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**ANNUAL
REPORT**

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arzum

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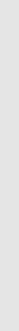
SUMMARY

OUR MISSION



To be a brand with innovative, technologically well-designed products for every household and to establish a straightforward and genuine relationship with our stakeholders.

OUR VISION



To be the brand that creates the most value for its stakeholders.

Arzum

At A Glance

ESTABLISHED BRAND MARKET LEADER

RESILIENT BUSINESS MODEL

STRONG FINANCIAL PERFORMANCE



#1

Food Preparation

19% Market Share

More than 50 years of experience

607 Mln TL Net Sale

%28 Net Sales CAGR*

62 Mln TL EBITDA
(**73** Mln TL EBITDA 2**)

%10,3 EBITDA Margin
(**%12,0** EBITDA 2 Margin)

%30 EBITDA CAGR
(**%36** EBITDA 2 CAGR)

36 Mln Net Revenue

1,4X Net Debt/EBITDA
(**%1,2X** Net Debt / EBITDA 2)

%32 Return On Equity



#1

Cooking and Frying

17% Market Share

Balanced product portfolio in different categories

Widely accessible multi-sales channel

A strong culture of innovation

Agile product development and R&D activities

Stable financial performance changing market conditions



#2

Hot Beverage Preparation

11% Market Share



#1

Hair Care

17% Market Share

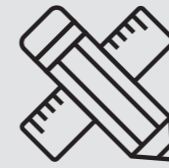
*Annual Compound Growth Rate

**EBITDA 2 is calculated excluding one-time expenses related to IPO.

GROWTH POTENTIAL + DIVIDEND RETURN

The Arzum Business Model

A balanced product portfolio, widespread and multiple sales channels, innovation culture, agile product development, and R&D activities make the foundation of Arzum's resilient business model. The Arzum business model allows it to appropriately meet changing consumer needs, evolving channel structures, and product innovations. It creates value for its stakeholders with solid growth, balanced profitability, low investment need, and high return on equity.



Innovation and Brand Focused Investment Model

- Arzum coordinates a wide range of designers, inventors, engineers, and manufacturers.
- It has an agile structure that allows it to realize ideas swiftly.
- It operates only within the Small Home Appliances (SHA) sector, without needing significant investments.
- It only invests in R&D, mold, engineering, and design areas.
- It dedicates its resources to the brand and operation instead of factories.



Flexible Production Model Requiring Limited Investment

- Since it has no exclusive channels, there is no fixed lease risk.
- It doesn't require a large number of employees to run.
- It uses all sales channels flexibly.
- The channel structure shapes according to consumer demand quickly.



Flexible Supply Model

- It uses the most flexible supply model according to demand; it doesn't suffer from the pressure to fill the production line.
- This model provides the flexibility to choose the best supplier according to product category, technology, and capacity.

Our Strategic Priorities

Strong position and organic growth in the small home appliances industry in Turkey:

- Sustainable growth
- Customer satisfaction
- To be a preferred employer
- Operational excellence

To pioneer its sector in eCommerce in Turkey:

- Increasing market share in online marketplaces

Extending its success in the Turkish small home appliances market to export markets

- Sustainable and profitable sales model
- Focus on strategic markets
- Efficient risk and interest management
- Strong collateral mechanisms
- Efficient transit or direct shipment planning
- Specific product development for export markets

MILESTONES.

1950

The foundations of Arzum goes back to a private company founded in the early 1950s by Kazım Kolbaşı, Kemal Kolbaşı, and İbrahim Kolbaşı.

1966

The Arzum brand was registered as a trademark.

1977

Arzum begins its journey under the legal entity Güney İthalat Anonim Şirketi.

1993

Arzum Dış Ticaret A.Ş. is established to market Arzum products.

2002

Arzum first launches an electric Turkish coffee machine.

2005

Felix Elektrikli Ev Aletleri A.Ş. is founded to reach different segments.

2007

After a change of title it was now registered as Arzum Elektrikli Ev Aletleri Sanayi ve Ticaret A.Ş.

2008

A partnership was established with Turkish Household Appliances BV, an associate of Ashmore Group, one of the world's leading private equity funds. With two transactions carried out in 2008 and 2009, the Ashmore Group acquired a 49% stake in the company and became partners with the Kolbaşı Family.

2009

Arzum Asia Pacific Ltd., an associate of Arzum in Hong Kong, was established.

It has been a leader in the food preparation category for 12 years.

2010

Arzum issued bonds for the first time.

2011

Arzum's associate Arzum Europe in Germany GmbH was established.

Arzum's Blind Leaders Project came in first in the 2011 Employee Volunteering Awards qualifiers in Turkey, which got to represent in the European finals held in London.

2013

SDA International, a 100% subsidiary of Mediterra Capital Partners, bought the 49% of Arzum shares owned by Ashmore Group and became partners with the Kolbaşı Family.

2014

Arzum pioneered a new segment by launching the first direct to cup-serving Turkish coffee machine under the brand "Arzum OKKA".

2017

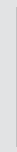
It won the leading company INOVA League award in the organizational and culture categories in Turkey.

2019

Through a global brand collaboration with Ducati, the Ducati By Arzum brand was launched.

2020

Arzum stocks have begun to be traded with the ARZUM code in Stock Exchange Istanbul.



Arzum introduced Arzum Olimpia Smart, Turkey's first IoT vacuum cleaner.

CHAIRMAN'S MESSAGE

Dear Shareholders;

First of all, my deepest condolences to those who have lost close ones during the COVID-19 pandemic. I also wish current patients a speedy recovery and express my gratitude to all medical professionals working day and night to combat the virus.

The COVID-19 pandemic that spread globally in 2020 marked our recent history before the end of 2019, a challenging year due to trade tensions between China and the US, geopolitical struggles, natural disasters triggered by global warming, and earthquakes.

Before COVID-19 took over the world and radically changed our lives, the World Economic Forum, in its January 2020 meeting manifesto, addressed a transition to "stakeholder capitalism." To focus on 'creating collective benefit for society rather than "generating selective profitability for shareholders' to address the most significant challenges humanity faces, from social divisions caused by income inequality and political polarization to natural disasters caused by global warming.

**TALIP
MURAT
KOLBAŐI**



Over the next few months, as part of measures to combat the pandemic, people were quarantined, borders were closed, leading to bottlenecks and interruptions in the international supply chain, causing a severe global economic slowdown.

According to IMF's January 2021 World Economic Outlook Report projections, the world economy will contract by 3,5% by the end of 2020, reflecting the sharpest decline since World War 2.

That said, with a healthy global distribution of the vaccine and government implementation of the right policies, the global economy is expected to grow by 5,5%. The Turkish economy, one of the few economies that grew despite the challenging environment, grew 1,8% in 2020 and is projected to grow 4% in 2021.

The year 2020 offered us the opportunity to realize our dreams.

In a world where the flow of people, goods, and information is so interlinked, we realized that our ability to control and adapt to the risks created by the pandemic is limited, but the changes also brought opportunities. Within the framework of our long-term strategy for the continuity of our brand and the exit plan of the private equity fund holding our company's shares, after a successful public offering that garnered an intense amount of investor attention, as of December 24, 2020, shares representing 47,5% of Arzum's total capital were acquired by our new shareholders and started to be traded on in Borsa Istanbul. Now, in addition to being a leader in the Turkish Small Home Appliances ("SHA") market and a brand ambassador who is

committed to promoting Turkey's cultural values, we will carry out our business activities that started with a family company as a public company that has internalized corporate governance principles.

Through our 55 year journey, we embraced our brand as we would our family and positioned it among the leaders in Turkey.

Our journey started in 1953 in Marpuçular under a family company named "Güney Export Inc." We started using the brand Arzum in 1966.

In the early 1990s, carrying on this path as the family's second generation, our priorities were the people and our values.

Institutionalization, globalization, and creating value for our country became our compass. Since then, we have made creating the most value for our stakeholders, meeting our customers' needs and expectations with a proactive approach, and offering the best products and services focusing on design, innovation, and R&D our principles. The collective ownership of our brand with all our employees and stakeholders kept us motivated over the years. Thus, with 650 different product types in six product categories, we positioned Arzum as a genuine, reliable, pioneering brand synonymous with the awards in the Turkish SHA market.

We have built a corporate structure to be a sustainable brand.

We partnered with two private equity funds in 2008 and 2013. We also issued private sector bonds five times.

As part of our strategy to institutionalize and go public, we have entrusted the management of Arzum to professionals.

Thus, Arzum has evolved into a corporate structure already preferred by capital markets thanks to our successful business model, solid financial structure, performance-focused management that has adopted corporate principles of transparency, fairness, and accountability.

Our ecosystem, in which we have built a unique value chain, includes 4,500 people.

We took the most important steps towards becoming a global brand with the affiliated partnerships we established in Hong Kong in 2009 and Germany in 2011. We created a value chain unique to Arzum. Rather than a capital-intensive business plan, we devised a strategy where we can focus on design, innovation, R&D, marketing, and branding. In our R&D center located in Teknokent, we develop our products to meet our consumers' needs effectively. We collaborate with universities, start-up companies, domestic and international design companies, R&D companies, and testing organizations on product design. The share of innovative products that we develop with an open innovation approach in our total turnover continues to grow. For production, we cooperate with suppliers that meet the standards we set. 77% of our products are produced in Turkey, and 23% are produced outside Turkey. Our brand's reach covers 40 countries, and our export range revenue, entirely made of Arzum products, makes 12% of our total income.

In 2020, we became one of the leaders of the Turkish SHA market based on quantity.

In 2019, the World SHA Market, which was 101 billion US dollars with more than 10 thousand SHA brands, continued to grow in 2020 with the changing consumer needs in the COVID-19 process and the increase in demand for hygiene, personal care, and healthy nutrition products. For the same reasons, the SHA Market of Turkey grew in 2020. While COVID-19 caused demand shrinkage in many sectors, the SHA Market recorded an increase of 18,1%, similar to the average compound growth rate of the last four years, on a turnover basis, reaching 6,4 billion TL. Arzum was among the first three brands leading the market based on turnover and the first three brands in the Turkish SHA Market.

The change process in the SHA Market includes growth potential.

We believe that the COVID-19 pandemic will accelerate the transition to a more sustainable, circular economy-oriented perspective globally and in the Turkish SHA market. We foresee that it holds opportunities for those who follow the winds of change. Regulations in Europe shift the sector towards reusable, recyclable, environmentally friendly, energy-efficient products with improved waste treatment. On the other hand, consumers turn towards customizable lifestyle products designed with the Internet of Things (IoT) and Artificial Intelligence (AI) technologies that also provide personal data security. Companies that design these innovative products to appeal to relatively low-income individuals will have a competitive advantage.

In this process of change, we aim to become a brand ambassador promoting Turkey's cultural values.

With the change of the global supply chain during COVID-19, Turkey has the world's most extensive manufacturing base for all sectors, stretching from east of Germany to western China. It can also double its export revenues by branding its value-added products and covering close geographies such as Eurasia, the Middle East, European countries, Africa, Asia-Pacific and China, and the United States most important economies in the world. We, as Arzum, set out to introduce Turkish coffee culture to the world. In 2013, with the contributions of the Turkish Coffee Culture and Research Association, of which I am a member, UNESCO added Turkish coffee to its Intangible Cultural Heritage List. In 2014, we pioneered a new segment by launching the first direct cup-serving Turkish coffee machine under the brand name "Arzum OKKA." Arzum OKKA became the first and only Turkish coffee machine to receive the National Sanitation Foundation (NSF) certification, getting international recognition for its success. Recently, Arzum OKKA was rated in the Best Coffee Machine category with the "Sehr Gut" (Best / Successful) score in the tests conducted by Haus & Garten, one of the prestigious institutions of Germany, Red-Dot Design, which is considered one of the most prestigious awards in the field of design in the world. It was awarded in the categories of Design, Best Product, and Ease of Use by the Plus X Award, one of the most prestigious awards globally, where products that stand out with their design and use of innovative technology compete.

With Arzum OKKA, one of the first heroes of our Internet of Things initiatives, we have been signing Turkish coffee in branches and restaurants of major coffee chains for a long time. The world coffee market is \$100 billion, and the coffee bean market is \$20 billion. As Arzum, we aim to be a brand ambassador who travels with gastronomy and introduces our culture to the world.

As we take firm steps towards becoming a global brand, we will continue contributing to our society and economy.

Together with the IPO, we have started to implement the obligations we are subject to in Corporate Governance. We will continue our social responsibility projects that contribute to the development of our society and address its immediate needs. Regarding sustainability, we will accelerate our work on two fundamental issues, such as resource-saving and recycling in production. We believe that we will bolster our achievements at home and abroad with the esteem and recognition from being a public company. With a human-centered approach for our society; We will continue contributing to the recognition of Turkish brands abroad, our country's export revenues, and employment. While thanking all our stakeholders who believed in us and contributed to this journey from past to present, I would like to share with you a request I have expressed at every opportunity; Please order Turkish coffee at restaurants and cafes of every country you visit, even if it is not on the menu. We get our coffee to be known by asking for it and increasing people's awareness of it. Let's make room for our coffee in the menus and spread our culture to the whole world together.

Talip Murat Kolbaşı - Chairman of the Board of Directors

Messages From Members Of The Board



**YASEMİN
REZAN
KOLBAŞI** ——— BOARD MEMBER

As a public company, we will focus on increasing the added value we create for our women and society.

Women make up 49% of the 83 million Turkish population. Despite the talk around breaking archaic patterns and replacing them with a fair distribution of household responsibilities between women and men, a closer look at homes in Turkey shows that the percentage of women responsible for house chores is 92%. The percentage of women responsible for caring for the young children at home during the day-time is at 86%.

Over 11 million women in our country cannot participate in the workforce because of their domestic responsibilities. While the employment rate for women with children under the age of 3 is only 26.7%, it is 87.3% for men. We are in a business that mainly appeals to women. When developing our products, it takes a woman's perspective to reflect what they may think, need, and want when using those products. Currently, women account for 38% of our company employee profile, and we would like to increase this number to also be of support to women's participation in the workforce. We also support women's participation in social life. For 12 years, we have been sponsoring the Turkish women's Chess Championship, organized by the Turkish Chess Federation (TSF).

MESSAGES FROM MEMBERS OF THE BOARD

We believe that societies' progress is made possible by providing women and men equal rights in education, work, and social life. I have always been excited to be a part of Arzum's journey as a brand and to be able to bring a female perspective to the product portfolio, design, usability tests, and communication. The fact that Arzum is a brand that is "known" and "loved" by our women has a special meaning for me and makes me proud. Now, I am happy to have witnessed the successful IPO process, which is a significant turning point in our corporate history. As a company that went public, I also think that we have an increased responsibility towards our society's progress. In line with our motto, "the world changes at your touch," we will focus on enriching our women's lives, beautifying their worlds, and increasing our added value to our society. On this note, I would like to thank all our stakeholders who have contributed to our achievements to date.



**ALİ
OSMAN
KOLBAŞI** ——— BOARD MEMBER

By going public, we got one step closer to our goal of globalization. Research has shown that 96% of companies in Turkey are family companies; only 30% of the family businesses can make it to the second and 12% to the third generation. The proportion of those who make it to the fourth generation remains at 3%. In Turkey, family companies have been given an average life expectancy of 34 years, while Arzum has been operating for 55 years. As the second generation of the Kolbaşı Family, we created a long-term strategy to differentiate Arzum from a classic family company.

We discussed the participation of our family members in work on an individual basis. We have built a structure where 3rd generation family members are not obligated to take over the business. Still, in cases of particular interest to our areas of activity, those who prove themselves can be involved. As part of our strategy to become more corporate and go public, we entrusted Arzum's management to professionals. We have developed our corporate and financial structure with a lean and durable business model prepared for risks. In our branding journey, by focusing on the needs of our consumers, we led the way in the small home appliances sector and pioneered many innovations. We trust our brand, which we continuously strengthen with our investments in design, R&D, innovation, and digital transformation. Using our agile structure, we aim to grow by taking advantage of the e-commerce and export opportunities that arose from the changing needs and business conditions due to COVID-19. As a public company, we have entered a new era where we will focus more on sustainability and social responsibility issues and continue to create value for our society with a responsible corporate approach. We also care about the sustainability of family businesses in terms of our country's economy. We laid the groundwork in 2012 with 40 founding families, the Family Business Association of Turkey (the TAİD), through which we will continue to create more awareness in this field.

In the Board of Directors, we all had the opportunity to realize our dreams as we ran towards a common goal. My dream was to build a genuinely trusted brand that seeks to benefit our employees, customers, suppliers, and as a result, our shareholders and country while becoming more corporate and professional. I'm glad to have had the opportunity to realize a personal dream in the after-sales field by being the first brand to introduce the 3+1 guarantee period concept. Arzum is proud to have successfully completed the public offering process, which was an important milestone for our mission to raise brand awareness globally. I want to take this opportunity to thank all of our stakeholders that have brought Arzum to where it is today.

Board Of Directors



**TALİP
MURAT
KOLBAŞI**

THE CHAIRMAN
OF THE BOARD

Talip Murat Kolbaşı, who was elected to serve as a Member of the Board of Directors for three years at the General Assembly Meeting dated July 27, 2019, graduated from Marmara University Faculty of Business administration in 1987. He started his business life in 1988 in the Arzum Elektrikli Ev Aletleri A.Ş. Throughout his career, he managed the sales, business development, and export departments. As of 2008, he has served as the General Manager and Chairman of the Board of Arzum. He has been chairman of the Board of Directors since September 2015. In 2008, with a 49% share transfer, he led the partnership with Turkish Household Appliances B.V., a subsidiary of Ashmore Group, one of the world's leading investment firms, contributing to Arzum's progress towards becoming a leading company in the sector. In 2013, he was instrumental in selling 49% of Arzum's shares to SDA International.



AHMET FARALYALI

VICE CHAIRMAN
OF THE BOARD

Ahmet Faralyalı, who was elected to serve as a member of the Board of Directors for three years at the General Assembly meeting on 27 July 2019, is a Mediterra Private Equity Limited partner. Between 2005 and 2009, he served as Turkey Investment Manager at Kohlberg Kravis Roberts's London office. He graduated with a double major in Mathematics and Business Administration from UCLA and has an MBA from Stanford University.

In addition to Arzum, Faralyalı serves on the Boards of Directors of Astra Yapı ve İşletmeciliği Sanayi ve Ticaret A.Ş., Gagawa Restaurants LLC, GRI Gıda Sanayi ve Ticaret A.Ş., İstinye Kurumsal Danışmanlık A.Ş., Mediterra Private Equity Limited, Tavuk Dünyası Gıda Sanayi ve Ticaret A.Ş., Terra Pizza Gıda Sanayi ve Ticaret A.Ş., and Glasshouse Bilgi Sistemleri Ticaret A.Ş.



CENK COŞKUNTÜRK

BOARD MEMBER

Cenk Coşkuntürk was elected to serve as a member of the Board of Directors for three years at the General Assembly meeting on July 27, 2019. He currently works at the Mediterra Private Equity Limited Istanbul Liaison Office. Starting his career as a consultant at Ernst & Young Istanbul office, he later served as a manager at İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. and at Deloitte Touche Tohmatsu Limited's Atlanta office. Coşkuntürk holds a bachelor's degree from Istanbul Technical University, a master's degree in Business Administration from Georgia State University, and a master's degree in Engineering and Technology Management from Boğaziçi University. In addition to Arzum, he also serves on the boards of Uğurlu Balık Üretim Sanayi ve Ticaret A.Ş., Arkel Elektrik ve Elektronik Sanayi ve Ticaret A.Ş., Tavuk Dünyası Gıda Sanayi ve Ticaret A.Ş.



**ALİ
OSMAN
KOLBAŞI**

BOARD MEMBER

Ali Osman Kolbaşı, who was elected to serve as a Member of the Board of Directors for three years at the General Assembly Meeting on July 27, 2019, started his business life in Arzum, then called Güney İthalat ve Pazarlama A.Ş. and worked at all levels. He had an active role in increasing the brand's recognition and creating a nationwide distributor network. He now serves as a Board Member on the Directors' Board.



**YASEMİN
REZAN
KOLBAŞI**

BOARD MEMBER

Yasemin Rezan Kolbaşı, elected to serve as a Member of the Board of Directors for three years at July 27, 2019, General Assembly Meeting, graduated from Marmara University Faculty of Economics and Administrative Sciences in 1980. During her university years, she worked at the family company, Güney İthalat A.Ş., and later on represented Arzum in international fair organizations. After 1999 Kolbaşı joined Arzum full-time.

CEO'S MESSAGE

Dear Shareholders,

I express my condolences to those who lost their relatives in the COVID-19 pandemic that affected the whole world in 2020. I would like to also express my gratitude to all those who struggled through these trying times, especially the healthcare professionals.

The pandemic has changed our lives and the way we do business, perhaps irreversibly. Quarantine and restrictions preventing circulation negatively affected our businesses, social lives, the global economy, and the environment. We saw that customer-centric companies with united stakeholders became successful in this period by focusing on digital transformation and innovation to meet customer expectations quickly.

With our agile structure that swiftly responds to consumer demands and our lean and resilient business model, we have maintained and developed our healthy and robust structure by all financial indicators by achieving successful results in 2020,

**S. METE
ZADIL**



as in the past five years. Compared to the previous year, Arzum's revenues increased by 36%, reaching 607 million TL. EBITDA margin excluding one-time expenses related to IPO was 12%; net profit also increased by 137% to 36 million TL. In the same period, the portion of our export revenues in our total revenues increased by two Pp compared to last year and reached 12%.

Turkey Small Home Appliances ("SHA") Market continued to grow in 2020 with many products that enable the automating and simplifying everyday tasks during our stay in our homes. Turkey's SHA Market, which continued its growth trend in the last four years during this period, has proven to be more resilient to economic contractions than many sectors. As Turkey's SHA sector grew, Arzum has taken its fair share of this growth and continues to lead the Turkish market with 12,1% of the market share in terms of quantity and with a 7,8% share in terms of value, as one of the top three brands leading the market.

One of the essential factors behind Arzum's proven track record of success that continues is undoubtedly culture innovation. With more than 54 years of experience, we made it our principle to provide the best technology and products to our customers through a genuine and trustworthy brand that aims to create the most value for its stakeholders, prioritizes innovation and design. Today, we make life easier for our customers and contribute to the quality of life with 650 SKUs by working with well-known design offices and global brands in Turkey and the world and collaborating with them. We are proud to have been awarded more than 30 national and

international design awards in the field of design and innovation in the last three years alone.

We identified our consumers' needs with a proactive approach and introduced original products to the market, in 2020 as well. We responded to our consumers' needs with lifestyle products to elevate their lives at home, such as Shake'n Take for healthy drinks; Panetti for baking bread; Arzum OKKA for delicious Turkish coffee; and Ducati by Arzum for men's care products.

Beyond that, our product range includes Foodie, our first electric lunch box, and Arzum Olimpia Smart, a bagless vacuum cleaner with the Internet of Things (IoT) technology, a first in Turkey. We went from a proactive approach to one that sets the trends. Our innovative approach is not limited to our products. We have positioned digital transformation as a critical element of our management strategy and closely follow global information technologies and digital transformation trends. We included our after-sales management, in-house approval mechanisms, collection tracking processes, employee performance tracking, and many other business processes and operations in our digital transformation, increasing efficiency, and our value to our customers.

Despite the challenges, in 2020, our priority continued to provide our employees with a business environment that is enjoyable, constructive, offering opportunities to learn and realize their potential. For the past four years, we have participated in the work of an independent company throughout Turkey. As a result of our actions, our employees have chosen Arzum as the best workplace to work in this year as they did last year and we have won the "Great Place To Work" certificate once again.

In the field of sustainability, with our "Refurbished Product" project, we have green-lit projects and funding for using returned, unused products to supply spare parts or renewed to be offered to consumers as a refurbished option. We have prioritized our social responsibility resources using a focused and targeted approach. We became one of the first brands to act as part of COVID-19 pandemic solidarity. To support healthcare workers and our business partners, we have delivered 30,000 faceshields to more than 650 locations in 36 provinces of Turkey.

In the challenging year of 2020, we got the reward of our efforts with our successful public offering process, which we signed with all our employees and formalized the institutionalization story of Arzum that started in 1966. Our shares, representing 47,5% of our capital, received a demand considerably above the allocated amount- from domestic individual investors 53,6 times higher, domestic corporate investors 18,7 times higher, and by our employees 1,5 times higher than the allocated amount and started to be traded as of December 24, 2020. With the IPO, we continue our journey as a stronger brand with a stronger corporate identity. In 2020, in a severe pandemic that has rocked all economies and many sectors worldwide, some with irreversible consequences. We're happy to be one of the contributing players that turn the economy's wheels. I want to thank all Arzum employees and suppliers for continuing all our operations without interruption, beyond the usual office and field working conditions.

We have demonstrated a stable financial performance in challenging market conditions thanks to our durable and lean business model, more than 54 years of experience, different categories of product diversity, widespread and multi-sales

channels, effective and efficient operations management, trend-leading innovation competence, product development and R&D investments, human and environmental focus, and agile structure. We will continue on our path with the same enthusiasm and commitment as the preferred brand of our customers, suppliers, employees, and investors.

As we enter our 55th year, I would like to respectfully remember Arzum founders who are not among us today and thank our Board of Directors, management team, employees, suppliers, customers, and stakeholders, who have created the sustainable success of our company.

**Best regards,
S. Mete Zamil - Chief Executive Officer / Ceo**

EXECUTIVE MANAGEMENT



**SÜLAYMAN
METE ZADİL**

CHIEF EXECUTIVE
OFFICER / CEO

Süleyman Mete ZADIL studied Civil Engineering at the University of Delaware between 1989-1993. In 1993 he started Cornell University, from which he graduated with a postgraduate degree in Civil Engineering in 1995. After graduation, he worked as an engineer at Bettigole Andrews & Clark Inc between 1995 and 1996. From 1996 to 1998, he first served as Product Manager and then Director of Finance at Balsu USA, Inc. S.Mete ZADIL received various duties within Azizier Holding A.Ş. between 1998 and 2000. As of 2000, he served as the General Manager at Teksu Distribution Hizmetleri A.Ş., a company within the holding. Between 2002-2006 he worked as a General Manager and Directors' Board Member in Schindler Türkeli Asansör San.A.Ş. From 2013-2015 he has served as a member on the Directors' Board of Ariston Thermo Group and County Director. S.Mete ZADIL, experienced in restructuring, growth, and business development, has been serving as the CEO of Arzum Elektrikli Ev Aletleri since 2015.



**ŞECAETTİN
ARDA ALTINOK** ——— **VP OF
FINANCE / CFO**

Ş. Arda Altınok graduated with a Bachelor's Degree in Economics from Hacettepe University in 2000. Between 2002-2014, he worked at numerous executive positions at Deloitte Turkey and the US. During his time at Deloitte Turkey, between 2002 and 2006, he managed audit teams and inspected client companies' financial statements. Between the years of 2006-2008, he was nominated for the Global Development Program at Deloitte Private in New York/USA and served in Deloitte's New York office for 18 months. Later, he continued his career at Deloitte Turkey and served as an executive in the audit department. Between 2014-2020, he continued his career at Doğu Hospitality Group as Finance and Management Director of Hotels Group. In 2020, Ş. Arda Altınok joined Arzum to lead all financial processes and serve as Assistant General Manager of Financial Affairs.



**MEHTAP
YILDIZ** ——— **VP OF PRODUCT DEVELOPMENT
& MARKETING / CMO**

Mehtap Yıldız graduated from Anadolu University Electrical and Electronics Engineering Department in 1994 and continued her education at Sawston Hall College / Cambridge from 1997-1998. Between 2015-2016, she completed the Istanbul Bilgi University MBA Program. Yıldız, who started to work as Production and Product Development Director at Eksen A.Ş. in 1998, served at her position until 2009. During her 11-year working period at Eksen A.Ş., she took part in many category-creating innovation projects. In 2009, she joined Index Group as a part of the founding team for a new brand in the home appliances sector. After ten months of brand positioning, product development, channel and customer service strategy, and structuring studies, she oversaw the "Homend" brand launch. She continued at Homend Elektrikli Cihazlar San. Ve Tic. A.Ş. as Director of Product Development and Marketing. In 2014, she started working at Arzum as the Director of R&D and Supply Chain Management. Today she continues at Arzum as the Vice President of Marketing and Product Development.



**SERHAN
GIRAY** ——— VP OF SALES / CSO

Serhan Giray, who graduated from Anadolu University Department of Business Administration, worked as Chain Stores Sales Manager, Group Sales Manager for Chain Stores, and Turkey Conventional Channel Sales Manager at Türk Philips Ticaret A.Ş. During his 16-year career between 2001 and 2016, he was responsible for sales processes, chain store formations, establishing an e-commerce channel, and coordinating the enterprise departments' business development and improvement activities.

Serhan Giray, who joined Arzum in 2017, continues to serve as the Vice President of Sales.



**ARIF
EMRE
ÜNAL** ——— VP OF
OPERATIONS / COO

Arif Emre Ünal graduated from the Department of Geophysical Engineering at Istanbul Technical University, where he studied between 1997-2002. He received his master's degree in Engineering and Technology Management at Boğaziçi University between 2002-2005. Between 2014-2015, he completed the Istanbul University MBA Program with honors. Ünal served as the Information Technologies Manager at Arkas Holding A.Ş. between 2005-2010 and then as the Information Technologies Manager at McCann Worldgroup Istanbul between 2010-2012. Arif Emre Ünal, who has taken various roles at Arzum since 2012, continues as Vice President of Operations.

2020 HIGHLIGHTS



Net Sales:
607 Million TL
%56 Growth



EBITDA:
62 Million TL
(EBITDA 2*: 73 Million TL)
%28 Growth
(EBITDA 2*: %50 Growth)



Net Profit:
36 Million TL
%137 Growth



UUnit-Based Market
Leadership in the categories
"Food Preparation,"
"Cooking and Frying,"
"Hair Care."



%25
Increase in
Customer
Satisfaction



%24
Export Growth
(US Dollar)



%99
Growth in
E-Commerce



Our GPTW
Company Score
increased
10 Points

**EBITDA 2 is calculated excluding one-time expenses related to IPO.



We launched Arzum Foodie, the first electric lunchbox in Turkey!



We produced 30,000 -Faceshields for our healthcare professionals!

2020

JANUARY

MARCH

APRIL

We worked on 25 different projects in the Digital Eyes project!

We became the sponsor of the Turkish Women's Chess Championship for the 12th time!



With the From Home To Home program, we started a free pick-up and drop-off service for delivering our products and maintenance services to our customers over the age of 65!



Thanks to Arzum Yolda Delivery Fleet, we started getting our products to our customers faster!

SEPTEMBER **OCTOBER**



We accomplished a first in Turkey by bringing the bagless vacuum cleaner and IoT technology together in Olimpia Smart.

We won the Social Brands Data Analytics silver award!

We became a Great Place To Work-Certified company again!



We received the 3rd prize among 1.236 companies in inovaLIG!

By completing the IPO, we enabled Arzum shares to be traded on the stock exchange.

NOVEMBER **DECEMBER**

We received requests from 207.206 investors during the IPO pre-demand collection.

To help maintain social distancing, we introduced the Digital Promoter, a first in our industry, to our consumers.



Together with TBWA we launched our Arzum Okka, "the brand that will get the world to love Turkish coffee" campaign in 7 countries.



THE BRAND THAT GOT THE WORLD TO LOVE TURKISH COFFEE

arzum  OKKA

Turkish coffee, one of our greatest cultural heritages, is now the world's coffee with Arzum OKKA! In the movie of Arzum OKKA, which presents the unique Turkish coffee experience to 40 countries of the world, -Arzum OKKA's promotion film featured

Americans enjoying a Turkish coffee break, Latinas spilling the tea, Berliners catching up in a garage, and lovers in Dubai with moon

rising over their homes... In short, those who sipped Turkish coffee with Arzum OKKA came together in this film. The music blended with Turkish and foreign melodies brought the energy of the campaign to another level. The commercial film of Arzum OKKA was released in its target markets, introducing Arzum OKKA with six different products with designs and innovative features for coffee-lovers and different consumer needs.



ARZUM WENT PUBLIC

The "Arzum" brand, which we founded under the umbrella of a family company in 1966, went public as part of our long-term strategy to ensure the Arzum brand's continuity. Our company shares were offered to the public on December 17-18, 2020, with a unit price of 17,00TL.

Our shares with a nominal value of 15.302.446 TL represent 47,5% of our capital. They received a significant demand from domestic individual investors 52,6 times, from domestic institutional investors 18,7 times, and from our employees 1,5 times the set amount. Following the Gong Ceremony held in Borsa Istanbul on December 24, 2020, it started trading with the "ARZUM" share code.

We will continue on our path as a stronger corporate identity and a strong brand after the public offering process, which we successfully concluded within the framework of the exit plan of the private equity fund that holds our company's shares, thanks to the contributions of all our employees.



Independent Auditor's Report

(Convenience translation of a report originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the Shareholders of Arzum Elektrikli Ev Aletleri Sanayi ve Ticaret Anonim Şirketi

1) Opinion

We have audited the annual report of Arzum Elektrikli Ev Aletleri Sanayi ve Ticaret Anonim Şirketi ("the Company") and its subsidiaries ("the Group") for the period of 1/1/2020-31/12/2020.

In our opinion, the consolidated financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Group are presented fairly and consistent, in all material respects, with the audited full set consolidated financial statements and the information we obtained during the audit.

