note 4)	748.539.065	557.110.258
Other payables	230.266	275.126
	<u>748.769.331</u>	<u>557.385.384</u>

Movement table of other payables to related parties is given in Note 24.

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

7. INVENTORIES

	31 December 2023	31 December 2022
Raw materials	52.257.162	5.905.484
Finished goods	9.664.885	960.831
Trade goods	2.045.198.367	1.045.969.607
Consignment goods	14.305.376	22.501.516
Other inventory	19.429	371.330
Allowance for impairment on inventory (-)	(48.927.495)	(47.369.694)
	<u>2.072.517.724</u>	<u>1.028.339.074</u>
	1 January - 31 December 2023	1 January - 31 December 2022
Movement of allowance for impairment on inventory		
Opening balance	(47.369.694)	(36.282.164)
Charge for the year / cancel of allowance, net	20.688.638	3.125.225
Translation differences	(22.246.439)	(14.212.755)
Closing balance	<u>(48.927.495)</u>	<u>(47.369.694)</u>

8. PREPAID EXPENSES AND CONTRACT LIABILITIES

	31 December 2023	31 December 2022
Short term prepaid expenses		
Prepaid expenses	5.572.121	2.285.923
Advances paid for trade goods	544.931	-
	<u>6.117.052</u>	<u>2.285.923</u>
	31 December 2023	31 December 2022
Short term deferred income		
Short term deferred income (*)	155.516.005	25.459.792
Provision for revenue premiums (**)	33.398.668	6.981.627
	<u>188.914.673</u>	<u>32.441.419</u>

(*) Deferred income related to products which are not delivered yet as of the year end but invoiced in current period. All deferred income as at 31 December 2022 was recognized as revenue in 2023.

(**) Provision of revenue premiums consists of estimated after sales cost provisions that may given to the customers.

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated)

9. PROPERTY, PLANT AND EQUIPMENT

	Machinery and Equipment	Vehicles	Furniture and Fixture	Leasehold Improvements	Total
<u>Cost</u>					
Opening balance as of 1 January 2023	5.266.283	1.770.467	66.632.290	86.731.373	160.400.413
Foreign currency translation differences	3.529.283	1.041.199	40.442.763	51.489.376	96.502.621
Additions	2.103.368	101.244	12.614.440	6.974.812	21.793.864
Disposals	-	-	(3.563.683)	-	(3.563.683)
Closing balance as of 31 December 2023	10.898.934	2.912.910	116.125.810	145.195.561	275.133.215
<u>Accumulated Depreciation</u>					
Opening balance as of 1 January 2023	(2.983.613)	(1.770.467)	(54.321.610)	(78.060.466)	(137.136.156)
Foreign currency translation differences	(1.972.323)	(1.019.367)	(31.310.479)	(45.453.395)	(79.755.564)
Charge for the year	(1.078.277)	(10.210)	(4.019.517)	(2.573.306)	(7.681.310)
Disposals	-	-	3.563.683	-	3.563.683
Closing balance as of 31 December 2023	(6.034.213)	(2.800.044)	(86.087.923)	(126.087.167)	(221.009.347)
Carrying value as of 31 December 2023	4.864.721	112.866	30.037.887	19.108.394	54.123.868

Depreciation expenses are included in general administrative expenses (1 January - 31 December 2022 depreciation expenses are included in general administrative expenses).

There is no pledges and mortgages on the property, plant and equipment (31 December 2022: None).

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated)

9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Machinery and Equipment	Vehicles	Furniture and Fixture	Leasehold Improvements	Total
<u>Cost</u>					
Opening balance as of 1 January 2022	3.016.511	1.262.073	46.456.014	61.313.962	112.048.560
Foreign currency translation differences	1.333.247	508.394	18.823.643	24.781.013	45.446.297
Additions	916.525	-	2.382.868	636.398	3.935.791
Disposals	-	-	(1.030.235)	-	(1.030.235)
Closing balance as of 31 December 2022	5.266.283	1.770.467	66.632.290	86.731.373	160.400.413
<u>Accumulated Depreciation</u>					
Opening balance as of 1 January 2022	(1.741.367)	(1.262.073)	(37.696.697)	(54.008.686)	(94.708.823)
Foreign currency translation differences	(763.204)	(508.394)	(15.292.520)	(22.018.292)	(38.582.410)
Charge for the year	(479.042)	-	(2.354.926)	(2.033.488)	(4.867.456)
Disposals	-	-	1.022.533	-	1.022.533
Closing balance as of 31 December 2022	(2.983.613)	(1.770.467)	(54.321.610)	(78.060.466)	(137.136.156)
Carrying value as of 31 December 2022	2.282.670	-	12.310.680	8.670.907	23.264.257

The following useful lives are used in the calculation of depreciation:

	Useful lives
Plant, machinery and equipment	3-10 years
Vehicles	5 years
Furniture and fixture	3-15 years
Leasehold improvements	2-15 years

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

10. RIGHT-OF-USE ASSETS

	Vehicles	Buildings	Total
<u>Cost</u>			
Opening balance as of 1 January 2023	3.499.212	30.555.291	34.054.503
Foreign currency translation differences	5.682.325	21.811.895	27.494.220
Additions	4.612.114	10.333.943	14.946.057
Closing balance as of 31 December 2023	13.793.651	62.701.129	76.494.780

<u>Accumulated Amortization</u>			
Opening balance as of 1 January 2023	(1.654.934)	(6.148.297)	(7.803.231)
Foreign currency translation differences	1.270.753	4.260.813	5.531.566
Charge for the year	(4.666.060)	(16.365.937)	(21.031.997)
Closing balance as of 31 December 2023	(5.050.241)	(18.253.421)	(23.303.662)
Carrying value as of 31 December 2023	8.743.410	44.447.708	53.191.118

	Vehicles	Buildings	Total
<u>Cost</u>			
Opening balance as of 1 January 2022	8.606.908	36.443.125	45.050.033
Foreign currency translation differences	(5.107.696)	(30.466.880)	(35.574.576)
Additions	-	24.579.046	24.579.046
Closing balance as of 31 December 2022	3.499.212	30.555.291	34.054.503

<u>Accumulated Amortization</u>			
Opening balance as of 1 January 2022	(6.124.516)	(17.424.028)	(23.548.544)
Foreign currency translation differences	5.173.958	14.937.258	20.111.216
Charge for the year	(704.376)	(3.661.527)	(4.365.903)
Closing balance as of 31 December 2022	(1.654.934)	(6.148.297)	(7.803.231)
Carrying value as of 31 December 2022	1.844.278	24.406.994	26.251.272

