



arzum

**To a new future with
the power of**

55

years...

Annual Report 2021

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Independent Audit Report

Directory

We achieve great success together with our employees.

The pace of life is very fast now. Everybody needs electrical home appliances that can do the best and do it fast. We provide smart and practical solutions to fulfill this need and keep achieving success on the global scale.

We have been striving to do our job properly for 55 years. We offer smart and functional forms to technology. This is a great challenge. However, we still succeed under the most difficult conditions thanks to our values and our visionary point of view that we adhere to.

And, of course, our human resources... They contribute to each product with their ideas, labor and energy that they never run out of. Developing with the touch of our human resources, our electrical home appliances convey practicality, trust and our excitement throughout the world.

Power of Innovation

Our strength in innovation greatly helps us take important steps towards being a global brand.

We are actualizing the firsts with this power and we provide product solutions specific to the needs by following the trends. We work in collaboration with prominent design offices in Turkey as well as in the world.

Sales Revenues

TL 815 million

Net Profit CAGR*

80.5%

* Compound Annual Growth Rate of the last 3 years



Global achievements

We are nested in life. As a company making sales not only in Turkey but also in more than 60 countries, we make life easier worldwide.

With our multi-channel success, we reach a large target audience through our thousands of sales points in Turkey. We are growing in e-commerce in a regular and vigorous manner. It is possible to access our entire product range with a single click via our mobile application. Arzum Okka, our mission brand, brings a new dimension to Turkish Coffee and helps us popularize Turkish Coffee worldwide.

Total Sales Points

20 thousand +

Annual Increase in E-commerce

60%



Efficient business model

Just like our products, we are robust to stand up to unfavorable conditions and challenging duties. We have a single specialty and passion. When we blend our determination and enthusiasm with a lean business model, success is inevitable even in difficult conditions such as pandemics. Thus, the growth in net profit (CAGR) for the last 3 years reaches 80.5%.

EBITDA

TL 92 million

Net Profit

TL 50 million



Robust structure

We further strengthened our deep-rooted and robust structure with the public offering. In the past 5 years, we maintained our progress under all circumstances despite numerous adverse conditions, including the pandemic. We will continue to take innovative steps towards healthy and sustainable growth, and win hearts all over the world with our award-winning products.

Shareholders' Equity

TL 176 million

Number of Countries of International Sales

61



Healthy progress

The pandemic has changed all habits, expectations and demands. We will increase the variety and number of our innovative products for healthy nutrition and hygiene, which are gradually becoming more important. We aim to add new leading categories to our leadership in many categories and to maintain our healthy growth. Moreover, we will continue to attract more people in the world to Turkish coffee thanks to Arzum OKKA.

Operating Profit

TL 94 million

Number of Patent Applications

13



2021 IN FIGURES

Having successfully completed 2021 in line with its growth strategy, Arzum achieved a net profit of TL 50 million.

Net Sales

TL 815 million

Net sales increased by 34.2% to TL 815 million.

Increase in the Customer Satisfaction

7.12%

In 2021, customer satisfaction increased by 7.12%.

Increase in GPTW Company Rating

10 points

The company's rating increased 10 points to reach 77.

EBITDA

TL 92 million

EBITDA grew by 47.9% to TL 92 million.

International Sales Growth

46.4%

Arzum's international sales growth was 46.4%.

Shareholders' Equity

TL 176 million

Arzum's shareholders' equity grew by 33.3% to TL 176 million.

Net Profit

TL 50 million

Net profit increased by 37.5% to TL 50 million.

Gross Profit

TL 263 million

Gross profit increased by 35.7% to TL 263 million.

Operating Profit

TL 94 million

The operating profit reached TL 94 million with a 58.6% growth.

Total Sales Points

20 thousand +

Arzum has over 20 thousand sales points.

Countries of International Sales

61

Arzum makes sales to 61 countries abroad.

Share of Developed Products in Sales

43%

The share of products developed by Arzum in 2021 in total sales was 43%.

Female employee rate

40%

Arzum's female employee rate has increased to 40% as of this year.

SHA Industry Size (TR)*

53.7%

In 2021, the Turkish SHA industry grew by 53.7%.

Number of Patent Applications

13

Arzum's total number of patent applications during the year was 13.

Rate of Female Members in Management

33%

Arzum reached 33% female members in the Board of Directors and Executive Management.

SHA Industry Last 3 Years CAGR (TR)*

59.9%

The average compound growth in Turkish SHA industry in the last 3 years was 59.9%.

E-commerce Growth

60%

Arzum increased its e-commerce growth to 60% during the year.

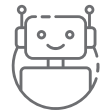
SHA: Small Home Appliances Industry
CAGR: Compound Annual Growth Rate

* SHA industry data is based on the reports of an independent research organization.

WHAT HAPPENED IN 2021?

**January****The latest in fast delivery: "Arzum on the Road"**

Arzum started the service called "Arzum on the Road," a first in the industry, making the life of its consumers easier. As part of its "Arzum on the Road" service, the Company continues to deliver the orders placed via arzum.com.tr and mobile application Arzum APP to its consumers rapidly with Arzum delivery fleet.

**March****Artificial Intelligence Workmate: "RobotAR"**

Arzum team has a new and cutting-edge technology colleague this year: "RobotAR." Artificial intelligence workmate "RobotAR" is the first digital innovation that Arzum has implemented, aiming to make the lives of employees even easier.

**May****4 products 11 awards**

Arzum won 11 different awards with its 4 products at the Plus X Award, one of the most prestigious competitions in the world.

**July****International success in Turkish coffee machine**

Arzum OKKA Grandio Duo was awarded Sehr Gut (very good) 1.3 rating in the Turkish Coffee Machine category by Haus & Garten, one of Germany's prestigious test magazines. Arzum was awarded the highest grade ever.

**September****Turkish coffee is in London with Arzum OKKA**

Arzum OKKA offered Turkish coffee to the guests with its stand at the London Coffee Festival held in London between September 23-26.

**November****First Place in the Fresh Connection Global in Turkey**

Arzum Magic team ranked first in the global supply chain competition, The Fresh Connection Global in Turkey, and ranked third among all companies in the world.

**February****First Place in the Tech Brands Turkey**

Arzum was deemed worthy of the first place in the "Electrical Home Appliances" category in Turkey's first and only technology-based award, Tech Brands Turkey.

**April****Arzum OKKA at the Times Square in New York!**

Arzum OKKA carried out a magnificent outdoor work in the NASDAQ building, one of the most famous structures in New York Times Square. With this work, the whole world said, "The Square belongs to Arzum OKKA."

**June****Arzum continues to support the Turkish Women's Chess Championship**

Arzum has been supporting the Arzum Turkey Women's Chess Championship for 13 years. Organized by the Turkish Chess Federation (TSF), the Championship was held at Çorum Museum with the participation of 32 players between 12-19 June this year.

**August****Arzum's first robot vacuum cleaner**

Arzum's first robot vacuum cleaner Arzum Robotek X2 Smart Robot Vacuum was put on sale in Turkey.

**October****The grand prize of A.L.F.A Awards 2021 goes to Arzum**

Arzum maintained its uptrend in the success graph in October and received new awards. Arzum was deemed worthy of the grand prize at the A.L.F.A Awards 2021.

**December****'Beginning: Turkish Coffee Stories from Anatolia' at Times Square**

The launch of the documentary "The Beginning: Turkish Coffee Stories from Anatolia," shot in eight different cities of Turkey, took place in Times Square on December 5, World Turkish Coffee Day, in collaboration with Arzum OKKA and Turkish Coffee Lady Foundation.

OUR MISSION, VISION AND VALUES

Our mission

To become a brand which eases life with its innovative and technological products and services of which aim is to take place within each home and which establishes sincere and warm relations with its partners.

Our vision

To become a brand which creates the most value for its partners.

Our values

Arzum always aims to offer higher quality products and services by increasing the satisfaction of all its stakeholders with the goal of its innovation and sustainable growth.

We are mindful

We take care for our customers, each other, the society and environment in which we live. We carry out our business elaborately to create a sustainable growth and difference.

We are passionate

We are passionate about reaching to our goals. We are a success-focused, brand-committed and enthusiastically working team of which motivation is really high.

We are reliable

We stand by our words for each other, our customers, suppliers. we stand by our business which we have carried out, words which we have given, products and services.

We are innovative

We want to realize the better always, to become successful in being different and preferable and obtain sustainable successes. We are innovative not only with our products but also our approach for our business.

We are sincere

We are sincere in the relationships with each other, our customers and suppliers and we attach great importance to be sincere, clear and frank for everybody with whom we are in contact.

VALUE CREATING BUSINESS MODEL

A durable business model built on strong and stable growth

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

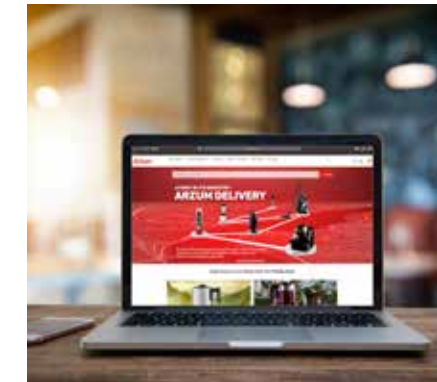
- It uses the most flexible supply model according to demand; it doesn't suffer from the pressure to fill the production line.
- This model provides the flexibility to choose the best supplier according to product category, technology, and capacity.

Our Strategic Priorities



Strong position and organic growth in the Turkish electrical home appliances industry:

- Sustainable growth
- Customer satisfaction
- Being the preferred employer
- Operational excellence



Being one of the pioneers of the industry in e-commerce in Turkey:

- Increasing its shares in online marketplaces



Carrying its success in the Turkish electrical home appliances market to export markets:

- Profitable and sustainable sales model
- Focus on strategic markets
- Effective maturity and risk management
- Strong collateral mechanisms
- Efficient transit or direct shipment scheduling
- Developing products that are specific to export markets

ABOUT ARZUM

To a new future with its 55 years of deep-rooted history

650 products

Arzum offers the range of 650 products in the electrical home appliances industry.

Year 1968

Arzum produced the first mechanical vacuum cleaner in 1968.

Arzum, whose foundations were laid by Kazım Kolbaşı, Kemal Kolbaşı and İbrahim Kolbaşı in early 1950s, was born as a domestic brand in 1966. Achieving high brand awareness and household penetration in Turkey, Arzum has carried its success to the international dimension in a short time with its deep-rooted history of more than 50 years.

Arzum has always been at the forefront of its competitors in the industry by attaching importance to innovation and design, and has prioritized providing convenience to its consumers.

Since its establishment, Arzum has always been a sincere and reliable brand that has produced many award-winning products to create the highest value for its stakeholders. Reaching millions of homes in many countries, Arzum continues to take firm steps towards becoming a global brand.

The first principle of Arzum is to offer the best technology to its customers through its experience. With the innovative approach brought by this point of view, Arzum has achieved many firsts in the industry. After producing the first branded iron in 1967 and the first mechanical vacuum cleaner in 1968, Arzum produced the first Turkish food processor in 1991. In 2014, Arzum introduced Arzum OKKA Turkish Coffee Machine to the domestic and global markets, which is a first with its direct-to-cup service and self-cleaning features. Presenting the first mobile filtered tea machine, Arzum Heptaze,

to its consumers in 2016, Arzum produced the first Turkish made vacuum cleaner with the Internet of Things (IoT) application in Turkey in 2020. In 2021, Arzum became one of the pioneers of the industry by implementing its artificial intelligence workmate "RobotAR." Arzum, implementing the three-year warranty in 2001 as a first in the electrical home appliances industry, broke another new ground by launching 3+1 warranty application in 2018. In addition, Arzum's first robot vacuum cleaner, Arzum Robotek X2 Smart Robot Vacuum Cleaner, was put on the market for the first time in Turkey with a warranty period of 4 years in 2021.

Arzum is deemed worthy of many prestigious local and international awards with its innovative and groundbreaking products. Arzum maintains its uptrend in the success graph and wins awards every year; it carries out its activities in the electrical home appliances industry under three main product and six sub-product categories. Arzum stands by its consumers with 650 products in the Kitchen Appliances (Food Preparation, Cooking and Frying, Hot Drink Preparation), Personal Care (Hair Dryers, Hair Stylers, Epilator and Shavers) and Electrical Home Appliances (Iron, Vacuum Cleaner, Heater-Cooler, Water Heater) categories. With the Arzum OKKA brand, Arzum also fulfills a global mission to introduce Turkish coffee culture to the world. Today, Arzum conveys Turkish coffee culture to many countries with the slogan of "The Brand That Got The World to Love Turkish Coffee: Arzum OKKA."



Sincere and Reliable

Arzum has always been a sincere and reliable brand since its establishment.

Shareholder Structure

	Share Value (TL)	Share Ratio (%)
Talip Murat Kolbaşı	3,449,692	10.71
Ali Osman Kolbaşı	3,066,392	9.52
Zeynep Figen Peker	2,710,472	8.42
Yasemin Rezan Kolbaşı	2,710,472	8.42
Aliye Kolbaşı	1,971,250	6.12
Others*	18,301,722	56.81
Total	32,210,000	100.00

* As of the end of 2021, Arzum's actual free-float is 48.91%.

NATIONAL AND INTERNATIONAL AWARDS RECEIVED

Innovative and award-winning designs focusing on sustainability and relying on new technologies by Arzum

Design Awards



Arzum received 11 different awards with its 4 products in the Plus X Awards, one of the technology and design competitions.

- Arzum OKKA Minio Jet won the Best Product of the Year award, as well as the Design and Easy-to-Use awards.
- Arzum Maxi Grill Pro Multi-Functional Cooker received the Design, Functionality and Easy-to-Use awards.
- Arzum Clean Force Cyclone Filtered Vacuum Cleaner was deemed worthy of the Design, Functionality and Easy-to-Use awards.
- Arzum Tostçu Mini received the Design and Ease-to-Use awards.



Arzum Tostçu Mini toaster won a prize in the 'Product Design' category of the iF Design Award, one of the world's most prestigious and well-established design awards.



Arzum OKKA Grandio Duo won the "Sehr Gut" award by Haus&Garten in 2021.



Corporate Awards

'Digital Promoter' Project

Arzum won the 'Pandemic Success Award' with its 'Digital Promoter' project at the Retail Sun Awards.

The Coolest Brand

Arzum received the "coolest brand in Turkey" title for the 6th time in the "Cool Brands Survey," held for the 6th time in cooperation with Marketing Turkey and Roamler Turkey.

Golden Award

It won the Gold award in the Electrical Home Appliances category at the Social Media Awards.

Women Friendly Company

Arzum stood in the Women Friendly Companies Stock Index, implemented in cooperation with İş Portföy and the Center For Gender Studies at Koç University (KOÇ-KAM).

Diamond Award

Arzum received a Diamond award at the A.C.E Awards Excellent Customer Satisfaction Achievement Awards.

The Most Valuable Service

Arzum received a Bronze award in the 'Most Valuable Service' category with its Digital Promoter project.

The Most Reputable of the Year

Arzum was selected as the 'Most Reputable of the Year' in the Electrical Home Appliances industry by popular vote at The ONE Awards Integrated Marketing Awards.

The Customer Brand of the Year

Arzum was awarded the 'Customer Brand' of the year in the Electrical Home Appliances category at the A.L.F.A Awards, honoring brands that establish a healthy and sustainable relationship with their customers.

Arzum Seninle...

Arzum Seninle (Arzum is With You) App ranked 3rd in the Future Digital Infrastructure category at the IDX Summit.

The Best Customer Experience Redesign

Arzum Seninle mobile application won the Best Customer Experience Redesign Award from the European Contact Center & Customer Service Awards.



Arzum's after-sales services won 3 awards from the International Customer Experience Awards:

- Best Customer Service-Arzum Seninle / Bronze Award
- Best Digital Transformation-Arzum Seninle / Silver Award
- Customers at the Heart of Everything-Arzum Support / Bronze Award

Campaign With 5 Awards

'The Most Beautiful Story of Arzum' Mother's Day Campaign won 5 awards at once.

- At MMA Smarties, one of the most prestigious awards in the media industry, the Mother's Day digital media planning activities were awarded the Bronze award in the Europe-Middle East and African countries region.



- The Mother's Day commercial film won 2 awards in Crystal Apple 2021, which is considered one of the most prestigious creativity and marketing events in Turkey:
 - Movie/Online Movie Special Occasions-Crystal
 - Digital, social media and activation/ content created on special occasions-Silver

KEY FINANCIAL INDICATORS

Successful finance graph that continues to rise without slowing down

TL 50 million

Arzum's net profit for 2021 was TL 50 million.

TL 744 million

Arzum's total assets in 2021 amounted to TL 744 million.

Summary Balance Sheet (TL)

	2021	2020
Current Assets	666,823,194	477,689,063
Non-Current Assets	77,127,703	53,487,179
Short-Term Liabilities	537,392,474	389,831,204
Long-Term Liabilities	30,924,179	9,568,358
Equity	175,634,244	131,776,680
Total Assets	743,950,897	531,176,242

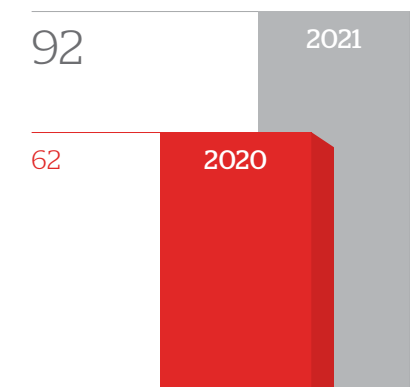
Summary Income Statement (TL)

	2021	2020
Revenue	815,345,959	607,485,695
Cost of Sales	(552,511,256)	(413,767,314)
Gross Profit	262,834,703	193,718,381
Operating Profit	94,123,341	59,349,168
EBITDA	92,242,146	62,357,266
Profit Before Tax	62,177,117	48,196,081
Net Profit	50,130,119	36,467,200

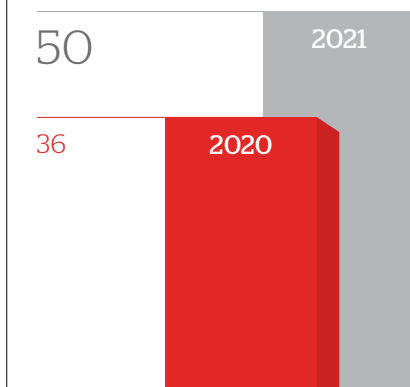
Basic Ratios (%)

	2021	2020
Gross Profit Margin	32.2	31.9
Operating Profit Margin	11.5	9.8
EBITDA Margin	11.3	10.3
Profit Before Tax Margin	7.6	7.9
Net Profit Margin	6.1	6.0

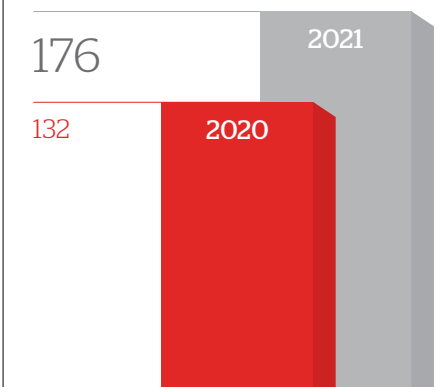
EBITDA (TL Million)



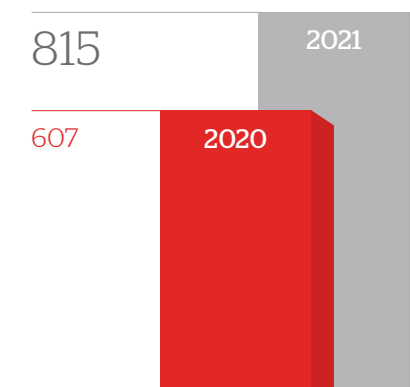
Net Profit (TL Million)



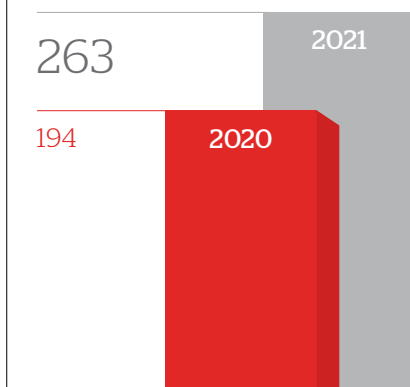
Shareholders' Equity (TL Million)



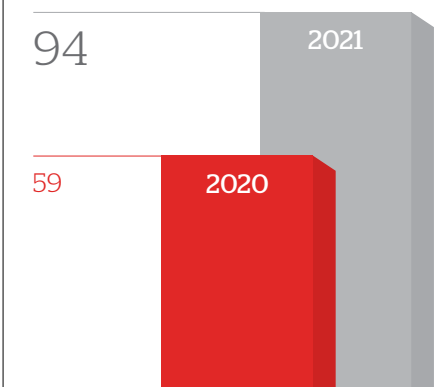
Revenue (TL Million)



Gross Profit (TL Million)



Operating Profit (TL Million)



FROM 1950 TO 2021:
MILESTONES OF ARZUM'S SUCCESS SINCE ITS ESTABLISHMENT

Designs that add value to the lives they touch

1950

The foundations of Arzum are based on a sole proprietorship company founded by Kazım Kolbaşı, Kemal Kolbaşı and İbrahim Kolbaşı in the early 1950s.

1977

Established under the name of Güney İthalat A.Ş., Arzum started to carry out its activities under this legal entity.

2002

Arzum introduced the first electric coffee pot to the market.

2007

The name of the company was changed and registered as Arzum Elektrikli Ev Aletleri Sanayi ve Ticaret A.Ş.

2009

Arzum Asia Pacific Ltd., a subsidiary of Arzum in Hong Kong, was established. It has become the leader in the food preparation category and has been the leader for 12 years.

2011

Arzum Europe GmbH, a subsidiary of Arzum in Germany, was established. In the Turkey qualifiers for the Blind Leaders Project 2011 Employee Volunteering Awards, Arzum ranked 1st in its category and represented Turkey in the European finals in London.

2014

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

2019

Ducati By Arzum brand was established in cooperation with the Ducati brand and the global brand.

2021

Arzum OKKA introduced the Rich Spin-M, the first Turkish coffee with milk machine with mixer and coffee pot.

1966

"Arzum" was registered as a trademark.

1993

Arzum Dış Ticaret A.Ş. was established to market "Arzum" products.

2005

Felix Elektrikli Ev Aletleri A.Ş. was established to reach a different segment.

2008

A partnership was established with Turkish Household Appliances BV, a subsidiary of Ashmore Group, one of the world's leading private equity funds. Ashmore Group became a partner with the Kolbaşı Family by acquiring a total of 49% shares of Arzum through two transactions it carried out in 2008 and 2009.

2010

Arzum issued bonds for the first time.

2013

SDA International, which is a 100% subsidiary of Mediterra Capital Partners, has established a partnership with the Kolbaşı Family by purchasing 49% of Arzum shares owned by Ashmore Group.

2017

Arzum received the leading company award in Turkey in the organization and culture categories of the INOVA League.

2020

Arzum shares started to be traded in Borsa Istanbul with the code ARZUM.

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

CHAIRMAN'S ASSESSMENT

We ended 2021 with a success above our targets

Our strengthened financial structure

We are taking firm steps towards the future with a constantly rising graph and a financial structure that is getting stronger day by day.

We are the leader in the market on the unit basis

We are one of the leading brands in the Turkish Small House Appliances market. We are the first brand on the unit basis and the fifth brand on the turnover basis in the market.

Dear Stakeholders,

After 2020, we continued to experience the effects of pandemic in 2021 as well. The highlights of the Global Risk Report published by the World Economic Forum for 2022 included economic and social problems caused by the pandemic, vaccine inequality, and social cracks caused by different economic recovery rates of countries. The January 2022 edition of the World Bank's Global Economic Prospects Report states that global economic growth will continue to slow down until the end of 2023. According to the report, following the strong recovery in 2021, the global economy entered a significant slowdown, which could risk the recovery in emerging economies amid new threats posed by Covid-19 variants and rising inflation, debt, and income inequality. The World Bank report indicates that the global growth rate is expected to lose momentum descending from 5.5% in 2021 to 4.1% in 2022 and to 3.2% in 2023.

Despite this economic contraction all over the world, we, as Arzum family, ended 2021 with a success beyond our targets thanks to our long-term strategy that we have built for the continuity of our brand. We completed 2020, which was under the influence of the pandemic, as the market leader in the Food Preparation, Cooking, Frying and Hair Care categories.

The public offering we held at the end of 2020 attracted great interest from our investors, further increasing our responsibility. Our financial results at the end of 2021 proves once again that we are on the right track.

We transformed our Company into a structure consisting of four Board Members and two Independent Board Members after the public offering. We added two valuable Independent Board Members in line with our needs in our first Ordinary General Assembly held in April 2021. Elif Ateş Özpak and Ahmet Cüneyt Yavuz were elected as Independent Board Members for 3 years. I am very pleased to say that the rate of women in the board of directors, which we aim to achieve a balance in, is 33%.

We are taking firm steps towards the future with our constantly rising graph and our financial structure that is getting stronger day by day. With our 55-year-old history, innovative products and our reliable and innovative brand identity, we are welcomed into millions of households in Turkey and the world with our 650 products under six different product categories. It gives us great pleasure to make their lives easier.



We are one of the leading brands in the Turkish Small House Appliances market. We are the first brand on the unit basis and the fifth brand on the turnover basis in the market. Design, technology, R&D and innovation are the aspects that elevate us to the leading position in the industry; they are what we care most. With the design and innovation in our focus, we follow both national and international trends; we blend these trends with the needs of our customers before

transforming them into products that bring us the leadership in the industry. We especially care about the points of "How do we make a difference in markets in Turkey and in the world?" and we carry out our innovation activities accordingly. We develop many patented technologies. For example, our new robot vacuum, Robotek, is based on Internet of Things (IoT) technology. It is easy to control it thanks to its Turkish language feature and application. GYRO technology

We are striving to become a global brand

While we continue our efforts to become a global brand, we continue our mission of introduce Turkish coffee culture to the whole world.

enables it to clean by following a certain route with its smart navigation and temporary mapping feature. It makes the lives of our consumers even easier by passing through the cleaned areas only once and completing the work in a much shorter time. Today, the smart products market is on an uptrend. We are faced with a very different new medium at his point. As the smart product market grows, it will gain much more importance to identify customer behaviors and needs via the information received from the product and to offer customized recommendations. We will continue to keep up with these innovations.

Globalization is one of the most important goals of our Company. While we continue our efforts to become a global brand, we continue our mission of introduce Turkish coffee culture to the whole world. Arzum is one of the first brands that is associated with Turkish coffee. Because we work hard to achieve it. Turkish coffee is a valuable culture with 500 years of history. As the Turkish Coffee Culture Research Association, we first brought Turkish coffee to UNESCO at the end of 2013. The Ministry of Culture and Tourism also supported us. UNESCO registered Turkish coffee as 'Turkey's intangible cultural value' on December 5, 2013, and everyone now says, "The cooking style of this coffee belongs to Turkey." The major barrier against the spread of Turkish coffee to the world was mechanization. We have eliminated this barrier with our Arzum

CHAIRMAN'S ASSESSMENT

We will continue to make a difference in the industry with our innovative applications and products.

Impressive work on NASDAQ building

We carried out an impressive work on NASDAQ building, one of the most famous structures in New York Times Square in the USA.

Stable and sustainable growth

We put stable and sustainable growth at the center of our goals in 2022.

OKKA product family. On the first day of Arzum OKKA, we aimed to be the brand that got the world to love Turkish coffee. Since 2014, we have been working to spread the Turkish coffee culture to the world. With the slogan of 'The Brand That Got The World to Love Turkish Coffee: Arzum OKKA', we work with all our strength from Europe to America in line with our mission, and we undertake many successful projects for this purpose.

We crossed continents last year with our Arzum OKKA, which provides you with the same unique Turkish coffee experience wherever you go in the world, and we carried out an impressive work in the NASDAQ building, one of the most famous structures in Times Square in New York in USA. With its façade looking like an ordinary apartment, NASDAQ building was used as an advertisement area. This façade dressing advertising enabled the audience to experience pleasant moments of Turkish coffee through windows of each flat. That was our way to say "The Square belongs to Arzum OKKA!" for the second time! We proudly introduced Turkish coffee, which we are familiar with and which is not foreign to the world, to New York with the project. We cooperated with the Turkish Coffee Lady Foundation, which united with Arzum OKKA under the mission of spreading Turkish

coffee culture to the world. We have also become one of the main sponsors of the documentary "The Beginning: Turkish Coffee Stories from Anatolia" shot by the foundation in eight different cities in Turkey in 2021. With this beautiful documentary, we had the opportunity to tell all coffee lovers how Turkish coffee, the first method of cooking coffee in history, spread from Istanbul to Europe and then to the world 500 years ago. All of our efforts have been rewarded with many prestigious awards. Our Arzum OKKAs were awarded in many prestigious international competitions such as Red Dot, Plus X Awards and IF Design, as well as in many important organizations in Turkey. We were granted 'Very good' and 'Good' ratings in the evaluation made by Haus & Garten, one of Germany's most prestigious independent product testing magazines. Our Turkish coffee journey is actually one of the most important building bricks of Arzum's path to become a global brand. We currently have Arzum OKKAs in 43 countries. People living in these 43 countries can enjoy Turkish coffee made by our Arzum OKKAs, with its full consistency, foamy and unique flavor.

We prioritize resource saving and recycling

We focus on two basic issues in our sustainable business model: resource-saving and recycling in production.

