

# ARZUM

Annual Report 2023

## We add value to life with innovations



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## **Independent Auditor's Report**

## **Directory**

# 57 years committed for the best

Established as a local imprint in 1966, we are taking firm steps towards becoming a global brand. With a history of nearly 60 years, we consistently enhance our brand awareness and expand our household penetration, while endeavoring to uphold the trust our customers have placed in us. Our product portfolio attests to our advanced technological infrastructure; we enrich our collections in line with the demands and requirements of our customers, and we crown our achievements with a stellar financial performance.

Today, we reach millions of people in numerous countries around the world, while steering market dynamics with new concepts and distinctive presentations and products.







The foundations of Arzum were laid by the esteemed Kazım Kolbaşı, Kemal Kolbaşı and İbrahim Kolbaşı in the early 1950s and built by their entrepreneurial spirit and visionary perspectives. In 1966, we appeared on shelves as a domestic brand in our beautiful country.

Today, with a deep-rooted history reaching back more than half a century, we are a universally recognized brand in both Türkiye and the international markets. Our border-transcending success is based on the strength, confidence and faith derived from our roots, and a perspective that centers innovation, comfort and design.

By sustaining our brand identity – exemplified by valuable awards, customer satisfaction, innovative products and widespread recognition – we will continue to add value to our country's economy, employment power and global achievements.

**3.7**  
TL billion  
**NET SALES**

**52.9**  
TL million  
**NET PROFIT**  
Net profit margin: 1.4%

**397.9**  
TL million  
**EBITDA**  
EBITDA margin: 10.8%

With eight different cooking modes, the Airtasty XL can prepare many recipes in healthier ways that use less oil.



# **We add value to life with developments**

As technology evolves, lifestyles take on different dimensions. We analyze needs and demands accurately, and develop products accordingly. As a brand focusing on design and innovation, we believe that leveraging technology more effectively will always propel Arzum to greater heights. We share happy experiences in all the households we reach.



## 2023 in Figures

Arzum's EBITDA stood at approximately TL 398 million as of year-end 2023.

Net Satışlar

**3.7**  
TL billion

Net sales increased by 26% to TL 3.7 billion

EBITDA

**397.9**  
TL million

EBITDA margin stood at 10.8%.

Net Profit

**52.9**  
TL million

Net profit stood at TL 52.9 million.

Defect-free Shipping

**99.9%**

In 2023, a 99.9% rate of defect-free shipping was achieved.

International Sales Growth

**6%**

Arzum's international sales growth was 6%.

Gross profit

**1.2**  
TL billion

Gross profit increased by 99% to TL 1.2 billion.

Total Assets

**2.2**  
TL billion

Total assets increased by 3% to TL 2.2 billion.

Shareholders' Equity

**469.7**  
TL million

Arzum's shareholders' equity grew by 7.9% to TL 469.7 million.



Operating Profit

**332.5**  
TL million

The operating profit reached TL 332.5 million.

Total Sales Points

**20**  
thousand +

Arzum has over 20 thousand sales points.

Female Employee Rate

**47%**

Arzum's female employee rate has increased to 47% as of this year.

Rate of Female Members in Management

**33%**

The rate of female members on Arzum's Board of Directors is 33%.

Countries of International Sales

**53**

Arzum makes sales to 53 countries abroad.

SHA Industry Growth (TR)\*

**28%**

Türkiye's SHA industry grew by 28% in 2023 in terms of numbers.

SHA Industry Volume

**75.4**  
TL billion

Türkiye's SHA industry size amounted to TL 75.4 billion.

Share of Developed Products in Sales

**39.7%**

The share of the products developed by Arzum in total sales was 39.7%.

Number of Patent Applications

**21**

Arzum's total number of patent applications during the year was 21.

E-commerce Growth

**34.2%**

Arzum increased its e-commerce growth to 34.2% in Türkiye during the year.

SHA: Small Home Appliances Industry

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

# What Happened in 2023?

## Arzum was granted the title of Türkiye's best technological brand for the fourth time in the "Tech Brands Türkiye" in the "Small Home Appliances" category.

### JANUARY

#### Co-CEO era at Arzum

Arzum, a leading electrical household appliances industry brand, has shifted to the Co-CEO management system. In the Co-CEO system, which has many successful examples in the world, it was decided that 3 senior executives of Arzum would each assume the role of Chief Executive Officer for a period of one year.

#### "Reputable of the Year" award from The One Awards

Arzum continued to make life easier for its consumers this year with products that combine design, technology, and innovation, and was named "Reputable of the Year" in the Small Home Appliances sector at the Integrated Marketing Awards of The ONE Awards.

#### Wireless Arzum OKKA at CES 23

Arzum exhibited the OKKA OK001 prototype powered by wireless energy at CES 2023, gathering the world's largest technology companies. Arzum's innovative product attracted great interest at the fair held in Las Vegas on January 5-8.

#### Arzum OKKA Turkish coffee taste in the Middle East

Arzum OKKA introduced the coffee lovers attending the Dubai World of Coffee to the advanced technologies of the OKKA Family as well as to strong Turkish coffee. Visitors at the Arzum OKKA stand showed great interest in Arzum OKKA Rich Spin M, which can cook Turkish coffee with milk by stirring, a first in Türkiye.

#### Debt instrument issuance ceiling approval of TL 500 million

In January 2023, Arzum received approval from the CMB for a debt instrument issuance ceiling of TL 500 million in total, valid for 1 year.

### FEBRUARY

#### Arzum OKKA at Ambiente

Arzum participated in Ambiente Frankfurt 2023, allowing it to introduce innovative products that make life easier for consumers and the Arzum OKKA Family. Visitors who visited the Arzum stand at the fair had the opportunity to experience Arzum OKKA Turkish coffee machines and closely examine Arzum's innovative products.

#### Delivery of small household appliances to the earthquake region

In the aftermath of the earthquake that struck Kahramanmaraş and its surroundings, affecting 10 provinces, Arzum continued to stand by the people in the region and mobilize all its means to help them recover from their wounds. In this context, the distribution of small household appliances on the list of needs in the earthquake region has started.

### MARCH

#### First sustainability report released

Arzum released its first sustainability report, outlining steps taken for the future of the world in economic, environmental, communal, and social areas, in 2022. In line with its "Our Desire is A Better Future" strategy, Arzum has prepared a report covering its operations in Türkiye to determine its sustainability roadmap.

#### Arzum OKKA meets with FSUMMIT visitors

Arzum participated in the III. International Tourism Gastronomy, Investments, and Hospitality Summit FSUMMIT, which brought together leading figures from the tourism and gastronomy industry at the NEST Conference Center in Antalya on March 20-21. At the summit, participants had the opportunity to experience different coffee options of Arzum OKKA.

#### State-of-the-art brand in Türkiye for the fourth time

Arzum was named Türkiye's state-of-the-art brand in the "Small Home Appliances" category for the fourth time in the "Tech Brands Türkiye" award program, which investigates the consumer brand perception of technology brands in Türkiye, in cooperation with NielsenIQ Türkiye and Pazarlamasyon.

#### Commercial collaborations signed at The Inspired Home Show 2023

Arzum had the opportunity to showcase its products developed with a focus on innovation at The Inspired Home Show 2023. Arzum strengthened its growth and future strategies for the US market by entering into cooperation agreements at the fair, which was held in Chicago between March 4 and 7, 2023, the meeting point of the global home appliances industry.

### APRIL

#### Arzum OKKA makes its mark on The London Coffee Festival

Arzum participated in The London Coffee Festival held at The Truman Brewery, Brick Lane, London, between April 20 and 23, this year. Participating in the festival for the seventh time, Arzum showcased its new-generation products at the OKKA stand and introduced Turkish coffee culture to coffee lovers from around the world.

## **Arzum celebrated April 23<sup>rd</sup> with children from Hatay**

Providing aid to the earthquake region since the first day of the earthquake, Arzum did not forget the children affected by the earthquake on April 23<sup>rd</sup>. Arzum visited the tent cities in Former Lunapark (Amusement Park) and Millet Bahçesi (People's Garden) in Hatay with its mobile event team and celebrated April 23<sup>rd</sup> National Sovereignty and Children's Day by organizing various activities for children.

## **MAY**

### **ECHO Awards winner for the second time with its e-commerce experience**

Arzum won the Small Home Appliances category award for the second time at the ECHO Awards, organized for the fifth time this year in cooperation with Akademetre Research & Strategic Planning.

### **Recipes for those who want to be the chef of their kitchen in "Evde Şef Var (Chef at Home)"**

Those who want to be the chef of their kitchen can find all the recipes they will need at "evdesefvar.arzum.com.tr". Evde Şef Var (Chef at Home) featured hundreds of recipes in various categories, including soups, main dishes, desserts, and drinks.

## **JUNE**

### **New term Board members elected**

Arzum elected the members of the Board of Directors for the new term at the Ordinary General Assembly Meeting held on June 19.

## **AUGUST**

### **5 awards for Arzum's Annual Report 2022**

Arzum received 98 points out of 100 in its category with its Annual Report 2022 in the evaluation made within the scope of the "Vision Awards" organized by the League of American Communications Professionals (LACP) and received the "Gold Award." Arzum's Annual Report 2022 received 5 awards in total.

### **Lease certificate issuance ceiling approval of TL 200 million**

Arzum received approval for an issuance limit of TL 200 million in the type of management contract-based lease certificate, with the Company as the fund user and ZKB Varlık Kiralama A.Ş. as the issuer.

## **SEPTEMBER**

### **Arzum will expand its footprint in Europe with the products introduced at IFA Berlin 2023**

Arzum introduced its new-generation products developed with a focus on innovation at IFA Berlin 2023. At the fair, which is Europe's most comprehensive technology show where state-of-the-art technological products and developments are introduced, Arzum exhibited for the first time 16 new products in many categories, especially personal care, food preparation, and hot beverage preparation, which will be offered for sale in Türkiye and the global market in the near future.

### **Arzum OKKA stand at Istanbul Coffee Festival**

Arzum OKKA left its mark on the Istanbul Coffee Festival with its products, catering, and events. Coffee lovers tasted Turkish coffee and various delicious drinks with treats prepared with Arzum OKKA and Shake'N Take. 2023 Turkish Coffee Pot & Pitcher Champion Kevser Atmaca's signature recipes enjoyed a unique feast of taste and experience at the workshop of 2020 Turkish Coffee Pot & Pitcher Champion Deniz Tombuloğlu.

## **OCTOBER**

### **100<sup>th</sup> anniversary of the Republic celebrated with Arzum Türkiye Women's Chess Championship**

Having sponsored the Turkish Women's Chess Championship for 15 consecutive years, Arzum celebrated the 100<sup>th</sup> anniversary of the Republic with the final of the Arzum Türkiye Women's Chess Championship. Ceren Tirpan was the winner of the championship held in cooperation with the Turkish Chess Federation and hosted by Arzum under the motto of "Every Move of Women is a Chequer for the Republic," while 17 female chess players were granted the "Women Making a Difference in Chess" award as part of the 15<sup>th</sup> anniversary of Arzum's sponsorship.

### **Special commercial from Arzum for the 100<sup>th</sup> anniversary of the Republic**

Arzum celebrated the 100<sup>th</sup> anniversary of the Republic with a commercial. In the commercial featuring the enthusiasm for the 100<sup>th</sup> anniversary and the longing for Atatürk, Atatürk's love for Turkish coffee was portrayed through photographs animated with artificial intelligence.

## **NOVEMBER**

### **Award to Arzum from A.L.F.A. Awards 2023**

Arzum received the "Customer Brand" of the Year award in the Small Home Appliances category at A.L.F.A. Award 2023, recognized as the most important award given in Türkiye in the field of experience design.

### **Industry giants met at Türkiye Innovation Week**

Murat Kolbaşı, Chairman of the Board of Directors of Arzum, participated as a speaker in the "Smart Soil, Smart Table: The Food's Journey in the Digital Age" panel at Türkiye Innovation Week, the largest innovation gathering in Türkiye and the surrounding geography, and stated that the food's journey in the digital age should be managed with end-to-end intelligence, i.e. digitally.

### **Debt instrument issuance ceiling approval of TL 900 million**

In November 2023, Arzum received approval from the CMB for a debt instrument issuance ceiling of TL 900 million in total, valid for 1 year.

## **DECEMBER**

### **World Turkish Coffee Day excitement is all around with Arzum OKKA CGI**

Arzum OKKA celebrated World Turkish Coffee Day on December 5 with CGI commercials. In the films broadcasted on digital channels, Arzum OKKA Turkish Coffee Machine and OKKA cups were positioned in the symbolic buildings and squares of the world's most important cities such as London, New York, and Istanbul. With the films, highly acclaimed on social media, Arzum reemphasized its mission to promote Turkish coffee and culture to the world.

### **World Turkish Coffee Day coffees from Arzum OKKA**

The Brand That Made The World Love Turkish Coffee: Arzum OKKA offered delicious coffee to the participants with the stand set up at an event organized in Beta Yeni Han, the place where Turkish coffee was first roasted in Istanbul. Murat Kolbaşı, Chairman of the Board of Directors of Arzum, participated in the Turkish Coffee Story panel as a speaker.

### **Arzum won the Radio Award at Crystal Apple**

Arzum won an award at Crystal Apple 2023. The radio commercial for Magic Clean Force, a rechargeable vertical vacuum cleaner, won an award in the Radio and Sound category at Crystal Apple 2023.

# Our Mission, Vision and Values

## Our mission

To become a brand that eases life with its innovative, technological, and well-designed products and services whose aim is to take place within each home and which establishes sincere and warm relations with its stakeholders.

## Our vision

To become a brand that creates the most value for its stakeholders.



## **Our values**

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

### **We are attentive**

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

### **We are passionate**

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

### **We are reliable**

We keep our promises to each other, our customers, and our suppliers. We stand behind our work, our promise, our products, and our services.

### **We are innovative**

We always want to "do better," to be different, to be preferable, and to achieve sustainable success. We are innovative not only with our products but also with our services and approach to our business.

### **We are sincere**

We are sincere in our relationships with each other, with our customers, and with our suppliers. We take special care to be sincere, direct, and honest with everyone we communicate with.

# Value Creating Business Model

Arzum's business model creates value for its stakeholders through robust growth and high return on equity.

## 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 spending 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.
- It dedicates its resources to the brand and operational management 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 is shaped according to consumer demand quickly.



### Flexible Procurement Model

- It utilizes the most flexible procurement model according to product demand. There is no distress in keeping the production line busy.
- 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 Türkiye:

- Increasing its share 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



A man with dark hair, wearing a light blue button-down shirt, is seated at a table. He is looking out a window with blinds. On the table in front of him are several pieces of fruit, including a banana, a kiwi, and a pink grapefruit. The background shows a window with white frames and some red items on a shelf.

**47%**

**FEMALE  
EMPLOYEE  
RATE**

**33%**

**RATE OF FEMALE  
MEMBERS ON  
THE BOARD OF  
DIRECTORS**

## **We add value to life with changes**

Supported by our years of experience, we aim for maximum benefit and sustainable gains across all our business processes. With confidence in the power of change, we reorganized end to end this year, shifting to the Co-CEO system. Through the Co-CEO configuration, our Company has gained a more dynamic and innovative structure. As we did with our newly launched products in the Shake'N Take collection, we constantly prioritize delivering added value and we strengthen our financial performance through our state-of-the-art technology infrastructure.



The special stainless-steel blades of the Shake'N Take Dream ensure easy preparation of any mixture. Beverages prepared in BPA-free bottles accompany you throughout the day.



## About Arzum

# A brand that generates high-level value for its stakeholders

# 250

**Number of  
Arzum products**

The foundations of Arzum were laid in the early 1950s by Kazım Kolbaşı, Kemal Kolbaşı, and İbrahim Kolbaşı. Re-launched in 1966 as a core brand, Arzum has achieved great success in Türkiye by achieving high brand awareness and household penetration. With its deep-rooted history of more than 57 years, Arzum has achieved international success in a short time and continues this success by raising the bar day by day.

Arzum has always been in a leading position among its competitors in the sector by emphasizing technology, innovation, and design, and has adopted providing convenience to its consumers in their lives as its top priority. In this context, Arzum's success in the international arena is based on its strong history, brand recognition, and ever-evolving innovation approach.

Arzum, a brand that has always been sincere and reliable in the sector, has developed many award-winning products to generate high-level value for its stakeholders since the day it was founded. Arzum, with its products in millions of homes worldwide, including Türkiye, continues its efforts to become a global brand without slowing down.

### **Achieved many firsts in the industry by offering the best technology to its customers**

Arzum's primary principle is characterized by its experience in offering the best technology to its customers, and this perspective has enabled the Company to achieve numerous significant firsts in the industry. Arzum has achieved a leading position in the industry by introducing a range of innovative products to the market under its own brand. It achieved firsts in Türkiye by producing the first iron in 1967 and the first mechanical vacuum cleaner in 1968. Arzum continued its leadership in the industry by producing the first

Turkish-made food processor in 1991. In 2014, Arzum introduced the Arzum OKKA Turkish Coffee Machine, a first with its direct-to-cup service and self-cleaning features, to domestic and global markets.

In 2016, Arzum continued its innovative approach in the industry by introducing Arzum Heptaze, the first mobile filtered tea machine. In 2020, Arzum broke new ground in Türkiye and launched the Arzum Olimpia Smart Dust Bagless Cyclonic Vacuum Cleaner with Internet of Things (IoT) technology. In 2021, Arzum maintained its leading role in the industry by incorporating its artificial intelligence workmate, "RobotAR."

Implementing the "Three-year Warranty" in 2001 as a first in the electrical home appliances industry, Arzum once again demonstrated the importance it attaches to customer satisfaction. This innovative approach was expanded as "3+1" at the beginning of 2018 and Arzum provided its customers with a warranty period of four years for the first time in Türkiye. For the products with a three-year warranty, an additional warranty period of 1 year was provided, increasing customer satisfaction.

In addition, Arzum's first robot vacuum cleaner, Robotek X2 Smart Robot Vacuum Cleaner, was introduced to the market with a warranty period of four years, for the first time in Türkiye, in 2021. This initiative emphasizes its commitment to providing customers with extended reliability and support.

In 2022, the Arzum OKKA Rich Spin M Turkish Coffee Machine which has the feature of brewing numerous beverages, including Turkish coffee with milk, by spinning, again a first in Türkiye, was offered to Turkish coffee lovers.



**SINCE ITS FOUNDATION, ARZUM HAS CREATED MANY AWARD-WINNING PRODUCTS TO CREATE HIGH VALUE FOR ITS STAKEHOLDERS.**

**A trend of increasing success, in light of awards received each year**

Arzum was deemed worthy of many prestigious local and international awards with its innovative and groundbreaking products. Arzum maintains its uptrend in success rate and wins awards every year; it carries out its activities in the electrical home appliances industry under 6 main product categories. Arzum stands by its consumers with its 250 products in the categories of Food Preparation, Cooking and Frying, Hot Beverage Preparation, Personal Care, Ironing, and Cleaning...

**Shareholding Structure\***

Shareholder	Share Amount (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
Other**	18,301,722	56.81
<b>Total</b>	<b>32,210,000</b>	<b>100.00</b>

\* Article 6 of the Company's Articles of Association stipulates that Group A shares are privileged, and Article 8 states that Group A shareholders have the right to nominate the successor of a member of the Board of Directors. The Company's Articles of Association do not grant any special privileges for exercising voting rights. Only Group A shares have the "privilege to nominate candidates for the election of the members of the Board of Directors."

\*\* As of the end of 2023, Arzum's actual free float is 48.96%.

**A product portfolio of 250 pieces**

Arzum has received many domestic and international prestigious awards for its new and innovative products. Arzum maintains its uptrend in success rate and wins awards every year; it carries out its activities in the electrical home appliances industry under six main product categories. Arzum's 250-piece product portfolio in the categories of kitchen appliances, electrical home appliances, and personal care appliances offers consumers a wide range of options.

By making it its mission to spread Turkish coffee culture, which has a 600-year history, around the world with the slogan "The Brand That Made The World Love Turkish Coffee: Arzum OKKA," Arzum continues to promote and popularize Turkish coffee all over the world.

Arzum gathered 55 designers in an exhibition organized at Galataport in Istanbul for its 55<sup>th</sup> anniversary. The exhibition, titled "Other Ages with Arzum Years," was a special journey into the past by bringing together works designed by 55 designers inspired by Arzum. In the nostalgic exhibition, Arzum's 55-year journey was portrayed through the perspectives of various designers, offering visitors a pleasant journey into the past. Arzum executives contributed to the event with pleasant conversations with colorful names from different sectors during the exhibition. In addition, "Turkish Coffee Presentation in the Ottoman Palace" was held as a special event for the participants during the four-day program.