2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Annual Report* section of our report. We are independent of the Group in accordance with the *Code of Ethics for Independent Auditors* (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Our Auditor's Opinion on the Full Set Consolidated Financial Statements

We have expressed an unqualified opinion in our auditor's report dated 11 March 2021 on the full set consolidated financial statements of the Group for the period of 1/1/2020-31/12/2020.

4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC") and the provisions of the Communiqué II-14.1 on the Principles of Financial Reporting In Capital Markets ("the Communiqué") of the Capital Market Board ("CMB"), the management of the Group is responsible for the following items:

- Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.
- Preparation and fair presentation of the annual report; reflecting the operations of the Group for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the consolidated financial statements. The development of the Group and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.
- The annual report also includes the matters below:
 - Subsequent events occurred after the end of the fiscal year which have significance,
 - The research and development activities of the Group,
 - Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Trade and related institutions.

(Convenience translation of a report originally issued in Turkish)

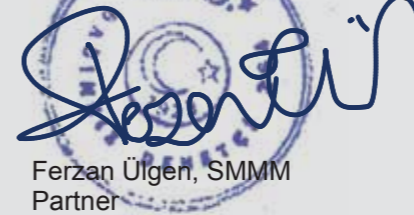
5) Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code and the Communiqué, on whether the consolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Group's audited consolidated financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS and the standards on auditing as issued by the Capital Markets Board of Turkey. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the consolidated financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the consolidated financial statements.

The name of the engagement partner who supervised and concluded this audit is Ferzan Ülgen.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited



Ferzan Ülgen, SMMM
Partner

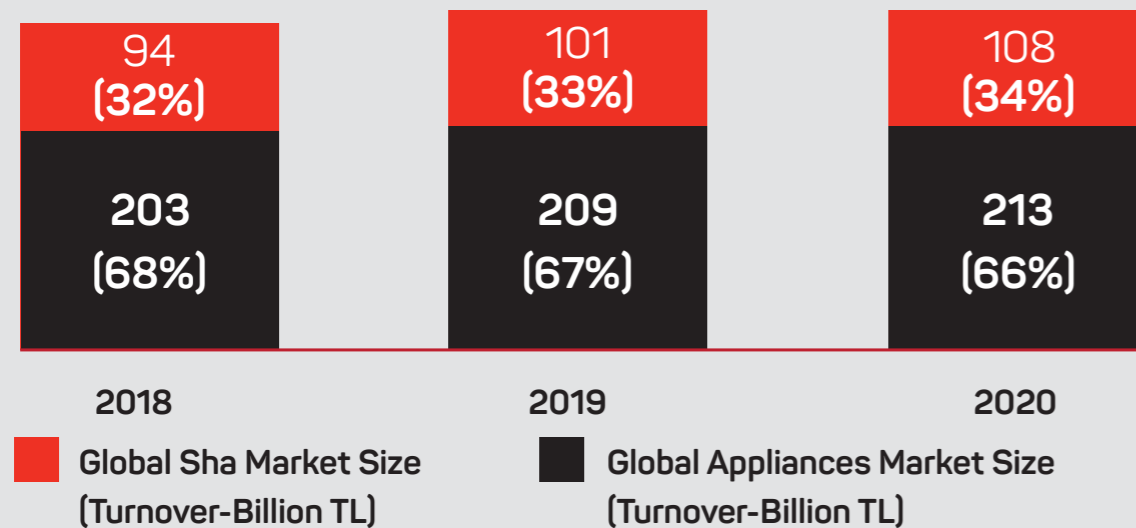
11 March 2021
İstanbul, Türkiye

**ATTRACTIVE
TURKISH
MARKET
IN THE
GROWING
SHA SECTOR**

The global SHA sector is continued its growth trend in 2020

The Small Home Appliances market, which was USD 101 billion as of 2019, grew by 7% in 2020 and reached USD 108 billion.

The impact of pandemic conditions on consumer behavior, the increasing importance of the small home appliance category, and the availability of products for online sales, in general, are among the biggest factors behind this growth. With the strong performance in 2020, the average annual compound growth between 2018 and 2020 was 7%.



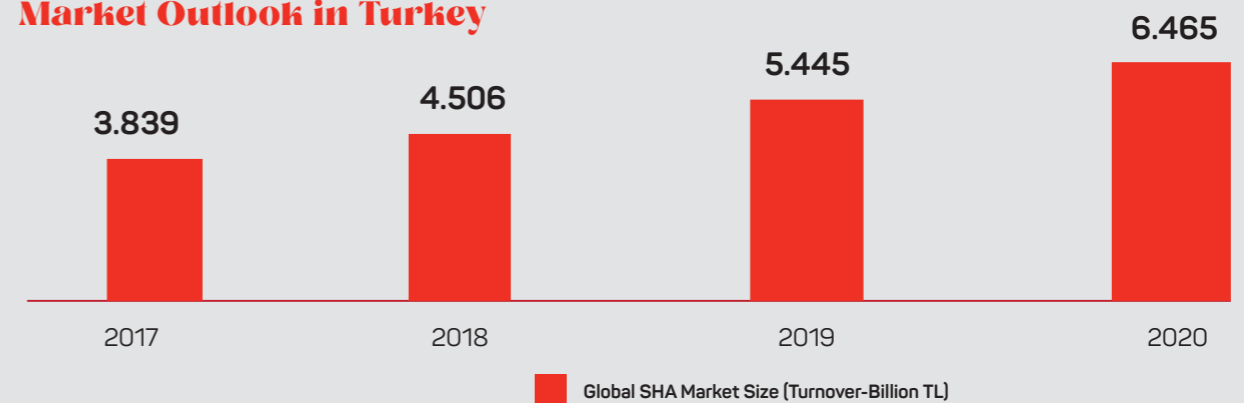
ATTRACTIVE TURKISH MARKET IN THE GROWING SHA SECTOR

The market in Turkey in 2020 reached 6,4 billion TL.

Turkey Small Home Appliances market grew by 18,1% and reached 6,4 billion TL in terms of revenue in 2020.

Thus, last 4 years the average annual compound growth was 19%. The Turkish market is relatively small compared to the European market, strong demographic structure and low product penetration in recent years is one of the factors that support the growth trend.

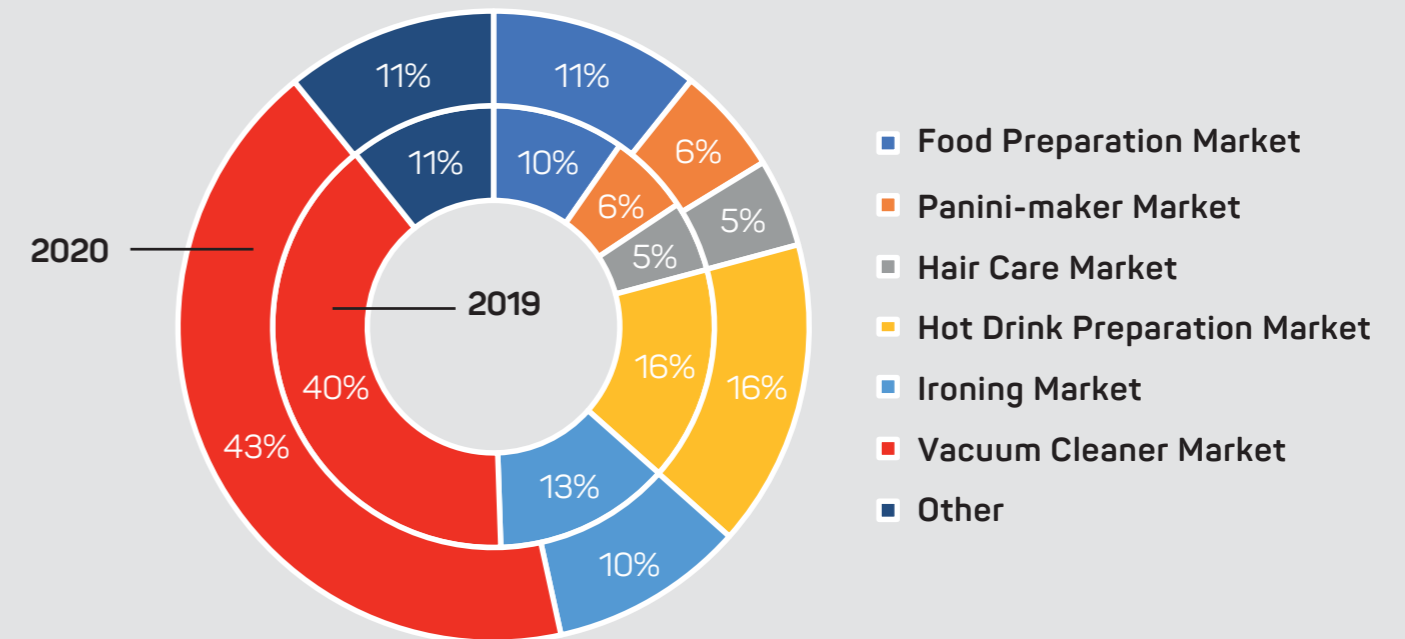
Market Outlook in Turkey



While annual SHA expenditure is estimated at around €27 per capita in Europe, this expenditure is estimated to be 11€ in our country. This expenditure, equaling 0,5 piece in Europe, equals 0,2 piece in our country. In the coming years, these factors are expected to influence growth positively. Additionally, the relatively high young population, high marriage rate, and dowry culture are also elements that will increase demand in the SHA market.

Fast change in the market trends in 2020

Due to the COVID-19 pandemic, a serious change in consumer habits has been observed in Turkey and worldwide. With the increase in time spent at home, the demand for many categories of small home appliances has increased. The growth trend in products that automate and simplify everyday work, such as robot cleaners, has increased considerably and positively influenced the SHA market. Another significant trend observed in this period is the growth in e-commerce. Curfews, shopping malls being closed for a period, and people spending more extended periods at home have increased the weight of online shopping in many industries. In the Small Home Appliances market, the share of e-commerce has increased significantly thanks to the compatibility of products to online sales, price advantage, and easy return options. This growth in online sales also had an impact on the seasonality of the industry. In addition to Mother's Day, the Black Friday season has also gained importance in terms of sales volume, and the second half of the year has turned into a period with high sales potential for the industry. This rapid change has also shifted the weight of categories in the SHA market a bit. As the popularity of the vacuum cleaners rises, the share of the Electronic Vacuum Cleaner Market in the total SHA Market share increased from 40% to 43%, while ironing went from 13% to 10%.



Arzum maintained its strong position in the market

Arzum is the first in the Turkish SHA market with a market share of 12,1% in terms of quantity and 3rd brand with 7,8% market share in terms of turnover. Arzum is one of the leading players in the Turkish market thanks to its high brand awareness, agile product development ability, and effective sales channels. Arzum has completed 2020 as the market leader in Food Preparation, Cooking, Frying, and Hair Care categories. The success of the products launched in 2020, just as in previous years, has reinforced Arzum's leading position in the market. Foodie - the electric lunchbox introduced to the market in 2020 made Arzum a category changer and trendsetter.

Being the second player in the Hot Drink Preparation Market, Arzum stands out in this market with its success in the Turkish coffee machines segment. Arzum OKKA OK001, launched in 2014, maintains its title as the only household type "Turkish coffee machine" that can serve direct to cups and stands out from the competition. Due to its focus on e-commerce in this market, Arzum differentiates itself as the leading player when only the market share in the online channel is considered.

Arzum ranks 4th in terms of unit market share in the ironing category, where it is the leader in brand awareness. Given the strength of the Arzum brand, the ironing category is considered one of the important growth areas for the company.

Similarly, Arzum is one of the top ten players in the vacuum cleaner category in terms of turnover. Being able to extend the strength and success of Arzum in other categories to the largest category of The SHA market in Turkey offers significant growth potential. In this context, the first IoT vacuum cleaner in Turkey, AR4095 Olimpia Smart, was launched in 2020. Combining technology with design and creativity,

Arzum has brought the technologies of a bagless vacuum cleaner and IoT at Olimpia Smart for the first time in Turkey.

Different Category Leaderships & High Brand Awareness

HIGH BRAND AWARENESS

Arzum's brand recognition rate in the five categories of the Turkish SHA sector is considerably high. In terms of total brand awareness, Arzum is the second leading brand in the hot beverage preparation category and food preparation category, the first brand in the ironing category, the sixth in the vacuum cleaner category, and the third in the personal care category. This shows that Arzum is one of the leading brands in the minds of consumers and is included in the list of priority brands that come to mind at the time of research or purchase. The high recognition of the Arzum brand is one of the most important factors providing competitive advantage.

Marka Bilinirlik Sıralaması

#2

Food Preparation

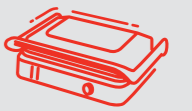
%19 Market Share



#2

Baking and Frying

%17 Market Share



#2

Hot Drink Preparation

%11 Market Share



#1

Ironing

%4 Market Share



#3

Hair Care

%17 Market Share



Proprietary Product Development

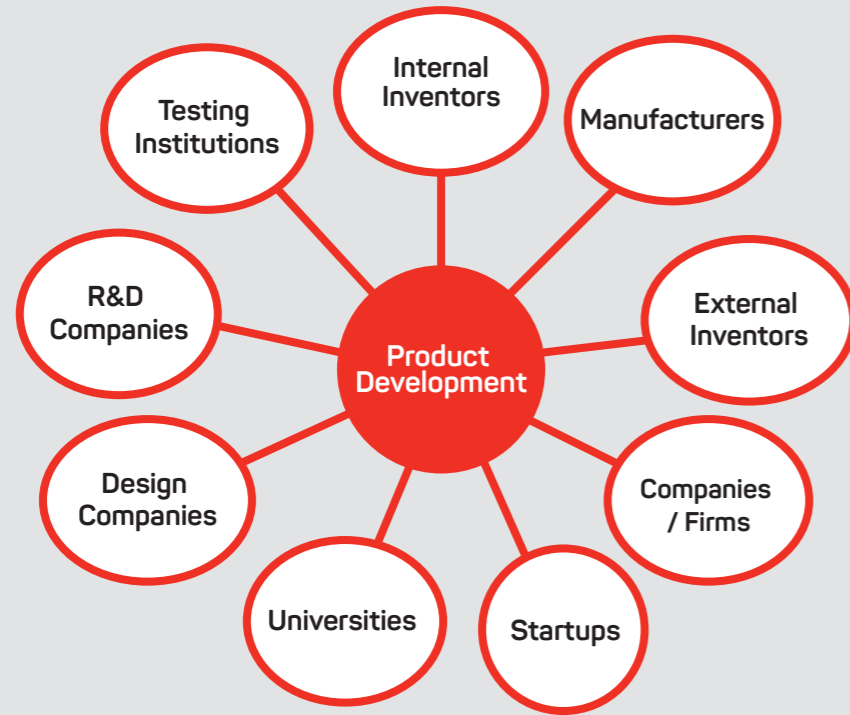
PROPRIETARY PRODUCT DEVELOPMENT

Arzum can respond to changing consumer needs thanks to its long years of experience following consumer habits and needs, rapid R&D and new product development ability, consumer-oriented approach, and speed in creating new products for the market.

It uses agile R&D processes to develop unique products that fulfill changing market and consumer needs. Arzum has an organizational structure that quickly gets the right product design into the process enabled by centralizing the marketing, product management, purchasing, R&D, and quality control teams in the same department. Thanks to this structure, Arzum oversees the entire process from product design to development, sales and after-sales. The total consumer experience is effectively guided by placing the consumer at the center while customer satisfaction is guaranteed by providing the right products and services at the right place and time.



Arzum has an ecosystem that draws on rich, data-driven insight and input for product development. In this ecosystem, short-and long-term studies are carried out with each stakeholder to contribute to the open innovation system. The inclusion of external innovators, university projects, entrepreneurs, R&D, and design companies ensures that the system remains dynamic.



i. Rapid R&D and New Product Development Capability: Rapid R&D and New Product Development Capability: The ability to develop new products is one factor that makes Arzum stand out in a rapidly changing and transforming sector such as SHA. Many products and intellectual rights have been successfully developed in the Turkish SHA market for years under the product development team's leadership. Arzum continues to design and develop innovative products every year.



The product development strategy is built on three fundamental components: (i) product management, (ii) marketing, and (iii) R&D. The highly skilled and multi-disciplinary product development team of 30 people that have been working as of December 31, 2020, is an essential factor in the Company's success.

As a result of R&D and product development studies, 95 new products were developed in 2016, 83 in 2017, 81 in 2018, 81 in 2019, and 80 in 2020. R&D and product development capabilities play an important role in the positive differentiation of the Company in its sector. Arzum demonstrates its strengths in innovation in new product projects as well as business models and service innovations. Within the scope of business model innovation,

- With Beymen Club, a series of 5 products with custom-designed patterns were commissioned.



PROPRIETARY PRODUCT DEVELOPMENT

- Coffee machines with special patterns belonging to our country have been produced with the Ministry of Culture of the Republic of Turkey. The first branded appliance to be sold in ministry-owned stores.



- World-famous Ducati designs came to life in Arzum's men's care series.



- Within the scope of service innovation efforts made on commercially used OKKA coffee machines, our after-sales teams can track malfunctions and increase customer satisfaction

ii. Customer Centricity: Arzum has made it its principle to create value for its customers by putting them first.

- iii. Experience in creating "First in Industry" products:** One of Turkey's most established players in its industry, Arzum's innovative approach has blazed a trail for many new products in the Turkish SHA sector.

The Arzum brand was awarded many prizes:

- **In 2012,**

The Arzum Fırın horizontal toaster was launched.

The first and only Blendart Hand blender set with six-blade technology in Turkey was launched.

A double container food processor, Arzum Dublex, was launched, which can chop different items without mixing the smell and taste placed in the containers.

- **In 2014,**

Arzum OKKA Turkish coffee machine is produced, allowing the coffee to be brewed consistently with the same taste and directly served to the cup.

- **In 2016,**

The HepTaze Tea Machine that prevents the bitterness of brewed Arzum OKKA Minio Turkish coffee machine with a washable coffee pot that can cook 4 cups of coffee was produced. Arzum Tostçu Delux toaster was launched.

- **In 2018,**

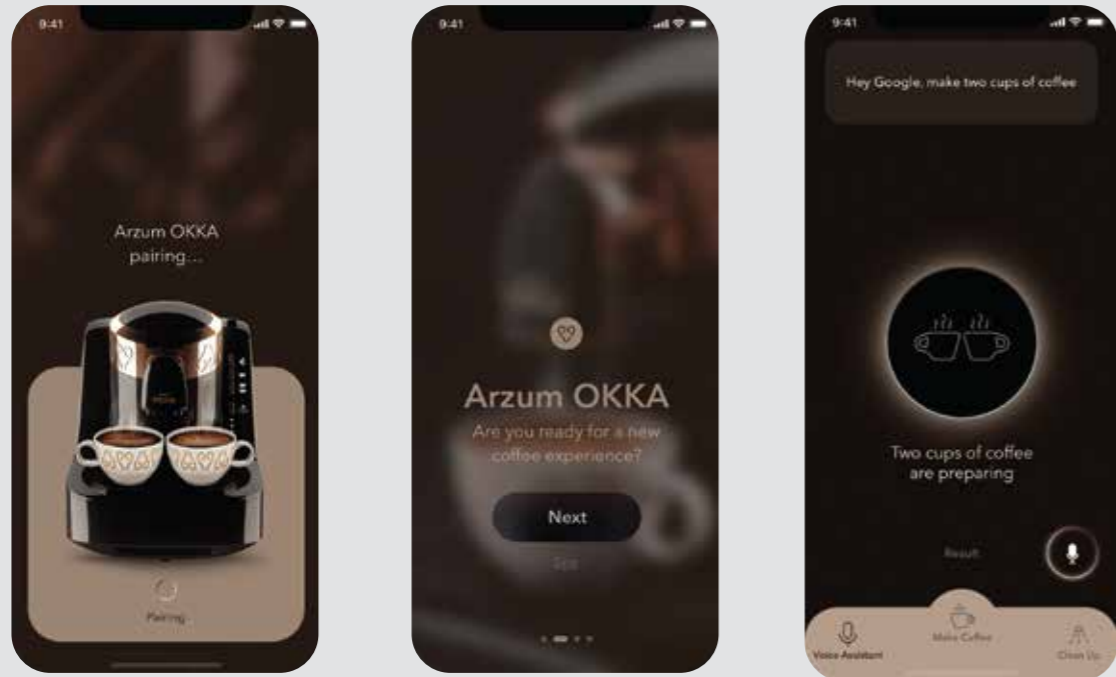
The Arzum Olimpia bagless vacuum cleaner series was launched, featuring three products.

The Arzum OKKA Grandio filter coffee machine with a water tank, with features protected by four separate patent applications, has been released.

• In 2019

Minio DUO, a Turkish coffee machine capable of cooking 8 cups, was launched.

The world's first Turkish coffee machine working with Google Assistant was exhibited at the IFA fair.



Production of Arzum OKKA Minio Pro Turkish coffee machine with stainless coffee pot started.

Harman Stainless and Plastic Tea machines were produced.

An exclusive pattern for different product categories was launched in collaboration with Beymen releasing the Cherry Blossom line.

Arzum Waffly Max waffle maker was launched.

Arzum Foodie, the first electric lunchbox in Turkey, was launched.

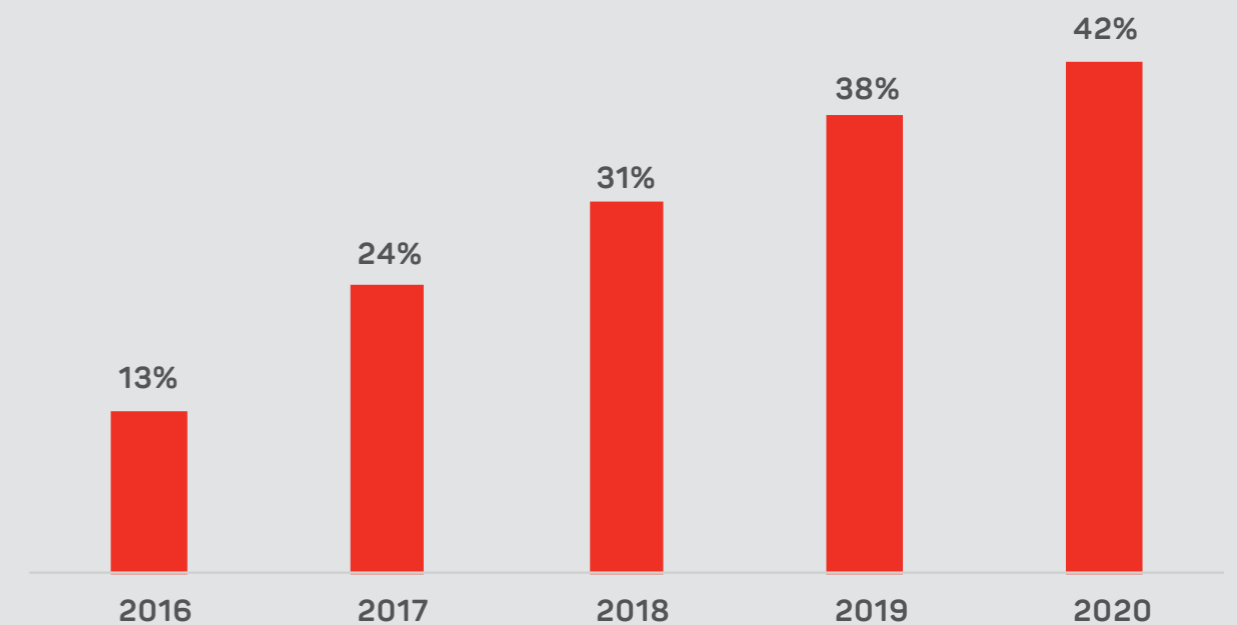
• In 2020

Arzum produced the first Internet of Things (IoT) featuring vacuum cleaner in Turkey, Arzum Olimpia range's latest product.



In 2020, the world's first Turkish coffee machine that can make 10 cups of Turkish coffee at once was released to the market. Arzum developed the first electronically controlled electric samovar (tea dispenser) was introduced.

The ratio of Developed Products in Total Sales



Widespread Access to The Market Through Multiple Sales Channels

WIDESPREAD ACCESS TO THE MARKET THROUGH MULTIPLE SALES CHANNELS

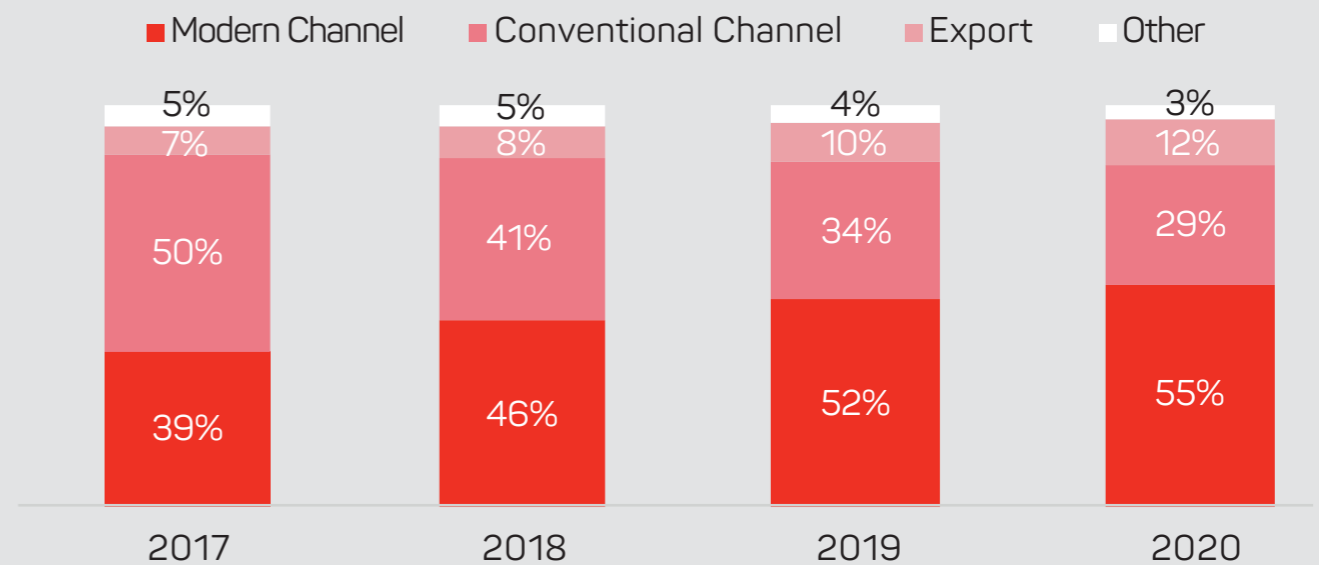
With over 500 total customers and over 20,000 active outlets, Arzum has a vast sales network throughout Turkey.

Arzum has an important position in the conventional sales channel (retail and wholesale) as a well-established brand with trusted relationships cultivated over the years. It has strengthened its position with a new organizational structure established in recent years to meet large shopping centers' operating in the conventional channels. Arzum has strengthened its position with its new organizational structure in line with customer needs for large shopping centers operating in the conventional channels.

Arzum has recently increased its effectiveness in channels such as supermarkets, discount markets, and technology stores and cooperates with Turkey's leading retailers.

The sales channels that have contributed the most to the recent growth are e-Commerce and export.

Distribution Of Total Sales Across Channels



WIDESPREAD ACCESS TO THE MARKET THROUGH MULTIPLE SALES CHANNELS

Leading position and growth potential in the e-commerce channel

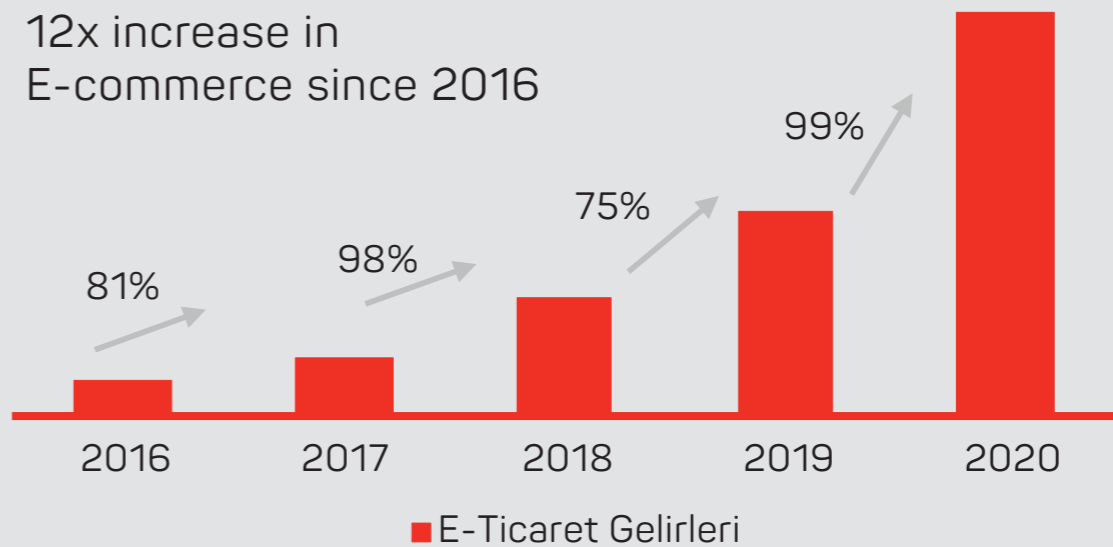
The e-commerce channel, which has had growing global importance, also had a significant impact on Turkey. It has also been the focus of Arzum's initiatives for a long time. Within the Company's long-term sales channel strategy, the e-commerce channel has been structured, and the necessary infrastructure works have been completed. In terms of the e-commerce channel, sales are made through Arzum's site www.arzum.com.tr, and all these channels are managed with a definite targeted strategy. Only resellers focused on the e-commerce channel have been developed. Resellers experienced in the dynamics of e-commerce are supported by digital marketing and advertising activities in line with the Company's e-commerce plans. Arzum has established a dedicated distribution fleet for e-commerce in recent years. Arzum has added the e-commerce channel to its existing channels through these efforts, making the sales organization more flexible.

Modern Channel (55%) Conventional Channel (29%) Export (12%)

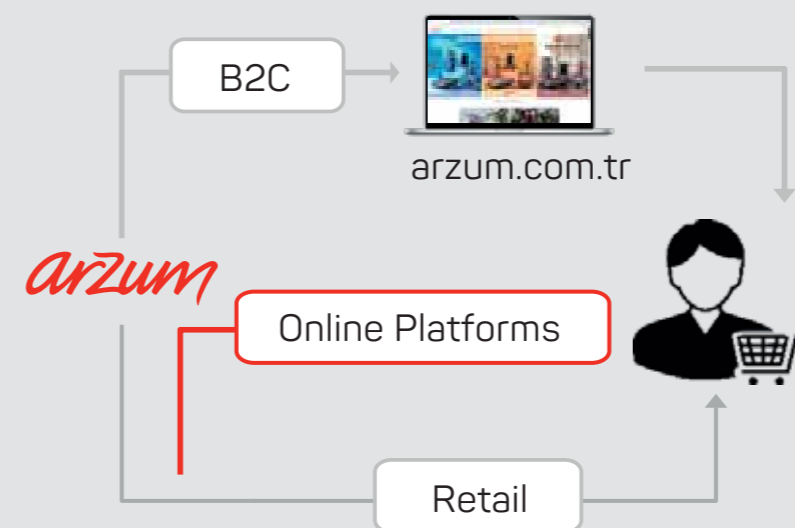


Arzum has been successfully managing the market's shift from conventional channels to modern ones.

E-commerce sales increase



E-commerce sales channels



**EXPORT
PERFORMANCE
AND GROWTH
POTENTIAL**

Export Performance and Growth Potential

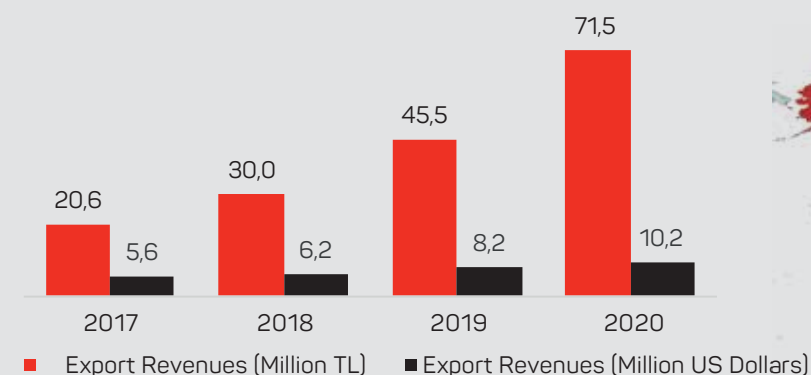
Arzum has gained significant export potential by implementing changes in its organizational structure and adapting its product range. Having a profitable and sustainable export structure is an key priority in this channel. In this context, focusing on strategic export markets, ensuring effective risk and maturity management, improving efficiency with transit shipments, and developing export-specific product activities to increase target markets' effectiveness are the most important elements of Arzum's export strategy.

Despite the global economic contraction and uncertainty in 2020, Arzum has maintained its strong growth trend since 2016, with the support of its marketing activities and focus on export markets. Region-specific product and distribution channel strategies, especially in target markets, have also supported strong export growth in recent years in 2020. In 2020, the total export turnover was 10mln USD.