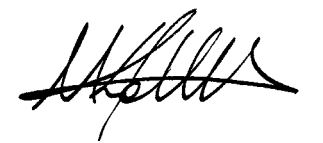
Sustainability is one of the most important concepts that we focus on as Arzum. We focus on two basic issues in our sustainable business model: resource-saving and recycling in production. Because we know that the resources of the world are limited; and unless we use these resources correctly, much more difficult days for humanity are around the corner. The circular economy model that became much more popular during the pandemic brought many industries, including SHA, to a critical point in terms of reducing waste generation and using the right resources. We also came a long way in this regard by successfully integrating the circular economy model into our organizational structure. From now on, we will continue to focus on circular economy efforts. We had a stronger start to 2021 as a publicly-traded company. We put the stable and sustainable growth at the center of our goals for 2022. We aim to maintain our growth in global sales; maintain our R&D, technology, and innovation focus; maintain our mission to introduce Turkish coffee to the world; continue our e-commerce and digitalization investments, and further strengthen our bond with consumers.

We will preserve our durable business model, which is based on 55 years of experience, a balanced product portfolio in different categories, multiple and widespread sales channels, strong innovation culture,

agile product development and R&D activities, and stable financial performance in different market conditions. We will continue to make a difference in the industry with our innovative applications and products. It is one of our most important goals to maintain our quantitative leadership in Small House Appliances. As a company that has witnessed many crises in the world and in Turkey throughout our 55-year history, we will keep taking firm steps towards becoming a global brand.

I would like to extend my sincere gratitude to our esteemed board members, our shareholders, suppliers, business partners, all other stakeholders, and all my colleagues, whose support we always feel, for their devoted work. Hopefully we will share better days and success on this path we are walking.

Sincerely,



T. MURAT KOLBAŞI
Chairman

MEMBERS OF THE BOARD OF DIRECTORS



TALİP MURAT KOLBAŞI
Chairman

Talip Murat Kolbaşı 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.



YASEMİN REZAN KOLBAŞI
Vice Chairman

Yasemin Rezan Kolbaşı, 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.



ALİ OSMAN KOLBAŞI
Board Member

Ali Osman Kolbaşı, 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.



SÜLEYMAN METE ZADİL
Board Member & 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 Azizler 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.



ELİF ATEŞ ÖZPAK
Independent Board Member

After graduating from Istanbul University Faculty of Law in 1992, Elif Ateş Özpak became a partner in Pekin & Pekin Law Firm, which she started in 1994. Özpak completed the Program of Instruction for Lawyers (PIL) at Harvard Law School in 2000 and served as Turkcell's corporate legal counsel between 2001 and 2005. She became a shareholder in Taboğlu, Ateş, Demirhan Law Firm between 2004-2008. He is currently managing partner at Kybele Consulting Limited UK, partner at Globalturk Capital, co-founder of Crescent Capital CETF (Clean Energy Fund), and co-founder of BN Telekom 11880 and bulurum.com. Özpak has been an Independent Board Member of Unico Sigorta (former Aviva Sigorta) (2019), Independent Board Member of Boyner Group (2012-2017), Kuzeykaya Elektrik Üretim A.Ş. Member of the Board of Directors (2014-2016), Doğa Çevre Teknolojileri A.Ş. He served as a Board Member (2014-2016), Kredix (fin-tech) Independent Board Member (2014-2016) and Ray Sigorta Board Member (2008). Elif Ateş Özpak was elected as an Independent Member of the Board of Directors for a three years at Arzum's General Assembly dated April 2021.



AHMET CÜNEYT YAVUZ
Independent Board Member

Ahmet Cüneyt Yavuz, who holds a bachelor's degree in Political Science from Boğaziçi University and a graduate degree in International Relations from Johns Hopkins University, started his professional career in 1992 at Procter & Gamble where he held various senior sales and marketing management positions. During his tenure, he was appointed Country Manager for Poland in 2003 and lived in Warsaw for five years. Ahmet Cüneyt Yavuz has been serving as the CEO of Mavi since November 2008. Ahmet Cüneyt Yavuz was elected as an Independent Member of the Board of Directors for a three years at Arzum's General Assembly dated April 2021.

CEO'S ASSESSMENT

We are taking firm steps towards the future with our strengthened financial structure.

43%

The ratio of the products we developed within the framework of our R&D activities to the total products is 43%.

40%

Our female employee rate is 40% across the company, while it is 33% in the Executive Board.

Dear Distinguished Stakeholders,

In 2021, the whole world transitioned to the new normal and life started to return to its old flow, even though the effects of the pandemic continued globally. Although the whole world, including strong global economies such as the USA and European Union countries, struggled to overcome the problems caused by the pandemic, many industries were adversely affected by this situation. During the pandemic, the time spent at home increased, the consumer needs changed, and demand for products for hygiene, personal care and healthy nutrition were boosted; and Small Home Appliances (SHA) has been one of the industries least affected by these adverse conditions. Continuing its upward trend throughout the world, the SHA industry also gave the Turkish market a momentum. SHA industry in Turkey reached TL 14 billion with a 53.7% growth in 2021. Arzum grew steadily domestically as well as globally during this period.

Small Home Appliances is a very durable and stable industry. As a company that has witnessed all kinds of crises in its 55-year-old history, Arzum has grown in every way and developed itself, and despite the economic contraction in all countries, we increased our revenues by 34.2% to TL 815 million by the end of the year.

We increased our net profit by 37.5% to TL 50 million and our compound annual growth rate (CAGR) for the last 3 years was 80.5% in net profit. We achieved an operating profit of TL 94 million in 2021. Our EBITDA result increased by 47.9% to TL 92 million. Moreover, although we regularly distribute dividends every year, our return on equity stood at 28.5% and our equity size exceeded TL 175 million.

I am extremely happy for this path we have taken towards sustainable growth, which has always been our management focus.

While these achievements in the domestic market still go on, we also maintain our global activities without slowing down. Globalization is one of Arzum's most fundamental goals. I can proudly say that we have achieved significant momentum in target markets with our global strategy that we have adopted since 2016. I would like to underline that we have already started to obtain the positive results of our strategy change, which we have made in order to further strengthen our position in foreign markets and to achieve growth on the spot and in a focused approach. We are working very hard to implement our business model that we successfully maintain in Turkey, with the same success in countries where we operate.



Our global sales figure is growing on a dollar basis every year. Last year, Arzum achieved one of the most important growth figures on a global scale. We achieve 20% of these figures in EU countries. We operate under our own brand in global markets and I believe it is our common pride that products with Arzum design and logo are used in homes and offices in the most developed countries.

Sustainable growth is the core of our strategy. We are doing our best to reach this goal through our successful operational and financial performance. In addition to sustainable growth, we regularly distribute dividends, as we did before going public. Based on our company strategy, we aim to continue to distribute one-third of the distributable profit for the period as per our profit distribution policy.

Our employees with a strong team spirit

In addition to the quality of our management team and employees with a strong team spirit, we cannot deny the contribution of their selfless and shared enthusiasm to our success.

Our equity size exceeded TL 175 million in 2021 despite dividends distributed in each period. Achieving such great success with a short but to the point staffing motivates us immensely. In addition to the quality of our management team and employees with a strong team spirit, we cannot deny the contribution of their selfless and shared enthusiasm to our success. Human resources are one of the most essential values in our company because they put the whole business into practice. I would like to emphasize that we owe our success to our people-oriented approach. We have further strengthened this approach with Didem Oral, who joined the executive board as the Executive Vice President of Human Resources in April 2021. I would like to underline that our female employee rate is 40% across the company, while it is 33% in the Executive Board. We are a brand that embraces social equality of opportunity. As Arzum, we are aware that the most valuable asset of companies, regardless of their business and industry, is human.

I would like to take this opportunity to thank each and every one of my teammates who contributed to the development of Arzum. As long as we maintain this team spirit by uniting with each other, I am sure that our success will be sustained increasingly.

CEO'S ASSESSMENT

We are a brand that focuses on design, technology and innovation

TL 94 million

In 2021, we achieved an operating profit of TL 94 million.

TL 175+ million

Our equity size exceeded TL 175 million in 2021 despite dividends distributed in each period.

Other factors that brought Arzum, a well-known brand with high brand awareness and household penetration, to its current position, are its deep-rooted history, innovation priority, corporate governance and sustainable financial success. In addition, our corporate culture and family enterprise values enable us to continue the development, to contribute to the journey that started 55 years ago, and to build Arzum's future on these values.

As a brand that focuses on design, technology and innovation, our investments continue to support our lean business model. Our company does not own a plant or a store. We leave the production to the best of the business, and focus on R&D, product design and marketing development instead. As always, we continue to make our biggest investment in our brand, which is the apple of our eye. We reap the harvest of turning our focus to our R&D and innovation investments and thus increase the proportion of our own products in our revenue. At this point, I can proudly say that the ratio of the products developed within the framework of our own R&D activities to the total products has increased to 43% in 2021.

Today, we are a successful company in e-commerce, which is gaining great importance all over the world. We had started to structure our online services a few years ago; as a result, it greatly contributed to the successful management of the increase in online

demands during the pandemic. Within the framework of our long-term sales channel strategy, we structured the e-commerce channel and completed the necessary infrastructure long ago. We reorganized our sales structures and gathered the e-commerce channel under a single roof in 2017, which, in return, helped us reach consumers in a healthy and fast way through our own website (www.arzum.com.tr) as well as other e-commerce platforms. We, of course, have reaped the harvest of all these investments during the pandemic.

We were able to respond to the increase in e-commerce demand without any problems. E-commerce became the most growing channel among our sales channels because we managed this flow in a healthy way. While we attach great importance to this growth, we do not give up on our goal of balanced growth in all of our sales channels, just as we do in our product portfolio.

We are happy that all of our selfless efforts have been crowned with awards. Winning dozens of national and international awards in 2021, from Stevie Awards to Crystal Apple, gave us great pleasure. We have won national and international awards for our field activities and in-store excellence. We received total 3 awards: Diamond at the ACE Awards of Sikayetvar.com, Bronze Award at the European Contact Center & Customer Service Awards, and 2 Bronze and 1

Our people-oriented approach

Our people-oriented approach enabled us to be included in the 'Best Employers of Turkey' list of the Great Place to Work (GPTW), and once again we were entitled to bear the title of 'Great Place to Work Certified'.

Silver at the International Customer Service Awards. Our Arzum Seninle mobile application was deemed worthy of 3 separate awards. Our Arzum Magic team came first in the global supply chain competition The Fresh Connection Global for Turkey. We became the 'Customer Brand' of the year in the Small Home Appliances category at the A.L.F.A Awards 2021, where the brands with the best customer experience are awarded. We received 11 different awards with our 4 products at the Plus X Award, one of the most important technology and design competitions in the world.

In addition, our people-oriented approach enabled us to be included in the 'Best Employers of Turkey' list of the Great Place to Work (GPTW), and once again we were entitled to bear the title of 'Great Place to Work Certified'. I would like to emphasize that this award, which is an indicator of the satisfaction of our employees, has a central importance for us. Obtaining this certificate motivates us more and inspires us for our future projects.

2022 is not only a new year for us, but also new goals, new projects, new dreams and new achievements. With a stronger corporate structure in the new year, we want to maintain our global growth even more strongly. We will continue to take firm steps towards achieving new successes with the aim of becoming a global brand. We will further strengthen the

bonds with our customers in the Small Home Appliances industry. We will continue Arzum's mission to spread Turkish coffee culture to the world. We will continue to be one of the leading brands in the industry by maintaining our R&D, design and innovation focus. We will continue to work with the same enthusiasm, commitment, and belief to advance on our way and to be the preference of our customers, suppliers, employees, and investors. We will bring sustainability into more central focus for the health of our planet.

On our 55th anniversary, we respectfully commemorate the founders of Arzum, who are no longer with us. I would like to thank Arzum's board of directors, management team, employees, suppliers, customers and all stakeholders behind the sustainable success of our company.

Sincerely,



S. METE ZADİL
Chief Executive Officer (CEO),
Board Member

EXECUTIVE MANAGEMENT



SÜLEYMAN METE ZADİL
Board Member & CEO

Süleyman Mete ZadiL, studied Civil Engineering at the University of Delaware between 1989-1993 and completed his Master's degree in Civil Engineering in 1995 at Cornell University, which he started in 1993. After graduation, he worked as an engineer at Bettigole Andrews & Clark, Inc. from 1995 to 1996. Working as Product Manager and further, as Finance Director at Balsu USA Inc. in 1996-1998, S. Mete ZadiL took charge for various positions at Azizler Holding A. Ş. From 1998 to 2000, and as of 2000 he took office as General Manager and Board Member at the group company Teksu Dağıtım Hizmetleri A.Ş. ZadiL was General Manager at Korda Kağıt Pazarlama ve Ticaret A. Ş. from 2002 to 2006, and worked as General Manager and Board Member at Schindler Türkeli Asansör San. A.Ş. Between in 2006-2011.Upon his duty as General Manager and Board Member at Ariston Thermo Group in 2013-2015 and having broad experience in reorganization, growth and business development, S. Mete ZadiL, has been working as CEO at Arzum Electrical Home Appliances since 2015.



ŞECAETTİN ARDA ALTINOK
Assistant General Manager
Responsible for Financial Affairs

Having studied Economics at Hacettepe University between 1995-2000, Ş. Arda Altınok graduated with a bachelor's degree in 2000. Between 2002-2014, he worked at various positions in Deloitte Turkey and the USA and held managerial positions as well.He worked at Deloitte Turkey between 2002-2006, managed the audit teams and also audited the financial statements of the companies they were responsible for.Between 2006-2008, he was nominated for the Global Development Program of Deloitte&Touche LLP, Deloitte Private in New York/USA, and worked at Deloitte's New York office for 18 months.Afterwards, he continued his career at Deloitte Turkey and took a position as a manager in the audit department.Between 2014-2020, he continued his career at Doğu Hospitality Group as the Finance and Administrative Affairs Director of the Hotels Group.Starting to work at Arzum in 2020 to lead the management of all financial processes, Ş. Arda Altınok continues his duty as Chief Financial Officer.



MEHTAP YILDIZ
Assistant General Manager for
Product Development and Marketing

Mehtap Yıldız, who graduated from Anadolu University Electrical and Electronics Engineering Department in 1994, continued her education at Sawston Hall College/Cambridge from 1997 to 1998. At the end of the academic year 2015-2016, she completed the Istanbul Bilgi University MBA Program.Mehtap Yıldız, who started to work as Production and Product Development Director at Eksen A.Ş. in 1998, continued to work until 2009.During her 11-year working period at Eksen A.Ş., she took part in many innovation projects that created new categories for the industry.In 2009, she moved to Index Group to take part in a new brand founding team in the household appliances industry and launched the "Homend" brand after 10 months of brand positioning, product development, channel and customer service strategy and structuring. Yıldız, continued to work at Homend Elektrikli Cihazlar San. ve Tic. A.Ş. as the Product Development and Marketing Director until 2014.Yıldız, who started to work at Arzum in 2014 as R&D and Supply Chain Director, still continues her duty as Chief marketing and Product Development Officer.



SERHAN GİRAY
Assistant General Manager
Responsible for Sales

Serhan Giray, who graduated from Anadolu University Department of Business Administration, worked as Chain Stores Sales Manager, Chain Stores Group Sales Manager and Turkey Traditional Channel Sales Manager at Türk Philips Ticaret A.Ş., and took part in the development of sales processes, structuring of chain stores, establishment of the e-commerce channel and the coordination of business development and improvement activities of the departments in the enterprise throughout his career from 2001 to 2016.Having joined Arzum in 2017, Giray continues his duty as Chief Sales Officer.



ARIF EMRE ÜNAL
Assistant General Manager
Responsible for Operations

Arif Emre Ünal, who graduated from Istanbul Technical University-Department of Geophysical Engineering where he studied 1997-2002, received his Master's degree education in Engineering and Technology Management at Boğaziçi University between 2002-2005.He completed the Istanbul University MBA Program with an Honors Degree at the end of the Academic year 2014-2015.Ünal worked as Information Technologies Manager at Arkas Holding A.Ş. between 2005-2010 and worked as Information Technologies Manager at McCann Worldgroup Istanbul between 2010-2012.Arif Emre Ünal, who has taken on various roles at Arzum since 2012, continues his duty as Chief Operating Officer today.



DİDEM ORAL
Assistant General Manager
Responsible for Human Resources

After graduation from Marmara University, Department of Labor Economics, Didem Oral received an Executive MBA degree from Koç University. Didem Oral, who started her career at Ram DışTicaret in 2000, worked as a human resources specialist at TNT Lojistik, Turkcell and Wyeth Pharmaceuticals until 2008.Oral worked as a human resources business partner at MSD from 2008 to 2012. Oral, who was the Human Resources Coordinator of TAV Airports Holding between 2012 and 2014, continued her career as human resources and occupational health and safety director at Borusan Automotive Group as of 2015.She took an active part in merger, leadership development, establishment of career and performance management systems and change management projects throughout her career, and also led the management of these projects.Didem Oral has been serving as Chief Human Resources Officer since April 2021.

ANNUAL REPORT - INDEPENDENT AUDITOR'S OPINION



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INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S ANNUAL REPORT

To Arzum Elektrikli Ev Aletleri Sanayi ve Ticaret A.Ş. Board of Directors

Opinion

Since we have audited the full set of consolidated financial statements for the accounting period of Arzum Elektrikli Ev Aletleri Sanayi ve Ticaret Anonim Şirketi ("Company") and its subsidiaries (collectively referred to as the "Group"), we have also audited the annual activity report for this accounting period.

In our opinion, Board's analyses based on the consolidated financial information included in the annual report as well as the information regarding the Group's position included in the audited financial statements are consistent, in all material aspects, with the audited full set consolidated financial statements and with the information obtained in the course of independent audit; and they reflect the truth.

Grounds for Opinion

We conducted our independent audit in accordance with the independent auditing standards issued by the Capital Markets Board ("CMB") and the Independent Auditing Standards, which is a component of the Turkish Auditing Standards ("TAS") issued by the Public Oversight, Accounting, and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities in the Audit of the Board of Directors' Annual Report section of our report. We hereby declare that we are independent of the Group in accordance with the Code of Ethics for Independent Auditors (incl. Independence Standards) ("Code of Ethics") published by POA, and the ethical requirements of independent audit legislation. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

Other Issue

The Group's annual report for the period January 1, 2020 -December 31, 2020 was audited by another independent auditor, who reported an unqualified opinion on the annual report on March 11, 2021.

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

We expressed an unqualified opinion in the auditor's report dated March 2, 2022 on the full set consolidated financial statements for the January 1 -December 31, 2021 period.

Board of Directors' Responsibility for the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code no. 6102 ("TCC") and the provisions of the Communiqué no. 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 tasks concerning the annual report:

- To prepare the annual report within the first three months following the balance sheet date and present it to the general assembly.
- To prepare the annual report to reflect the Group's operations in that year and the consolidated financial position in a true, complete, straightforward, fair and proper manner in all respects. In the report, financial position is evaluated based on consolidated financial statements. Additionally, the report clearly indicates the developments and possible risks which the Group may encounter. The assessments of the Board of Directors in regard to these matters are also included in the report.
- The annual report also includes the following matters:
 - Subsequent events occurred after the end of the fiscal year which have significance,
 - The research and development activities of the Group,
 - Compensation including salaries and bonuses paid to Board Members and Senior Managers; and other benefits such as allowances, travel, accommodation and representation expenses, cash and in-kind benefits, insurances, etc.

When preparing the annual report, the Board of Directors also considers the secondary legislation arrangements issued by the Ministry of Trade and related institutions.

Independent Auditor's Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue an opinion report within the framework of TCC and Communiqué provisions regarding whether the Board's analyses based on the consolidated financial information included in the annual report as well as the information regarding the Group's position included in the audited financial statements are consistent with the audited consolidated financial statements of the Group and with the information obtained in the course of the independent audit and whether they reflect the truth.

We conducted our independent audit in accordance with the independent auditing standards set forth by the CMB, and the Independent Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the independent audit to obtain reasonable assurance about whether Board's analyses based on the consolidated financial information included in the annual report as well as the information regarding the Group's position included in the audited financial statements are consistent with the financial statements and with the information obtained in the course of the audit, and whether they reflect the truth.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi


Şirin Soysal, SKMM
Partner
4 March 2022
İstanbul, Türkiye

SHA INDUSTRY, TURKISH MARKET AND ARZUM'S POSITION IN THE INDUSTRY

Small home appliances industry (SHA) is growing day by day in Turkey.

Increased use of online sales channels

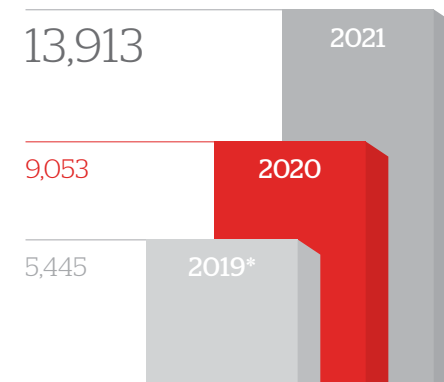
The increase in the importance of small household appliances due to the effect of the pandemic and the increased use of online sales channels are among the most important factors in the growth of the SHA industry in the last two years.

GROWING SHA INDUSTRY WITH THE IMPACT OF ONLINE SALES

In 2021, the Turkish Electrical Home Appliances market grew by 53.7% in terms of turnover to reach TL 14 billion. Thus, the annual average compound growth in the last 3 years has been 59.9%. The relatively small size of the Turkish market compared to the European market, its strong demographic structure and low product penetration are some of the factors that support the strong growth trend in recent years.

MARKET OUTLOOK IN TURKEY (Revenues-TL Million)

Small Home Appliances Market



*Market Place is not included for 2019.



Arzum's Market Shares (turnover basis)

Food Preparation Market
18.8%

Cooking-Frying
12.3%

Toasters Market
15.6%

Hair Care Market
14.4%

Hot Beverage Preparation Market
11.2%

Iron Market
5.1%

Vacuum Cleaner Market
2.1%

* SHA industry data is based on the reports of an independent research organization.

Arzum is the **first** brand in the Turkish SHA market with a market share of 11.6% on a unit basis and the 5th brand with a 6.4% market share on a turnover basis. Arzum is one of the leading players in the Turkish market thanks to its high brand awareness, agile product development capability, and effective use of sales channels. Arzum was positioned as **the unit and turnover leader** in Food Preparation and Toasters, **the market leader** in the Hair Care category in terms of units, and **the 2nd** in terms of turnover in 2021. The success of the products released in 2021 reinforced Arzum's leadership this year, as in previous years. The Foodie electric lunch box, which was launched in 2021, has made Arzum the trend-setting player in the segment as well as **the leader** in the cooking category.

Arzum, **the 2nd company** in the Hot Drink Preparation market, stands out with its success in the Turkish coffee machines segment in this market. Arzum OKKA, which was launched in 2014, maintains the title of the only domestic type 'Turkish coffee machine' that can serve directly to

cups, and draws attention as a product that distinguishes itself from the competition. Moreover, as a result of the focus on e-commerce in this market, Arzum stands out as **the leader in turnover** and **the 2nd player** in units, considering its market share only in the online channel. Arzum **ranks 2nd** in terms of brand awareness and **3rd** in terms of market share in the ironing category. Considering the strength of the Arzum brand, the ironing category is seen as **one of the important growth areas** for the company.

Similarly, Arzum is among the **top 10 players** in the vacuum cleaner category on the basis of units. Carrying the strength and success of the Arzum brand in other categories to the largest category in the Turkish SHA market presents a significant growth potential. Combining technology with design and creativity, Arzum brought together a bagless vacuum cleaner and IoT technology in Olympia Smart for the first time in Turkey.

HIGH BRAND RECOGNITION IN DIFFERENT CATEGORIES

Arzum's high brand awareness provides a competitive advantage.

Arzum is among the first brands that come to minds.

When evaluated in terms of total brand awareness, Arzum is the second brand in the food preparation, cooking and frying, hot beverage preparation and ironing categories, the sixth brand in the vacuum cleaner category and the third brand in the personal care category.



Arzum's brand awareness is at significant levels in five categories of the Turkish SHA sector. When evaluated in terms of total brand awareness, Arzum is the second brand in the food preparation, cooking and frying, hot beverage preparation and ironing categories, the sixth brand in the vacuum cleaner category and the third brand in the personal care category.

This shows that Arzum is one of the leading brands in the minds of consumers and is on the list of priority brands that come to mind at the time of research or purchase. The high awareness of the Arzum brand is one of the most important factors that provide competitive advantage.

Brand Awareness Ranking



ORIGINAL AND CONSUMER ORIENTED PRODUCT DEVELOPMENT IN THE LIGHT OF CHANGING DYNAMICS

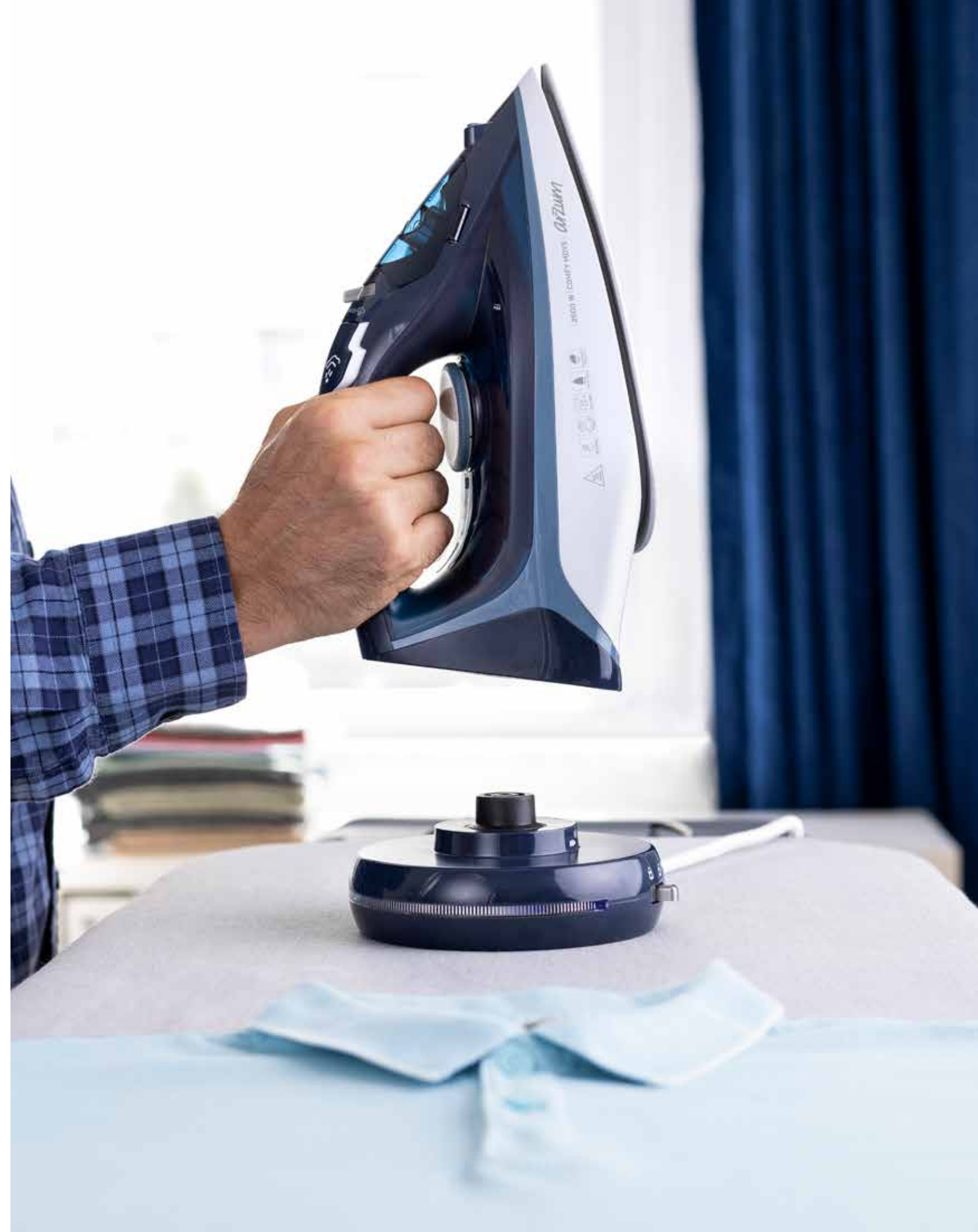
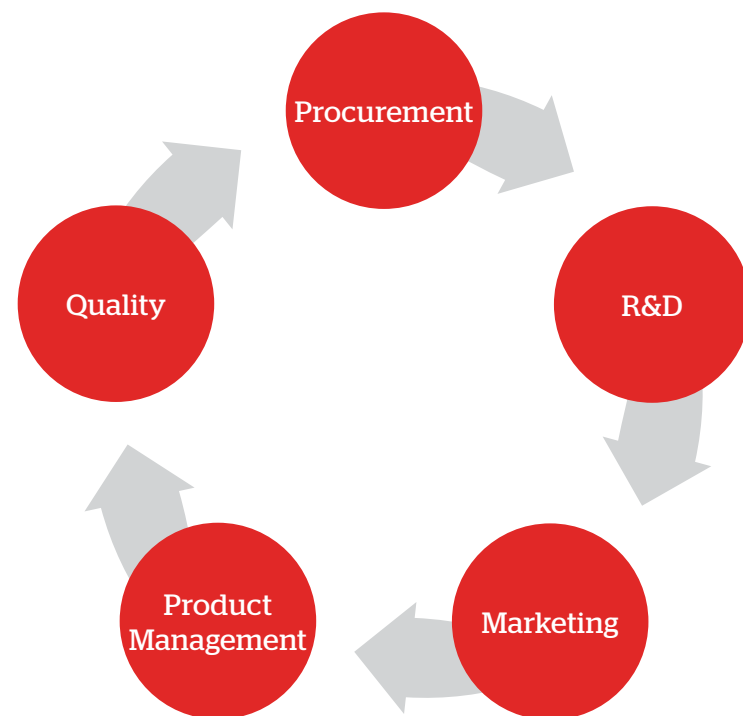
We are the industry pioneer
with innovative and cutting-
edge designs.