In 2023, Arzum made different breakthroughs with the inspiration of innovation and design. In this context, Arzum switched to the Co-CEO system and planned for three senior executives to take on the position of Chief Executive Officer at one-year intervals.

Arzum took action with the slogan "Our Desire is a Better Future" and published its first Sustainability Report. The sustainability roadmap of the brand was determined in the report prepared to cover Türkiye operations.

Having sponsored the Turkish Women's Chess Championship for 15 consecutive years, Arzum celebrated the 100<sup>th</sup> anniversary of the Republic with the Final of the Arzum Türkiye Women's Chess Championship.

# National and International Awards Received

## Türkiye's most reputable

**ARZUM RECEIVED MANY PRESTIGIOUS AWARDS FOR ITS ACTIVITIES, PRODUCTS INTRODUCED, AND LAUNCHES THROUGHOUT 2023.**

### Design Awards



**Won the ECHO Awards for the second time**  
Introducing firsts in Türkiye, Arzum won the Small Home Appliances category award at the ECHO Awards, organized for the fifth time this year in cooperation with Akademetre Research & Strategic Planning.

### Corporate Awards

#### **"Reputable of the Year" award to Arzum from The One Awards**

Arzum was named the "Reputable of the Year" in the Small Home Appliances industry in the Integrated Marketing Awards at The ONE Awards.

#### **State-of-the-art brand in Türkiye for the fourth time**

It was granted the title of Türkiye's state-of-the-art brand for the fourth time in the Tech Brands Türkiye in the "Small Home Appliances" category.

#### **Five awards to the Arzum Annual Report**

Arzum received the Gold Award in its category with its 2022 Annual Report, receiving 98 out of 100. In the awards that have been held annually since 2001, Arzum received full marks in 6 out of 8 criteria, including first impression, cover design, letter to shareholders, report narrative language, report's financials, and information accessibility, and it received the "Silver Award" in the "Regional Outstanding Achievement Award: Best Message to Shareholders" category. Arzum also won the Technical Achievement Award in the Artistic and Communication Excellence of the Report category. With its Annual Report 2022, Arzum ranked 14<sup>th</sup> in EMEA (Europe, the Middle East, and Africa Regions) in the category of all sectors and was listed among the "Türkiye's Top 20 Reports" in Türkiye. Arzum thereby won 5 awards in total.

#### **Customer Brand of the Year**

Arzum became the "Customer Brand" of the year in the category of Small Home Appliances at A.L.F.A Awards 2023.

#### **Crystal Apple Radio Award goes to Arzum**

The radio commercial for Magic Clean Force, a rechargeable vertical vacuum cleaner, won an award in the Radio and Sound category at Crystal Apple 2023.





## Key Financial Indicators

Arzum improved its performance with robust results in a successful 2023.

**2.2**  
TL billion  
Total assets

### Summary Balance Sheet (TL)

	2023	2022	Change (%)
Current Assets	1,892,420,169	1,894,056,934	(0.1)
Non-current Assets	323,294,254	255,550,049	26.5
Short-Term Liabilities	1,700,211,474	1,689,657,685	0.6
Long-Term Liabilities	45,845,794	24,796,134	84.9
Equity	469,657,155	435,153,164	7.9
Total Assets	2,215,714,423	2,149,606,983	3.1

### Summary Income Statement (TL)

	2023	2022	Change (%)
Revenue	3,690,432,379	2,926,926,415	26.1
Cost of Sales	(2,535,417,735)	(2,346,120,236)	8.1
Gross profit	1,155,014,644	580,806,179	98.9
Operating Profit	332,466,102	(60,902,401)	(645.9)
EBITDA	397,996,185	(21,487,177)	(1,952.2)
Profit Before Tax	93,567,522	(120,889,453)	(177.4)
Net Profit	52,979,693	(157,806,264)	(133.6)

### Key Ratios (%)

	2023	2022
Gross Profit Margin	31.3	19.8
Operating Profit Margin	9.0	(2.1)
EBITDA Margin	10.8	(0.7)
Profit Before Tax Margin	2.5	(4.1)
Net Profit Margin	1.4	(5.4)

**52.9**  
TL million  
Net profit

**EBITDA  
INCREASED TO  
APPROXIMATELY  
TL 398 MILLION.**

**Current Assets (TL Million)**

2022	1,894
2023	1,892

**Total Assets (TL Million)**

2022	2,150
2023	2,216

**Revenue (TL Million)**

2022	2,927
2023	3,690

**Net Profit (TL Million)**

-157.8	2022
53	2023

**EBITDA (TL Million)**

-21	2022
398	2023

**Gross Profit (TL Million)**

581	2022
1,155	2023

# Headlines from 1950 to 2023

## 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.

## 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.



## 2011

Arzum Europe GmbH, a subsidiary of Arzum in Germany, was established.

In the Türkiye qualifiers for the Blind Leaders Project 2011 Employee Volunteering Awards, Arzum ranked 1<sup>st</sup> in its category and represented Türkiye 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 a global brand cooperation with the Ducati brand.

## 2021

Arzum introduced Arzum OKKA Rich Spin-M, the first Turkish Milk Coffee Machine with a mixer and coffee pot.

## 2023

Arzum, the leading electrical home appliances brand, shifted to a new management system in January 2023. In the Co-CEO system, which has many successful examples in the world, three senior executives of Arzum would each assume the role of Chief Executive Officer for a period of one year.

With a socially and environmentally conscious brand approach, Arzum published the "Arzum 2022 Sustainability Report."

It has diversified its sources of financing through the capital markets by obtaining approvals for a total of TL 1.4 billion of bonds/notes in January and December, and TL 200 million of lease certificate issuance limit in August.

## 2013

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

## 2017

Arzum received the leading company award in Türkiye in the "Organization" and "Culture" categories of the INOVA League.

## 2020

Arzum shares started to be traded on Borsa Istanbul with the ticker ARZUM.

Arzum introduced Türkiye's first vacuum cleaner with IoT (Internet of Things) technology, Arzum Olimpia Smart.

## 2022

Arzum celebrated its 55<sup>th</sup> anniversary with an exhibition held with 55 different designers. The event was inherently a retrospective journey through the book "Öteki Çağlarla Arzum'lu Yıllar" created by 55 designers inspired by Arzum.

Within the framework of the cooperation with Galatasaray Sports Club, Arzum became the jersey sleeve sponsor of the Galatasaray Hepsiburada Women's Football Team competing in the Women's Football Super League.

It has carried out successful issuances by obtaining approval from the Capital Markets Board for a bond/bill issuance limit of TL 250 million.



**T. Murat  
Kolbaşı**

**Chairman**

# Chairman's Assessment

## In 2023, we strengthened our multi-channel strategy, focused on new international markets, and expanded our investments.

**WE RECEIVED POSITIVE OUTCOMES FROM OUR INVESTMENTS, RECORDING FAVORABLE RESULTS THROUGHOUT THE YEAR.**

**52.9**  
**TL million**  
**Net profit**

Dear Stakeholders,

At the end of 2022, we concluded a challenging year for our world, starting 2023 with new hope after the pandemic. However, on February 6, 2023, Türkiye was struck by a pair of devastating earthquakes, deeply affecting all of us in the country. Armed conflicts impacting the entire world appeared on the agenda. We are especially saddened by the ongoing war in Gaza, which commenced in the last quarter of 2023.

In terms of the global economy, 2023 was a year in which eyes turned to the central banks. In addition to geopolitical tensions, concerns over high inflation and slow growth had an impact on pricing. In the April 2023 issue of the International Monetary Fund (IMF) World Economic Outlook Report, published after the first quarter under the title "A Challenging Recovery," it was noted that tentative signs in early 2023 of a soft landing for the world economy were weakened by persistently high inflation and turmoil in the financial sector. The IMF's report forecasting that the global economy – estimated to have grown by 3.4% in 2022 – will grow by 2.8% in 2023, revealed important expectations for the year; also providing insight into the upcoming year was the IMF's downgrade of Türkiye's 2023 growth forecast, from 3% to 2.7%.

Furthermore, our country started 2023 with higher inflation, high exchange rates, and an agenda of presidential and parliamentary elections. Then, in the first months of the new

year, we faced a major disaster affecting 11 provinces. With the earthquakes on February 6, the country's agenda and priorities changed. Institutions, individuals, NGOs and other associations collaborated to support those affected by the earthquake. Across the country, massive aid campaigns were organized to heal the emotional and physical wounds of earthquake victims. In this sense, we shouldered our responsibilities and delivered aid to the region, to supply the basic needs of people affected by the catastrophe. As the wounds gradually healed and life returned to a semblance of normal, we entered a period of political change.

In line with developments in Türkiye and around the world, 2023 was a year in which Arzum had to manage multiple agendas. We view these challenges as valuable teachings; during the rest of the year, we progressed, strengthening our multi-channel strategy, focusing on new international markets, and increasing our investments. We received positive outcomes from all our investments, reaping favorable results throughout the year. In 2023, Arzum came steps closer to its goal of becoming a global brand. Despite the economic, political and military agenda worldwide and in Türkiye, we demonstrated a highly successful growth performance in 2023.

Throughout the year, we paid more attention to overseas markets and placed greater focus on such investments, thus enabling us to gain momentum not only in international sales but also in terms of restructuring.

## Chairman's Assessment

### We commemorated the 100<sup>th</sup> anniversary of the Republic with the Arzum Türkiye Women's Chess Championship Final.

**THE INNOVATIVE PRODUCTS WE DEVELOP ENSURE THAT WE WILL BE AT THE CENTER OF CUSTOMERS' LIVES AND STRENGTHEN OUR LEADING POSITION ACROSS NUMEROUS AREAS IN TERMS OF THE INDUSTRY'S DEVELOPMENT.**

As well, in numerous countries and markets where we operate, we accelerated office and company investments towards replicating the successful business model we implement throughout Türkiye. To date, we are operating four overseas offices and branches.

In addition to office and branch investments, one of our international steps was to expand into new markets. Today, we are increasing sales across many foreign markets. Arzum continues collaborations and efforts intended to reach thousands of homes and millions of people in more than 60 countries every year. And this year, as always, we are reaping the fruits of these efforts. The Baltic countries were among our targeted new markets; we achieved this goal in 2023. But we have further objectives: The goal of becoming a global brand, at the heart of many Arzum investments and initiatives since the Company's foundation, is always at the forefront of our priorities. We are confident that our short-term targets will take us to this goal and that we will see Arzum as a global brand.

To achieve our aims, we will continue to invest in many areas, including R&D, innovation, design, multi-channel strategy and product diversity. As we have for 57 years, Arzum will continue to be more than just a developer of products for our customers. Through our innovations, we will be at the center of customers' lives and reinforce our leading position in many areas in terms of the development of the industry. The Arzum Sustainability Report 2022 is the best example in this context. The Sustainability Report describes

the steps we took for the future of the world in 2022, in economic, environmental and social areas. This report, also our first sustainability report, was an important step in determining the sustainability roadmap of our operations in Türkiye in line with the Company's "Our Desire, A Better Future" strategy. The report, which includes Türkiye's 2053 net zero emission targets, as well as activities we have expanded in line with the United Nations Sustainable Development Goals, has been an important source in monitoring processes where we need improvement in the coming years, in measuring our sustainability performance, and in determining Arzum's future roadmap in sustainability. We will continue to expand the scope of the Arzum Sustainability Report, which is prepared in compliance with the GRI Standards revised by the Global Reporting Initiative (GRI), and publish it every year.

At Arzum, the steps we take for social awareness include our social responsibility activities. In this context, we maintained our sponsorship of the Arzum Türkiye Women's Chess Championship, which we have upheld for 15 consecutive years. This year, our sponsorship differed from previous years, in that it coincided with celebrations for the 100<sup>th</sup> anniversary of our Republic. For this momentous occasion, we undertook a different sponsorship to honor Arzum and our women, commemorating the 100<sup>th</sup> anniversary of the Republic with the Arzum Turkish Women's Chess Championship Final. In the championship, held in cooperation with the Turkish Chess Federation

**332.5**  
**TL million**  
**Operating**  
**profit**

**1.2**  
**TL billion**  
**Gross profit**

and hosted by Arzum with the motto "Every Move of Women is a Chequer for the Republic," 17 women chess players were recognized with the "Women Making a Difference in Chess" award as part of the 15<sup>th</sup> anniversary of Arzum's sponsorship. This unforgettable and important award confirms that we always stand by the women of the Republic and female chess players. Based on the belief that every step our women take and every move they make will carry our Republic forward, we aimed for young generations to take inspiration from the achievements of our female chess players. We believe that our sponsorship has encouraged many women in their dreams and aspirations and, to increase the number of female chess players day by day, Arzum will continue to be a sponsor of the Turkish Women's Chess Championship in the coming years.

Assuming a flag-bearing role in making Turkish coffee a global brand, Arzum had an extremely busy year in terms of its Turkish coffee activities. To promote global enthusiasm for coffee, Arzum OKKA sponsored coffee-themed events aligned with the brand and supported many events at home and abroad. We participated in talks and panels, as well as in the London Coffee Festival, held at The Truman Brewery on Brick Lane between April 20 and 23. We took our place at FSUMMIT, the III. International Tourism Gastronomy, Investments and Hospitality Summit. In addition to coffee festivals in Istanbul, Izmir and Ankara, we participated in Coffee Summit 2023. We undertook the main sponsorship of the 2023 SCA Turkish Coffee Pot & Pitcher Championship, organized by SCA Türkiye as part of Coffex Istanbul 2023, and the sponsorship of Kevser Atmaca, the winner of the championship. We also undertook the Diamond sponsorship in the Coffee Pot & Pitcher World Championship. Through our sponsorships, we promoted Turkish coffee, one of our culture's most valuable heritages. While hosting guests at our stands and serving as speakers or panelists at various events, we shared the source of our enthusiasm for Turkish coffee, our experiences with coffee, and our purpose.

This year, December 5 was an important agenda item for Arzum OKKA. To celebrate the tenth anniversary of Turkish coffee's inclusion on the UNESCO Intangible Cultural Heritage List and the establishment of December 5 as World Turkish Coffee Day, we organized a number of events and participated in various activities. One of these events was hosted in Beta Yeni Han – the first location in Istanbul where Turkish coffee was roasted – with the theme "Journey

from Traditional to New Generation with Turkish Coffee." At our stand, we offered delicious coffee to visitors and, at the event discussion, where I was a panelist, we delved into the history of Turkish coffee with various stories. Another event we organized for December 5<sup>th</sup> World Turkish Coffee Day was the broadcast of our CGI commercials. In these commercials, an enormous OKKA Turkish Coffee Machine and OKKA cups appear in the world's most important cities, traversing iconic locales such as London Tower Bridge, New York's Fifth Avenue and Istanbul's Istiklal Street via CGI (computer generated imagery) techniques. The aroma of Turkish coffee perfumed the world, thanks to our commercials, which garnered significant attention on social media platforms.

As we open the doors to a new year, I can sincerely say that, in 2023, we carried out successful projects and effective interviews, we promoted Turkish coffee, and we extended Arzum's influence in the world. We continued to benefit from the experience of our deep-rooted history of more than 57 years, as well as our know-how, production and R&D strength in both domestic and international markets. Today, around the world, when we talk about 'Arzum,' it is no longer a surprise to encounter people whose lives we have touched and in whose homes we are present and we believe that we will – in this sense – significantly strengthen our hand in 2024. I would like to extend my gratitude to each stakeholder and employee who has contributed to our success, recognition and reliability, as well as to each user who has recommended us to friends and loved ones at home and abroad. We will continue to work for our customers, our business partners, and – most important – our country, striving with all our efforts to fulfill and further increase the praise bestowed upon us.

We know that this is worth it.

Sincerely,

**T. Murat Kolbaşı**  
Chairman

# Members of the Board of Directors



**Talip Murat Kolbaşı**  
Chairman

Talip Murat Kolbaşı graduated from Marmara University, Faculty of Business Administration in 1987. He began his career in 1988 at Arzum Elektrikli Ev Aletleri A.Ş., where he managed sales, business development, and foreign trade units respectively, and as of 2008, he served as Arzum's General Manager and Chairman. He has been serving as the Chairman since September 2015. He contributed to Arzum's progress towards becoming a leading company in the industry by leading the partnership with Turkish Household Appliances B.V., a subsidiary of Ashmore Group, one of the world's leading investment companies, with a 49% share transfer in 2008. He played an important role in the sale of 49% of Arzum's shares to SDA International in 2013.



**Yasemin Rezan Kolbaşı**  
Vice Chairperson

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 fairs and events. After 1999 Kolbaşı joined Arzum full-time.



**Ali Osman Kolbaşı**  
Board Member

Ali Osman Kolbaşı started his career in Arzum, formerly known as Güney İthalat ve Pazarlama A.Ş., worked at all levels, and became a Member of the Board of Directors. He took an active role in the recognition of the brand in Türkiye and the creation of the dealer network.



**Şecaettin Arda Altınok**  
**Board Member & CEO**

Ş. Arda Altınok studied Economics at Hacettepe University between 1995 and 2000, receiving a bachelor's degree in 2000. Between 2002 and 2014, he worked at various positions in Deloitte Türkiye and the USA and held managerial positions as well. He worked at Deloitte Türkiye 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. Afterward, he continued his career at Deloitte Türkiye and occupied a position as a manager in the audit department. Between 2014 and 2020, he served as the Finance and Administrative Affairs Director of the Hotels Group at Doğu Hospitality Group. Ş. Arda Altınok, who began working at Arzum in 2020 to lead the management of all financial processes, served as the Chief Executive Officer for the period in 2023 and was elected as a Board Member for one year at Arzum's Ordinary General Assembly in June 2023. Ş. Arda Altınok has served as the General Manager in Charge of Financial and Corporate Affairs at Arzum since 2023.



**Elif Ateş Özpak**  
**Independent Board Member**

Elif Ateş Özpak graduated from the Faculty of Law at Istanbul University in 1992, she started to work at Pekin & Pekin Law Firm in 1994 and became a partner in 2019. After completing the International Trade and Legal Studies (PIL) at Harvard University in 2000, Özpak functioned as a corporate attorney at Turkcell between 2001-2005, and she became a shareholder partner at Taboğlu, Ateş, Demirhan Law Firm between 2004-2008. She is currently serving as Managing Director at Kybele Consulting Limited UK. Özpak has been a Non-Executive Board Member at Akfen Yenilenebilir Enerji, an Independent Board Member of Unico Sigorta (former Aviva Sigorta) (2019), an Independent Board Member of Boyner Group (2012-2017), a Board Member of Kuzeykaya Elektrik Üretim A.Ş. (2014-2016), a Board Member of Doğa Çevre Teknolojileri A.Ş. (2014-2016). She served as an Independent Board Member of Kredix (fin-tech) (2014-2016), and a Board Member of Ray Sigorta (2008). Elif Ateş Özpak is currently a Non-Executive Board Member at Atlanta Sanad based in Morocco, an Independent Board Member at Akis REIT, and an Independent Board Member at Biotrend Enerji. Elif Ateş Özpak has been serving as an Independent Board Member at Arzum since the General Assembly of Arzum in April 2021.



**Cenk Serdar**  
**Independent Board Member**

Cenk Serdar graduated from Bilkent University, Department of Industrial Engineering. Then, as a Fulbright and TEV Foundation scholar, he earned his master's degree in business administration from The Wharton School. During his career, he has held senior management roles in companies such as Doğu Group (1999-2004), Turkcell (2005-2009), Vodafone (2009-2013), Saudi Telecom Group (2013-2019) in Türkiye and abroad, and managed operations, mergers, and acquisitions locally and globally in the telecommunications, banking, automotive, and technology sectors. He has also served on the boards of numerous telecom, technology, and financial services companies, including publicly traded companies such as Türk Telekom. Having extensive experience in digital transformation, he also invests in over a hundred technology companies and serves on the investment committee of several venture capital firms. Cenk Serdar has been serving as an Independent Board Member since the Ordinary General Assembly of Arzum in June 2023.

A professional portrait of Şecaettin Arda Altınok, a man with dark hair, wearing a dark suit, white shirt, and patterned tie. He is standing in a modern, brightly lit office environment with blurred architectural details in the background.

**Şecaettin  
Arda  
Altınok**

**Chief Executive  
Officer**



## CEO's Assessment

**While maintaining our R&D and P&D investments throughout the year, we sustained the investments in human resources that will bring us to our global targets.**

**ARZUM REAPED THE POSITIVE IMPACT OF ITS MULTI-PRODUCT AND MULTI-CHANNEL STRATEGY THROUGHOUT THE YEAR.**

**397.9  
TL million  
EBITDA**

Dear Stakeholders,

Regarding 2023, we expected to breathe a sigh of relief after the pandemic and resume our daily lives. However, the year started with unexpected events. In Türkiye, the devastating earthquakes of February 6 had a tremendous impact on the entire country. Meanwhile, even as the Ukraine-Russia war continued, developments in the Middle East led to war in Gaza.