	Useful lives
Buildings	1-4 years
Vehicles	1-3 years

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

11. INTANGIBLE ASSETS

Cost	Rights & Licences	Other Intangible Assets	Total
Opening balance as of 1 January 2023	6.867.245	40.405.869	47.273.114
Foreign currency translation differences	4.134.671	23.371.449	27.506.120
Additions	793.375	680.450	1.473.825
Closing balance as of 31 December 2023	11.795.291	64.457.768	76.253.059
Accumulated Amortization			
Opening balance as of 1 January 2023	(4.921.099)	(36.923.319)	(41.844.418)
Foreign currency translation differences	(2.943.052)	(21.617.909)	(24.560.961)
Charge for the year	(485.679)	(1.709.364)	(2.195.043)
Closing balance as of 31 December 2023	(8.349.830)	(60.250.592)	(68.600.422)
Carrying value as of 31 December 2023	3.445.461	4.207.176	7.652.637
Cost	Rights & Licences	Other Intangible Assets	Total
Opening balance as of 1 January 2022	4.246.536	28.325.282	32.571.818
Foreign currency translation differences	1.814.516	11.486.758	13.301.274
Additions	806.193	593.829	1.400.022
Closing balance as of 31 December 2022	6.867.245	40.405.869	47.273.114
Accumulated Amortization			
Opening balance as of 1 January 2022	(3.387.179)	(25.159.068)	(28.546.247)
Foreign currency translation differences	(1.383.802)	(10.320.799)	(11.704.601)
Charge for the year	(150.118)	(1.443.452)	(1.593.570)
Closing balance as of 31 December 2022	(4.921.099)	(36.923.319)	(41.844.418)
Carrying value as of 31 December 2022	1.946.146	3.482.550	5.428.696

All amortisation cost has been included to general administrative expenses (1 January – 31 December 2022: amortisation cost has been included to general administrative expense).

The following useful lives are used in the calculation of amortization:

	Useful lives
Rights & Licences	3-15 years
Other intangible assets	3-15 years

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

12. GOODWILL

The Group acquired 4.000 shares of Sayısal Grafik Ticaret A.Ş. with a nominal value of TL 100.000 (constituting 100% of the total share capital) for TL 11.890.667. on 18 June 2015. After the acquisition, on 30 July 2015 Sayısal has been merged under Penta Teknoloji pursuant to articles 18-20 of Corporate Tax Law and other related articles of Turkish Commercial Law, the merger shall be based on the financial statements dated 18 June 2015. The merger was announced on 5 August 2015 in the Trade Registry Gazette No: 8877. The Group assesses goodwill associated with cash-generating units once a year for impairment testing as described in Note 2. Discounted cash flow method is used for the impairment tests of goodwill allocated to cash generating unit which were arisen due acquiring Sayısal Grafik Sanayi ve Ticaret A.Ş.. 5 year business plan is prepared by the Group Management for the discounted cash flow method, discount rate of 33,38% and growth rate of 1% are used in the valuation (2022: 15,43% discount rate and 1% growth rate). Through the impairment tests which are detailed above and are applied on the basis of cash generating unit, no impairment is determined for the goodwill allocated as of 31 December 2023 (31 December 2022: None).

Cost Value	1 January - 31 December 2023	1 January - 31 December 2022
Opening balance	36.192.280	25.799.506
Translation gain/loss	20.788.064	10.392.774
Closing balance	56.980.344	36.192.280

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

13. COMMITMENTS

Collaterals-Pledge-Mortgage (“CPM”)

The Group’s collaterals/pledge/mortgage position as at 31 December 2023 and 31 December 2022 is as follows;

31 December 2023	TL Equivalent	USD	TL	Euro
A. CPM given on behalf of its own legal entity				
-Collateral	1.153.570.950	38.505.443	11.896.543	250.000
B. Total amounts of CPM given on behalf of subsidiaries that are included in full consolidation				
-Collateral	-	-	-	-
C. Total amounts of CPM given in order to guarantee third parties debts for routine trade operations				
-Collateral	-	-	-	-
D. Total amounts of other CPM given				
i. Total amount of CPM given on behalf of parent company				
-Collateral	-	-	-	-
ii. Total amount of CPM given on behalf of other group companies that are not included group B and C				
-Collateral	1.403.081.891	35.329.310	363.050.597	-
iii. Total amount of CPM given on behalf of third parties that are not included group C				
-Collateral	-	-	-	-
Total	2.556.652.841	73.834.753	374.947.140	250.000

The ratio of other CPM’s that is given by the Group to equity is 55% as of 31 December 2022 (31 December 2022: 70%).

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated)

13. COMMITMENTS (cont'd)

Collaterals-Pledge-Mortgage ("CPM") (cont'd)

31 December 2022	TL Equivalent	USD	TL	Euro
A. CPM given on behalf of its own legal entity				
-Collateral	829.048.093	43.505.443	10.586.543	250.000
B. Total amounts of CPM given on behalf of subsidiaries that are included in full consolidation				
-Collateral	-	-	-	-
C. Total amounts of CPM given in order to guarantee third parties debts for routine trade operations				
-Collateral	-	-	-	-
D. Total amounts of other CPM given				
i. Total amount of CPM given on behalf of parent company				
-Collateral	-	-	-	-
ii. Total amount of CPM given on behalf of other group companies that are not included group B and C				
-Collateral	1.023.648.634	35.329.310	363.050.597	-
iii. Total amount of CPM given on behalf of third parties that are not included group C				
-Collateral	-	-	-	-
Total	1.852.696.727	78.834.753	373.637.140	250.000

With the syndication loan agreement signed with various Turkish banks in 2018, Yıldız Holding A.Ş. and its group companies' short term debts are combined under the roof of Yıldız Holding A.Ş. In this context, the loans that were previously payable to banks were consolidated in the "other long term payables to Yıldız Holding A.Ş." account on 8 June 2018, in accordance with this syndication loan agreement.

As of 8 June 2018, the Company's cash loans amounting to TL 399,7 million and non-cash bank loans amounting to TL 206,4 million transferred to Yıldız Holding A.Ş. There has been no increase in the Company's total debt amount due to syndicated loan. As of the date of loan used, the Company became the guarantor of Yıldız Holding A.Ş., limited to the total bank loan risk exposure.

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

14. EMPLOYEE BENEFITS

	31 December 2023	31 December 2022
<u>Payables related to employee benefits</u>		
Salaries to be paid to personnel	8.764.105	4.010.841
Social security premiums payable	7.494.730	3.707.686
	<u>16.258.835</u>	<u>7.718.527</u>
	31 December 2023	31 December 2022
<u>Short-term provisions for employee benefits</u>		
Provisions for bonuses	9.967.224	9.612.599
Provisions for unused vacation	7.795.854	4.611.898
	<u>17.763.078</u>	<u>14.224.497</u>
	1 January - 31 December 2023	1 January - 31 December 2022
<u>Movement of provision for bonuses</u>		
Provision at 1 January	9.612.599	5.802.790
Bonuses paid	(9.612.606)	(5.802.790)
Charge for the period	8.039.200	8.515.267
Translation difference	1.928.031	1.097.332
Provision at 31 December	<u>9.967.224</u>	<u>9.612.599</u>
	1 January - 31 December 2023	1 January - 31 December 2022
<u>Movement of unused vacation</u>		
Provision at 1 January	4.611.898	1.826.833
Unused vacation paid	(3.217.047)	(378.002)
(Reverse) / Charge for the period	3.648.544	2.193.246
Translation difference	2.752.459	969.821
Provision at 31 December	<u>7.795.854</u>	<u>4.611.898</u>

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated)

14. EMPLOYEE BENEFITS (cont'd)

Provision for retirement pay liability

Under labour laws effective in Türkiye, it is a liability to make legal retirement pay to employees whose employment is terminated after 25 years and after completing at least 1 year of service (for women 58, for men 60 years), called for army services or deceased.