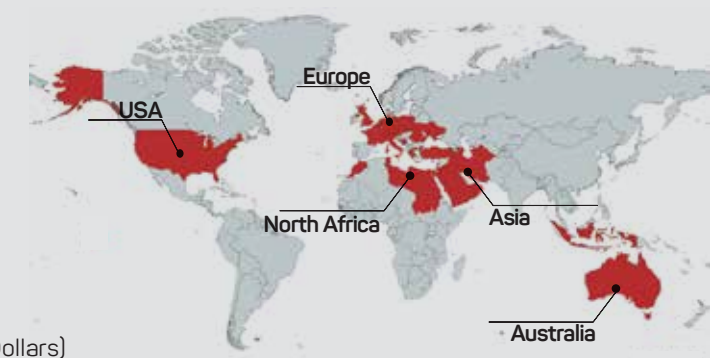
Thus, Arzum's export turnover increased by 24% compared to 2019, and its share in the company's total turnover reached 12%. Arzum carries out analyses to make its operational processes more efficient to develop and carry its sustainable and profitable export structure to the upcoming periods. Many projects such as the technological integration of all the export operations of our Turkey and abroad subsidiaries, creating a B2B portal for corporate distributors to access uninterrupted and instant service, the building of an e-export

infrastructure enabling consumers worldwide to be able to shop from Turkey using our website, and a sales tracking system that allows distributors to track their sales performances in foreign markets have been launched. Country-specific strategies and projects have been started to be used more effectively. Additionally, the marketing actions taken in the international marketing department and export markets established in 2019 were aligned to support Arzum's export-oriented growth strategy. 360-degree communication plans are being created and implemented to increase the recognition of Arzum and Arzum OKKA brands in existing export markets. Efforts are made to create a product portfolio specific to export markets with strategic priority. Export-specific products in food preparation, cooking, beverage preparation, and cleaning categories are being launched, providing the infrastructure for sustainable export revenues in the medium and long run. To increase the total export volume and the number of countries, the Arzum and Arzum OKKA brands are working on a market entry strategy and a product portfolio specific to the consumers of the targeted markets that are yet to be entered.

Export revenues



Export markets



**EFFECTIVE
AND
EFFICIENT
OPERATIONS
MANAGEMENT**

Extensive After Sales Service Network

Arzum has a vast network with 400 authorized after-sales service and service points located in 80 cities of Turkey. The widespread service network is a critical success factor in the SHA market to guarantee customer satisfaction and establish trust between the customers and the brand.

The Company keeps extra stocks for spare part requests at its logistics center located in Gebze to provide fast and efficient service to its customers through its widespread after-sales service network.

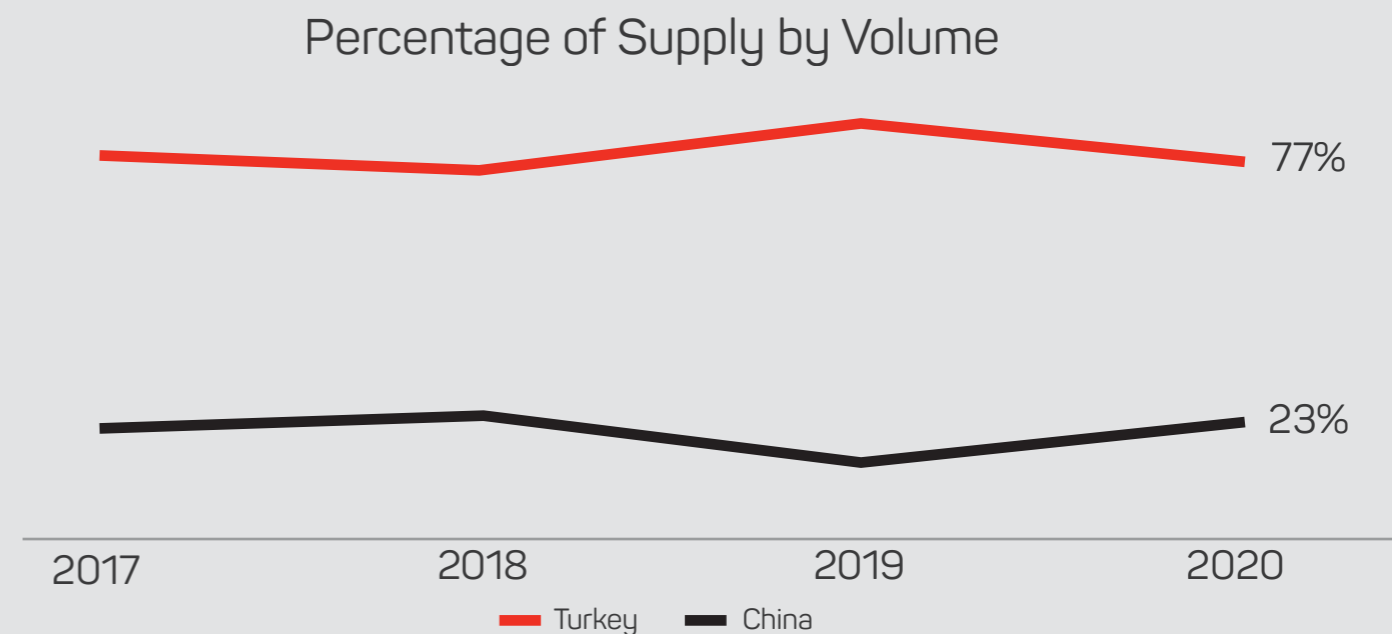
Arzum, which has been working on improving after-sales service operations, uses a custom-designed service automation application that's been outsourced. As a result, the number of products exchanged within the warranty period went from 54.093 in 2015 to 11.033 by the end of 2020.

Arzum's after-sales operations were awarded the Stevie award twice, one bronze and one gold. Simultaneously, the Ministry of Commerce recognized our customer satisfaction-oriented efforts with the "Customer Satisfaction Principle" award in 2019.

The Company's strong after-sales service network and operations capabilities are expected to play an important role in separating itself from the competition and maintaining its strong market position.

Effective Supply Infrastructure and Logistics Management

Arzum does not have any production facilities in Turkey or abroad but has long-term partnerships with different suppliers. As of 2020, about 77% of the Company's product supply is fulfilled from manufacturers in Turkey and about 23% from China. Arzum worked with a total of 49 different suppliers from China in 2020. The Company has a high transaction volume in China in the SHA sector and collaborates with suppliers from Turkey to improve their product development, R&D capabilities. Arzum, which launched the ASRM application at the beginning of 2020, can monitor and improve all processes from order to delivery with the supplier performance management module.



Arzum's effective logistics capabilities also create a competitive advantage during the pandemic period. Arzum distributes orders made through Arzum.com.tr and Arzum mobile application throughout Istanbul via its delivery fleet "Arzum Yolda (Arzum On-The-Road)," which was implemented during this period. The application, a first in the small home appliances market, allows consumers to access products easily.

Error-Free Shipment

From the strategic objectives of Arzum, the operational management metric that is being followed within the scope of operational excellence, "Error-Free Shipment," has improved in 2020 compared to previous years and was realized at a 99,93% rate. The metrics for operational processes and progress towards operational excellence are monitored monthly for continuous improvement.

Operational Efficiency and Cost-Effective Management

Arzum closely follows the best practices globally and increases its efficiency year after year with its operational process improvement projects.

DIGITAL TRANSFORMATION

Digital transformation is a strategic priority for Arzum. Considering the rapidly changing market conditions and consumer habits, digital transformation has become an essential tool for effective and efficient operation management. Arzum continuously and swiftly makes investments to drive this digital transformation. The steps taken here will both create value for the stakeholders and increase consumer satisfaction.

Since 2010, the company has focused on digital transformation investments. The leading digital transformation steps implemented in this context are as follows:

Enterprise Resource Planning

Arzum uses the corporate resource plan, launched in 2011, in an integrated manner with other corporate programs and policies. Updates are made as required by business processes. Digital transformation applications such as e-invoice, e-archive, e-ledger have been adapted.

Customer Relationship Management (CRM)

As part of the customer satisfaction strategy, a customer relationship management application was introduced in 2013 to centralize consumer data from all communication sources on a single platform to ensure the most proper communication with consumers. The application used by the call center serves in accordance with all consumer data laws.

Process Oriented Document Management System

With the process-oriented document management system introduced in 2016, all processes managed by signature were digitized over the years, making the processes faster and error-free.

Business Intelligence

The business intelligence application in Arzum was put into use in 2014 for management reporting and the use of the management cockpit application. It has enabled faster and more accurate decision-making. Over the years, business intelligence reports have also been used for operational needs enabling more effective management.

After Sales Service Automation (ASOS)

The ASOS application, for which the investment decision was made within the scope of Arzum's customer satisfaction strategy, was put into use in 2018. The management of all service process over a digital platform and the performance management module has enabled a customer service level that gets better each day.

Digital Eyes Platform

In 2020, the Digital Eyes Platform, a team composed of 17 people selected from within the company to manage digital transformation projects, launched 25 projects. Here are a few of the projects created in line with the digital transformation strategy in the fields of operational excellence, customer satisfaction, new business model, and new product/service topics:

- E-Learning,
- Digital Asset Management,
- Demand Forecasting with Artificial Intelligence,
- Voice Product Search,
- Augmented Reality,
- Mobile Intranet.

CUSTOMER SATISFACTION

Arzum uses NPS (Net Promoter Score) methodology to monitor communications through all consumer touch-points (call center, technical service, e-commerce site, etc.) to reach its goals in customer satisfaction, one of its strategic goals. By this metric, Arzum continues to increase its consolidated NPS score more each day. With the satisfaction meetings held monthly with all relevant units and senior management and the actions from the decisions taken in these meetings, in 2020, Arzum's NPS has increased by 25% compared to the previous year.

SUSTAINABILITY

SUSTAINABILITY

Arzum focuses on two central matters: resource-saving and recycling during production while minding e-waste. Arzum, which implemented the 'Product Renewal' project in 2020 with its responsible brand identity, aims to use company resources frugally and reduce the negative impact on the environment. In this context, it renews the returned products that haven't been used, recycles them as spare parts by taking them apart, or repurposes them by renewing and offering them through refurbished lines. Thus, the scrapped products get brought back into production. Plus, Arzum, which requires all its suppliers' full environmental regulations compliance, also follows related energy regulations closely in product development and design. Seeking to create energy-efficient products that consume fewer resources and have a lower carbon footprint in product development, Arzum will continue keeping sustainability as a main tenant in its future endeavors.

Spare Parts Supply with Renewed Product and Product Recycling

Considering the diminishing natural resources and global economic stagnation, sustainability programs are launched to conserve resources. Unused returned products are taken apart and repurposed to be used as spare parts to save resources. The "Renewed Product" labels are added on the refurbished products' packaging, informing of their 1-year guarantee. Unused products that are not suitable for restoration are taken apart, and their intact components are taken and used for repair and maintenance of other products.

Arzum gained 50,000 spare parts in 2020 through product recycling.

With the product refurbishing project initiated in March 2020, 2.517 products were repurposed back into use.

Arzum aims to repurpose an average of 3.000 products each year with this project. The 3.000 products targeted for refurbishment amount to an average of 6.600 kg of scrap. This project of Arzum was shortlisted in the Sustainable Business Awards in 2020.

Packaging and Other Waste Management

Obligations have been imposed on companies under the Regulation on Control of Packaging Wastes to prevent packaging waste, reduce the number of unavoidable wastes to be disposed of and reduce the direct and indirect disposal of packaging wastes in a way that harms the environment through recycling and repurposing of packaging. Arzum voluntarily works with the ÇEVKO Foundation to comply with this regulation, which implements practices related to collecting packaging wastes separately at the source. ÇEVKO Foundation cooperates with local governments and licensed aggregating companies to take over industrial organizations' related obligations.

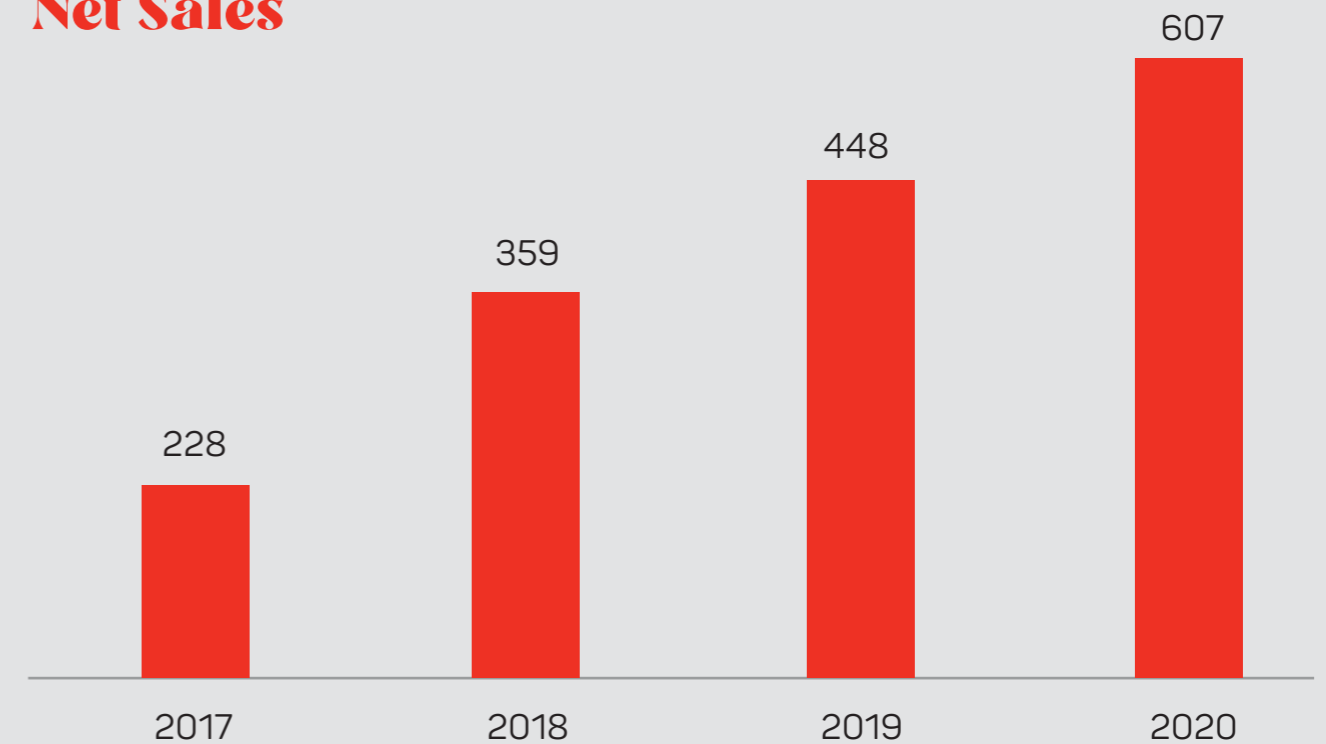
To summarize, the packaging wastes of the products taken to the warehouse to be put on the market every year are notified to the Ministry of Environment and Urbanization in the first three months of the following year. Arzum also works with the ÇEVKO Foundation to fulfill its recycling obligation from the Packaging Waste Control Regulation. The packaging waste from the logistics company returned items from resellers, and the items from maintenance team operations are collected separately at their source. The wastes gathered are managed and sent to companies licensed by the Ministry of Environment and Urbanization, and they are recycled and brought into the circular economy.

Strong Financial Performance

STRONG FINANCIAL PERFORMANCE

Between 2017 and 2020, Arzum's net sales grew to TRY 607 mln with a 28% Annual Compound Growth Rate (CAGR). Increasing export sales, growth in the e-commerce channel, and strong performance in various categories were the main sources of turnover growth in this period. The 36% growth figure in 2020 was above the 2017-2020 average. Strategic management per the increasing demand and market conditions after the pandemic in 2020 has provided this performance.

Net Sales

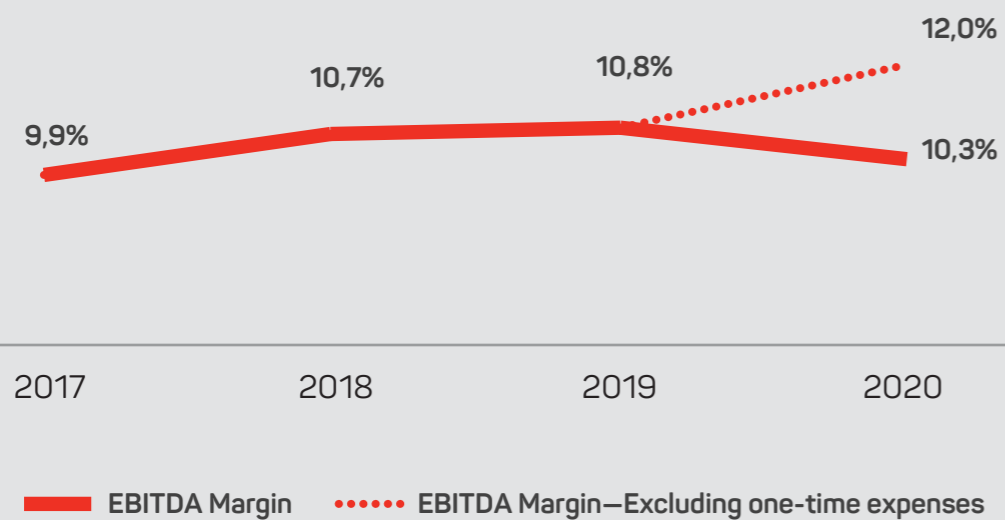


Arzum has successfully maintained its profitability through the last 4 years. This performance in profitability has been achieved

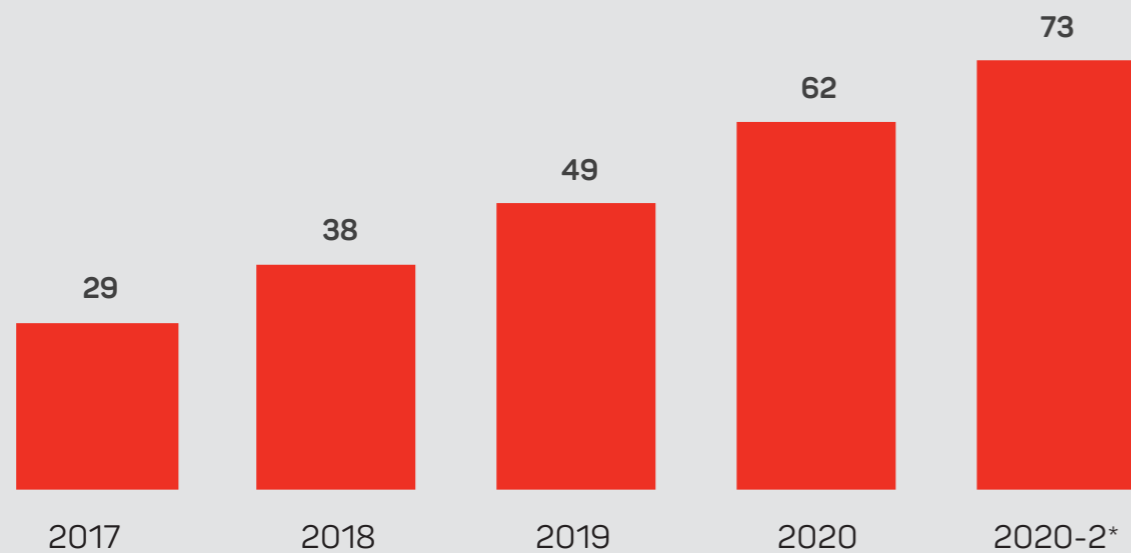
STRONG FINANCIAL PERFORMANCE

despite challenging economic conditions and volatile market conditions. As a result of strong growth in exports, disciplined cost control and increased productivity, a stable performance in profitability was achieved. The 2020 EBITDA margin was 10,3%. When one-off expenses related to the public offering are excluded, the EBITDA margin was realized at 12% in 2020.

EBITDA Margin



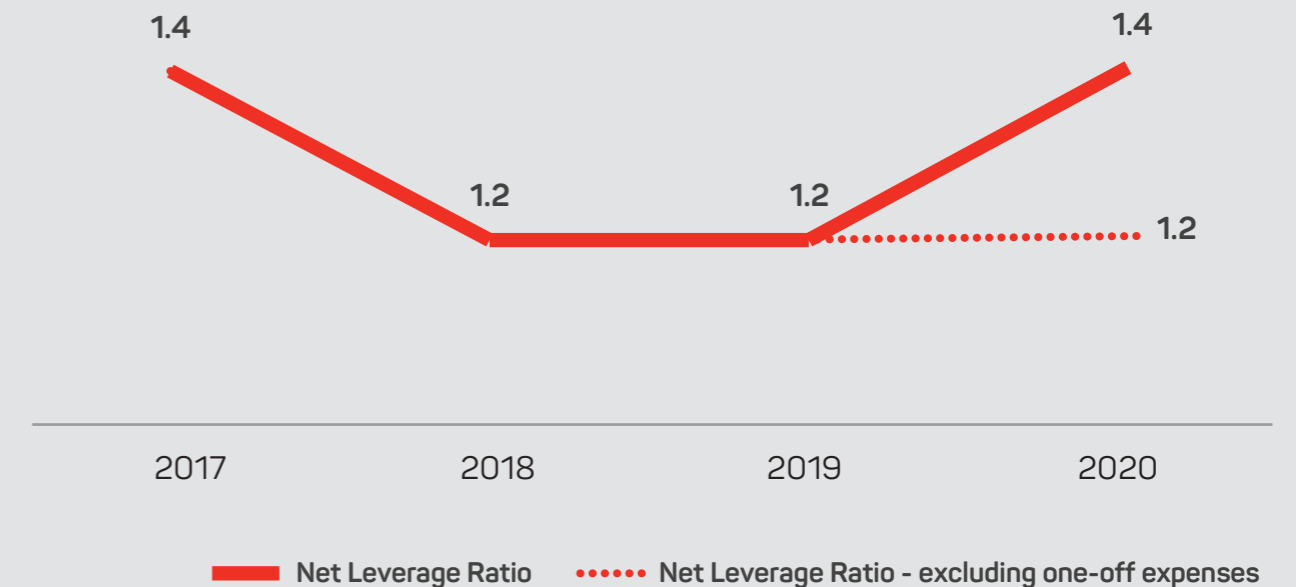
EBITDA (TL mn)



*EBITDA excluding one-time expenses related to IPO

Arzum aims to keep the Net Working Capital/Turnover ratio permanently below 40%. In recent years, with the change in the channel structure (transition from conventional channel to modern channel), the quality of the receivables has increased, and there has been an improvement in the average collection times. The Net Working Capital / Net Sales ratio, which was 41,4% in 2017, declined to 30,2% at the end of 2020. A durable business model, strong growth that comes with an agile management approach, decisiveness, and improved working capital management has positively impacted indebtedness. In 2020, excluding one-time expenses, the net leverage rate (Net Debt /EBITDA) was at 1.2x.

Net Leverage Ratio



HUMAN RESOURCES

Arzum prioritizes fulfilling its responsibility to all its stakeholders in the best way possible, as included in its vision, mission, and strategy. The most important of these stakeholders are Arzum employees, namely the people who make up Arzum. Arzum values its employees as individuals and practices modern Human Resources policies in this direction.

Knowing that Culture = Human, Arzum embraces the notion that it is the employees who foster the company culture at all levels. With this awareness, each employee is more than their job at Arzum as it views each employee as someone who adds value and inspires the company. Arzum cares about employee loyalty and satisfaction and measures this with company-wide surveys. As a result of the surveys, the points to focus on are determined, and the necessary actions are organized.

TRAINING AND DEVELOPMENT

Arzum plans its Training and Development activities every year, in line with performance evaluation process outcomes, employee loyalty surveys, and the Company's strategic priorities. In 2020, the education catalog was published online, and the company implemented the entire training online. Specific events are planned for specialization and expertise development. The average training time per person in 2020 was 11,1 hours.

PERFORMANCE MANAGEMENT

The performance management process, involving all employees of all levels, has also been implemented for 2020. According to this system, each Arzum employee undergoes a process to evaluate goal realization and competence. The outputs of the performance process are used in Training and Development planning.

ORIENTATION PROCESS

A comprehensive orientation program is carried out so that every employee who starts working at Arzum can quickly recognize and adapt to the company and employees. The process starts from the day the employee starts working. Arzum launched the new Buddy Program in 2020 to better the onboarding experience for the new members joining the team, helping them hit the ground running efficiently and smoothly.

COMMUNICATION

Arzum communicates with its employees in many ways. Firstly, Arzum's office is designed to facilitate communication, easily accessible to employees at all levels. Apart from communicating by talking, there are "suggestion boxes" where employees can share their opinions privately, in a way that's not visible to the rest of the office. E-mails, intranet portals, and dashboards are used for announcement communications. Arzum organizes three major events every year to bring its employees together and increase motivation.

ACTIONS DURING THE PANDEMIC

Arzum was there for its employees during the pandemic and took many actions to make it more comfortable. At the beginning of the pandemic, everyone who was able to work from home was transitioned to work from home. The office environment was made relatively safe in regards to COVID-19. Despite the pandemic conditions, no benefits were cut or restricted.

BENEFITS

Current benefits can be summarized as; flexible working hours, private health insurance, Transport Expense Support, food aid, laptop, mobile phone, GSM line, Personal Accident Insurance, compassionate leave 3 days per year, leave and aid in cases of birth or death. Plus, per the newly added policy in 2020, Arzum employees can end their work 2 hours early on their birthdays.

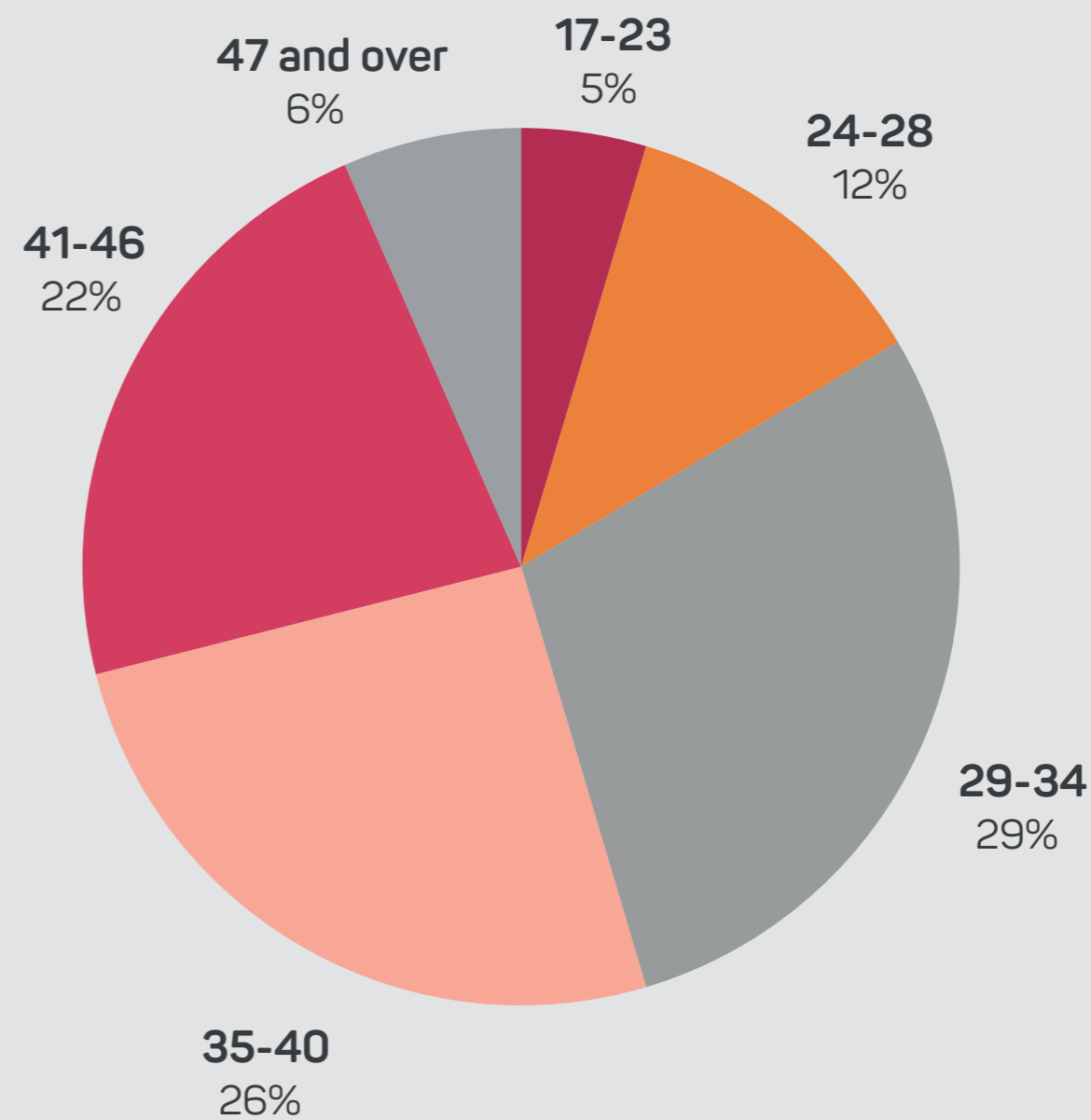
FEMALE EMPLOYEE RATIO

Arzum's female employment rate as of the end of 2020 is 38%.

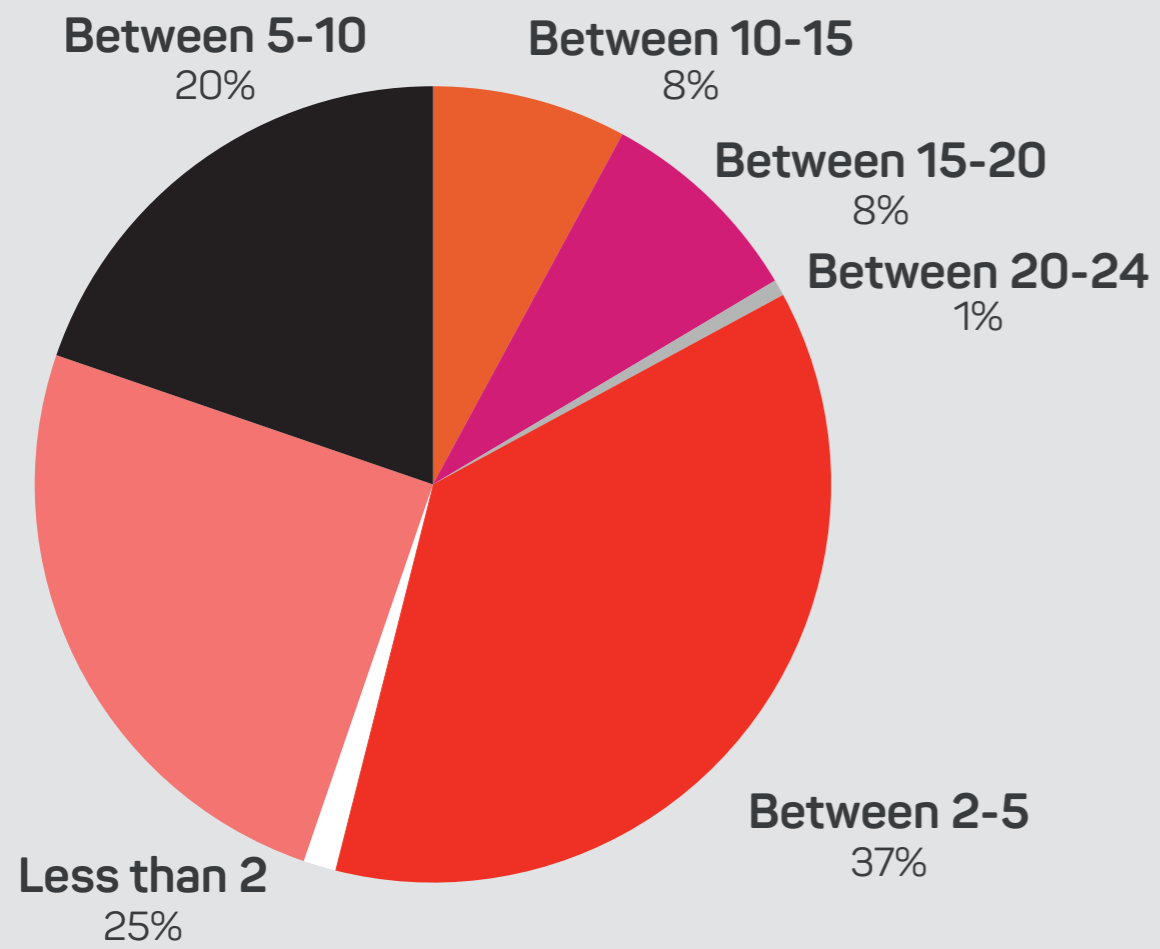
AGE DISTRIBUTION

The age distribution of Arzum employees is as follows in the chart. The majority of the company (66%) is of the Y generation.