This year, as the effects of energy, raw material, chip and supply chain crises subsided, the global economy was hit by rising inflation. Although inflation was present throughout the global economy, many sectors were severely tested by these figures. Offering products considered among the requisite necessities of life, the small home appliances sector maintained its years-long trajectory of steady growth, achieving strong growth and sales figures this year as well.

According to a report from an independent research company, the consumer electronics market – which includes white goods and small home appliances – reached approximately TL 540 billion at the end of the 12 months of 2023. Small home appliances, constituting approximately 14% of the electrical home appliances sector, reached TL 75.4 billion,

According to data from another research company, the Turkish Small Home Appliances Market volume was expected to reach USD 2.57 billion in 2023. In evaluating the sector's expectations for the 2023-2030 period,

a report from a global market research company indicated that the small home appliances market – at USD 185.49 billion in 2022 – would reach USD 193.83 billion in 2023. The Company's 2030 forecast is USD 271.23 billion.

Concurrent to developments within the sector in 2023, challenges in both Türkiye and around the world arose due to increases in financing costs, as well as natural disasters, political changes and armed conflicts. Throughout the year, however, Arzum reaped the positive impact of its multi-product, multi-channel strategy. During a period in which limited access to financing and rising financing costs were reflected in companies' balance sheets, we closed a challenging but successful year in Türkiye and worldwide, thanks to our deep-rooted history of more than 57 years, our agile structure, and our effective risk management capability; additionally, as an active player in money and capital markets, Arzum demonstrated its capacity to generate alternative ways of accessing financing via bank loans, bond issuances and various other financial instruments, maintaining our steady growth this year as well. In 2023, given the current situation and expectations in Türkiye and globally, Arzum's recently announced 2023 sales, which we increased by 26.1% to TL 3.7 billion year-on-year, supported the actuality of these expectations worldwide and in Türkiye. I should note that, in the same period, we raised our net profit to approximately TL 53 million, our operating profit to TL 332.5 million, and our EBITDA (earnings before interest, tax, depreciation and amortization) to TL 398 million. In addition, our shareholders' equity reached approximately TL 470 million as of December 31, 2023.

## CEO's Assessment

**We started a new era in Türkiye by shifting to the Co-CEO system, a leadership approach with proven success around the world.**

**3.7**  
**TL billion**  
**Net sales**

We achieved very successful sales figures in the overseas markets where we maintained our focus and concentrated our investments. In this period, we achieved extremely positive results thanks to our sustainable business model, our focus on strategic markets, and our effective risk management capabilities. We reached strong figures in international sales. According to the provisional foreign trade data, produced within the scope of the general trade system in cooperation with the Turkish Statistical Institute and the Ministry of Trade, exports reached USD 255.8 billion in the January-December 2023 period. Arzum's international sales amounted to TL 334.3 million within the same period. During this period, we sold products to more than 50 countries via online and physical channels, expanding global user numbers and household penetration.

While continuing our R&D and P&D investments throughout the year, we also maintained investments in the human resources that will bring us to our overall targets. Since the beginning of 2023, Arzum has led the small home appliances sector, building on its steps towards institutionalization. We started a new era in Türkiye by shifting to the Co-CEO system, a leadership approach with proven success around the world. In this new system, each of our three senior executives will serve as the Chief Executive Officer for one year. As the first CEO

in this new system, I can say that we have made significant progress in terms of the system's functionality, reaping the first fruits of this system's contributions to our Company in terms of fast decision-making and agility. In 2023, our human resources investments continued, with appointments made for the positions of Arzum Human Resources Director and Marketing Director. We reorganized the procurement department, consolidating all procurement units under a Group Directorate and thus replacing the regional structure of the past with a more modern and category-based structure.

Also during this period, our new board members were elected. With new names joining us, the number of woman employees and women in managerial positions has risen. With these pleasing developments, the number of our employees reached 178 at the end of the year, while our female employee ratio rose to 47%. We maintained our goal, approved by the Board of Directors and disclosed to the public, to ensure that the female employee ratio does not fall below 30% by 2030, and to aim for a 50% ratio this year as well.

Another channel in which we progressed is e-commerce. In 2023, we achieved 30.5% growth in US dollars in the international segment of the e-commerce channel. We recorded a significant upsurge in e-commerce sales to

**WE IDENTIFIED NEW STEPS AND ACTIONS ON THE DIGITAL TRANSFORMATION ROUTE.**

**2.2**  
**TL billion**  
**Total assets**

European Union countries, one of our most important target markets, with the contributions of our global e-commerce department, established as of year-end 2022, and our country distributors. In line with our goal of becoming a global brand, we continued our overseas endeavors throughout the year, including participating in fairs and events. We continued to represent the sector with an active presence in domestic and international fairs, including IFA Berlin 2023 and the Ambiente Frankfurt 2023 Glassware Fair. At IFA, we had the opportunity to spotlight 16 products across various categories that we developed to align with current and evolving user trends. As we have since our establishment, we brought many firsts to the sector and introduced numerous innovations to both our users and the industry with our products at IFA Berlin 2023. We came together with the world's most important industry players and demonstrated our power in R&D, innovation and production, as well as our diversity and speed in keeping up with changing trends. Fairs and events also strengthened our hand in terms of discerning the trends and expectations of the sector along with user demands.

In 2023, Arzum again received numerous awards, crowning our achievements. We were selected as the Customer Brand of the Year in the "Small Home Appliances" category at the A.L.F.A. Awards 2023. We were also recognized with the Crystal Apple, winning an award in the "Radio and Sound" category at the Crystal Apple 2023 from the radio commercial for Magic Clean Force, our rechargeable vertical vacuum cleaner. Introducing firsts in Türkiye, Arzum won the "Small Home Appliances" category award at the ECHO Awards, organized for the fifth time this year in cooperation with Akademetre Research & Strategic Planning. We were named Türkiye's state-of-the-art brand in the "Small Home Appliances" category for the fourth time in the Tech Brands Türkiye award program, which investigates the consumer brand perception of technology brands in Türkiye, in cooperation with NielsenIQ Türkiye and Pazarlamasyon.

At the beginning of 2023, we announced the start of the SAP S/4HANA Cloud Digital Transformation (CORE) Project, which will pioneer our journey to touch the future. The outputs of the project, which is at the heart of digital transformation, are among the strongest drivers in Arzum's sustainable growth and globalization. Thanks to our steps and actions on the digital transformation route, we received the Digital Transformation Award of the Year in our sector at the 2023 SAP Transformation Awards.

Arzum's strategic difference in the sector is its operational business model. The only store we own is our online store. We work with third-party suppliers and manufacturers, leaving production to our business partners while we focus on R&D, product development, product design and marketing. We are also taking important steps internally to complete our product projects faster. By entrusting all product projects to our R&D department, we have accelerated project completion compared to the previous period. Intensifying our focus on design and engineering alleviates our operational burden, fast-tracking our production speed. It also allows us to build our muscles in different areas. Apart from our business model, we center people and their experiences, habits and expectations in our investments. We listen to our customers in order to accurately measure user expectations and provide the right answers with the right products. We develop products in a range of categories that respond to user needs and current trends. With this business model and working principle, we made terrific progress in 2023, as we did in previous years.

In this sense, we are confident that we can achieve favorable results in 2024, reinforced against all possible risks by our agile structure, our passion for innovation, and our capacity to easily adapt to change. I would like to thank each of my colleagues and, of course, our business partners, who see Arzum's success as their own success, who stand by us, and who worked tirelessly in 2023 to carry our name into the future.

Sincerely,

**Ş. Arda Altınok**  
**Chief Executive Officer and**  
**Board Member for 2023 Period**

**General Manager in Charge of Financial and**  
**Corporate Affairs**

## Executive Board



**Şecaettin Arda Altınok**  
**Board Member & General Manager**  
**in charge of Financial and Corporate**  
**Affairs**

Ş. Arda Altınok studied Economics at Hacettepe University between 1995 and 2000 and received a bachelor's degree in 2000. Between 2002 and 2014, he worked at various positions in Deloitte Türkiye and the USA and held managerial positions as well. He worked at Deloitte Türkiye between 2002-2006, managed the audit teams, and also audited the financial statements of the companies they were responsible for. Between 2006 and 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. Afterward, he continued his career at Deloitte Türkiye and occupied a position as a manager in the audit department. Between 2014 and 2020, he served as the Finance and Administrative Affairs Director of the Hotels Group at Doğu Hospitality Group. Ş. Arda Altınok, who began working at Arzum in 2020 to lead the management of all financial processes, served as the Chief Executive Officer for the period in 2023 and was elected as a Board Member for one year at Arzum's Ordinary General Assembly in June 2023. Ş. Arda Altınok has served as the General Manager in Charge of Financial and Corporate Affairs at Arzum since 2023.



**Arif Emre Ünal**  
**General Manager in charge of Technology,  
Product, and Supply Chain**

Arif Emre Ünal graduated from Istanbul Technical University, Department of Geophysical Engineering where he studied from 1997 to 2002. He received a Master's degree in Engineering and Technology Management at Boğaziçi University between 2002 and 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 assumed various roles at Arzum since 2012 and served as the Chief Operating Officer, has been appointed as the General Manager in charge of Technology, Product, and Supply Chain as of January 2023. He also serves as the Chief Executive Officer of the Company since January 2024, in addition to his current positions.



**Serhan Giray**  
**General Manager  
in charge of Trade**

Serhan Giray graduated from Anadolu University's Department of Business Administration. He worked as Chain Stores Sales Manager, Chain Stores Group Sales Manager, and Türkiye Traditional Channel Sales Manager at Türk Philips Ticaret A.Ş., and took part in the development of sales processes, structuring of chain stores, the establishment of the e-commerce channel, and the coordination of business development and improvement activities of the departments in the enterprise throughout his 16-year career from 2001 to 2016. Having joined Arzum in 2017, Giray continues his duty as Chief Sales Officer. He has served as General Manager in charge of Trade since 2023.

# Annual Report - Independent Auditor's Opinion



KPMG Bağımsız Denetim ve  
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## CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

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

### Opinion

We have audited the annual report of Arzum Elektrikli Ev Aletleri Sanayi ve Ticaret. Anonim Şirketi (the "Company") for the period between 1 January 2023 and 31 December 2023, since we have audited the complete set financial statements for this period.

In our opinion, the financial information included in the annual report and the analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Company are consistent, in all material respects, with the audited complete set of financial statements and information obtained during the audit and provides a fair presentation.

### Basis for Opinion

We conducted our audit in accordance with Standards on Auditing which is a component of the Turkish Auditing Standards as adopted within the framework of the Capital Markets Board ("CMB") regulations, published by the Public Oversight, Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under Standards on Auditing issued by POA are further described in the Auditor's Responsibilities for the Annual Report section of our report. We declare that we are independent of the Company in accordance with the Code of Ethics for Auditors issued by POA (including Independence Standards) (POA's Code of Ethics) and the ethical principles regarding independent audit of financial statements in the CMB legislation and other relevant legislation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Auditor's Opinion on Complete Set of Financial Statements

We have expressed an unqualified opinion on the complete set of financial statements of the Company for the period between 1 January 2023 and 31 December 2023 on 20 March 2024.

### **Board of Directors' Responsibility for the Annual Report**

In accordance with the Articles 514 and 516 of the Turkish Commercial Code numbered 6102 ("TCC") and Communiqué on the Principles of Financial Reporting in Capital Markets numbered II – 14.1 (the "Communiqué"), the Company's management is responsible for the following regarding the annual report:

- a) The Company's management prepares its annual report within the first three months following the date of statement of financial position and submits it to the general assembly.
- b) The Company's management prepares its annual report in such a way that it reflects the operations of the year and the financial position of the Company accurately, completely, directly, true and fairly in all respects. In this report, the financial position is assessed in accordance with the Company's financial statements. The annual report shall also clearly indicate the details about the Company's development and risks that might be encountered. The assessment of the Board of Directors on these matters is included in the report.
- c) The annual report also includes the matters below:
  - Significant events occurred in the Company after the reporting period,
  - The Company's research and development activities.
  - Financial benefits such as wages, premiums and bonuses paid to board members and key management personnel, appropriations, travel, accommodation and representation expenses, benefits in cash and kind, insurance and similar guarantees.

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

### **Auditor's Responsibility for the Audit of the Annual Report**

Our objective is to express an opinion on whether the financial information included in the annual report in accordance with the TCC and the Communiqué and analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Company are consistent with the audited financial statements of the Company and the information obtained during the audit and give a true and fair view and form a report that includes this opinion.

We conducted our audit in accordance with Standards on Auditing issued by POA. These standards require compliance with ethical requirements and planning of audit to obtain reasonable assurance on whether the financial information included in the annual report and analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Company are consistent with the financial statements and the information obtained during the audit and provides a fair presentation.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi



# We add value to life with firsts

We transformed Turkish coffee, the star of a five-century-old story of distinctive roasting, cooking and presentation techniques, into a global success story. Launched with the mission of disseminating the fine Turkish coffee culture around the globe, Arzum OKKA has fostered a love for Turkish coffee among millions of people in 53 countries worldwide. Now diversifying the enjoyment of this rich beverage, the innovative and recently launched OKKA Rich Spin M features a coffee pot with a stirrer.



The OKKA Rich Spin M expertly mixes and stirs drinks such as Turkish coffee, hot chocolate and salep.

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**22.1**  
**TL million**  
**2023 R&D**  
**INVESTMENT**

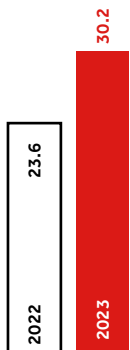
# SHA Industry, Turkish Market, and Arzum's Position in the Industry

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.

**75.4**  
**TL billion**  
**SHA market**  
**size**

**Market Outlook in**  
**Türkiye**  
**(quantity, million)**  
**Small Home**  
**Appliances Market**

**28%**  
**INCREASE**



## SHA Industry Growing with the Impact of New Product Segments

In 2023, the small electrical home appliances (SHA) market grew by 28% in number. With the continued growth in Heated Air Fryers, which made a strong breakthrough in 2022, the Deep Fryer category reached a 14.8% share in total SHA market turnover and became the second product segment that grew the market the most with a contribution of 19%. Rechargeable upright vacuum cleaners, which continued their growth in 2022 above the market average in 2023, were the product segment that contributed the most to the growth of the SHA market with 23.4%. The third segment that contributed the most to growth is robot vacuum cleaners, which have been on a rising trend in recent years.

These product groups, which show a high growth trend in the market, reached high sales volumes, especially in the technology superstores (TSS) channel, making the TSS channel the fastest growing channel in terms of both volume and turnover with 45% growth in number and 158% growth in turnover. The TSS channel is in a strong second position, increasing its share in the SHA market. Due to the high volume of online sales, the National Smart Meter Systems (MASS) channel has the largest channel share with 51.2% in number and 38.4% in turnover.

Arzum ranks second in terms of number and sixth in terms of turnover in the Türkiye SEA market. 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. According to 2023 data, Arzum maintains its leadership in the Food Preparation category in terms of number

and turnover. Again, according to January-December data, it was the leading brand in Toasters in terms of number and third brand on a turnover basis. In the Hair Care category, Arzum was the market leader in terms of number and ranked third on a turnover basis. The success of the products released in 2023 reinforced Arzum's leadership this year, as in previous years. In 2023, Arzum bolstered its high share in the cooking category with the launch of the larger version of the Airtasty Heated Air Fryer, which was introduced to consumers in the previous year. This strengthened Arzum's position as the leading brand following the trends in the segment.

Arzum, the second company in number and third in turnover 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. With Arzum OKKA Rich Spin-M, launched in 2022 as the first Turkish coffee machine with milk and a coffee pot with a mixer, Arzum strengthened its trendsetter-leading brand position.

Arzum ranks fourth in terms of brand awareness and third 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.

In the cleaning category, the product portfolio was renewed in 2023. This category will remain important for Arzum in the coming years.



## Arzum's Market Shares (Turnover basis)

**15.1%**  
Food Preparation Market

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**5.1%**  
Cooking-Frying  
(total including Deep Fryer, Mini Oven, Sand)

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**13.5%**  
Toasters Market

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**12.1%**  
Hair Care Market

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**7.8%**  
Hot Beverage Preparation Market

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**3.7%**  
Iron Market

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**1.2%**  
Vacuum Cleaner Market

\* SHA industry data is based on the reports of an independent research organization. Includes data from January-December 2023.

## High Brand Awareness

Arzum ranks among the top three brands in brand awareness in the Food Preparation, Cooking and Frying, Hot Drink Preparation, Iron, and Personal Care categories.

**THE HIGH AWARENESS OF THE ARZUM BRAND IS ONE OF THE MOST IMPORTANT FACTORS THAT PROVIDE A COMPETITIVE ADVANTAGE.**

Arzum's brand awareness is at significant levels in leading categories of the Turkish SHA sector. Arzum ranks among the top three brands in terms of brand awareness in the Food Preparation, Cooking and Frying, Hot Drink Preparation, Iron, and Personal Care categories. It is the brand ranking seventh in the vacuum cleaner 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 a competitive advantage.





## R&D Works Focused on Future Technologies

**Arzum has diversified its operations by strengthening its collaborations with R&D employees and resources both in Türkiye and China.**

**A 24% GAIN WAS ACHIEVED IN THE COMMISSIONING OF PROJECTS.**

Arzum's mission of product development is built on the principles of taking action quickly against the changing dynamics, unique organizational structure, consumer-oriented approach, and responding to the consumer needs promptly. In pursuit of this mission, the Company aims to increase its competitive advantage by continuing to increase its R&D (Research and Development) and P&D (Product Development) activities.

Arzum is taking steps to expand its R&D team in order to increase the depth of its R&D team and to carry out its operations in a sustainable manner. These expansion efforts aim to increase the Company's capacity to offer innovative products and strengthen its leading position in the market. In addition, the existing product development processes were evaluated by a consulting firm in order to ensure that the growing teams can continue their development activities effectively. During this evaluation process, work on workflows and processes was carried out in order to respond quickly to future needs.

### **For constant innovation and development...**

Arzum continues to attach great importance to the R&D studies at its offices in Istanbul and Niğde Technopark to become the pioneer of innovation and novelty in the small home appliances (SHA) industry. In this context, Arzum has diversified its operations by strengthening its collaborations with R&D employees and resources both in Türkiye and China. Arzum's approach to new product projects includes a product development strategy focused on the domestic market to maintain its position in categories where it is strong while developing specially focused products for export markets. R&D activities are carried out in line with this strategic focus, with an emphasis on continuous innovation and development to enhance the Company's competitive advantage in the small home appliances industry.



### **Novelties coming with the changing organizational structure**

As a result of the change in the organizational structure of Arzum at the beginning of 2023, all projects were started to be carried out by the project management team established under the roof of R&D. A single centralized management structure with a team focused on implementing new projects has yielded its fruits and a 24% gain was achieved year-on-year in the commissioning times of projects in 2023.

Within the scope of project management activities, the process of auditing the tracking mechanism and archiving structure used to monitor the process and access information about the process through internal audits continued in 2023 and the desired results were achieved throughout the team.

### **21 patent/utility model applications**

The basis of the 2023 strategy in the field of intellectual property was to achieve a sustainable number of applications. In parallel with this objective, the number of patent/utility model applications reached 21 in 2023. Another strategy in the field of intellectual property was based on the fight against counterfeit products. In this context, an artificial intelligence-based software was used to detect counterfeit products on online platforms and the sale of over 200 products on online platforms was automatically blocked.

### **Chat GPT and Google Bard apps were launched**

In 2023, when the use of artificial intelligence-based applications became quite common all over the world, the Arzum R&D department started to use artificial intelligence-based applications in its studies. In addition to the counterfeit product detection application in the field of intellectual property rights, applications such as Chat GPT and Google Bard have been put into use to provide fast data in project and product development processes and make research.

In order to test the products in the projects in a more effective and detailed manner, we procured equipment for R&D tests and completed their calibration process. The work on the establishment of the physical infrastructure of the laboratory has begun.

# **We add value to life with satisfaction**

Taking an innovative approach in all aspects of life, we focus on making a difference. We aim to create new differences in products with known functions. We also offer freedom of choice in terms of price and alternative products to users of electrical household appliances. We develop products that promise unique experiences by combining quality with powerful factors that drive preferences.

**20**  
**THOUSAND+**  
**TOTAL NUMBER**  
**OF POINTS OF**  
**SALE**

**397**  
**TOTAL NUMBER OF**  
**POINTS OF SERVICE**





With the Arzum Volume Pro, hair can be easily dried and styled. Ion technology prevents static electricity buildup, making hair shinier and silkier.