Consumer- friendly and cutting-edge designs

Arzum continues to be a pioneer in the industry with its innovative, technological and cutting-edge designs developed to make the lives of its users easier with consumer-friendly products.

Arzum undertakes the mission to fulfill the needs of consumers and to adopt a consumer-oriented approach with its unique organizational structure aiming to take quick action against changing dynamics. In addition to its team in Turkey, the company established a team structuring in China in 2021 and further increased its team depth. These teams, working under the main organization of the company, are designed to support R&D, quality and purchasing activities in projects in the Far East.

Changing priorities and emerging needs after the pandemic have once again demonstrated the importance of issues such as efficiency, flexibility and the need for versatile product development. Having observed the efficiency for years, Arzum received numerous inputs from many aspects and involved in the development activities with suppliers from all over the world, which, in return, helped the Company take advantage of its flexibility and keep up with ongoing changes.



ORIGINAL AND CONSUMER ORIENTED PRODUCT DEVELOPMENT IN THE LIGHT OF CHANGING DYNAMICS

Wide range of products achieved through efficient use of resources

13

Number of patent applications
filed in 2021.

43%

Share of developed products
in sales

1. EFFICIENCY

Thanks to the software developed in 2020 in order to ensure electronic monitoring of the product projects within the Company, the status and development of the projects were closely monitored within the remote working process during the pandemic, and prompt action was taken. The workload of the employees involved in the projects can be monitored with the help of dashboard that was developed towards the end of the year and made available to a limited number of users in demo mode.

21 of the 30 projects under the platform project that was launched with the title of digitalization were prioritized for the active participation of the company resources in efficiency and product development activities, and studies were carried out.

2. SUPPLIER DEPTH

Thanks to the wide supplier portfolio at home and abroad, all the products needed during the pandemic were supplied. In addition, new products were developed with existing and new suppliers.

3. OPEN INNOVATION APPROACH

The open innovation system, which is the main identity element of Arzum, has made it much easier to monitor and manage the developments and innovations in the entrepreneurial ecosystem during the pandemic. The development processes initiated with 4 entrepreneurial companies in Turkey and 1 abroad during the pandemic are still ongoing. In the same period, studies were carried out with 2 universities in Turkey within the scope of R&D activities.

R&D and new product development

As a pioneer with competent product development ability in its industry, Arzum continued to focus on product development and R&D activities in 2021. The product development team, consisting of 30 competent and multi-branch people as of December 31, is an important element of the company's success.

Innovative products in the industry

Arzum, one of Turkey's most established players in the field, continued to develop new products in 2021 with its innovative approach. In this context, 13 patent/model applications were made in Turkey in 2021. The main products that were put on the market were as follows:



The patented 'Arzum Çaycı Heptaze Tea Machine', which brews and prevents the bitterness of the tea with its moving filter, was presented to the taste of consumers with its renewed design.



Tostçu Mini toaster received design awards at IF Design and Plus X.



Arzum OKKA Minio Jet Turkish coffee machine was awarded the 'Product of the Year' at the Plus X awards.



Arzum Magiclean cordless upright vacuum cleaner is produced in Turkey.



Maxi Grill Pro enables to cook casseroles, grill, pastry, and many dishes with its electric cooker, cast iron tray, and 4 different functions.



In addition, AR technology has been used to enable customers who are not able to visit the sales points due to certain reasons including the restrictions during the pandemic to see the products up close in their homes. With this technology, three products can be examined in three dimensions via QR codes.

FLEXIBLE SALES ORGANIZATION THROUGH MULTIPLE SALES CHANNELS

Effective sales network that continues to expand in national and international markets

E-commerce and international sales

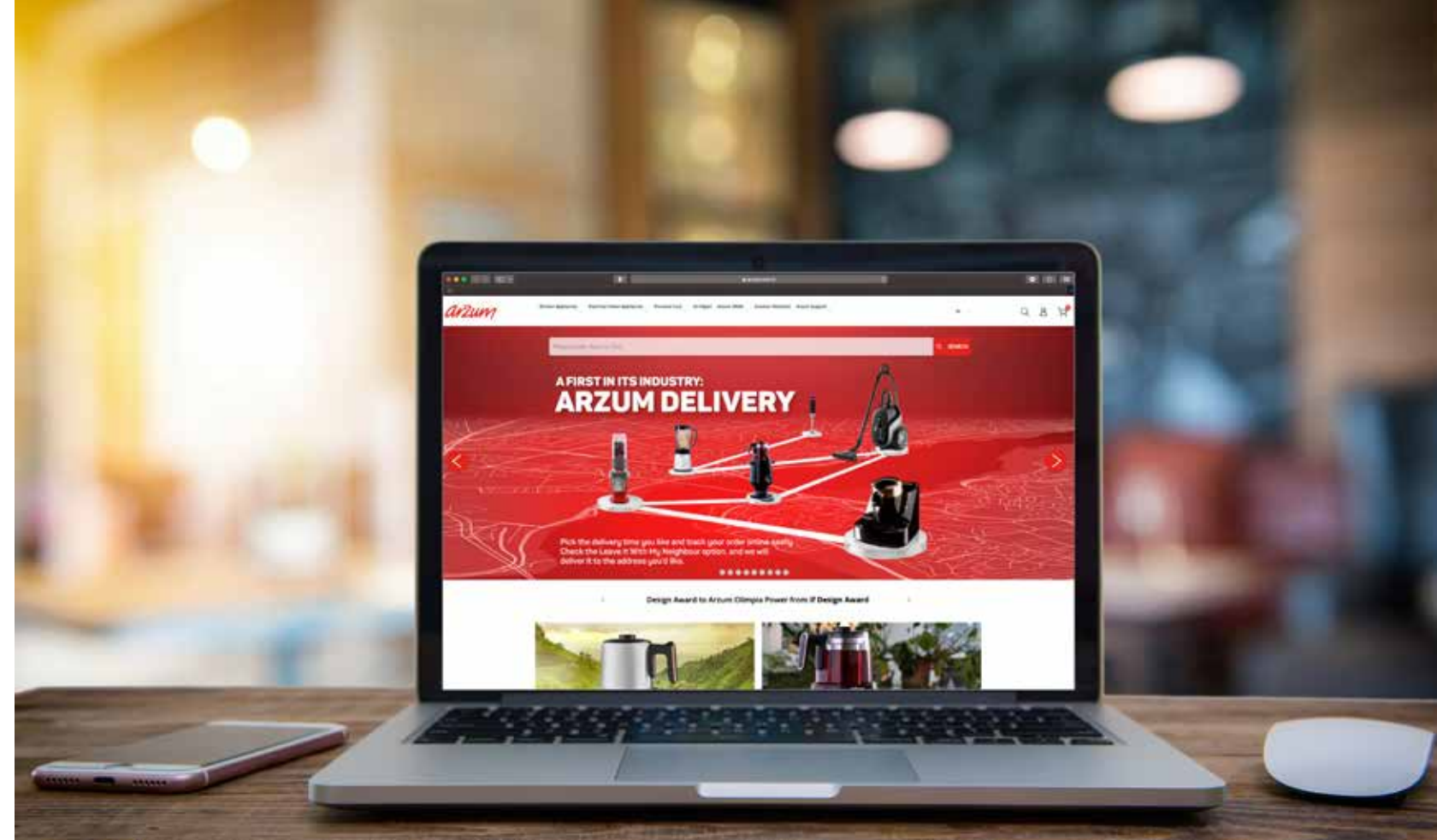
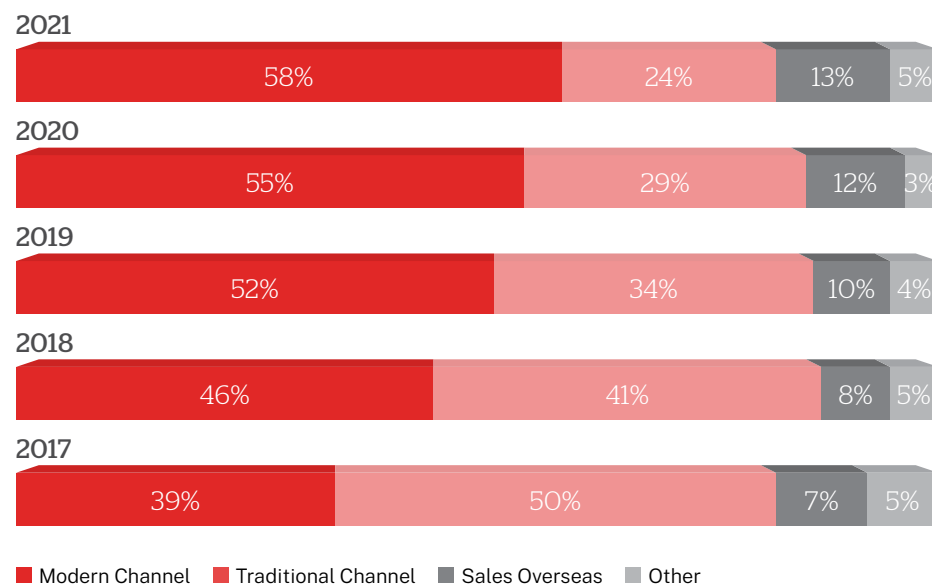
Recently, e-commerce and international sales have made the highest contribution to Arzum's growth.

Arzum has a wide sales network across Turkey, with more than 500 clients in total and more than 20 thousand active sales points.

Arzum has an important position in the traditional sales channel (retail and wholesale) with its well-established brand and the trust relationships it has built for many years. It has strengthened its position with the new organizational structure established in recent years in accordance with customer needs for large shopping centers operating in the traditional channel.

Arzum has been increasing its effectiveness in growing channels such as supermarkets, discount markets and technology stores in the recent period, and cooperates with Turkey's leading retailers. E-commerce and international sales are the sales channels that have made the highest contribution to growth in the recent period.

Distribution of Total Sales By Channels



Leading position and growth potential in the e-Commerce channel

The e-commerce channel with its impact felt all over the world and its effectiveness and importance gradually increasing in the Turkish SHA market has been in the focus of Arzum for a long time. The e-commerce channel has been structured and the necessary infrastructure works have been completed within the framework of the company's long-term sales channel strategy. Sales are carried out in this channel both via Arzum's website (www.arzum.com.tr) and national market places, and all these

channels are managed with a special focus strategy. There are dealers that have been developed to focus only on the e-commerce channel. Being experienced in the dynamics of e-commerce, these dealers are supported through digital marketing and advertising activities that reflect the company's e-commerce plans. Arzum has created a special distribution fleet for e-commerce in recent years. Within the framework of all these efforts, Arzum added the e-commerce channel to its existing channels, making its sales organization more flexible.

Share of Channels in Sales

Modern Channel: 58%

Technology markets
Discount stores
Super/Hypermarkets
E-Commerce

Traditional Channel: 24%

Traditional stores
Wholesale and others

International Sales: 13%

Arzum Europe
Country Distributors
Mainly Middle East and European countries (61 countries)

FLEXIBLE SALES ORGANIZATION THROUGH MULTIPLE SALES CHANNELS

The e-commerce channel at the center of the long-term sales strategy

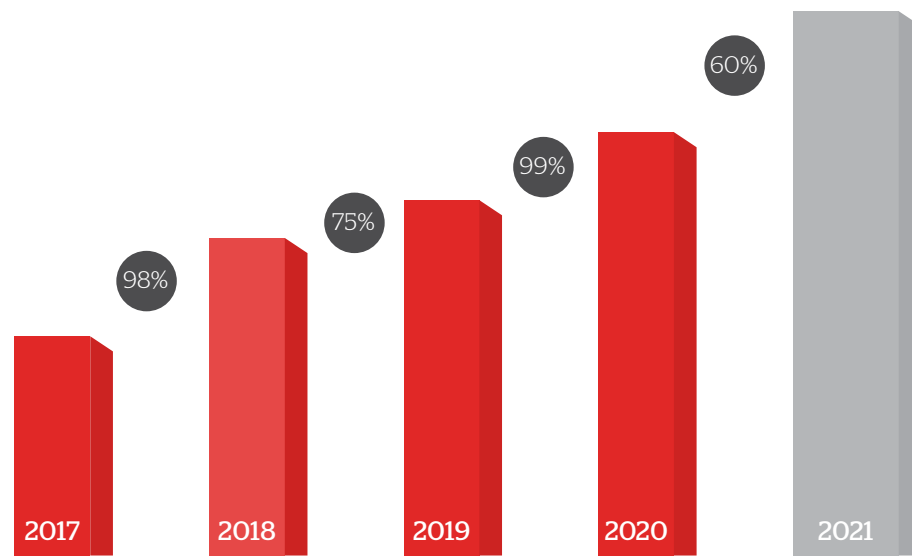
60%

Rate of increase in the e-commerce sales

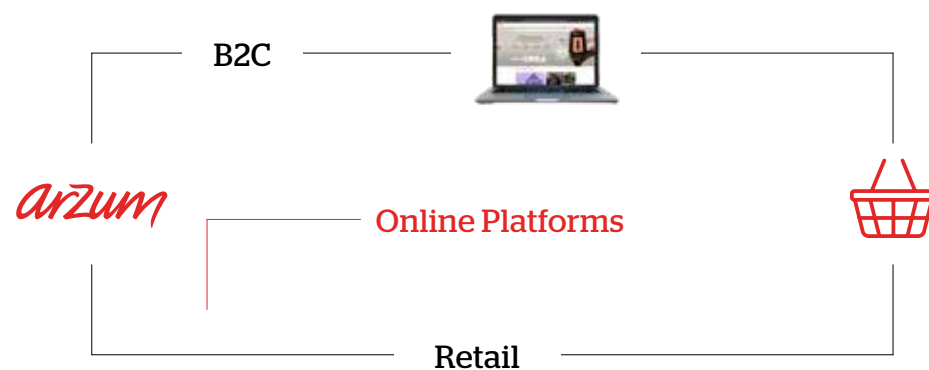
13%

Arzum's rate of international sales

Increase in the e-commerce sales



E-commerce sales channels



STRATEGIC INTERNATIONAL SALES MARKETS AND GROWTH POTENTIAL

Region-based management system developed to increase efficiency in global sales

Profitable and sustainable structure

The basis of Arzum's international sales strategies is to focus on strategic foreign markets and to have a profitable and sustainable structure.

In addition to the changes it has made in its organizational structure, Arzum has also implemented medium and long-term overseas sales and marketing plans. Parallel to these plans, it has gained the potential for international sales with the product variety that it has organized on the basis of regions suitable for foreign markets and consumers. Having a profitable and sustainable international sales structure is among the important priorities in this channel. In this context, the most important parts of Arzum's international sales strategy includes: focusing on strategic international sales markets, ensuring effective risk and maturity management, increasing efficiency with transit shipments and improving efficiency in target markets with special product development activities for international sales.

Arzum started to adopt a global sales approach rather than international sales, and made significant changes in its international sales structuring in line with this strategy. A region-based management system has been adopted in order to manage global sales more effectively; and a resident sales director has been positioned at Arzum Europe GmbH HQ at Munich, Germany, which was founded in 2011, to increase market and channel diversity in Europe, one of the priority regions, to increase brand awareness and to become a measurable brand in some countries. In parallel with the growth, it is planned to open local offices in different regions.

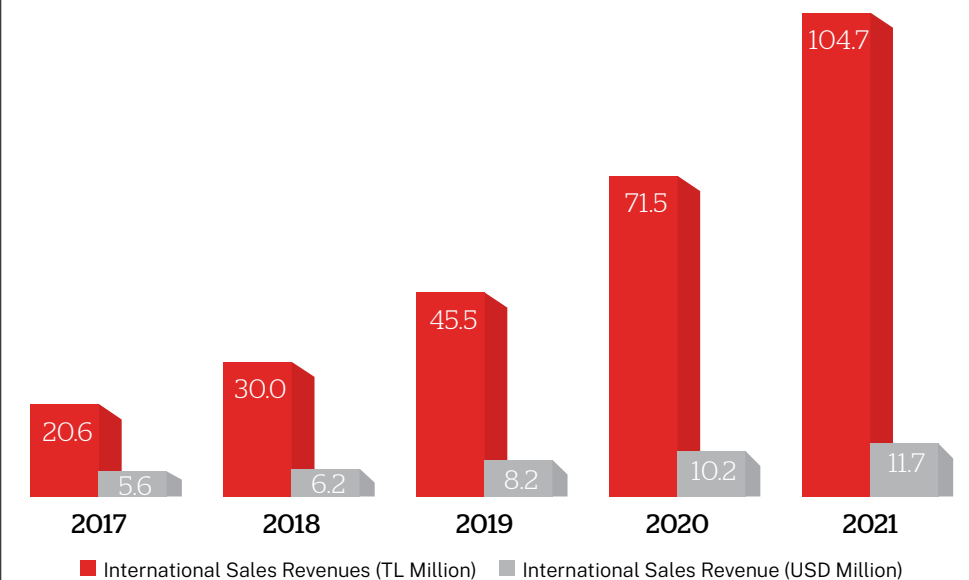
46% increase in international sales turnover

Problems in the global supply chain and the uncertainty brought by the pandemic have reduced the trade volume in all markets. Channel diversity in strategic markets, new products, developments in online sales channels, and strengthened technological and logistics infrastructure further reinforced the growth trend that has continued since 2016, despite the stagnation in the economy in 2021. As a result of this consolidation, Arzum achieved its international sales figure to reach TL 104.7 million. Thus, Arzum's international sales turnover increased by 46% compared to 2020, and its share in the company's total turnover reached 13%.

It is anticipated that the new global sales organization, focused growth, strategy and regional structuring will greatly contribute to the acceleration of foreign sales in the coming years. The growth of global sales and marketing teams, the establishment of an after-sales service structure, which is one of the cornerstones of customer satisfaction, especially in strategic countries, and the development of existing systems with distributors will contribute significantly to brand awareness, being one of the preferred brands and increasing international sales.

The marketing actions taken in foreign markets started to be created in parallel with Arzum's global and focused growth strategy with the International Marketing department established in 2019. All international marketing activities are carried out in online and offline channels with a multi-channel strategy. 360-degree communication plans are created and implemented to increase the awareness of Arzum and Arzum OKKA brands in existing foreign markets. A product portfolio is aimed to be created specific to countries with strategic priorities; special products are commissioned for international sales in the categories of food preparation, cooking, beverage preparation and cleaning; and sustainable international sales underlie the turnover increase in the medium and long-term. Arzum and Arzum OKKA brands haven't done a market entry yet to increase the total international sales volume and the number of countries. We prepare a market entry strategy for targeted international markets and create sales and marketing strategies in addition to a market-and consumer-specific product portfolio.

International Sales Revenue (on TL Million and USD Million basis)



International Markets



OPERATIONAL EFFICIENCY MANAGEMENT

The success achieved by fast and efficient service understanding in the widespread service network

After-sales satisfaction

Arzum manages its operations with an understanding that prioritizes customer satisfaction with its after-sales services and service points.

Widespread after-sales service network

Arzum has an extensive network of 425 authorized after-sales and service points in 80 cities in Turkey. Widespread service network is one of the important success factors to ensure customer satisfaction in the SHA market and to establish trust between customer and the brand.

The company keeps stocks for spare parts demands of customers in its logistics center located in Gebze to provide fast and efficient service to its customers through extensive after-sales service network.

Carrying out improvement activities in the processes of after-sales service operations, Arzum commissioned the service automation application that has been developed by an external party. The number of products replaced under the warranty was 54,093 in 2015, while it decreased to 10,603 at the end of 2021 as a result of this improvement.

Arzum's received the Stevie award twice, once in bronze and once in gold for its after-sales operations. At the same time, its customer satisfaction-oriented works were appreciated by the Ministry of Commerce with the 'Brand with Customer Satisfaction as a Principle' award in 2019. In 2021, Arzum won the Best Customer Service, Bronze award and the Best Digital Transformation Silver award at the CXA'21 International CX Awards, and the Best Customer Redesign Bronze award at the European Contact Center & Customer Service Awards. It is believed that the company's strong after-sales service network and operational capability will play an important role in maintaining the strong position in the market and distinguishing itself from the competition.

Effective supply chain management

Although Arzum does not have any production facilities in Turkey or abroad as of today, it has long-term cooperation with different suppliers. As of 2021, approximately 80% of the company's product supply comes from manufacturers in Turkey and 20% from suppliers abroad. In 2021, we worked with a total of 39 different suppliers from abroad. Arzum has a high international transaction volume in the field of SHA, while it cooperates to develop suppliers, improve product development and R&D capabilities in Turkey. At the beginning of 2020, Arzum launched the ASRM application, which enables end-to-end management of the supplier processes, so that it can monitor all processes from order throughout delivery and provide improvement with the supplier performance management module it has commissioned.

With its team of 'Arzum Magic', Arzum ranked first in Turkey in the international supply chain competition The Fresh Connection, a company management simulation where the impact of the supply chain processes on the company can be measured, and thus got qualified to participate in the world final.

Arzum's effective logistics capabilities also bring competitive advantage during the pandemic. With the 'Arzum on the Road' launched in this period, orders can be placed via arzum.com.tr and Arzum mobile application and can be delivered via Arzum's own delivery fleet across Istanbul. The application, a first in the electrical household appliances market, enables consumers to access products easily.

Error-free shipping

The operational management metric 'Error-Free Shipping', one of Arzum's strategic goals that is followed within the scope of operational excellence was realized at the level of 99.87% in 2021. With a continuous improvement perspective, metrics of operational processes are monitored on a monthly basis and progress is made towards operational excellence.

Operational efficiency and effective cost management

Arzum closely follows the best practices in the world and increases its efficiency from year to year through operational process improvement projects. Aiming to be the pioneer of the industry in implementing trends, Arzum has largely completed its digital transformation in future stock, sales and profitability simulations by using S&OP processes in which all supply chain flows are operated with an integrated decision network.



CORRECT DATA AND CORRECT COMMUNICATION THROUGH DIGITAL TRANSFORMATION

Investments that lead digital transformation and are made quickly

Arzum considers digital transformation as a strategic priority. Taking the rapidly changing market conditions and consumer habits into account, digital transformation has become one of the most important tools for effective and efficient operation management. Arzum rapidly and continuously realizes investments that will lead digital transformation, create value for its stakeholders and increase consumer satisfaction.

The company has focused on digital transformation investments since 2010. The prominent digital transformation steps taken in this context are as follows:

Corporate Resource Planning

Arzum uses the corporate resource planning application, which was commissioned in 2011, in an integrated manner with other corporate applications. Updates are made as required by business processes and digital transformation applications are adapted.

Customer Relationship Management (CRM)

The customer relationship management application launched in 2013 ensures:

- To centralize the consumer data obtained from all communication sources on a single platform as per the customer satisfaction strategy,
- To implement the most accurate communication with the consumers.

The application, which is also used by Arzum Call Center, serves in accordance with all consumer data laws.

Adding WhatsApp and Webchat to its service channels, Arzum provides the fastest service to its customers 24/7 with its advanced Chatbot, and optimizes its operation. Arzum Chatbot makes a difference in customer experience with an 87% correct understanding rate, thanks to continuous improvement.

Process-Oriented Document Management System

The process-oriented document management system, which was launched in 2016, has enabled all signature-based processes to be transferred into digital environment over the years and thus to manage processes much faster and without any errors.

Business Analytics

The business analytics application at Arzum was launched in 2014 for the purpose of management reporting and management cockpit application, contributing to the most accurate and rapid decision-making. In recent years, business analytics reports have also been used for operational needs to achieve effective management.

After Sales Service (ASOS)

ASOS application, which was invested within the scope of Arzum's customer satisfaction strategy, was launched in 2018. Thanks to the management of all service processes through a digital platform and the performance management module, the level of service provided to customers has been improved day by day. ASOS has become the most effective and powerful software in the industry with more than 200 updates every year.

"Arzum Seninle" mobile application

With Arzum Seninle, which can be accessed through both IOS and Android operating systems, documents such as warranty certificates and invoices that must be kept to be used in after-sales services of products are saved in the cloud database after going through various artificial intelligence verifications. This storage not only provides an extra 1-year warranty period in line with the customer-friendly approach, but also eliminates the need to keep these documents. Arzum Seninle application, which ensures the protection of personal data, guides the user with artificial intelligence technologies and leaves no room for error. With the easy access provided to end-users, customers can make registration via website, IOS or Android in less than 3 minutes, which eliminates the need to store documents.

ARZUM SUPPORT AND SPARE PARTS THAT PROVIDE FAST AND EFFECTIVE SOLUTIONS

All solutions under after-sales services available on Arzum Customer Support Portal

Digital Maturity Platform

As of 2021, Arzum launched the Digital Maturity Platform by ensuring active participation of 24 stakeholders from all units.

Standing out among the competitors in similar categories, Arzum Customer Support Portal is built on a customer-oriented, innovative and user-friendly structure to offer its customers a fast and effective solution in after-sales services. Arzum Customer Support Portal gathers all issues that may be needed in after-sales services under a single roof. The Portal offers a flawless mobile experience with its technological infrastructure and provides smart and versatile solutions to its customers with ASOS, ERP, CRM, Arzum APP, Logistics Service Provider and KVKK integrations.

Digital Maturity Platform

In 2021, Arzum launched the Digital Maturity Platform with the active participation of 24 stakeholders from all units in order to review the digital transformation strategy and determine a new roadmap. Digital maturity levels were defined for Customer, Human, Operation, Technology, Innovation and Governance verticals; the position among other players in the sector were determined, and thus targets to reach were set and designed in the most accurate way.

Digital Eyes, which is one of the important elements of digital transformation in Arzum, involves the voluntary participation of business units. In 2021, the Platform implemented 16 digital transformation projects in line with the Digital Maturity Platform targets. The process, which started with the selection of platform members, continued with workshops where innovation culture and technology trends were shared. After the project ideas were revealed and the projects were decided, the teams started to work to implement their projects.

Customer Satisfaction

Arzum measures customer satisfaction, one of its strategic goals, in every communication channel (call center, technical service, e-commerce site, etc.) it touches its consumers. The Company uses the Customer Recommendation Score (Net Promoter Score) methodology for this measurement and continues to increase its consolidated NPS score, which it calls NPS, day by day. By holding monthly satisfaction meetings with the participation of all relevant units and senior management and by implementing the decisions taken at these meetings, Arzum NPS continued to rise every year. In 2021, Arzum NPS increased by 7.12% compared to the previous year.

SUSTAINABILITY AWARENESS AND RECYCLING

Resource savings achieved by spare parts recycled through disassembling

Environmental approach with “Refurbished Product”

Attaching great importance to the issue of e-waste, Arzum now brings the scrapped products back into production with its “Refurbished Product” project, and acts in line with its sustainability goals.

Arzum focuses on two fundamental issues in its sustainable business model, i.e. resource saving in production and recycling, and also attaches great importance to e-waste.

As part of its responsible brand identity, Arzum implemented the ‘Refurbished Product’ project in 2020, aiming to use company resources economically and to reduce the negative impact on the environment. In this context, it refurbish the products that come as sales returns and unused by the consumer, and re-offers these refurbished products to the consumer as spare parts through disassembling. Thus, it reintroduces the scrapped products into the production cycle. In addition, Arzum pays attention to the full compliance of all its suppliers with environmental regulations, and closely follows the energy regulations for its products. Arzum strives to achieve energy-efficient products with reduced carbon footprint and will keep carrying out its business with sustainability on its focus in the coming years.

Supply of refurbished product, and spare parts through product disassembling

In a world where natural resources are depleted and global economic recession is experienced, Arzum refurbishes products that come as sales returns and have not been used by consumers as part of its sustainability projects. In addition, resource savings are also achieved by reusing these refurbished products as spare parts through disassembling method. One year warranty is offered by affixing ‘Refurbished Product’ labels on the packaging of refurbished products. Since the launch of the product refurbishing project in March 2020, total 5,747 products were refurbished and brought back into use by the end of 2021.

Products that are not suitable for refurbishment and that have never been used are disassembled and utilized in the repair of defective products. In 2021, Arzum reaped 72,000 unused spare parts from returned products through the product disassembling method.

Cardboard waste management

Outer boxes of returned products were separated to paper scrap until 2021; these boxes were started to be recycled following the investment in cardboard shredding machine in 2021. Recycled cardboards are used as a filling material for the spare part orders. Within the scope of the project, it is planned to recycle 42.000 kg of outer box and make savings from the use of 43,776 m plastic airbags and 44,788 m paper coils.

Packaging and other waste management

Pursuant to the Packaging Waste Control Regulation, following obligations have been imposed on companies:

- to prevent the formation of packaging wastes,
- to reduce the number of unavoidable packaging wastes to be disposed through recycling and recovery,
- to prevent the packaging wastes blended with receiving environment directly or indirectly in a way that will harm the environment.