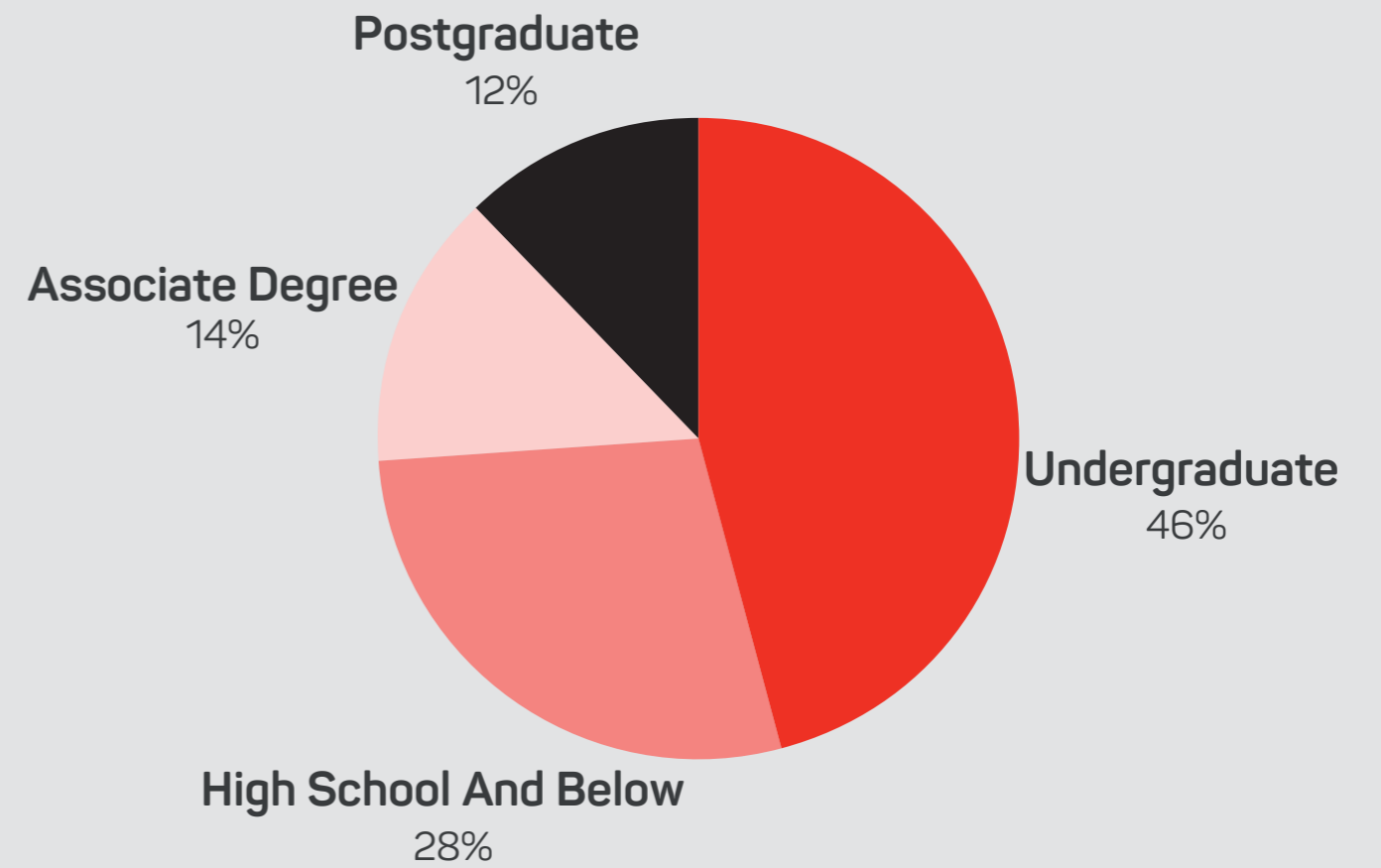
Age Distribution



SENIORITY TIME DISTRIBUTION



EDUCATION BREAKDOWN



Social Responsibility & Sponsorships

SOCIAL RESPONSIBILITY & SPONSORSHIPS

Community conscious, environmentally friendly, useful and responsible brand

As a socially sensitive, environmentally friendly, responsible brand, Arzum has been sponsoring the Arzum Turkey Women's Chess Championship for 12 years, supporting women in chess while promoting the message that Arzum is there for women in chess as well. As in all areas, it invests in women's skill and intelligence in chess as well. Arzum is aware of the importance of promoting chess and encouraging children from an early age to play. As a brand, it also follows the increasing number of women players in the circuits. Knowing that as the number of licensed players increases, our success in international competitions increases. One of Arzum's biggest wishes is to see a Turkish world chess champion.

As a socially responsible, environmentally friendly, and influential brand Arzum, was one of the first to support solidarity efforts against the COVID-19 pandemic. To protect and support health workers in the field, face shields were produced together with Güneş Plastik, delivering 30.000 hundred visors to more than 650 locations in 36 provinces of Turkey.

In these difficult days in 2020, the importance of standing together has once again been understood. In the Izmir earthquake that took place during the pandemic, Arzum did their part and sent support packages consisting of small home appliances to the points determined by AFAD.

Awards Awards

Awards Awards



Awards Awards

Awards Awards



Awards Awards



Awards Awards



Awards Awards

Awards Awards



Awards Awards

Awards



Arzum Okka

- Rated as the best / most successful coffee machine in tests conducted by Haus & Garten.
- Became one of the few brands that received the Red-Dot Awards.
- Received the "Best Product" award at the Plus X Award.



Arzum Okka Grandio

- Winner of the "Outstanding Design" award at the 2018 Design Turkey Industrial Design Awards.
- Winner of "Ease of use" Award at Plus X Award 2018.



Arzum Okka Minio

- Received "Design," "Ease of Use," and "Best Product" awards at the Plus X Award.
- It was deemed worthy of the Red Dot award by a jury of 37 design experts.
- Rated by Haus & Garten, specifically on conventional brewing, ease of use, power consumption, and the ideal temperature, it received a 1,6 points making it the best coffee maker.
- Winner of the "Best Design" award at 2017 iF Design Awards.



Arzum Okka Beangourmet

- Winner of "Best Design" Award at the 2018 Design Turkey Industrial Design Awards.
- Winner of "High Quality", "Design" and "Ease of Use" awards at the 2018 Plus X Award.



**Arzum Panini Granite
Grill and
Sandwich Maker**

— Winner of "Functionality" Award at the Plus X Awards.



**Arzum Prostick
1500 Blender Set**

— Winner of "Functionality" Award at the Plus X Awards.



**Arzum
Technoart
Hand Blender**

— Won the "Good Design" award at the Plus X Award.

— Received the "Design" and "Functionality" awards at the 2018 Plus X Award.



**Arzum Tostçu Delux
Grill and
Sandwich Maker**

— Winner of both "Design" and "Ease of Use" awards at the Plus X Award.



**Arzum
Olimpia Plus**

— Winner of "Design" and "Ease of Use" awards at the Plus X Award 2018.



**Arzum Heptaze
Tea Machine**

— Won The "High Quality," "Design," "Functionality," and "Best Product Of The Year" Awards at the Plus X Award.

— Winner of the "Best Design" award at 2017 iF Design Awards.



**Arzum
Olimpia Power**

— Winner of "Best Design" Award at the 2018 Design Turkey Industrial Design Awards.

— Winner of "Design" award in the 2019 IF Design Awards

Corporate Awards



— Arzum was among Turkey's "Super Brands" 6 times in a row in the 2016 "Superbrands Turkey".



— International Data Corporation (IDC), awarded the second prize in the "Corporate Transformation" category in the IDC Digital Retail Summit 2017.

— At IDC Digital Retail Summit 2018, with its "ASOS- Arzum Service Automation System" Project, it won the second prize in the "Customer Corporate Awards Experience" category and the third prize in the "Technological Service" category.



THE STEVIE® AWARDS FOR
SALES & CUSTOMER SERVICE

— At the 2018, at the Stevie Awards for Sales & Customer Service with After Sales Services structure it won the **Bronze** award in the "Customer Service Team of Year - Recovery Solutions" category.

— At The Stevie Awards for Sales & Customer Service 2019, it won the Gold award in the "Customer Service Success" category with its After Sales Services structure.



— It became the only Turkish brand to be a finalist in 2018, The Peer Awards For Excellence with its After Sales Services structure.

Corporate Awards



— Received the **“Company Adopting Consumer Satisfaction as a Principle”** award at the **Traditional Consumer Awards** organized by the **Ministry of Commerce** in **2019**.

Deloitte.
Private

— It was a **finalist** on **Deloitte Private’s “Best Managed Companies”** program in 2019 and **won the best-managed company award**.



— In 2020, won the **Social Brands Analytical Data Silver Award** in the category of **small household appliances** in **Social Media Marketing Awards** given by **Marketing Türkiye** and **Boomsonar**.



— In the **“Cool Brands Research”** conducted by **Marketing Türkiye ve Roamlar Türkiye**, Arzum was chosen as the **coolest brand** in the **small home appliances category**.



— In the **“Great Place to Work”** survey, as of **March 2020**, it has been awarded a **“Great Place to Work-Certified”** certificate in terms of **employee loyalty**.



— Became the **champion** in the **“Innovation Organization and Culture”** category in **InovaLiG 2017** in **Turkey**.

CORPORATE GOVERNANCE

Statement of Compliance with Corporate Governance Principles

Statement of Compliance with Corporate Governance Principles

Our company completed the IPO on 17-18 December 2020 and started being traded in Borsa İstanbul on December 24, 2020, under the code "ARZUM."

As per the 5th article of the Capital Markets Board ("CMB") Corporate Governance Communiqué No II-17.1 ("Communiqué"), which entered into effect after being published in the Official Gazette dated January 3, 2014 and numbered 28871, the utmost care is taken to ensure the necessary compliance as of the date of the first General Assembly Meeting. Our company has internalized the principles of equality, transparency, accountability, and responsibility stated in our Corporate Governance Principles.

We aim to get our Company's Information Policy, Donation and Aid Policy, Compensation Policy and Profit Distribution Policy accepted by our Board of Directors and disclosed to the public before our company's ordinary general assembly meeting concerning 2020, and present for the approval of the shareholders at the 2020 Ordinary General Assembly Meeting. While there are no independent members in the Board of Directors of our company yet, the appointment of independent members will be held at the Ordinary General Assembly meeting related to 2020. Within this context, the committees will be created.

While the goal is to become fully compliant with Corporate Governance Principles, the work to complete policies that are yet to be implemented continues. The said principles and the reasons for non-compliance with these principles are briefly summarized below.

Efforts to improve corporate governance practices continue. To date, principles that are not in effect and yet to be implemented have not led to any conflict of interest between stakeholders.

Reasons For Corporate Governance Principles That Are Not Applied:

- 1.5.2.: Minority rights are not granted to those who have less than one-twentieth of the capital by the Articles of Association, and the use of minority rights in the company is subject to the Turkish Commercial Code, the Capital Market Law, the relevant legislation, and the conveyances and decisions of the Capital Markets Board. This matter is handled with the utmost care.
- 1.6.1. : Our company shares were offered to the public on 17-18 December 2020 and started to be traded on BIST as of 24 December 2020. Within the scope of Article 5/(4) of the CMB II-17.1 Corporate Governance Communiqué, the policy will be approved in our general assembly for 2020, as we have to ensure the necessary compliance with the Corporate Governance Principles as of the date of the first general assembly to be held after our shares were started to be traded on the stock exchange. It will be published on our corporate website after it has been approved at the General Assembly.

- 1.7.1.: The principles for the transfer of shares are regulated in Article 6 of our Articles of Association. Although there are restrictions on the transfer of Group A shares that are not traded on the stock exchange, there are no provisions that make it difficult for B group shareholders to transfer their shares or restrict the transfer of shares freely.
- 2.1.1.:The corporate website of our company contains many items included in the corporate governance principle numbered 2.1.1. Necessary compliance will be achieved following our general assembly for 2020.
- 2.2.2.: Our company shares were offered to the public on 17-18 December 2020 and started to be traded on BIST as of 24 December 2020. Following Article 5/(4) of the CMB II-17.1 Corporate Governance Communiqué, we have to ensure the necessary compliance with the corporate governance principles as of the first General Assembly's date after our shares start to be traded on the stock exchange. Therefore, all items relating to the mentioned principle will be included in the Annual Report for 2021.
- 3.1.3. : Following our general assembly for 2020, the necessary compliance will be achieved.
- 3.2.1. : There are no extra provisions regarding this issue in our Articles of Association or Internal Regulations.
- 3.3.2. : Our company does not have a succession plan.

- 4.2.7. : Our company shares initial public offering was on 17-18 December 2020 and started to be traded on BIST as of December 24, 2020. Within the scope of Article 5 / (4) of the CMB's II-17.1 Corporate Governance Communiqué, the necessary compliance with the Corporate Governance Principles will be met as of the date of the first general assembly to be held after our shares are listed on the stock exchange.
- 4.2.8.:The cost of Managerial Liability Insurance owned by our company does not exceed 25% of the capital.
- 4.3.9.:Although we do not have a policy, there is one female board member in our Board of Directors consisting of 5 people.
- 4.3.10. : Our company shares initial public offering was on 17-18 December 2020 and started to be traded on BIST as of December 24, 2020. Within the scope of Article 5 / (4) of the CMB's II-17.1 Corporate Governance Communiqué, the necessary compliance with the Corporate Governance Principles will be met as of the date of the first general assembly to be held after our shares are listed on the stock exchange.
- 4.4.7. : Members of the Board of Directors are not restricted from taking any other duties outside the company. This situation does not cause a conflict of interest and/or hinder the member's job in the Company. The duties outside the company undertaken by the Board of Directors are presented for the information of the shareholders in the annual report.
- 4.5.5.: Although there are no independent members in the Board of Directors of our company yet, independent members will be appointed at the Ordinary General Assembly meeting for 2020 and committees will be established within this scope.

- 4.5.6: Although there are no independent members in the Board of Directors of our company yet, independent members will be appointed at the Ordinary General Assembly meeting for 2020, and committees will be established within this scope.
- 4.5.7: Although there are no independent members in the Board of Directors of our company yet, independent members will be appointed at the Ordinary General Assembly meeting for 2020, and committees will be established within this scope.
- 4.5.8: Although there are no independent members in the Board of Directors of our company yet, independent members will be appointed at the Ordinary General Assembly meeting for 2020, and committees will be established within this scope.
- 4.6.1.: There is no performance evaluation system for the Board of Directors.
- 4.6.5. : Parallel to general practices, the compensation of the members of the Board of Directors and executives with administrative responsibilities are disclosed collectively in the annual report.

Our company will carry out the necessary work on compliance with corporate governance principles, following the developments and practices in the legislation in the coming period. The 2020 Corporate Governance Compliance Report (CGCR) and Corporate Governance Information Form (CGIF) prepared following the CMB's Decision dated 10.01.2019 and numbered 2/49, following the new reporting formats of our company and the Public Disclosure Form (PDF) within the period deemed appropriate by the CMB. It was also publicly disclosed on the corporate website (www.kap.gov.tr).

Corporate Governance Compliance Report

Corporate Governance Compliance Report	Compliance Status					Disclosure
	Yes	Partially	No	Muaf	Not Relevant	
1.1. FACILITATING THE USE OF SHAREHOLDER RIGHTS						
1.1.2 - Information and disclosures that may affect the exercise of shareholder ownership rights are currently available to investors on the partnership's corporate website.	X					
1.2. RIGHT TO RECEIVE AND REVIEW INFORMATION						
1.2.1- The company's management has refrained from taking any action that complicates special auditing.	X					
1.3. GENERAL ASSEMBLY						
1.3.2 - The Company has ensured that the General Assembly's agenda is clearly expressed and that each proposal is given under a separate heading.					X	
1.3.7 - Persons who have privileged access to partnership information have informed the Board of Directors to be added to the agenda to provide information on the transactions made on their behalf within the scope of the company's field of activity.					X	
1.3.8 - Members of the Board of Directors, other relevant persons, officials and auditors responsible for the preparation of the financial statements were present at the general assembly meeting.					X	
1.3.10- The amount of all donations and aids and the beneficiaries of these are included in a separate article on the agenda of the general assembly meeting.					X	
1.3.11 - The general assembly meeting was held open to the public, including the stakeholders and the media, with no right to speak.					X	
1.4. VOTING RIGHTS						
1.4.1-There are no restrictions or practices that make it difficult for shareholders to exercise their voting rights.	X					
1.4.2-The company does not have shares with privileged voting rights.	X					
1.4.3 - The company did not exercise its voting rights in the general assembly of any partnership with which it has a mutual affiliation relationship, which also brings a domination relationship					X	

Corporate Governance Compliance Report	Compliance Status					Disclosure
	Yes	Partially	No	Muaf	Not Relevant	
1.5. MINORITY RIGHTS						
1.5.1- The company has paid utmost care to the exercise of minority rights.	X					
1.5.2-Minority rights are also granted to those who have less than one-twentieth of the capital. The scope of minority rights has been regulated and expanded in the articles of association.			X			Our statement regarding principle no. 1.5.2; Minority rights are not granted to those who have less than one-twentieth of the capital by the Articles of Association, and the use of minority rights in the company is subject to the Turkish Commercial Code, the Capital Market Law, the relevant legislation, and the conveyance and decisions of the Capital Markets Board. This matter is handled with the utmost care.
1.6. RIGHT TO DIVIDENDS						
1.6.1 - The dividend policy approved by the general assembly has been disclosed to the public on the corporate website.					X	Our company's shares were offered to the public on 17-18 December 2020 and started to be traded on BIST as of December 24, 2020. Within the scope of Article 5/(4) of the CMB II-17.1 Corporate Governance Communiqué, the policy will be approved in our general assembly for 2020, as we have to ensure the necessary compliance with the Corporate Governance Principles as of the date of the first general assembly to be held after our shares were started to be traded on the stock exchange. It will be published on our corporate website after it has been approved at the General Assembly.
1.6.2 - The dividend distribution policy provides the fundamental information in an understandable way to enable the shareholders to predict the procedures and principles of the company's distribution of profits in the future.					X	
1.6.3-The reasons for not distributing the profit and the method of using the undistributed profit are specified in the relevant agenda topic.					X	
1.6.4 - The Board of Directors has reviewed whether a balance has been achieved between the interests of the shareholders and the interests of the partnership in the dividend distribution policy.					X	
1.7. TRANSFER OF SHARES						
1.7.1 - There are no restrictions that complicate the transfer of shares.		X				The principles for the transfer of shares are regulated in Article 6 of our Articles of Association. Although there are restrictions on the transfer of Group A shares that are not traded on the stock exchange, there are no provisions that make it difficult for B group shareholders to transfer their shares or restrict the transfer of shares freely.
2.1. CORPORATE WEBSITE						
2.1.1 - The company's corporate website contains all the elements contained in the corporate governance principle no. 2.1.1.		X				The corporate website of our company contains many items included in the corporate governance principle numbered 2.1.1. Necessary compliance will be realized following our general assembly for 2020.
2.1.2- The shareholding structure (the name of the real person shareholders holding more than 5% of the issued capital, concessions, and the proportion of the shares) is updated at least every 6 months on the corporate website.	X					

Corporate Governance Compliance Report	Compliance Status					Disclosure
	Yes	Partially	No	Muaf	Not Relevant	
2.1.4 - The information on the company's corporate website has been prepared in foreign languages selected according to the needs, with the same content as Turkish.		X				Our statement regarding the principle numbered 2.1.4; The section introducing the Company from the information on the corporate website of the company has also been prepared in English. It is planned to share the information on the corporate website in English in the coming years, with the same content as Turkish.
2.2. ANNUAL REPORT						
2.2.1 - The Board of Directors ensures that the annual report reflects the company's activities completely and accurately.	X					
2.2.2 - The annual report includes all the elements in the principle 2.2.2.		X				Our company's shares were offered to the public on 17-18 December 2020 and started to be traded on BIST as of December 24, 2020. As we have to ensure the necessary compliance with the scope of Article 5/(4) of the CMB II-17.1 of Corporate Governance Communiqué as of the date of the first general assembly to be held after our shares start trading on the stock exchange, the inclusion of all items relating to the mentioned principle in the 2021 Annual Report is aimed.
3.1. COMPANY POLICY REGARDING STAKEHOLDERS						
3.1.1- The rights of stakeholders are protected within the framework of relevant regulations, contracts, and good faith rules.	X					
3.1.3 - Policies and procedures regarding the rights of stakeholders are published on the corporate website of the company.			X			Our statement regarding the principle numbered 3.1.3; The necessary compliance will be achieved following our general assembly meeting for 2020.
3.1.4 - Mechanisms have been established for stakeholders to report transactions that are contrary to legislation or unethical.	X					
3.1.5 - The company handles conflicts of interest between stakeholders in a balanced manner.	X					
3.2. SUPPORTING STAKEHOLDERS 'PARTICIPATION IN COMPANY MANAGEMENT						
3.2.1 - Employees' participation in management is regulated by the articles of association or in-house regulations.			X			3.2.1 : There are no extra provisions regarding this issue in our Articles of Association or Internal Regulations.
3.2.2 - Methods such as questionnaire / consultation have been applied in order to obtain the opinions of stakeholders in important decisions that have consequences for stakeholders.	X					
3.3. HUMAN RESOURCES POLICY OF THE COMPANY						
3.3.1 - The company had adopted an employment policy that ensures equal opportunities and a succession planning for all key management positions.	X					

Corporate Governance Compliance Report	Compliance Status					Disclosure
	Yes	Partially	No	Muaf	Not Relevant	
3.3.2 - The criteria for recruitment are determined in writing			X			Our company does not have a succession plan.
3.3.3 - The company has a Human Resources Development Policy and organizes trainings for employees within this scope.	X					
3.3.4 - Meetings were held to inform employees about the company's financial situation, remuneration, career planning, education, and health.	X					
3.3.5 - Decisions affecting employees have been notified to them and their representatives. The opinions of the relevant unions on these issues were also considered.	X					
3.3.6 - Detailed job descriptions and performance criteria for all employees were announced and used in remuneration decisions.	X					
3.3.7 - To protect employees against physical, mental and emotional abuse and prevent discrimination among employees measures such as procedures, awareness trainings, monitoring and complaint systems have been put into effect.	X					
3.3.8 - The company supports the freedom of association and the effective recognition of the right to collective bargaining.	X					
3.3.9 - A safe working environment is provided for employees.	X					
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1-The company has measured customer satisfaction and has operated with an understanding of unconditional customer satisfaction.	X					
3.4.2 - When there is a delay in processing the customers' requests regarding the goods and services purchased, they are notified immediately.	X					
3.4.3 - The company adheres to quality standards relating to goods and services.	X					
3.4.4 - The company has controls to protect the confidentiality of sensitive information of customers and suppliers within the scope of trade secrets.	X					
3.5. ETİK KURALLAR VE SOSYAL SORUMLULUK						
3.5.1 - The Board of Directors has determined the Code of Ethical Conduct and published it on the corporate website.			X			Our statement regarding the principle numbered 3.5.1; Our work on the establishment of the Code of Ethics continues.

Corporate Governance Compliance Report	Compliance Status					Disclosure
	Yes	Partially	No	Muaf	Not Relevant	
3.5.2-The partnership has awareness towards social responsibility. Has taken measures to prevent corruption and bribery.	X					
4.1. THE FUNCTION OF THE BOARD						
4.1.1-The Board of Directors ensures that strategies and risks do not threaten the company's long-term interests and that effective risk management is implemented.	X					
4.1.2-The meeting agenda and minutes reveal that the Board of Directors discusses and approves the company's strategic goals, determines the required resources, and the performance of the management is audited.	X					
4.2. STANDARD OPERATING PROCEDURE FOR THE BOARD OF DIRECTORS						
4.2.1-The Board of Directors has documented its activities and submitted them to the shareholders.	X					
4.2.2-The duties and powers of the members of the Board of Directors are explained in the annual report.	X					
4.2.3-The Board of Directors has established an internal control suitable to the company's scale and complexity of its activities.	X					
4.2.4-Information on the functioning and efficiency of the internal control system is given in the annual report.	X					
4.2.5 - The duties of the chairman of the Board of Directors and the chief executive officer (general manager) are separated and defined.	X					
4.2.7-The Board ensures the effective operation of the investor relations department and corporate governance committee. The company and its shareholders worked closely with the investor relations department and corporate governance committee to resolve disputes and communicate with shareholders.					X	Our company's shares were offered to the public on 17-18 December 2020 and started to be traded on BIST as of December 24, 2020. Within the scope of Article 5 / (4) of the CMB's II-17.1 Corporate Governance Communiqué, necessary compliance with the Corporate Governance Principles will be ensured as of the date of the first general assembly to be held after our shares are listed on the stock exchange.
4.2.8 - The company has an Executive Liability Insurance Policy that exceeds the capital amount by 25% against liabilities and issues that might arise during the Board Members' tenure.			X			The cost of Managerial Liability Insurance owned by our company does not exceed 25% of the capital.

Corporate Governance Compliance Report	Compliance Status					Disclosure
	Yes	Partially	No	Muaf	Not Relevant	
4.3. STRUCTURE OF THE BOARD						
3.9- The company has set a target of at least 25% for the female members in the Board of Directors and has created a policy to achieve this goal. The Board of Directors' structure is reviewed annually, and the candidate determination process is carried out per this policy.		X				Our statement regarding principle 4.3.9; Although we do not have a policy, there is a female board member in our Board of Directors consisting of 5 persons.
4.3.10 - At least one of the members of the audit committee has 5 years of experience in audit/accounting and finance.					X	Our statement regarding principle no. 4.3.10. our company shares initial public offering was on 17-18 December 2020 and started to be traded on BIST as of December 24, 2020. Within the scope of Article 5 / (4) of the CMB's II-17.1 Corporate Governance Communiqué, necessary compliance with the Corporate Governance Principles will be ensured as of the date of the first general assembly to be held after our shares are listed on the stock exchange.
4.4. FORM OF BOARD MEETINGS						
4.4.1 - All board members physically attended most board meetings.	X					
4.4.2 - The Board of Directors has defined a minimum period for sending information and documents regarding the agenda items to all members before the meeting.	X					
The opinions of the member who cannot attend the meeting but who report their views to the Board of Directors in writing are presented to the other members' information.					X	
4.4.4 - Each member of the Board of Directors has one vote.	X					
4.4.5 - How the Board of Directors' meetings will be held has been documented in internal regulations.	X					
4.4.6 - The Board of Directors' meeting memorandum reveals that all items on the agenda have been discussed, and the decision memorandum is prepared, including differing opinions.	X					
4.4.7- Board members are restricted to taking other duties outside the company. The duties outside the company undertaken by the Board of Directors are presented for the information of the shareholders in the general assembly			X			Our statement regarding the principle of 4.4.7; Board members are not restricted to taking any other duties outside the company. This situation does not cause a conflict of interest and/or hinder the member's job in the Company. The duties outside the company undertaken by the Board of Directors are presented for the information of the shareholders in the annual report.
4.5. COMMITTEES ESTABLISHED IN THE BOARD OF DIRECTORS						
4.5.5 - Each board member serves on only one committee.					X	Our statement regarding principle no 4.5.5; Although there are no independent members in the Board of Directors of our company yet, independent members will be appointed at the Ordinary General Assembly meeting for 2020, and committees will be established within this scope.

Corporate Governance Compliance Report	Compliance Status					Disclosure
	Yes	Partially	No	Muaf	Not Relevant	
4.5.6-The Committees invited the persons they deemed necessary to obtain their views and received their opinions.					X	Our statement regarding principle no 4.5.6; Although there are no independent members in the Board of Directors of our company yet, independent members will be appointed at the Ordinary General Assembly meeting for 2020, and committees will be established within this scope.
4.5.7 - Information on the independence of the person/organization from which the Committee receives consultancy services is included in the annual report.					X	Our statement regarding principle no 4.5.7; Although there are no independent members in the Board of Directors of our company yet, independent members will be appointed at the Ordinary General Assembly meeting for 2020, and committees will be established within this scope.
4.5.8 - A report on the results of the committee meetings was presented to the members of the Board of Directors.					X	Our statement regarding principle no 4.5.8; Although there are no independent members in the Board of Directors of our company yet, independent members will be appointed at the Ordinary General Assembly meeting for 2020, and committees will be established within this scope.
4.6. FINANCIAL RIGHTS PROVIDED TO BOARD MEMBERS AND MANAGERS WITH ADMINISTRATIVE RESPONSIBILITY						
4.6.1 - Whether the Board of Directors has carried out a performance assessment to assess whether it has effectively fulfilled its responsibilities.			X			Our statement regarding the principle no. 4.6.1; There is no performance evaluation system for the Board of Directors.
4.6.4 - The Company did not extend credit, lend or extend the duration of the loan, improve the conditions, grant credit through third parties under the title of personal loan, or give guarantees such as surety in favor of any of the members of the Board of Directors or managers with administrative responsibility.	X					
4.6.5 - Remuneration of the Board of Directors and executives with administrative responsibilities is disclosed on an individual basis in the annual report.			X			Our statement regarding principle no. 4.6.5: Aligned with the general practices, the remuneration of the Board of Directors and managers with administrative responsibilities is disclosed collectively in the annual report.

CORPORATE GOVERNANCE INFORMATION FORM

Shareholder

1.1. Facilitating The Use Of Shareholder Rights	
Number of investor conferences and meetings organized by the company throughout the year	The company went public in December 2020 and has not held investor conferences and meetings after this date.
1.2. Right to Receive Information and Review	
Number of requests for special auditors	There was no request for a special auditor.
Number of requests for special auditors accepted at the general assembly	There was no request for a special auditor to be present in the general assembly.
1.3. GENERAL ASSEMBLY	
Link to the PDP announcement where the information requested under Principle 1.3.1 (name) is announced:	Our company's shares were offered to the public on 17-18 December 2020 and started to be traded on BIST as of December 24, 2020. Within the scope of Article 2020 / (4) of the CMB's II-17.1 Corporate Governance Communiqué, since we have to comply with the Corporate Governance Principles as of the date of the first general assembly to be held after our shares begin to be traded on the stock exchange, the aforementioned announcement will be made before our general assembly for 2020.
Whether or not documents related to the General Assembly Meeting are presented in English and Turkish simultaneously:	They're not.
Links to PDP announcements regarding transactions without the approval of the majority of independent members or the unanimous consent of the participants under Principle 1.3.9	No announcement has been made as there is no action under Policy 1.3.9.
Links to PDP announcements regarding related party transactions carried out within the scope of Article 9 of the Corporate Governance Communiqué (II-17.1)	No announcement has been made as there is no action within the scope of the relevant article.
Links to PDP announcements regarding common and continuous transactions made within the scope of Article 10 of the Corporate Governance Communiqué (II-17.1)	Our company's shares were offered to the public on 17-18 December 2020 and started to be traded on BIST as of December 24, 2020. Within the scope of Article 5 / (4) of the CMB's II-17.1 Corporate Governance Communiqué, the necessary compliance with the Corporate Governance Principles will be met as of the date of the first general assembly to be held after our shares are traded on the stock exchange.
Name of the section on the company's corporate website that contains the policy on donations and aids:	Our company's shares were offered to the public on 17-18 December 2020, and its shares have started to be traded on BIST as of December 24, 2020. Within the scope of Article 5/(4) of the CMB II-17.1 Corporate Governance Communiqué, the policy will be approved in our general assembly for 2020, as we have to ensure the necessary compliance with the Corporate Governance Principles as of the date of the first general assembly to be held after our shares were started to be traded on the stock exchange. It will be published on our corporate website after it has been approved at the General Assembly.
Link to the PDP announcement regarding the acceptance of the policy on donations and aids:	Our company's shares were offered to the public on 17-18 December 2020 and started to be traded on BIST as of December 24, 2020. To ensure the necessary compliance with the Corporate Governance Principles as of the date of the first general assembly to be held after our shares start being traded on the stock exchange, within the scope of Article 5 / (4) of the CMB'S II-17.1 Corporate Governance Communiqué, the aforementioned policy will be approved in the 2020 general assembly to be held.
The article number in the articles of association governing stakeholders' participation to the general assembly:	Doesn't exist.
Information about stakeholders attending the general assembly	Şirketimiz payları 17-18 Aralık 2020 tarihlerinde halka arz edilmiş olup 24 Aralık 2020 tarihinden itibaren BİST'te işlem görmeye başlamıştır. Halka açık bir şirket olarak ilk genel kurulumuz 2020 yılına ilişkin yapılacaktır.

1.4. Voting Rights	
Whether there's voting privileges	No
If there are preferred stocks, the shareholders with preferred stocks and their vote ratios.	-
Share ratio of the largest shareholder	10,71%
1.5. Minority Rights	
Whether minority rights are extended in the company's articles of association (in terms of content or proportion)	No
If minority rights have been expanded in terms of content and rate, indicate the number of the relevant articles of association.	-
1.6. Right To Dividends	
Name of the section where the profit distribution policy is located on the corporate website	Our company's shares were offered to the public on 17-18 December 2020 and started to be traded on BIST as of December 24, 2020. Within the scope of Article 5/(4) of the CMB II-17.1 Corporate Governance Communiqué, the policy will be approved in our general assembly for 2020, as we have to ensure the necessary compliance with the Corporate Governance Principles as of the date of the first general assembly to be held after our shares were started to be traded on the stock exchange. It will be published on our corporate website after it has been approved at the General Assembly.
Minutes of the proceedings regarding the general assembly agenda item stating the reason for not distributing profits and explaining the use of said profit.	Our company's shares were offered to the public on 17-18 December 2020 and started to be traded on BIST as of December 24, 2020. Our first general assembly as a public company will focus on 2020.
Link to the PDP announcement with the relevant general committee's record if the Board of Directors proposes not to distribute profits to the general assembly.	Our company's shares were offered to the public on 17-18 December 2020 and started to be traded on BIST as of December 24, 2020. Our first general assembly as a public company will focus on 2020.

General Assembly Meetings

General Assembly Date	Number of annotation requests submitted to the company regarding the general assembly agenda	Shareholders' participation rate in the general assembly

Proportion of directly represented shares	Proportion of shares represented by proxy	The name of the section on the Company's corporate website containing the minutes of the general assembly meeting showing the positive and negative votes on each agenda item.