## Widespread Sales Channels

Arzum strengthened its presence in this area by creating a specialized distribution fleet for e-commerce.

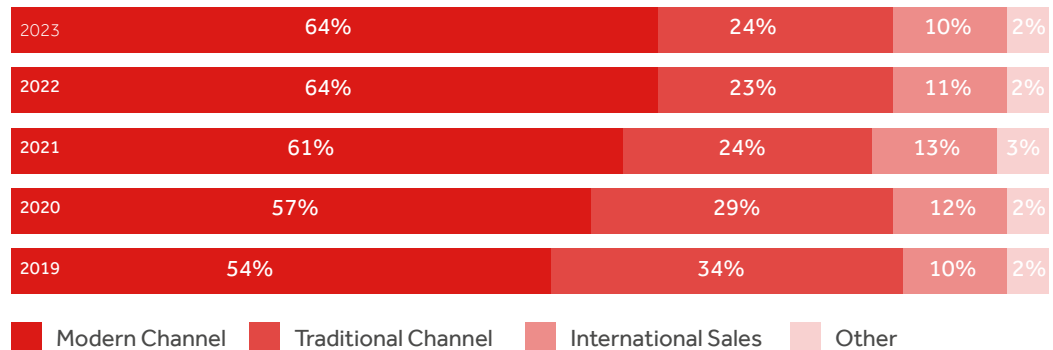
**20**  
**thousand+**  
**Sales points**

Arzum has a wide sales network across Türkiye, with more than 300 customers in total and more than 20 thousand active sales points.

It has an important position in the traditional sales channels (retail and wholesale) with its well-established brand and the trust relationships it has maintained for many years. Arzum strengthened its position by creating a new organizational structure that offers appropriate solutions for customers operating in traditional channels such as large shopping malls.

In addition, Arzum has been increasing its effectiveness in growing organized retail channels recently and cooperates with Türkiye's leading retailers.

### Share of Channels in Sales





**ARZUM IS SUPPORTED BY E-COMMERCE PLANS, DIGITAL MARKETING, AND ADVERTISING ACTIVITIES.**

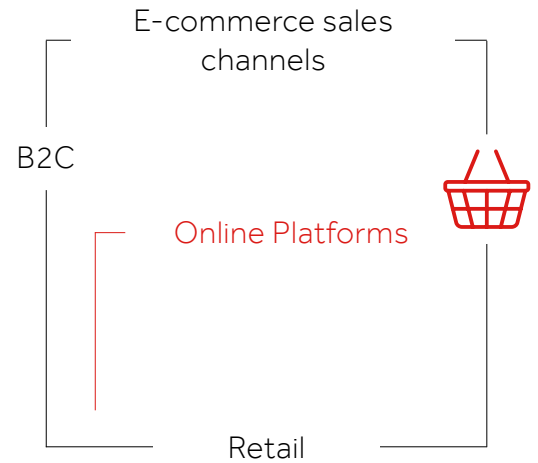
**E-commerce plans supported by digital marketing and advertising**

Online sales channels, having impacts all over the world and increasing effectiveness and importance in the Turkish SHA market, have become an area that Arzum has prioritized for a long time. Within the scope of the Company's long-term sales strategy, it structured its e-commerce national and international sales channels and completed the necessary infrastructure work. In this context, Arzum sells through its website (www.arzum.com.tr), and national and international marketplaces, and all these channels are managed with a special focusing strategy.

**Increase in the e-commerce sales**

2019	75%
2020	99%
2021	60%
2022	116%
2023	34%

The Company's e-commerce plans are supported by digital marketing and advertising activities. In recent years, Arzum strengthened its presence in this area by creating a specialized distribution fleet for e-commerce. As a result of these efforts, Arzum has added the e-commerce channel to its existing sales channels, making its sales organization more flexible and competitive.



# International Sales and Marketing Plans

The goal of achieving a profitable and sustainable international sales structure has an important position among Arzum's priorities.

## **360-DEGREE COMMUNICATION PLANS ARE CREATED AND IMPLEMENTED TO INCREASE THE AWARENESS OF ARZUM AND ARZUM OKKA BRANDS IN EXISTING FOREIGN MARKETS.**

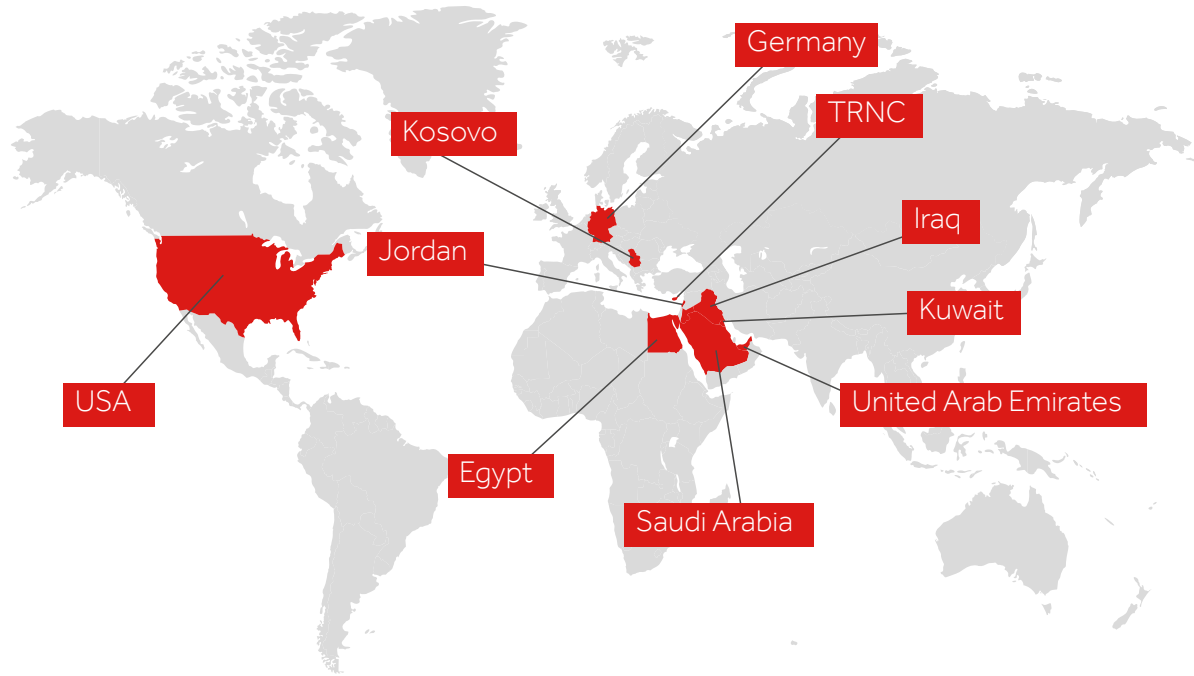
In addition to the changes it has made in its corporate structure, Arzum has implemented medium- and long-term international sales and marketing strategies. Within the framework of these strategies, organizing a regional product range suitable for foreign markets has enabled Arzum to have sales potential abroad. The goal of achieving a profitable and sustainable international sales structure has an important position among the Company's priorities. In this context, the main elements of Arzum's international sales strategy include 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.

As part of this strategic transformation, Arzum adopted a global sales approach rather than international sales and implemented significant changes in its international sales organization. In order to manage global sales more effectively, a regional-based management system was adopted; a sales director was appointed to Arzum Europe GmbH, headquartered in Munich, Germany, which was established in 2011, in order to increase diversity in the markets and channels identified as priorities, especially in Europe, to raise brand awareness, and to become a measurable brand in certain countries. In line with its growth targets, the Company plans to open local offices in different regions.

## **International sales turnover**

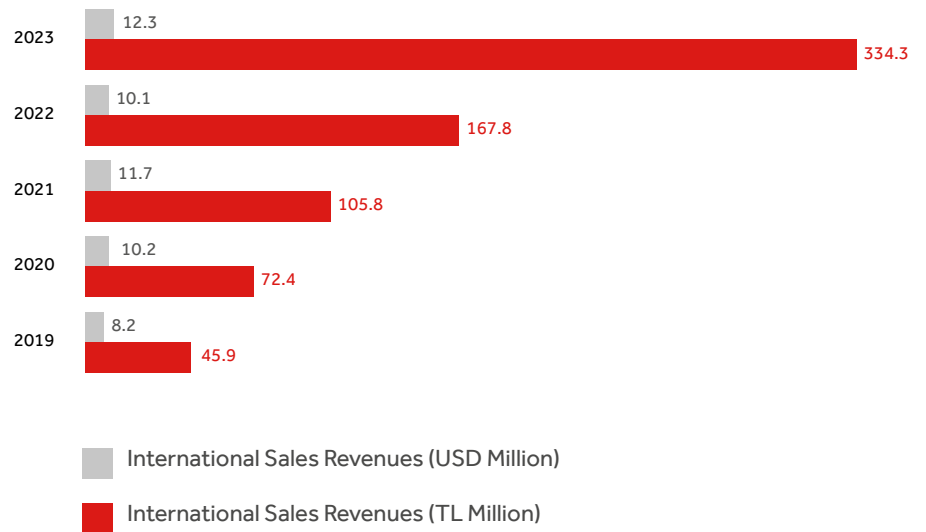
Arzum's renewed structure and global sales operations are expected to carry the Company forward in many areas. The Company, which will be able to focus more on certain regions with this structure, expects to further increase its international sales by taking more strategic steps in these regions. The expansion of global sales and marketing teams will support the establishment of after-sales service organizations, which are the most important element of customer satisfaction, in many countries, especially those considered to be of strategic importance. It is also expected to make significant contributions to many areas, from brand awareness to enhanced relations with distributors.

In 2023, the Global Expansion and Development Department was established, aiming to support the sales and marketing departments in parallel with Arzum's global and focused growth strategy. 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.



Aiming to establish a strong presence in countries of strategic priority, Arzum is working to create special product portfolios. Special products are launched to support international sales in the food preparation, cooking, drink preparation, and cleaning categories, and the establishment of an infrastructure is underway to ensure the sustainable increase of international sales turnover in the medium-long term perspective. While focusing on increasing its total international sales volume and the number of countries of presence, Arzum also determines entry strategies for target international markets that have not yet been entered with Arzum and Arzum OKKA brands. In this context, market- and consumer-specific product portfolios as well as sales and marketing strategies are carefully developed.

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



# Operational Management Approach

## Arzum carries out improvement works for the after-sales service operations continuously.

**AS OF 2023, ARZUM SUPPLIES APPROXIMATELY 75% OF ITS PRODUCTS FROM PRODUCERS IN TÜRKİYE AND 25% FROM SUPPLIERS ABROAD.**

**397**  
**Authorized after-sales and service point**

Arzum has an extensive network of 397 authorized after-sales and service points in 80 cities in Türkiye. A widespread service network is one of the important success factors for the Company to ensure customer satisfaction in the SHA market and to establish trust between customers and the brand.

Stocks are maintained for the spare part demands at the logistics center located in Gebze to provide fast and efficient service to the customers through an extensive after-sales service network.

Arzum carries out improvement works for the after-sales service operations continuously. Deploying the service automation application developed externally, the Company gained high effectiveness in after-sales service in many areas, such as product replacement, service performance, etc. This step allows Arzum, which aims to increase customer satisfaction, to strengthen its capacity to provide fast and effective after-sales support.

Arzum received the Stevie award three times, once in bronze, once in silver, and once in gold for its after-sales operations. At the same time, its customer satisfaction-oriented works were recognized 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. In 2022, two bronze awards in "Product or Service Development Innovation" and "Best Use of Technology" were granted by Türkiye Customer Experience Awards to the After-Sales Services Team and it was chosen as the "Customer Brand" of the Year in the category of Small Home Appliances by Alfa Awards. Most recently, it received the Big Idea Award in the Digital Customer Experience/Small Home Appliances category at the 6<sup>th</sup> CX Awards Customer Experience Awards with the 3+1 Year Additional Warranty Campaign-Arzum Seninle (Arzum Is With You) Application.

It is believed that the Company's strong after-sales service network and operational capability will play an important role in maintaining its strong position in the market and distinguishing itself from the competition.

### **Collaborations to expand the supplier network**

Although Arzum does not have any production facilities in Türkiye or abroad as of today, it has long-term collaborations with different suppliers. As of 2023, approximately 75% of the Company's product supply comes from manufacturers in Türkiye and 25% from suppliers abroad. In 2023, we worked with a total of 42 different suppliers from abroad. Arzum has a high international transaction volume in the field of SHA, while it cooperates to develop suppliers and improve product development and R&D capabilities in Türkiye. 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.



**ARZUM FOCUSES ON INCREASING CUSTOMER SATISFACTION BY KEEPING THE DEFECT-FREE SHIPMENT RATE HIGH IN ITS OPERATIONAL PROCESSES.**

With the 'Arzum on the Road' launched in this period within the scope of Arzum's effective logistics capabilities, 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. 'Arzum on the Road' was also used for chain stores, and receipt of retail and wholesale customer returns to ensure efficiency. Thanks to this project, Arzum entered the list of the "Most Effective Supply Chain Professionals in Türkiye" by LODER, and won an award.

Arzum measures customer satisfaction, one of its strategic goals, at every time of delivery when 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 Arzum NPS, day by day.

**99.9% 'Defect-Free Shipment' in 2023**

The 'Defect-Free Shipment' operational management metric, which is monitored within the framework of operational excellence, one of Arzum's strategic goals, successfully stood at 99.9% in 2023. With a continuous improvement perspective, the Company evaluates the metrics of operational processes monthly and advances toward operational excellence. Arzum focuses on increasing customer satisfaction by keeping the defect-free shipment rate high in its operational processes.

**Operational process improvement projects**

By closely following the best practices around the world, Arzum increases its efficiency year by year through operational process improvement projects. Aiming to be a pioneer in the sector, Arzum adopted S&OP processes, where it manages all supply chain flows with an integrated decision network to implement developing trends, and completed its digital transformation in future inventory, sales, and profitability simulations.

# Developing Digital Infrastructure

## Arzum has commissioned important projects within the scope of its digital transformation efforts in 2023.

For Arzum IT, 2023 has been a year of transformation. In addition to the transformations made in Corporate Resource Planning and Human Resources Management applications within the scope of digital infrastructure innovations and transformation, the Company continued to improve security and sustainability uninterruptedly and implemented innovative projects for financial reporting and sales forecasting.

The major projects implemented within the scope of digital transformation are as follows:

### **Project Çekirdek**

In parallel with the global growth strategy in its Digital Transformation journey, Arzum launched "Project Çekirdek" in 2022 to review its corporate resource planning implementation. As part of the Project Çekirdek, the status of the existing Corporate Resource Planning software, processes, other software alternatives, and partner companies to deploy these software programs were evaluated in cooperation with an independent consulting company. As an output of the Project Çekirdek, it was decided to switch to SAP, today's most widespread software in Corporate Resource Planning.

### **Center of digital transformation**

Arzum's transition from MS Axapta, which has been the main system used by Arzum for many years, to SAP is considered as a major transformation program. This program, which was launched in February 2023, introduced to the entire company, and named Project Çekirdek, has been positioned as the center of digital transformation. In line with Arzum's IT strategy and lean business model, it is planned to deploy the SAP system as a cloud solution and the goal is to complete the transition to the latest SAP version, which is accepted worldwide, within one year.

The efforts made during the planning phase are shaped based on the smooth progress of the project by developing solutions against all possible scenarios. In this process, a detailed planning and strategy were followed by the project team with the vision of

leading Arzum's digital transformation. A methodology that will create a cultural heritage in terms of project management across the whole company has been adopted on the basis of the best project management examples implemented in transformation programs of similar scale.

### **"Digital Transformation of the Year" award from SAP Türkiye**

During the implementation phase, all Arzum IT stakeholders and the relevant SAP transformation partner came together with a common goal for integrations, the most sensitive point of the project. More than 10 systems were re-integrated placing SAP at their core in line with Arzum's business processes.

The go-live is planned for January 2024. As a result of the meticulously planned processes, SAP integrations were upgraded to a level where the company can manage its business processes more efficiently. Arzum was granted the "Digital Transformation of the Year" award in Small Home Appliances category by SAP Türkiye for its dedication to this transformation.

In 2024, the solutions supported by robotic process automation will continue to be developed to increase efficiency and user satisfaction in Corporate Resource Planning processes. The digital transformation will continue by placing Project Çekirdek at its center.

### **Human Resources Application**

Arzum's former Human Resources Management application, the Genom Platform, failed to respond to evolving organizational needs. For this reason, it was decided to adopt a global application capable of end-to-end 360° Human Resources Management. Employee Central (EC), a different module of the cloud-based SAP Success Factors (SF) application used in Performance Management processes, was commissioned.

In 2024, it is planned to maintain the digital transformation of different modules of SAP SF in Human Resources Management.

**IN 2023, INNOVATIVE PROJECTS WERE LAUNCHED FOR FINANCIAL REPORTING AND SALES FORECASTING.**



**IN ADDITION TO SOCIAL MEDIA, ARZUM OFFERS THE FASTEST 24/7 SERVICE TO CUSTOMERS WITH ITS ADVANCED CHATBOT BY INTEGRATING THE SERVICE CHANNELS SUCH AS WHATSAPP AND WEBCHAT.**

**ALL PROCESSES IN THE AREA OF CYBER SECURITY WERE IMPROVED AND DRILLS AND TRAINING WERE CARRIED OUT REGULARLY.**

### **Cloud Computing and Information Security**

As seen in the examples of Corporate Resource Planning and Human Resources Management applications, Arzum continues to invest in cloud computing due to the continuity and sustainability approach positioned at the core of its IT strategy.

As of 2022, there were no remaining physical servers at any of the Arzum locations. All servers are located in the most secure multiple data centers in Türkiye or other countries with backups in two different locations, creating flexibility and cost optimization. This allows us to offer an IT infrastructure that can easily adapt to the rapid changes in the industry.

All processes in the area of cyber security were improved and drills and training were carried out regularly. In addition, as a result of the Information Security studies performed in collaboration with the Quality Unit, the Company received the globally recognized ISO27001 Information Security Management Certificate.

### **Transformation in Financial Reporting**

IBM Planning Analytics was one of the applications launched as part of Arzum's digital transformation strategy. IBM Planning Analytics is an integrated planning and reporting solution that uses artificial intelligence to automate planning, budgeting, forecasting, and smarter workflows. It is of utmost importance to provide effective financial analyses and reporting in the highly competitive small home appliances sector and in line with the profitability- and growth-oriented company strategies. In addition, from a corporate governance perspective, financial management practices that minimize manual processes come to the fore.

Based on these objectives, the company started to search for an application that would best meet its needs. After a design and testing process lasting approximately six months, the IBM Planning Analytics application was commissioned. With the relevant application, consolidated financial statements and financial analyses can be prepared for the period in question. Furthermore, financial projections, profitability analyses, budget, and forecast simulations for the next period can be made, providing strategic support to the senior management and related departments in the form of a business partner.

### **Forecasting with TAZI Artificial Intelligence**

In order to create added value within Arzum, the Artificial Intelligence forecasting project was initiated with TAZI in the forecasting process, one of the areas where Artificial Intelligence plays the most important role in the business world. It makes future sales forecasts by category through machine learning techniques. The forecast consistency of sales personnel who make manual forecasts based on

their experience, and that of the continuously learning TAZI algorithm were evaluated by comparing the forecast and actual data throughout the project. Such experimental studies improved the Artificial Intelligence algorithm and the manual estimations.

In 2024, digital transformation will continue by raising the number of Artificial Intelligence-oriented projects thanks to the renewal of data architecture.

### **Customer Relationship Management (CRM)**

Launched in 2013, the customer relationship management application enables Arzum to consolidate consumer data obtained from all communication sources on a single platform as part of its customer satisfaction strategy, thus ensuring the ideal communication with consumers. This application used by Arzum Call Center provides service by executing the entire consumer data management in compliance with the laws.

In addition to social media, Arzum offers the fastest 24/7 service to customers with its advanced Chatbot by integrating the service channels such as WhatsApp and Webchat. In this way, operations are optimized and Arzum Chatbot makes a significant difference in customer experience with a correct understanding rate of 90% thanks to continuous improvement.

### **After Sales Service (ASOS)**

Commissioned in 2018, ASOS is an application that Arzum decided to invest in as part of its customer satisfaction strategy. In the application, thanks to the management of all service processes through a digital platform and the performance management module, the level of service provided was heightened 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**

Arzum Seninle application is a platform that can be accessed from the devices equipped with iOS or Android operating systems. This application saves the documents such as warranty certificates and invoices that should be stored to be used in after-sales services for customers' products, to the cloud database by subjecting them to various artificial intelligence verifications. Thanks to this record, customers are given an additional 1-year warranty period with a user-friendly approach. Also, the requirement to store documents was eliminated.