Employment termination benefit to be paid is limited to a maximum of TL 23.489,83 for each year of service at 31 December 2023 (31 December 2022: TL 15.371,40).

Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. TMS 19 *Employee Benefits* stipulates the development of a company's liabilities by using actuarial valuation methods under defined benefit plans. In this direction, actuarial assumptions used in calculation of total liabilities are described as follows:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2023, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provisions at the respective reporting dates have been calculated with the assumption of 3,67% real discount rate (31 December 2022: 1,5%), calculated by using 20,95% annual inflation rate and 25,29% discount rate. The average rate of resignation for the employees is 6,72%. Ceiling amount of TL 35.058,58 which is in effect since 1 January 2024 is used in the calculation of the Group's provision for retirement pay liability (1 January 2023: TL 19.982,83).

The principal assumptions used in the calculation of retirement pay liability are discount rate and anticipated turnover rate:

- If the discount rate had been 1% higher (lower), provision for employee termination benefits would decrease (increase) by TL 5.002.312.
- If the anticipated turnover rate had been 1% lower (higher) while all other variables were held constant, provision for employee termination benefits would increase (decrease) by TL 1.180.214.

	1 January - 31 December 2023	1 January - 31 December 2022
<u>Movement of retirement pay provision</u>		
Provision at 1 January	34.000.951	12.995.282
Service cost	3.622.997	12.644.216
Interest cost	6.794.122	500.319
Termination benefits paid	(5.394.995)	(1.089.235)
Actuarial loss / (gain)	9.874.483	8.960.913
Translation difference	1.382.534	(10.544)
Provision at 31 December	<u>50.280.092</u>	<u>34.000.951</u>

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

15. OTHER ASSETS AND LIABILITIES

	31 December 2023	31 December 2022
<u>Other current assets</u>		
Deferred VAT	-	7.786.944
Other VAT	746.847	746.904
Other	126.908	80.309
	<u>873.755</u>	<u>8.614.157</u>
	31 December 2023	31 December 2022
<u>Other current liabilities</u>		
Taxes and funds payable	84.256.191	44.692.116
	<u>84.256.191</u>	<u>44.692.116</u>

16. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Share Capital

As of 31 December 2023 and 31 December 2022, the share capital held is as follows:

Shareholders	%	31 December 2023	%	31 December 2022
Gözde Girişim Serm.Yatırım Ort. A.Ş.	32,21	126.753.831	32,21	126.753.831
Mustafa Ergün	9,87	38.823.906	10,19	40.105.174
Mürsel Özçelik	7,11	27.960.870	7,17	28.202.870
Bülent Koray Aksoy	7,02	27.617.870	7,03	27.671.870
Sinan Güçlü	7,00	27.529.492	7,06	27.787.492
İstanbul Portföy Yıldız Serbest Özel Fon	-	-	20,53	80.771.400
Other	36,79	144.830.031	15,81	62.223.363
<u>Nominal Capital</u>	<u>100,00</u>	<u>393.516.000</u>	<u>100,00</u>	<u>393.516.000</u>

As of December 31, 2023, the nominal capital of the Company is TL 393.516.000 (31 December 2022: TL 393.516.000) with a par value of TL 1 per share (31 December 2022: TL 1). 106.418.079 of the Company's shares consist of group A shares and 287.097.921 of them are group B shares. Group A shares are privileged shares; their only privilege is the privilege of nominating candidates for members of the Board of Directors.

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

16. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (cont’d)

b) Restricted Reserves

	31 December 2023	31 December 2022
Legal Reserves	13.880.245	13.880.245
	<u>13.880.245</u>	<u>13.880.245</u>

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions. According to the Turkish Commercial Code, if the general legal reserve not exceed half of capital or the issued capital, only the closure of loss, to ease the work of the cross in front of or unemployment to continue the business when it goes well and the results used to take suitable measures.

c) Share Premiums

	31 December 2023	31 December 2022
Share Premiums	30.000.000	30.000.000
	<u>30.000.000</u>	<u>30.000.000</u>

The Company’s shares are publicly traded on Borsa İstanbul as of 17 May 2021. The positive difference between the nominal value of the shares and the actual selling price are shown under share premiums.

d) Foreign Currency Translations

Foreign currency translation differences are the conversion differences that arise when converting the consolidated financial statements in US Dollars, which is the functional currency of the Group, to Turkish Lira, which is the reporting currency (Note 2).

e) Distributable Profit

Details of the Group’s net profit for the year as of the reporting date and other profits that may be subject to profit distribution are given below:

	31 December 2023	31 December 2022
Accumulated Gains	125.737.943	22.057.466
Net Profit for the Year	195.742.392	103.680.477
Total	<u>321.480.335</u>	<u>125.737.943</u>

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

17. REVENUE

	1 January - 31 December 2023	1 January - 31 December 2022
<u>a) Sales</u>		
Domestic sales	19.093.244.713	10.210.530.369
Export sales	40.217.153	58.736.113
Sales returns (-)	(729.678.102)	(400.847.389)
Sales discounts (-)	(204.881.332)	(85.284.373)
	<u>18.198.902.432</u>	<u>9.783.134.720</u>

	1 January - 31 December 2023	1 January - 31 December 2022
<u>Sales Channels</u>		
Retail	6.220.879.684	2.890.177.008
Value-Added Reseller	4.698.462.725	2.990.425.731
Dealer	1.764.579.049	1.480.405.319
Marketplace	3.544.991.390	1.274.563.679
Sub-distributor and other	1.969.989.584	1.147.562.983
	<u>18.198.902.432</u>	<u>9.783.134.720</u>

	1 January - 31 December 2023	1 January - 31 December 2022
<u>b) Cost of sales</u>		
Cost of goods sold (-)	(43.823.101)	(29.192.538)
Cost of merchandises sold (-)	(16.784.969.779)	(8.992.969.689)
	<u>(16.828.792.880)</u>	<u>(9.022.162.227)</u>