Arzum works with the ÇEVKO Foundation, which voluntarily implements practices related to the separate collection of packaging waste at the source in order to comply with this regulation. ÇEVKO Foundation has taken over an obligation from industrial establishments that put products on the market and fulfills it by cooperating with local governments and licensed collection-separation companies. Packaging wastes of the products that are taken to the warehouse to be put on the market every year are reported 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 arising from the Packaging Waste Control Regulation. Currently, packaging wastes generated as a result of activities within the logistics company, returned products from dealers, and wastes generated as a result of the activities of the maintenance and repair team are collected separately at the source. Separated wastes are recycled, waste management is delegated to companies licensed by the Ministry of Environment and Urbanization, and they are recycled and brought into the circular economy.

Recycling for a healthy future

Arzum, which renews its scrapped products in line with its sustainability goals and offers them to consumers as spare parts, contributes to the prevention of environmental pollution.



HUMAN RESOURCES

Modern Human Resources practices implemented in line with employee needs and expectations

Arzum Talent Management

Talent Management is about developing the competencies of Arzum's employees, ensuring their loyalty, and acquiring new talents from outside.

HUMAN RESOURCES STRATEGY

The strategy of Arzum Human Resources consists of following focus areas in line with Arzum's vision, mission and strategy:

- Acquiring and retaining talent,
- Implementing the working models of new normal,
- Creating a high performance culture,
- Being the preferred employer,
- Ensuring the adaptation of digitalization to the company culture,
- Increasing productivity.

Arzum prioritizes fulfilling its responsibilities towards all its stakeholders in the best way possible. It values its employees, who are one of its most important stakeholders. Therefore, the company implements modern Human Resources practices by constantly monitoring the needs and expectations of its employees.

Arzum employees mean much more than their jobs and they add value to the company. In this context, Arzum measures employee loyalty and satisfaction by independent consultants on an annual basis. Action plans and focus areas are defined according to the results of the measurement surveys. All actions of Human Resources are taken in line with the Human Resources Strategy and employee needs.

The Human Resources Manifesto prepared in 2021 indicates that Arzum Human Resources adopts an empathetic approach. This approach is based on contributing to its employees, communicating with them closely, meeting the changing needs of employees, strengthening the employees' sense of meaning in their work, and ensuring the participation in decision making (#hepbirlikte).

Talent management and development

Arzum Talent Management is about developing the competencies of Arzum's employees, ensuring their loyalty, and acquiring new talents out of the company. For a healthy and result-oriented Talent Management:

- Arzum's employees are evaluated based on their competencies;
- They are encouraged to receive and give feedback on a continuous basis;
- Development plans are prepared for the employees according to their individual needs.

Arzum plans its individual development activities in line with the company's strategic priorities and individual needs of its employees. In Arzum, development does not only consist of trainings; it also involves implementations for individual development, such as trainings, project-based studies, volunteering works, coaching, mentoring and mentee roles and internal trainer activities.



Launched in 2021, the Awareness and Development Journey project focuses on improving the leadership and technical competencies of managers while it emphasizes improving the feedback receiving and giving competencies of non-managerial employees. The project includes 360-degree evaluation surveys, Development Center studies, Feedback Receiving and Giving, Leadership Competence Trainings and preparing an Individual Development Plan.

Performance management

One of the focus areas of the Human Resources Strategy is to be a high-performing company. According to this strategy, the higher the performance of each individual is, the higher the company's results will be. The main aim of the strategy is to exceed the previous company performance each year. Human Resources aim to create a working environment that supports employees' high performance, creativity and innovative thinking.

Every year, all employees from all levels are included in the performance evaluation process.

The process starts with the reflection of the company goals to all employees, starting from the Chief Executive Officer. According to this approach, each employee contributes to the results of the company in line with the scope of their work. The goals set at the beginning of each year are monitored by the employee supervisor throughout the year, and the realization of the goal is constantly evaluated. At the end of the year, targets are reviewed in line with concrete criteria, employee competencies are assessed and an individual development plan is prepared. The outputs of the performance evaluation process are used in individual development plans and wage increases.

The goal of high performance company

The goal of being a high performing company, which is at the center of Arzum's Human Resources strategy, continues every year by surpassing the previous year's performance.

HUMAN RESOURCES

Comprehensive orientation program that enables new employees to adapt quickly as part of recruitment process

Internal communication covering all employees

Arzum carries out an internal communication strategy involving all its employees in different locations. An internal communication calendar is created at the beginning of each year to determine important days and agendas of the year.

Recruitment and orientation process

The principles of equality and justice underlie the all processes as well as the recruitment. Recruitment at Arzum is a detailed process that is meticulously handled and executed. New recruits must comply with Arzum's values, have the required Arzum's competencies and technical skills for the role. Various inventories, case studies, presentations and development center studies are also used in order to get to know the candidates closely during the recruitment process.

A comprehensive orientation program is implemented to help each new Arzum employees quickly adapt and get to know the company and their colleagues. The process is initiated on the first day of the employee. A buddy is assigned to the new recruit in line with the Buddy Program, implemented to facilitate the integration of new recruits and make them more productive. In order to accelerate the adaptation of the newcomers to the company, Buddies often meet them and communicates the Arzum culture to them. New recruits come together with the Human Resources Department within 6 months at the latest, and share their observations and feedback, which help to monitor their commitment and satisfaction.

Internal Communication

Internal communication is one of the most important tools in understanding, strengthening and spreading the Arzum culture. Arzum carries out an internal communication strategy involving all its employees in different locations. Although it is preferred to have face-to-face communication at Arzum, a hybrid internal communication consisting of face-to-face and online is implemented due to the pandemic. An internal communication calendar is created by the Human Resources every year in January to determine important days and agendas of the year, and this plan is shared with the managers.

Celebrations via e-mail are organized within the company on special occasions and important days; gift organizations and activities are carried out. Employees in all roles can be easily reached thanks to the glazed open office system in the Arzum office, which is aimed at facilitating internal communication.



The 'solution boxes' in the office can be used by employees in cases where they do not prefer to give feedback face-to-face. E-mails, intranet portals and boards are preferred as the fastest means of communication. Company agendas are shared every quarter at the "Agenda Arzum" meeting with the participation of all employees. Again, at the end of each quarter, a "Meetings with the CFO" event is held with the participation of all employees, where the financial performance of the company is communicated. "İK ile OKKA'lı Sohbetlerf" attended by employees from different focus groups and "Leader Cafe" meetings addressing issues related to managers are held monthly.

The "Bir Arzumuz Var" volunteer team plays an important role in conveying the needs of the employees to the management without delay, and is positioned as a key player in internal communication. We work together with the "Bir Arzumuz Var" team in all processes that, in particular, require culture change and affect the daily lives of employees.

Appraisal and Rewarding

We notice and reward success in Arzum. Communication meetings attended by the whole company and e-mail notifications are preferred to celebrate successes. In addition, employees who show loyalty to Arzum are celebrated with the Seniority Awards Organization every 5 years starting from their 5th year of seniority.

"Bir Arzumuz Var" team

The "Bir Arzumuz Var" volunteer team plays an important role in communicating the needs of the employees to the management without delay.

Occupational Health and Safety

Arzum's Occupational Health and Safety (OHS) approach aims to raise the OHS awareness of employees by putting people at the center, to constantly monitor the needs shaped by changing dynamics, and to offer sustainable OHS solutions.

Arzum makes every effort to create the most ideal conditions for the health and safety of all employees, in line with its human-oriented approach stemming from its culture and the occupational health and safety approach protected by the laws (Occupational Health and Safety Code No. 6331). Especially within the scope of work requirements in the new normal shaped by digitalization and the Covid-19 pandemic, not only the physical health and integrity of the employees, but also the mental and mental health of the employees are supported within the scope of the concept of employee well-being.

In line with the OHS approach and responsibilities arising from the law, OHS trainings are given to every new employee, and these trainings are repeated at certain intervals. In order to strengthen OHS awareness among all Arzum employees, various OHS projects are implemented throughout the year.

HUMAN RESOURCES

Wage policy determined without any discrimination based on language, religion, race and gender

The most important value: Human

While Arzum acts with the awareness that human labor is its most important value, it goes beyond classical practices and applies contemporary human resources models.



Remuneration and Benefits

At Arzum, remuneration is conducted without any discrimination based on language, religion, race and gender. According to the wage and benefit surveys conducted by independent and international consultancy companies in the relevant geographies, wages and benefits of employees are determined in line with the role, scope of duty and responsibilities of the employee. Implementation of premium payments in proportion with the company success, private health insurance, travel allowance, food aid, laptop, mobile phone, GSM line, personal accident insurance, excuse leave and death/birth cases are supported under the benefits.

Female Employee Rate

As of the end of 2021, the rate of female employees at Arzum is 40%.

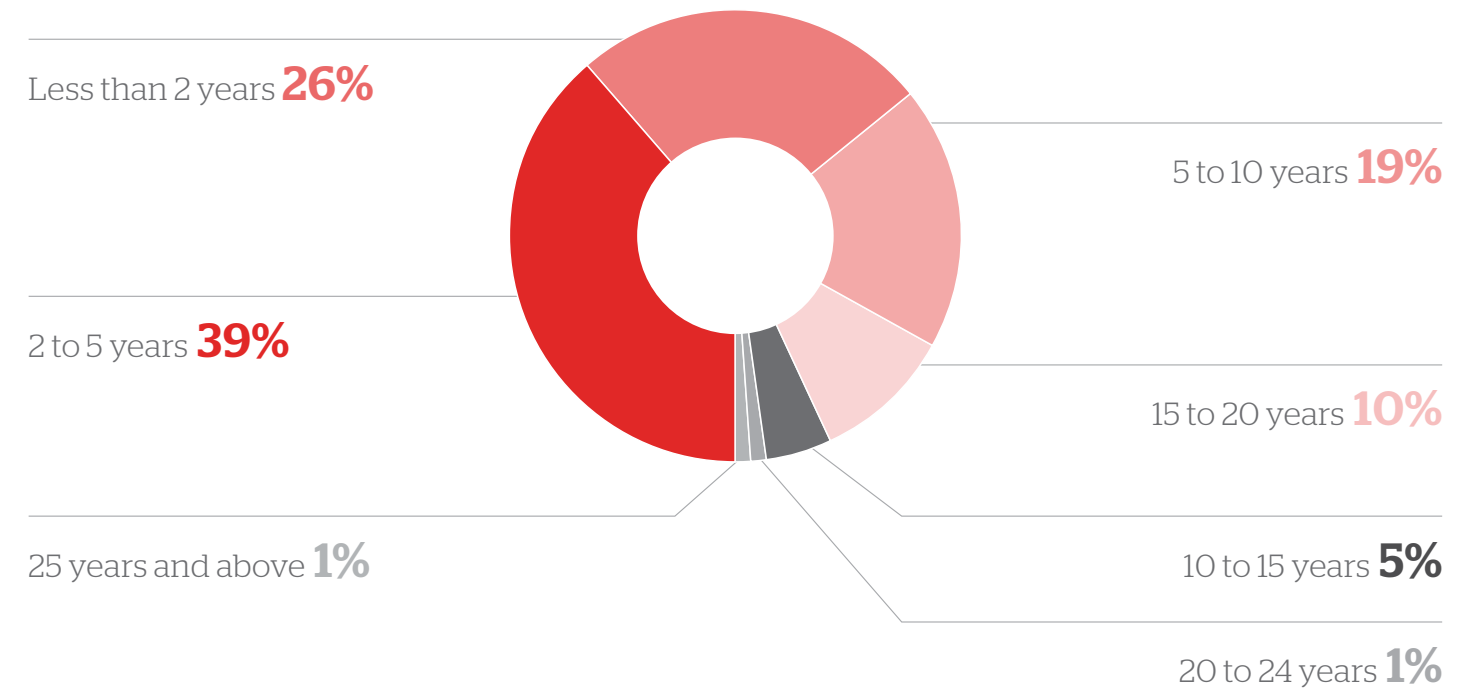
Male Employee Rate

As of the end of 2021, the rate of male employees at Arzum is 60%.

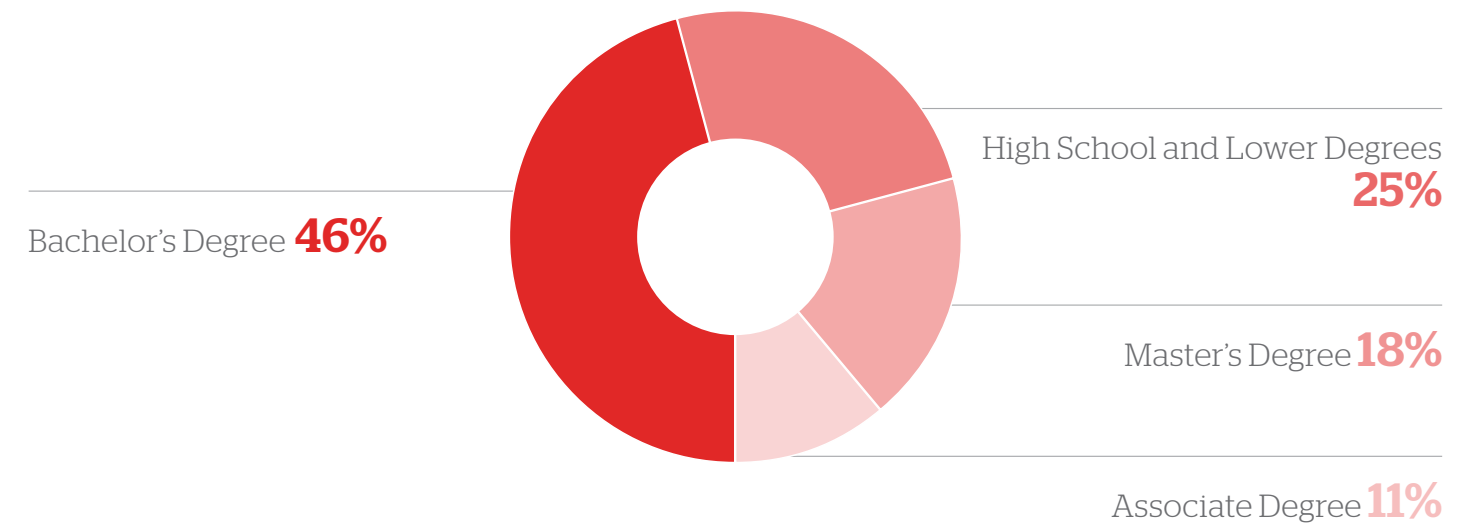
Age Distribution

The majority (66%) of the Company is made up of the Y generation.

Distribution by Seniority



Distribution by Educational Status



SOCIAL RESPONSIBILITY PROJECTS AND SPONSORSHIPS

Arzum is the main supporter of the Turkish Women's Chess Championship

Women in the leading role

Women always play the leading role in social responsibility projects and sponsorships of Arzum that come into contact with all members of the society through its organizations and projects.



FULL SUPPORT FOR THE TURKISH WOMEN'S CHESS CHAMPIONSHIP FOR 13 YEARS

Arzum has been sponsoring the Arzum Turkey Women's Chess Championship for 13 years. Arzum carries out projects that support women in every field. With this support, Arzum makes it clear that "It's the women's turn, Arzum is with them."

Being aware of the need to support chess and the importance of encouraging children to this sport from a young age, Arzum closely follows the increasing number of female players every year. The potential in the field of chess is increasing every year with these initiatives and supports. Arzum's biggest goal in this field is to have a world champion from Turkey.

Galatasaray Hepsiburada Women's Football Team sleeve sponsor

Arzum, who also stands by women in football, has undertaken the sleeve sponsorship of Galatasaray Hepsiburada Women's Football Team.



ARZUM ALSO SUPPORTS GALATASARAY HEPSIBURADA WOMEN'S FOOTBALL TEAM

Arzum supports female athletes and players, not only in chess but also in football. In this context, Arzum collaborated with Galatasaray Sports Club and became the sleeve sponsor of Galatasaray Hepsiburada Women's Football Team competing in the Women's Football Super League. Arzum, who made a contribution to change the perception that "Football is for men" all over the world and in our country, gives a message of equality

by standing by the brave women who want to show that football is not a man's game and say "We are in every field." Celebrating the determined struggle of women who boldly focus on their talents and wishes, Arzum continues to always support those who focus on their goals and who believe in success in a challenging environment. It also stands out with the support it gives to women's football, based on the belief that female football players are the representative of this view in life and that they will overcome difficulties due to their nature.



Corporate
Governance

Corporate Governance Principles Compliance Statement

Arzum Elektrikli Ev Aletleri San. ve Tic. A.Ş. (“Arzum” or “Company”) believes that all mandatory or non-mandatory corporate governance principles and practices within the scope of the Corporate Governance Communiqué (the Communiqué) numbered II-17.1 of the Capital Markets Board are an important part of sustainable and responsible growth. Within this framework, our Company has adopted the concepts of equality, transparency, accountability and responsibility of the Corporate Governance Principles, and shows the utmost care and effort to comply with the Capital Markets Code and the secondary regulations and decisions of the Capital Markets Board.

Our company was offered to the public on December 24, 2020 and is being traded in Borsa Istanbul with the code “ARZUM.” As of the first Ordinary General Assembly held on April 29, 2021, after the shares started to be traded on the stock exchange, all of the mandatory articles of the Corporate Governance Principles in the annex of the Corporate Governance Communiqué numbered II-17.1 of the Capital Markets Board have been complied with.

According to the Communiqué, the reasons for the non-mandatory Corporate Governance Principles, for which compliance has not yet been achieved, are given below. Those principles that have not yet been implemented have not led to any conflict of interest between the interested parties.

- **1.5.2.:** Those who have a ratio of less than one twentieth of the capital are not granted with the minority rights as per the Articles of Association, and the use of minority rights in the Company is subject to Turkish Commercial Code, Capital Markets Law, relevant legislation and the notifications and decisions of the Capital Markets Board. It is not planned to make any changes in this regard in the Articles of Association in the near future.
- **3.1.4.:** The Ethics Hotline required for stakeholders to report illegal and unethical transactions has not been established yet, and it is aimed to ensure the necessary compliance within 2022.
- **3.3.1.:** Our company does not have a succession program for key managerial positions yet. It is aimed to ensure full compliance with this principle in the upcoming periods.
- **3.5.1.:** The process of writing the “Ethical Code of Conduct Policy” in our company is ongoing, and it has not yet taken its final form. Therefore, compliance with the article has not been achieved in 2021, and the necessary compliance will be achieved in 2022.
- **3.5.2.:** Our company does not have an “Anti-Bribery and Anti-Corruption Policy” yet, and it is aimed to fully comply with the relevant article in 2022.
- **4.4.7.:** Members of the Board of Directors are not restricted from taking on other duties outside the Company. And it is not interfering with the members’ duties within the Company. The duties of the Board Members outside the Company are presented to the information of the shareholders in the annual report. In the near future, no change of practice is planned otherwise.
- **4.5.5.:** The chairmen of the mandatory committees to be established pursuant to the CMB regulations must consist of independent members; all members of the committee responsible for the audit must be independent members; the chief executive officer/general manager are not allowed to take part in the committees, and the knowledge and experience of our Board Members are to be taken into consideration. As a result of these requirements and conditions, some of our Board Members are assigned to more than one committee. Considering the effectiveness of current committee structure, it is not anticipated to make any change in this regard in the near future.

- **4.6.1.:** The Annual Report of the Company’s Board of Directors includes explanation about whether the previous period’s targets have been achieved or not. Apart from this, there is no separate performance evaluation of the Board of Directors yet. It is aimed to ensure full compliance with this principle in the upcoming periods.
- **4.6.5.:** The relevant article is not complied with because the attendance fees for Board Members are determined at the General Assembly and disclosed in the Annual Report, and the remunerations for executives with joint administrative responsibilities are not disclosed on an individual basis, but rather collectively in the Annual Report of the Company in line with the general practice. No changes are planned for the current practice in the upcoming period.

According to the Communiqué, the principles for the non-mandatory Corporate Governance Principles, for which compliance has partially achieved, are given below. The principles that have not yet been implemented completely have not led to any conflict of interest between the interested parties.

- **1.3.11.:** In case the stakeholders who are not included in the Internal Directive on the Working Principles and Procedures of the General Assembly formed by the Company, wish to attend the General Assembly, the relevant request is evaluated by the meeting chairmanship and usually granted. It is possible for the media to attend the General Assembly Meetings, provided that they inform the Company officials. However, this principle is partially complied with because there is no open invitation to the media in the call for the Company’s General Assembly. No changes are planned for the current practice in the upcoming period.
- **1.7.1.:** In Article 6 of our Articles of Association, the principles of transfer of shares are regulated and a restriction is imposed on the transfer of Group A shares that are not traded in the stock exchange. However, there are no practices that make it difficult for the B group shareholders traded in the stock exchange to transfer their shares freely, or no provisions restricting the transfer of shares. No changes in the Articles of Association are planned for the current practice in the upcoming period.
- **2.1.4.:** Partial compliance with the relevant article is achieved because some documents are available only in Turkish on the website while most of the Turkish content is also available in English on both company’s corporate website and Investor Relations website. Currently, the Company is paying a special attention to make sure that all information on the corporate website is matching the Turkish content completely.
- **3.2.1.:** Employees’ participation in management is ensured through periodic communication meetings within the Company, recommendation system and frequently conducted surveys to receive feedback from employees. Therefore, this article is partially complied with.
- **4.2.3.:** Although there is no Internal Control Department in our company, we started to receive consultancy services regarding the control of internal control systems from an independent institution at the beginning of 2022. It is aimed to increase the efficiency of the internal control system by establishing the department based on the evaluation results obtained from the consultancy process.
- **4.3.9.:** Although there has been no policy towards the minimum 25% female member rate in the Board, the Board currently consists of 2 female and 4 male members, making the rate of female members 33%. In the coming periods, it is aimed to ensure full compliance with this principle, which is currently being observed.
- **4.4.1.:** Although the majority of the Board Members physically attended most of the meetings, the decisions of the members who could not attend due to the COVID-19 pandemic were obtained through circulation method within the framework of TCC 390/4. The Board of Directors convened 32 times in total during the year and was regularly informed about the performance of the Company. Related information and documents were shared with the Board Members prior to taking decisions, and their questions were answered by giving detailed information about the issues.

Corporate Governance Principles Compliance Statement

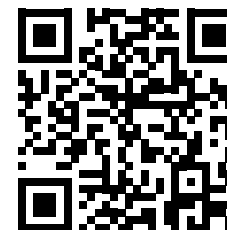
Our compliance with the Corporate Governance Principles, which are not obligatory as per the Communiqué, and the principles that are not included in the Corporate Governance Compliance Report (URF) template, are presented below with the transparency, accountability and responsibility approach adopted by our Company. The principles that have not yet been fully implemented have not led to any conflict of interest among the stakeholders.

Principle No.	Article No.	Compliance Status	Description
1.1.1.	In addition to the partnership bodies, the "Investor Relations Department" plays an active role in protecting and facilitating the exercise of shareholders' rights, particularly the right to obtain and review information.	Yes	-
1.3.3.	In order to increase the participation of the shareholders, the general assembly meeting is held in a way that does not cause inequality among the shareholders and ensures the participation of the shareholders at the least possible cost. For this purpose, the meeting is held where the shareholders have a numerical majority provided that it is included in the articles of association.	Partially	As stated in the Articles of Association, Company General Assemblies are held at the Company headquarter or at a convenient location in the city where the headquarter is located. Suitable places are chosen as meeting places to facilitate the participation of the shareholders, but this principle is partially complied with because there is no special provision in the Articles of Association stating that the meeting will be held in the place where the shareholders have a numerical majority. There has been no conflict of interest due to non-compliance with this principle, and there are no plans to make any changes in this direction in the Articles of Association in the near future.
1.3.4.	The chairman of the meeting makes preliminary preparations and obtains the necessary information regarding the conduct of the general assembly in accordance with the Turkish Commercial Code, the Law and the relevant legislation.	Yes	-

Principle No.	Article No.	Compliance Status	Description
2.1.3.	Financial statements, excluding special events and footnotes, which are required to be disclosed to the public in accordance with the capital market legislation, are disclosed simultaneously in Turkish as well as in English on the Public Disclosure Platform. English explanations are ensured to be accurate, complete, direct, understandable, sufficient and consistent with the Turkish version of the explanation to help those who will refer to the explanation make a decision.	No	The obligations, determined according to the groupings specified in the Corporate Governance Communiqué No. II-17.1 for the language of financial statements, which must be disclosed to the public pursuant to the capital market legislation, except for special events and footnotes, are taken into account, and no extra implementation is made in this direction, except for the grouping obligations that our Company is involved. There are no plans to make changes to the implementation in the near future.
3.1.2.	In case the rights of the stakeholders are violated, which are protected by legislation and contracts, an effective and prompt compensation is provided. The Company takes the necessary actions to facilitate the use of mechanisms such as compensation provided to the stakeholders by the relevant legislation. In addition, the Company establishes the compensation policy for its employees and discloses it to the public through the corporate website.	No	Since the compensation policy for the company's employees has not been established yet, compliance with the relevant article has not been achieved. It is aimed to ensure full compliance with this principle with the efforts to be handled in the future.

Our Company will continue to work on compliance with the Corporate Governance Principles by following the developments and practices in the legislation in the coming period.

Within the scope of the Capital Markets Board's (CMB) Corporate Governance Communiqué numbered II-17-1, which was issued in accordance with the Capital Markets Board's decision dated 10.01.2019 and numbered 2/49; our Company's Corporate Governance Compliance Report for the period 01.01.2021-31.12.2021 was prepared as "Corporate Governance Compliance Report (URF)" and "Corporate Governance Information Form (KYBF)" according to the aforementioned format and published on the Public Disclosure Platform. The disclosures in question are accessible via the following links <https://www.kap.org.tr/tr/Bildirim/1007447> and <https://www.kap.org.tr/tr/Bildirim/1007449>.



To access the Corporate Governance Compliance Report (URF), scan the QR Code on your smart device.

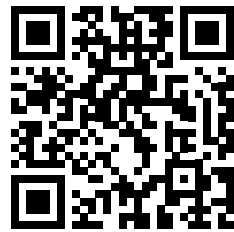


To access the Corporate Governance Information Form (KYBF), scan the QR Code on your smart device.

Sustainability Principles Compliance Statement

As Arzum, we continue our development with an understanding of responsible growth by modeling good practices within the scope of sustainability management. In this context, we aim to maintain our full compliance status due to the principles and good practices specified in the “Sustainability Principles Harmonization Framework,” which was put into effect in 2020 by the Capital Markets Board (CMB), and to put into practice in the near future what we have not yet implemented. We aim to work towards increasing our compliance status as much as possible by regularly reviewing our principles and activities in 2022, taking into account the benefit of all stakeholders, especially shareholders.

The 2021 Sustainability Principles Compliance Report, prepared in accordance with the amendment made on 02/10/2020 in the Corporate Governance Communiqué of the Capital Markets Board No. II-17.1 has been submitted to the information of shareholders and stakeholders at <https://www.kap.org.tr/tr/Bildirim/1007446>. In 2022 and the upcoming periods, our willing approach to find solutions to areas that require compliance and improvement will be maintained by internalizing the Corporate Governance Principles and Sustainability Principles, taking into account the requirements and developments in the legislation.



To access the Sustainability Principles Compliance Report, scan the QR Code on your smart device.

Investor Relations

Arzum Investor Relations Basic Activities

- To keep regular, secure, and up-to-date records of the correspondence made between the investors and the corporation, and other information and documents, and to carry out the transactions before the Central Registry Agency;
- To answer the questions received by the department during the period and the information requests of the shareholders regarding the partnership, with the exception of the confidential and trade secret information about the Company, openly and clearly, face to face or through communication tools, in line with the Company’s public disclosure procedure.
- To prepare the documents to be submitted for the information and examination of the shareholders regarding the General Assembly Meeting and to take measures to ensure that the General Assembly Meeting is held in accordance with the relevant legislation, Articles of Association and other in-house regulations.
- To participate in conferences, panels, seminars and on-site promotional meetings in order to supervise and monitor the fulfillment of the obligations arising from the capital market legislation, including all matters related to corporate governance and public disclosure, to coordinate the communication with the public as well as the explanations made as required by the legislation, and to ensure to hold meetings with investors and analysts.

Based on Article 11 of the Capital Markets Board’s Corporate Governance Communiqué, titled “Investor Relations Section,” the Investor Relations Department has been established within the Company after the shares have been offered to the public and traded on the stock exchange, and the Department reports to Investor Relations Department Manager and Chief Financial Officer (CFO). The Investor Relations Manager, who is also a member of the Corporate Governance Committee, holds the Capital Market Activities Level 3 License, the Corporate Governance Rating License and the Derivative Instruments License. Investor Relations contact information is as follows:

Investor Relations Manager

Neslihan Aydoğdu

Phone: 0212 476 80 80

E-mail: yatirimci@arzum.com

Exercise of Shareholders’ Right to Information

No discrimination is made between shareholders regarding the exercise of the right of the shareholders to obtain and review information. Every shareholder has the right to receive and review information. There is no regulation in the Articles of Association that restricts the right to receive information.

In terms of exercising the shareholder rights, the Company complies with the legislation, Articles of Association and other in-house regulations, measures are taken to ensure the exercise of these rights, and all shareholders are treated equally. The main purpose of the Company is to enable the shareholders to exercise their right to obtain information and to provide information objectively and completely within the framework of the law.

All matters regarding the public disclosure obligation are presented in accordance with the legislation and the Articles of Association, and in this context, important material event disclosures regarding investors are disclosed to the public on the Public Disclosure Platform (KAP) in accordance with the legislation and in a timely manner.