Arzum Seninle application guides users by using artificial intelligence technologies to ensure the protection of personal data, leaving no room for mistakes. This enables customers to create a record from any platform of their choice (web, iOS, Android) in only three minutes, relieving them of the responsibility to store documents.

# Smart Solutions in Logistics and Supply Chain

Thanks to its technological infrastructure, Arzum Customer Support Portal offers a seamless mobile experience.

**ARZUM CUSTOMER SUPPORT PORTAL IS DESIGNED WITH A CUSTOMER-ORIENTED, INNOVATIVE, AND USER-FRIENDLY STRUCTURE, DISTINGUISHING IT FROM THE COMPETITORS IN SIMILAR CATEGORY.**

Arzum Customer Support Portal is designed with a customer-oriented, innovative, and user-friendly structure, distinguishing it from the competitors in similar category. The Portal is successful in providing customers with a fast and effective solution in after-sales services. The Portal gathers all issues that may be related to after-sales services, under a single umbrella.

Thanks to its technological infrastructure, Arzum Customer Support Portal offers a seamless mobile experience. In addition, ASOS offers smart and versatile solutions to customers with ERP, CRM, Arzum APP, Logistics Service Provider and PDPL integrations.

## Customer Satisfaction

Arzum embraces customer satisfaction as one of its strategic goals and uses the Net Promoter Score (NPS) methodology to measure this satisfaction in every communication channel (call center, technical service, e-commerce site, etc.) through which it reaches out to customers. Arzum consolidates this NPS score and creates an overall satisfaction score called Arzum NPS, and evaluates this score through monthly satisfaction meetings organized with the participation of all units and senior management. These meetings ensure that customer satisfaction is continuously monitored and improvement areas are identified, aiming to strengthen the company's customer-oriented approach.



# Sustainability Awareness

## Arzum endeavors for the products that consume less energy and have lower carbon footprint.

**2,443**  
**Number of refurbished products**

Arzum focused on two basic issues in its sustainable business model: resource-saving and recycling in production. The company also attaches great importance to e-waste.

Aiming to use company resources efficiently and reduce the adverse effects on the environment, Arzum launched the "Product Refurbishment" project in 2020 as a responsible brand. In this context, the products that come as sales returns and are unused by the consumer are refurbished and re-offered to consumers as spare parts through disassembling method. Thus, Arzum 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 Products and Spare Parts Through Product Disassembling**

In a world where natural resources are depleted and global economic recession is experienced, Arzum refurbishes the 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, a total of 2,443 products were refurbished and brought back into use in 2023.

Products that are not suitable for refurbishment and that have never been used are disassembled and utilized in the repair of defective products. In 2022, Arzum reaped 163,208 unused spare parts from returned products through the product disassembling method.

### **Cardboard Waste Management**

Arzum does not dispose of waste cardboard boxes from storage operations. It recycles them with the cardboard recycling machine that fully belongs to Arzum's inventory. The recycled boxes are used to fill in gaps in the packaging of spare part orders so that the materials are not damaged. The purchase of 36 air cushion coils (64,750 meters) and 90 paper coils (57,400 meters) per year, which were purchased for filling in gaps, was terminated with this method. Activities undertaken on the axis of the European Green Deal focus on the reduction of plastic use and the prevention of overpackaging. The priority targets with the cardboard recycling machine include the prevention of plastic waste, which cannot be recycled and remains in nature for around 1,000 years, and the utilization of all outputs as inputs again from a circular economy perspective. With the preferred cardboard recycling method, Arzum strengthens its environmental consciousness once again by recycling and reusing waste cardboard boxes without the need for any additional processes.

## Sustainability Awareness

# Arzum works with the ÇEVKO Foundation, which implements practices related to the separate collection of packaging waste at the source.

**A TOTAL OF 8,600 SPARE PARTS WERE SHIPPED WITH CRATES WITHIN ONE YEAR.**

Thanks to the cardboard recycling method, Arzum;

- Recycled 47 tons of waste cardboard per year and used them for shipping,
- Stopped using air cushion coils of 64 km and paper coils of 57 km per year.

### Crate-Type Shipping

Continuous improvements are carried out to reduce packaging costs, which increase in parallel with consumer demands, and minimize environmental impacts. Within this scope, Arzum reduces packaging materials with its works that encourage innovation, and strengthens its environmental consciousness once again.

Therefore, spare parts in Istanbul are shipped with recycled plastic crates instead of cardboard boxes in order to reduce the use of cardboard boxes, prevent environmental pollution, and contribute to nature protection.

The project;

- Covers all services in both the European and Anatolian sides of Istanbul.
- Service orders in Istanbul are shipped with three types of crates instead of nine types of cardboard boxes.
- 8,600 spare parts were shipped with crates within one year.
- 1 ton of paper and cardboard equals 17 trees being cut down. The project prevented the release of 5.5 tons of paper into the environment and the cutting down of 93 trees.
- This method ensures cost savings and makes a conscious and practical contribution to environmental protection.
- Recycled plastic crates are used for shipping instead of releasing new materials into the environment and nature.

### 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.



# Human Resources

**Arzum Human Resources adopts an approach that contributes to its employees, establishes close communication with them, and aims to meet changing employee needs.**

## Human Resources Strategy

The strategy of Arzum Human Resources consists of the 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,
- Strengthening employer brand,
- 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 and values its employees. In this context, the Company continuously monitors employee needs and expectations and implements new-generation Human Resources practices.

Arzum's employees are valuable beyond their work and contribute 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 conducted. Human Resources plans and implements the actions taken in line with these results as per the Human Resources Strategy and employee needs.

## Arzum's employees are all together (#hepbirliKte)

This approach of Arzum aims to strengthen the corporate culture, enhance the loyalty and satisfaction of employees, and create a sustainable working environment. This reflects Arzum's commitment to fulfilling its obligations

towards its employees and providing them with a positive work experience.

Arzum Human Resources adopts an approach that contributes to its employees, establishes close communication with them, and aims to meet changing employee needs. The approach is based on empowering employees to find meaning in their work and encouraging them to participate in decisions.

In addition, the #hepbirliKte hashtag, intended to encourage participation in decisions, aims to support employees to share their views and suggestions on business processes, policies and decisions.

## Talent Management and Development

Talent management includes all systems and processes designed to attract, develop, and retain the strongest talents that may carry Arzum further, now and in the future.

For a healthy and result-oriented Talent Management:

- At Arzum, employees are evaluated based on their performance and competencies;
- They are encouraged to receive and give feedback on a continuous basis;
- Their career and individual development are promoted with various training courses.

Arzum plans and carries out its development activities in line with the Company's strategic priorities and the individual needs of its employees. At Arzum, development is not limited to training but also includes various practices, such as project-based work, volunteering projects, coaching and mentoring practices, and internal trainer activities.

**A COMPREHENSIVE ORIENTATION PROGRAM IS IMPLEMENTED FOR EACH NEW EMPLOYEE TO MAKE THEM GET TO KNOW THE COMPANY AND THEIR COLLEAGUES QUICKLY AND TO ACCOMPLISH THE ADAPTATION PROCESS.**

**Training and development activities continued**

With the Awareness and Development Journey project, launched in 2021, Arzum 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 the following steps: 360-degree evaluation surveys, Development Center studies, Feedback Receiving and Giving, Leadership Competence Training, and preparing an Individual Development Plan.

Furthermore, with the "Leadership Stage" project launched in 2022, leaders continue to contribute to their personal and leadership developments via one-on-one meetings and workshops with consultants. This project aims to provide an effective platform in order to strengthen leaders' competencies and develop their leadership skills.

In 2023, Arzum continued its training and improvement activities in the relevant areas, thereby continuously focusing on the personal and professional development of its employees.

**Performance Management**

One of the focus areas of Arzum's Human Resources Strategy is the target of becoming a high-performance company. This strategy aims to create a working environment that enables employees to exhibit high performance, increases their creativity, and encourages innovative thinking.

All employees from all levels are involved in the performance evaluation process every year.

Arzum's goals are translated into performance targets for all employees, starting from the Chief Executive Officer. This approach aims to ensure that each employee contributes to the company's outcomes in compliance with his/her area of duty. The targets set annually are continuously monitored by the employee's direct supervisor, and the progress towards achieving these targets is regularly tracked. At the end of the year, targets and employee competencies are assessed based on concrete benchmarks. Both achieving these targets and the process of achieving these targets are evaluated based on these criteria. The results of the performance evaluation process are used in decisions regarding training and development plans and salary increases.

**Recruitment and Orientation Process**

Like all other processes at Arzum, the recruitment process is based on the principles of equality and fairness. At Arzum, recruitment is a process addressed meticulously and in detail. It is important that new recruits adapt to the company's values and possess Arzum leadership competencies and the technical competencies required by the position. In addition to interviews, various inventories, case studies, presentations, and assessment center studies are utilized to get to know the candidates better, thereby identifying suitable candidates for the position.

**Comprehensive orientation program for new recruits**

A comprehensive orientation program is implemented for each new employee to make them get to know the company and their colleagues quickly and to accomplish the adaptation process. The orientation process starts with the employee's first working day. The Buddy Program is implemented to facilitate the adaptation of new recruits. Under this program, a "buddy" is assigned to new recruits and this mentor supports the process by sharing information about the company culture. New recruits come together with the Human Resources Department within six months at the latest and share their observations and feedback, which help to monitor their commitment and satisfaction.

**Internal Communication**

Internal communication plays a key role in understanding, strengthening, and spreading Arzum's culture. Arzum adopts a comprehensive internal communication strategy involving all its employees in different locations. The internal communication calendar established by Human Resources in every January is implemented by determining important days and agendas throughout the year. In case of special occasions and important agendas, celebrations are organized via e-mail and various organizations and activities are held within the company. In this way, it is aimed to strengthen the communication among Arzum employees and ensure unity and harmony.

The open office system is designed with glazed walls to facilitate internal communication. Thereby, employees in all roles can be easily reached.

**ARZUM ADOPTS A COMPREHENSIVE INTERNAL COMMUNICATION STRATEGY INVOLVING ALL ITS EMPLOYEES IN DIFFERENT LOCATIONS.**

## Human Resources

The "Bir Arzumuz Var" team offers employees the opportunity to instantly share their suggestions and feedback with the entire company via an online platform.

**THE "WE LEARN FROM EACH OTHER" SESSIONS AIM TO ACCELERATE AND EXPAND KNOWLEDGE SHARING AMONG EMPLOYEES.**

### **"We Have a Desire" team is the backbone of internal communication**

The "Bir Arzumuz Var" (We Have a Desire) team, composed of the Company's volunteer employees, plays an important role in learning the needs of the employees to the management and communicating them quickly to the management. This team plays an important role in internal communication and is actively involved in many processes that affect employees' daily work life. The "Bir Arzumuz Var" team offers employees the opportunity to instantly share their suggestions and feedback with the entire company via an online platform. The suggestions received are transparently published on the online platform and shared with all employees. This allows employees to actively contribute to internal communication and have the opportunity to make various improvements to processes within the company.

The Company's financial performance and agenda items are shared with employees at the "Agenda Arzum" meeting held at the end of each quarter with the participation of all Co-CEOs.

The "We Learn from Each Other" sessions aim to accelerate and expand knowledge sharing among employees. In the sessions, employees provide information to other employees on the topics they have expertise in. These sessions aim to disseminate internal information.

### **Appraisal and Rewarding**

At Arzum, we value and recognize successes. These celebrations are carried out through communication meetings with the participation of the entire company employees and via email notifications. Besides, the Seniority Awards Organization is held for every 5-year employment term at Arzum, and the employees' loyalty to Arzum is celebrated in this event.

### **Occupational Health and Safety**

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

Arzum endeavors to create ideal conditions for the health and safety of all employees in line with its people-oriented approach stemming from its culture and the principles of occupational health and safety protected by the Occupational Health and Safety Law No. 6331. Especially within the framework of new working conditions shaped by the effects of digitalization and the Covid-19 pandemic, Arzum not only focuses on physical health and safety, but also supports employees' mental health and psychological wellbeing.

Pursuant to the Occupational Health and Safety (OHS) approach and applicable laws, each new recruit is provided with regular OHS training, and these training sessions are repeated at certain intervals. Various OHS projects are implemented throughout the year to raise OHS awareness among all Arzum employees.



### Remuneration and Benefits

Arzum does not make discrimination based on language, religion, race, or gender while determining salaries. Remuneration policies are dependent on salary and benefits surveys conducted by independent and international consulting firms in the relevant geographies. Salaries and benefits are set according to the role, scope of duties, and responsibilities of the employee.

Benefits include the advantages, such as bonuses based on company and individual performance, monthly sales bonuses for sales roles, private health insurance, travel allowance, meal allowance, laptop, cell phone, GSM line, personal accident insurance, flexible and hybrid working arrangement, marriage/birth/death benefits.

### FEMALE EMPLOYEE RATE

As of the end of 2023, the rate of female employees at Arzum is 47%.

### MALE EMPLOYEE RATE

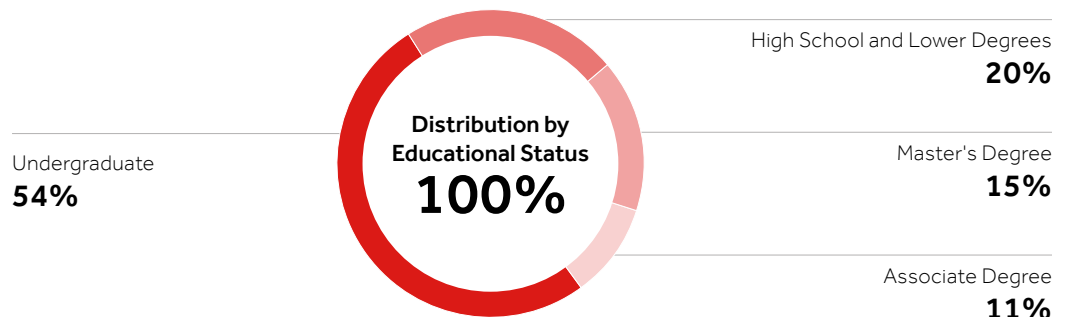
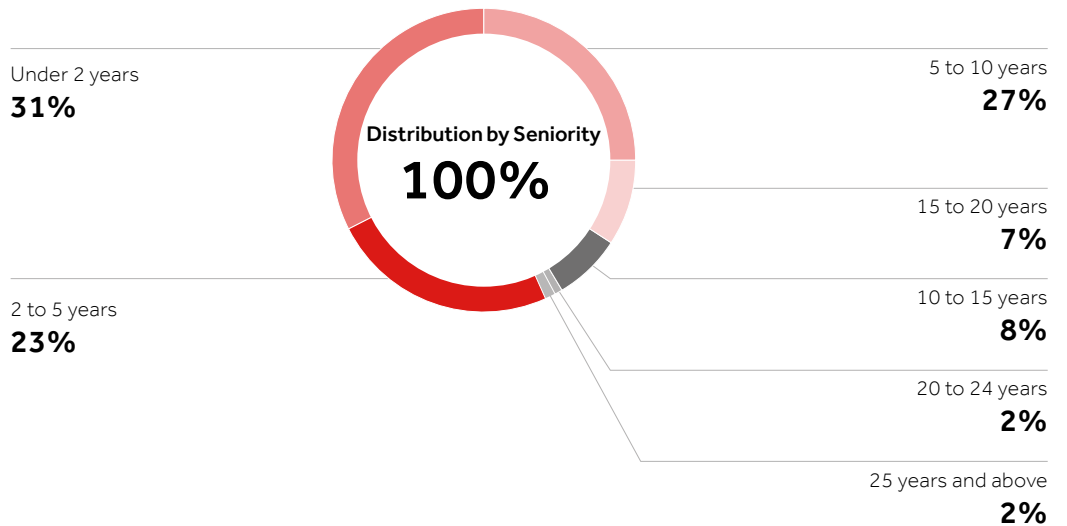
As of the end of 2023, the rate of male employees at Arzum is 53%.

### AGE DISTRIBUTION

The majority (76%) of the Company is made up of the Y generation.

### TOTAL NUMBER OF EMPLOYEES

As of the end of 2023, the number of employees of Arzum is 178.



## Social Responsibility Projects and Sponsorships

Arzum has been sponsoring the "Arzum Turkish Women's Chess Championship" for 15 years without skipping a beat.

**ARZUM OKKA WAS THE DIAMOND SPONSOR OF THE COFFEE POT & PITCHER WORLD CHAMPIONSHIP.**

**Arzum OKKA sponsored the 2023 SCA Türkiye National Coffee Pot & Pitcher Championship and Kevser Atmaca, the winner of the championship**

Arzum OKKA undertook the main sponsorship of the 2023 SCA Turkish Coffee Pot & Pitcher Championship organized by SCA Türkiye and the sponsorship of Kevser Atmaca, the winner of the championship.

**Arzum OKKA became the Diamond sponsor of the World Coffee Championship Athens 2023 - Coffee Pot & Pitcher World Championship**

Arzum OKKA was the Diamond sponsor of the Coffee Pot & Pitcher World Championship held as part of the World Coffee Championship (WCC) Athens 2023 in Athens.

**Arzum has supported the Turkish Women's Chess Championship uninterruptedly for 15 years**

Arzum has been sponsoring the "Arzum Turkish Women's Chess Championship" for 15 years without skipping a beat. On the 100<sup>th</sup> anniversary of the Republic and the 15<sup>th</sup> anniversary of the sponsorship, Arzum, which implements projects that support women in every field, says "Every Move of Women is a Chequer for the Republic" with this support.

Arzum believes that the Championship and all its sponsorships encourage many women in their dreams and aspirations and that the Women of the Republic, whose role model is a successful chess player, can easily make these dreams come true.





# **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 currently traded on 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 the minority rights as per the Articles of Association, and the exercise 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.

- 3.3.1.: 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.
- 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 under 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 is 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.
- 4.6.5.: 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 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, a recommendation system, and frequently conducted surveys to receive feedback from employees. It is not regulated in writing via internal regulations. Therefore, this article is partially complied with.
- 4.6.1.: The Annual Report of the Company's Board of Directors includes an 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.

# 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 headquarters or at a convenient location in the city where the headquarters 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 in. 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.	Yes	-

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 01.01.2023 - 31.12.2023 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/1260710> and  
<https://www.kap.org.tr/tr/Bildirim/1260715>



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 Capital Markets Board's "Sustainability Principles Harmonization Framework," 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 2024, taking into account the benefit of all stakeholders, especially shareholders.

The 2023 Sustainability Principles Compliance Report, prepared according to the "Communiqué (No. II-17.1.a) on the Amendment to the Corporate Governance Communiqué (No. II-17.1)" issued by the CMB on 02/10/2020 and the Board Decision dated 23.06.2022 and numbered 34/977, has been submitted to the information of shareholders and stakeholders at <https://www.kap.org.tr/tr/Bildirim/1260720>. In 2024 and the upcoming periods, our keen approach to find solutions for the 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 Core 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 was established within the Company after the shares were offered to the public and traded on the stock exchange, and the Department reports to Investor Relations Department Manager and Chief Financial and Corporate Affairs Officer. 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. Contact information of Investor Relations is as follows:

## Investor Relations Manager

Neslihan Aydođdu  
Phone: +90 (212) 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 2023, 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.

## 2022 Ordinary General Assembly Meeting

2022 Ordinary General Assembly Meeting was held on 19.06.2023 at "Otakçılar Caddesi No:78 Kat: 1 B Blok No: B1B, 34050 Eyüp-Istanbul" and registered on 11.07.2023.

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. At the General Assembly Meeting held on June 19, 2023, the questions posed by the shareholders were answered, and there was no question on the agenda that could not be answered and was 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://yatirimciliskileri.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 shareholder 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 salaries. The provisions of the Capital Markets Code and relevant legislation regarding the remuneration of the Independent Board Members are reserved.

## 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 Türkiye, 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 2023, the Board of Directors held 29 meetings and the average attendance was 74%.

#### **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 are given below:

<b>Name Surname</b>	<b>Position</b>	<b>Executive or Not</b>	<b>Duties Held Within the Group</b>	<b>Duties Held Outside of the Group</b>
Talip Murat Kolbaşı	Chairman	Executive	Chairman	-
Yasemin Rezan Kolbaşı	Vice Chairperson	Not Executive	Vice Chairperson	-
Ali Osman Kolbaşı	Board Member for 2023 Period	Not Executive	Board Member	-
Şecaettin Arda Altınok	Board Member & CEO	Executive	Board Member and Chief Executive Officer	-
Elif Ateş Özpak	Independent Board Member	Not Executive	Independent Board Member	She is currently a Non-Executive Board Member at Atlanta Sanad based in Morocco, an Independent Board Member at Akis REIT, and an Independent Board Member at Biotrend Enerji
Cenk Serdar	Independent Board Member	Not Executive	Independent Board Member	-

# Structure and Operation of the Board of Directors

## 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. Cenk Serdar have been appointed as Independent Board Members of our Company at the General Assembly meeting held on June 19, 2023.