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

18. GENERAL ADMINISTRATIVE EXPENSES AND SALES AND MARKETING EXPENSES

	1 January - 31 December 2023	1 January - 31 December 2022
General administrative expenses (-)	(150.136.036)	(74.798.924)
Marketing, selling and distribution expenses (-)	<u>(261.040.144)</u>	<u>(141.131.046)</u>
	<u>(411.176.180)</u>	<u>(215.929.970)</u>
	1 January - 31 December 2023	1 January - 31 December 2022
a) General administrative expenses details		
Employee benefit expenses	(48.525.869)	(26.015.237)
Depreciation and amortization expenses	(30.908.350)	(10.826.929)
Consulting expenses	(14.378.462)	(6.886.466)
Insurance expenses	(13.538.976)	(8.276.384)
IT expenses	(11.780.985)	(5.430.376)
Meal expenses	(9.478.003)	(4.981.116)
Security expenses	(6.003.786)	(2.756.581)
Outsourcing expenses	(5.427.239)	(2.458.316)
Taxes and other legal dues	(4.832.386)	(154.524)
Corporate communication expenses	(2.526.245)	(1.686.576)
Travel expenses	(749.687)	(374.392)
Other	<u>(1.986.048)</u>	<u>(4.952.027)</u>
	<u>(150.136.036)</u>	<u>(74.798.924)</u>
	1 January - 31 December 2023	1 January - 31 December 2022
b) Marketing, selling and distribution expenses details		
Employee benefit expenses	(176.737.379)	(101.798.680)
Logistics expenses	(45.577.221)	(20.871.332)
Travel expenses	(5.479.832)	(1.544.889)
Meal expenses	(3.406.689)	(1.382.050)
Corporate communication expenses	(2.733.624)	(1.160.178)
Outsourcing expenses	(2.604.624)	(1.222.359)
Technical service expenses	(2.575.015)	(3.033.296)
Vehicle expenses	(2.386.204)	(1.561.817)
Other	<u>(19.539.556)</u>	<u>(8.556.445)</u>
	<u>(261.040.144)</u>	<u>(141.131.046)</u>

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated)

19. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

The details of other income from operating activities are as follows:

	1 January - 31 December 2023	1 January - 31 December 2022
Terminated provisions (Note 5)	181.735	1.385.645
Other (*)	24.559.898	15.151.223
	<u>24.741.633</u>	<u>16.536.868</u>

(*) Consists of refund income from customs procedures, insurance compensation income and other extraordinary income items.

The details of other expenses from operating activities are as follows:

	1 January - 31 December 2023	1 January - 31 December 2022
Foreign exchange loss	(250.132.208)	(164.624.673)
Provision for doubtful receivables (Note 5)	(321.705)	(394.864)
Other	(12.290.443)	(1.516.121)
	<u>(262.744.356)</u>	<u>(166.535.658)</u>

20. INCOME AND EXPENSES FROM INVESTING ACTIVITIES

	1 January - 31 December 2023	1 January - 31 December 2022
Income from investing activities		
Interest income	74.453.577	10.942.062
	<u>74.453.577</u>	<u>10.942.062</u>

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

21. EXPENSES BY NATURE

	1 January - 31 December 2023	1 January - 31 December 2022
Employee benefit expenses	(225.263.248)	(127.813.917)
Logistics expenses	(45.577.221)	(20.871.332)
Depreciation and amortization expenses	(30.908.350)	(10.826.929)
Consulting expenses	(14.378.462)	(6.886.466)
Insurance expenses	(13.538.976)	(8.276.384)
Meal expenses	(12.884.692)	(6.363.166)
IT expenses	(11.780.985)	(5.430.376)
Outsourcing expenses	(8.031.863)	(3.680.675)
Travel expenses	(6.229.519)	(1.919.281)
Security expenses	(6.003.786)	(2.756.581)
Corporate communication expenses	(5.259.869)	(2.846.754)
Taxes and other legal dues	(4.832.386)	(154.524)
Technical service expenses	(2.575.015)	(3.033.296)
Vehicle expenses	(2.386.204)	(1.561.817)
Other	(21.525.604)	(13.508.472)
	<u>(411.176.180)</u>	<u>(215.929.970)</u>

22. FINANCE INCOME AND EXPENSES

	1 January - 31 December 2023	1 January - 31 December 2022
Finance income (*)	505.695	411.760
Total finance income	<u>505.695</u>	<u>411.760</u>
	1 January - 31 December 2023	1 January - 31 December 2022
Interest expense on bank loans	(8.729.479)	(5.735.034)
Interest expense on payables to related parties	(54.327.025)	(43.856.536)
Commission expenses on credit cards	(57.051.389)	(21.882.022)
Total interest expenses	<u>(120.107.893)</u>	<u>(71.473.592)</u>
Foreign exchange loss	(27.810.804)	(18.309.972)
Early payment discounts	(61.782.032)	(39.306.146)
Letter of bank guarantee expenses	(32.139.703)	(26.324.417)
Other finance expenses	(14.127.277)	(7.713.249)
Total finance expenses	<u>(255.967.709)</u>	<u>(163.127.376)</u>

(*) Finance income consists of interest income from the intragroup cash pool.

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated)

23. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

	31 December 2023	31 December 2022
<u>(Assets related with current tax) / Current tax liability</u>		
Current corporate tax provision	337.575.292	169.796.077
Less: prepaid taxes and funds	(205.041.449)	(122.447.743)
Translation differences	15.020.454	15.451
	<u>147.554.297</u>	<u>47.363.785</u>

Corporate Tax

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

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

It is enacted that, with effect from the beginning of 2021 for the corporations whose shares are publicly traded on Borsa Istanbul for the first time with at least 20% of its shares are offered to public, the corporate tax rate will be applied with a 2-point discount for 5 accounting periods, starting from the accounting period in which the shares are offered to the public for the first time. As a result of this, the effective tax rate for the Group in 2023 is 23% (2022: 21%).

Furthermore, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1 - 25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are Turkish residents and Turkish branches of foreign companies. Income withholding tax applied in between 24 April 2003 - 22 July 2006 is 10% and commencing from 22 July 2006, this rate has been changed to 15% upon the Council of Minister's' Resolution No: 2006/10731. In the application of the withholding rates regarding profit distributions to non-resident taxpayer institutions and real persons, the withholding rates included in the related Double Taxation Prevention Agreements are also taken into consideration. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

Transfer pricing regulations

In Türkiye, the transfer pricing provisions of the Corporate Tax Law "disguised profit distribution via transfer pricing" is stated in Article 13 entitled. The communiqué dated November 18, 2007 on disguised profit distribution through transfer pricing regulates the details regarding the implementation.

If the taxpayer buys or sells goods or services at a price or price determined against the arm's length principle with related parties, the earnings are deemed to have been distributed completely or partially through transfer pricing implicitly. Disguised profit distribution through such transfer pricing is considered as an expense not legally accepted for corporate tax.

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated)

23. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Deferred Tax

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

With the Tax Procedure Law General Communiqué (Serial No: 555) published in the Official Gazette dated 30 December 2023 and numbered 32415 (2nd Repeat), the procedures and principles of the correction procedures of the financial statements to be subject to inflation adjustment for 2023 and subsequent accounting periods have been determined and it has been stated that the balance sheet to be prepared in accordance with the Tax Procedure Law as of 31 December 2023 should be subject to inflation adjustment and the effects should be accounted for as of the same date. In accordance with this law, deferred tax calculation has been made for the base of 2023 Tax Procedure Law in the deferred tax calculation over the inflation accounting applied figures.

For calculation of deferred tax asset and liabilities, the rate of 23% (2022: 21%) is used.