In 2021, written and verbal information requests from investors and shareholders were answered in accordance with the Capital Markets Legislation, CMB regulations and decisions, and the relevant information and documents were delivered to the shareholders, with the exception of confidential or trade secrets, by observing the principle of equality. Within the framework of the current legislation, the Investor Relations page (<https://yatirimciiliskileri.arzum.com.tr/tr/home/>) in the corporate website of the company is used effectively in order to expand the shareholders’ right to obtain information and to exercise their rights in a healthy way. In this context, information and documents stipulated by the Corporate Governance Principles and regulatory authorities are made available to shareholders on the corporate website.

General Assembly

General Assembly Meetings

The General Assembly meetings convenes ordinarily or extraordinarily. During the General Assembly Meetings, the provisions of the Turkish Commercial Code, the capital market legislation, the Company's Articles of Association and the Internal Directive on the Working Principles and Procedures of the General Assembly are applied.

Notifications regarding the General Assembly Meetings are made within the framework of the provisions of the Turkish Commercial Code and the capital market legislation. The announcement of the General Assembly Meeting is made at least three weeks before the date of the General Assembly Meeting, excluding the announcement and meeting days, by using all kinds of communication means, including electronic communication, as well as the procedures stipulated in the legislation. The announcement in question is published on the Company's website, on the Public Disclosure Platform and in other places determined by the Capital Markets Board, and in the Turkish Trade Registry Gazette. Shareholders are informed about the announcement of the General Assembly Meeting, the notifications and explanations that the Company must make in accordance with the legislation, and the matters determined by the corporate governance regulations of the Capital Markets Board via the Company's website.

Ordinary General Assembly Meetings are held after the end of the relevant accounting period of the Company and at least once a year. Extraordinary General Assemblies, on the other hand, are convened as and when required by the business of the Company.

At General Assembly Meetings, each shareholder has one vote for each share. The provisions of the TCC, the provisions of the capital market legislation and the regulations of the Capital Markets Board on corporate governance principles are complied with in the invitation to the General Assembly Meetings, in the meetings and in the decision quorum in these meetings. Without prejudice to Article 438 of the Turkish Commercial Code and Article 29 of the Capital Markets Law, matters that are not included in the agenda cannot be discussed and resolved. Without prejudice to the provisions of Articles 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 at a convenient place in the city where its head office is located. Pursuant to the "Regulation on the General Assembly of Joint Stock Companies to be Held via Electronic Means," the Company may set up an electronic General Assembly system or procure any system developed for this purpose so that shareholders are able to attend, express their views, make suggestions, and cast their votes via electronic communication means.

At General Assembly Meetings, shareholders may participate themselves, or get represented in the General Assembly by other shareholders or an externally appointed proxy. Proxies who are shareholders in the Company are authorized to vote for the shares of the shareholders they represent, as well as for their own shares. The form of authorizations is determined and announced by the Board of Directors. Capital market legislation and relevant legislation shall be complied with regarding representation by proxy. The Shares are an indivisible whole against the Company. If a share has more than one owner, they can exercise their rights against the Company only through a proxy to be appointed jointly. If they do not appoint a joint attorney, the notifications made by the Company to one of them will apply to all of them.

2020 Ordinary General Assembly Meeting

The Ordinary General Assembly Meeting for the Year 2020 was held at the address "Harbiye Mah Taşkışla Caddesi No 1, 34367, Istanbul, Grand Hyatt Istanbul Hotel Grand Ballroom" on 29.04.2021 and registered on 31.05.2021.

At the Annual General Assembly Meeting, agenda items are communicated to shareholders in an impartial, thorough, clear and understandable manner such that they may express their views under the same conditions and are offered an opportunity to ask questions. In the General Assembly Meeting held on April 29, 2021, the questions posed by the shareholders were answered during the meeting, and there was no question in the agenda that could not be answered and sent to the Investor Relations Department in writing. The questions asked at the General Assembly were shared with the public under the title of the General Assembly on the Investor Relations website (<https://yatirimciiliskileri.arzum.com.tr/tr/anasayfa/>), along with their answers within the framework of Article 1.3.5 of the Corporate Governance Principles, which is an annex to the Corporate Governance Communiqué No. II.17.1 of the Capital Markets Board.

Voting Rights and Minority Rights

The Company's Articles of Association do not grant any privileges regarding voting rights. One voting right is granted for each share in ordinary or extraordinary General Assemblies.

The Company avoids practices that make it difficult for shareholders to exercise their voting rights. In this context, according to Article 13 of the Company's Articles of Association regarding the General Assembly, the beneficiaries who have the right to attend the General Assembly Meetings of the Company can also attend these meetings electronically in accordance with Article no. 1527 of the Turkish Commercial Code.

Those who have a ratio of less than one twentieth of the capital are not granted with the minority rights as per the Articles of Association, and the use of minority rights in the Company is subject to Turkish Commercial Code, Capital Markets Law, relevant legislation and the notifications and decisions of the Capital Markets Board. Utmost care is taken in this regard.

Profit Distribution Policy

Right to Dividend

The profit distribution principles of the Company are regulated by the provisions of the Articles of Association regarding profit distribution. Accordingly, the Company acts in accordance with the provisions of the Turkish Commercial Code and capital market legislation regarding profit determination and distribution. There are no privileges granted to shareholders in the Articles of Association regarding participation in company profits.

The profit distribution policy of the Company is given below.

Profit Distribution Policy

Our Company's Dividend Distribution Policy has been prepared within the framework of the provisions of the Turkish Commercial Code, Capital Market Regulations, Tax Regulations and other relevant regulations, as well as the article on profit distribution in our Articles of Association, and profit distribution is made accordingly.

In profit distribution, a balanced and consistent policy is followed between the interests of the shareholders and the Company in accordance with the Corporate Governance Principles. In principle, it is aimed to distribute at least one third of the distributable period profit calculated within the framework of the Capital Markets Regulations to the shareholders and other persons participating in the profit in the form of cash and/or bonus shares in proportion to their shares as long as the relevant regulations and financial possibilities allow, and as long as it can be met from the resources available in our legal records based on the market expectations, our long-term company strategy, the capital requirements of our subsidiaries and affiliates, our investment and financing policies, profitability and cash situation. After the first dividend is paid to the Board Members and their employees, the payment of dividends is subject to the decision of the General Assembly in accordance with Article 19 of the Company's Articles of Association, and the dividend distribution rates to be made to the Board Members and employees will be determined by the General Assembly.

It is aimed to distribute the profits within one month at the latest following the General Assembly Meeting, and the dividends will be distributed equally to the shareholders on the date determined by the General Assembly following the approval of the General Assembly within the legal deadlines, regardless of all existing shares and their issuance and acquisition dates. The General Assembly or if authorized, the Board of Directors may decide to distribute the dividend in installments in accordance with the Capital Markets Regulations.

In any case, the distribution process starts at the latest as of the end of the accounting period in which the General Assembly Meeting is held.

According to the Articles of Association, the Board of Directors may distribute advance dividend only if authorized by the General Assembly and adhering to the Capital Market Regulations.

Article 19 of the Articles of Association, titled "Determination and Distribution of Profit," includes the principles regarding profit distribution.

This Policy is submitted for the approval of shareholders at the General Assembly Meeting. Any changes to this policy are also submitted for the approval of the shareholders at the first General Assembly meeting after the change and announced to the public on the website.

Transfer of Shares

The principles for the transfer of shares have been regulated in Article 6 of our Articles of Association, restrictions have been imposed on the transfer of group A shares that are not traded on the stock exchange, but there are no provisions that make it difficult for B group shareholders to transfer their shares or restrict the transfer of shares freely.

Structure and Operation of the Board of Directors

Company Management

The business and administration of the Company is carried out by a Board of Directors consisting of at least 5 (five) members to be elected by the General Assembly within the framework of the provisions of the Turkish Commercial Code and the Capital Markets Law, meeting the conditions specified in the Turkish Commercial Code and the capital market legislation. Half of the Board Members of the Company will be elected among the candidates determined by the majority of votes among the A Group shareholders, with the quorum specified in the Turkish Commercial Code and the Capital Markets Code. The number of Board Members to be elected among the candidates determined by the majority of the votes of Group A shareholders can never exceed half of the total number of Board Members. If the total number of Board Members is odd and therefore half of them is fractional, the number of Board Members to be appointed by Group A shareholders is rounded down. The Board Members to be elected among the candidates nominated by the said Group A shareholders will be from members other than the independent members specified in the Corporate Governance Principles of the Capital Markets Board. The affirmative vote of 51% of the votes representing the total issued capital of the Company at the General Assembly is required for the election of the members other than the Board Members to be elected among the candidates nominated by the Group A shareholders. A sufficient number of independent Board Members are elected by the General Assembly within the framework of the principles regarding the independence of the Members of the Board of Directors specified in the corporate governance principles of the Capital Markets Board. Independent members must meet the conditions set forth in the regulations of the Capital Markets Board on corporate governance. The Chairman of the Board of Directors is elected among the Members of the A Group Board of Directors. The Chairman of the Board of Directors does not have the right to cast a decisive vote in case of equality.

Term and Re-election of the Board of Directors

Each Board Member will be elected for a maximum of 3 (three) years and shall serve until death, resignation or incapacity occurs before the end of the said period. A Board Member whose term of office has ended can be reappointed. Regarding the terms of office of the Independent Board Members, the regulations of the Capital Markets Board regarding corporate governance and the provisions of this Articles of Association shall apply. The General Assembly shall change the Board Members anytime if deemed necessary. The Board of Directors may conclude contracts and other transactions exceeding the term of office. In the event that a Board membership becomes vacant for any reason or the Independent Board Member loses his independence, the appointment is made in accordance with the provisions of the TCC and the capital market legislation and submitted to the approval of the first subsequent General Assembly. In the event that a member nominated by Group A shareholders leaves the Board of Directors for any reason, Group A shareholders also have the right to nominate the successor of the Board Member. In such a case, Group A shareholders appoint a new Board Member and the Board of Directors elects the said candidate as a Board Member in accordance with Article 363 of the TCC and to be submitted to the approval of the next General Assembly. The Board Members approved by the General Assembly serve until the expiry of the remaining term of their predecessors. In the event that the member leaving the Board of Directors is not a member nominated by the A Group shareholders, the vacant membership is elected by the Board of Directors in accordance with the TCC and Capital Markets Legislation. Legal entities may be elected as a Board Member in accordance with the provisions of the Turkish Commercial Code. If the legal person represented by the real person determined, registered and announced by the legal person no longer has any relationship with the Board Member, the said real person cannot act on behalf of the legal person and another real person is determined by the legal person. The remuneration regarding the Board of Directors is determined by the General Assembly. The General Assembly is authorized for the financial rights to be granted to the Board Members, other than wages. The provisions of the Capital Markets Code and relevant legislation regarding the remuneration of the Independent Board Members are reserved.

Structure and Operation of the Board of Directors

Board of Directors' Meetings

The Board of Directors convenes with regularity that will help the Board effectively carry out its tasks and duties. The Chairman of the Board of Directors determines the agenda of the Board of Directors meetings in consultation with the other Board Members and the Chief Executive Officer. Each Board Member may request the Chairman or Vice Chairman to call a meeting. Meetings of the Board of Directors to be held in the physical environment are held within the borders of the Republic of Turkey, unless otherwise unanimously decided by the Board of Directors. If necessary, a sworn translator is present at the meetings.

Invitation to the Board of Directors Meetings is made by the Chairman or the Vice Chairman of the Board via fax, electronically signed e-mail or registered mail with return receipt at least 5 (five) days before the date determined for the meeting. The invitation includes a detailed agenda including the issues to be discussed at the meeting and documents related to the agenda. If all Board Members agree in writing, the Meeting of the Board of Directors can be held without notice. In such case, members are given sufficient time to prepare and attend the meeting. The presence of any member at the Board of Directors Meeting constitutes evidence that this member has waived the requirement to duly notify them. Each Board Member may request the Chairman or the Vice Chairman of the Board of Directors to add a new item to the agenda. In this case, the Chairman or Vice Chairman of the Board of Directors, who invites the meeting, makes the necessary addition to the agenda.

Pursuant to the provisions of the Turkish Commercial Code, unless any of the Board Members requests a meeting, and provided that the written approval are received from a sufficient number of Board Members stipulated in the Turkish Commercial Code, the capital market legislation and this Articles of Association for a decision made by one of the Board Members on a certain subject, a Board of Directors decision may be reached.

The provisions of the Turkish Commercial Code and the capital market legislation are applied regarding the meeting and decision quorums at the Board of Directors Meetings. In 2021, the Board of Directors held 32 meetings and the average attendance was 92%.

Administration and Representation of the Company

The representation of the Company against third parties belongs to the Board of Directors. The Board of Directors performs the duties assigned to it in accordance with the Turkish Commercial Code, the Capital Markets Law, other relevant legislation and this Articles of Association.

Upon the decision taken by the Board of Directors, the power to represent the Company can be assigned with a single signature to one of the members of the board of directors or to one or more executive members or to third parties who are managers. At least one Board Member must be authorized to represent the Company. Unless the decision, indicating the persons entitled to represent the Company and the method of representing, is registered and published in the trade registry, the transfer of the authority will not be valid. Limitation of the power to represent does not set forth any terms and conditions for bona fide third parties; however, the registered and announced restrictions on using the power to represent the company from a single center or branch or altogether are applicable. The provisions of Articles 371, 374 and 375 of the Turkish Commercial Code are reserved.

In accordance with Articles 367 and 371 of the Turkish Commercial Code, the Company may issue an internal directive regarding the transfer of representation authority. It is obligatory to register and announce the internal directive to be issued regarding the transfer of the power of attorney. The Company may appoint commercial attorneys or other merchant assistants with limited authority pursuant to the internal directive to be issued regarding the transfer of the power of attorney.

Pursuant to Articles 367 and 371 of the Turkish Commercial Code, the Board of Directors is authorized to transfer the management, partially or completely, to one or more Board Members or third parties, with an internal directive to be issued. This internal directive regulates the management of the Company and defines the duties, definitions and locations required for this, in particular, determines who is reporting to whom and who is responsible to provide information. Upon request, the Board of Directors notifies the shareholders and creditors who convincingly demonstrate their interests worth protecting, in writing, about this internal directive.

Board of Directors

Currently, the Company's Board of Directors consists of six members. Information about the Board Members is given below:

Name-Surname	Position	Executive or Not	Duties Held in the Group	Duties Held Outside of the Group
Talip Murat Kolbaşı	Chairman	Executive	Chairman	-
Yasemin Rezan Kolbaşı	Vice Chairman	Not Executive	Vice Chairman	-
Ali Osman Kolbaşı	Board Member	Not Executive	Board Member	-
Süleyman Mete Zamil	Board Member & CEO	Executive	Board Member & CEO	-
Elif Ateş Özpak	Independent Board Member	Not Executive	Independent Board Member	Kybele Consulting Limited - Managing Partner Globalturk Capital - Business Partner Akfen Yenilenebilir Enerji - Member of The Board of Directors
Ahmet Cüneyt Yavuz	Independent Board Member	Not Executive	Independent Board Member	Mavi Giyim Sanayi ve Ticaret A.Ş. - CEO

Independent Board Members

Our Company's shares started to be traded on the BIST as of December 24, 2020. Within the scope of Article 5/(4) of the CMB II-17.1 Corporate Governance Communiqué, the necessary compliance with the Corporate Governance Principles has been achieved as of the date of the first General Assembly held after our shares started to be traded on the stock exchange and Ms. Elif Ateş Özpak and Mr. Ahmet Cüneyt Yavuz have been appointed as Independent Board Members of our Company.

Declarations of independence of our Independent Board Members are given in ANNEX/1.

Structure and Operation of the Board of Directors

Board of Directors Committees

The Audit Committee, the Corporate Governance Committee, the Early Detection of Risk Committee, the Executive Committee and the Sustainability Committee have been formed in the Company in order to contribute to the healthy fulfillment of the duties and responsibilities of the Board of Directors, and the committees carry out their activities within the framework of the determined working principles. The working principles of the committees are also announced on the corporate website of the Company. No separate Nomination Committee and Remuneration Committee have been formed within the Company, and it has been adopted that the Corporate Governance Committee should also fulfill these duties in accordance with the principle decision number 4.5.1. The Board of Directors provides all resources and support that the committees need in order to execute their functions. Executive members do not take part in committees. Independent Board Members take part in more than one committee, since the committee chairs of the Audit Committee, Early Detection of Risk Committee and Corporate Governance Committee, and members of the Audit Committee, which are compulsorily established from the committees formed within the Board of Directors, must be elected from among the Independent Board Members.

Our Company's Board of Directors Committees are as follows:

Audit Committee

Audit Committee oversees the Company's accounting system, public disclosure of financial information, independent auditing, and the operation and effectiveness of the Company's internal control and internal audit system. The Audit Committee monitors selection of independent audit companies, preparation of independent audit contracts, launch of the independent audit process and all activities of independent audit companies at any phase. Additionally, the Audit Committee also determines the methods and criteria to be applied for the examination and resolution of the complaints received by the Company about the accounting, internal control system and the independent audit, and the processing the Company employees' reports on accounting and independent audit within the framework of the confidentiality principle.

The Audit Committee convenes at the Company headquarters or elsewhere upon the invitation of the Committee Chairman, at least four times a year, at least once every three months. The Committee may be called for an extraordinary meeting by the Chairman of the Board or the Chairman of the Committee. It can hold meetings with the auditors and managers with a special agenda. The Audit Committee convened 6 times in the 2021 fiscal year, examined the audit reports and made a written notification to the Board of Directors.

The members of the Audit Committee, which does not assume a direct executive function and are independent members of the Board of Directors, and who have sufficient knowledge and experience in financial matters, are given below.

Name-Surname	Duty in the Board	Independent Board Member or Not	Executive or Not
Elif Ateş Özpak	Chairman	Independent Board Member	No
Ahmet Cüneyt Yavuz	Board Member	Independent Board Member	No

Early Detection of Risk Committee

The Early Detection of Risk Committee is responsible for carrying out activities for early detection of the risks which may jeopardize the existence, development, and continuity of the Company, taking the necessary measures against the detected risks and managing the risks.

Early Detection of Risk Committee convenes at the Company headquarters or elsewhere upon the invitation of the Committee Chairman, at least 6 times a year, at least once every two months. The Committee may be called for an extraordinary meeting by the Chairman of the Board or the Chairman of the Committee. The Early Detection of Risk Committee convened 3 times in the 2021 fiscal year, examined and approved the audit reports.

The members of the Early Detection of Risk Committee, which does not assume a direct executive function and are independent members of the Board of Directors, and who have sufficient knowledge and experience in financial matters, are given below. In addition to the Independent Members, the Executive Assistant General Manager responsible for Financial Affairs also serves as a member of the committee.

Name-Surname	Duty in the Board	Independent Board Member or Not	Executive or Not
Ahmet Cüneyt Yavuz	Chairman	Independent Board Member	Not Executive
Elif Ateş Özpak	Board Member	Independent Board Member	Not Executive
Şecaettin Arda Altınok	Board Member	-	-

Structure and Operation of the Board of Directors

Corporate Governance Committee

The Corporate Governance Committee detects whether the corporate governance principles are being implemented, determines the reasons thereof as well as the conflicts of interest arising from failing to fully comply with these principles and makes recommendations to the Board of Directors to improve the corporate governance practices and oversees the work of the Investor Relations department. However, there is no separate Nomination Committee and Remuneration Committee within our company, and it has been adopted that the Corporate Governance Committee should also fulfill these duties in accordance with the principle decision number 4.5.1.

The Committee evaluated the Company's corporate governance practices and the Corporate Governance Principles Compliance Report in fiscal 2021, and followed the work of the Investor Relations Department. In addition, the Committee presented its views on the determination of the amount of attendance fee to be paid to non-executive Board Members of the Company to the Board of Directors. The Committee evaluates the number of members of the Company's Board of Directors, and also the structure and efficiency of the Board of Directors.

The Corporate Governance Committee convenes at least twice a year at the Company headquarters or elsewhere upon the invitation of the Committee Chairman. The Committee may be called for an extraordinary meeting by the Chairman of the Board or the Chairman of the Committee. The Corporate Governance Committee convened once in the 2021 fiscal year.

The members of the Corporate Governance Committee, who do not assume a direct executive function, are independent members of the Board of Directors, and have sufficient knowledge and experience in financial matters, are given below. Apart from the Independent Members, the Investor Relations Manager is also a member of the committee.

Name-Surname	Duty in the Board	Independent Board Member or Not	Executive or Not
Elif Ateş Özpak	Chairman	Independent Board Member	Not Executive
Ahmet Cüneyt Yavuz	Board Member	Independent Board Member	Not Executive
Neslihan Aydoğdu	Board Member	-	-

Executive Committee

The Executive Committee closely follows the developments in the industry in which the Company carries on business activities, and operates to inform the Board of Directors when necessary, to assist our Company's Board of Directors, to ensure coordination between the executive of the Company and the Board of Directors, to increase the efficiency of the decision-making processes of the Board of Directors, to maintain the balance between all beneficiaries of the Company, and to develop investment strategies and making suggestions to the Board of Directors.

The Executive Committee convened 8 times in the 2021 fiscal year, and the Committee Members are given below.

Name-Surname	Duty in the Board	Independent Board Member or Not	Executive Position
Talip Murat Kolbaşı	Chairman	Not Independent Member	Executive
Yasemin Rezan Kolbaşı	Board Member	Not Independent Member	Not Executive
Ali Osman Kolbaşı	Board Member	Not Independent Member	Not Executive

Structure and Operation of the Board of Directors

Board of Directors Evaluation of the Efficiency of Board Committees

All of the documents regulating the duties and working principles of the above-mentioned committees have been accepted by the Board of Directors and have been made available to the public on the Investor Relations page of our Company's website at www.arzum.com.tr.

During 2021, all the Board of Directors committees fulfilled their duties and responsibilities in accordance with the Corporate Governance Principles and their own regulations, and operated in an efficient manner. The committees submitted their reports to the Board of Directors; these reports included the work they did during the year and the results of the meetings held.

Accordingly:

- The "Audit Committee," which is responsible for the effective implementation of the internal audit system as well as taking all necessary measures for the adequate and transparent performance of all kinds of internal and independent audits, submitted all of its suggestions to the Board of Directors. In this context, the Company receives consultancy services from an independent institution with the recommendation of the Audit Committee in order to review the internal control processes in our Company in 2022 with the aim of minimizing the effects of internal risks that may affect the Company's stakeholders, especially the shareholders. At the end of this assessment, the measures and decisions to be taken by the committee on the subject will be reported to our Board of Directors.
- Established to monitor the Company's compliance with the Corporate Governance Principles, to carry out improvement activities in this regard and to offer suggestions to the Board of Directors, the "Corporate Governance Committee" has defined whether the Corporate Governance Principles are implemented, the reasons behind it if not implemented, and conflicts of interest due to not fully complying with these principles, has made recommendations to the Board of Directors to improve corporate governance practices, and has supervised the work of the Investor Relations Department.
- The "Early Detection of Risk Committee" works for the early detection of risks that may jeopardize the existence, development and continuity of the Company, the implementation of the necessary measures against the identified risks and the management of the risk; the Committee has established sub-working groups under 3 headings selected according to the dynamics of the company and has constantly reviewed the risk management of the Company.
- Established in accordance with the Corporate Governance Communiqué of the Capital Markets Board (II-17.1), apart from the obligatory committees, the Executive Committee, as per the duties and working principles of the committee, continued to hold its meetings actively to inform the Board of Directors when necessary, to assist our Company's Board of Directors, to closely follow the developments in the industry in which the Company operates, to ensure coordination between the executive of the Company and the Board of Directors, to increase the efficiency of the decision-making processes of the Board of Directors, to make suggestions to the Board of Directors, to maintain the balance between all beneficiaries of the Company, and to develop investment strategies.

Risk Management and Internal Control Mechanism

The main financial instruments used by Arzum are bank loans, bonds issued to qualified investors, cash and short-term bank deposits. The main purpose of using these instruments is to create financing for operations. The Company also has financial instruments such as trade receivables and trade payables arising directly from operations.

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

In line with the Cash Flow Planning, necessary evaluations and researches are carried out with financial institutions and banks in order to ensure that the repayments of the bank loans used in the previous periods will be continued, and to provide financing with appropriate terms and conditions, taking into account the maturities of the new needs that will arise.

The Company's excess cash will be evaluated under the most favorable conditions in the market, and appropriate opportunities will be grasped to minimize the foreign exchange risk by closely monitoring the financial markets for the best management of the Company's foreign exchange risk.

In order to minimize the Company's increasing need for working capital, periodic studies will be carried out with the participation of the relevant units regarding receivables, debts and stocks, and possible opportunities will be taken advantage of to reduce the working capital requirement.

Efforts to simplify payment processes will continue.

In 2021, negotiations were held with financial institutions regarding the inclusion of unsecured receivables under insurance, and new methods and processes regarding risk management were designed and implemented together with the relevant units.

Information on the important risk factors related to the issuer, its activities and the industry in which it operates

Significant risks regarding the Company, its activities and the industry in which it operates are as follows. These risks are not listed in order of importance.

Risk Management and Internal Control Mechanism

Risks related to the issuer and its activities

- The company has all the products it sells manufactured by third parties. Failure to deliver the products on time, or to produce the products in accordance with the Company's instructions, or to comply with the mandatory legal regulations may adversely affect the activities of the Company.
- A significant part of the company's products are manufactured by specific suppliers. The Company's inability to maintain its relations with its suppliers, or the interruptions in the services of these suppliers, or the complete cessation of their services may harm the Company's operations.
- The Company depends on third parties for domestic and international logistics, storage activities and after-sales services. The activities of the Company may be interrupted due to reasons related to third parties.
- The Company cooperates with third party carriers to deliver its products to customers. Failure of these parties to fulfill their obligations or to cope with the increased costs may adversely affect the operations of the Company.
- In case the suppliers of the Company do not comply with the 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.
- It may not be possible to fully compensate the losses incurred by the Company due to the insufficient protection provided by the Company's insurances or the failure of the insurance companies to fulfill their obligations.
- The Company derives nearly half of its revenue from its top 10 customers, and if it loses some of these customers, the Company's operations may be adversely affected.
- The Company depends on third parties in its international sales. If the cooperation with its distributors is interrupted or terminated, the Company's position in the relevant markets and its sales may suffer significantly. In order to eliminate this risk, the Company has used its 100% subsidiary, Arzum Europe, to establish an on-site warehouse structure in order to implement the same structuring abroad as in Turkey, and to maintain the business model in Turkey with the same quality in Germany with this formation.
- The Company is exposed to exchange rate risk. In order to avoid this risk, the Company uses forward instrument (a Derivative product) to achieve an advantageous protection against any potential volatility in foreign exchange rate fluctuations in the spot market during its import payments with specified maturities.
- The small home appliances industry is an unconsolidated industry in which many companies operate. As the Company's market share increases, the risk of violating competition law regulations may increase, or investigations that may be initiated by the Competition Authority may adversely affect the Company.
- Most of the Company's overseas production are done in China. Economic and political sanctions against China may adversely affect the Company's supply chain or costs.

Risks related to the industry of the issuer

- The competitive environment of the Company may significantly adversely affect the Company's operations.
- The Company's products and activities are subject to the regulations of the countries in which it operates. The activities of the Company may be adversely affected by the changes that may occur in the applicable legal regulations.
- Local and global economic conditions and their effects on consumer spending habits may adversely affect the Company's operations and performance.
- Turkey and the industry in which the Company operates and the Company's activities are adversely affected by the global macroeconomic conditions caused by Covid-19, and may continue to be affected.

Other risks

Earthquakes, other natural disasters and other extraordinary situations may adversely affect the industry, facilities and operations of the Company, and may harm the Turkish economy in general. Natural disasters and the continuation of the current Covid-19 pandemic may adversely affect the supply chain.

Other Developments

Donations and aids

In 2021, a total of TL 949,984 was donated to various associations and foundations. A portion of TL 338,284 of these donations is in the status of tax-deductible expense.

Staff and worker movements

As of the end of 2021, the number of employees in our company was 160. There are no unionized workers.

Financial rights of the members of managing bodies and of senior executives

The total amount of wages and similar benefits paid to the top management between January 1 and December 31, 2021 is TL 13.418.163. (January 1-December 31, 2020: TL 14.538.641). Arzum has designated the Board Members, the General Manager and Assistant General Managers as senior management.

Information on the Company's investments made in the relevant accounting period

The Company invested TL 6,461,758 in 2021.

Benefited incentives and subsidies and their conditions

There is no significant level of incentives utilized as of December 31, 2021.

Information about the Company's acquisition of its own shares

The Company does not own any shares acquired.

Information on private and public auditing

No Private or Public audits have been made.

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

There are no significant lawsuits that may affect the activities of our Company.

There is no information on important administrative sanctions and penalties given to the Company and the Board Members due to practices contrary to the provisions of the legislation.

Information on the attainment of targets set in previous periods, implementation of General Assembly resolutions, and any reasons for failure attaining targets or implementing resolutions

The Board of Directors has made a positive assessment that the Company has achieved the defined operational and financial performance targets. Additionally, the resolutions of the General Assembly have been also fulfilled.

Information on legislative amendments which can have a significant impact on the Company's activities

There is no information on legislative amendments which can have a significant impact on the Company's activities.