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

## 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 nine times in the 2023 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 Committee	Independent or Not	Executive or Not
Elif Ateş Özpak	Chairwoman	Independent Member	Not Executive
Cenk Serdar	Member	Independent Member	Not Executive



### 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 six times in the 2023 fiscal year and 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 Committee	Independent or Not	Executive or Not
Cenk Serdar	Chairman	Independent Member	Not Executive
Elif Ateş Özpak	Member	Independent Member	Not Executive
Şecaettin Arda Altınok	Member	Not Independent Member	Executive

### 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 2023, 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 four times during the 2023 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 Committee	Independent or Not	Executive or Not
Elif Ateş Özpak	Chairwoman	Independent Member	Not Executive
Cenk Serdar	Member	Independent Member	Not Executive
Neslihan Aydoğdu	Member	-	-

# Structure and Operation of the Board of Directors

## 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 12 times in the 2023 fiscal year, and the Committee Members are mentioned below.

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

## Sustainability Committee

The Sustainability Committee was established to give recommendations and suggestions to the Board of Directors for determining the sustainability strategy, policy, and targets; making and realizing relevant planning; monitoring and auditing performance; defining and assessing risks and opportunities

in environmental, social, economic and corporate areas; and determining the required steps.

The Sustainability Committee convened three times in the 2023 fiscal year, and the Committee Members are mentioned below.

Name Surname	Duty in the Committee	Independent or Not	Executive or Not
Elif Ateş Özpak	Chairwoman	Independent Member	Not Executive
Şecaettin Arda Altınok	Member	Not Independent Member	Executive
Arif Emre Ünal	Member	-	-
Serhan Giray	Member	-	-

### **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](http://www.arzum.com.tr).

During 2023, 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 received 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 2023 to minimize the effects of internal risks that may affect the Company's stakeholders, especially the shareholders; therefore, an internal audit unit was established and the measures and decisions to be taken by the committee on the subject were reported to the 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 and commercial bills 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 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 continue, 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 are carried out with the participation of the relevant units regarding receivables, debts, and stocks, and possible opportunities are taken advantage of to reduce the working capital requirement.

In 2023, actions were taken to increase the ratio of collateralized receivables, and receivables insurance was used more effectively. In addition, the trade receivables of Arzum group companies for international sales have also started to be collateralized with Eximbank trade receivables insurance guarantee, and the scope of the policy has been expanded. In addition to receivables insurance, the collaterals of letters of guarantee, Direct Debit System, letters of credit, and hypothecation guarantees are obtained from the customers. New products and instruments are continuously assessed to raise the speed of receivables and the ratio of collateralized receivables, and those that are appropriate for the Company's needs are used. New procedures and processes for risk management were designed and launched 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.

### 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. Supplier concentration is regularly monitored to mitigate the impact of this risk.
- 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. Scenario studies are conducted to avoid this risk.

- 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 mitigate this risk, the Company used its 100% subsidiary, Arzum Europe, to establish an on-site warehouse structure, aiming to implement the same structuring abroad as in Türkiye and maintain the business model in Türkiye 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. To eliminate this risk, agreements were concluded with the producers in countries with which Türkiye has Free Trade Agreements.

#### **Risks related to the industry of the issuer**

- The competitive environment of the Company may significantly adversely affect the Company's operations.
- In the sector where the Company operates, depending on the fact that the number of days of receivables is longer than the average payment period to suppliers, the need for working capital and incurring financing costs while meeting the financing need may adversely affect the Company's operations and performance.
- 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.
- Türkiye, the sector that the Company operates in, and the Company's activities may be adversely affected by global macroeconomic conditions.

#### **Other risks**

Earthquakes, epidemics, war, other natural disasters, and various extraordinary circumstances may damage the Company's industry, facilities, and operations. In case of external risks or force majeure events, global trade flows could be disrupted.

# Other Updates

## Donations and aids

In 2023, a total of TL 1,523,445.61 was donated to various associations and foundations. TL 665,801.55 of these donations are in the status of tax-deductible expense.

## Staff and worker movements

As of the end of 2023, the number of employees in our company was 178. There are no unionized workers.

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

The total amount of salaries and similar benefits provided to the senior management between January 1 and December 31, 2023, is TL 45,848,927 (January 1-December 31, 2022: TL 63,771,251). At Arzum, Board Members and Chief Executive Officers are designated as senior management.

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

The Company invested TL 10,872,049.04 in 2023.

## Benefited incentives and subsidies and their conditions

There is no significant level of incentives utilized as of December 31, 2023.

## Information about the Company's acquisition of its own shares

The Company does not own any shares acquired.

## Information on private and public auditing

As is customary pursuant to the provisions of the "Regulation on Subsequent Control and Control of Risky Transactions" published in the Official Gazette dated 27.10.2008 and numbered 27037, the "subsequent control" studies covering the 2023 reporting period have started with the inspection letter sent to us by the Ministry of Trade on 11.09.2023, and the said audit has not yet been finalized as of the date of the report.

## 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 was unrequited under Article 376 of the Turkish Commercial Code; It was concluded that our Company's issued capital of TL 32,210,000 as of December 31, 2023, with its equity amount of TL 469,657,155 as of the end of 2023, had largely covered its assets 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

The Group has no payables to or receivables from related parties as of December 31, 2023, and 2022.

## Goods and services purchases from related parties

As of December 31, 2023, and December 31, 2022, the Group does not have any goods and service purchases or sales with related parties.

# Other Updates

## 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 ZONE BRANCH	USD 50,000	100
ARZUM USA	USD 100,000	100
Arzum Shanghai	USD 100,000	100

## Corporate Record

<b>Trade Name</b>	<b>Arzum Elektrikli Ev Aletleri Sanayi ve Ticaret A.Ş.</b>
Address of Registered Office	Defterdar Mahallesi Otakçılar Cad. Sinpaş Flatofis No: 78 İç Kapı No: 34 Eyüpsultan/İstanbul
Branch Address	<b>Istanbul Industry and Trade Free Zone Branch:</b> Aydınlı SB Mahallesi Mod-2 Cad. No: 11 Tuzla-İstanbul <b>Ömer Halisdemir University Teknopark Branch:</b> Fertek Köyü, Cumhuriyet Mevkii Ömer Halisdemir (Küme Evler) No: 34/208 Merkez/Niğde
Affiliated Trade Registry Office and Number	Istanbul Trade Registry Office / 148674
Legal Legislation	Laws of the Republic of Türkiye
Phone and Fax Number	Phone: +90 (212) 467 80 80 Fax: +90 (212) 467 80 00
Website	www.arzum.com.tr
Corporate E-mail Address	yatirimci@arzum.com and finans@arzum.com
Capital	TL 32,210,000
Registered Capital Ceiling	TL 160,000,000
Stock Exchange and Market Where It is Traded	Borsa Istanbul A.Ş. (BIST) – Main Market
Trading Date on the Stock Exchange	December 24, 2020
Ticker	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



## Annex/1

### Statement of Independence

Arzum Elektrikli Ev Aletleri San. ve Tic. I hereby declare that I am a candidate for assuming the role of an "independent member" of 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 Türkiye 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.

23.05.2023

Elif Ateş Özpak (\*)

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

# Other Updates

## Annex/1

### Statement of Independence

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

23.05.2023

Cenk Serdar (\*)

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

## 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.

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

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

**Consolidated Financial Statements  
as at and for the Year Ended  
31 December 2023  
With Independent Auditor's Report**

20 March 2024

This report includes 5 pages of  
independent auditors'  
report and 71 pages of consolidated  
financial statements  
together with their explanatory notes.



KPMG Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.  
İş Kuleleri Kule 3 Kat:2-9  
Levent 34330 İstanbul  
Tel +90 212 316 6000  
Fax +90 212 316 6060  
www.kpmg.com.tr

**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 2023, 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 2023, 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 which is a component of the Turkish Auditing Standards as adopted within the framework of the Capital Markets Board ("CMB") regulations, published by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under Standards on Auditing issued by POA 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 principles regarding independent audit of consolidated financial statements in the CMB legislation and other relevant legislation 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.

<b><i>The key audit matter</i></b>	<b><i>How the matter was addressed in our audit</i></b>
<p>The main revenue item of the Group consists of sales of electronic household appliances.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<ul style="list-style-type: none"><li>-Our audit procedures in this area include the following.</li><li>- Evaluation of the effectiveness of the design, implementation and operation of internal controls for revenue recognition by information systems experts.</li><li>- 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.</li><li>- 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.</li><li>- Checking the existence of trade receivables and the accuracy of receivable balances with external confirmations obtained directly for t customers selected by the sample.</li><li>- Performing analytical examinations to detect the existence of discontinuous transactions.</li><li>- 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.</li></ul> <p>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.</p>



### ***Application of TAS- 29 "Financial Reporting in Hyperinflationary Economies"***

Refer to Note 2.6 to related explanations regarding the application of "TAS 29 Financial Reporting in Hyperinflationary Economies".

<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>Since the Group's functional currency (Turkish Lira) is considered as the high-inflation economy currency as of 31 December 2023, the Group applied TAS 29 "Financial Reporting in Hyperinflationary Economies" ("TAS 29") in its financial statements.</p> <p>Current period financial statements and amounts from previous reporting periods are also adjusted and expressed in terms of the purchasing power at the end of the reporting period in accordance with TAS 29 were made using the adjustment coefficient obtained from the Consumer Price Index ("CPI").</p> <p>The application of TAS 29 has a pervasive and material impact on the consolidated financial statements. We identified the application of TAS 29 as a key audit matter.</p>	<p>Our audit procedures in this area include the following:</p> <ul style="list-style-type: none"><li>• Understanding and evaluating the process and controls related to application of TAS 29,</li><li>• Verifying whether management's determination of monetary and non-monetary items is in compliance with TAS 29,</li><li>• Evaluating the calculation methods used by management in the application of TMS 29 are applied consistently in the comparative financial statements of the current period and the previous period,</li><li>• Obtaining detailed lists of non-monetary items and testing the original entry dates and amounts on a sample basis to check the completeness and accuracy of the calculations,</li><li>• Verifying the general price index rates used in calculations with the coefficients obtained from the Consumer Price Index in Turkey published by the Turkish Statistical Institute,</li><li>• Evaluating the adequacy of disclosures related to the application of TAS 29 in the notes to the financial statements.</li></ul>



### ***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 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 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 20 March 2024.
- 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 2023 and 31 December 2023, 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  
20 March 2024  
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 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2023 unless otherwise stated.)

	Notes	Current Year	Prior Year
		Audited 31 December 2023	Audited 31 December 2022
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	237.433.240	521.185.766
Trade receivables	5	1.081.801.060	863.188.762
- <i>Due from third parties</i>	5	1.081.801.060	863.188.762
Other receivables	6	3.608.177	1.740.625
- <i>Due from third parties</i>	6	3.608.177	1.740.625
Inventories	7	413.314.890	421.046.284
Prepaid expenses	8	142.381.155	66.167.060
Current tax assets	20	12.873.509	10.127.464
Derivative financial instruments	23	23.952	--
Other current assets	6	984.186	10.600.973
<b>Total current assets</b>		<b>1.892.420.169</b>	<b>1.894.056.934</b>
<b>Non-Current assets:</b>			
Trade receivables	5	20.302.000	9.828.705
- <i>Due from third parties</i>	5	20.302.000	9.828.705
Property, plant and equipment	9	160.934.567	172.454.227
Intangible assets	10	32.938.249	32.620.741
Investment properties		533.166	638.138
Right of use assets	11	55.474.394	16.352.326
Prepaid expenses	8	1.301.498	3.402.122
Deferred tax assets	20	51.810.380	20.253.790
<b>Total non-current assets</b>		<b>323.294.254</b>	<b>255.550.049</b>
<b>Total assets</b>		<b>2.215.714.423</b>	<b>2.149.606.983</b>

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

## ARZUM ELEKTRİK EV ALETLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### Consolidated Statement of Financial Position as at 31 December 2023

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2023 unless otherwise stated.)

		Current Year Audited	Prior Year Audited
LIABILITIES	Notes	31 December 2023	31 December 2022
<b>Short-term liabilities:</b>			
Short-term borrowings	4	907.069.554	1.047.099.709
Trade payables	5	732.613.454	558.406.192
- Due to third parties	5	732.613.454	558.406.192
Liabilities for employee benefits	13	2.958.151	2.427.440
Other payables	6	472.610	231.170
- Due to third parties	6	472.610	231.170
Short-term provisions		35.892.019	45.870.854
- Short-term provisions for employee benefits	13	24.680.405	31.477.666
- Other short-term provisions	12	11.211.614	14.393.188
Deferred income	8	6.058.367	4.412.869
Derivative financial instruments	23	--	1.863.363
Other short-term liabilities	6	15.147.319	29.346.088
<b>Total short-term liabilities</b>		<b>1.700.211.474</b>	<b>1.689.657.685</b>
<b>Long term liabilities:</b>			
Long term borrowings	4	27.243.182	1.400.450
Long term provisions		18.602.612	23.395.684
-Long-term provisions for employee benefits	13	11.167.051	14.676.433
-Other long-term provisions	12	7.435.561	8.719.251
<b>Total long-term liabilities</b>		<b>45.845.794</b>	<b>24.796.134</b>
<b>Total liabilities</b>		<b>1.746.057.268</b>	<b>1.714.453.819</b>
<b>Equity</b>			
Share capital	14	32.210.000	32.210.000
Adjustment to share capital differences	14	391.161.699	391.161.699
Other comprehensive income will not be reclassified to profit or loss	14	(19.770.986)	(14.125.531)
Gain/(loss) arising from defined benefit plans	14	(19.770.986)	(14.125.531)
Share premiums	14	211.861.033	211.861.033
Other comprehensive income will be reclassified to profit or loss	14	21.408.989	15.392.131
- Foreign currency translation differences	14	21.408.989	15.392.131
Restricted reserves	14	55.596.881	53.914.526
Accumulated losses	14	(275.790.154)	(97.454.430)
Net profit / (loss) for the year		52.979.693	(157.806.264)
<b>Total equity</b>		<b>469.657.155</b>	<b>435.153.164</b>
<b>Total liabilities and equity</b>		<b>2.215.714.423</b>	<b>2.149.606.983</b>

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 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2023 unless otherwise stated.)

		<b>Current Year</b>	<b>Prior Year</b>
		<b>Audited</b>	<b>Audited</b>
		<b>1 January- 31 December 2023</b>	<b>1 January- 31 December 2022</b>
	<b>Notes</b>		
Revenue	15	3.690.432.379	2.926.926.415
Cost of sales (-)	15	(2.535.417.735)	(2.346.120.236)
<b>Gross profit</b>		<b>1.155.014.644</b>	<b>580.806.179</b>
Sales, marketing and distribution expenses (-)	16	(610.163.303)	(485.873.213)
General administrative expenses (-)	16	(214.779.765)	(165.785.313)
Other operating income	18	94.757.330	29.873.445
Other operating expenses (-)	18	(92.362.804)	(19.923.499)
<b>Operating profit / (loss)</b>		<b>332.466.102</b>	<b>(60.902.401)</b>
<b>Operating profit / (loss) before finance income</b>		<b>332.466.102</b>	<b>(60.902.401)</b>
Finance income	19	73.011.092	40.706.665
Finance expenses	19	(358.803.168)	(233.519.848)
Net monetary position gains/ (losses)		46.893.496	132.826.131
<b>Profit / (loss) before tax</b>		<b>93.567.522</b>	<b>(120.889.453)</b>
<b>Tax expense</b>		<b>(40.587.829)</b>	<b>(36.916.811)</b>
- Current year tax expense	20	(71.219.425)	(58.176.864)
- Deferred tax income	20	30.631.596	21.260.053
<b>Profit/ (loss) for the year</b>		<b>52.979.693</b>	<b>(157.806.264)</b>
<b>Distribution of profit/ (loss) for the year</b>			
Equity holders of the parent		<b>52.979.693</b>	<b>(157.806.264)</b>
Earning / (loss) per share (nominal equivalent of TL 1)	21	<b>1,6448</b>	<b>(4,8993)</b>
<b>Other comprehensive income</b>		<b>371.403</b>	<b>(6.496.749)</b>
<b>Not be reclassified to profit or loss</b>		<b>(5.645.455)</b>	<b>(7.711.997)</b>
Gain/(loss) arising from defined benefit plans	13	(6.570.449)	(9.094.611)
Deferred tax (expenses) / income on other comprehensive income items that will not be reclassified in profit or loss	20	924.994	1.382.614
<b>Reclassified to profit or loss</b>		<b>6.016.858</b>	<b>1.215.248</b>
Foreign currency translation differences		6.016.858	1.215.248
<b>Other comprehensive income/(expense) (after tax)</b>		<b>371.403</b>	<b>(6.496.749)</b>
<b>Total comprehensive income/ (expense)</b>		<b>53.351.096</b>	<b>(164.303.013)</b>

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

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

**Consolidated Statement of Changes in Equity  
for the Year Ended 31 December 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2023 unless otherwise stated.)

	Notes	Share capital	Adjustment to share capital differences	Other comprehensive income will not be reclassified to profit or loss		Share premiums	Restricted reserves	Accumulated losses		Total
				Gain/(loss) arising from defined benefit plans	Foreign currency translation differences			Profit for the year	Accumulated losses	
<b>Balances as of 1 January 2022</b>	14	32.210.000	391.161.699	(6.413.534)	14.176.883	211.861.033	51.368.646	--	(66.388.006)	627.976.721
Loss for the year	--	--	--	--	--	--	--	(157.806.264)	--	(157.806.264)
Other comprehensive income/(expense)	--	--	--	(7.711.997)	1.215.248	--	--	--	--	(6.496.749)
<b>Total comprehensive income/(expense)</b>	--	--	--	(7.711.997)	1.215.248	--	--	(157.806.264)	--	(164.303.013)
Transfers	--	--	--	--	--	--	2.545.880	--	(2.545.880)	--
Dividend payment	--	--	--	--	--	--	--	--	(28.520.544)	(28.520.544)
<b>31 December 2022</b>	14	32.210.000	391.161.699	(14.125.531)	15.392.131	211.861.033	53.914.526	(157.806.264)	(97.454.430)	435.153.164
<b>Balances as of 1 January 2023</b>	14	32.210.000	391.161.699	(14.125.531)	15.392.131	211.861.033	53.914.526	(157.806.264)	(97.454.430)	435.153.164
Profit for the year	--	--	--	--	--	--	--	52.979.693	--	52.979.693
Other comprehensive income/(expense)	--	--	--	(5.645.455)	6.016.858	--	--	--	--	371.403
<b>Total comprehensive income/(expense)</b>	--	--	--	(5.645.455)	6.016.858	--	--	52.979.693	--	53.351.096
Transfers	--	--	--	--	--	--	1.682.355	157.806.264	(159.488.619)	--
Dividend payment	--	--	--	--	--	--	--	--	(18.847.105)	(18.847.105)
<b>31 December 2023</b>	14	32.210.000	391.161.699	(19.770.986)	21.408.989	211.861.033	55.596.881	52.979.693	(275.790.154)	469.657.155

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 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2023 unless otherwise stated.)