In Türkiye, the companies cannot declare a consolidated tax return, therefore subsidiaries that have deferred tax assets position were not netted off against subsidiaries that have deferred tax liabilities position and disclosed separately.

<u>Deferred tax assets / (liabilities)</u>	<u>31 December 2023</u>	<u>31 December 2022</u>
Property, plant and equipment and other intangible assets	(4.801.223)	(1.205.386)
Revaluation difference of investment properties	222.641	204.709
Provision for employment termination profit	11.564.414	7.140.208
Provision for unused vacation	1.781.659	964.028
Provision for doubtful receivables	2.092.202	1.813.754
Impairment and revaluation differences of inventory	3.784.163	(2.055.710)
Sales premium provisions	58.996.773	41.870.580
Other	(1.731.761)	2.143.367
	<u>71.908.868</u>	<u>50.875.550</u>

Deferred tax asset of the losses is not recognized as there is no unused tax losses as of 31 December 2023 (2022: not recognized).

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

23. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont’d)

Deferred Tax (cont’d)

Movement of deferred tax assets / (liabilities) for years ended 31 December 2023 and 31 December 2022 are as follows:

	1 January - 31 December 2023	1 January - 31 December 2022
<u>Movement of deferred tax asset / (liabilities):</u>		
Opening balance as of 1 January	50.875.550	11.959.125
Charged to income statement	(6.604.528)	30.206.375
Charged to equity	2.271.131	1.881.797
Translation differences	25.366.715	6.828.253
Closing balance as of 31 December	<u>71.908.868</u>	<u>50.875.550</u>

Reconciliation of current period tax expense and current period profit is below:

	1 January - 31 December 2023	1 January - 31 December 2022
<u>Reconciliation of taxation</u>		
Earnings before tax	539.922.212	243.270.179
Income tax rate	<u>23%</u>	<u>21%</u>
Income tax	(124.182.109)	(51.086.738)
Tax effect of:		
- non taxable income	-	-
- expenses that are not deductible in determining taxable profit	(5.933.146)	(856.614)
- translation differences and other	(214.064.565)	(87.646.350)
Income tax expense recognized in profit / loss	<u>(344.179.820)</u>	<u>(139.589.702)</u>

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

24. FINANCIAL INSTRUMENTS

Financial Liabilities

The details of financial liabilities shown at amortized value are as follows:

Financial Liabilities	31 December 2023	31 December 2022
Bank Loans	127.364.048	-
Short-term other payables to related parties (Note 4, 6)	748.539.065	557.110.258
	<u>875.903.113</u>	<u>557.110.258</u>

Details of bank loans:

Currency	Interest Rate	31 December 2023	
		Current	Non- current
TRY	49,5%	127.364.048	-
		<u>127.364.048</u>	<u>-</u>

Leasing Liabilities:

Lease liabilities	2023	2022
Opening balance as of 1 January	24.490.341	11.160.971
Interest expense	1.084.142	1.553.337
Lease paid	(23.430.572)	(10.025.704)
Additions & Disposals, net	14.946.057	21.773.231
Translation difference	31.699.109	28.506
Closing balance as of 31 December	48.789.077	24.490.341
Short-term lease liabilities	23.123.853	6.555.418
Long-term lease liabilities	25.665.224	17.934.923
Total	48.789.077	24.490.341

The interest rates used in the leasing liability calculation are between 28% and 31% (2022: between 28% and 31%).

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

24. FINANCIAL INSTRUMENTS (cont’d)

Financial Liabilities (cont’d)

Reconciliation of obligations arising from financing activities

Cash and non-cash equivalents related to the Group's financial liabilities are provided in the following table. Liabilities arising from financing activities in the Group's consolidated statement of cash flows are cash flows classified or to be classified as cash flows arising from financing activities.

	1 January 2023	Financing cash flows	Non-cash changes				31 December 2023
			Payment	Interest accrual	Additions	Foreign Exchange Gain / Loss	
Bank loans	-	102.727.290	-	-	-	24.636.758	127.364.048
Loans from related parties	557.110.258	-	-	-	-	191.428.807	748.539.065
Lease liabilities	24.490.341	-	(23.430.572)	1.084.142	14.946.057	31.699.109	48.789.077
	581.600.599	102.727.290	(23.430.572)	1.084.142	14.946.057	247.764.674	924.692.190

	1 January 2022	Financing cash flows	Non-cash changes				31 December 2022
			Payment	Interest accrual	Additions	Foreign Exchange Gain / Loss	
Loans from related parties	442.425.999	-	-	-	(27.887.294)	142.571.553	557.110.258
Lease liabilities	11.160.971	-	(10.025.704)	1.553.337	21.773.231	28.506	24.490.341
	453.586.970	-	(10.025.704)	1.553.337	(6.114.063)	142.600.059	581.600.599

Derivative Instruments

	31 December 2023		31 December 2022	
	Assets	Liabilities	Assets	Liabilities
Derivatives	-	4.110.397	-	1.385.862
Short term	-	4.110.397	-	1.385.862
	-	4.110.397	-	1.385.862

Contractual cash inflow and outflow details for derivative instruments are given in Note 26.

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of debt, which includes the borrowings disclosed in Note 25, other receivables and payables disclosed in Note 6, cash and cash equivalents disclosed in Note 3 and equity attributable to equity holders of the Company, comprising issued capital, reserves, retained earnings and net profit as disclosed in Note 16.

The Group Management considers the cost of capital and the risks associated with each class of capital. The Group Management aims to balance its overall capital structure through the payment of dividends, new share issues and the issue of new debt or the redemption of existing debt.

The Company controls its capital with the total financial debt / total capital ratio. This ratio is calculated as dividing net financial debt by total capital. Cash and cash equivalents, restricted bank deposits classified under financial assets and non-trade receivables from related parties are subtracted from total financial debt (bank loans, other payables to related parties) to calculate the net financial debt. The shareholder’s equity is added to net financial debt to calculate the total capital.

Gearing ratio which is equal to total capital divided to net financial debt as of 31 December 2023 and 31 December 2022 as follows:

	31 December 2023	31 December 2022
Bank loans	127.364.048	-
Payables to related parties	748.539.065	557.110.258
Lease liabilities	48.789.077	24.490.341
Less: Cash and cash equivalents, financial assets and receivables from related parties	518.197.514	656.356.907
Net financial debt	406.494.676	(74.756.308)
Equity	2.544.127.933	1.466.638.913
Total capital	2.950.622.609	1.391.882.605
Gearing ratio	13,78%	-5,37%

b) Financial risk factors

The Group’s activities expose it to a variety of financial risks including interest rate risk, liquidity risk, currency risk and credit risk. The Group Management and the Board of Directors analyse and approve the policies about the management of the risks described below. Besides, the Group also considers the market value risk of all financial instruments.