Information on the Company's conflicts of interest with the service providers such as investment advisors and rating agencies, and the precautions taken by the Company to prevent these conflicts of interest

There have been no considerations that could lead to a conflict of interest between the Company and its service providers such as investment advisors and rating agencies.

Evaluation within the scope of Article 376 of the Turkish Commercial Code

It was evaluated whether the Company's capital remained unrequited within the scope of article 376 of the Turkish Commercial Code, and it has been concluded that our Company's issued capital of TL 32.210.000 as of 31.12.2021, with its equity amount of TL 175,634,244 as of the end of 2021, has largely preserved its existence and the Company's debt structure is suitable for the continuation of its activities in a healthy way.

Related party transactions

Defining a company as a related company is determined based on the fact that one of the companies has control over the other or has a significant influence on the financial and administrative decisions of the related company.

Trade payables to related parties

As of December 31, 2021 and December 31, 2020, the Group's trade payables to related parties are as follows:

	2021	2020
Glasshouse Bilgi Sistemleri Ticaret Anonim Şirketi A.Ş. (*)	-	18,172
İstinye Kurumsal Danışmanlık Hizmetleri A.Ş. (*)	-	17,700
Total	-	35,872

(*) The remaining 1.49% of Group B shares, which are not traded on the BIST, were dematerialized as of 6 July 2021 and became tradeable on the BIST. For this reason, as of July 6, 2021, the related companies ceased to be related companies. Relevant related party balances include transactions up until July 6, 2021.

Other Developments

Goods and services purchases from related parties

As of December 31, 2021 and December 31, 2020, the Group's purchases of goods and services from related parties are as follows:

	2021	2020
Kolbaşı Gayrimenkul Değerleme İnş. İç ve Dış Ticaret A.Ş.	35,640	117,450
İstinye Kurumsal Danışmanlık Hizmetleri A.Ş. (*)	75,000	180,000
Glasshouse Bilgi Sistemleri Ticaret Anonim Şirketi A.Ş. (*)	96,674	93,772
Total	207,314	35,872

(*) The remaining 1.49% of Group B shares, which are not traded on the BIST, were dematerialized as of 6 July 2021 and became tradable on the BIST. For this reason, as of July 6, 2021, the related companies ceased to be related companies. Related related party balances include transactions up to 6 July 2021.

Important developments after the activity period

None.

Subsidiaries and Their Share Ratios

Title of the Subsidiary	Paid-in/Issued Capital	Share of Participated Capital (%)
ARZUM ASIA PACIFIC LTD.	USD 350,000.00	100
ARZUM EUROPE GMBH	EUR 25,000.00	100
ARZUM ELEKTRİKLİ EV ALETLERİ SANAYİ VE TİCARET A.Ş. FREE TRADE ZONE BRANCH	USD 50,000	100

Corporate Record

Trade Name	Arzum Elektrikli Ev Aletleri Sanayi ve Ticaret A.Ş.
Address of Head Office	Otakçılar Cad. No: 78 Kat: 1 B Blok No: B1B, 34050 Eyüp / İstanbul
Branch Address	İstanbul Endüstri ve Ticaret Serbest Bölge Şubesi: Aydınlı SB Mahallesi Mod-2 Cad. No: 11 Tuzla-İstanbul Ömer Halisdemir Üniversitesi Teknopark Şubesi: Fertek Köyü, Cumhuriyet Mevkii Ömer Halisdemir (Küme Evler) No: 34/208 Merkez/Niğde
Affiliated Trade Registry Office and Number	İstanbul Trade Registry Office / 148674
Legal Legislation Subject to	Laws of the Republic of Turkey
Phone and Fax No	Phone: (0212) 467 80 80 Fax: (0212) 467 80 00
Website	www.arzum.com.tr
Corporate E-mail	yatirimci@arzum.com finans@arzum.com
Capital	TL 32,210,000
Registered Capital Ceiling	TL 160,000,000
Stock Exchange and Market Where It is Traded	Borsa İstanbul A.Ş. (BIST) – Main Market
Date of Trade in the Stock Exchange	December 24, 2020
Stock Symbol	ARZUM
Independent Auditor	KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
Address of the Independent Auditor	İş Kuleleri, Kule 3, Kat:2-9 Levent, İstanbul

LEGAL DISCLAIMER

This Annual Report ("Report") is prepared for informing the shareholders and does not serve as a basis for any investment decision. The realization of the forward-looking views and estimated figures in the report may differ depending on the variables and assumptions on which the relevant estimates are based. Accordingly, Arzum, or the Board Members of the Company, or the Company's consultants and employees are not responsible for any loss or damage incurred directly or indirectly by any person; (i) as a result of any information given or communication made within the scope of this Report, or (ii) based on any information contained/not-contained in this Report. As of the date of this report, all information contained in this report is believed to be accurate, however, Arzum assumes no responsibility for any typographical and printing errors that may occur.

Other Developments

Annex/1 Statement of Independence

I hereby declare that I am a candidate for assuming the role of an “independent member” in the Board of Directors of Arzum Elektrikli Ev Aletleri San. ve Tic. A.Ş. (“Company”), within the criteria stipulated in the legislation, the articles of association, and the Capital Markets Board’s Corporate Governance Communiqué, and in this context;

a) Between the Company, partnerships where the Company has managerial control or significant influence, partners or legal entities that hold managerial control or significant influence over the Company, and myself, my spouse, and blood or in-law relatives to the second degree, there was no relationship of employment as a manager with major duties and responsibilities; I did not hold 5% or above of their shares, voting rights or preferred shares either jointly or separately; I did not establish significant commercial relations with them,

b) I have not worked at an executive position with significant and material tasks and responsibilities or held the seat as a board member or held stocks (equal to or above 5%) in such companies from which the Company procures goods or services from or sells goods or services to in significant volumes in line with the agreements between them, including, in particular, the Company’s audit (including tax audit, statutory audit, internal audit), rating and consultancy services in the last five years;

c) As can be seen in my resume, I have the necessary professional education and training, knowledge, and experience required for properly fulfilling the duties that I will undertake due to the fact that I become an independent board member;

d) If I am nominated in public institutions and organizations and if I am elected separately as of the date of this declaration, I am/ will not be working full-time during my duty,

e) I am considered a resident in Turkey according to the Income Tax Code (n.193) dated 31/12/1960,

f) I have strong ethical standards, professional reputation, and experience to contribute positively to Company’s operations, to preserve my impartiality in disputes between the Company and shareholders, and to decide with my free will by taking note of the rights of stakeholders;

g) I will make sufficient time for keeping track of the Company’s activities and for fully performing my duties on behalf of the Company,

h) I have not been a member of the Board of Directors of the Company for more than six years in total within the last decade,

i) I did not serve as an Independent Board Member in more than three companies where the Company or its ultimate controlling partners have managerial control nor in more than five companies traded in the stock exchange.

And I hereby submit this declaration to the information of the Company organs, shareholders and all concerned.

21.02.2022

ELİF ATEŞ ÖZPAK (*)

* The signature has been blackened in accordance with the Law on the Protection of Personal Data.

Annex/1 Statement of Independence

I hereby declare that I am a candidate for assuming the role of an “independent member” in the Board of Directors of Arzum Elektrikli Ev Aletleri San. ve Tic. A.Ş. (“Company”), within the criteria stipulated in the legislation, the articles of association, and the Capital Markets Board’s Corporate Governance Communiqué, and in this context;

a) Between the Company, partnerships where the Company has managerial control or significant influence, partners or legal entities that hold managerial control or significant influence over the Company, and myself, my spouse, and blood or in-law relatives to the second degree, there was no relationship of employment as a manager with major duties and responsibilities; I did not hold 5% or above of their shares, voting rights or preferred shares either jointly or separately; I did not establish significant commercial relations with them,

b) I have not worked at an executive position with significant and material tasks and responsibilities or held the seat as a board member or held stocks (equal to or above 5%) in such companies from which the Company procures goods or services from or sells goods or services to in significant volumes in line with the agreements between them, including, in particular, the Company’s audit (including tax audit, statutory audit, internal audit), rating and consultancy services in the last five years;

c) As can be seen in my resume, I have the necessary professional education and training, knowledge, and experience required for properly fulfilling the duties that I will undertake due to the fact that I become an independent board member;

d) If I am nominated in public institutions and organizations and if I am elected separately as of the date of this declaration, I am/ will not be working full-time during my duty,

e) I am considered a resident in Turkey according to the Income Tax Code (n.193) dated 31/12/1960,

f) I have strong ethical standards, professional reputation, and experience to contribute positively to Company’s operations, to preserve my impartiality in disputes between the Company and shareholders, and to decide with my free will by taking note of the rights of stakeholders;

g) I will make sufficient time for keeping track of the Company’s activities and for fully performing my duties on behalf of the Company,

h) I have not been a member of the Board of Directors of the Company for more than six years in total within the last decade,

i) I did not serve as an Independent Board Member in more than three companies where the Company or its ultimate controlling partners have managerial control nor in more than five companies traded in the stock exchange.

And I hereby submit this declaration to the information of the Company organs, shareholders and all concerned.

21.02.2022

AHMET CÜNEYT YAVUZ (*)

* The signature has been blackened in accordance with the Law on the Protection of Personal Data.

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

Consolidated Financial Statements
As at and for the Year Ended
31 December 2021 With
Independent Auditor's Report

(Convenience Translation into English of Consolidated
Financial Statements -Originally Issued in Turkish)

2 March 2022
This report includes 5 pages of independent auditors'
report and 69 pages of consolidated financial
statements together with their explanatory notes



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CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REPORT ORIGINALLY PREPARED AND ISSUED IN TURKISH TO ENGLISH

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

A) Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Arzum Elektrikli Ev Aletleri Sanayi ve Ticaret Anonim Şirketi ("the Company") and its subsidiaries (together will be referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of profit or loss and other 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 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

Basis for Opinion

We conducted our audit in accordance with standards on auditing issued by Capital Markets Board of Turkey ("CMB") and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by 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 declare that we are independent of the Group in accordance with the Code of Ethics for Auditors issued by POA (*including Independence Standards*) ("POA's Code of Ethics") and the ethical requirements in the regulations issued by POA that are relevant to audit of consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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.

Revenue recognition

Refer to Note 2.6 to the consolidated financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for revenue recognition.

The key audit matter

The main revenue item of the Group consists of sales of electronic household appliances.

The revenue is recognized in the consolidated financial statements when the Group fulfills (or fulfills) its performance obligation by transferring control of the products traded by the Group to the customer.

Since sales contracts can be complex, the recognition of revenue in the relevant period depends on the correct assessment of the sales conditions specific to each case. For this reason, there is a risk that the revenue will not be recognized in the correct period or amount for those that may be returned from the delivered products and those whose invoice has not yet been issued to the customer, and those whose invoice has been issued but the control has not yet been transferred to the customer.

Due to the nature of the Group's activities and the size of its operations, the recognition of revenue has been determined as a key audit matter, since the accurate determination of the revenue amount and its recognition in the consolidated financial statements in the relevant reporting period require significant management judgment.

How the matter was addressed in our audit

-Our audit procedures in this area include the following.

- Evaluation of the effectiveness of the design, implementation and operation of internal controls for revenue recognition by information systems experts.

- Evaluating the compliance of the accounting policies applied in terms of revenue generated sales with TFRS 15 by examining the selected contracts with a sample of grouped sales contracts.

- Evaluating the compliance of the revenue recognition with the Group's accounting policies and the recognition of the revenue in the relevant reporting period by examining when the transfer of control occurred through the sales documents received for the sales transactions selected with the sample.

- Checking the existence of trade receivables and the accuracy of receivable balances with external confirmations obtained directly for customers selected by the sample

- Performing analytical examinations to detect the existence of discontinuous transactions.

- Testing whether the returns realized after the reporting period are selected by sampling method and included in the consolidated financial statements in the relevant reporting period.

Evaluation of the appropriateness and adequacy of the footnote disclosures made by the Group regarding the revenue in its consolidated financial statements in accordance with TFRS 15.



Other Matter

The consolidated financial statements of Arzum Elektrikli Ev Aletleri Sanayi ve Ticaret Anonim Şirketi for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 11 March 2021.

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.



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

Responsibilities of auditors in an audit are as follows:

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 issued by the CMB and Standards on Auditing issued by POA 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 the standards on auditing issued by the CMB and Standards on Auditing issued by POA, 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.



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, actions taken to eliminate threats or safeguards applied.

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

B) Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") numbered 6102; the Independent Auditor's Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 31 December 2021.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period between 1 January 2021 and 31 December 2021, the Company's bookkeeping activities and consolidated financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi



Şirin Soysal, SMMM
Partner
2 March 2022
İstanbul, Türkiye

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

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

	Notes	Current Year	Prior Year
		Audited	Audited
ASSETS		31 December 2021	31 December 2020
Current Assets			
Cash and cash equivalents	3	94.541.789	29.735.846
Trade receivables	5	316.405.596	290.277.157
- Due from third parties	5	316.405.596	290.277.157
Other receivables	6	139.584	168.831
- Due from third parties	6	139.584	168.831
Inventories	7	216.502.935	134.708.043
Prepaid expenses	8	31.141.438	8.337.084
Current tax assets	20	--	4.312.826
Other current assets	6	8.091.852	10.149.276
Total current assets		666.823.194	477.689.063
Non-Current assets:			
Trade receivables	5	3.803.000	2.167.630
- Due from third parties	5	3.803.000	2.167.630
Property, plant and equipment	9	40.197.782	29.168.639
Intangible assets	10	9.220.626	4.930.134
Investment properties		150.400	153.600
Right of use assets	11	8.007.282	6.776.736
Prepaid expenses	8	307.898	471.106
Deferred tax assets	20	15.440.715	9.819.334
Total non-current assets		77.127.703	53.487.179
Total assets		743.950.897	531.176.242

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

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

	Notes	Current Year	Prior Year
		Audited	Audited
LIABILITIES		31 December 2021	31 December 2020
Short-term liabilities:			
Short-term borrowings	4	237.283.547	113.026.175
Uzun Vadeli Borçlanmaların Kısa Vadeli Kısımları	4	15.013.776	--
Trade payables	5	227.053.220	217.039.371
- Due to related parties	5	--	35.872
- Due to third parties	5	227.053.220	217.003.499
Liabilities for employee benefits	13	701.789	4.068.631
Other payables	6	60.790	24.605
- Due to third parties	6	60.790	24.605
Liabilities for customer contracts	6	33.521.120	32.061.667
Current income tax liabilities	20	469.163	527.864
Short-term provisions		13.861.129	16.262.459
- Short-term provisions for employee benefits	13	8.854.114	11.074.550
- Other short-term provisions	12	5.007.015	5.187.909
Deferred income	8	5.988.954	2.029.695
Derivative financial liabilities	24	261.848	3.288.626
Other short-term liabilities	6	3.177.138	1.502.111
Total short-term liabilities		537.392.474	389.831.204
Long term liabilities:			
Long term borrowings	4	23.927.715	4.215.657
Long term provisions		6.996.464	5.352.701
- Long-term provisions for employee benefits	13	3.565.508	2.505.772
Other long-term provisions	12	3.430.956	2.846.929
Total long-term liabilities		30.924.179	9.568.358
Total liabilities		568.316.653	399.399.562
Equity			
Share capital	14	32.210.000	32.210.000
Adjustment to share capital differences	14	148.360	148.360
Other comprehensive income will not be reclassified to profit or loss	14	(2.369.487)	(1.955.961)
Gain/(loss) arising from defined benefit plans	14	(2.369.487)	(1.955.961)
Share premiums	14	18.635.298	18.635.298
Other comprehensive income will be reclassified to profit or loss	14	7.297.611	1.386.894
- Foreign currency translation differences	14	7.297.611	1.386.894
Restricted reserves	14	8.797.501	6.401.154
Retained earnings	14	60.784.842	38.483.735
Net profit for the year		50.130.119	36.467.200
Total equity		175.634.244	131.776.680
Total liabilities and equity		743.950.897	531.176.242

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

**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 31 DECEMBER 2021

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

		Current Year	Prior Year
		Audited	Audited
	Notes	1 January- 31 December 2021	1 January- 31 December 2020
Revenue	15	815.345.959	607.485.695
Cost of sales (-)	15	(552.511.256)	(413.767.314)
Gross profit		262.834.703	193.718.381
Sales, marketing and distribution expenses (-)	16	(133.697.024)	(104.113.286)
General administrative expenses (-)	16	(47.228.477)	(35.427.156)
Other operating income	18	16.186.529	6.683.300
Other operating expenses (-)	18	(3.972.390)	(1.512.071)
Operating profit		94.123.341	59.349.168
Operating profit before finance income		94.123.341	59.349.168
Finance income	19	7.894.833	1.850.500
Finance expenses	19	(39.841.057)	(13.003.587)
Profit before tax		62.177.117	48.196.081
Tax expense		(12.046.998)	(11.728.881)
- Current year tax expense	20	(17.564.997)	(18.923.066)
- Deferred tax (expense) / income	20	5.517.999	7.194.185
Profit for the year		50.130.119	36.467.200
Distribution of profit for the year			
Equity holders of the parent		50.130.119	36.467.200
Earning per share (nominal equivalent of TL 1) (Note 21)	21	1.5564	1.1322
Other comprehensive income /(expense)		5.497.191	404.789
Not be reclassified to profit or loss		(413.526)	(243.215)
Gain/(loss) arising from defined benefit plans	13	(516.908)	(304.019)
Deferred tax (expenses) / income on other comprehensive income items that will not be reclassified in profit or loss	20	103.382	60.804
Reclassified to profit or loss		5.910.717	648.004
Foreign currency translation differences		5.910.717	648.004
Other comprehensive income/(expense) (after tax)		5.497.191	404.789
Total comprehensive income		55.627.310	36.871.989

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

**ARZUM ELEKTRİKLİ EV ALETLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

(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		Other comprehensive income will be reclassified to profit or loss		Birikmiş karlar		Total
				Gain/(loss) arising from defined benefit plans	Foreign currency translation differences	Share premiums	Restricted reserves	Profit for the year	Retained earnings	
Balances as of January 1, 2020	14	32.210.000	148.360	(1.712.746)	738.890	--	5.330.577	15.392.650	27.978.352	98.721.381
Profit for the year		--	--	--	--	--	--	36.467.200	--	36.467.200
Other comprehensive income		--	--	(243.215)	648.004	--	--	--	--	404.789
Total comprehensive income (expense)		--	--	(243.215)	648.004	--	--	36.467.200	--	36.871.989
Transfers		--	--	--	--	--	--	--	--	--
Dividend payment		--	--	--	--	--	--	--	--	--
31 December 2020	14	32.210.000	148.360	(1.955.961)	1.386.894	1.070.577	6.401.154	36.467.200	38.483.735	131.776.680
Balances as of January 1, 2021	14	32.210.000	148.360	(1.955.961)	1.386.894	1.386.894	6.401.154	36.467.200	38.483.735	131.776.680
Profit for the year		--	--	--	--	--	--	50.130.119	--	50.130.119
Other comprehensive income		--	--	(413.526)	5.910.717	--	--	--	--	5.497.191
Total comprehensive income (expense)		--	--	(413.526)	5.910.717	--	--	50.130.119	--	55.627.310
Transfers		--	--	--	--	--	--	--	--	--
Dividend payment		--	--	--	--	--	--	--	--	--
31 December 2021	14	32.210.000	148.360	(2.369.487)	7.297.611	2.396.347	8.797.501	50.130.119	60.784.842	175.634.244

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

**ARZUM ELEKTRİKLİ EV ALETLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

		Audited	Audited
	Notes	1 January- 31 December 2021	1 January- 31 December 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		50.130.119	36.467.200
Adjustments to depreciation expense and amortization	9,10,11	10.332.944	8.179.327
Adjustments related to tax expense	20	12.046.998	11.728.881
Adjustments related to provision expenses		8.093.360	12.766.263
Adjustments to inventory impairment	7	421.649	858.700
Adjustments to rediscount expense/income	5	(759.892)	(1.832.534)
Adjustments to interest expense/income, net	19	32.138.681	9.073.729
Adjustments to doubtful trade receivables, net	5	2.695.323	876.252
Adjustments for loss/gain from disposal of fixed assets		(859.318)	(32.100)
Currency differences arising from derivative transactions, (net)	23	(261.848)	(2.546.143)
Adjustments to severance pay provision	13	804.805	534.366
Before changes in working capital		114.782.821	76.073.941
Trade receivables		(30.459.132)	(71.518.715)
Inventories		(82.216.541)	(89.788.378)
Other increases / decreases related to activities		(18.512.694)	(8.345.009)
Trade payables		10.773.741	99.619.970
Contracts liabilities		1.459.453	17.468.789
After changes in working capital		(4.172.352)	23.510.598
Taxes paid	20	(13.310.872)	(19.276.531)
Severance payments paid	13	(261.977)	(228.951)
Premiums paid	13	(9.974.095)	(2.548.883)
A. Net cash from operating activities (used)		(27.719.296)	1.456.233
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Purchases of tangible and intangible assets and investment properties	9,10	(22.607.707)	(16.659.232)
Sales of tangible and intangible assets and investment properties		1.821.430	350.000
Interest received	19	1.175.883	1.382.539
B. Net cash used in investment activities		(19.610.394)	(14.926.693)
CASH FLOWS USED FROM FINANCING ACTIVITIES			
Cash inflows resulting from borrowing	4	334.877.336	258.179.010
Cash outflows related to debt payments	4	(185.624.973)	(211.882.986)
Interest paid		(23.327.218)	(9.473.365)
Payments for leasing transactions	4	(3.835.714)	(3.437.930)
Interest payments on leasing transactions	4	(1.329.839)	(982.903)
Dividends paid	14	(11.769.746)	(3.816.690)
Cash (outflows) / inflows arising from derivative transactions, net		(2.764.930)	5.771.016
C. Net cash from financing activities		106.224.916	34.356.152
NET INCREASE IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF FOREIGN CURRENCY CONVERSION DIFFERENCES (A+B+C)		58.895.226	20.885.692
D CURRENCY EXCHANGE DIFFERENCES		5.910.717	648.004
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		64.805.943	21.533.696
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	3	29.735.846	8.202.150
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (A+B+C+D+E)	3	94.541.789	29.735.846

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

**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 31 DECEMBER 2021**

(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 2021 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. ("BIST") as of 2021. As of 31 December 2021, the Company has 47,51% of shares registered in BIST (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 2021 and 2020, the number of employees in the Group is 160 and 147, respectively.

**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 31 DECEMBER 2021**

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

2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basic of presentation

(a) Statement of Compliance to Turkish Financial Reporting Standards (“TFRS”s)

The accompanying consolidated financial statements are prepared in accordance with Turkish Financial Reporting Standards (“TFRS”) published by Public Oversight Accounting and Auditing Standards Authority (“POA”) as set out in the Communiqué numbered II-14.1 “Communiqué on Principles of Financial Reporting in Capital Markets” published in the Official Gazette numbered 28676 on 13 June 2013. TFRSs consist of standards and interpretations which are published as Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards, interpretations of TAS and interpretations of TFRS.

The consolidated financial statements are presented in accordance with the TFRS Taxonomy developed based on the Illustrative Financial Statements and User Guide published in the Official Gazette numbered 28676 on 7 June 2019.

Approval of the financial statements

The consolidated financial statements are approved by the Company’s Board of Directors on 3 March 2022. The General Assembly of the Company has the right to amend and relevant regulatory bodies have the right to request the amendment of these consolidated financial statements.

(b) Basis of Measurement

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

(c) 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.

(d) Preparation of financial statements in hyperinflationary periods

According to the announcement made by POA on January 20, 2022, since the cumulative change in the general purchasing power of the last three years according to the Consumer Price Index (“CPI”) is 74.41%, in the financial statements of the companies applying TFRS for 2021, TAS 29 High It was stated that they would not need to make any adjustments within the scope of the Financial Reporting Standard in Inflationary Economies. For this reason, no inflation adjustment was made in accordance with TAS 29 while preparing the consolidated financial statements as of 31 December 2021.

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their consolidated financial statements in accordance with the financial reporting standards accepted by the CMB (“CMB Financial Reporting Standards”). Accordingly, Turkish Accounting Standards 29, “Financial Reporting in Hyperinflationary Economies”, issued by the POA, has not been applied in the consolidated financial statements for the accounting year commencing 1 January 2005.

**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 31 DECEMBER 2021**

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

2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

2.1 Basic of presentation *(continued)*

(e) 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 2021 and 2020:

	Arzum and its subsidiaries' direct and indirect control shares	
	(%)	
	31 December 2021	31 December 2020
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.

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2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.1 Basic of presentation (continued)

(f) Principles of Consolidation

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 i

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 in Accounting Policies, Comparative Information and Restatement of Prior Period Consolidated Financial Statements

The current period consolidated financial statements of the Group are prepared comparatively with the previous period in order to enable the determination of financial position and performance trends, the consolidated statement of profit or loss and other comprehensive income, and the consolidated statement of cash flows. The Group has consolidated its balance sheet as of 31 December 2021 with its consolidated balance sheet prepared as of 31 December 2020; The profit or loss and other comprehensive income statement for the year ended 31 December 2021, the consolidated statement of changes in shareholders' equity and the consolidated cash flow statement have been prepared in comparison with the relevant consolidated financial statements for the year ended 31 December 2020. In order to comply with the presentation of the current period consolidated financial statements, comparative information is reclassified when deemed necessary and significant differences are disclosed.

As of 31 December 2020, the Group reclassified personnel leave provisions amounting to TL 1.488.869 (Note 13), which was accounted for under long-term provisions for employee benefits in the consolidated statement of financial position, under short-term provisions for employee benefits in the comparative financial statements.

2.3 Netting /Offset

Financial assets and liabilities are shown with their net values in the balance sheet if there is a legal right to set off and they are expected to be paid and/or collected on a net basis, or when the asset will be realized and the obligation will be settled at the same time.

2.4 Changes in the accounting policies

With the exception of following the accounting policies applied in the consolidated financial statements as at and 31 December 2021 are the same as those applied in the last annual financial statements as at and for the year ended 31 December 2020.

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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.5 Standards issued but not yet effective and not early adopted

A number of new standards, interpretations of and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Group has not early adopted are as follows.

COVID-19-Related Rent Concessions beyond 30 June 2021 (the 2021 amendment)

International Standard Board(IASB) has extended the practical expedient by 12 months – permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022. The original amendment was issued in May 2020 to make it easier for lessees to account for covid-19-related rent concessions, such as rent holidays and temporary rent reductions, while continuing to provide useful information about their leases to investors. Related changes were published by POA as Amendments to TFRS 16 on June 5, 2020.

The amendment is effective for annual reporting periods beginning on or after 1 April 2021. Lessees are permitted to apply it early, including in financial statements not authorised for issue as of 31 March 2021 the date of publication of this amendment. In other words, if the financial statements for the accounting periods before the date of publication of the amendment have not yet been issued, it is possible to apply this amendment for the relevant financial statements.. The 2021 amendments are applied retrospectively with the cumulative effect of initially applying it being recognised in opening retained earnings.

The original version of the practical expedient was, and remains, optional. However, the 2021 amendments are, in effect, not optional. This is because a lessee that chose to apply the practical expedient introduced by the 2020 amendments has to consistently apply the extension to eligible contracts with similar characteristics and in similar circumstances.

This means that lessees will need to reverse previous lease modification accounting if a rent concession was ineligible for the original practical expedient under the 2020 amendments but becomes eligible as a result of the extension.

Reference to the Conceptual Framework (Amendments to TFRS 3)

In May 2020, IASB issued Reference to the Conceptual Framework, which made amendments to IFRS 3 Business Combinations.

The amendments updated IFRS 3 by replacing a reference to an old version of the Board's Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. And then, TFRS 3 amendment was issued on 27 July 2020 by POA to reflect these amendments.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

Property, Plant and Equipment—Proceeds before Intended Use (Amendments to TAS 16)

In May 2020, IASB issued Property, Plant and Equipment—Proceeds before Intended Use, which made amendments to IAS 16 Property, Plant and Equipment.

The amendments improve transparency and consistency by clarifying the accounting requirements—specifically, the amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. And then, TAS 16 amendment was issued on 27 July 2020 by POA to reflect these amendments.

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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.5 Standards issued but not yet effective and not early adopted (continued)

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. The amendments apply retrospectively, but only to items of Property, Plant and Equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

Onerous Contracts—Cost of Fulfilling a Contract (Amendments to TAS 37)

In May 2020, IASB issued Onerous Contracts—Cost of Fulfilling a Contract, which made amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. And then, TAS 37 amendment was issued on 27 July 2020 by POA to reflect these amendments.

IASB developed amendments to TAS 37 to clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

Initial Application of TFRS 17 and TFRS 9—Comparative Information (Amendment to TFRS 17)

In December 2021, IASB issued Initial Application of IFRS 17 and IFRS 9—Comparative Information (Amendment to IFRS 17). Related changes were published by POA as Amendments to TFRS 17 on 31 December 2021.

The amendment is a transition option relating to comparative information about financial assets presented on initial application of TFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements. TFRS 17 incorporating the amendment is effective for annual reporting periods beginning on or after 1 January 2023.

The Group does not expect that application of these amendments to TFRS 17 will have significant impact on its consolidated financial statements.

Classification of Liabilities as Current or Non-current (Amendments to TAS 1)

On 23 January 2020, IASB issued “Classification of Liabilities as Current or Non-Current” which amends IAS 1 Presentation of Financial Statements to clarify its requirements for the presentation of liabilities in the statement of financial position which are issued by POA on 12 March 2020 as amendments to TAS 1.