The section's name on the corporate website to all the questions asked at the general assembly meeting and the answers.	Article or paragraph number of the minutes of the general assembly meeting regarding the related parties	The number of people with privileged access to partnership information who notified the Board of Directors (Insider list)

Link to the general assembly notice published in the PDP

Public Disclosure and Transparency

2.1. Corporate Website	
The names of the sections on the corporate website with the information requested in the corporate governance principle No. 2.1.1.	Investor Relations
Section with a direct or indirect list of real person shareholders who have more than 5% of shares on the corporate website	Investor Relations > Shareholder Structure
Languages in which the corporate website is prepared	Turkish - English
2.2. Annual Report	
Page numbers or section names on which the information is specified in the corporate governance policy number 2.2.2. is included in the annual report	
a) The page number or section name containing the duties of the Board Members and directors outside the company and the declarations of independence of the members	Duties of the Board of Directors and executives outside the Company are included under the heading "Board of Directors" in the 2020 Board of Directors Annual Report.
b) Page number or section name of information related to the committees created within the Board of Directors	Will be formed after the general assembly
c) The page number or section name listing the number of board meetings and the attendance of Board Members	The Board of Directors held 17 meetings with 93% participation during the period, and it is stated under the heading "Board of Directors Structure and Operation" in the 2020 Board of Directors Annual Report.
ç) Page number or section name of information about legislative changes that may significantly affect the activities of the company	It is included under the heading 'Other Information' in the 2020 Executive Board Annual Report.
d) Page number or section name of information about important lawsuits filed against the company and its possible consequences	It is included under the heading 'Other Information' in the 2020 Executive Board Annual Report.
e) The page number or section name of the information regarding conflicts of interest with the institutions from which the Company receives services such as investment consultancy and rating and the measures taken to prevent them	Information on the subject is included under the heading "Other Information" in the 2020 Annual Report of the Board of Directors.
f) Page number or section name of the information regarding mutual subsidiaries where the direct participation rate to the capital exceeds 5%:	Doesn't exist.
g) The page number or section name of the information about the social rights, professional training, and other corporate social responsibility activities related to company activities that have social and environmental results:	It is included in the Annual Report of the Board of Directors for 2020 under the title "Human Resources" and "Corporate Social Responsibility."

Stakeholders

3.1. Company Policy Regarding Stakeholders	
Name of the section on the corporate website where the compensation policy is located	Doesn't exist.
The number of judicial decisions finalized against the Company due to the violation of employee rights	Doesn't exist.
Title of the responsible person regarding reporting mechanism	Employees can report directly to the Executive Board for any notice, warning, and report.
Contact information for the Company's internal reporting functions	mt@arzum.com
3.2. Supporting Stakeholders 'Participation In Company Management	
The name of the section on the corporate website, where internal regulations related to the participation of employees in the governing bodies	Doesn't exist.
Governing bodies where employees are represented	Executive Board
3.3. The Company's Human Resources Policy	
The role of the Board of Directors in developing a succession plan for key management positions	Doesn't exist.
The name of the section on the corporate website or the summary of the human resources policy containing equal opportunities and recruitment criteria	It can be found on our corporate website www.arzum.com.tr under the Corporate / Human Resources section.
Whether or not there's a stock ownership plan	There isn't an employee stock ownership program.
Name of the section or the summary of the human resources policy or section containing measures to prevent discrimination and mistreatment:	It can be found on our corporate website www.arzum.com.tr under the Corporate / Human Resources section.
The number of judicial decisions finalized against the company due to liability related to occupational accidents:	Doesn't exist.
3.5. Code Of Ethics And Social Responsibility	
The name of the section on the corporate website where the ethics policy is located	The work regarding this matter is ongoing.
The name of the section on the corporate website where the corporate social responsibility report is located. If there is no corporate social responsibility report, the measures taken in environmental, social and corporate governance issues	The work regarding this matter is ongoing.
All necessary obligations are being fulfilled with the measures taken to combat all kinds of corruption, including extortion and bribery.	All obligations in this regard are fulfilled. Within the scope of audit activities, preventive and deterrent audits are carried out, helping to strengthen internal awareness and measures.

Board of Directors-1

4.2. Operating Principles of the Board of Directors	
Date of the latest board performance review	Doesn't exist.
Whether independent experts are used in the performance evaluation of the Board of Directors	No
Whether all members of the Board of Directors have been cleared	Yes
The names of the members of the Board of Directors who have been delegated with the distribution of tasks and the content of the said powers	No transfer of authority has been made between the members of the Board of Directors.
The number of reports submitted by the internal control unit to the audit board or other relevant committees	Doesn't exist.
Name or page number of the section in the annual report that contains the assessment of the effectiveness of the internal control system	It is included under the heading "Risk Management and Internal Control Mechanism" in the 2020 Annual Report of the Board of Directors.
Name Of The Chairman Of The Board Of Directors	Talip Murat Kolbaşı
Name of Chief Executive Officer / General Manager	Süleyman Mete Zadil
Link to the PDP announcement stating the reason for assigning the chairman of the Board of Directors and the chief executive officer / general manager to the same person	-
Link to the PDP announcement stating that more than 25% of the company's capital has been insured against defects caused by Board Members during their term:	Doesn't exist.
The name of the section on the corporate website where information about the diversity policy aimed at increasing the ratio of female Board Members is	The work regarding this matter is ongoing.
Number and proportion of female members	1- 20%

The Board Of Directors

Name-Surname:	TALİP MURAT KOLBAŞI	AHMET FARALYALI	YASEMİN REZAN KOLBAŞI	ALİ OSMAN KOLBAŞI	CENK COŞKUNTÜRK
Person Acting on Behalf of Legal Person					
Gender	Male	Male	Female	Male	Male
Position	Chairman of the Board of Directors	Chairman of the Board of Directors	Chairman of the Board of Directors	Chairman of the Board of Directors	Chairman of the Board of Directors
Profession	Business Manager	Business Manager	Business Manager	Business Manager	Makine Mühendisi
Date Of First Election To The Board Of Directors	01.01.1990	12.11.2013	14.01.2016	30.12.2015	12.11.2013
Whether Or Not Assigned On The Executive Board	Not Assigned on The Board of Directors	Not Assigned on The Board of Directors	Not Assigned on The Board of Directors	Not Assigned on The Board of Directors	Not Assigned on The Board of Directors
Positions Held in the Partnership in the Last 5 Year	Chairman of the Board of Directors	Vice Chairman Of The Board	Board Member	Board Member	Board Member
Duties Taken Outside The Partnership As Of Most Current Update	-	Various Board Memberships	-	-	Various Board Memberships
Whether they have at least 5 years of experience in Auditing, Accounting and/or Finance	No	No	No	No	No
Capital Share (%)	10,71	0,63	8,42	9,52	0,08
Group of Shares Represented	A	B	A	A	B
Whether Independent Board Member Or Not	Not An Independent Member	Not An Independent Member	Not An Independent Member	Not An Independent Member	Not An Independent Member
Link to the PDP Announcement with the Declaration of Independence					
Whether the Independent Member Was Evaluated by the Nomination Committee					
Whether or not a Member Who Lost Its Independence	No	No	No	No	No
Committees and Duties					

Board of Directors-2

4.4. Form of Board Meetings	
The number of board meetings held by physically gathering during the reporting period	17
Average attendance rate to board meetings	93%
Whether an electronic portal is used to facilitate the work of the Board of Directors	No
How many days before the meeting the information and documents are submitted to members per the working principles of the Board of Directors	Although there is no written rule, in practice, information and documents related to the matters included in the Board of Directors' meeting agenda are presented to the Board members in a timely manner before the meeting to ensure an equal flow of information.
The name of the section on the corporate website containing information about internal regulations that determine how the board meetings will be held	Investor Relations > Public Offering > Articles of Association
The upper limit determined in the policy that restricts members from taking other duties outside the company	Doesn't exist.
4.5. Committees Established Within the Board of Directors	
Page number or name of the relevant section containing information about the Board committees in the annual report	Our company shares were made public on 17-18 December 2020 and started to be traded in BIST as of December 24, 2020. As we have to comply with Article 5/(4) of the CMB II-17.1 of Corporate Governance Communiqué as of the date of the first General Assembly meeting to be held after our shares were traded on the stock exchange, the Committees will be approved at General Assembly for 2020.
Link to PDP announcement where the working principles of the committee are announced	The work regarding this matter is ongoing.

Board Committees-1

Names of the Board Committees	Name of the Committee Listed as "Other" in The First Column	Name-Surname Of Committee Members	Whether Or Not They Chair A Committee	Whether Or Not An Independent Board Member
Our committees have not been formed.	Our committees have not been formed.	Our committees have not been formed.	Our committees have not been formed.	Our committees have not been formed.

Investor Relations

Arzum Investor Relations Primary Activities:

- Ensuring the correspondence between the investors and the partnership and the records of other information and documents are kept in a healthy, secure, and up-to-date manner and carry out transactions with the CRA.
- Within the Company's public disclosure policy, to answer using precise language, in person or via communication tools, questions to the department and shareholders' information requests regarding the partnership, excluding information that can be trade secrets and other confidential information that hasn't been disclosed to the public,
- To prepare the documents required to be submitted for the information and review of the shareholders concerning the general assembly meeting and to ensure that the general assembly meeting is held following the relevant legislation, Articles of Association, and other intra-partnership regulations.
- To observe and monitor the fulfillment of the obligations arising from the capital market legislation, including all kinds of issues related to corporate governance and public disclosure, to coordinate the communication with the public as well as the statements made following the legislation, to hold meetings with investors and analysts, to conferences, panels, seminars and on-site promotional meetings (roadshow) to participate.

Following the CMB Communiqué, Arzum's Investor Relations Manager reports to the CFO and is also a Corporate Governance Committee Member. Investor Relations contact information is as follows:

Phone: 0212 476 80 80

Email: yatirimci@arzum.com / finans@arzum.com

During the IPO process, which took place in 2020, Investor Relations responsibilities were carried out by the Company's Executive Management as well as Finance and Corporate Communications departments under the supervision of the CFO. Arzum has been continuing its compliance work during the public offering process and for its shareholders' structure's compliance with the Capital Market Legislation, CMB regulations, and the Company's Articles of Association.

Exercise of Shareholders' Right to Information

In the exercise of the right of shareholders to receive and review information, there is no distinction between shareholders. Each shareholder has the right to obtain and review information. There is no regulation in the principal contract that restricts the rights to receive information.

Legislation, principal contract, and other internal regulations are observed in the exercise of shareholder rights, and measures are taken to ensure these rights are exercised, and all shareholders are treated equally. The company's primary purpose is to provide objective information within the framework of the law to enable shareholders to exercise their rights to obtain information.

All kinds of issues related to the public disclosure obligation are presented per the legislation, the articles of association. In this context, certain circumstance disclosures for investors are made public on the Public Disclosure Platform (PDP) following the legislation and on time.

In 2020, investors' and shareholders' written and verbal information requests were answered following the Capital Market Legislation, CMB regulations, and decisions. Per maxim of equity, all relevant information, and documents, excluding confidential or trade secrets, have been provided to the shareholders. Following the current legislation, to expand the rights of shareholders to obtain information and healthily use their rights, the company's corporate website <http://www.arzum.com.tr> is used effectively. In this context, the information and documents specified by the Corporate Governance Principles and regulatory authorities are available to the shareholders on the corporate website.

General Assembly

GENERAL ASSEMBLY

General Assembly meetings are held ordinarily or extraordinarily. At the General Assembly meetings, the provisions of the Turkish Commercial Code, Capital Market legislation, and the Company's articles of association, and the rules of the internal directive on the working principles and procedures of the General Assembly are applied. Announcements regarding the General Assembly meeting are made according to the provisions of the Turkish Commercial Code and capital market legislation. In addition to the procedures stipulated in the legislation, the General Assembly meeting announcement is made at least three weeks before the date of the General Assembly meeting, excluding announcements and meeting days, by using all kinds of communication means, including electronic. The said announcement is published on the Company's website and other places designated in the Trade Registry Gazette, as required by the Public Disclosure Platform and Capital Markets Board of Turkey. On the Company's website, along with the General Assembly meeting announcement, the Company's notifications and explanations to be made per the legislation and the issues determined by the corporate governance regulations of the Capital Markets Board are notably announced to the shareholders. Ordinary General Assemblies are held at least once a year within three months from the end of the relevant accounting period of the Company. Extraordinary General Assemblies are convened in cases and times required by the Company's business. In General Assembly meetings, each shareholder has one vote for each share.

In General Assembly meetings, each shareholder has one vote for each share. The TCC provisions, capital market legislation, and the Capital Market Council regulations on corporate governance are upheld in General Assembly meetings, the invitation to the meetings, and decision quorums. Without prejudice to Article 438 of the Turkish Commercial Code and Article 29 of the Capital Market Law, issues not included in the agenda cannot be discussed and resolved.

Without prejudice to the provisions of Article 6 and 7 of the Articles of Association, meeting and decision quorums in General Assemblies are subject to the relevant articles of the Turkish Commercial Code and capital market legislation.

The General Assembly convenes at the Company's head office or a convenient location in the city of its headquarters.

The Company will be able to establish an electronic General Assembly system that will allow rights holders to participate in General Assembly meetings electronically, express opinions, make suggestions, and vote per the provisions of the regulation on General Assemblies to be held electronically in Joint Stock Companies, as well as to use the systems created for this purpose by purchasing services. The shareholders may attend the General Assembly meetings themselves or be represented by other shareholders or a proxy they will appoint.

Proxies who are shareholders in the Company are authorized to vote for the shares of the shareholders they represent; the Board of Directors determines and announces the form of powers. In regards to proxy representation the capital market legislation and related legislation compliance requirements apply.

Shares are indivisible against the Company. If a share has more than one owner, they can only exercise their rights against the Company through a proxy to represent them jointly. If they do not appoint a joint proxy, company notices and communication made to one of them shall be considered to have been made to all of them.

2020 Ordinary General Assembly

In 2020, the Ordinary General Assembly Meeting for 2019 was held at "Otakçılar Cad. No: 78 B Blok No: B1B, 34050 Eyüp-Istanbul on 10.07.2020, registered on 14.07.2020 and announced in the Trade Registry Gazette dated 20.07.2020 and numbered 10121.

2020 Extraordinary General Assembly Meeting

The Extraordinary General Assembly Meeting, where amendments to make our Company's Articles of Association compliant with the public offering and related legislation, was held at the Company headquarters at "Otakçılar Cad. No: 78 B Blok No: B1B, 34050, Eyüp-Istanbul" on 07.10.2020, registered on 12.10.2020, declared in the Trade Registry Gazette No. 10182 dated 15.10.2020.

Board Of Directors Structure And Operation

BOARD OF DIRECTORS STRUCTURE AND OPERATION

Board of Directors Structure and Function

The company's affairs and management are carried out by a Board of Directors consisting of at least 5 (five) members who the General Assembly elects within the framework of the provisions of the Turkish Commercial Code (TCC) and capital market law following the conditions specified in the TCC and Capital Market Legislation. Group A shareholders will be selected from among the candidates determined by a majority of votes among them by the quorum specified in the TCC and Capital Market Law. The number of Group A shareholder Board Members' candidates, chosen by group majority, can never exceed half of the total number of Board of Directors members. If the total number of members of the Board of Directors is odd and therefore half of them are fractional, the number of Board members appointed by Group A shareholders is rounded down. The members of the Board of Directors to be elected from among the candidates to be nominated by the said Group A shareholders will be persons other than the independent members specified in the Corporate Governance Principles of the Capital Markets Board. In order to elect members other than the members of the Board of Directors who will be selected from among the candidates to be shown by Group A shareholders, a positive vote of 51% of the votes representing the total issued capital of the company is required at the General Assembly.

The required number of independent Board Members are elected at the General Assembly in line with the Capital Markets Board requirements for independent board members.

Independent members must meet the conditions stipulated in the regulations of the Capital Markets Board on corporate governance. The chairman of the Board of Directors is elected from Group A board members. The chairman of the Board of Directors does not have a casting vote right in a tie.

Term and Re-Election of the Board of Directors

Each member of the Board of Directors shall be elected for a maximum of 3 (three) years and shall serve until the end of that period or cases of death, resignation, or incompetence. A member of the Board of Directors, whose term of office has expired, may be re-elected. Regarding the term of office of the independent members of the Board of Directors, the Capital Markets Board regulations on corporate governance and the provisions of this Articles of Association are complied with. If the General Assembly deems it necessary, it may change the Executive Board members at any time. The Board of Directors may conclude contracts and other transactions that exceed its term of office.

If the membership is vacated for any reason in the Board of Directors or the Independent Board of Directors' member loses his or her independence, the appointment is made

following the provisions of the TCC and the capital market legislation and submitted to the approval of the first subsequent General Assembly. In case a member nominated by the A Group shareholders leaves the Board of Directors for any reason, Group A shareholders have the right to nominate the board member's successor. In such a case, under Article 363 of the TCC, Group A shareholders nominate a new member of the Board of Directors. The Board of Directors selects the candidate as a member of the Board of Directors to be approved by the next General Assembly. The Board of Directors member approved by the General Assembly serves until the end of his predecessor's remaining term. In the event of a Board Member leaving the Board of Directors and lack of a Group A shareholders' candidate for the position, the vacant membership is elected by the Board of Directors per the TCC and Capital Market Legislation. Legal entities may be elected as a member of the Board of Directors following the provisions of the Turkish Commercial Code. If the legal entity designated by the legal entity and represented by the registered and declared natural person no longer has any relationship with the Board of Directors. Then, the natural person in question shall not be able to act on behalf of the legal entity, and the legal entity shall determine another natural person. The General Assembly determines the fees for the Board of Directors. The General Assembly is authorized for financial rights to be granted to the Board of Directors outside the fee. The provisions of the Capital Market Law and related legislation regarding the fees of the members of the Independent Board of Directors are reserved.

Board of Directors Meetings

The Board of Directors convenes as often as fulfilling their duties requires. The Chairman meets with other Board Members and the CEO/GM to determine the Board meetings' agenda. Each member of the Board may request the president or vice president to call a meeting. When scheduled at a physical location, Board meetings are held within the Republic of Turkey's borders unless the Board of Directors unanimously decides otherwise. If necessary, a sworn interpreter will be present at the meetings.

Invitations to the Board of Directors meetings are made by the Chairman of the Board of Directors or the Vice Chairman of the Board of Directors at least 5 (five) days before the determined date for the meeting by fax, electronically signed e-mail, or registered mail. The invitation includes a detailed agenda on issues to be discussed at the meeting and related documents. If all Board Members agree in writing, the Board of Directors meeting may be held without notice.

In such a case, members are given sufficient time to prepare and attend the meeting. The presence of any member at a meeting of the Board of Directors constitutes evidence that said member had waived the need to be duly notified. Each Board member may request the Chairman or Vice-Chairman of the Board of Directors to add a new issue to the agenda. In this case, the Chairman or Vice-Chairman

of the Board of Directors who called the meeting makes the necessary addition to the agenda. According to Turkish Commercial Law, in cases where none of the members request a meeting and the number of written approval from Board Members required by the Turkish Commercial Code provisions, capital market legislation, and Articles of Association is met, the Board can decide on a written proposal of a board member. The Turkish Commercial Code provisions and capital market legislation are applied to the meetings and decision-making meetings in the Board of Directors. In 2020, the Board of Directors held 17 sessions, and the average attendance was 93%.

Company Administration and Representation

Representation of the Company against third parties belongs to the Board of Directors. The Board of Directors performs the duties assigned to it under the Turkish Commercial Code, capital market law, other relevant legislation, and this Articles of Association. Upon the Board of Directors' decision, the Company's representation authority may be transferred by a single signature to one or more members of the Board of Directors or one or more executive members or third parties as directors. At least one member of the Board of Directors must have the power of representation.

The transfer of authority of representation will not apply to the representation of authorized persons and the forms of their representation unless registered and declared in the trade registrar. The limitation of the power of representation shall not be in effect against third parties in good faith; however, the registered and announced restrictions regarding the exclusive use of the power of representation for the head office's business or a branch or joint use apply. The provisions of Articles 371, 374, and 375 of the Turkish Commercial Code are reserved. Per Articles 367 and 371 of the Turkish Commercial Code, the Company may issue an internal directive regarding the transfer of representation authority. Registration and proposition of the internal directive on the transfer of authority of representation are mandatory. The Company may appoint commercial proxies or other merchant assistants with limited authority by the internal directive on the representation authority transfer. Per Articles 367 and 371 of the Turkish Commercial Code, the Board of Directors is authorized to transfer the management, partially or entirely, to one or more members of the Board of Directors or third parties with an internal directive. This internal directive regulates the Company's management; it shows the tasks, definitions, and locations required for this, particularly determining the chain of command and responsibility to share information. Upon request, the board of Directors shall inform shareholders and creditors who convincingly present their protected interests in writing about this internal directive.

Board Committees

Arzum shares were made public on 17-18 December 2020 and started to be traded in BIST as of December 24, 2020. Within Article 5/(4) of the CMB II-17.1 of Corporate Governance Communiqué, we have to comply with Corporate Governance Principles as of the date of the first General Assembly Meeting to be held after our shares were traded on the stock exchange, as such Committees will be after in our ordinary General Assembly to discuss 2020.

Independent Board Members

Arzum shares were made public on 17-18 December 2020 and started to be traded in BIST as of December 24, 2020. Within Article 5/(4) of the CMB II-17.1 of Corporate Governance Communiqué, we have to comply with Corporate Governance Principles as of the date of the first General Assembly Meeting to be held after our shares were traded on the stock exchange, as such Independent Members Of The Board Of Directors will be appointed in our General Assembly to discuss 2020.

Risk Management And Internal Audit Mechanism

RISK MANAGEMENT AND INTERNAL AUDIT MECHANISM

The main financial instruments Arzum uses are bank loans, bonds issued to qualified investors, cash, and short-term bank deposits. The main purpose of using these tools is to create financing for operations. The Company also has financial instruments such as commercial receivables and commercial liabilities that arise directly from operations.

The risks arising from the used instruments are foreign currency risk, interest risk, credit risk, and liquidity risk. Arzum also follows the market risk that may arise from the use of financial instruments. Details of the way the company manages these risks are included in the independent audit report.

In line with the Cash Flow Planning, the repayment of the bank loans taken in previous periods will continue along with the necessary evaluation and research to find suitable financing with favorable maturity and terms from financial institutions and banks for new needs.

The company's cash surplus will be managed appropriately according to market conditions; however, to best manage the company's foreign exchange risk, financial markets will be closely monitored, and appropriate opportunities will be used to minimize foreign exchange risk.

Systematic studies will be carried out with the relevant departments' participation for receivables, debts, and stocks to minimize the Company's increased need for working capital. Possible opportunities to reduce the need for working capital will be evaluated.

Efforts to simplify payment processes will continue.

Negotiations with financial institutions regarding the insurance coverage of unsecured receivables will continue. New methods and processes for risk management will be designed and implemented together with the relevant departments.

Information about important risk factors related to the issuer, its activities, and the sector

Significant risks to the Company, its activities, and the sector as follows. These risks are not specified in the order of importance.

Risks related to the Issuer and its operations

- All of the products the Company sells are manufactured by third parties. Failure to deliver the products on time, or to produce the products following the Company's instructions or to comply with the mandatory legal regulations may adversely affect the Company's operations.
- Specific suppliers manufacture a significant portion of the

Company's products. Failure to continue relations with the Company's suppliers or interruptions in these suppliers' services or the complete cessation of their services may damage the Company's activities.

- The Company depends on third parties for domestic and international logistics, warehousing activities, and after-sales services. For reasons related to third parties, the Company's activities may be disrupted.
- The Company works with third-party transporters to deliver its products to customers. Failure of these persons to fulfill their obligations or cope with increasing costs may adversely affect the Company's activities.
- If the Company's suppliers do not comply with labor law, environmental regulations, and other mandatory legal regulations, or if there is an impression that such violations exist, the public perception and the reputation of the Company's brands may be damaged.
- Total compensation for losses incurred by the Company may not be possible due to the Company's insurance policies' inadequacy or insurance companies' failure to meet their obligations.
- The Company receives almost half of its revenue from 10 major clients. The Company's operations may be significantly adversely affected if some of these clients are lost.

- The company is dependent on third parties for its sales abroad. The disruption of the relationship with distributors may significantly damage the company's position and sales in the relevant markets.
- The company may face some difficulties in developing and managing its distribution channels, including the e-commerce platform, where there is particularly increased competition.
- Customers defaulting on their debt payments may significantly affect the company's operations, expectations, financial position, and operating results.
- The collateral the Company receives from its customers may be insufficient to cover its receivables.
- Intellectual and industrial property rights are of great importance in the activities of the company. Failure of the Company to protect its intellectual and industrial property rights may significantly adversely affect the Company's activities, expectations, financial status, and operating results.
- Failure to protect the reputation and brand image can negatively affect the company's operations.
- The company is exposed to political and macroeconomic risks in the markets in which it operates or in new markets where it may operate.
- The Company's activities are significantly dependent on information technology systems. The disruption of these systems' functioning or the failure of the systems to be processed by the Company may disrupt its operation.
- The Company may not be able to effectively manage its operating capital or obtain the necessary financing or growth opportunities with favorable conditions.
- The recent increase in the company's revenue and profitability may not indicate that it will increase in the future.
- Employing senior executives and employees with the necessary qualifications and maintaining business relations with these employees is of great importance in the company's current and future performance.
- The company is exposed to exchange rate risk.
- After the public offering, the Company's existing majority partners will continue to have effective control over the Company. Interests of the owners of said shares may differ from the interests of the Company or other shareholders.
- The Company may be adversely affected by changes in tax legislation or implementation, increases in tax rates, tax audits, or tax penalties.
- The small home appliance sector is an unconsolidated sector in which many companies operate. As the Company's market share increases, the risk of violating competition law regulations may increase, or any investigations initiated by the Competition Authority may affect the Company adversely.

- The Company is at risk of litigation due to its promotional and commercial activities.
- Most of the Company's foreign production is made in China. Economic and political sanctions against China may adversely affect the Company's supply chain or costs.

Risks related to the Issuer's sector

- The competitive environment in which the Company is in may significantly affect the activities of the Company negatively.
- The Company's products and activities are subject to the regulations of the countries in which it operates. The Company's operations may be adversely affected by changes in applicable laws.
- Local and global economic conditions and their impact on consumer spending habits can adversely affect the Company's activities and performance.
- Turkey and the Company's sector and the Company's activities are adversely altered by the global macroeconomic conditions caused by COVID-19 and may continue to be affected.

Other risks

Earthquakes, other natural disasters, and extraordinary situations may damage Turkey's economy and the Company's industry, facilities, or operations. Natural disasters and the current COVID-19 outbreak can negatively affect the supply chain.

Information about important risk factors related to capital market instrument

- The Company may decide not to pay or distribute dividends to its shareholders in the future.
- The Company may be adversely affected by developments that may occur in its controlling shareholding structure.
- If the financial performance of the Issuer is below expectations or the capital market conditions deteriorate, the price of the Issuer's shares may decrease. Investors must make investment decisions while keeping the market risk in mind.
- After the public offering, the Company's existing majority partners will continue to have effective control over the Company. Interests of the owners of said shares may differ from the interests of the Company or other shareholders.

The Company works with İstinye Corporate Consultancy on process auditing.

Observations based on the audit report findings are monitored regularly, and the Company takes related actions to eliminate risk. Based on the assessments, the Board of Directors is informed whether the risk is eliminated and the actions' adequacy.

In this context, the audits carried out at Arzum since 2014 are as follows:

- Sales and revenues - 2014
- Purchasing management - 2014
- Total quality management - 2015
- After-sales services management - 2016
- Field operations management - 2017
- Logistics and planning management - 2018
- Human resources and payroll management - 2019
- Purchasing management - 2020

A total of 97 findings were detected in 8 audits carried out so far in Arzum, and 82 of these findings were resolved by actions taken and improvements. Apart from these, various consultancy services were supplied to the departments to determine the process flows within the Company and improve the after-sales services process.

Policies

POLICIES

Arzum shares were made public on 17-18 December 2020 and have been traded in BIST as of December 24, 2020. Within the scope of Article 5/(4) of the CMB II-17.1 Corporate Governance Communiqué, the policy will be approved in our general assembly for 2020, as we have to ensure the necessary compliance with the Corporate Governance Principles as of the date of the first general assembly to be held after our shares start trading on the stock exchange.

OTHER DEVELOPMENTS

Donations and aids

In 2020, a total of 212,875 TL was donated to various associations and foundations. 108.575 TL of these donations are tax-deductible expenses.

Personnel and worker developments

As of the end of 2019, the number of employees in our company was 140. At the end of 2020, the number of employees is 147. There are no unionized workers.

Benefits provided to top management

The total amount of fees and similar benefits paid to the executive management from January 1 to December 31, 2020, is TL 14,538,641 (1 January to 31 December 2019: TL 7,912.162). Arzum has established top management as the board members, general manager and assistant general managers.

Utilized incentives and subsidies and their conditions

There is no significant level of incentives utilized as of December 31, 2020.

Information on the company owned shares

The company does not own shares.

Information on private and public audit.

There has been no private or public audit.

Information on important ongoing lawsuits filed against the company and their possible consequences

There are no important lawsuits that could affect the activities of our company.

Information regarding cases due to the practices contrary to the provisions of the legislation, the company, and the members of the board of directors

There is no Information on Administrative Sanctions and Penalties.

Information on whether the targets set in the previous periods have been achieved, whether the General Assembly's decisions have been fulfilled, and the reasons if the targets have not been achieved or the decisions have not been fulfilled.

The set goals have been achieved. General Assembly resolutions have been implemented.

Information about legislative changes that could significantly affect the company's activities

There are no legislative changes that could significantly affect the company's activities.

The information on conflicts of interest between the Company and the institutions from which it receives services such as investment consultancy and rating and the Company's measures to prevent these conflicts of interest.

There are no issues that may cause a conflict of interest between the Company and the organizations from which it receives services such as investment consultancy and rating services.

Evaluation under Article 376 of the Turkish Commercial Code

Within the scope of article 376 of the Turkish Commercial Code, it has been evaluated whether the company's capital is unrequited. It concluded that the company's debt structure with the capital of our company raised to 32.210.000TL as of 31.12.2020, has retained its equity capital of 131.776.680 TL and reflects a 0,66 debt/equity ratio is conducive to continuing activities its actives healthily.

Associated party transactions

Defining a company as an associate company is determined based on whether one of the companies has control power over the other or has a significant influence on the financial and administrative decisions of the related Company.

Commercial liabilities to associated parties

The Group's commercial liabilities to related parties during the period from December 31, 2020, and 2019 are as follows:

	1 January-31 December 2020	1 January-31 December 2019
Glasshouse Bilgi Sistemleri Ticaret Anonim Şirketi A.Ş. (1)	18.172	-
İstinye Kurumsal Danışmanlık Hizmetleri A.Ş. (1)	17.700	17.700
Mobiliz Bilgi ve İletişim Hizmetleri A.Ş. (1)	-	3.109
ACP Sigorta ve Reasürans Brokerliği A.Ş. (1)	-	3.234
Total	35.872	24.043

Purchases of goods and services from the associated parties

The Group's purchases of goods and services from related parties during the period from December 31, 2020, and 2019 are as follows:

	1 January-31 December 2020	1 January-31 December 2019
Kolbaşı Gayrimenkul Değerleme İnş. İç ve Dış Ticaret A.Ş.(1)	117.450	234.904
İstinye Kurumsal Danışmanlık Hizmetleri A.Ş. (1)	180.000	180.000
Glasshouse Bilgi Sistemleri Ticaret Anonim Şirketi A.Ş. (1)	93.772	41.189
Mobiliz Bilgi ve İletişim Hizmetleri A.Ş. (1)	-	19.324
ACP Sigorta ve Reasürans Brokerliği A.Ş. (1)	-	-
Total	391.222	475.417

(1) Company controlled by partners

Important developments after the operating period

23 FEBRUARY 2021 - EXECUTIVE APPOINTMENT

Effective of 01.04.2021 Didem Oral has been appointed as the Deputy General Manager of Human Resources in our company.

SHAREHOLDING STRUCTURE

	Capital Shares (TL)	Capital Shares (%)
Talip Murat Kolbaşı	3.449.692	10,7
Ali Osman Kolbaşı	3.066.392	9,5
Zeynep Figen Peker	2.710.472	8,4
Yasemin Rezan Kolbaşı	2.710.472	8,4
Aliye Kolbaşı	1.971.250	6,1
Oktaç Kolbaşı	1.259.411	3,9
Rengin Yağan	1.259.411	3,9
Diğer	480.454	1,5
Halka Açık Kısım	15.302.446	47,5
Toplam	32.210.000	100,0

The company's shares consist of two share groups: Group A and Group B. Group A shares which make up 51% of the total shares issued belong to real persons who are members of the Kolbaşı Family, Talip Murat Kolbaşı, Yasemin Rezan Kolbaşı, Zeynep Figen Peker, Aliye Kolbaşı, Ali Osman Kolbaşı. Group A shares can nominate the Board of Directors under the Turkish Commercial Code Article 360. Group B shares do not have any privileges.