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated)

25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.1) Credit Risk Management

Credit Risk of Financial Instruments

Credit Risk of Financial Instruments	Receivables					
	Trade Receivables		Other Receivables		Deposits In	
31 December 2023	Related Party	Third Party	Related Party	Third Party	Bank	Other (***)
Maximum net credit risk as of balance sheet date (*)	4.132.652	5.203.490.315	-	9.845.929	498.979.021	19.218.493
- The part of maximum risk under guarantee with collateral etc. (**)	-	2.855.391.062	-	-	-	-
A. Net book value of financial assets that are neither past due or impaired	4.132.652	4.840.417.749	-	9.845.929	498.979.021	19.218.493
B. Carrying value of financial assets that are past due but not impaired	-	363.072.566	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	-	91.788.661	-	-	-	-
- Impairment (-)	-	(91.788.661)	-	-	-	-
- The part of net value under guarantee with colateral etc.	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The part of net value under guarantee with colateral etc.	-	-	-	-	-	-
D. Off-balance sheet items with credit risk	-	-	-	-	-	-

(*) The factors that increase the credit reliability, such as guarantees received are not considered in the determination of the balance.

(**) Guarantees consist of receivables under insurance coverage and guarantee letters. Total coverage as of 31 December 2023 is TL 2.855.391.062.

(***) Other consist of credit cards receivables and restricted bank deposits.

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated)

25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.1) Credit Risk Management (cont'd)

Credit Risk of Financial Instruments

Credit Risk of Financial Instruments	Receivables					
	<u>Trade Receivables</u>		<u>Other Receivables</u>		<u>Deposits In Bank</u>	<u>Other (***)</u>
	<u>Related Party</u>	<u>Third Party</u>	<u>Related Party</u>	<u>Third Party</u>		
<u>31 December 2022</u>						
Maximum net credit risk as of balance sheet date (*)	6.614.972	2.517.771.644	-	1.063.765	632.402.590	23.954.317
- The part of maximum risk under guarantee with collateral etc. (**)	-	1.222.083.267	-	-	-	-
A. Net book value of financial assets that are neither past due or impaired	6.614.972	2.305.183.379	-	1.063.765	632.402.590	23.954.317
B. Carrying value of financial assets that are past due but not impaired	-	212.588.265	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	-	91.499.925	-	-	-	-
- Impairment (-)	-	(91.499.925)	-	-	-	-
- The part of net value under guarantee with colateral etc.	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The part of net value under guarantee with colateral etc.	-	-	-	-	-	-
D. Off-balance sheet items with credit risk	-	-	-	-	-	-

(*) The factors that increase the credit reliability, such as guarantees received are not considered in the determination of the balance.

(**) Guarantees consist of receivables under insurance coverage and guarantee letters. Total coverage as of 31 December 2022 is TL 1.222.083.267.

(***) Other consist of credit cards receivables.

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated)

25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd)

Explanations on the credit quality of financial assets

Allowances for doubtful receivables are recognized against financial assets based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty.

The methodology of the Group for credit quality rating is as follows:

Category	Description	Expected Credit Loss Calculation Method
Not ODR	There are no overdue receivables ("ODR").	No provision.
ODR < 90	The overdue period is less than 90 days.	No provision.
ODR >=90 & <180	The overdue period is over 90 days and less than 180 days.	25% of the total credit amount is incurred as loss.
ODR >=180 & <270	The overdue period is over 180 days and less than 270 days.	50% of the total credit amount is incurred as loss.
ODR >=270+	The overdue period is 270 days or more.	100% of the total credit amount is incurred as loss.

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. Financial instruments of the Group that will result in concentration of credit risk mainly include cash and cash equivalents and trade receivables. The Group's maximum exposure to credit risk is the same as the amounts recognized in the financial statements. The Group has no other receivables from related parties (31 December 2022: None).

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)

b) Financial Risk Factors (cont’d)

b.1) Credit risk management (cont’d)

Explanations on the credit quality of financial assets (cont’d)

31 December 2023	Trade Receivables	Total
Past due 1-30 days	345.683.568	345.683.568
Past due 1-3 months	5.817.871	5.817.871
Past due 3-12 months	11.571.126	11.571.126
Total past due trade receivables	363.072.565	363.072.565
Non-overdue	4.844.550.402	4.844.550.402
Total trade receivables	5.207.622.967	5.207.622.967
The part under guarantee with collateral and insurance	2.855.391.062	2.855.391.062

31 December 2022	Trade Receivables	Total
Past due 1-30 days	166.898.875	166.898.875
Past due 1-3 months	65.174.869	65.174.869
Past due 3-12 months	3.341.330	3.341.330
Total past due trade receivables	235.415.074	235.415.074
Non-overdue	2.288.971.542	2.288.971.542
Total trade receivables	2.524.386.616	2.524.386.616
The part under guarantee with collateral and insurance	1.222.083.267	1.222.083.267

The Company has a credit insurance policy with Atradius Collections B.V. (“Atradius”) for its domestic trade receivables. The details of this insurance policy are as follows:

- The policy is valid between 1 January 2023 – 31 December 2023, and has been issued for 1 year.
- The currency of the claims subject to the policy is determined as USD.
- The collateral rate has been determined as 90% for trade receivables for which credit limit has been requested.
- As of 31 December 2023, TL 2.732.363.411 of the total short-term receivables amounting to TL 5.207.622.967 has been covered by insurance (2022: TL 1.185.573.115 of the total short-term receivables amounting to TL 2.524.386.616).

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)

b) Financial Risk Factors (cont’d)

b.2) Liquidity risk management

Liquidity risk refers to the risk that a company cannot meet its funding needs. The ultimate responsibility for liquidity risk management is established a liquidity risk management in order to meet short, mid and long-term financing and liquidity requirements of the Group. The Group manages liquidity risk by watching actual cash flows closely and by maintaining sustainability of credibility reserve and sufficient funds through matching maturities of financial assets and liabilities.

The following tables detail the Group’s remaining contractual maturity for its non-derivative financial liabilities and its derivative financial instruments. The tables below have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

The liquidity analysis for its derivative financial instruments has been drawn up based on the undiscounted net cash inflows / (outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date. As of 31 December 2023 the fair value of Group’s derivatives is estimated as TL 4,110,397 liabilities (31 December 2022: TL 1,385,862 assets). In order to value this amount, on the reporting date, the market prices quoted for similar instruments. As of the reporting date, the maturities of the open forward contracts are between January 17, 2023 and February 21, 2024.

Instrument with maturity are paid by their net value for the futures and realized according to the non-discounted, gross cash input and output. If the receivables and liabilities are not stable, the determined amount are identified according to the interest rate obtained from yield curve on the reporting date.

Liquidity risk table

The Group expects to achieve the terms of agreement are the same as the maturity.