The amendments clarify one of the criteria in TAS 1 for classifying a liability as non-current—that is, the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.5 Standards issued but not yet effective and not early adopted (continued)

The amendments include:

- (a) Specifying that an entity’s right to defer settlement must exist at the end of the reporting period;
- (b) Clarifying that classification is unaffected by management’s intentions or expectations about whether the entity will exercise its right to defer settlement;
- (c) Clarifying how lending conditions affect classification; and
- (d) Clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

The Group shall apply retrospectively these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. However, IASB decided to defer the effective date of IAS 1 until 1 January 2023 with the amendment published on 15 July 2020, and the amendment was issued by POA on 15 January 2021.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 1.

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to TAS 12 Income Taxes

In May 2021 IASB issued *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, which amended IAS 12 Income Taxes. Related changes were published by POA as Amendments to TAS 12 on 27 August 2021.

The amendments to TAS 12 Income Taxes clarify how companies should account for deferred tax on certain transactions – e.g. leases and decommissioning provisions.

The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

The amendments clarify that the exemption does not apply to transactions such as leases and decommissioning obligations. These transactions give rise to equal and offsetting temporary differences.

For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. If a company previously accounted for deferred tax on leases and decommissioning liabilities under the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to Amendments to TAS 12.

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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.5 Standards issued but not yet effective and not early adopted (continued)

Definition of Accounting Estimates (Amendments to TAS 8)

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty which is issued by IASB on 12 February 2021. Related changes were published by POA as Amendments to TAS 8 on 11 August 2021.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Developing an accounting estimate includes both:

- selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 Financial Instruments; and
- choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying TAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The effects of changes in such inputs or measurement techniques are changes in accounting estimates.

The definition of accounting policies remains unchanged.

The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to Amendments to TAS 8).

Disclosure of Accounting Policies (Amendments to TAS 1)

IASB has issued amendments to IAS 1 Presentation of Financial Statements and an update to IFRS Practice Statement 2 Making Materiality Judgements to help companies provide useful accounting policy disclosures on 12 February 2021. Among these amendments, the ones related to TAS 1 were published by POA as Amendments to TAS 1 on 11 August 2021.

The key amendments to TAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments are effective from 1 January 2023, but companies can apply it earlier.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to Amendments to TAS 1)

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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.5 Standards issued but not yet effective and not early adopted (continued)

Annual Improvements to TFRS Standards 2018–2020

Improvements to TFRSs

For the current standards, "Annual Improvements in TFRSs / 2018-2020 Cycle" published by POA on 27 July 2020 is presented below. The amendments are effective as of 1 January 2022. Earlier application is permitted. The Group does not expect that application of these improvements to TFRSs will have significant impact on its consolidated financial statements.

TFRS 1 First-time Adoption of International Financial Reporting Standards

This amendment simplifies the application of TFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent – i.e. if a subsidiary adopts TFRS Standards later than its parent and applies TFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to TFRSs. This amendment will ease transition to TFRS Standards for subsidiaries applying this optional exemption by i) reducing undue costs; and ii) avoiding the need to maintain parallel sets of accounting records.

TFRS 9 Financial Instruments

This amendment clarifies that – for the purpose of performing the ‘10 per cent test’ for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

Amendments are effective on 1 January 2021

Changes that have become effective and have been adopted for annual periods beginning on or after 1 January 2021:

- 1) Interest Rate Benchmark Reform – Phase 2 – Amendments to TFRS 9 Financial Instruments, TAS 39 Financial Instruments: Recognition and Measurement, TFRS 7 Financial Instruments: Disclosures, TFRS 4 Insurance Contracts and TFRS 16 Leases

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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.6 Summary of significant accounting policies

The significant accounting policies applied in the preparation of the consolidated financial statements are summarized below:

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.

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..

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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.6 Summary of significant accounting policies (continued)

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.

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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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.6 Summary of significant accounting policies (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.

Leases

At the inception of the contract, the Group evaluates whether the contract is or contains a lease. If the contract transfers the right to control the use of the identified asset for a specified period of time, the contract is or includes a lease. To assess whether a contract provides the right to control the use of an identified asset, the Group uses the definition of a lease in TFRS 16.

This policy applies to contracts entered into on or after January 1, 2019.

(i) As a lessee

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in TFRS 16.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The c recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.6 Summary of significant accounting policies (continued)

Leases (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Summary of significant accounting policies (continued)

Leases (continued)

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair Value Through the Statement of Profit or Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Summary of significant accounting policies (continued)

Financial instruments (continued)

(ii) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value Through the statement of Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets- Assessment of the business model

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management’s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group’s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group’s continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Summary of significant accounting policies (continued)

h) Financial Instruments (Continued)

ii) Classification and subsequent measurement (Continued)

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract.

Additionally, (i) for a financial asset acquired at a discount or premium to its contractual par amount, (ii) a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest and (iii) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses

Financial Assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial Assets at Amortised Cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities - Classification, subsequent measurement, gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Summary of significant accounting policies (continued)

h) Financial Instruments (Continued)

ii) Classification and subsequent measurement (Continued)

Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting the financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(iii) Derivative financial instruments and hedging

As of 31 December 2021 and 2020, the Group has derivative financial instruments for hedging purposes.

Derivative instruments are initially recognized at their fair value. Since derivative instruments do not meet specific hedge accounting criteria, changes in their valuation after initial recognition are accounted for in consolidated profit or loss.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Summary of significant accounting policies (continued)

Financial Instruments (Continued)

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.

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.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Summary of significant accounting policies (continued)

Related parties

Related parties are individuals or entities that are related to the entity that is preparing its financial statements (reporting entity).

a) An individual or a close family member is considered related party of the reporting entity when the following criteria are met: If a certain individual,

- i) Has control or joint control over the reporting entity,
- ii) Has significant influence over the reporting entity,
- iii) Is a key management personnel of the reporting entity or a parent company of the reporting entity.

b) An entity is considered related party of the reporting entity when the following criteria are met:

- i) If the entity and the reporting entity is within the same group (meaning every parent company, subsidiary and other subsidiaries are considered related parties of others.
- ii) If the reporting entity is a subsidiary or a joint venture of another entity (or of another entity that the entity is within the same group).
- iii) If both of the entities are a joint venture of a third party. iv) If one of the entities are a joint venture of a third party while the other entity is a subsidiary of this third party.
- v) If entity has plans of post employment benefits for employees of reporting entity or a related party of a reporting entity. If the reporting entity has its own plans, sponsor employers are also considered as related parties.
- vi) If the entity is controlled or jointly controlled by an individual defined in the article (a).
- vii) If an individual defined in the clause (i) of article (a) has significant influence over the reporting entity or is a key management personnel of this certain entity (or a parent company of the entity)

Related party transaction is the transfer of resources, services or liabilities regardless of whether a price is charged or not.

Impairment of assets

i) Non-derivative financial assets

The Group recognizes a loss allowance for expected credit losses for:

- financial assets measured at amortized cost;

The group measures the loss allowance at the amount equal to lifetime ECLs, as stated below:

- Debt instruments determined to have low credit risk at the reporting date, and
- Other debt instruments and bank balances for which the credit risk (ie, the risk of default over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Group has chosen lifetime ECLs in calculating the impairment of its trade receivables.

In determining whether a financial asset's credit risk has increased significantly since initial recognition and in estimating its ECAs, it considers reasonable and supportable information available without undue cost or effort regarding the estimation of expected credit losses, including the effects of expected prepayments. This information includes quantitative and qualitative information and analysis based on the Group's past experience of credit losses and forward-looking information.

To determine whether a financial instrument has low credit risk, it may use other methodologies that align with a globally accepted definition of low credit risk and that take into account the type and risks of financial instruments being evaluated. The maximum period for which ECLs will be measured is the maximum contractual period for which the Group is exposed to credit risk.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Summary of significant accounting policies (continued)

Impairment of assets (continued)

The Group assumes that the credit risk on a financial asset increases significantly when it is 30 days past due.

The Group considers a financial asset in default if:

- The debtor's failure to fulfill its loan obligation in full without resorting to actions such as the use of collateral (if any) by the Group, or
- The financial instrument is past due 90 days.

Lifetime ECLs are expected credit losses arising from all possible default events over the expected life of the financial instrument.

The 12-month ECLs are the portion of the expected credit losses arising from possible default events on the financial instrument within 12 months of the reporting date.

The maximum period for which ECLs will be measured is the maximum contractual period for which the Group is exposed to credit risk.

Measurement of ECLs

The ECLs are a probability-weighted estimate of credit losses over the expected life of the financial instrument. In other words, they are credit losses measured at the present value of all cash deficits (for example, the difference between the contractual cash inflows to the business and the cash flows the business expects to receive).

The cash gap is the difference between the contractual cash flows to the business and the cash flows that the business expects to receive. Because expected credit losses consider the amount and timing of payments, a credit loss is incurred even if the entity expects to receive full payment later than the contractual maturity. ECLs are discounted at the effective interest rate of the financial asset.

Credit impaired financial assets

At the end of each reporting period, the Group assesses whether financial assets measured at amortized cost and borrowing assets measured at fair value through other comprehensive income are impaired. A financial asset is credit impaired when one or more events occur that adversely affect the estimated future cash flows of a financial asset.

Evidence of a financial asset's credit impairment includes the following observable data:

- the debtor or issuer is in significant financial difficulty;
- breach of contract, such as a debtor's default or 90 days past due date of the financial instrument;
- Restructuring a loan or advance on conditions that the Group would not consider otherwise.
- the debtor is likely to go into bankruptcy or financial restructuring, or
- the disappearance of an active market for a security due to financial difficulties.

Presentation of impairment

Loss provisions for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The loss allowance for debt instruments measured at fair value through other comprehensive income is recognized in consolidated other comprehensive income instead of reducing the carrying amount of the financial asset in the statement of financial position.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Summary of significant accounting policies (continued)

Impairment of assets (continued)

Write-off

In the absence of reasonable expectations of a partial or full recovery of a financial asset's value, an entity reduces the gross carrying amount of the financial asset directly. A write-off is a cause for derecognition.

For individual customers, the Group has a policy of write-off over the gross carrying amount of a financial asset that is past due 180 days, based on its historical experience with the recovery of similar assets. For corporate customers, the Group makes an assessment of the timing and deductions based on whether there is an individual reasonable expectation of recovery. The Group does not anticipate any significant recovery regarding the amount written off.

However, financial assets written off may still be subject to enforcement activities to comply with the Group's procedures for recovery of amounts due.

(ii) Non-financial assets

At each reporting period, the Group reviews the carrying amounts of its non-financial assets (excluding investment property, inventories and deferred tax assets) to determine if there are any signs of impairment. If such an indicator exists, the asset's recoverable amount is estimated.

For impairment testing, assets are grouped by the smallest group of assets generating cash inflows, regardless of continued use, cash inflows from other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or CGU groups that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGUs is the higher of its value in use and its fair value to be sold at a lower cost. Value in use is based on estimated future cash flows discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset or CGU.

If the recoverable amount of an asset or CGU is less than its carrying amount, the carrying amount of that asset or CGU is reduced to its recoverable amount.

Impairment losses are recognized in profit or loss. It is distributed first, which will reduce the carrying amount of any goodwill distributed to the CGU, and then reduced by the carrying amount of the other assets in the CGU.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Summary of significant accounting policies (continued)

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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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Summary of significant accounting policies (continued)

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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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Summary of significant accounting policies (continued)

Current tax expense (continued)

Deferred tax (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.

Tax risk

While determining the period tax expense and deferred tax expense amounts, the Group considers uncertain tax positions and whether there is any additional tax and interest liability to be paid. The Group believes that the tax provisions are sufficient for the periods that have not passed the tax examination, based on the tax law and past experience. This assessment may contain many professional judgments about future events and is based on estimates and assumptions. In the event that new information emerges that will change the Group's professional opinion about the adequacy of the current tax liability, this change in the tax liability will affect the tax expense for the period in which this situation is determined.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Summary of significant accounting policies (continued)

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.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Summary of significant accounting policies (continued)

Financial income and financial expense

Financial income consists of interest income from invested funds and foreign exchange income on financial assets and liabilities (other than trade receivables and payables). Interest income is recognized by accruing using the effective interest method.

Financial expenses consist of interest expenses of borrowings, foreign exchange expenses on financial assets and liabilities (other than trade receivables and payables). Foreign exchange income or expenses are shown net in financial income or financial expenses, depending on whether the foreign exchange movements are net income or net expense.

Other operating income and expenses

Other operating income consists of gains from sales of tangible fixed assets, deferred finance income, foreign exchange gains from derivative products and foreign exchange gains from monetary financial assets and liabilities, excluding debt instruments, provisions that are no longer subject and income from other operations.

Other operating expenses consist of foreign exchange differences arising from monetary financial assets and liabilities other than debt instruments, provision expenses and expenses related to other activities.

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.

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 FINANCIAL STATEMENTS (Continued)

2.7 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" (ECL) 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) 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 13.
- e) Warranty expenses include the repair-maintenance costs for the goods sold under the warranty, the labor and material expenses incurred by the authorized services within the scope of the warranty without charging the customer. Warranty expenses are accounted for in the current period, taking into account the number of warranty returns and the current year warranty unit costs, which are calculated as a result of the estimates of the return and repair levels that may occur in the following years regarding the products recorded as revenue in the current period (Note 12).
- f) The Group calculates the return provision for the recognized revenue based on past experience and is accounted for in its consolidated financial statements.

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3. Cash and Cash Equivalents

As at 31 December 2021 and 2020, cash and cash equivalents comprised the following:

	31 December 2021	31 December 2020
Cash at banks	94.541.789	29.735.846
<i>Demand deposits</i>	59.541.789	24.985.846
<i>Time deposits</i>	35.000.000	4.750.000
Total	94.541.789	29.735.846

The details of time deposits as at 31 December 2021 and 2020, are as follows:

Currency	Maturity Date	Interest rate (%)	31 December 2021
TRY	20,00	3 January 2022	20.000.000
TRY	20,25	3 January 2022	15.000.000
Total			35.000.000

Currency	Maturity Date	Interest rate (%)	31 December 2020
TRY	16,00	4 January 2021	4.750.000
Total			4.750.000

As of 31 December 2021 and 2020, there is no blockage or restriction on deposits in banks.

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

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4. Short and Long Term Borrowings

As of 31 December 2021 and 2020, the Group's financial liabilities are as follows:

	31 December 2021	31 December 2020
Short term bank borrowings	232.669.635	110.144.113
Short term portions of long-term borrowings	15.013.776	--
Short-term lease liabilities	4.613.912	2.882.062
Total short term borrowings	252.297.323	113.026.175
Long term bank borrowings	20.018.074	--
Long term lease liabilities	3.909.641	4.215.657
Total long term borrowings	23.927.715	4.215.657
Total borrowings	276.225.038	117.241.832

Bank borrowings

As of 31 December 2021 and 2020, the details of interest rate, nominal value, maturity and currency of borrowings are as follows:

Currency	31 December 2021				
	Nominal interest rate %	Maturity	Short term	Long term	Nominal
Guarantees TRY loans	16,50-27,00	2022-2023	247.683.411	20.018.074	258.200.000
Total			247.683.411	20.018.074	258.200.000

Currency	31 December 2020				
	Nominal interest rate %	Maturity	Short term	Long term	Nominal
Guarantees TRY loans	7,75-19,50	2021	110.144.113	--	106.048.719
Total			110.144.113	--	106.048.719

As of 31 December 2021, the Group has no check guarantee on its bank loans, and there is an export commitment amounting to TL 35.031.850 (31 December 2020: TL 29.674.496 check guarantee). Exchange rate, interest rate risks and sensitivity analyzes for the Group's financial assets and liabilities are disclosed in Note 23.

Movement tables of borrowings for the periods ending on 31 December 2021 and 2020 are as follows:

	1 January – 31 December 2021	1 January – 31 December 2021
Balance at 1 January	110.144.113	63.848.089
Additions	334.877.336	258.179.010
Interest accruals	8.305.009	9.473.365
Payments	(185.624.973)	(221.356.351)
Balance at 31 December	267.701.485	110.144.113

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4. Short and Long Term Borrowings (continued)

Lease Liabilities

As of 31 December 2021 and 2020, the details regarding the payables from the lease liabilities are as follows:

	31 December 2021	31 December 2020
Short term lease liabilities		
Short-term lease liabilities from other parties	4.613.912	2.882.062
- Lease liabilities	4.613.912	2.882.062
Long term lease liabilities		
Long-term lease liabilities from other parties	3.909.641	4.215.657
- Lease liabilities	3.909.641	4.215.657

As of 31 December 2021 and 2020, the details of the lease obligations are as follows:

	31 December 2021	31 December 2020
In a year	5.495.055	3.579.590
Minus : Future financial expensed	(881.143)	(697.528)
Present value of lease liabilities	4.613.912	2.882.062
Two years and over	4.204.290	4.571.530
Minus : Future financial expensed	(294.649)	(355.873)
Present value of lease liabilities	3.909.641	4.215.657

The Group's lease liabilities represent the present value of the vehicles, buildings and future liabilities that it has leased from third parties during the useful life of the asset. Lease liabilities are discounted using alternative borrowing interest rates, 18.20% for buildings and 13.76% for vehicles.

As of 31 December 2021 and 2020, the reconciliation of the Group's liabilities arising from lease transactions is as follows:

	1 January – 31 December 2021	1 January – 31 December 2021
Balance at 1 January	7.097.719	3.869.626
Additions (Note: 11)	5.261.548	6.666.023
Rent payments	(3.835.714)	(3.437.930)
Interest expense	1.329.839	982.903
Interest payments	(1.329.839)	(982.903)
Present value of lease liabilities	8.523.553	7.097.719

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5. Trade Receivables and Payables

a) Trade Receivables

As of 31 December 2021 and 2020, the Group's trade receivables are as follows:

	31 December 2021	31 December 2020
Trade receivables	240.881.544	198.078.002
Checks received	70.995.257	73.039.445
Credit card receivables	3.328.795	19.127.710
Notes receivables	1.200.000	32.000
Doubtful trade receivables	17.317.484	14.622.161
Doubtful trade receivables (-)	(17.317.484)	(14.622.161)
Total	316.405.596	290.277.157

The average maturity of the Group's trade receivables is 107 days (31 December 2020: 176 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 2021, a provision amounting to TL 17.317.484 has been reserved for doubtful trade receivables of the Group (31 December 2020: TL 14.622.161).

The movement table regarding the provision for impairment for the years ended 31 December 2021 and 2020 is as follows:

	1 January – 31 December 2021	1 January – 31 December 2021
Balance ay 1 January	14.622.161	13.745.909
Provision during the period (*)	2.812.371	983.433
Doubtful debt provision released	(117.048)	(107.181)
Balance at 31 December	17.317.484	14.622.161

(*) The Group reviews its receivables as of the balance sheet date; It allocates provision for doubtful receivables for trade receivables that are not in legal proceedings, but whose collection ability is in doubt and that it is foreseen to be uncollectible.

The Group's long-term trade receivables from non-related parties amounting to TL 3.803.000 consist of checks received (31 December 2020: TL 2.167.630).

The Group's exposure to credit and currency risks related to trade receivables is explained in Note 23.

b) Trade Payables

As of 31 December 2021 and 2020, the Group's short-term trade payables are as follows:

	31 December 2021	31 December 2020
Trade payables	223.902.039	219.350.674
Expense accruals	7.310.827	1.052.579
Due to trade payables (Note 22)	--	35.872
Rediscount of notes payables	(4.159.646)	(3.399.754)
Total	227.053.220	217.039.371

The Group's exposure to credit and currency risk related to trade payables is disclosed in Note 23.

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6. Other Receivables and Payables and Other Current Assets and Other Current Liabilities

a) Other Receivables

As of 31 December 2021 and 2020, the Group's other short-term receivables are as follows:

	31 December 2021	31 December 2020
Deposits and guarantees given	139.584	95.877
Due from personnel	--	72.954
Total	139.584	168.831

b) Other Payables

As of 31 December 2021 and 2020, the Group's other payables are as follows:

	31 December 2021	31 December 2020
Other payables	60.790	24.605
Total	60.790	24.605

c) Contract Liabilities

As of 31 December 2021 and 2020, the Group's obligations arising from customer contracts are as follows:

	31 December 2021	31 December 2020
Contract Liabilities (*)	33.521.120	32.061.667
Total	33.521.120	32.061.667

(*) 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.

d) Other current assets

As of 31 December 2021 and 2020, the other current assets of the Group are as follows:

	31 December 2021	31 December 2020
Deferred VAT	7.679.354	10.149.276
Other	412.498	--
Total	8.091.852	10.149.276

e) Other short term liabilities

As of 31 December 2021 and 2020, the other short-term liabilities of the Group are as follows:

	31 December 2021	31 December 2020
Taxes and funds payable	3.177.138	1.502.111
Total	3.177.138	1.502.111

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7. Inventories

As of 31 December 2021 and 2020, inventories of the Group are as follows:

	31 December 2021	31 December 2020
Finished goods	217.750.411	135.564.786
Other Inventories	32.873	1.957
Provision for inventory impairment (-)	(1.280.349)	(858.700)
Total	216.502.935	134.708.043

As of 31 December 2021, the insurance amount on the inventories is TL 191.728.384, and the carried amounts are under insurance. (31 December 2020: TL 90.385.000).

Movement of the provision for inventory impairment is as follows:

	1 January – 31 December 2021	1 January – 31 December 2021
Balance at 1 January	(858.700)	--
Provisions during the year (*)	(421.649)	(858.700)
Balance at 31 December	(1.280.349)	(858.700)

(*) Provisions made during the period are recognized at the cost of sales.

8 Prepaid Expenses and Deferred Income

Prepaid expenses

As of 31 December 2021 and 2020, prepaid expenses of the Group are as follows:

	31 December 2021	31 December 2020
Short term		
Advances given (*)	27.950.994	7.078.241
Short term deferred income	3.190.444	1.258.843
Total short term	31.141.438	8.337.084

Long term

Long term deferred income	241.252	143.551
Advances given (*)	66.646	327.555
Total long term	307.898	471.106

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

Deferred Income

As of 31 December 2021 and 2020, deferred income of the Group are as follows:

	31 December 2021	31 December 2020
Received advances	5.988.954	2.016.861
Deferred income	--	12.834
Total deferred income	5.988.954	2.029.695

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9. Property, Plant and Equipments

The movement table of property, plant and equipments for the year ended 31 December 2021 is as follows:

Cost value	Furniture and			Ongoing	Total
	Vehicles	Fixtures	Leasehold improvements		
Balance at 1 January 2021	2.068.503	38.284.900	2.883.320	1.518.251	44.754.974
Additions	948.301	9.813.681	104.404	6.261.866	17.128.252
Disposals	--	(1.081.107)	--	(24.018)	(1.105.125)
Transfers (*)	--	--	517.335	(1.625.807)	(1.108.472)
Closing balance as of 31 December 2021	3.016.804	47.017.474	3.505.059	6.130.292	59.669.629
Accumulated depreciation					
Balance at 1 January 2021	(364.393)	(12.339.946)	(2.881.996)	--	(15.586.335)
Current expense	(341.947)	(3.591.517)	(71.043)	--	(4.004.507)
Disposals	--	118.995	--	--	118.995
Net book value as of 31 December 2021	(706.340)	(15.812.468)	(2.953.039)	--	(19.471.847)
Net book value as of 1 January 2021	1.704.110	25.944.954	1.324	1.518.251	29.168.639
Net book value as of 31 December 2021	2.310.464	31.205.006	552.020	6.130.292	40.197.782

(*) Transferred to intangible fixed assets

For the year ended 31 December 2021, the total amounts of depreciation expenses recognized at cost of sales, marketing, selling and distribution expenses and general administrative expenses are TL 2.066.901, TL 888.096 and TL 1.049.510, respectively (31 December 2020: TL 1.431.295, TL 805,215 and TL 849,254).

As of 31 December 2021, the amount of insurance coverage on tangible assets is TL 8.007.576 (31 December 2020: TL 6.898.130).

As of 31 December 2021, the Group does not have any capitalized borrowing costs (31 December 2020: None).

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9. Property, Plant and Equipments (continued)

The movement table of property, plant and equipments for the year ended 31 December 2020 is as follows:

Cost value	Furniture and			Ongoing	Total
	Vehicles	Fixtures	Leasehold improvements		
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)
Net book value 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

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10. Intangible Assets

The movement table of intangible assets for the year ended 31 December 2021 is as follows:

Cost value	Rights	Research and development expenses	Total
Balance at 1 January 2021	11.832.423	2.935.111	14.767.534
Additions	4.952.445	527.010	5.479.455
Transfers (*)	888.462	220.010	1.108.472
Closing balances as of 31 December 2021	17.673.330	3.682.131	21.355.461
Accumulated amortization			
Balance at 1 January 2021	(7.508.039)	(2.329.361)	(9.837.400)
Current expense	(2.027.597)	(269.838)	(2.297.435)
Closing balance as of 31 December 2021	(9.535.636)	(2.599.199)	(12.134.835)
Net book value as of 1 January 2021	4.324.384	605.750	4.930.134
Net book value as of 31 December 2021	8.137.694	1.082.932	9.220.626

The movement table of intangible assets for the year ended 31 December 2020 is as follows:

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 property, plant and equipment.

For the year ended 31 December 2021, the amount of amortization recognized in marketing, selling and distribution expenses and general administrative expenses is TL 1.053.023 and TL 1.244.412, respectively (31 December 2020: TL 1.187.453 and TL 305.697).

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11. Right of use assets

The movement table of right-of-use assets for the years ended 31 December 2021 and 2020 is as follows:

	Building	Vehicle	Total
Balance at 1 January 2021	370.677	6.406.059	6.776.736
Additions (Note: 4)	3.215.940	2.045.608	5.261.548
Accumulated Depreciation	(827.915)	(3.203.087)	(4.031.002)
Net book value as of 31 December 2021	2.758.702	5.248.580	8.007.282
Balance at 1 January 2020			
	2.781.462	3.505.985	6.287.447
Additions (Note: 4)	134.213	6.531.810	6.666.023
Accumulated Depreciation	(1.344.520)	(1.238.201)	(2.582.721)
Current expense	(1.200.478)	(2.393.535)	(3.594.013)
Net book value as of 31 December 2020	370.677	6.406.059	6.776.736

For the year ended 31 December 2021, the amount of amortization recognized in marketing, selling and distribution expenses and general administrative expenses is TL 1.847.600 and TL 2.183.402, respectively (31 December 2020: TL 1.186.024 and TL 2.407.989). As of 31 December 2021 and 2020, the Group has no obligations to fulfill from loan and financial leasing agreements.

12. Provisions, Contingent Assets and Liabilities

a) Provisions

As of 31 December 2021 and 2020, long and short term provisions are as follows:

	31 December 2021	31 December 2020
Warranty provision	4.027.584	4.372.920
Sales premium provision	232.947	388.414
Lawsuit provision	97.931	97.931
Other	648.553	328.644
Total Short term provisions	5.007.015	5.187.909
Warranty provision	3.430.956	2.846.929
Total Long Term Provisions	3.430.956	2.846.929
Total	8.437.971	8.034.838

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12. Provisions, Contingent Assets and Liabilities (continued)

a) Provisions (continued)

Warranty provision

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

	1 January – 31 December 2021	1 January – 31 December 2021
1 January	7.219.849	4.312.772
Provisions made during the year	9.006.831	9.598.160
Used during the year	(8.768.140)	(6.691.083)
Closing balance	7.458.540	7.219.849

Lawsuit provision

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

	1 January – 31 December 2021	1 January – 31 December 2021
1 January	97.931	221.312
Provisions made during the year	--	--
Used during the year	--	(123.381)
Closing balance	97.931	97.931

Sales Premium provision

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

	1 January – 31 December 2021	1 January – 31 December 2021
1 January	388.414	289.204
Provisions made during the year	232.947	388.414
Used during the year	(388.414)	(289.204)
Closing balance	232.947	388.414

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12. Provisions, Contingent Assets and Liabilities (continued)

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

Collaterals pledges and mortgages ("CPM") given by the Company as of 31 December 2021 and 2020 are as follows:

	31 December 2021		31 December 2020	
	Original balances		Original balances	
	Total TL	TL	Total TL	TL
A. CPM's given in the behalf of own company (*)	7.522.500	7.522.500	7.500.000	7.500.000
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	7.522.500	7.522.500	7.500.000	7.500.000

The ratio of other CPM's given by the Group to the Group's equity is 0% as of 31 December 2021 (31 December 2020: 0%).

As of 31 December 2021, the Group does not have customer checks given as collateral (31 December 2020: TL 29.674.496).

The guarantees given for the loans are disclosed in Note 4.

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12. Provisions, Contingent Assets and Liabilities (continued)

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

As of 31 December 2021 and 2020, the company's GPM's are as follows:

Type	31 December 2021	31 December 2020
Coface	89.854.122	41.271.903
Mortgage	12.255.000	8.047.163
Letters of guarantee	10.766.556	9.590.525
DBS/DTS	6.828.019	11.672.109
Exim Bank	2.031.865	1.042.284
Total	121.735.562	71.623.984

d) Letter of credits

The letter of credit information of the Group as of 31 December 2021 and 2020 is as follows:

Type	31 December 2021		31 December 2020	
	USD	TL	USD	TL
Letter of credits for import	218.064	2.906.575	663.924	4.873.532
Total		2.906.575		4.873.532

e) Cheques and notes received

As of 31 December 2021, the total amount of cheques received as guarantee for the future sales of the Group is TL 21.356.729 (31 December 2020 – TL 18.579.526).