		Audited 1 January- 31 December 2023	Audited 1 January- 31 December 2022
	Notes		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the year		52.979.693	(157.806.264)
Adjustments to depreciation expense and amortization	9,10,11	67.924.609	49.365.170
Adjustments related to tax expense	20	40.587.829	36.916.811
Adjustments related to provision expenses		15.659.062	10.455.424
Adjustments to inventory impairment	7	4.816.685	5.665.689
Adjustments to rediscount expense/income	5	41.917.098	14.694.459
Adjustments to interest expense/income, net	19	216.257.372	169.493.128
Adjustments to doubtful trade receivables, net	5	344.023	3.112.783
Adjustments for loss/gain from disposal of fixed assets		2.515.861	--
Currency differences arising from derivative transactions, (net)	23	(1.887.315)	1.154.614
Adjustment to monetary position gain/ (loss)		113.162.415	117.960.395
Adjustments to severance pay provision	13	(222.266)	(5.158.882)
<b>Before changes in working capital</b>		<b>554.055.066</b>	<b>245.853.327</b>
<b>Changes in:</b>			
Trade receivables		(166.267.544)	(93.554.368)
Inventories		2.914.709	281.858.717
Other increases / decreases related to activities		(50.533.566)	68.621.095
Trade payables		149.880.159	(56.540.315)
<b>After changes in working capital</b>		<b>490.048.824</b>	<b>446.238.456</b>
Taxes paid	20	(90.549.525)	(68.647.805)
Severance payments paid	13	(9.104.062)	(1.226.721)
Premiums paid	13	(29.051.795)	(9.823.040)
<b>A. Net cash from operating activities (used)</b>		<b>361.343.442</b>	<b>366.540.890</b>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
Cash outflows from purchases of property, plant and equipment and intangible assets	9,10	(33.075.335)	(22.607.707)
Cash outflows resulting from right of use	11	(65.908.246)	(3.358.587)
<b>B. Net cash used in investment activities</b>		<b>(99.434.662)</b>	<b>(58.120.249)</b>
<b>CASH FLOWS USED FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowing	4	760.513.524	834.011.196
Repayments of borrowings	4	(1.475.540.005)	(953.403.502)
Bonds issued	4	616.000.000	411.932.297
Interest paid		(233.490.619)	(153.984.724)
Payments for lease liabilities	4	(20.507.740)	(9.462.707)
Interest payments on leasing transactions	4	(10.006.331)	(1.770.344)
Interest received	19	35.798.671	19.462.112
Dividends paid	14	(18.847.105)	(28.520.544)
<b>C. Net cash from financing activities</b>		<b>(346.079.605)</b>	<b>118.263.784</b>
<b>D. Monetary (loss)/gain impact on cash and cash equivalents</b>		<b>(205.598.559)</b>	<b>(162.611.879)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF FOREIGN CURRENCY TRANSLATION DIFFERENCES (A+B+C)</b>		<b>(289.769.384)</b>	<b>264.072.546</b>
<b>E. EFFECT OF CURRENCY TRANSLATION DIFFERENCES</b>		<b>6.016.858</b>	<b>1.215.248</b>
<b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D+E)</b>		<b>(283.752.526)</b>	<b>265.287.794</b>
<b>F. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	3	<b>521.185.766</b>	<b>255.897.972</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (A+B+C+D+E)</b>	3	<b>237.433.240</b>	<b>521.185.766</b>

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

## ARZUM ELEKTRİKLI 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 2023

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2023 unless otherwise stated.)

#### 1. GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

Arzum Elektrikli Ev Aletleri Sanayi ve Ticaret Anonim Şirketi ("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 is registered with the Capital Markets Board ("CMB") and its shares are traded on Borsa Istanbul A.Ş. ("BIST") as of 2020. As of 31 December 2023, the Company has 49,00% of its shares registered in BIST (Note 14).

The company performs trading activities of electrical household appliances through wholesale, retailer, chain stores and through e-commerce.

On 1 June 2009, Arzum Asia Pacific ("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 of 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.

On 17 January 2023, the Company established Arzum Shanghai Limited ("Arzum Shanghai") in the People's Republic of China with 100% shares owned by Arzum Asia Pacific in order to expand its business model abroad.

On 8 November 2022, Arzum USA ("Arzum USA") was incorporated in the state of Delaware in order to further expand the Group's existing operations in the American market and the capital transactions of the Company were completed as of 12 April 2023.

The accompanying consolidated financial statements as of and for the year ended 31 December 2023 are comprised of the Company and its subsidiaries (together referred to as the "Group").

The address of the Company's registered office is Defterdar Mah. Otakçılar Cad. Sinpaş Flatofis No: 78 İç Kapı No: 34 Eyüpsultan, İstanbul.

As of 31 December 2023, the number of employees of the Group is 178 (31 December 2022:170).

## 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 2023

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2023 unless otherwise stated.)

#### 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

##### 2.1 Basis 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") which was adopted by Capital Markets Board of Turkey ("CMB") 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 "Announcement regarding with TFRS Taxonomy" which was published on 15 April 2019 by POA and templates defined in the Illustrative Financial Statements and User Guide published CMB based on the financial statement and disclosure formats of CMB.

*Approval of the financial statements:*

The consolidated financial statements are approved by the Company's Board of Directors on 20 March 2024. 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

The consolidated financial statements have been prepared based on the historical costs, except for the derivative instruments measured at fair value. In accordance with the TAS 29 "Financial Reporting in Hyperinflationary Economies" standard, financial statements prepared based on the currency of a hyperinflationary economy are prepared in the purchasing power of this currency at the balance sheet date and comparative information is expressed in terms of the current measurement unit at the end of the reporting period for the purpose of comparison in the consolidated financial statements of the previous period.

###### (c) Functional 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) Correction on financial statements during hyperinflationary periods

With the announcements made by the Public Oversight Accounting and Auditing Standards Authority (POA) on 23 November 2023, entities applying TFRSs have started to apply inflation accounting in accordance with TAS 29 Financial Reporting in Hyperinflation Economies as of financial statements for the annual reporting period ending on or after 31 December 2023.

In accordance with the decision of the Capital Markets Board "CMB" dated 28 December 2023 and numbered 81/1820, it has been decided that issuers and capital market institutions subject to financial reporting regulations that apply the Turkish Accounting/Financial Reporting Standards (TAS) will start applying inflation Accounting by applying the provisions of TAS 29 for their annual Financial statements for the Reporting periods ending on 31 December 2023 and 31 December 2022.



## ARZUM ELEKTRİK 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 2023

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2023 unless otherwise stated.)

#### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

##### 2.1. Basis of Presentation of Financial Statements (Continued)

###### (d) Correction on financial statements during hyperinflationary periods (Continued)

TAS 29 is applied to the financial statements of each entity whose functional currency is the currency of a hyperinflationary economy. If an economy is subject to hyperinflation, TAS 29 requires an entity whose functional currency is the currency of a hyperinflationary economy to present its financial statements in terms of the measuring unit current at the end of the reporting period.

The adjustments made in accordance with TAS 29 were made using the adjustment coefficient obtained from the Consumer Price Index ("CPI") of Türkiye published by the Turkish Statistical Institute ("TURKSTAT"). As of 31 December 2023, the indices and adjustment coefficients used in the adjustment of the financial statements are as follows:

<u>Date</u>	<u>Index</u>	<u>Conversion factor</u>
31 December 2023	1.859,38	1,000
31 December 2022	1128,45	1,6427
31 December 2021	686,95	2,7067

Comparative figures for prior period are restated into the same current measuring unit.

The main procedures applied for the restatements mentioned above are as follows:

- Monetary assets and liabilities that are carried at amounts current at the reporting date are not restated because they are already expressed in terms of the monetary unit current at the reporting date.
- Non-monetary assets and liabilities that are not carried at amounts current at the balance sheet date, and components of shareholders' equity are restated by applying the relevant conversion factors from the date of the transaction or, if applicable, from the date of their most recent revaluation to the reporting date.
- The effects of inflation on the net monetary positions of the Group, is included in the profit or loss statement as "monetary gain / (loss)".
- All items in the cash flow statement are expressed in terms of the measuring unit current at the reporting date; and all items in the statement of cash flows are, therefore, restated by applying the relevant conversion factors from the date on which the transaction originated.
- All corresponding figures as of and for the period ended 31 December 2022 are restated by applying the change in the index from 31 December 2022 to 31 December 2023.

In the reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, not having been hyperinflationary in the prior period, the entity shall apply the requirements of TAS 29 as if the economy had always been hyperinflationary. Therefore, in relation to non-monetary items measured at historical cost, the entity's opening statement of financial position at the beginning of the earliest period presented in the financial statements shall be restated to reflect the effects of inflation from the date the assets were acquired and the liabilities were incurred or assumed until the end of the reporting period. For non-monetary items carried at the opening statement of financial position at amounts current at dates other than those of acquisition or incurrence, that restatement shall reflect instead the effect of inflation from the dates those carrying amounts were determined until the end of the reporting period.

Retained earnings recognised in the consolidated balance sheet prepared in accordance with TFRS within the scope of the transition to TAS 29 is amounted to TL109.886.593 as of 1 January 2022 and the amount calculated on purchasing power basis amounted to TL 90.926.213 as of 31 December 2023.

**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 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2023 unless otherwise stated.)

**2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)****2.1 Basis 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 2023 and 2022:

	<b>Arzum and its subsidiaries' direct and indirect control shares</b>	
	<b>(%)</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
Arzum Asia Pasific	100	100
Arzum Europe	100	100
Arzum Serbest Bölge (*)	100	100
Arzum USA (**)	100	100
Arzum Shangai (***)	100	--

(\*) Although it does not have a separate legal entity, Arzum Serbest Bölge 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.

(\*\*) In order to increase the volume of operations of the Group in America, Arzum USA has been established in the state of Delaware, and bank account opening process continues for capital payment.

(\*\*\*) Arzum Shanghai Limited Company was established in Shanghai as an indirect 100% subsidiary merger of the Group. The capital of the Company is 100.000 USD.

***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.

## Notes to the Consolidated Financial Statements as at and for the Year Ended 31 December 2023

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2023 unless otherwise stated.)

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

#### **2.1 Basis of presentation** *(continued)*

##### **(e) Principles of Consolidation** *(continued)*

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

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

##### iii. Elimination processes in consolidation

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

#### **2.2 Changes 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 2023 with its consolidated balance sheet prepared as of 31 December 2022; The profit or loss and other comprehensive income statement for the year ended 31 December 2023, 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 2022. 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 2022, The Group presented the "Liabilities from Customer Contracts" by netting off with "Trade Receivables".

#### **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 of and for the year ended 31 December 2022 are the same as those applied in the last annual financial statements as of and for the year ended 31 December 2023.

## 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 2023

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2023 unless otherwise stated.)

#### 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.

##### **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.

After reconsidering certain aspects of the 2020 amendments; IASB has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. Related amendment was published by POA as "TFRS 2023" on 3 January 2023.

This right may be subject to a company complying with conditions (covenants) specified in a loan arrangement. Additional disclosure is also required for non-current liabilities subject to future covenants. The amendments also clarify how an entity classifies a liability that can be settled in its own shares.

The Group shall apply retrospectively these amendments for annual periods beginning on or after 1 January 2024 with earlier application permitted. It also specifies the transition requirements for companies that may have early-adopted the previously issued but not yet effective 2020 amendments

The Group does not expect that application of these amendments to TAS 1 will have significant impact on its financial statements.

##### **Lease Liability in a Sale and Leaseback – Amendments to TFRS 16 Leases**

In September 2022, IASB issued Lease Liability in a Sale and Leaseback, which amends IFRS 16 Leases. Related amendment was published by POA as "TFRS 2023" on 3 January 2023. Amendments to TFRS 16 *Leases* impact how a seller-lessee accounts for variable lease payments that arise in a sale-and-leaseback transaction. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019.

The amendments confirm the following:

- On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.
- After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted.

## Notes to the Consolidated Financial Statements as at and for the Year Ended 31 December 2023

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2023 unless otherwise stated.)

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

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

##### **Lease Liability in a Sale and Leaseback – Amendments to TFRS 16 Leases (Continued)**

Under TAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of TFRS 16. This means that it will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of TFRS 16 in 2019, and potentially restate those that included variable lease payments.

The Group does not expect that application of these amendments to Amendments to TFRS 16 Leases will have significant impact on its financial statements.

##### **Amendments to TAS 7 Statement of Cash Flows and TFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements**

On 25 May 2023, IASB has amended IAS 7 *Statement of Cash Flows* and TFRS 7 *Financial Instruments: Disclosures*. Related amendment was published by POA on 19 September 2023. The amendments introduce additional disclosure requirements for companies that enter into supplier finance arrangements (referred to as supply chain finance, payables finance or reverse factoring arrangements). However, they do not address the classification and presentation of the related liabilities and cash flows.

The IASB's amendments apply to supplier finance arrangements<sup>1</sup> that have all of the following characteristics.

- A finance provider pays amounts a company (the buyer) owes its suppliers.
- A company agrees to pay under the terms and conditions of the arrangements on the same date or at a later date than its suppliers are paid.
- The Group is provided with extended payment terms or suppliers benefit from early payment terms, compared with the related invoice payment due date.

The amendments do not apply to arrangements for financing receivables or inventory.

The amendments introduce two new disclosure objectives – one in TAS 7 and another in TFRS 7 – for a company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the Group's liabilities and cash flows, and the Group's exposure to liquidity risk.

The amendments are effective for periods beginning on or after 1 January 2024, with early application permitted. However, some relief from providing certain information in the year of initial application is available.

The Group does not expect that application of these amendments to TAS 7 Statement of Cash Flows and TFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements will have significant impact on its financial statements.

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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)*

###### **TSRS 1 General Requirements for Disclosure of Sustainability-related Financial Information and TSRS 2 Climate-related Disclosures**

On 26 June 2023, The International Sustainability Standards Board (ISSB) has issued IFRS® Sustainability Disclosure Standards (IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*) to create a global baseline of investor-focused sustainability reporting that local jurisdictions can build on. Related standards were published by POA as "TSRS 1 and TSRS 2" on 29 December 2023.

Two standards are designed to be applied together, supporting companies to identify and report information that investors need for informed decision making – in other words, information that is expected to affect the assessments that investors make about companies' future cash flows.

To achieve this, the general standard provides a framework for companies to report on all relevant sustainability-related topics across the areas of governance, strategy, risk management, and metrics and targets.

The standards are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. But it will be for individual jurisdictions to decide whether and when to adopt. Accordingly, POA announced in the Board Decision published in the Official Gazette dated 29 December 2023 that certain entities will be subject to mandatory sustainability reporting as of 1 January 2024.

Although the Group does not meet the criteria specified in the Board Decision, the Group has decided to implement it voluntarily.

###### **The new standards, amendments and interpretations that are issued by the IASB but not issued by POA**

###### **Lack of Exchangeability – Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates**

In August 2023, the International Accounting Standards Board (IASB) amended IAS 21 to clarify:

- when a currency is exchangeable into another currency; and
- how a company estimates a spot rate when a currency lacks exchangeability.

A currency is exchangeable into another currency when a company is able to exchange that currency for the other currency at the measurement date and for a specified purpose. When a currency is not exchangeable, a company needs to estimate a spot rate.

A company's objective when estimating a spot rate is only that it reflects the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments contain no specific requirements for estimating a spot rate.

Therefore, when estimating a spot rate a company can use:

- an observable exchange rate without adjustment; or
- another estimation technique.

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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 new standards, amendments and interpretations that are issued by the IASB but not issued by POA (Continued)

Under the amendments, companies will need to provide new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements. These disclosures might include:

- the nature and financial impacts of the currency not being exchangeable;
- the spot exchange rate used;
- the estimation process; and
- risks to the Group because the currency is not exchangeable.

The amendments apply for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted. The Group does not expect that application of these Amendments to IAS 21 will have significant impact on its financial statements.

###### **Amendments are effective on 1 January 2023**

Changes that have become effective and have been adopted for annual periods beginning on or after 1 January 2023:

- 1- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to TAS 12 Income Taxes
- 2- Definition of Accounting Estimates (Amendments to TAS 8)
- 3- Disclosure of Accounting Policies (Amendments to TAS 1)
- 4- Amendments to IAS 12- IFRS for SMEs Accounting Standard – International Tax Reform – Pillar Two Model Rules

These newly adopted amendments to standards have not been a significant impact on the financial statements of the Group.

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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
Vehicles	5 years
Furniture and fixtures	3-15 years
Leasehold improvements	5-10 years

Leasehold improvements are subject to depreciation on a straight-line method over the shorter of the lease term or the useful life of the leasehold improvement.

###### 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 within the scope of research expenditures are recognized in profit or loss when actualized. Development expenditures are incurred only if such costs can be measured reliably, product or usage costs are technically and commercially feasible, consumption is likely to yield economic benefits, and the Group's development expenditures to sell or use the asset are spent and sufficient resources are available. Otherwise, the actuals are recognized in profit or loss. Upon initial recognition, development costs are calculated by subtracting accumulated amortization and, if any, accumulated impairment losses. In the current period, the amortization periods, which determine the average useful life of the development periods, are 3-5 years. (2022: 3-5 years)

**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.

**(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.

In general, the accounting policies applied to the Group as a lessor in the comparative period are not different from TFRS 16, except for the classification of a sublease entered in the current reporting period resulting in a finance lease classification.

**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; 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.

For the purposes of this assessment, the principal is the fair value of the financial asset at initial recognition in the consolidated financial statements. Interest consists of the time value of money, the credit risk of the principal balance for a given time period, other key lending risks and costs (for example, liquidity risk and management costs), and the profit margin.

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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

<b>Financial Assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
<b>Financial Assets at Amortised Cost</b>	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)

##### (iii) 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.

##### (iv) 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.

##### (v) Derivative financial instruments and hedging

As of 31 December 2023 and 2022, 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.

Other financial liabilities consist of financial liabilities, lease payables, current accounts with banks, trade and other payables and payables to related parties.

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.



## ARZUM ELEKTRİK EV ALETLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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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.

###### Provisions, contingent assets and liabilities

A provision is made in the consolidated financial statements if there is a present obligation as a result of past events, it is probable that the obligation will be settled and the amount of the obligation can be estimated reliably.

The amount recognized as a provision is calculated by estimating the expense to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties associated with the obligation. If the provision is measured using the estimated cash flows required to settle the present obligation, the carrying amount of the provision is equal to the present value of the relevant cash flows.

Where it is expected that some or all of the economic benefits required to settle the provision will be met by third parties, the amount to be collected is recognized as an asset if it is almost certain that the amount will be collected and can be measured reliably.

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#### 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

##### 2.6 Summary of significant accounting policies (continued)

###### 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 Group 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

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 calculated from the data of past 3 years 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 2023 and 2022, cash and cash equivalents are comprised of the following:

	31 December 2023	31 December 2022
Cash at banks	237.127.655	194.805.401
<i>Demand deposits</i>	171.270.700	92.195.360
<i>Time deposits</i>	65.856.955	102.610.041
Other cash and cash equivalents(*)	305.585	326.380.365
<b>Total</b>	<b>237.433.240</b>	<b>521.185.766</b>

(\*) As of 31 December 2023, other cash and cash equivalents consist of B type liquid funds with a maturity of less than 3 months.

The details of time deposits as at 31 December 2023 are as follows:

Currency	Maturity Date	Interest rate (%)	31 December 2023
TL	34,00	2 January 2024	50.000.000
TL	40,00	2 January 2024	15.500.000
TL	34,00	2 January 2024	356.955
<b>Total</b>			<b>65.856.955</b>

The details of time deposits as at 31 December 2022 are as follows:

Currency	Maturity Date	Interest rate (%)	31 December 2022
TL	18,50	2 January 2023	67.797.880
TL	18,00	2 January 2023	18.289.794
TL	15,00	3 January 2023	16.522.367
<b>Total</b>			<b>102.610.041</b>

As of 31 December 2023 and 2022, 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 2023 and 2022, the Group's financial liabilities are as follows:

	31 December 2023	31 December 2022
Short term bank borrowings	413.946.073	598.295.351
Short-term issued bond and interest accruals(*)	424.298.294	442.033.188
Short-term lease liabilities	13.825.228	6.771.170
Other short-term borrowings	54.999.959	--
<b>Total short term borrowings</b>	<b>907.069.554</b>	<b>1.047.099.709</b>
Long term lease liabilities	27.243.182	1.400.450
<b>Total long term borrowings</b>	<b>27.243.182</b>	<b>1.400.450</b>
<b>Total borrowings</b>	<b>934.312.736</b>	<b>1.048.500.159</b>

(\*) The Group has issued financing bonds listed on Istanbul Stock Exchange amounting to TL 403.250.000 with fixed interest amounting to TL 125.000.000 with two coupon payments on 19 July 2023, TL 50.000.000 with 4 coupon payments on 15 August 2023, TL 112.250.000 with 2 coupon payments on 15 September 2023 and TL 116.000.000 with 2 coupon payments on 15 December 2023. The redemption dates of the financial bonds are 12 January 2024, 14 August 2024, 15 March 2024 and 7 June 2024 and the annual fixed interest rates are 39,50%, 40%, 47% and 49%, respectively.

#### Bank borrowings

As of 31 December 2023 and 2022, the details of interest rate, nominal value, maturity and currency of borrowings are as follows:

31 December 2023					
Currency	Nominal interest rate %	Maturity	Short term	Long term	Nominal
TL loans	17,52-54,00	2024	413.946.073	--	396.835.376
<b>Total</b>			<b>413.946.073</b>	<b>--</b>	<b>396.835.376</b>
31 December 2022					
Currency	Nominal interest rate %	Maturity	Short term	Long term	Nominal
TL loans	14,75-38,50	2023	598.295.351	--	581.313.642
<b>Total</b>			<b>598.295.351</b>	<b>--</b>	<b>581.313.642</b>

As of December 31, 2023, there is no cheque guarantee on the Group's bank borrowings and there is a guarantee given as export commitment amounting to TL 10.525.515 (31 December 2022: TL 67.556.897 export commitment). Foreign currency and interest rate risks and sensitivity analysis for the Group's financial assets and liabilities are disclosed in Note 23.