31 December 2023

<u>Due date on agreement</u>	<u>Carrying Value</u>	<u>Total cash outflow according to contract (I+II+III)</u>	<u>Less than 3 months (I)</u>	<u>3-12 months (II)</u>	<u>1-5 years(III)</u>
Non-derivative financial liabilities					
Financial lease liabilities	48.789.077	56.611.866	7.057.131	19.357.883	30.196.852
Trade payables	4.070.496.120	4.070.496.120	4.070.496.120	-	-
Trade payables to related parties	288.583	288.583	288.583	-	-
Other payables	748.769.331	748.769.331	-	748.769.331	-
Total liabilities	4.868.343.111	4.876.165.900	4.077.841.834	768.127.214	30.196.852

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)

b) Financial Risk Factors (cont’d)

b.2) Liquidity risk management (cont’d)

31 December 2023

<u>Due date on agreement</u>	<u>Carrying Value</u>	<u>Total cash outflow according to contract (I+II+III)</u>	<u>Less than 3 months (I)</u>	<u>3-12 months (II)</u>	<u>1-5 years(III)</u>
Derivative financial liabilities					
Derivative cash inflows	-	-	-	-	-
Derivative cash outflows	(4.110.397)	(88.314.600)	(88.314.600)	-	-
Total assets / (liabilities)	(4.110.397)	(88.314.600)	(88.314.600)	-	-

31 December 2022

<u>Due date on agreement</u>	<u>Carrying Value</u>	<u>Total cash outflow according to contract (I+II+III)</u>	<u>Less than 3 months (I)</u>	<u>3-12 months (II)</u>	<u>1-5 years(III)</u>
Non-derivative financial liabilities					
Financial lease liabilities	24.490.341	44.219.479	-	9.004.129	35.215.350
Trade payables	2.127.457.282	2.127.457.282	2.127.457.282	-	-
Trade payables to related parties	1.113.951	1.113.951	1.113.951	-	-
Other payables	557.385.384	557.385.384	-	557.385.384	-
Total liabilities	2.710.446.958	2.730.176.096	2.128.571.233	566.389.513	35.215.350

<u>Due date on agreement</u>	<u>Carrying Value</u>	<u>Total cash outflow according to contract (I+II+III)</u>	<u>Less than 3 months (I)</u>	<u>3-12 months (II)</u>	<u>1-5 years(III)</u>
Derivative financial liabilities					
Derivative cash inflows	-	-	-	-	-
Derivative cash outflows	(1.385.862)	(100.035.905)	(100.035.905)	-	-
Total assets / (liabilities)	(1.385.862)	(100.035.905)	(100.035.905)	-	-

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)

b) Financial Risk Factors (cont’d)

b.3) Market risk management

The Group’s activities expose it primarily to the financial risks of changes in foreign currency exchange rates (b.3.1) and interest rates (b.3.2).

Market risk exposures are supplemented by sensitivity analysis. During the current year, any change to either exposed risks or management and measurement methods of these risks, was not happened compared to the previous year.

b.3.1) Foreign currency risk management

Transactions denominated in foreign currencies result in foreign currency risk. The Group is exposed to foreign currency risk due to the translation of its foreign currency denominated assets and liabilities into its functional currency, US Dollar. The Group primarily focus on managing this risk naturally by having balances foreign currency based assets and liabilities. The Group Management ensures to take precautions where necessary by analysing the Group’s foreign currency position. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to TL and Euro.

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated)

25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.3) Market Risk Management (cont'd)

b.3.1) Foreign currency risk management (cont'd)

The Group's foreign currency denominated monetary and non-monetary assets and monetary and non-monetary liabilities at the reporting date are as follows:

	31 December 2023		
	Total TL Equivalent	TL	Euro
1. Trade receivables	556.953.656	488.867.853	2.090.195
2.a Monetary financial assets	251.263.805	236.666.300	448.135
2.b Non monetary financial assests	-	-	-
3. Other	9.895.269	9.796.016	3.047
4. CURRENT ASSETS	818.112.730	735.330.169	2.541.377
5. Trade receivables	-	-	-
6.a Monetary financial assets	-	-	-
6.b Non monetary financial assests	-	-	-
7. Other	-	-	-
8. NON CURRENT ASSETS	-	-	-
9. TOTAL ASSETS	818.112.730	735.330.169	2.541.377
10. Trade payables	139.381.077	56.514.737	2.543.949
11. Financial liabilities	120.180.365	120.178.508	57
12.a Other monetary liabilities	250.903.254	250.903.254	-
12.b Other non monetary liabilities	-	-	-
13. CURRENT LIABILITIES	510.464.696	427.596.499	2.544.006
14. Trade payables	-	-	-
15. Financial liabilities	-	-	-
16.a Other monetary liabilities	-	-	-
16.b Other non monetary liabilities	-	-	-
17. NON CURRENT LIABILITIES	-	-	-
18. TOTAL LIABILITIES	510.464.696	427.596.499	2.544.006
19. Net assets / liability possition of			
off-balance sheet derivatives (19a-19b)	(88.314.600)	(88.314.600)	-
19.a Off-balance sheet foreign currency derivative assets	(88.314.600)	(88.314.600)	-
19.b Off-balance sheet foreign currency derivative liabilities	-	-	-
20. Net foreign currency asset liability position	219.333.433	219.419.070	(2.629)
21. Net foreign currency asset / liability position of monetary items (1+2a+3+6a-10-11-12a-14-15-16a)	307.648.034	307.733.670	(2.629)
22. Fair value of foreign currency hedged financial assets	(4.110.397)	(4.110.397)	-
23. Hedged amount of the assets with foreign currency	-	-	-

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated)

25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.3) Market Risk Management (cont'd)

b.3.1) Foreign currency risk management (cont'd)

	31 December 2022		
	Total TL Equivalent	TL	Euro
1. Trade receivables	317.792.081	253.040.795	3.248.137
2.a Monetary financial assets	251.456.356	237.155.956	717.355
2.b Non monetary financial assests	-	-	-
3. Other	2.376.183	2.343.749	1.627
4. CURRENT ASSETS	571.624.620	492.540.500	3.967.119
5. Trade receivables	-	-	-
6.a Monetary financial assets	-	-	-
6.b Non monetary financial assests	-	-	-
7. Other	-	-	-
8. NON CURRENT ASSETS	-	-	-
9. TOTAL ASSETS	571.624.620	492.540.500	3.967.119
10. Trade payables	125.124.644	34.963.597	4.522.774
11. Financial liabilities	96.983	-	4.865
12.a Other monetary liabilities	94.935.064	94.935.064	-
12.b Other non monetary liabilities	-	-	-
13. CURRENT LIABILITIES	220.156.691	129.898.661	4.527.639
14. Trade payables	-	-	-
15. Financial liabilities	-	-	-
16.a Other monetary liabilities	-	-	-
16.b Other non monetary liabilities	-	-	-
17. NON CURRENT LIABILITIES	-	-	-
18. TOTAL LIABILITIES	220.156.691	129.898.661	4.527.639
19. Net assets / liability possition of off-balance sheet derivatives (19a-19b)	(100.035.905)	(100.035.905)	-
19.a Off-balance sheet foreign currency derivative assets	(100.035.905)	(100.035.905)	-
19.b Off-balance sheet foreign currency derivative liabilities	-	-	-
20. Net foreign currency asset liability position	251.432.024	262.605.934	(560.520)
21. Net foreign currency asset / liability position of monetary items (1+2a+3+6a-10-11-12a-14-15-16a)	351.467.929	362.641.839	(560.520)
22. Fair value of foreign currency hedged financial assets	(1.385.862)	(1.385.862)	-
23. Hedged amount of the assets with foreign currency	-	-	-

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)

b) Financial Risk Factors (cont’d)

b.3) Market Risk Management (cont’d)

b.3.1) Foreign currency risk management (cont’d)

Foreign currency sensitivity analysis

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to TL and Euro.