13. Employee Benefits

a) Liabilities for employee benefits

As of 31 December 2021 and 31 December 2020, liabilities for employee benefits are as follows:

	31 December 2021	31 December 2020
Social security premiums payables	651.728	3.904.976
Due to personnel	50.061	163.655
Total	701.789	4.068.631

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13. Employee Benefits (continued)

b) Provisions for employee benefit

As of 31 December 2021 and 31 December 2020, provisions for employee benefits are as follows:

	31 December 2021	31 December 2020
Short-term		
Bonus provision	6.255.807	9.585.681
Unused vacation provision	2.598.307	1.488.869
Total short term provisions	8.854.114	11.074.550
Long term		
Provision for severance pay	3.565.508	2.505.772
Total long term provisions	3.565.508	2.505.772
Total	12.419.622	13.580.322

The movement of the provision for severance pay for the years ended 31 December 2021 and 2020 is as follows:

	1 January – 31 December 2021	1 January – 31 December 2021
Provision as of 1 January	2.505.772	1.896.338
Service cost	452.306	303.013
Interest cost	352.499	231.353
Paid severance pays	(261.977)	(228.951)
Actuarial difference	516.908	304.019
Provision at the end of the year	3.565.508	2.505.772

Within the framework of the laws in Turkey, those who have completed their one-year service period in the Company and its subsidiaries and joint agreements in Turkey and whose employment is terminated without any valid reason, who are called up for military service, who pass away, 25 years for men and 20 years for women. Employees who have completed their service period and have reached retirement age (58 for women, 60 for men) must be paid severance pay. There are certain transitional obligations regarding the length of service due to retirement, as the legislation changed as of 8 September 1999.

Statistical valuation methods have been developed to estimate the Group's liabilities arising from certain benefit plans. The following statistical assumptions were used in calculating the total liability:

	2021	2020
	%	%
Discount rate	3,74	3,74
Interest rate	19,3	13,6
Inflation rate	15	9,5

The provision for severance pay was calculated based on the severance pay ceiling announced by the Government. As of 31 December 2021, the severance pay ceiling amounted to 10.848,59 TL (shown in full TL amount) (as of 31 December 2020, 7.117,17 TL (shown with full TL amount)).

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13. Employee Benefits (continued)

b) Provisions for employee benefit

Bonus Provision

The movement of the bonus provision for the years ended 31 December 2021 and 2020 is as follows:

	1 January – 31 December 2021	1 January – December 2021
1 January	9.585.681	2.548.883
Provision made during the year	6.255.807	9.585.681
Provision paid during the year	(9.585.681)	(2.548.883)
Provision at the end of the year	6.255.807	9.585.681

Unused vacation provision

The movement of the unused vacation provision for the years ended 31 December 2021 and 2020 is as follows:

	1 January – 31 December 2021	1 January – 31 December 2021
Provisions as of 1 January	1.488.869	1.166.671
Current provisions expense / (reversal), net	1.109.438	322.198
Provision at the end of the year	2.598.307	1.488.869

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14. Share Capital

a) Capital

As of 31 December 2021 and 2020, the company's paid-in capital structure is as follows:

Partners	Group	31 December 2021		Group	31 December 2020	
		Share Amount	%		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
Filiz Kolbaşı	A	1.259.411	3,91	A	--	0,00
Rengin Yağan	A	1.259.411	3,91	A	1.259.411	3,91
Oktay Kolbaşı	A	--	0,00	A	1.259.411	3,91
Murat Erkurt	B	--	0,00	B	209.135	0,65
Ahmet Faralyalı	B	--	0,00	B	201.550	0,63
Orhan Ayanlar	B	--	0,00	B	25.402	0,07
Cenk Coşkuntürk	B	--	0,00	B	25.402	0,07
Halit Görkem Oktay	B	--	0,00	B	18.965	0,06
Halka Açık Kısım (*)	B	15.782.900	49,00	B	15.302.446	47,51
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 İstanbul A.Ş. ("BİST") as of 2020. The remaining 1.49% of Group B shares, which are not traded on the BİST, were dematerialized as of 6 July 2021 and became tradable on the BİST. As of 6 July 2021, 51% of the shares are non-public shares and 49% are publicly held shares. As of the same date, the shareholders holding the Company's shares and their share ratios are as above.

As of 31 December 2021, the official and nominal capital of the Company is 32.210.000 TL (31 December 2020: 32.210.000 TL). This capital is divided into 32,210,000 registered shares, each with a nominal value of 1 TL (31 December 2020: 32,210,000). The shares consist of 16,427,100 Group A shares and 15,782,900 Group B shares. The 1.49% portion owned by B group shareholders: Murat Erkurt, Ahmet Faralyalı, Orhan Ayanlar, Cenk Coşkuntürk and Halit Görkem Oktay was taken over and dematerialized as of 6 July 2021 and became tradable on the BİST.

As of December 31, 2021, the Company's capital adjustment difference is TL 148,360 (December 31, 2020: 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 votes among the A Group shareholders, in the Board of Directors, which will consist of at least five people. The number of members of the Board of Directors to be elected among the candidates to be determined by the majority of the votes of the Group A shareholders can never exceed half of the total number of the members of the Board of Directors. If the total number of members of the Board of Directors is odd and therefore half of them is fractional, the number of Board members to be appointed by Group A shareholders is rounded down, the said shares do not have voting privileges.

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14. Share capital (continued)

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 2021, the Group's legal reserves included in the restricted reserves account allocated from profit is TL 8.797.501 (31 December 2020: TL 6.401.154).

d) Foreign Currency Translation Reserves

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 2021, the Group's total foreign currency translation differences is TL 7.297.611 (31 December 2020: TL 1.386.894).

e) Retained earnings

The Group has accumulated previous year’s profits amounting to TL 60.784.842 as of 31 December 2021 (31 December 2020: TL 38.483.735).

f) Dividend

In 2021, the Company distributed a dividend of 11.769.746 TL to its shareholders based on the approval of the Company's Ordinary General Assembly for the Year 2020, which took place on 21 April 2021, based on the Board of Directors Decision dated March 31, 2021 and numbered 2021/05 (31 December 2020: TL 3.816.690).

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15. Revenue and Cost of Sales

For the years ended 31 December 2021 and 2020, revenue and cost of sales is as follows:

	1 January – 31 December 2021	1 January – 31 December 2021
Domestic sales	1.605.631.956	1.163.085.427
Foreign sales	105.784.135	72.423.856
Gross sales	1.711.416.091	1.235.509.283
Sales returns	(31.829.453)	(16.072.086)
Sales discounts	(864.240.679)	(611.951.502)
Net sales	815.345.959	607.485.695
Cost of goods sold (-)	(538.848.184)	(402.737.859)
Warranty expenses	(11.596.171)	(9.598.160)
Depreciation expenses and amortization	(2.066.901)	(1.431.295)
Cost of sales (-)	(552.511.256)	(413.767.314)
Gross profit	262.834.703	193.718.381

The distribution of group sales by geographical regions is as follows:

	1 January – 31 December 2021	1 January – 31 December 2021
Revenue		
Turkey	710.643.568	535.981.303
North Africa and Middle East	59.459.411	48.594.595
Europe	24.340.650	14.873.123
Other	20.902.330	8.036.674
Net Revenue	815.345.959	607.485.695

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16. Marketing, Sales and Distribution Expenses, General Administrative Expenses

Marketing, Sales and Distribution Expenses

For the years ended 31 December 2021 and 2020, marketing, sales and distribution expenses is as follows:

	1 January – 31 December 2021	1 January – 31 December 2021
Advertising and marketing expenses	43.683.915	31.864.479
Personnel expenses	34.698.441	30.335.545
Distribution expenses	11.588.592	8.596.630
Outsourcing expenses	11.110.429	9.596.377
Storage expenses	9.959.644	6.113.328
Exhibition and fair expenses	7.710.212	6.974.298
Freight expenses	4.141.883	2.712.470
Depreciation expenses and amortization	3.788.719	3.178.692
Travel expenses	1.468.828	716.934
Market research expenses	1.239.270	1.214.344
Communication expenses	1.065.780	800.956
Motor vehicle expenses	832.281	562.767
Other	2.409.030	1.446.466
Total	133.697.024	104.113.286

General Administrative Expenses

For the years ended 31 December 2021 and 2020, general administrative expenses is as follows:

	1 January – 31 December 2021	1 January – 31 December 2021
Personnel expenses	25.805.377	20.052.496
Consulting expenses	7.267.894	5.308.697
Depreciation expenses and amortization	4.477.324	3.569.340
Office expenses	2.892.733	1.021.661
Donation and aid expenses	844.084	192.950
Insurance expenses	768.705	588.328
Travel expenses	425.143	122.263
Taxes, fees and charges	195.154	35.741
Repair and maintenance expenses	182.689	222.043
Other	4.369.374	4.313.637
Total	47.228.477	35.427.156

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17. Expenses by nature

For the years ended 31 December 2021 and 2020, expenses by nature is as follows

	1 January – 31 December 2021	1 January – 31 December 2021
Cost of goods sold	538.848.184	402.737.859
Personnel expenses	60.503.818	50.388.041
Advertising and marketing expenses	43.683.915	31.864.479
Warranty expenses	11.596.171	9.598.160
Storage expenses	11.588.592	8.596.630
Outsourcing expenses	11.110.429	9.596.377
Depreciation expenses and amortization	10.332.944	8.179.327
Storage expenses	9.959.644	6.113.328
Exhibition and fair expenses	7.710.212	6.974.298
Consulting expenses	7.267.894	5.308.697
Office expenses	2.892.733	1.021.661
Travel expenses	1.893.971	839.197
Market research expenses	1.239.270	1.214.344
Communication expenses	1.065.780	800.956
Donation and aid expenses	844.084	192.950
Motor vehicle expenses	832.281	562.767
Insurance expenses	768.705	588.328
Taxes, fees and charges	195.154	35.741
Repair and maintenance expenses	182.689	222.043
Other	6.778.404	5.760.103
Total	733.436.757	553.307.756

Fees for Services Received from Independent Auditor/Independent Audit Firms

Information regarding the fees for the services received from the independent audit firms, in accordance with the letter of POA dated 19 August 2021 that was prepared considering the Board Decision published in the Official Gazette on 30 March 2021, are as follows:

	1 January – 31 December 2021	1 January – 31 December 2020
Independent audit fee for the reporting period (*)	355.510	299.125
Tax advisory service	121.000	110.000
Other assurance services	10.000	20.000
Total	486.51	429.125

(*) The fees above have been determined through including the independent audit and other related service fees of all subsidiaries, and the foreign currency fees of foreign subsidiaries have been converted into TL using the annual average rates of the relevant years.

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18. Other Income /Expenses from Operating Activities

For the years ended 31 December 2021 and 2020, other income and expenses from operating activities is as follows

	1 January – 31 December 2021	1 January – 31 December 2021
Other income from operating activities		
Foreign exchange gains, (net)	12.244.682	1.431.103
Maddi duran varlık satış kazancı	859.318	32.100
Deferred finance income	759.892	1.832.534
Foreign exchange gains from derivative products	--	2.546.143
Other	2.322.637	841.420
Total	16.186.529	6.683.300
Other expense from operating activities		
Doubtful receivables provisions, net	2.695.323	876.252
Other	1.277.067	635.819
Total	3.972.390	1.512.071

19. Financial Income and Expenses

For the years ended 31 December 2021 and 2020, financial income and expenses is as follows

	1 January – 31 December 2021	1 January – 31 December 2021
Financial Income		
Foreign exchange gains, net	6.718.950	467.961
Finance income	1.175.883	1.382.539
Total	7.894.833	1.850.500
Financial Expense		
Loan interest expenses	31.632.226	9.473.365
Bank commission and pos expenses	6.526.493	2.316.066
Interest expenses on leasing transactions	1.329.839	982.903
Severance interest expense	352.499	231.253
Total	39.841.057	13.003.587

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20. Taxation

Tax expense

For the years ended 31 December 2021 and 2020, tax expense is as follows:

	1 January – 31 December 2021	1 January – 31 December 2021
Tax expense		
Corporate tax expense	(17.564.997)	(18.923.066)
Deferred tax (expense) / income	5.517.999	7.194.185
Total	(12.046.998)	(11.728.881)

Tax payable

As of 31 December 2021 and 31 December 2020, current tax asset /liability are as follows:

	31 December 2021	31 December 2020
Current tax asset / (liability)		
Corporate tax provision	17.564.997	18.923.066
Prepaid taxes (-)	(17.095.834)	(22.708.028)
Corporate tax provision / (assets related to current tax), net	469.163	(3.784.962)

Corporate tax

In Turkey, after 1 January 2021 the corporate tax rate has been applied %20 to the legal tax base which was calculated by adding the non deductible expenses and by deducting the exemptions in the tax laws in accordance with the tax laws. With the publication of Law No. 7316 on Certain Amendments to the Law on the Collection of Public Receivables and Certain Laws in the Official Gazette on April 22, 2021, the corporate tax rate applicable to income for the years 2021 and 2022 was modified as; 25% for the income derived in 2021, 23% for the income derived in 2022 and these rates will apply for the period starting within the relevant year for the taxpayers, subject to a special accounting period. This change is valid for the taxation of corporate earnings for the periods starting from 1 January 2021, starting with the declarations that must be submitted as of 1 July 2021. Since the tax rate change came into effect as of 22 April 2021, the tax rate was used as 25% in the calculations of the corporate tax in the financial statements dated 31 December 2021.

According to the amendment, deferred tax assets and liabilities included in the financial statements as at 31 December 2021 are calculated at the rates of 23% and 20%, respectively for the portions of temporary differences that will have tax effects in 2022 and the following periods

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to five years. Tax losses cannot be carried back.

There is a withholding tax liability on dividend distributions and the withholding liability is accrued in the period when the dividend payment is occurred. The payments of dividend are subject to the 15% withholding tax until 22 December 2021, except for limited taxpayer companies that generate income through a workplace or their permanent representative in Turkey, and those made to companies residing in Turkey. Additionally, in accordance with the Presidential Decision No. 4936, which was published in the Official Gazette dated 22 December 2021 and numbered 31697, arrangements were made in the provisions of the Income Tax Law No. 193 and the Corporate Tax Law No. 5520 on dividend distribution, the withholding tax rate of 15% has been decreased to 10%.

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20. Taxation (continued)

Corporate tax (continued)

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within four months following the close of the accounting year to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Hong Kong corporate tax rate as of 31 December 2021 is 8.25% (31 December 2020: 8.25%)

As of 31 December 2021, the German corporate tax rate is 30% (31 December 2020: 30%).

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.

Transfer pricing regulations

The transfer pricing law is covered under Article 13 "disguised profit distribution via transfer pricing" of the Corporate Tax Law. The General Communiqué on disguised profit distribution via transfer pricing dated 18 November 2007 sets details about implementation.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length basis, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as a tax deductible for corporate income tax purposes.

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 23% 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. 23% tax rate has been used. This rate will be valid for the years 2021, 2022, 2023, 2024 and 2025.

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20. Taxation (continued)

Deferred tax (continued)

The breakdown of the accumulated temporary differences and deferred tax assets and liabilities that are subject to deferred tax as of 31 December 2021 and 2020, using the applicable tax rates, is as follows:

Deferred tax assets / liabilities	Cumulative temporary differences		Deferred tax	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Tangible and intangible assets	(21.221.804)	(3.545.854)	4.881.015	638.254
Contract liabilities	(20.046.477)	(28.567.078)	5.011.619	6.284.757
Employee benefits	(12.419.622)	(3.994.641)	3.033.596	719.035
Warranty provisions	(7.458.540)	(7.219.849)	1.864.635	1.299.573
Impairment	(3.072.017)	(545.478)	768.004	98.186
Trade and other receivables	(2.004.089)	(2.979.656)	501.022	536.338
Loans	(1.196.476)	(1.060.846)	299.119	190.952
Right-of-use assets	(516.271)	(320.983)	129.067	57.777
Derivative instruments	(261.848)	(3.288.626)	65.462	591.953
Inventories	200.284	306.641	(50.071)	(55.195)
Trade payables and other liabilities	3.593.298	3.059.431	(898.325)	(550.698)
Other assets and liabilities, net	667.203	(46.675)	(164.428)	8.402
Deferred tax asset, net	(63.736.359)	(48.203.614)	15.440.715	9.819.334

The movement table of deferred tax assets for the years ended 31 December 2021 and 2020 is as follows:

	1 January –31 December 2021	1 January –31 December 2020
At 1 January	9.819.334	2.564.345
Deferred tax recognized in profit or loss	5.517.999	7.194.185
Deferred tax recognized in other comprehensive income	103.382	60.804
At 31 December	15.440.715	9.819.334

The movement table of tax expense for the years ended 31 December 2021 and 2020 is as follows:

	1 January - 31 December 2021	%	1 January - 31 December 2020	%
Profit before taxation	62.177.117		48.196.081	
Tax expense calculated with the income tax rate	(15.544.279)	(25.00)	(10.603.138)	(22.00)
Non-deductible expenses	(1.611.413)	(2.59)	(498.056)	(1.03)
Non-taxable income	455.567	0.73	79.926	0.17
The effect of tangible fixed assets revalued within the scope of Law No. 7326	4.582.868	7.37	--	0.00
Differences due to corporate tax rate deduction	(1.209.934)	(1.95)	(707.613)	(1.47)
Other	1.280.193	2.06	--	0.00
Current tax expense	(12.046.998)	(19.38)	(11.728.881)	(24.33)

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21. Earnings per Share

The weighted average number of Group shares and earnings per unit for the years ending 31 December 2021 and 2020 are as follows:

	1 January –31 December 2021	1 January –31 December 2020
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	50.130.119	36.467.200
Loss per ordinary share (1 TL nominal equivalent)	1.5564	1.1322

22. Related Party Disclosures

a) Trade payables to related parties

As of 31 December 2021 and 2020, the Group's trade payables to related parties are as follows:

	31 December 2021	31 December 2020
Glasshouse Bilgi Sistemleri Ticaret Anonim Şirketi A.Ş. (*)	--	18.172
İstinye Kurumsal Danışmanlık Hizmetleri A.Ş. (*)	--	17.700
Total	--	35.872

b) Goods and service purchases from related parties

As of 31 December 2021 and 2020, the Group's purchases of goods and services from related parties are as follows:

	1 January –31 December 2021	1 January –31 December 2020
Kolbaşı Gayrimenkul Değerleme İnş. İç ve Dış Ticaret A.Ş.	35.640	117.450
İstinye Kurumsal Danışmanlık Hizmetleri A.Ş. (*)	75.000	180.000
Glasshouse Bilgi Sistemleri Ticaret Anonim Şirketi A.Ş. (*)	96.674	93.772
Toplam	207.314	391.222

(*) The remaining 1.49% of Group B shares, which are not traded on the BIST, were dematerialized as of 6 July 2021 and became tradable on the BIST. For this reason, as of July 6, 2021, the related companies ceased to be related companies. Related related party balances include transactions up to 6 July 2021.

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22. Related Party Disclosures (continued)

c) Benefits provided to senior managers

The senior management team of the Group consists of the members of the Board of Directors and the members of the Executive Board. Benefits provided to senior executives include wages, severance pay, premiums, private pension, health insurance, life insurance, rent paid to foreign personnel, overseas moving expenses, passenger car rentals, fuel and mobile phone, etc. consists of payments made within the scope of other expenses, severance pay and other provisions.

The benefits provided to senior managers for the years ended 31 December 2021 and 2020 are as follows:

	1 January –31 December 2021	1 January –31 December 2020 (*)
Fees and other benefits	13.418.163	14.538.641
Total	13.418.163	14.538.641

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. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Capital risk management

While trying to ensure the continuity of its activities in capital management, the Group also aims to increase its profits by using the debt and equity balance in the most efficient way. The Group's funding structure consists of debts including loans disclosed in Note 4, and equity items including issued capital, reserves and retained earnings, respectively. As of 31 December 2021 and 2020, the net debt/equity ratio is as follows:

	31 December 2021	31 December 2020
Total borrowings	276.225.038	117.241.832
Minus: Cash and cash equivalents	(94.541.789)	(29.735.846)
Net liability	181.683.249	87.505.986
Total equity	175.634.244	131.776.680
Total capital	32.210.000	32.210.000
Liability / equity	1,0344	0,6640

Financial risk factors

The Group is exposed to market risk (currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk due to its activities. The Group's risk management program generally focuses on minimizing the potential adverse effects of uncertainty in financial markets on the Group's financial performance.

Credit risk management

The risk of financial loss to the Group due to the failure of one of the parties to the financial instrument to fulfill its contractual obligations is defined as credit risk. The Group seeks to mitigate credit risk by conducting transactions only with creditworthy parties and, where possible, obtaining adequate collateral. The Group's exposure to credit risks is continuously monitored. Credit risk is controlled by the insurance policy for customers and limits that are reviewed and approved by Group management.

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23. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Credit risk

Carrying values of financial assets show the maximum exposure to credit risk. The maximum exposure to credit risk as of the reporting date is as follows:

31 December 2021	Receivables				Trade receivables
	Trade receivables		Other receivables		
	Related party	Other party	Related party	Other party	Related party
Maximum credit risk exposed as of the end of the reporting year (1)	--	320.208.596	--	--	94.541.789
- The part of the maximum risk under guarantee with collateral etc. (4)	--	121.735.562	--	--	--
A. Net book value of financial assets that are neither past due nor impaired	--	289.456.610	--	--	94.541.789
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	--	30.751.986	--	--	--
- the part secured with security, etc.	--	27.374.554	--	--	--
D. Net book values of impaired assets	--	--	--	--	--
Overdue (gross book value)	--	17.317.484	--	--	--
- Impairment (-)	--	(17.317.484)	--	--	--
- 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	--	--	--	--	--

31 December 2020	Receivables				Trade receivables
	Trade receivables		Other receivables		
	Related party	Other party	Related party	Other party	Related party
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 12 c).

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Credit risk (continued)

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

31 December 2021	Trade receivables	Other receivables	Total
Past due 1-30 days	10.722.275	--	10.722.275
Past due 1-3 months	13.909.473	--	13.909.473
Past due 3-12 months	718.566	--	718.566
Past due 1-5 years	5.401.672	--	5.401.672
Total overdue receivables	30.751.986	--	30.751.986
The part under guarantee with collateral etc. (4)	27.374.554	--	27.374.554

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

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23. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (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.

Terms according to the contract as at 31 December 2021	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)
Derivative and non-derivative financial instruments					
Financial borrowings and financial lease payables	276.225.038	312.804.178	198.295.873	63.889.208	50.619.097
Trade and other payables	227.114.010	231.273.657	231.273.657	--	--
Derivative instruments	261.848	82.921.840	82.921.840	--	--
Total financial liabilities	503.600.896	626.999.675	512.491.370	63.889.208	50.619.097
Terms according to the contract as at 31 December 2020	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)
Derivative and non-derivative financial instruments					
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	3.288.626	48.370.474	48.370.474	--	--
Total financial liabilities	337.594.434	388.118.326	344.818.869	38.727.927	4.571.530

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. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Currency Risk

Transactions in foreign currencies cause exchange rate risk. The Group uses derivative financial instruments to hedge the currency risk arising from the cash flows of its operations and financing agreements.

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 2021		
	TL equivalent (functional currency)	Usd	Euro
1. Trade receivables	20.373.164	1.230.650	263.135
2 a. Monetary financial assets	33.935.540	2.119.065	377.188
2b. Non-monetary financial assets	--	--	--
3. Other	--	--	--
4. CURRENT ASSETS	54.308.704	3.349.715	640.323
5. Trade receivables	--	--	--
6a. Monetary financial assets	--	--	--
6b. Non-monetary financial assets	--	--	--
7. Other	--	--	--
8. NON-FIXED ASSETS	--	--	--
9. TOTAL ASSETS	54.308.704	3.349.715	640.323
10. Trade payables	25.472.368	1.828.867	72.607
11. Financial liabilities	--	--	--
12a. Other Monetary Liabilities	--	--	--
12b. Other Non-Monetary Liabilities	--	--	--
13. SHORT-TERM LIABILITIES	25.472.368	1.828.867	72.607
14. Trade payables	--	--	--
15. Financial liabilities	--	--	--
16a. Other monetary liabilities	--	--	--
16b. Other non-monetary liabilities	--	--	--
17. LONG-TERM LIABILITIES	--	--	--
18. TOTAL LIABILITIES	25.472.368	1.828.867	72.607
19. Net assets / liability position (19a-19b)	82.826.406	6.214.000	--
19a. Amount of foreign currency derivative products with active character out of financial position statement	82.826.406	6.214.000	--
19b. Amount of derivative products with passive character in non-financial position in foreign currency	--	--	--
20. Net foreign currency asset liability position	111.662.742	7.734.848	567.716
21. Monetary items net foreign currency asset / liability position (1 + 2a + 5 + 6a-10-11-12a-14-15-16a)	28.836.336	1.520.848	567.716
22. Financial instruments used for foreign currency hedging total fair value	--	--	--
23. The amount of the hedged portion of foreign currency assets	--	--	--
24. The amount of the hedged portion of foreign currency liabilities	--	--	--

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23. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Currency Risk (continued)

	31 December 2020		
	TL equivalent (functional currency)	Usd	Euro
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)	42.861.657	5.839.065	--
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	--	--	--
20. Net foreign currency asset liability position	70.237.665	8.226.720	1.093.421
21. Monetary items net foreign currency asset / liability position (1 + 2a + 5 + 6a-10-11-12a-14-15-16a)	27.376.008	2.387.655	1.093.421
22. Financial instruments used for foreign currency hedging total fair value	--	--	--
23. The amount of the hedged portion of foreign currency assets	--	--	--
24. The amount of the hedged portion of foreign currency liabilities	--	--	--

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23. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Currency Risk (continued)

Sensitivity analysis

The Group's principal currency rate risk relates to changes in the value of the TRY relative to the EUR and the USD.

The basis for the sensitivity analysis to measure foreign exchange risk is an aggregate corporate-level currency exposure. The aggregate foreign exchange exposure is composed of all assets and liabilities denominated in foreign currencies. Net foreign currency investments not included to the analysis.

Foreign currency sensitivity analysis				
31 December 2021				
	Profit / (Loss)		Equity	
	Appreciation of foreign currency (10%)	Depreciation of foreign currency (10%)	Appreciation of foreign currency (10%)	Depreciation of foreign currency (10%)
In case of 10% appreciation / depreciation of USD against TL				
1- USD net asset / liability	2.027.137	(2.027.137)	--	--
2- The part protected from USD risk (-)	8.282.642	(8.282.642)	--	--
3- USD net effect (1 +2)	10.309.779	(10.309.779)	--	--
In case of 10% appreciation / depreciation of Euro against TL				
4 - EUR net asset / liability	856.496	(856.496)	--	--
5 - The part protected from Euro risk (-)	--	--	--	--
6- EUR net effect (4 + 5)	856.496	(856.496)	--	--
Total (3+6)	11.166.275	(11.166.275)	--	--

Foreign currency sensitivity analysis				
31 December 2020				
	Profit / (Loss)		Equity	
	Appreciation of foreign currency (10%)	Depreciation of foreign currency (10%)	Appreciation of foreign currency (10%)	Depreciation of foreign currency (10%)
In case of 10% appreciation / depreciation of USD against TL				
1- USD net asset / liability	1.752.658	(1.752.658)	--	--
2- The part protected from USD risk (-)	4.286.166	(4.286.166)	--	--
3- USD net effect (1 +2)	6.038.824	(6.038.824)	--	--
In case of 10% appreciation / depreciation of Euro against TL				
4 - EUR net asset / liability	984.942	(984.942)	--	--
5 - The part protected from Euro risk (-)	--	--	--	--
6- EUR net effect (4 + 5)	984.942	(984.942)	--	--
Total (3+6)	7.023.766	(7.023.766)	--	--

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23. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

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 2021 and 2020, the Group's interest position is as follows:

	Interest position table	
	31 December 2021	31 December 2020
Fixed rate financial instruments		
Financial assets - time deposits	35.000.000	4.750.000
Financial liabilities	(276.225.038)	(117.241.832)
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. 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 2021	Loans and receivables	Financial instruments at fair value through profit or loss	Financial liabilities shown at amortized value	Registered value	Fair value	Note
Financial assets						
Cash and cash equivalents	94.541.789	--	--	94.541.789	94.541.789	3
Trade receivables	320.208.596	--	--	320.208.596	320.208.596	5
Other receivables	139.584	--	--	139.584	139.584	6
Financial liabilities						
Financial liabilities	--	--	276.225.038	276.225.038	276.225.038	4
Trade payables	--	--	227.053.220	227.053.220	227.053.220	5
Derivative financial liabilities	--	261.848	--	261.848	261.848	24
Other payables	--	--	60.790	60.790	60.790	6

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24. Financial Instruments (continued)

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	Note
Financial assets						
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	--	--	117.241.832	--	--	4
Trade payables	--	--	217.039.371	217.039.371	217.039.371	5
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)

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 2021	Level 1	Level 2	Level 3
Derivative financial liabilities (*)	--	261.848	--
31 December 2020	Level 1	Level 2	Level 3
Derivative financial liabilities (*)	--	3.288.626	--

(*) As of 31 December 2021, derivative financial liabilities are USD forward transactions with a maturity between October 2021 and December 2021 and a nominal value of TL 6.214.000 (31 December 2020: January 2021 and June 2021, TL 48.370.474).

25. Subsequent Events

None.

Directory

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