SHAREHOLDING STRUCTURE, SUBSIDIARIES, AND SHARE RATIOS

Associate Title	Share of Capital (%)	Share of Capital (%)
ARZUM ASIA PACIFIC LTD.	531.330,00	%100
ARZUM EUROPE GMBH	66.158.11	%100
ARZUM ELEKTRİKLİ EV ALETLERİ SANAYİ VE TİCARET A.Ş. SER. BÖL. ŞUBE	89.190.00	%100
TOTAL	686.678.11	

CORPORATE INFORMATION

Ticaret Unvanı	Arzum Elektrikli Ev Aletleri Sanayi ve Ticaret A.Ş.
Headquarters Address:	Otakçılar Cad. No: 78 Kat: 1 B Blok No: B1B, 34050 Eyüp / İstanbul
Branch Address	İstanbul Endüstri ve Ticaret Serbest Bölge Şubesi: Aydınli SB Mahallesi Mod-2 Cad. No: 11 Tuzla-İstanbul Tuzla-İstanbul Ömer Halisdemir University Technopark Branch: Ferteck Village, Cumhuriyet Mevkii Ömer Halisdemir (Küme Evler) No: 34/208 Center / Niğde
Affiliated Trade Registry Office and Number	İstanbul Registry Office / 148674
Legal Legislation To Which It Is Subject	Laws of the Republic of Turkey
Telephone and Fax Number	Phone: (0212) 467 80 80 / Fax: (0212) 467 80 00
Website	www.arzum.com.tr
Corporate Email Address	yatirimci@arzum.com / finans@arzum.com
Capital	32.210.000 TL
Registered Capital Cap	160.000.000 TL
The Stock Exchange and Market It's Traded	Borsa İstanbul A.Ş. (BİST) – Yıldız Pazar
Stock Exchange Trading	24 December 2020
Stock Symbol	ARZUM TI-ARZUM.IS
Independent Auditor	Güney Independent Auditor and Certified Public Accountant Co., Ltd.
Independent Auditor's Address	Eski Büyükdere Cad. Orjin Maslak No: 27 Maslak-Sarıyer 34398 İstanbul

LEGAL NOTICE

This Annual Report (the "Report") has been prepared to inform the partners and is not intended to be a basis for any investment decision. Projections and estimated figures in the Report may differ in reality depending on the variables and assumptions on which the relevant estimates are based.

Accordingly, Arzum, members of the Board of Directors, consultants, or employees are not liable for any direct or indirect loss or damage to a person due to any information or communication transmitted within the scope of this Report or information based on or not included in this Report. At the time of this Report's preparation, all the information contained in it is believed to be correct, and Arzum accepts no responsibility for errors that may occur during the writing and printing stages

Independent Auditor's Report

**Arzum Elektrikli Ev Aletleri
Sanayi ve Ticaret Anonim Şirketi
and Its Subsidiaries**

**Consolidated financial statements at December 31,
2020 together with the independent auditor's report**

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(Convenience translation of a report and consolidated financial statements originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Arzum Elektrikli Ev Aletleri Sanayi ve Ticaret Anonim Şirketi

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Arzum Elektrikli Ev Aletleri Sanayi ve Ticaret Anonim Şirketi (the Company) and its subsidiaries ("Group"), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards (TFRS).

2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *Code of Ethics for Independent Auditors* (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our 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.

(Convenience translation of a report and consolidated financial statements originally issued in Turkish)

Trade Receivables	How key audit matter addressed in the audit
<p>The collectability of trade receivables is an important element of the Group's credit risk and working capital management and includes significant judgments and estimates of the management.</p> <p>As of 31 December 2020, there is a provision amounting to 14.622.161 TL on trade receivables amounting to 292.444.787 TL carried in the consolidated financial statements.</p> <p>Determining the collection risk and provision for trade receivables or determining whether a specific trade receivable is collectable requires significant management judgement.</p> <p>The Group has applied "TFRS 9 Financial Instruments" recognizes the expected credit losses for the financial assets as of this date in the consolidated financial statements in accordance with this standard.</p> <p>Trade receivables are considered as the key audit matter due to the size of the amounts and the judgement required in the assessments of the collectability of trade receivables.</p> <p>Detailed explanations on trade receivables are disclosed in Note 5.</p>	<p>Various audit procedures including testing of trade receivables balances by sending confirmation letter and testing of subsequent collections made in the following period, but not limited with them, have been applied to audit for the existence of trade receivables. Evaluation of the trade receivables requires judgments and estimates of the management. Detailed analysis of aging reports, investigation of risks at lawsuits related to receivables, evaluation of special provisions for overdue trade receivables and review of supporting documents, if needed, determination of local risks and evaluation of estimates used at the determination of allowance for receivables were also performed.</p>

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

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

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

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

(Convenience translation of a report and consolidated financial statements originally issued in Turkish)

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

In an independent audit, our responsibilities as the auditors are:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of 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.
- Obtain an understanding of 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 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.

(Convenience translation of a report and consolidated financial statements originally issued in Turkish)

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

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

B) Report on Other Legal and Regulatory Requirements

- 1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on 11 March 2021.
- 2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2020 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.
- 3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Ferzan Ülgen.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited



Ferzan Ülgen, SMMM
Partner

11 March 2021
İstanbul, Türkiye

**ARZUM ELEKTRİKLİ EV ALETLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ
AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020 and 2019**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

		Current Year	Prior Year
		Audited	Audited
		31 December	31 December
	Notes	2020	2019
ASSETS			
Current Assets:			
Cash and cash equivalents	3	29.735.846	8.202.150
Trade receivables			
- Due from third parties	5	290.277.157	221.802.324
Other receivables			
- Due from third parties	6	168.831	136.041
Inventories	7	134.708.043	45.778.365
Prepaid expenses	8	8.337.084	9.363.829
Current tax assets	20	4.312.826	3.578.046
Other current assets	13	10.149.276	-
Total current assets		477.689.063	288.860.755
Non-Current assets:			
Trade receivables			
- Due from third parties	5	2.167.630	-
Property, plant and equipment	9	29.168.639	18.422.215
Intangible assets	10	4.930.134	3.598.454
Investment properties	10	153.600	480.034
Right of use assets	10	6.776.736	3.704.726
Prepaid expenses	8	471.106	527.362
Deferred tax assets	20	9.819.334	2.564.345
Total non-current assets		53.487.179	29.297.136
Total assets		531.176.242	318.157.891

**ARZUM ELEKTRİKLİ EV ALETLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ
AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020 and 2019**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

		Current Year	Prior Year
		Audited	Audited
		31 December	31 December
	Notes	2020	2019
LIABILITIES			
Short-term liabilities:			
Short-term borrowings	4	110.144.113	63.848.089
Finance lease liabilities	4	2.882.062	1.982.010
Trade payables			
- Due to related parties	5	35.872	24.043
- Due to third parties	5	217.003.499	119.227.892
Liabilities for employee benefits	12	4.068.631	879.597
Other payables			
- Due to third parties	6	24.605	236.031
Liabilities for customer contracts	6	32.061.667	14.592.878
Current income tax liabilities	20	527.864	146.549
Short-term provisions			
- Short-term provisions for employee benefits	12	9.585.681	2.548.883
- Other short-term provisions	11	5.187.909	3.737.365
Deferred income	8	2.029.695	4.312.746
Derivative financial liabilities	24	3.288.626	63.753
Other short-term liabilities	13	1.502.111	1.446.960
Total short-term liabilities		388.342.335	213.046.796
Long term liabilities:			
Finance lease liabilities	4	4.215.657	1.887.616
Long term provisions			
- Long-term provisions for employee benefits	12	3.994.641	3.063.009
Other long-term provisions	11	2.846.929	1.439.089
Total long-term liabilities		11.057.227	6.389.714
Total liabilities		399.399.562	219.436.510
Equity:			
Share capital	14	32.210.000	32.210.000
Adjustment to share capital differences	14	148.360	148.360
Gain/(loss) arising from defined benefit plans		(1.955.961)	(1.712.746)
Share premiums		18.635.298	18.635.298
Foreign currency translation differences	14	1.386.894	738.890
Restricted reserves	14	6.401.154	5.330.577
Retained earnings	14	38.483.735	27.978.352
Net profit for the year		36.467.200	15.392.650
Total equity		131.776.680	98.721.381
Total liabilities and equity		531.176.242	318.157.891

**ARZUM ELEKTRİKLİ EV ALETLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ
AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE YEAR ENDED DECEMBER 31, 2020 and 2019

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

		Current Year	Prior Year
		Audited	Audited
		1 January- 31 December 2020	1 January- 31 December 2019
	Notes		
Revenue	15	607.485.695	447.996.272
Cost of sales (-)	15,17	(413.767.314)	(309.426.211)
Gross profit		193.718.381	138.570.061
Sales, marketing and distribution expenses (-)	16,17	(104.113.286)	(74.782.502)
General administrative expenses (-)	16,17	(35.427.156)	(21.233.382)
Other operating income	18	6.683.300	2.303.817
Other operating expenses (-)	18	(1.512.071)	(3.036.426)
Operating profit		59.349.168	41.821.568
Operating profit before finance income		59.349.168	41.821.568
Finance income	19	1.850.500	2.246.515
Finance expenses	19	(13.003.587)	(23.398.585)
Profit before tax		48.196.081	20.669.498
Tax expense		(11.728.881)	(5.276.848)
- Current year tax expense	20	(18.923.066)	(4.213.575)
- Deferred tax (expense) / income	20	7.194.185	(1.063.273)
Profit for the year		36.467.200	15.392.650
Distribution of profit for the year			
Equity holders of the parent		36.467.200	15.392.650
Other comprehensive income /(expense) Not be reclassified to profit or loss		404.789	(482.998)
Gain/(loss) arising from defined benefit plans	12.2	(243.215)	(703.729)
Deferred tax (expenses) / income on other comprehensive income items that will not be reclassified in profit or loss	20	(304.019)	(879.661)
Reclassified to profit or loss		60.804	175.932
Foreign currency translation differences		648.004	220.731
Other comprehensive income/(expense) (after tax)		404.789	(482.998)
Total comprehensive income		36.871.989	14.909.652
Distribution of total comprehensive income:			
Equity holders of the parent		36.871.989	14.909.652
Earning per share (nominal equivalent of TL 1) (Note 21)		1,1322	0,4779

ARZUM ELEKTRİKLİ EV ALETLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020 and 2019**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Share capital	Adjustment to share capital differences	Other comprehensive income will not be reclassified to profit or loss	Gain/(loss) arising from defined benefit plans	Other comprehensive income will be reclassified to profit or loss	Foreign currency translation differences	Share premiums	Restrictive reserves	Accumulated profits		Total
										Profit for the year	Retained earnings	
Balances as of 1 January 2019	14	32.210.000	148.360	(1.009.017)	518.159	18.635.298	4.557.008	15.100.179	13.651.742	83.811.729		
Profit for the year		-	-	-	-	-	-	15.392.650	-	-	15.392.650	
Foreign currency translation differences		-	-	-	220.731	-	-	-	-	-	220.731	
Gain/(loss) arising from defined benefit plans		-	-	(703.729)	-	-	-	-	-	-	(703.729)	
Total comprehensive income /(expense)		-	-	(703.729)	220.731	-	-	15.392.650	-	-	14.909.652	
Transfers		-	-	-	-	-	773.569	(15.100.179)	14.326.610	-	-	
31 December 2019	14	32.210.000	148.360	(1.712.746)	738.890	18.635.298	5.330.577	15.392.650	27.978.352	98.721.381		
Balances as of January 1, 2020	14	32.210.000	148.360	(1.712.746)	738.890	18.635.298	5.330.577	15.392.650	27.978.352	98.721.381		
Profit for the year		-	-	-	-	-	-	36.467.200	-	-	36.467.200	
Foreign currency translation differences		-	-	-	648.004	-	-	-	-	-	648.004	
Gain/(loss) arising from defined benefit plans		-	-	(243.215)	-	-	-	-	-	-	(243.215)	
Total comprehensive income /(expense)		-	-	(243.215)	648.004	-	-	36.467.200	-	-	36.871.989	
Transfers		-	-	-	-	-	1.070.577	(15.392.650)	14.322.073	-	-	
Dividend Payment		-	-	-	-	-	-	-	(3.816.690)	(3.816.690)		
31 December 2020	14	32.210.000	148.360	(1.955.961)	1.386.894	18.635.298	6.401.154	36.467.200	38.483.735	131.776.680		

**ARZUM ELEKTRİKLİ EV ALETLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ
AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020 and 2019**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Current Year	Prior Year
		Audited Current Year 1 January- 31 December 2020	Audited Prior Year 1 January- 31 December 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		36.467.200	15.392.650
Adjustments to depreciation expense and amortization	9,10	8.179.327	6.007.518
Adjustments related to tax expense	20	11.728.881	5.276.848
Adjustments related to provision expenses		12.766.263	2.957.741
Adjustments to inventory impairment	7	858.700	-
Adjustments to rediscount expense/income	18	(1.832.534)	378.202
Adjustments to interest expense/income, net	19	9.073.729	20.634.598
Adjustments to doubtful trade receivables, net	18	876.252	469.780
Adjustments for loss/gain from disposal of fixed assets		(32.100)	22.726
Currency differences arising from derivative transactions, (net)	18	(2.546.143)	1.918.471
Adjustments to severance pay provision	12	534.366	445.626
Before changes in working capital		76.073.941	53.504.160
Trade receivables		(71.518.715)	(50.100.851)
Inventories		(89.788.378)	6.562.277
Other increases / decreases related to activities		(8.345.009)	(3.406.229)
Trade payables		99.619.970	40.708.155
Contracts liabilities		17.468.789	(626.660)
Cash (outflows) / inflows arising from derivative transactions, net		5.771.016	(5.745.320)
After changes in working capital		29.281.614	40.895.532
Taxes paid	20	(19.276.531)	(3.306.259)
Severance payments paid	12.2	(228.951)	(559.419)
Premiums paid	12.2	(2.548.883)	(4.801.826)
Net cash from operating activities (used)		7.227.249	32.228.028
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Purchases of tangible and intangible assets and investment properties	9-10	(16.659.232)	(9.814.394)
Sales of tangible and intangible assets and investment properties		350.000	321.707
Net cash used in investment activities		(16.309.232)	(9.492.687)
CASH FLOWS USED FROM FINANCING ACTIVITIES			
Cash inflows resulting from borrowing		258.179.010	433.021.260
Cash outflows related to debt payments		(211.882.986)	(420.336.915)
Interest paid		(9.473.365)	(20.905.171)
Payments for leasing transactions		(3.437.930)	(2.417.821)
Interest payments on leasing transactions		(982.903)	(409.758)
Dividends paid		(3.816.690)	(9.000.000)
Interest received		1.382.539	666.823
Net cash (used) from financing activities		29.967.675	(19.381.582)
- Currency exchange differences		648.004	220.731
NET CHANGE IN CASH AND CASH EQUIVALENTS		21.533.696	3.574.490
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	3	8.202.150	4.627.660
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	3	29.735.846	8.202.150

**ARZUM ELEKTRİKLİ EV ALETLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2020 AND 2019**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

1. GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

Arzum Elektrikli Ev Aletleri AŞ ("the Company") was founded in 1977 in the name of Güney İthalat Anonim Şirketi by Kazım Kolbaşı, Kemal Kolbaşı and İbrahim Kolbaşı. In 1993 and 2005, Arzum Dış Ticaret Anonim Şirketi ("Arzum Dış") and Felix Elektrikli Ev Aletleri Anonim Şirketi ("Felix") were established to sell the products of the Company, respectively. All companies were under the common control of Kolbaşı family. On 31 December 2007, the Company acquired the shares of both Arzum Dış and Felix. On 29 December 2008, the Company and its two subsidiaries were merged under one legal entity in the name of Arzum Elektrikli Ev Aletleri AŞ. On 14 April 2008 and 4 March 2009, 38% and 11% of the Company's shares were sold to Turkish Household Appliances BV ("Turkish Household"), respectively. On 9 December 2013, 49% of the Company held by Turkish Household Appliances BV ("Turkish Household") was sold to SDA International S.a.r.l (SDA International). In 2020, 47,51% share of SDA International was offered to the public.

The company trades electrical appliances through wholesales, retailers, chain stores by e-commerce.

On 1 June 2009, Arzum Asia Pacific Ltd. ("Arzum Asia Pacific"), 100% of which shares owned by the Company, was established to make purchases on behalf of the Company in Hong Kong.

On 11 July 2011, Arzum Europe GMBH ("Arzum Europe"), 50% of which shares owned by the Company and 50% of shares owned by Arzum Asia Pacific, was established to make sales on behalf of the Company in Europe. 100% of shares of Arzum Europe is owned by the Company as at 31 December 2013.

On 15 June 2012, Arzum Elektrikli Ev Aletleri Sanayi ve Ticaret Anonim Şirketi İstanbul Endüstri ve Ticaret Serbest Bölge Şubesi ("Serbest Bölge"), 100% of which shares owned by the Company, was established to operate in free trade zone.

The company opened the Ömer Halisdemir Üniversitesi Teknopark Branch on 31 January 2019.

The accompanying consolidated financial statements as at and for the year ended 31 December 2020 comprised the Company and its subsidiaries (together referred to as the "Group").

The company is registered with the Capital Markets Board ("CMB") and its shares are traded on Borsa İstanbul A.Ş. ("BİST") as of 2020. As of 31 December 2020, the Company has 47,51% of shares registered in BİST (Note 14).

The address of the Company's registered office is Otakçılar Cad. No:78 Kat:1 B Blok No: B1b Eyüp / İstanbul. The head office of the Company is located in Eyüp, İstanbul. The Company has 2 warehouses which are located in Gebze (for regional or domestic sales distribution) and in Bayrampaşa/İstanbul.

As of 31 December 2020, and 2019, the number of employees in the Group is 147 and 140, respectively.

Approval of consolidated financial statements

The consolidated financial statements of the company prepared as of 31 December 2020 were approved by the Board of Directors on 11 March 2021. General assembly and certain regulatory boards have the authority to make changes after the financial statements are published.

**ARZUM ELEKTRİKLİ EV ALETLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ
AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2020 AND 2019**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basic of presentation

Basis of preparation of financial statements

The Company maintains its accounting records and prepares its statutory financial statements in accordance with the Turkish Commercial Code (the "TCC") and tax legislation.

The accompanying consolidated financial statements are prepared in accordance with Communiqué Serial II, No: 14,1, "Principles of Financial Reporting in Capital Markets" ("the Communiqué") published in the Official Gazette numbered 28676 on 13 June 2013.

Companies reporting according to the CMB legislation According to Article 5 of the Communiqué, financial statements are apply in accordance with the Turkish Accounting Standart / Turkish Financial Reporting Standards issued by Public Oversight Accounting and Auditing Standards Authority ("POA/ASA")

Consolidated financial statements are based on the legal records of the Group and are expressed in Turkish Lira ("TL"), and have been prepared by subjecting to some corrections and classification changes in order to properly present the status of the Group according to TAS / TFRS published by POA.

Consolidated financial statements have been prepared on the basis of historical cost, except for derivative instruments that are shown with their fair value.

Current and reporting currency

The results and financial position of each entity consolidated are expressed in Turkish Lira (TRY), which is the functional of the Company and the presentation currency of the Group. Functional currency of the Company's subsidiaries Arzum Asia Pacific and Arzum Europe are USD and EUR, respectively.

Currency information as of 31 December 2020 and 2019 used by the Group is as follows:

	31 December 2020	31 December 2019
USD	7,3405	5,9402
EUR	9,0079	6,6506

Preparation of Financial Statements in Hyperinflationary Periods

In accordance with the CMB's resolution No: 11/367 issued on 17 March 2005, companies operating in Turkey which prepare their financial statements in accordance with the CMB Accounting Standards (including the application of IFRS) are not subject to inflation accounting effective from 1 January 2005. Therefore, as of 1 January 2005, IAS 29 "Financial Reporting in Hyperinflationary Economies" is not applied in the accompanying consolidated financial statements.

**ARZUM ELEKTRİKLİ EV ALETLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ
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(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

2.1 Basic of presentation (Continued)

Principles of consolidation

Consolidated financial statements include the financial statements of the Company and the subsidiary controlled by the Company. When necessary, adjustments and reclases are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

i. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls the asset if it is entitled to, or is subject to, variable returns on account of its involvement in the asset, and it may affect it with control over the asset. The financial statements of the subsidiaries are included in the financial statements of the Group from the beginning of the control power to the date when the control power ceases.

The accounting policies of the subsidiaries have been changed when deemed necessary in order to comply with the policies accepted by the Group. The net profit / (loss) of the subsidiaries that are not directly and / or indirectly controlled by the parent company is classified under the Non-controlling interest "in the consolidated statement of comprehensive income.

The table below shows the Group's share rate and its subsidiary as of 31 December 2020 and 2019:

	Arzum and its subsidiaries' direct and indirect control shares (%)	
	31 December 2020	31 December 2019
Arzum Asia Pasific	100	100
Arzum Europe	100	100
Arzum Serbest Bölge (*)	100	100

(*) Although it does not have a separate legal entity, Istanbul Industry and Trade Free Zone Branch of Arzum Elektrik Ev Aletleri Sanayi ve Ticaret Anonim Şirketi is also accepted as a subsidiary subject to consolidation in the attached consolidated financial statements. This branch is a free zone branch pursuant to the circular titled Evaluation of Operating License Applications, Branch, Branch Addressed Company, in which the regulations for free zone branches of the Ministry of Commerce and no 1998/, it is a branch of the main company but it has its own capital and book keeping of the branch is maintained separately. Although it does not have a legally separate legal personality, it is subject to consolidation due to its own capital.

ii. Changes in the control power of the Group's current subsidiary

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

**ARZUM ELEKTRİK Lİ EV ALETLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ
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**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

2.1 Basic of presentation (Continued)

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable TFRSs).

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under TFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

iii. Elimination processes in consolidation

Process of the preparation of the consolidated financial statements, intra-group transactions, inter-group balances and unrealized income and expenses arising from intra-group transactions are eliminated mutually. The profits and losses resulting from the transactions between the affiliate, the parent company and the consolidated subsidiaries of the parent company and jointly controlled partnerships have been netted off in proportion to the parent partnership's share in the associate. Unrealized losses are derecognized as unrealized gains, unless there is evidence of impairment.

2.2 Changes and errors in accounting policies

The valuation principles and accounting policies applied were consistently applied to all year information presented. The Company consistently takes similar transactions, other events and situations into its financial statements, and presents values and values. Significant changes in accounting policies and significant accounting errors detected are applied retrospectively and the financial statements of the previous year are rearranged.

Changes in accounting estimates are applied in the current year if the change is related to only one year, and if they are related to future years, they are applied both in the year in which the change is made and in future years, prospectively. There has been no significant change in the accounting estimates of the Group in the current year.

Comparative information and correction of previous year's consolidated financial statements

The Group's current year consolidated financial statements are prepared in comparison with the previous year in order to allow the determination of financial status and performance trends. Comparative information is reclassified when necessary in order to comply with the presentation of the current year consolidated financial statements.

**ARZUM ELEKTRİK Lİ EV ALETLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ
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(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

2.3 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2020 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2020. The effects of these standards and interpretations on the the Group's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2020

Definition of a Business (Amendments to TFRS 3)

In May 2019, the POA issued amendments to the definition of a business in TFRS 3 Business Combinations standards. The amendments are intended to assist entities to remove the assessment regarding the definition of business.

The amendments:

- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;
- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test.

The amendments to TFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively.

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

**ARZUM ELEKTRİK Lİ EV ALETLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ
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(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

Amendments to TFRS 9, TAS 39 and TFRS 7- Interest Rate Benchmark Reform

The amendments issued to TFRS 9 and TAS 39 which are effective for periods beginning on or after 1 January 2020 provide reliefs which enable hedge accounting to continue. For these reliefs, it is assumed that the benchmark on which the cash flows of hedged risk or item are based and/or, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform. In connection with interest rate benchmark reform.

Reliefs used as a result of amendments in TFRS 9 and TAS 39 is aimed to be disclosed in financial statements based on the amendments made in TFRS 7. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

Definition of Material (Amendments to TAS 1 and TAS 8)

In June 2019, the POA issued amendments to TAS 1 Presentation of Financial Statements and TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to TAS 1 and TAS 8 are required to be applied for annual years beginning on or after 1 January 2020. The amendments must be applied prospectively, and earlier application is permitted. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

Privileges Recognized in Lease Payments Regarding Covid-19 (Amendments to TFRS 16)

In June 5, 2020, the POA issued amendments to TFRS 16 Leases to provide relief to lessees from applying TFRS 16 guidance on lease modifications to rent concessions arising a direct consequence of the Covid-19 pandemic. A lessee that makes this election accounts for any change in lease payments related rent concession the same way it would account for the change under the standard, if the change were not a lease modification.

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The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021
- There is no substantive change to other terms and conditions of the lease.

A lessee will apply the amendment for annual reporting years beginning on or after 1 June 2020. Early application of the amendments is permitted. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

ii) Standards issued but not yet effective and not early adopted

The new standards, interpretations and changes that were published as of the approval date of the consolidated financial statements but not yet effective for the current reporting year and not early adopted by the Group are as follows. Unless otherwise stated, the Group will make the necessary changes that will affect the consolidated financial statements and footnotes after the new standards and interpretations become effective.

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

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Group will wait until the final amendment to assess the impacts of the changes.

TFRS 17 - The new Standard for insurance contracts

The POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the year that services are provided. TFRS 17 will become effective for annual reporting years beginning on or after 1 January 2023; early application is permitted. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

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Classification of liabilities as short and long term (TAS 1 Amendments)

On 12 March 2020, the POA issued amendments to TAS 1 Presentation of Financial Statements. The amendments issued to TAS 1 which are effective for years beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted.

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

Amendments to TFRS 3 – Reference to the Conceptual Framework

In July 2020, the POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments issued to TFRS 3 which are effective for years beginning on or after 1 January 2022 and must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in TFRS standards (March 2018). The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Amendments to TAS 16 – Proceeds before intended use

In July 2020, the POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments issued to TAS 16 which are effective for years beginning on or after 1 January 2022. Amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest year presented when the entity first applies the amendment. There is no transition relief for the first-time adopters. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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Amendments to TAS 37 – Onerous contracts – Costs of Fulfilling a Contract

In July 2020, the POA issued amendments to TAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments issued to TAS 37 which are effective for years beginning on or after 1 January 2022, to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a “directly related cost approach”. Amendments must be applied retrospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting year in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Annual Improvements – 2018–2020 Cycle

In July 2020, the POA issued Annual Improvements to TFRS Standards 2018–2020 Cycle, amending the followings:

- *TFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter:* The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.
- *TFRS 9 Financial Instruments – Fees in the “10 per cent test” for derecognition of financial liabilities:* The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other’s behalf.
- *TAS 41 Agriculture – Taxation in fair value measurements:* The amendment removes the requirement in paragraph 22 of TAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of TAS 41.

Improvements are effective for annual reporting years beginning on or after 1 January 2022. Earlier application is permitted for all. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

iii) New and revised standards and interpretations published by the International Accounting Standards Institution (IASB) but not published by the POA

The new standards, interpretations listed below and changes in existing IFRS standards have been published by the IASB but have not yet become effective for the current reporting year. However, these new standards, comments and changes have not yet been adopted / published by the POA, and therefore they do not form a part of the TFRS. The Group will make the necessary changes in its consolidated financial statements and footnotes after these standards and interpretations become effective in TFRS.

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Interest Rate Benchmark Reform – Phase 2 – Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16

In December 2020, the POA issued Interest Rate Benchmark Reform – Phase 2, Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 to provide temporary reliefs which address the financial reporting effects when an interbank offering rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR, amending the followings. The amendments are effective for years beginning on or after 1 January 2021. Earlier application is permitted and must be disclosed.

Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Under this practical expedient, if the interest rates applicable to financial instruments change as a result of the IBOR reform, the situation is not considered as a derecognition or contract modification; instead, this would be determined by recalculating the carrying amount of the financial instrument using the original effective interest rate to discount the revised contractual cash flows.

The practical expedient is required for entities applying TFRS 4 Insurance Contracts that are using the exemption from TFRS 9 Financial Instruments (and, therefore, apply TAS 39 Financial Instruments: Classification and Measurement) and for TFRS 16 Leases, to lease modifications required by IBOR reform.

Relief from discontinuing hedging relationships

- The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR.
- For the TAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero.
- The amendments provide relief for items within a designated group of items (such as those forming part of a macro cash flow hedging strategy) that are amended for modifications directly required by IBOR reform. The reliefs allow the hedging strategy to remain and not be discontinued.
- As instruments transition to RFRs, a hedging relationship may need to be modified more than once. The phase two reliefs apply each time a hedging relationship is modified as a direct result of IBOR reform.

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Separately identifiable risk components

The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

Additional disclosures

Amendments need additional TFRS 7 Financial Instruments disclosures such as; How the entity is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to IBOR reform, quantitative information about financial instruments that have yet to transition to RFRs and If IBOR reform has given rise to changes in the entity's risk management strategy, a description of these changes.

The amendments are mandatory, with earlier application permitted. While application is retrospective, an entity is not required to restate prior years.

The effects of the said change on the financial status and performance of the Group are evaluated.

Revenue

The Group transfers the revenue to a customer and records the revenue in its consolidated financial statements as it fulfills or fulfills the performance obligation. When an asset is checked (or passed) by the customer, the asset is transferred.

The Group records the proceeds in its financial statements in accordance with the following basic principles:

- Determination of contracts with customers,
- Determination of performance obligations in the contract,
- Determination of the transaction price in the contract,
- Dividing the transaction price into the contractual performance obligations,
- Revenue recognition when each performance obligation is met.

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Revenue (Continued)

In the event that all of the following conditions are met, the Group recognizes a contract with its customer as revenue:

- The parties to the Convention have ratified the contract (in accordance with written, oral or other commercial practices) and undertakes to carry out their own actions,
- The group may define the rights related to the goods or services to be transferred by each party,
- The Group may define payment conditions for goods or services to be transferred,
- The contract is essentially commercial,
- It is probable that the Group will be charged for the goods or services to be transferred to the customer. When evaluating whether the collectability of a price is probable, the entity shall consider only the customer's ability to pay the price at the due date and its intent.

At the beginning of the contract, the Group evaluates the goods or services committed in the contract with the customer and defines each commitment made to transfer it to the customer as a separate performance obligation. The group also determines whether it fulfills each performance obligation over time or at a certain point in time at the inception of the contract.

The Group makes endorsement and incentive bonus payments to its customers in line with its performance results. The amounts calculated for these payments as of the balance sheet date are recorded in the liabilities account arising from customer contracts in the balance sheet, and in the revenue account as sales discounts in the profit or loss statement.

When another party is involved in the provision of goods or services to the customer, the Group determines that the nature of its commitment is a performance obligation to provide the specified goods or services in person (principal) or to mediate (agent) those goods or services provided by the other party. The group is principal if it controls the specified goods or services before transferring those goods or services to the customer. In this case, when it fulfills (or fulfills) its performance obligation, it recognizes the revenue equal to the gross amount of the price it expects to deserve in return for the transferred goods or services. If the Group acts as an intermediary for the provision of goods or services with determined performance obligations by another party, it acts as an agent and does not reflect the revenue to the financial statements for the said performance obligation.

Inventories

Inventories are valued at the lower of cost or net realizable value. Cost factors include all purchasing costs and all costs incurred in bringing the inventories to their current state and location. Average cost method is used in calculating the cost of inventories. Net realizable value is the amount obtained by deducting the estimated completion cost and the estimated marketing, sales and distribution expenses required to realize the sale from the estimated selling price in the ordinary commercial activity.

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Tangible assets

Tangible fixed assets are shown over the amount after the accumulated depreciation and accumulated impairment losses, if any, are deducted from their cost values.

Cost amounts of tangible fixed assets are subjected to depreciation using the linear depreciation method according to their expected useful lives. The expected useful life, residual value and depreciation method are reviewed each year for the possible effects of changes in estimates and if there is a change in estimates, they are accounted for prospectively.

The gain or loss resulting from disposal of tangible fixed assets or decommissioning a tangible fixed asset is determined as the difference between the sales revenue and the asset's book value and is included in the year profit or loss. Amounts spent for the repair, maintenance and repair of tangible fixed assets are recorded as expense.

The depreciation years reflecting the average useful lives of tangible fixed assets in the current and comparative year are as follows:

	Useful Life
Leasehold improvements	5-10 years
Molds presented in fixtures	15 years
Other furniture, fixtures, machinery and equipment	3-10 years
Vehicles	5 year

Lease terms or lease terms or the shorter of the useful life of the Leasehold improvements in question are subject to depreciation using the straight-line method.

Intangible assets

Purchased intangible fixed assets are shown at cost less accumulated amortization and, if any, accumulated impairment losses. These assets are amortized using the straight-line method according to their expected useful lives. Expected useful life and amortization method are reviewed every year to determine the possible effects of changes in estimates and changes in estimates are accounted for prospectively. Average amortization years of intangible fixed assets mostly vary between 3-5 years.

An intangible fixed asset is derecognised when it is disposed of or if no future economic benefits are expected from its use or sale. Profit or loss resulting from the exclusion of an intangible fixed asset from the statement of financial position, if any, is calculated as the difference between the net collections from disposal of the assets and their book values. This difference is recognized in profit or loss when the relevant asset is taken out of the statement of financial position.

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Intangible assets (Continued)

Development costs

Project costs related to the development of new products or the testing and design of the developed products are considered as intangible assets if the project can be successfully implemented commercially and technologically and the costs can be determined reliably. Other development and research expenses are recorded as expense when realized. Development costs, which were recorded as expense in the previous year, cannot be capitalized in the next year.

Investment properties

Investment properties are real estates held to earn rent and / or capital gain, and lands and buildings held for this purpose are classified as "investment properties". Investment properties are shown by deducting the depreciation (useful life of 50 years) and the impairment, if any, from the cost value.

Investment properties are examined in order to detect a possible impairment, and if the registered value of investment properties is higher than their recoverable value at the end of this examination, they are reduced to their recoverable value by making provision. The recoverable value is accepted as the higher of the net cash flows that will come from the current use of the relevant investment property and its fair value less sales cost.

Right-of-use assets

The Group recognises right-of-use assets at the commencement of the lease (i.e., the date of underlying asset is available for use), Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any revaluation of lease liabilities.