The following table details the Group’s sensitivity to a 10% increase and decrease in TL and Euro against USD. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit or equity.

31 December 2023		
	Profit / Loss	
	Valuation of foreign currency	Devaluation of foreign currency
In the case of TL gaining 10% value against USD		
1 - TL net asset / liability	30.773.367	(30.773.367)
2 - Portion hedged against TL risk (-)	(8.831.460)	8.831.460
3 - TL net effect (1 +2)	21.941.907	(21.941.907)
In the case of EUR gaining 10% value against USD		
4 - EUR net asset / liability	(8.564)	8.564
5 - Portion hedged against EUR risk (-)	-	-
6 - EUR net effect (4+5)	(8.564)	8.564
TOTAL (3 + 6)	21.933.343	(21.933.343)

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)

b) Financial Risk Factors (cont’d)

b.3) Market Risk Management (cont’d)

b.3.1) Foreign currency risk management (cont’d)

Foreign currency sensitivity analysis (cont’d)

	31 December 2022	
	Profit / Loss	
	Valuation of	Devaluation of
	foreign currency	foreign currency
In the case of TL gaining 10% value against USD		
1 - TL net asset / liability	36.264.184	(36.264.184)
2 - Portion hedged against TL risk (-)	(10.003.591)	10.003.591
3 - TL net effect (1 +2)	26.260.593	(26.260.593)
In the case of EUR gaining 10% value against USD		
4 - EUR net asset / liability	(1.117.391)	1.117.391
5 - Portion hedged against EUR risk (-)	-	-
6 - EUR net effect (4+5)	(1.117.391)	1.117.391
TOTAL (3 + 6)	25.143.202	(25.143.202)

b.3.2) Interest rate risk management

The Group is not exposed to interest rate risk as the Group borrow funds at fixed interest rates.

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated)

26. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES)

31 December 2023	Financial assets at amortized cost	Fair value through profit or loss	Financial liabilities at amortized cost	Carrying value	Note
<u>Financial assets</u>					
Cash and cash equivalents	517.642.604	-	-	517.642.604	3
Financial assets	554.910	-	-	554.910	3
Trade receivables	5.203.490.315	-	-	5.203.490.315	5
Receivables from related parties	4.132.652	-	-	4.132.652	4
Other receivables	9.845.929	-	-	9.845.929	6
Derivative Financial Instruments	-	-	-	-	24
<u>Financial liabilities</u>					
Trade payables	-	-	4.070.496.120	4.070.496.120	5
Payables to related parties	-	-	288.583	288.583	4
Other payables (including related parties)	-	-	748.769.331	748.769.331	6
Derivative Instruments	-	4.110.397	-	4.110.397	24
31 December 2022	Loans and receivables (including cash and cash equivalents)	Fair value through profit or loss	Financial liabilities at amortized cost	Carrying value	Note
<u>Financial assets</u>					
Cash and cash equivalents	637.658.607	-	-	637.658.607	3
Financial assets	18.698.300	-	-	18.698.300	3
Trade receivables	2.517.771.644	-	-	2.517.771.644	5
Receivables from related parties	6.614.972	-	-	6.614.972	4
Other receivables	1.063.765	-	-	1.063.765	6
Derivative Financial Instruments	-	-	-	-	24
<u>Financial liabilities</u>					
Borrowings	-	-	-	-	24
Trade payables	-	-	2.127.457.282	2.127.457.282	5
Payables to related parties	-	-	1.113.951	1.113.951	4
Other payables (including related parties)	-	-	557.385.384	557.385.384	6
Derivative instruments	-	1.385.862	-	1.385.862	

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

26. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES) (cont’d)

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

- Level 1: the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- Level 2: the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- Level 3: the fair value of the financial assets and financial liabilities where there is no observable market data. The fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available, estimate is made based on discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Some of the Group’s financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined.

Financial assets / Financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	31 December 2023	31 December 2022				
Foreign currency forward contract	4.110.397	1.385.862	Second hierarchy	Observable price on the market	-	-

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

27. EARNINGS PER SHARE

	1 January - 31 December	1 January - 31 December 2022
Net profit for the year from continuing operations	195.742.392	103.680.477
Average number of shares outstanding during the period	393.516.000	393.516.000
Profit from per share from continuing operations	<u>0,50</u>	<u>0,26</u>

Diluted earnings per share is equal to earnings per share from continuing operations.

28. INDEPENDENT AUDIT FEE

	1 January - 31 December 2023	1 January - 31 December 2022
Independent audit fee	525.000	300.000
	<u>525.000</u>	<u>300.000</u>

29. EVENTS AFTER THE REPORTING PERIOD

None.

PENTA TEKNOLOJİ ÜRÜNLERİ DAĞITIM TİCARET A.Ş. AND ITS SUBSIDIARIES

SUPPLEMENTARY UNAUDITED INFORMATION

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated)

APPENDIX I – SUPPLEMENTARY UNAUDITED INFORMATION

The supporting information not required by TFRS is considered important for the Group's financial performance by the Group Management and the calculation of earnings before interest, tax, depreciation and amortization “EBITDA” is presented below. The Group calculates the “EBITDA” amount by subtracting income from investing activities and other income from operating activities from profit for the year in the consolidated statements of profit and loss and adding tax expense from continuing operations, finance expenses, expenses from investing activities, other expenses from operating activities and depreciation and amortization expenses.

		(Turkish Lira)	(Turkish Lira)	(US Dollar*)	(US Dollar*)
		1 January -	1 January -	1 January -	1 January -
	Notes	31 December 2023	31 December 2022	31 December 2023	31 December 2022
PROFIT FOR THE YEAR		195.742.392	103.680.477	8.243.933	6.259.461
(+) Tax Expense From Continuing Operations	23	344.179.820	139.589.702	14.495.566	8.427.396
(+) Finance Expenses	22	255.967.709	163.127.376	10.780.402	9.848.427
(-) Finance Income	22	(505.695)	(411.760)	(21.298)	(24.859)
(-) Income From Investing Activities	20	(74.453.577)	(10.942.062)	(3.135.706)	(660.601)
(+) Other Expenses From Operating Activities	19	262.744.356	166.535.658	11.065.809	10.054.194
(-) Other Income From Operating Activities	19	(24.741.633)	(16.536.868)	(1.042.021)	(998.373)
(+) Depreciation and Amortisation Expenses	21	30.908.350	10.826.929	1.301.744	653.650
EBITDA		989.841.722	555.869.452	41.688.429	33.559.295

(*) Refers to the amounts in US Dollars, which is the functional currency of the Group. Presentation currency is Turkish Lira. For the conversion of US Dollar and Turkish Lira, see Note 2.