The cost of right-of-use asset includes:

- a) the amount of lease liabilities recognised,
- b) lease payments made at or before the commencement date less any lease incentives received,
- c) initial direct costs incurred

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are subject to impairment.

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Lease borrowings

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

At the commencement date of the lease, the measurement of the lease liabilities include:

- (a) Fixed payments,
- (b) The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs,
- (c) The amounts expected to be paid by the Group under residual value guarantees
- (d) The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and
- (e) The payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate,

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

The Group discounts the lease payments using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate

After the commencement date, the Group measures the amount of lease liabilities as follows:

- (a) the amount of lease liabilities is increased to reflect the accretion of interest, and
- (b) reduced for the lease payments made

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Impairment of non-financial assets

The carrying amounts of assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). At each reporting date, non-financial assets are reviewed for any possible impairment.

Financial instruments

Non derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets, including financial assets whose fair value difference is reflected on profit or loss, are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Non-derivative financial assets of the Group comprise loans and receivables and financial investments.

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Non derivative financial assets (continued)

Loans and receivables

Loans and receivables are financial assets that are not quoted in an active market and that have fixed or variable payments. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables generally consist of cash equivalents, trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents consist of cash balances and deposit accounts with a maturity of three months or less on the day of receipt, with little risk of change in their fair value, and are used by the Group to finance short-term liabilities. Cash and cash equivalents include cash, bank deposits and other cash and cash equivalents.

Non derivative financial liabilities

All financial liabilities, other than debt securities and subordinated liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

If a financial instrument causes an outflow of cash, any asset or another financial instrument on a part of the Group, this financial instrument is classified as a financial liability. Financial instrument can be defined as a capital instrument only if it includes the following conditions:

- a) It does not have a contractual obligation to provide cash or another financial asset to another entity, or if the entity does not have a contractual obligation to exchange financial instruments with another entity to the disadvantage of the entity,
- b) The financial instrument is a derivative financial instrument that does not fall within the definition of derivative financial instrument requiring various number of capital transfers to the Group, or includes the Group's fixed amount of cash change or the exchange of a fixed amount of capital instrument, if it is realized or will be realized with the Group's capital instruments in the case of.

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Capital

Ordinary shares are classified as equity. Additional costs that can be directly associated with the issue of ordinary shares are recognized as a decrease in equity after deducting the tax effect.

Derivative financial instruments

The Group holds derivative financial instruments to avoid foreign currency risk and classifies it as a financial instrument whose fair value difference is reflected to profit / loss. Derivative financial instruments are initially recognised at the acquisition cost reflecting the fair value on the date on which a derivative contract is entered and are subsequently remeasured at fair value. A financial instrument is classified in this group if it is acquired with the intention of selling or repurchasing at a later date. Derivative instruments are recognized as assets when the fair value is positive and as liabilities if the fair value is negative. The derivative instruments of the Group, whose fair value difference is reflected on profit / loss, consist of forward foreign currency purchase and sale contracts.

If the economic characteristics and risks of the master contract and the embedded derivative instrument are not closely related, another instrument with the same terms as the embedded derivative can be defined as a derivative and the financial instrument is not an instrument measured at its fair value and associated with the income statement in combination, the embedded derivative is separated from the main contract and is not associated with the income statement. accounted as.

The Group does not have any derivative transactions within the scope of hedge accounting. For this reason, derivative financial instruments are measured with their fair values following their initial recording, and the changes in their fair values are reflected in profit or loss as soon as they occur.

Impairment of financial assets

Financial assets or company of financial assets other than fair value through profit or loss category are assessed at each balance sheet date whether there is any objective evidence that a financial asset or a company of financial assets is impaired. A financial asset or a company of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that had occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the company of financial assets that can be reliably estimated. For financial assets shown at their amortized value, the depreciation amount is the difference between the current value calculated by discounting the expected future cash flows over the effective

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of a provision account. When a trade receivable is uncollectible, it is written off against the provision account. Changes in the carrying amount of the provision are recognized in profit or loss.

With the exception of FVOCI equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

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Transactions in foreign currency

The financial statements of the Group are presented in the currency (functional currency) valid in the basic economic environment in which the Parent Company operates. The financial situation and operating results of the Group are expressed in TL, which is the valid currency unit of the Company and the presentation unit for consolidated financial statements.

During the preparation of the consolidated financial statements of the Group, transactions in foreign currency are recorded based on the exchange rates on the transaction date. Monetary assets and liabilities in foreign currency in the statement of financial position are converted to TL using the exchange rates valid at the end of the reporting year. Among the non-monetary items monitored with their fair value, those recorded in foreign currency are converted to TL based on the exchange rates on the date when the fair value is 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 year in which they occur:

Overseas activities

Assets and liabilities in foreign operations are converted into TL at the exchange rate at the reporting date. Except for overseas activities operating in economies with high inflation, all income and expenses arising from other foreign activities are converted into TL at the annual average exchange rate. Foreign currency translation differences are recorded in other comprehensive income and are shown in reserve of foreign currency translation differences under equity.

Earnings per share

Earnings / (loss) per share presented in the statement of comprehensive income is calculated by dividing the net profit by the weighted average number of shares in the market during the year (Note 21). In Turkey, companies can increase their capital by distributing "bonus shares" to their shareholders from previous years' profits. This type of "bonus share" distributions are considered as issued shares in earnings per share calculations. Accordingly, the weighted average number of shares used in these calculations is calculated by considering the retrospective effects of the said share distributions.

Events after the reporting year

Events after the reporting year; They cover all events between the end of the reporting year and the date of authorization for the issue of consolidated financial statements, even if they occur after any announcement regarding the profit or the public disclosure of other selected financial information. In case of occurrence of events requiring correction after the reporting year, the Group makes the necessary corrections to the consolidated financial statements. Important events that do not require correction are explained in footnotes.

Provisions, contingent assets and liabilities

A provision is recognized when the Company has a present obligation (legal or constructive) as a result of a past event and (i) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (ii) a reliable estimate can be made of the amount of the obligation.

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Provisions, contingent assets and liabilities (continued)

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

Contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously identified as a contingent liability, a provision is made in the financial statements of the period in which the change in probability occurs (except in the extremely rare circumstances where no reliable estimate can be made).

Warranty provisions

When the product or service covered by the warranty is sold, a provision is made for the relevant warranty. The reserve to be set aside date is calculated based on the warranty information and by weighting the probable probabilities of all possible consequences. Warranty expenses are accounted for in the cost of sales account.

Taxes calculated on corporate income

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of income, except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax expense

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Holding and its Subsidiaries' liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised 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 assets and liabilities are not recognised 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.

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Current tax expense (continued)

Deferred tax liabilities are recognised 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 recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

If it is probable that there will be an amount of taxable income sufficient to offset them in the future for unused past year financial losses, tax advantages and deductible temporary differences, a deferred tax asset is recognized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 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.

Current tax and deferred tax expense

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to other comprehensive income, in which case the tax is also recognised directly in other comprehensive income, or where they arise from the initial accounting for a business combination.

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**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
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Provisions for employee benefits

Severance pays

Severance pay According to the current laws in Turkey, severance pay is paid in case of retirement or dismissal. Such payments are considered as defined retirement benefit plans in accordance with the updated TAS 19 "Employee Benefits Standard" ("TAS 19"). The severance pay liability, which is recognized in the statement of financial position, was calculated according to the net present value of the liability amounts expected to arise in the future due to the retirement of all employees and reflected in the consolidated financial statements. Calculated actuarial gains and losses are recorded in the other comprehensive income statement.

Other short-term benefits

Other short-term benefits include unused leave provisions in accordance with the current labour law in Turkey, the employer is obliged to pay for the unused leave days in case the employee deserves leave

and leaves the job. Unused vacation provision is the total undiscounted liability amount corresponding to the leave days that employees deserve but have not used yet.

Bonus payments

The Group makes provisions in cases where there is a contractual obligation or a past practice that creates a constructive obligation.

Reporting financial information according to departments

The group operates in only one area, in the sale and marketing of small home appliances. The Group does not have reportable operating segments containing the information used by the management to evaluate their performance and decide on resource allocation.

Cash flows statement

In the statement of cash flows, cash flow statements for the period are classified and reported based on operating, investment and financing activities. Cash flows from operating activities represent cash flows generated from the Company's operations. Cash flows from investing activities represent the cash flows that are used in or provided from the investing activities of the Company (fixed investments and financial investments). Cash flows related to financing activities represent the resources that the Company uses in financing activities and the repayments of these resources.

State incentives and aids

Unconditional government incentives related to group research and development are recognized under profit or loss if these incentives become receivables. Other government incentives are recorded at their fair values if there is sufficient assurance that the Group will meet the necessary conditions for the incentive and that this incentive will be received, and then they are systematically recognized under profit or loss throughout the useful life of the asset.

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**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

Significant Accounting evaluations, estimates and assumptions

Preparation in accordance with the consolidated financial TFRS requires the management to implement the policies and make decisions, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions underlying estimates are constantly reviewed. Updates in accounting estimates are recorded in the year of update and subsequent years affected by these updates. Information on the estimates that have a significant effect on the amounts recorded in the consolidated financial statements are explained below:

- a) Provisions for doubtful receivables reflect the amounts that the Company management believes will cover the future losses of the receivables that exist as of the balance sheet date but have the risk of not being collected under current economic conditions. While evaluating whether the receivables are impaired, the past performances of the borrowers, their credibility in the market, their performances from the balance sheet date to the date of approval of the financial statements and the re-negotiated conditions are also taken into consideration. In addition, the impairment of receivables is calculated with the "Expected Credit Loss" (SEE) model. The impairment model is applied to amortized cost financial assets and contract assets. Lifetime GAU measurement is applied when the credit risk of a financial asset increases significantly after the initial recognition at the reporting date. In all other cases where the relevant increase is not experienced, a 12-month DEB calculation has been applied. Provisions for doubtful receivables as of the relevant balance sheet date are explained in Note 5.
- b) Regarding the impairment of Inventories, the physical and historical background of the Inventories are examined, their usability is determined in line with the opinions of the technical personnel and provisions are made for items that are expected to be unusable. In addition, the data regarding the list prices of inventories after discount are used when calculating the inventory impairment. In cases where the projected net realizable value is below the cost value, an inventory impairment provision is reserved (Note 7).
- c) Company management has made important assumptions in the determination of useful economic lives of tangible and intangible assets in line with the experiences of its technical team (Notes 9 and 10).
- d) While reserving the lawsuit provisions, the probability of losing the relevant lawsuits and the consequences to be incurred in case of loss are evaluated in line with the opinions of the Company's legal advisors and the Company Management made the best estimates using the available data and allocated the required provision (Note 11).
- e) Severance pay liability is determined by actuarial calculations based on some assumptions including discount rates, future salary increases and employee turnover rates. Since these plans are long term, these assumptions contain significant uncertainties. Details regarding provisions for employee benefits are included in Note 12.
- f) Deferred tax assets are recorded when it is determined that it is possible to generate taxable income in the upcoming years. In cases where taxable income is likely to occur, deferred tax assets are calculated over temporary differences. (Note 20).

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**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
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Significant Accounting evaluations, estimates and assumptions (Continued)

- g) Warranty expenses include the repair and maintenance expenses for the goods sold, and the labour and material expenses made by the authorized services within the scope of the warranty without any charge from the customer. Warranty expenses calculated by taking into account the amount of warranty return and actual current year warranty unit costs as a result of estimates of the return and repair levels that may arise from the past 3 years data regarding the products recorded as revenue in the current year are accounted in the current year (Note 11).

Based on past experience, the Group calculates the return provision for the recognized revenue and is accounted in its consolidated financial statements.

3. CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Cash	-	-
Bank	29.735.846	8.202.150
- Demand deposit	24.985.846	8.202.150
- Time deposit	4.750.000	-
Total	29.735.846	8.202.150

The details of the company's time deposit as of 31 December 2020 are as follows.

31 December 2020	Interest Rate (%)	Maturity	Currency type	Amount
Time deposit	16,00%	4 January 2021	TL	4.750.000

As of 31 December 2020, the time deposit balance is TL 4.750.000 (31 December 2019: not available). There is no blockage or restriction on deposits in banks as of 31 December 2020 and 2019.

Currency, interest rate risks and sensitivity analysis for the financial assets and liabilities of the Group are explained in Note 23.

4. SHORT AND LONG-TERM BORROWINGS AND LEASING PAYABLES

	31 December 2020	31 December 2019
Short term bank loans	110.144.113	63.848.089
Payable from short-term lease transactions	2.882.062	1.982.010
Total short-term borrowings	113.026.175	65.830.099
Payable from long-term lease transactions	4.215.657	1.887.616
Total long-term borrowings	4.215.657	1.887.616
Total	117.241.832	67.717.715

4. SHORT AND LONG-TERM BORROWINGS AND LEASING PAYABLE (Continued)

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a) Bank loans

As of 31 December 2020, and 2019, the interest rate, nominal value, maturity and currency details of borrowings are as follows:

31 December 2020					
Currency Unit	Nominal Interest rate %	Maturity	Short Term	Long Term	Nominal Value
TL loans	7,75%-19,50%	2021	110.144.113	-	106.048.719
Total			110.144.113	-	106.048.719
31 December 2019					
Currency Unit	Nominal Interest rate %	Maturity	Short Term	Long Term	Nominal Value
TL loans	10%-24,75%	2020	63.848.089	-	63.780.000
Total			63.848.089	-	63.780.000

As of 31 December 2020, the Group has a check guarantee amounting to TL 29.674.496 for bank loans (31 December 2019: TL 35.788.975). Currency, interest rate risks and sensitivity analysis for the financial assets and liabilities of the Group are explained in Note 23.

1 January 2020	Additions	Interest expense	Payments on borrowings	31 December 2020
63.848.089	258.179.010	9.473.365	(221.356.351)	110.144.113
1 January 2019	Additions	Interest expense	Payments on borrowings	31 December 2019
51.177.252	433.021.260	20.891.663	(441.242.086)	63.848.089

b) Payables from leasing transactions

As of 31 December 2020 and 31 December 2019, details of lease payables are as follows:

	31 December 2020	31 December 2019
Less than 1 year	3.579.590	2.363.750
From 1 to 5 years	4.571.530	2.086.670
Less: Future interest expense	(1.053.401)	(580.794)
Total	7.097.719	3.869.626

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4. SHORT AND LONG-TERM BORROWINGS AND LEASING PAYABLE (Continued)

b) Payables from leasing transactions (Continued)

The present values of the minimum lease payments of the lease payables are as follows:

	Interest Rate	Currency type	31 December 2020	31 December 2019
Less than a year	13,76%-16,29%	TL	2.882.062	1.982.010
From 1 to 5 years	13,76%-16,29%	TL	4.215.657	1.887.616
Total			7.097.719	3.869.626

1 January 2020	Additions	Interest expense	Payments on interest leases	31 December 2020
3.869.626	6.666.023	982.903	(4.420.833)	7.097.719

1 January 2019	Additions	Interest expense	Payments on interest leases	31 December 2019
4.019.663	2.267.784	409.758	(2.827.579)	3.869.626

5. TRADE RECEIVABLES AND PAYABLES

a) Trade receivables

The details of the Group's trade receivables as of the end of the reporting years are as follows:

Short-term trade receivables	31 December 2020	31 December 2019
Trade receivables	198.078.002	151.137.813
Checks received	73.039.445	59.196.486
Credit card receivables	19.127.710	11.244.025
Notes receivables	32.000	224.000
Doubtful trade receivables	14.622.161	13.745.909
Doubtful trade receivables (-)	(14.622.161)	(13.745.909)
Total	290.277.157	221.802.324

The average maturity of the Group's trade receivables is 176 days (31 December 2019: 181 days). Average maturity calculation was made by considering the balance of trade receivables at the end of the relevant year and the revenue figures realized in the last 12 months.

As of 31 December 2020, a provision amounting to TL 14.622.161 has been reserved for doubtful trade receivables of the Group (31 December 2019: TL 13.745.909).

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5. TRADE RECEIVABLES AND PAYABLES (Continued)

a) Trade receivables (Continued)

The movement table of the Group regarding the provision for doubtful trade receivables is as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Doubtful trade receivable provision movements		
1 January	13.745.909	13.276.129
Current year provision (*) (Note 18)	983.433	1.632.850
Doubtful debt provision released (Note 18)	(107.181)	(1.163.070)
Deleted provisions	-	-
Closing balance	14.622.161	13.745.909

(*) The Group reviews its receivables as of the balance sheet date; It allocates provision for doubtful receivables for trade receivables that are not subject to legal proceedings but whose collectability is doubtful and for which it anticipates that they cannot be collected.

The Group's 2.167.630 TL long-term trade receivables that are not from related parties consist of checks received (31 December 2019: None).

The credit and exchange rate risk that the Group is exposed to regarding trade receivables is shown in note 23.

b) Trade payables

The details of the Group's short-term trade payables as of the end of the reporting years are as follows:

Short-term trade payables	31 December 2020	31 December 2019
Trade payables	215.950.920	118.365.736
Expense accruals	1.052.579	862.156
Trade payables to related parties (Note 22)	35.872	24.043
Total	217.039.371	119.251.935

6. OTHER RECEIVABLES AND PAYABLES

a) Other receivables

Other short-term receivables	31 December 2020	31 December 2019
Deposits and guarantees given	95.877	61.200
Due from personnel	72.954	74.841
Total	168.831	136.041

b) Other payables

Other short-term payables	31 December 2020	31 December 2019
Other payables	24.605	236.031
Total	24.605	236.031

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6. OTHER RECEIVABLES AND PAYABLES (Continued)

c) Contracts liabilities

	31 December 2020	31 December 2019
Contracts liabilities (*)	32.061.667	14.592.878
Total	32.061.667	14.592.878

(*) The Group makes endorsement and incentive bonus payments to its customers in line with its performance results. Amounts calculated for these payments are recorded as liabilities arising from customer contracts in the balance sheet, and as sales discounts in the profit or loss statement.

7. INVENTORIES

The details of the Group's Inventories as of the end of the reporting years are as follows:

	31 December 2020	31 December 2019
Finished goods	135.564.786	45.778.365
Other Inventories	1.957	-
Provision for inventory impairment (-)	(858.700)	-
Total	134.708.043	45.778.365

As of 31 December 2020, the insurance amount on the Inventories is TL 90.385.000 and the carried amounts are under insurance. (31 December 2019: TL 104.000.000). Movement of the provision for inventory impairment is as follows:

	31 December 2020	31 December 2019
Beginning of the year	-	-
Provisions during the year	(858.700)	-
Total	(858.700)	-

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8. PREPAID EXPENSES AND DEFERRED INCOME

The details of the Group's prepaid expenses as of the end of the reporting years are as follows:

	31 December 2020	31 December 2019
Short term		
Advances given (*)	7.078.241	8.277.489
Short term deferred income	1.258.843	1.086.340
Total short term	8.337.084	9.363.829
Long term		
Advances given (*)	327.555	357.306
Long term deferred income	143.551	170.056
Total long term	471.106	527.362

(*) Advances given at the end of the reporting years consist of prepayments made to suppliers.

The details of the Group's deferred income as of the end of reporting years are as follows:

	31 December 2020	31 December 2019
Short term		
Received advances	2.016.861	4.312.746
Deferred income	12.834	-
Total deferred income	2.029.695	4.312.746

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9. PROPERTY, PLANT, AND EQUIPMENT

Cost value	Vehicles	Furniture and Fixtures	Leasehold improvements	Ongoing investments	Total
Balance at 1 January 2020	1.264.776	26.218.121	2.883.320	556.569	30.922.786
Additions	803.727	12.068.993	-	1.515.957	14.388.677
Disposals	-	(2.214)	-	-	(2.214)
Transfers (*)	-	-	-	(554.275)	(554.275)
Closing balance as of 31 December 2020	2.068.503	38.284.900	2.883.320	1.518.251	44.754.974
Accumulated depreciation					
Balance at 1 January 2020	(97.917)	(9.686.185)	(2.716.469)	-	(12.500.571)
Current expense	(266.476)	(2.653.761)	(165.527)	-	(3.085.764)
Closing balance as of 31 December 2020	(364.393)	(12.339.946)	(2.881.996)	-	(15.586.335)
Net book value as of 1 January 2020	1.166.859	16.531.936	166.851	556.569	18.422.215
Net book value as of 31 December 2020	1.704.110	25.944.954	1.324	1.518.251	29.168.639

(*) Transferred to intangible fixed assets. For the year ending on 31 December 2020, the total amount of depreciation expenses recognized in cost of sales, marketing, sales and distribution expenses and general administrative expenses are TL 1.431.295, TL 805.215 and TL 849.254, respectively (31 December 2019: TL 874.758, TL 716.870 and TL 554.461).

As of 31 December 2020, the amount of insurance coverage on fixed assets is TL 6.898.130 (31 December 2019: TL 6.019.158). There is no mortgage on fixed assets as of 31 December 2020 (31 December 2019: None).

As of 31 December 2020, the Group does not have any capitalized borrowing costs (31 December 2019: None).

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9. PROPERTY, PLANT, AND EQUIPMENT (Continued)

Cost value	Vehicles	Furniture and Fixtures	Leasehold improvements	Ongoing investments	Total
Balance at 1 January 2019	145.327	19.659.097	2.883.320	234.005	22.921.749
Additions	1.119.449	5.915.883	-	1.109.410	8.144.742
Transfers (*)	-	643.141	-	(786.846)	(143.705)
Closing balance as of 31 December 2019	1.264.776	26.218.121	2.883.320	556.569	30.922.786
Accumulated depreciation					
Balance at 1 January 2019	(43.307)	(7.847.239)	(2.463.936)	-	(10.354.482)
Current expense	(54.610)	(1.838.946)	(252.533)	-	(2.146.089)
Closing balance as of 31 December 2019	(97.917)	(9.686.185)	(2.716.469)	-	(12.500.571)
Net book value as of 1 January 2019	102.020	11.811.858	419.384	234.005	12.567.267
Net book value as of 31 December 2019	1.166.859	16.531.936	166.851	556.569	18.422.215

(*) Transferred to intangible fixed assets.

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10. INTANGIBLE FIXED ASSETS, INVESTMENT PROPERTIES AND RIGHT TO USE ASSETS

Cost value	Rights	Research and development expenses	Total
Balance at 1 January 2020	9.175.893	2.766.811	11.942.704
Additions	2.270.555	-	2.270.555
Transfers (*)	385.975	168.300	554.275
Closing balances as of 31 December 2020	11.832.423	2.935.111	14.767.534
Accumulated amortization			
Balance at 1 January 2020	(6.255.272)	(2.088.978)	(8.344.250)
Current expense	(1.252.767)	(240.383)	(1.493.150)
Closing balance as of 31 December 2020	(7.508.039)	(2.329.361)	(9.837.400)
Net book value as of 1 January 2020	2.920.621	677.833	3.598.454
Net book value as of 31 December 2020	4.324.384	605.750	4.930.134

(*) Transferred from construction in progress accounted under tangible fixed assets.

Cost value	Rights	Research and development expenses	Total
Balance at 1 January 2019	7.611.622	2.677.725	10.289.347
Additions	1.506.652	3.000	1.509.652
Transfers (*)	57.619	86.086	143.705
Closing balances as of 31 December 2019	9.175.893	2.766.811	11.942.704
Accumulated amortization			
Balance at 1 January 2019	(5.322.081)	(1.763.427)	(7.085.508)
Current expense	(933.191)	(325.551)	(1.258.742)
Closing balance as of 31 December 2019	(6.255.272)	(2.088.978)	(8.344.250)
Net book value as of 1 January 2019	2.289.541	914.298	3.203.839
Net book value as of 31 December 2019	2.920.621	677.833	3.598.454

(*) Transferred from construction in progress accounted under tangible fixed assets.

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10. INTANGIBLE FIXED ASSETS, INVESTMENT PROPERTIES AND RIGHT TO USE ASSETS (Continued)

Amortization amounts recognized in marketing, sales and distribution expenses and general administrative expenses for the year ending on 31 December 2020 are TL 1.187.453 and TL 305.697, respectively (31 December 2019: TL 1.086.262 and TL 172.480).

As of 31 December 2020, the Group does not have any capitalized borrowing costs (31 December 2019: None).

INVESTMENT PROPERTIES

The investment properties of the Group have been purchased by bartering the real estates for which mortgages have been secured against commercial receivables against the receivables of the Group.

As of 31 December 2020, the net book value of investment properties is TL 153.600 (31 December 2019: 480.034 TL).

As of 31 December 2020, investment properties consist of flats with a cost of TL 160.000. The relevant flat was taken into the assets of the Group on 1 April 2019, based on its trade receivables.

As of 16 June 2017, the Group purchased a store in Samsun with a value of TL 340.000 from a customer of the Group in return for trade receivables and sold the relevant property for TL 350.000 on 20 April 2020.

RIGHT TO USE ASSETS

	Building	Vehicle	Total
31 December 2020			
Cost			
1 January 2020	2.781.462	3.505.985	6.287.447
Additions	134.213	6.531.810	6.666.023
Closing balance	2.915.675	10.037.795	12.953.470
Accumulated amortization			
1 January 2020	1.344.520	1.238.201	2.582.721
Current depreciation	1.200.478	2.393.535	3.594.013
Closing balance	2.544.998	3.631.736	6.176.734
Net book value as of 31 December 2020	370.677	6.406.059	6.776.736
31 December 2019			
Cost			
IFRS 16 opening effects	2.781.462	1.238.201	4.019.663
Additions	-	2.267.784	2.267.784
Closing balance	2.781.462	3.505.985	6.287.447
Accumulated amortization			
IFRS 16 opening effects	-	-	-
Current depreciation	1.344.520	1.238.201	2.582.721
Closing balance	1.344.520	1.238.201	2.582.721
Net book value as of 31 December 2019	1.436.942	2.267.784	3.704.726

Amortization amounts of TL 1.186.024 and TL 2.407.989 in marketing, sales and distribution expenses and general administrative expenses for the year ending on 31 December 2020, respectively (31 December 2019: TL 1.276.026 and TL 1.306.695).

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11. PROVISIONS, CONTINGENT ASSET AND LIABILITIES

a) Provisions

	31 December 2020	31 December 2019
Short term provisions		
Warranty provision	4.372.920	2.873.683
Lawsuit provision	97.931	221.312
Sales premium provision	388.414	289.204
Other	328.644	353.166
Total	5.187.909	3.737.365
Lon term provisions		
Warranty provision	2.846.929	1.439.089
Total	2.846.929	1.439.089

Movement of total short- and long-term guarantee provision is as follows:

	31 December 2020	31 December 2019
1 January	4.312.772	3.761.450
Provisions made during the year	9.598.160	6.348.519
Used during the year	(6.691.083)	(5.797.197)
Closing balance	7.219.849	4.312.772

Movement of other short-term provisions is as follows:

	Lawsuit provision	Provision of sales premium	Other
1 January 2020	221.312	289.204	353.166
Provisions made during the year	-	388.414	300.000
Used during the year	(123.381)	(289.204)	(324.522)
31 December 2020	97.931	388.414	328.644

	Lawsuit provision	Provision of sales premium	Other
1 January 2019	128.848	520.000	787.686
Provisions made during the year	92.464	289.204	53.166
Used during the year	-	(520.000)	(487.686)
31 December 2019	221.312	289.204	353.166

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11. PROVISIONS, CONTINGENT ASSET AND LIABILITIES (Continued)

b) Collateral / pledges / mortgages ("TRI")

Collaterals pledges and mortgages ("CPM") given by the Company as of 31 December 2020 and 2019 are as follows:

	31 December 2020			31 December 2019		
	Original balances			Original balances		
	Total TL Equivalent	TL Balances	USD Balances	Total TL Equivalent	TL Balances	USD Balances
A. CPM's given in the behalf of own company (*)	7.500.000	7.500.000	-	700.000	700.000	-
B. CPM's given on behalf of the fully consolidated subsidiaries	-	-	-	-	-	-
C. CPM's given on behalf of third parties or ordinary course of business	-	-	-	-	-	-
D. Total amount of other CPM's given	-	-	-	-	-	-
i. Total amount of CPM's given on behalf of the parent	-	-	-	-	-	-
ii. Total amount of CPM's given on behalf of the group companies which are not in scope of B and C	-	-	-	-	-	-
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C	-	-	-	-	-	-
Total	7.500.000	7.500.000	-	700.000	700.000	-

The ratio of other CPM's given by the Group to the Group's equity is 0% as of 31 December 2020 (31 December 2019: 0%).

(*) In addition, as of 31 December 2020, the total amount of customer checks given as collateral to the Group is TL 29.674.496 (31 December 31, 2019: TL 35.788.975).

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11. PROVISIONS, CONTINGENT ASSET AND LIABILITIES (Continued)

c) Guarantees / pledges / mortgages received ("GPM")

As of 31 December 2020, and 2019, the company's GPM's are as follows:

Type	31 December 2020	31 December 2019
Letters of guarantee	9.590.525	10.567.868
Coface	41.271.903	39.557.844
Mortgage (*)	8.047.163	5.715.457
Exim Bank	1.042.284	3.770.651
DBS/DTS	11.672.109	-
Total	71.623.984	59.611.820

(*) 75% of the mortgages are considered.

d) Letter of credits

The letter of credit information of the Group as of 31 December 2020 and 2019 is as follows:

Type	31 December 2020		31 December 2019	
	USD	TL	USD	TL
Letter of credits for import	663.924	4.873.532	545.030	3.237.590
Total	663.924	4.873.532	545.030	3.237.590

e) Cheques received and notes received

As of 31 December 2020, the total amount of cheques received as guarantee for the future sales of the Group is TL 18.579.526 (31 December 2019 – TL 10.537.407).

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12. EMPLOYEE BENEFITS

12.1 Liabilities for employee benefits

	31 December 2020	31 December 2019
Due to personnel	163.655	31.023
Social security premiums payables	3.904.976	848.574
Total	4.068.631	879.597

12.2 Provisions for employee benefits

	31 December 2020	31 December 2019
Short term		
Premium provision	9.585.681	2.548.883
	9.585.681	2.548.883
Long term		
Provision for severance pay	2.505.772	1.896.338
Unused vacation provision	1.488.869	1.166.671
	3.994.641	3.063.009

Under the Turkish Labor Law, the Group is required to pay employment termination benefits to each employee who has qualified for such benefits as the employment ended. Additionally, employees entitled to a retirement are required to be paid retirement pay in accordance with Law No: 2422 dated 6 March 1981 and No: 4447 dated 25 August 1999 and the amended Article 60 of the existing Social Insurance Code No: 506, Some transitional provisions related with retirement prerequisites have been removed due to the amendments dated 23 May 2002.

As 31 December 2020, severance pay is subject to a monthly ceiling of TL 7.117,17 (31 December 2019: TL 6.379,86).

Provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees, TAS 19 "Employee Benefits" requires actuarial valuation methods to be used to estimate the Group's obligation under the defined benefit plans. The following actuarial assumptions are used in the calculation of the total liability

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, the liabilities in the accompanying consolidated financial statements as of 31 December 2020 and 31 December 2019 are calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provision at the end of the reporting year is calculated by using approximately 3,74% net discount rate based on the assumptions of an annual inflation rate of 9,50% and an interest rate of 13,60% in the consolidated financial statements of the Group (31 December 2019: 8% annual inflation and 12,2%) Calculated using a net discount rate of approximately 3,89% based on interest rate assumptions). The estimated rate of severance pays amounts that will not be paid as a result of voluntary leaves and remain in the Group has also been taken into consideration.

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12. EMPLOYEE BENEFITS (Continued)

12.2 Provisions for employee benefits

	1 January- 31 December 2020	1 January- 31 December 2019
Movement of severance pay provision:		
Provision as of 1 January	1.896.338	1.130.470
Service cost	303.013	307.709
Interest cost	231.353	137.917
Paid severance pays	(228.951)	(559.419)
Actuarial difference	304.019	879.661
Provision at the end of the year	2.505.772	1.896.338

The sensitivity analysis of the important assumptions used in the calculation of the provision for severance pay is as follows:

	31 December 2020		31 December 2019	
	10% increase	10% decrease	10% increase	10% decrease
Net discount rate				
Change in severance pay liability	(110.870)	119.296	(83.064)	89.026

	1 January- 31 December 2020	1 January- 31 December 2019
Movement of unused vacation provision:		
Provisions as of 1 January	1.166.671	736.283
Current provisions expense / (reversal), net	322.198	430.388
Provision at the end of the year	1.488.869	1.166.671

	1 January- 31 December 2020	1 January- 31 December 2019
Movement table for premium provision		
1 January	2.548.883	4.801.826
Provision made during the year	9.585.681	2.548.883
Provision paid during the year	(2.548.883)	(4.801.826)
Provision at the end of the year	9.585.681	2.548.883

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13. OTHER ASSETS AND LIABILITIES

a- Other short-term assets

	31 December 2020	31 December 2019
VAT receivables	10.149.276	-
	10.149.276	-

b- Other short term liabilities

	31 December 2020	31 December 2019
Taxes and funds payables	1.502.111	1.446.960
	1.502.111	1.446.960

14. SHARE CAPITAL

a) Capital

As of 31 December 2020, and 2019, the company's paid-in capital structure is as follows:

Partners	31 December 2020			31 December 2019		
	Group	Share Amount	%	Group	Share Amount	%
Talip Murat Kolbaşı	A	3.449.692	10.71	A	3.449.692	10.71
Ali Osman Kolbaşı	A	3.066.392	9.52	A	3.066.392	9.52
Yasemin Rezan Kolbaşı	A	2.710.472	8.42	A	2.710.472	8.42
Zeynep Figen Peker	A	2.710.472	8.42	A	2.710.472	8.42
Aliye Kolbaşı	A	1.971.250	6.12	A	1.971.250	6.12
Oktay Kolbaşı	A	1.259.411	3.91	A	1.259.411	3.91
Rengin Yağan	A	1.259.411	3.91	A	1.259.411	3.91
Murat Erkurt	B	209.135	0.65	B	209.135	0.65
Ahmet Faralyalı	B	201.550	0.63	B	201.550	0.63
Orhan Ayanlar	B	25.402	0.07	B	25.402	0.07
Cenk Coşkuntürk	B	25.402	0.07	B	25.402	0.07
Halit Görkem Oktay	B	18.965	0.06	B	18.965	0.06
SDA International S.a.r.l	B	-	-	B	15.302.446	47.51
Publicly Traded (*)	B	15.302.446	47.51	B	-	-
Paid-in capital		32.210.000			32.210.000	
Capital adjustment positive differences		148.360			148.360	

(*) The company is registered with the Capital Markets Board ("CMB") and its shares are traded on Borsa Istanbul A.Ş. ("BIST") as of 2020. 47,51% of Company's shares are registered in BIST as of 31 December 2020. The other shareholders and their share rates as of the same date are as above.

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14. SHARE CAPITAL (continued)

As of 31 December 2020, the company's official and nominal capital is TL 32.210.000 (31 December 2019: TL 32.210.000). This capital is divided into 32.210.000 registered shares, each with a nominal value of 1 TL (31 December 2019: 32.210.000). The shares consist of 16.427.100 A group and 15.782.900 B group shares. The shares of SDA International, which owns 15.302.446 registered shares and 47,51% of the capital, have been offered to the public. There are no privileged shares.

As of 31 December 2020, the positive difference of the capital adjustment of the Company is TL 148.360. (31 December 2019: TL 148.360).

Within the scope of the Company's Articles of Association, half of the members of the Board of Directors will be elected from among the candidates determined by the majority of the A Group shareholder in the Board of Directors consisting of at least five members. The number of members of the Board of Directors to be elected from among the candidates to be determined by the majority of the A Group shareholder can never exceed half of the total number of Board members. If the total number of members of the Board of Directors is odd and therefore half of them are fractional, the number of members of the Board of Directors to be appointed by Group A shareholders is rounded down, and the said shares do not have any privileges on voting.

b) Share premium

In the extraordinary general assembly meeting held on 14 April 2008, the sale of Company shares worth TL 4.608.000 to Turkish Household Appliances was approved. Turkish Household Appliances. TL 12.850.000 was paid for the shares sold and TL 8.242.000 of this was recorded as share premium.

In the extraordinary general assembly meeting held on 4 March 2009, the sale of Company shares worth TL 2.500.980 to Turkish Household was approved. For the shares sold by Turkish Household, TL 12.894.728 was paid and TL 10.393.298 of this was recorded as share premium.

c) Legal reserves

The statutory legal reserves consist of first and second reserves, appropriated in accordance with TCC. TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the entity's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital. As of 31 December 2020, the Group's legal reserves included in the restricted reserves account allocated from profit is TL 6.401.154 (31 December 2019: TL 5.330.577).

d) Foreign currency translation differences

Foreign currency conversion differences consist of the differences arising from the conversion of the financial statements of Arzum Asia Pacific, whose functional currency is the US dollar, and Arzum Europe, whose functional currency is the Euro, into TL, which is the reporting currency. As of 31 December 2020, the Group's total foreign currency translation differences is TL 1.386.894 (31 December 2019: TL 738.890).

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14. SHARE CAPITAL (continued)

e) Retained earnings

The Group has accumulated previous year's profits amounting to TL 38.483.735 as of 31 December 2020 (31 December 2019: TL 27.978.352).

Dividend:

Retained earnings in statutory books can be distributed except for the provision regarding legal reserves mentioned above.

Based on the decision of the Board of Directors dated 29 June 2020, at the Ordinary General Assembly dated 10 July 2020, the company paid the remaining TL 3.816.690 of 25% of the net profit for 2019 after the compulsory legal reserves were paid as dividends to the company partners on 20 July 2020. The amount of dividend distributed per share is TL 0,12.

15. REVENUE AND COST OF SALES

	31 December 2020	31 December 2019
a) Revenues		
Domestic sales	1.163.085.427	896.683.722
Foreign sales	72.423.856	45.867.191
Gross sales	1.235.509.283	942.550.913
Sales returns	(16.072.086)	(14.822.510)
Sales discounts	(611.951.502)	(479.732.131)
Net sales	607.485.695	447.996.272
b) Cost of sales		
Cost of goods sold (-)	402.737.859	302.202.934
Warranty expenses	9.598.160	6.348.519
Depreciation expenses and amortization	1.431.295	874.758
	413.767.314	309.426.211

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16. MARKETING, SALES AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

	31 December 2020	31 December 2019
a) Marketing, Sales and Distribution Expenses		
Advertising and marketing expenses (*)	31.575.747	17.561.795
Personnel expenses	30.335.461	17.223.023
Outsourcing expenses	13.867.291	13.913.324
Storage expenses	9.212.803	7.449.293
Distribution expenses	7.125.070	6.822.679
Depreciation expenses and amortization	3.178.692	3.079.158
Consulting expenses (*)	2.663.751	1.893.922
Market research expenses	1.214.344	1.316.852
Communication expenses	802.860	564.809
Motor vehicle expenses	723.134	1.158.045
Exhibition and fair expenses	587.570	953.266
Travel expenses	378.439	1.126.747
Freight expenses	366.686	259.362
Other	2.081.438	1.460.227
Total	104.113.286	74.782.502

(*) Due to the public offering process that took place in December, the Company has one-off marketing expenses amounting to approximately KTL 2.500 (Television advertising expenses of KTL 1.500, advertising production costs of KTL 700, other expenses of KTL 300.)

	31 December 2020	31 December 2019
b) General and administrative expenses		
Personnel expenses (**)	20.052.496	10.940.619
Consulting expenses (**)	5.308.697	3.140.318
Depreciation expenses and amortization	3.569.340	2.053.602
Office expenses	1.021.661	1.184.371
Insurance expenses	588.328	566.285
Taxes, fees and charges	300.889	258.063
Repair and maintenance expenses	222.043	104.509
Travel expenses	122.263	392.117
Other	4.241.439	2.593.498
Total	35.427.156	21.233.382

(**) Due to the public offering process realized in December, the Company has one-off general management expenses of amounting to approximately KTL 7.800 (Personnel premium expenses of KTL 6.500, financial consultancy expenses of KTL 1.000, other costs of KTL 300 consulting expenses)

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17. EXPENSES BY NATURE

	31 December 2020	31 December 2019
Cost of goods sold	402.737.859	302.202.934
Personnel expenses (*)	50.387.957	28.163.642
Advertising and marketing expenses (*)	31.575.747	17.561.795
Outsourcing expenses	13.867.291	13.913.324
Warranty expenses	9.598.160	6.348.519
Storage expenses	9.212.803	7.449.293
Depreciation expenses and amortization	8.179.327	6.007.518
Consulting expenses (*)	7.972.448	5.034.240
Distribution expenses	7.125.070	6.822.679
Market research expenses	1.214.344	1.316.852
Office expenses	1.021.661	1.184.371
Communication expenses	802.860	564.809
Motor vehicle expenses	723.134	1.158.045
Insurance expenses	588.328	566.285
Exhibition and fair expenses	587.570	953.266
Travel expenses	500.702	1.384.810
Freight expenses	366.686	259.362
Taxes, fees and charges	356.835	392.117
Repair and maintenance expenses	222.043	104.509
Other	6.266.931	4.053.725
Total	553.307.756	405.442.095

(*) See Note 16 and Note 17 for explanation.

18. OTHER INCOME / EXPENSES FROM OPERATING ACTIVITIES

	31 December 2020	31 December 2019
Other income from operating activities		
Foreign exchange gains from derivative products	2.546.143	-
Foreign exchange gains, (net)	1.431.103	796.751
Deferred finance income	1.832.534	-
Bank promotion revenues	-	423.729
Other	873.520	1.083.337
Total	6.683.300	2.303.817

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18. OTHER INCOME / EXPENSES FROM OPERATING ACTIVITIES (Continued)

	31 December 2020	31 December 2019
Other expenses from operating activities		
Doubtful receivables provisions, (net)	876.252	469.780
Derivative products exchange difference expenses	-	1.918.471
Deferred financial expense	-	378.202
Other	635.819	269.973
Total	1.512.071	3.036.426

19. FINANCIAL INCOME AND EXPENSES

	1 January- 31 December 2020	1 January- 31 December 2019
Financial income		
Finance income	1.382.539	666.823
Foreign exchange gains, (net)	467.961	1.579.692
Total	1.850.500	2.246.515

	1 January- 31 December 2020	1 January- 31 December 2019
Financial expenses		
Loan interest expenses	9.473.365	20.891.663
Bank commission and pos expenses	2.547.319	2.097.164
Interest expenses on leasing transactions	982.903	409.758
Total	13.003.587	23.398.585

20. TAX ASSETS AND LIABILITIES

		1 January- 31 December 2020	1 January- 31 December 2019
Tax expense			
Corporate tax expense	53	18.923.066	4.213.575
Deferred tax (expense) / income		(7.194.185)	1.063.273
Total		11.728.881	5.276.848

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20. TAX ASSETS AND LIABILITIES (Continued)

Current tax asset / (liability)	31 December 2020	31 December 2019
Corporate tax provision	18.923.066	4.213.575
Prepaid taxes (-)	(22.708.028)	(7.645.072)
Corporate tax provision / (assets related to current tax), net	(3.784.962)	(3.431.497)

Corporation tax

The company and its subsidiaries, affiliates and partnerships subject to joint management established in Turkey and other countries within the scope of consolidation are subject to the applicable tax legislation and practices of the countries in which they operate.

Corporate tax rate in Turkey is 20%. The corporate tax rate is applied to the net corporate income to be found as a result of adding the non-deductible expenses to the commercial earnings of the companies, and deducting the exemptions and deductions stated in the tax laws. Corporate tax is declared until the evening of the twenty-fifth of the fourth month following the end of the relevant year and is paid until the end of the relevant month.

Companies calculate 20% advance tax over their quarterly financial profits and declare it until the 14th day of the second month following that year and pay it until the evening of the seventeenth day. The temporary tax paid during the year belongs to that year and is deducted from the corporate tax to be calculated over the corporate tax return to be submitted in the following year. Despite the deduction, if there is a prepaid tax amount left, this amount can be refunded or deducted.

According to the Corporate Tax Law, the financial losses shown on the declaration can be deducted from the corporate tax base of the year, provided that they do not exceed 5 years. Declarations and related accounting records can be reviewed by the tax office within five years.

Dividend payments made to companies residing in Turkey, other than those who are not liable for corporate tax and income tax and those who are exempted, and those made to real persons and non-resident real persons and legal persons who are not resident in Turkey are subject to 15% income tax.

Dividend payments made from companies residing in Turkey to joint stock companies also residing in Turkey are not subject to income tax. In addition, no income tax is calculated if the profit is not distributed or added to the capital.

With the regulation included in the sixth paragraph added to Article 32 of the Corporate Tax Law with article 35 of the Law No. 7256, the shares of the institutions whose shares were offered to the public at least 20% to be traded on the Borsa Istanbul Equity Market for the first time It is stipulated that the corporate tax rate will be applied with a 2-point discount (at the rate of 18%) on corporate earnings for five accounting years, starting from the fiscal year. This arrangement; It entered into force on 17 November 2020 to be applied to earnings from January 1, 2021 (the beginning of the special accounting year that started in the 2021 calendar year for taxpayers subject to the special accounting year).

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20. TAX ASSETS AND LIABILITIES (Continued)

Turkish tax legislation does not allow the parent company to file a tax return over the consolidated financial statements of its subsidiaries. For this reason, tax liabilities reflected in the consolidated financial statements of the Group have been calculated separately for all companies included in the scope of consolidation. In the financial statements dated 31 December 2020 and 2019, the tax amounts to be paid were netted off for each Subsidiary and classified separately in the consolidated financial statements.

Income tax withholding

In addition to corporate tax, it is required to calculate income tax withholding on dividends, excluding those distributed to full-fledged taxpayer institutions and branches of foreign companies in Turkey, which receive dividends in case of distribution and include these dividends in their corporate income. Income withholding tax was applied as 10% between April 24, 2003 and 22 July 2006 in all companies. This rate has been applied as 15% since 22 July 2006, with the decision of the Council of Ministers numbered 2006/10731. Dividends that are not distributed but added to the capital are not subject to income tax withholding.

As of 31 December 2020, the Hong Kong corporate tax rate is %8,25 (31 December 2019: %8,25)

Deferred tax

The Group calculates deferred tax assets and liabilities for temporary timing differences arising from differences between the legal consolidated financial statements prepared for tax purposes and the consolidated financial statements prepared for reporting purposes. The aforementioned differences are generally due to the fact that some income and expense items are included in taxable consolidated financial statements and consolidated financial statements prepared in accordance with TAS / TFRS in different years, and these differences are specified below. Since the tax rate used in the calculation of the Company's deferred tax assets and liabilities has changed to 18% for 5 years from January 1, 2021, in deferred tax calculation as of 31 December 2020, for temporary differences expected to be realized / closed until 31 December 2025. 18% tax rate has been used. This rate will be valid for the years 2021, 2022, 2023, 2024 and 2025.

Deferred tax assets / liabilities	Cumulative temporary differences		Deferred tax	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Right-of-use assets	(6.776.736)	(3.704.726)	(1.219.812)	(740.945)
Lease payables	7.097.719	3.869.626	1.277.589	801.459
Trade payables and other liabilities	25.807.646	902.560	5.788.059	198.563
Warranty provisions	7.219.849	4.312.772	1.299.573	948.808
Trade and other receivables	3.525.134	1.981.967	634.524	436.033
Employee benefits	3.994.641	3.063.009	719.035	622.450
Tangible and intangible assets	3.545.854	1.132.339	638.254	569.537
Inventories	(306.641)	(963.272)	(55.195)	(211.920)
Derivative instruments	3.288.626	63.753	591.953	14.026
Other assets	807.521	(349.701)	145.354	(73.666)
Deferred tax asset, net			9.819.334	2.564.345

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20. TAX ASSETS AND LIABILITIES (Continued)

Unrecognized deferred tax assets

As of 31 December 2020, there are no unrecorded deferred tax assets.

As of 31 December 2020, and 2019, the movement of deferred tax asset is as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Deferred tax asset:		
Opening balance on 1 January	2.564.345	3.451.686
Deferred tax income recorded in profit or loss	7.194.185	(1.063.273)
Tax (expense) / income on other comprehensive income items	60.804	175.932
Closing balance at the end of the year	9.819.334	2.564.345

Reconciliation of current tax expense with year profit is as follows:

	1 January – 31 December 2020	%	1 January – 31 December 2019	%
Pre-tax profit	48.196.081		20.669.498	
Tax expense calculated with the income tax rate	(10.603.138)	22	(4.547.290)	22
Disallowable expenses	(498.056)		(790.878)	
Tax-exempt income	79.926		127.746	
Differences due to corporate tax rate deduction and other	(707.613)		(66.426)	
Current tax expense	(11.728.881)		(5.276.848)	

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21. EARNINGS PER SHARE

	1 January – 31 December 2020	1 January – 31 December 2019
Profit per share		
Average number of common shares available during the year (exact value)	32.210.000	32.210.000
Total	32.210.000	32.210.000
Term profit	36.467.200	15.392.650
Loss per ordinary share (1 TL nominal equivalent)	1,1322	0,4779

22. RELATED PARTY DISCLOSURES

Defining a company as a related company is determined depending on whether one of the companies has control power over another or has a significant influence on the financial and administrative decisions of the relevant company.

Trade payables to related parties

As of 31 December 2020, and 2019, the Group's trade payables to related parties are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Glasshouse Bilgi Sistemleri Ticaret Anonim Şirketi A.Ş. (1)	18.172	-
İstinye Kurumsal Danışmanlık Hizmetleri A.Ş. (1)	17.700	17.700
Mobiliz Bilgi ve İletişim Hizmetleri A.Ş. (1)	-	3.109
ACP Sigorta ve Reasürans Brokerliği A.Ş. (1)	-	3.234
Total	35.872	24.043

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22. RELATED PARTY DISCLOSURES (Continued)

Goods and service purchases from related parties

As of 31 December 2020, and 2019, the Group's purchases of goods and services from related parties are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Kolbaşı Gayrimenkul Değerleme İnş. İç ve Dış Ticaret A.Ş. (1)	117.450	234.904
İstinye Kurumsal Danışmanlık Hizmetleri A.Ş. (1)	180.000	180.000
Glasshouse Bilgi Sistemleri Ticaret Anonim Şirketi A.Ş. (1)	93.772	41.189
Mobiliz Bilgi ve İletişim Hizmetleri A.Ş. (1)	-	19.324
ACP Sigorta ve Reasürans Brokerliği A.Ş. (1)	-	-
Total	391.222	475.417

(1) Company controlled by partners

Benefits provided to senior managers:

The benefits provided to senior executives during the year are as follows:

	1 January – 31 December 2020 (*)	1 January – 31 December 2019
Fees and other benefits	14.538.641	7.912.162
	14.538.641	7.912.162

Benefits provided to senior managers include wages, bonuses, insurance and similar benefits.

(*) Approximately KTL of 6.500 is related to the public offering in December.

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23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Capital risk management

Capital risk management of the Group aims to maximize the profitability through the optimization of the debt and equity balance, while maintaining the continuity of its business operations.

The funding structure of the Group consists of debts including the loan disclosed in Note 4 and equity items that include the issued capital, reserves and previous year earnings, respectively.

The net debt / equity ratio as of 31 December 2020 and 2019 is as follows:

	31 December 2020	31 December 2019
Financial liabilities and trade payables	117.241.832	67.717.715
Less: Cash and cash equivalents	(29.735.846)	(8.202.150)
Net debt	87.505.986	59.515.565
Total equity	131.776.680	98.721.381
Total capital	32.210.000	32.210.000
Debt / equity ratio	0,6640	0,6029

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Group tries to reduce the credit risk by performing its transactions only with parties that have credit credibility and, where possible, obtaining sufficient collateral. The credit risks that the Group is exposed to are constantly monitored. Credit risk is controlled by the insurance policy for customers and the limits examined and approved by the Group management.

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23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Credit risk management (continued)

Trade receivables include a large number of customers spread across various sectors and geographical areas.

	Book value	
	31 December 2020	31 December 2019
Domestic (Trade receivables from third parties)	274.363.151	206.290.356
Foreign (Trade receivables from third parties)	18.081.636	15.511.968
Total	292.444.787	221.802.324

	Receivables				
	Trade receivables		Other receivables		Cash and cash equivalents (3)
	Related party	Other party	Related party	Other party (2)	
31 December 2020					

Maximum credit risk exposed as of the end of the reporting year (1)	-	292.444.787	-	95.877	29.735.846
- The part of the maximum risk under guarantee with collateral etc. (4)	-	71.623.984	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	-	276.362.181	-	95.877	29.735.846
B. The book value of financial assets whose conditions have been renegotiated, otherwise deemed overdue or impaired	-	-	-	-	-
Net book value of assets that are overdue but not impaired	-	16.082.606	-	-	-
- the part secured with security, etc.	-	11.711.727	-	-	-
D. Net book values of impaired assets	-	-	-	-	-
Overdue (gross book value)	-	14.622.161	-	-	-
- Impairment (-)	-	(14.622.161)	-	-	-
- The part of the net value that is secured with security, etc.	-	-	-	-	-
- Not overdue (gross book value)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- The part of the net value that is secured with security, etc.	-	-	-	-	-
E. Elements containing credit risk outside the statement of financial position	-	-	-	-	-

(1) In determining the amount, factors that increase credit reliability, such as guarantees received, have not been taken into account.

(2) Does not include VAT amounts and deposits and guarantees given.

(3) Does not include cash amounts in the safe.

(4) Letters of guarantee consist of mortgage, coface, DBS / DTS and Eximbank balances (Note 11 c).

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24. FINANCIAL INSTRUMENTS (Continued)

31 December 2019	Loans and receivables	Financial instruments at fair value through profit or loss	Financial liabilities shown at amortized value	Registered value	Fair value	Footnote
Financial assets						
Cash and cash equivalents	8.202.150	-	-	8.202.150	8.202.150	3
Trade receivables	221.802.324	-	-	221.802.324	221.802.324	5
Other receivables (*)	74.841	-	-	74.841	74.841	6
Financial liabilities						
Financial liabilities	-	-	67.717.715	67.717.715	67.717.715	4
Trade payables	-	-	119.251.935	119.251.935	119.251.935	5
Derivative financial liabilities	-	63.753	-	63.753	63.753	24
Other payables (**)	-	-	236.031	236.031	236.031	6

(*) It is shown by deducting deposits and guarantees given.

(**) It is shown by deducting deposits and guarantees received.

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23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Credit risk management (continued)

	Receivables				Cash and cash equivalents (3)
	Trade receivables		Other receivables		
31 December 2019	Related party	Other party	Related party	Other Party (2)	
Maximum credit risk exposed as of the end of the reporting year (1)	-	221.802.324	-	74.841	8.202.150
- The part of the maximum risk under guarantee with collateral etc. (4)	-	59.611.820	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	-	210.565.158	-	74.841	8.202.150
B. The book value of financial assets whose conditions have been renegotiated, otherwise deemed overdue or impaired	-	-	-	-	-
Net book value of assets that are overdue but not impaired	-	11.237.166	-	-	-
- the part secured with security, etc.	-	8.427.385	-	-	-
D. Net book values of impaired assets	-	-	-	-	-
Overdue (gross book value)	-	13.745.909	-	-	-
- Impairment (-)	-	(13.745.909)	-	-	-
- The part of the net value that is secured with security, etc.	-	-	-	-	-
- Not overdue (gross book value)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- The part of the net value that is secured with security, etc.	-	-	-	-	-
E. Elements containing credit risk outside the statement of financial position	-	-	-	-	-

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23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Credit risk management (continued)

The aging of the overdue but not impaired receivables is as follows:

31 December 2020	Trade receivables	Other receivables	Total
Past due 1-30 days	8.164.122	-	8.164.122
Past due 1-3 months	5.088.752	-	5.088.752
Past due 3-12 months	372.998	-	372.998
Past due 1-5 years	2.456.734	-	2.456.734
Total overdue receivables	16.082.606	-	16.082.606
The part under guarantee with collateral etc. (4)	11.711.727	-	11.711.727
31 December 2019	Trade receivables	Other receivables	Total
Past due 1-30 days	4.179.030	-	4.179.030
Past due 1-3 months	4.720.235	-	4.720.235
Past due 3-12 months	186.970	-	186.970
Past due 1-5 years	2.150.931	-	2.150.931
Total overdue receivables	11.237.166	-	11.237.166
The part under guarantee with collateral etc. (4)	8.427.385	-	8.427.385

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23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk management

The main responsibility for liquidity risk management rests with senior management. The Group manages liquidity risk by maintaining adequate funds and borrowing reserves by regularly monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below shows the maturity distribution of the Group's financial liabilities. Non-derivative financial liabilities are prepared without discount and based on the earliest payment dates. The interests to be paid on these liabilities are included in the table below.

31 December 2020

Terms according to the contract	Registered value	Cash as per contract sum of outputs (I + II + III)	Less than 6 months (I)	6 to 12 months (II)	More than 1 year (III)
Non derivative financial liabilities					
Financial borrowings and financial lease payables	117.241.832	119.284.122	75.984.665	38.727.927	4.571.530
Trade and other payables	217.063.976	220.463.730	220.463.730	-	-
Derivative instruments					
Derivative liabilities, net	3.288.626	48.370.474	48.370.474	-	-

31 December 2019

Terms according to the contract	Registered value	Cash as per contract sum of outputs (I + II + III)	Less than 6 months (I)	6 to 12 months (II)	More than 1 year (III)
Non derivative financial liabilities					
Financial borrowings and financial lease payables	67.717.715	71.681.485	36.813.795	32.781.020	2.086.670
Trade and other payables	119.487.966	121.639.218	121.639.218	-	-
Derivative instruments					
Derivative liabilities, net	63.753	27.517.476	21.886.212	5.631.264	-

Market risk management

The Group is exposed to financial risks related to changes in foreign exchange rates due to its activities. Market risks encountered at the group level are measured based on sensitivity analysis.

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23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

In the current year, the market risk the Group is exposed to or the method of handling the encountered risks or the method used to measure these risks has not changed compared to the previous year.

Currency risk management

The distribution of the monetary and non-monetary assets and monetary and non-monetary liabilities of the Group in foreign currency as of the end of the reporting year is as follows:

	31 December 2020			
	TL equivalent (functional currency)	Usd	Euro	Other
1. Trade receivables	15.573.322	973.514	935.539	-
2 a. Monetary financial assets	16.279.866	2.003.344	174.771	-
2b. Non-monetary financial assets	-	-	-	-
3. Other	-	-	-	-
4. CURRENT ASSETS	31.853.188	2.976.858	1.110.310	-
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. NON-FIXED ASSETS	-	-	-	-
9. TOTAL ASSETS	31.853.188	2.976.858	1.110.310	-
10. Trade payables	4.477.180	589.203	16.889	-
11. Financial liabilities	-	-	-	-
12a. Other Monetary Liabilities	-	-	-	-
12b. Other Non-Monetary Liabilities	-	-	-	-
13. SHORT-TERM LIABILITIES	4.477.180	589.203	16.889	-
14. Trade payables	-	-	-	-
15. Financial liabilities	-	-	-	-
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
17. LONG-TERM LIABILITIES	-	-	-	-
18. TOTAL LIABILITIES	4.477.180	589.203	16.889	-
19. Net assets / liability position (19a-19b)				
19a. Amount of foreign currency derivative products with active character out of financial position statement	42.861.657	5.839.065	-	-
19b. Amount of derivative products with passive character in non-financial position in foreign currency	42.861.657	5.839.065	-	-
20. Net foreign currency asset liability position				
21. Monetary items net foreign currency asset / liability position (1 + 2a + 5 + 6a-10-11-12a-14-15-16a)	-	-	-	-
22. Financial instruments used for foreign currency hedging total fair value (*)	-	-	-	-
23. The amount of the hedged portion of foreign currency assets	70.237.665	8.226.720	1.093.421	-
24. The amount of the hedged portion of foreign currency liabilities				
1. Trade receivables	27.376.008	2.387.655	1.093.421	-
2 a. Monetary financial assets	-	-	-	-
2b. Non-monetary financial assets	-	-	-	-
3. Other	-	-	-	-
4. CURRENT ASSETS	-	-	-	-

(*) Nominal value

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Currency risk management (continued)

	31 December 2019			
	TL equivalent (functional currency)	Usd	Euro	Other
1. Trade receivables	12.296.971	1.438.715	563.966	-
2 a. Monetary financial assets	5.175.633	698.872	154.000	-
2b. Non-monetary financial assets	-	-	-	-
3. Other	-	-	-	-
4. CURRENT ASSETS	17.472.604	2.137.587	717.966	-
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. NON-FIXED ASSETS	-	-	-	-
9. TOTAL ASSETS	17.472.604	2.137.587	717.966	-
10. Trade payables	6.144.040	836.301	175.111	1.912
11. Financial liabilities	-	-	-	-
12a. Other Monetary Liabilities	-	-	-	-
12b. Other Non-Monetary Liabilities	-	-	-	-
13. SHORT-TERM LIABILITIES	6.144.040	836.301	175.111	1.912
14. Trade payables	-	-	-	-
15. Financial liabilities	-	-	-	-
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
17. LONG-TERM LIABILITIES	-	-	-	-
18. TOTAL LIABILITIES	6.144.040	836.301	175.111	1.912
19. Net assets / liability position (19a-19b)				
19a. Amount of foreign currency derivative products with active character out of financial position statement	26.582.395	4.475.000	-	-
19b. Amount of derivative products with passive character in non-financial position in foreign currency	26.582.395	4.475.000	-	-
20. Net foreign currency asset liability position	-	-	-	-
21. Monetary items net foreign currency asset / liability position (1 + 2a + 5 + 6a-10-11-12a-14-15-16a) 22. Financial instruments used for foreign currency hedging total fair value (*)				
23. The amount of the hedged portion of foreign currency assets	37.910.959	5.776.286	542.855	(1.912)
24. The amount of the hedged portion of foreign currency liabilities				
1. Trade receivables	11.328.564	1.301.286	542.855	(1.912)
2 a. Monetary financial assets	-	-	-	-
2b. Non-monetary financial assets	-	-	-	-
3. Other	-	-	-	-
4. CURRENT ASSETS	-	-	-	-

(*) Nominal value

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23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Sensitivity analysis to currency risk

	31 December 2020		31 December 2019	
	Profit / Loss	Profit / Loss	Profit / Loss	Profit / Loss
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In case of 10% appreciation / depreciation of USD against TL				
1- USD net asset / liability	1.752.658	(1.752.658)	772.990	(772.990)
2- The part protected from USD risk (-)	4.286.166	(4.286.166)	2.658.240	(2.658.239)
3- USD net effect (1 + 2)	6.038.824	(6.038.824)	3.431.230	(3.431.229)
In case of 10% appreciation / depreciation of Euro against TL				
4 - EUR net asset / liability	984.942	(984.942)	361.031	(361.031)
5 - The part protected from Euro risk (-)	-	-	-	-
6- EUR net effect (4 + 5)	984.942	(984.942)	361.031	(361.031)
In case of 10% appreciation / depreciation of other exchange rates against TL				
7- Other foreign currency net asset / liability	-	-	(1.165)	1.165
8- The part protected from other exchange rate risk (-)	-	-	-	-
9- Other currency net effect (7 + 8)	-	-	(1.165)	1.165
TOTAL (3 + 6 + 9)	7.023.766	(7.023.766)	3.791.096	(3.791.095)

Interest rate risk

Changes in market interest rates cause fluctuations in the prices of financial instruments, causing the Group to cope with the interest rate risk. The sensitivity of the Group to interest rate risk is related to the mismatch of assets and liabilities in their maturities.

As of 31 December 2020, and 2019, the Group's interest position is as follows:

	31 December 2020	31 December 2019
Interest position table		
Fixed rate financial instruments		
Financial assets - time deposits	4.750.000	-
Financial liabilities	(117.241.832)	(67.717.715)
Variable rate financial instruments		
Financial liabilities	-	-

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24. FINANCIAL INSTRUMENTS

The Group has calculated the fair values of financial instruments using available market information and appropriate valuation methods. However, as it is necessary to use judgment to find fair value, fair value measurements may not reflect the values that may occur in current market conditions. The fair values of the financial assets and debts, which are shown by the Group management at the cost value discounted with effective interest, including the receivables from the cash and banks, other financial assets and short-term financial debts, are close to their book values considering that they are short-term and that possible losses may be insignificant. the ayes have it. On the other hand, the carried values of short-term loans are assumed to reflect their fair value due to their short term.

31 December 2020	Loans and receivables	Financial instruments at fair value through profit or loss	Financial liabilities shown at amortized value	Registered value	Fair value	Footnote
Financial assests						
Cash and cash equivalents	29.735.846	-	-	29.735.846	29.735.846	3
Trade receivables	292.444.787	-	-	292.444.787	292.444.787	5
Other receivables (*)	95.877	-	-	95.877	95.877	6
Financial liabilities						
Financial liabilities	-	-	-	-	-	
Trade payables	-	-	117.241.832	117.241.832	117.241.832	4
Derivative financial liabilities	-	3.288.626	-	3.288.626	3.288.626	24
Other payables (**)	-	-	24.605	24.605	24.605	6

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24. FINANCIAL INSTRUMENTS (Continued)

31 December 2019	Loans and receivables	Financial instruments at fair value through profit or loss	Financial liabilities shown at amortized value	Registered value	Fair value	Footnote
Financial assests						
Cash and cash equivalents	8.202.150	-	-	8.202.150	8.202.150	3
Trade receivables	221.802.324	-	-	221.802.324	221.802.324	5
Other receivables (*)	74.841	-	-	74.841	74.841	6
Financial liabilities						
Financial liabilities	-	-	67.717.715	67.717.715	67.717.715	4
Trade payables	-	-	119.251.935	119.251.935	119.251.935	5
Derivative financial liabilities	-	63.753	-	63.753	63.753	24
Other payables (**)	-	-	236.031	236.031	236.031	6

(*) It is shown by deducting deposits and guarantees given.

(**) It is shown by deducting deposits and guarantees received.

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24. FINANCIAL INSTRUMENTS (Continued)

Classification of measurement by fair value

The Group makes the classification of the measurement of financial instruments with their fair value at three levels according to the source of the financial instruments as follows:

Level 1: For identical assets or liabilities in active markets (unadjusted) prices;

Level 2: 1st place other than quoted prices and asset or liability, either directly (as prices) or indirectly (i.e. derived from prices) observable data;

Level 3: Asset or liability is not based on observable market data in relation to the data (non- observable data).

The fair value classification of financial assets and liabilities measured at their fair values as of 31 December is as follows:

31 December 2020	Level 1	Level 2	Level 3
Derivative financial liabilities (*)	-	3.288.626	-
31 December 2019	Level 1	Level 2	Level 3
Derivative financial liabilities (*)	-	63.753	-

(*) As of 31 December 2020, derivative financial liabilities are USD forward transactions with a maturity between January 2021 and June 2021 and a nominal value of TL 48.370.474 (31 December 2019: February 2020 - December 2020, TL 27.517.476).

25. SUBSEQUENT EVENTS

None.

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