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**4. Short and Long Term Borrowings (continued)**

Movement tables of borrowings for the periods ending on 31 December 2023 and 2022 are as follows:

	1 January – 31 December 2023	1 January – 31 December 2022
Balance at 1 January	598.295.351	724.592.455
Additions	648.896.739	829.944.222
Interest accruals	21.877.439	18.045.681
Payments	(592.589.830)	(703.565.794)
Monetary gain/(loss)	(262.533.626)	(270.721.213)
<b>Balance at 31 December</b>	<b>413.946.073</b>	<b>598.295.351</b>

**Lease Liabilities**

As of 31 December 2023 and 2022, the details of lease liabilities are as follows:

	31 December 2023	31 December 2022
<b>Short term lease liabilities</b>		
Short-term lease liabilities from other parties	13.825.228	6.771.170
- Lease liabilities	13.825.228	6.771.170
<b>Long term lease liabilities</b>		
Long-term lease liabilities from other parties	27.243.182	1.400.450
- Lease liabilities	27.243.182	1.400.450

As of 31 December 2023 and 2022, the details of the lease obligations are as follows:

	31 December 2023	31 December 2022
In a year	25.759.909	7.334.433
Minus : Future financial expenses	(11.934.681)	(563.263)
<b>Present value of lease liabilities</b>	<b>13.825.228</b>	<b>6.771.170</b>
Two years and over	34.277.200	1.433.789
Minus : Future financial expenses	(7.034.018)	(33.339)
<b>Present value of lease liabilities</b>	<b>27.243.182</b>	<b>1.400.450</b>

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, 43,25% for buildings and vehicles.

As of 31 December 2023 and 2022, the reconciliation of the Group's liabilities arising from lease transactions is as follows:

	1 January – 31 December 2023	1 January – 31 December 2022
Balance at 1 January	8.171.620	23.070.855
Additions (Note: 11)	56.616.825	4.066.975
Rent payments	(20.507.740)	(9.462.707)
Interest expense	10.006.331	1.770.344
Interest payments	(10.006.331)	(1.770.344)
Monetary gain/(loss)	(3.212.295)	(9.503.503)
<b>Present value of lease liabilities</b>	<b>41.068.410</b>	<b>8.171.620</b>

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#### 5. Trade Receivables and Payables

##### a) Trade Receivables

As of 31 December 2023 and 2022, the Group's trade receivables are as follows:

	31 December 2023	31 December 2022
Trade receivables	874.638.531	688.532.204
Checks received	204.046.935	173.965.440
Credit card receivables	3.115.594	691.118
Doubtful trade receivables	15.224.973	32.907.469
Provision for Impairment (-)	(15.224.973)	(32.907.469)
<b>Total</b>	<b>1.081.801.060</b>	<b>863.188.762</b>

The average maturity of the Group's trade receivables is 87 days (31 December 2022: 88 days). Average maturity calculation is 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 2023, a provision amounting to TL 15.224.973 has been reserved for doubtful trade receivables of the Group (31 December 2022: TL 32.907.469).

The movement table regarding the provision for impairment for the years ended 31 December 2023 and 2022 is as follows:

	1 January – 31 December 2023	1 January – 31 December 2022
<b>Balance at 1 January</b>	<b>32.907.469</b>	<b>46.873.547</b>
Provision during the period (*)	5.343.216	3.217.571
Doubtful receivables provision released	(4.999.193)	(104.787)
Monetary gain/(loss)	(18.026.519)	(17.078.862)
<b>Balance at 31 December</b>	<b>15.224.973</b>	<b>32.907.469</b>

(\*) 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 20.302.000 consist of checks received (31 December 2022: TL 9.828.705).

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 2023 and 2022, the Group's short-term trade payables are as follows:

	31 December 2023	31 December 2023
Trade payables	728.857.342	541.206.659
Expense accruals	3.756.112	17.199.533
<b>Total</b>	<b>732.613.454</b>	<b>558.406.192</b>

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 2023 and 2022, the Group's other short-term receivables are as follows:

	31 December 2023	31 December 2022
Deposits and guarantees given	2.795.193	1.723.037
Other receivables	812.984	17.588
<b>Total</b>	<b>3.608.177</b>	<b>1.740.625</b>

**b) Other Payables**

As of 31 December 2023 and 2022, the Group's other payables are as follows:

	31 December 2023	31 December 2022
Other payables	472.610	231.170
<b>Total</b>	<b>472.610</b>	<b>231.170</b>

**c) Other current assets**

As of 31 December 2023 and 2022, the other current assets of the Group are as follows:

	31 December 2023	31 December 2022
Work advances	381.632	9.093.933
Deferred VAT	--	945.157
Other	602.554	561.883
<b>Total</b>	<b>984.186</b>	<b>10.600.973</b>

**d) Other short term liabilities**

As of 31 December 2023 and 2022, the other short-term liabilities of the Group are as follows:

	31 December 2023	31 December 2022
Taxes and funds payable	15.147.319	29.346.088
<b>Total</b>	<b>15.147.319</b>	<b>29.346.088</b>

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#### 7. Inventories

As of 31 December 2023 and 2022, inventories of the Group are as follows:

	31 December 2023	31 December 2022
Finished goods	417.736.024	426.580.102
Other Inventories	395.551	131.871
Provision for inventory impairment (-)	(4.816.685)	(5.665.689)
<b>Total</b>	<b>413.314.890</b>	<b>421.046.284</b>

As of 31 December 2023, the insurance amount on the inventories is TL 377.304.686, and the carried amounts are under insurance. (31 December 2022: TL 355.674.777).

Movement of the provision for inventory impairment is as follows:

	1 January – 31 December 2023	1 January – 31 December 2022
<b>Balance at 1 January</b>	<b>(5.665.689)</b>	<b>(3.465.544)</b>
Provisions during the year	--	(2.200.145)
Provisions reversed during the period	849.004	--
<b>Balance at 31 December</b>	<b>(4.816.685)</b>	<b>(5.665.689)</b>

#### 8. Prepaid Expenses and Deferred Income

##### Prepaid expenses

As of 31 December 2023 and 2022, prepaid expenses of the Group are as follows:

	31 December 2023	31 December 2022
<b>Short term</b>		
Advances given (*)	113.227.294	54.866.063
Short term prepaid expenses	29.153.861	11.300.997
<b>Total short term</b>	<b>142.381.155</b>	<b>66.167.060</b>
<b>Long term</b>		
Long term prepaid expenses	1.182.753	3.200.819
Advances given (*)	118.745	201.303
<b>Total long term</b>	<b>1.301.498</b>	<b>3.402.122</b>

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

##### Deferred Income

As of 31 December 2023 and 2022, deferred income of the Group are as follows:

	31 December 2023	31 December 2022
Received advances	6.058.367	4.412.869
<b>Total deferred income</b>	<b>6.058.367</b>	<b>4.412.869</b>

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**9. Property, Plant and Equipments**

The movement table of property, plant and equipments for the year ended 31 December 2023 is as follows:

Cost value	Vehicles	Furniture and Fixtures	Leasehold improvements	Ongoing investments	Total
<b>Balance at 1 January 2023</b>	<b>15.116.278</b>	<b>263.186.763</b>	<b>36.352.151</b>	<b>35.817.258</b>	<b>350.472.450</b>
Additions	414.769	9.026.309	469.916	15.677.621	25.588.615
Disposals	--	--	--	(2.515.861)	(2.515.861)
Transfers (*)	--	17.644.702	--	(20.845.873)	(3.201.171)
<b>Closing balance as of 31 December 2023</b>	<b>15.531.047</b>	<b>289.857.774</b>	<b>36.822.067</b>	<b>28.133.145</b>	<b>370.344.033</b>
<b>Accumulated depreciation</b>					
<b>Balance at 1 January 2023</b>	<b>(6.235.048)</b>	<b>(137.745.488)</b>	<b>(34.037.687)</b>	--	<b>(178.018.223)</b>
Current expense	(3.322.931)	(27.415.465)	(652.847)	--	(31.391.243)
Disposals	--	--	--	--	--
<b>Net book value as of 31 December 2023</b>	<b>(9.557.979)</b>	<b>(165.160.953)</b>	<b>(34.690.534)</b>	--	<b>(209.409.466)</b>
<b>Net book value as of 1 January 2023</b>	<b>8.881.230</b>	<b>125.441.275</b>	<b>2.314.464</b>	<b>35.817.258</b>	<b>172.454.227</b>
<b>Net book value as of 31 December 2023</b>	<b>5.973.068</b>	<b>124.696.821</b>	<b>2.131.533</b>	<b>28.133.145</b>	<b>160.934.567</b>

(\*) Transferred to intangible fixed assets.

For the year ended 31 December 2023, the total amounts of depreciation expenses recognized at cost of sales, marketing, selling and distribution expenses and general administrative expenses are TL 17.294.463, TL 996.879 and TL 13.099.901, respectively (31 December 2022: TL 14.654.090, TL 917.157 and TL 11.253.411).

As of 31 December 2023, the amount of insurance coverage on tangible assets is TL 33.574.703 (31 December 2022: TL 12.486.604).

As of 31 December 2022, the Group does not have any mortgage on tangible assets. (31 December 2022: 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 2022 is as follows:

Cost value	Vehicles	Furniture and Fixtures	Leasehold improvements	Ongoing investments	Total
Balance at 1 January 2022	11.442.311	243.995.818	35.224.538	20.565.623	311.228.290
Additions	4.272.612	18.363.123	96.778	20.129.218	42.861.731
Disposals	(598.645)	(118.667)	--	(2.189.358)	(2.906.670)
Transfers (*)	--	946.489	1.030.835	(2.688.225)	(710.901)
Closing balance as of 31 December 2022	15.116.278	263.186.763	36.352.151	35.817.258	350.472.450
Accumulated depreciation					
Balance at 1 January 2022	(3.717.860)	(114.481.191)	(33.653.182)	--	(151.852.233)
Current expense	(3.057.189)	(23.382.964)	(384.505)	--	(26.824.658)
Disposals	540.001	118.667	--	--	658.668
Net book value as of 31 December 2022	(6.235.048)	(137.745.488)	(34.037.687)	--	(178.018.223)
Net book value as of 1 January 2022	7.724.451	129.514.627	1.571.356	20.565.623	159.376.057
Net book value as of 31 December 2022	8.881.230	125.441.275	2.314.464	35.817.258	172.454.227

(\*) Transferred to intangible fixed assets.

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**10. Intangible Assets**

The movement table of intangible assets for the year ended 31 December 2023 is as follows:

<b>Cost value</b>	<b>Rights</b>	<b>Research and development expenses</b>	<b>Total</b>
<b>Balance at 1 January 2023</b>	<b>114.515.659</b>	<b>29.033.314</b>	<b>143.548.973</b>
Additions	7.937.800	--	<b>7.937.800</b>
Transfers (*)	2.350.578	850.593	<b>3.201.171</b>
<b>Closing balances as of 31 December 2023</b>	<b>124.804.037</b>	<b>29.883.907</b>	<b>154.687.944</b>
<b>Accumulated amortization</b>			
<b>Balance at 1 January 2023</b>	<b>(85.543.811)</b>	<b>(25.384.421)</b>	<b>(110.928.232)</b>
Current expense	(9.210.679)	(1.610.784)	<b>(10.821.463)</b>
<b>Closing balance as of 31 December 2023</b>	<b>(94.754.490)</b>	<b>(26.995.205)</b>	<b>(121.749.695)</b>
<b>Net book value as of 1 January 2023</b>	<b>28.971.848</b>	<b>3.648.893</b>	<b>32.620.741</b>
<b>Net book value as of 31 December 2023</b>	<b>30.049.547</b>	<b>2.888.702</b>	<b>32.938.249</b>

The movement table of intangible assets for the year ended 31 December 2022 is as follows:

<b>Cost value</b>	<b>Rights</b>	<b>Research and development expenses</b>	<b>Total</b>
<b>Balance at 1 January 2022</b>	<b>103.223.035</b>	<b>27.715.105</b>	<b>130.938.140</b>
Additions	10.945.577	954.354	<b>11.899.931</b>
Transfers (*)	347.047	363.855	<b>710.902</b>
<b>Closing balances as of 31 December 2022</b>	<b>114.515.659</b>	<b>29.033.314</b>	<b>143.548.973</b>
<b>Accumulated amortization</b>			
<b>Balance at 1 January 2022</b>	<b>(75.849.539)</b>	<b>(23.825.046)</b>	<b>(99.674.585)</b>
Current expense	(9.694.272)	(1.559.375)	<b>(11.253.647)</b>
<b>Closing balance as of 31 December 2022</b>	<b>(85.543.811)</b>	<b>(25.384.421)</b>	<b>(110.928.232)</b>
<b>Net book value as of 1 January 2022</b>	<b>27.373.496</b>	<b>3.890.059</b>	<b>31.263.555</b>
<b>Net book value as of 31 December 2022</b>	<b>28.971.848</b>	<b>3.648.893</b>	<b>32.620.741</b>

(\*) Transferred from construction in progress accounted under property, plant and equipment.

For the year ended 31 December 2023, the amount of amortization recognized in marketing, selling and distribution expenses and general administrative expenses is TL 3.246.439 and TL 7.575.024, respectively (31 December 2022: TL 3.376.094 and TL 7.877.553).

The Group's main research and development expenses consist of costs related to the prototyping and design of products that have been or will be sold and the Group calculates the return on investment for each product developed and determines whether there is any impairment. As of 31 December 2023, there is no impairment (31 December 2022: None).

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#### 11. Right of use assets

The movement table of right-of-use assets for the years ended 31 December 2023 and 2022 is as follows:

	Building	Vehicle	Total
<b>Balance at 1 January 2023</b>	<b>16.512.851</b>	<b>33.664.416</b>	<b>50.177.267</b>
Additions (Note: 4)	4.584.656	61.323.590	<b>65.908.246</b>
Accumulated Depreciation	(14.839.338)	(45.771.781)	<b>(60.611.119)</b>
<b>Net book value as of 31 December 2023</b>	<b>6.258.169</b>	<b>49.216.225</b>	<b>55.474.394</b>

	Building	Vehicle	Total
<b>Balance at 1 January 2022</b>	<b>13.193.234</b>	<b>33.625.445</b>	<b>46.818.679</b>
Additions (Note: 4)	3.319.616	38.971	<b>3.358.587</b>
Accumulated Depreciation	(7.975.657)	(25.849.283)	<b>(33.824.940)</b>
<b>Net book value as of 31 December 2022</b>	<b>8.537.193</b>	<b>7.815.133</b>	<b>16.352.326</b>

For the year ended 31 December 2023, the amount of amortization recognized in marketing, selling and distribution expenses and general administrative expenses is TL 7.715.088 and TL 17.996.815, respectively (31 December 2022: TL 3.598.330 and TL 7.688.535). As of 31 December 2023 and 2022, 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 2023 and 2022, long and short term provisions are as follows:

	31 December 2023	31 December 2022
Warranty provision	8.833.918	10.642.599
Sales premium provision	1.977.696	2.459.247
Other	400.000	1.291.342
<b>Total Short term provisions</b>	<b>11.211.614</b>	<b>14.393.188</b>
Warranty provision	7.435.561	8.719.251
<b>Total Long Term Provisions</b>	<b>7.435.561</b>	<b>8.719.251</b>
<b>Total</b>	<b>18.647.175</b>	<b>23.112.439</b>

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**12. Provisions, Contingent Assets and Liabilities (continued)****a) Provisions (continued)****Warranty provision**

As of 31 December 2023 and 2022, movement of warranty provision is as follows:

	<b>1 January – 31 December 2023</b>	<b>1 January – 31 December 2022</b>
<b>Balance at 1 January</b>	<b>19.361.850</b>	<b>20.188.165</b>
Provisions made during the year	30.363.287	27.577.995
Used during the year	(24.585.560)	(21.080.394)
Monetary gain/ (loss)	(8.870.098)	(7.323.916)
<b>Balance at 31 December</b>	<b>16.269.479</b>	<b>19.361.850</b>

**Sales Premium provision**

As of 31 December 2023 and 2022, movement of sales premium provision is as follows:

	<b>1 January – 31 December 2023</b>	<b>1 January – 31 December 2022</b>
<b>Balance at 1 January</b>	<b>2.459.247</b>	<b>630.522</b>
Provisions made during the year	2.528.648	2.259.441
Used during the year	(2.459.247)	(352.648)
Monetary gain/ (loss)	(550.952)	(78.068)
<b>Balance at 31 December</b>	<b>1.977.696</b>	<b>2.459.247</b>

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#### 12. Provisions, Contingent Assets and Liabilities (continued)

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

Collaterals pledges and mortgages ("CPM") given by the Group as of 31 December 2023 and 2022 are as follows:

	31 December 2023		31 December 2022	
	Original balances		Original balances	
	Total TL	TL	Total TL	TL
A. CPM's given in the behalf of own company (*)	11.147.381	11.147.381	12.395.043	12.395.043
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	--	--	--	--
<b>Total</b>	<b>11.147.381</b>	<b>11.147.381</b>	<b>12.395.043</b>	<b>12.395.043</b>

The ratio of other CPM's given by the Group to the Group's equity is 0% as of 31 December 2023 (31 December 2022: 0%).

As of 31 December 2023, the Group does not have customer checks given as collateral (31 December 2022: None).

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 2023 and 2022, the Group's GPM's are as follows:

Type	31 December 2023	31 December 2022
Receivables insurance	537.933.489	597.000.081
DBS / DTS	121.863.606	85.481.392
Letters of guarantee	122.322.526	36.822.653
Mortgage	32.781.558	35.777.874
Exim Bank	9.197.941	15.565.687
<b>Total</b>	<b>824.099.120</b>	<b>770.647.687</b>

**d) Letters of credit**

The letter of credit information of the Group as of 31 December 2023 and 2022 is as follows:

Type	31 December 2023		31 December 2022	
	USD	TL	USD	TL
Letters of credit for import	--	--	91.713	1.714.721
<b>Total</b>				<b>1.714.721</b>

**e) Cheques and notes received**

As of 31 December 2023, the total amount of cheques received as guarantee for the future sales of the Group is TL 66.465.665 (31 December 2022 – TL 37.796.635).

**13. Employee Benefits****a) Liabilities for employee benefits**

As of 31 December 2023 and 31 December 2022, liabilities for employee benefits are as follows:

	31 December 2023	31 December 2022
Social security premium payables	2.905.544	2.264.028
Due to personnel	52.607	163.412
<b>Total</b>	<b>2.958.151</b>	<b>2.427.440</b>

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#### 13. Employee Benefits (continued)

##### b) Provisions for employee benefit

As of 31 December 2023 and 31 December 2022, provisions for employee benefits are as follows:

	31 December 2023	31 December 2022
<b>Short-term</b>		
Bonus provision	20.055.033	26.592.548
Unused vacation provision	4.625.372	4.885.118
<b>Total short term provisions</b>	<b>24.680.405</b>	<b>31.477.666</b>
<b>Long term</b>		
Provision for severance pay	11.167.051	14.676.433
<b>Total long term provisions</b>	<b>11.167.051</b>	<b>14.676.433</b>
<b>Total</b>	<b>35.847.456</b>	<b>46.154.099</b>

The movement of the provision for severance pay for the years ended 31 December 2023 and 2022 is as follows:

	1 January – 31 December 2023	1 January – 1 December 2022
<b>Provision as of 1 January</b>	<b>14.676.433</b>	<b>9.650.825</b>
Service cost	4.190.265	1.398.348
Interest cost	1.232.924	1.154.767
Paid severance pays (*)	(9.104.062)	(1.226.721)
Actuarial difference	6.570.449	9.094.611
Monetary gain/ (loss)	(6.398.958)	(5.395.397)
<b>Provision at the end of the year</b>	<b>11.167.051</b>	<b>14.676.433</b>

(\*) The Law No. 7438 on Social Insurance and General Health Insurance, which contains the regulation on Those Who have reached Retirement Age (EYT), and the Law Amending the Decree Law No. 375, entered into force through publication in the Official Gazette dated 3 March 2023 and numbered 32121. The severance payment made within the scope of the related law is TL 7.036.807.

Within the framework of the laws in Turkey, those who have completed their one-year service period in the Group 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:

	2023	2022
	%	%
Discount rate	2,00	2,00
Interest rate	29,5	12
Inflation rate	27	9,8

The provision for severance pay was calculated based on the severance pay ceiling announced by the Government. As of 31 December 2023, the severance pay ceiling amounted to 23.489,83 TL (shown in full TL amount) (as of 31 December 2022, 15.371,40 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 2023 and 2022 is as follows:

	1 January – 31 December 2023	1 January – 31 December 2022
<b>Balance at 1 January</b>	<b>26.592.548</b>	<b>16.932.706</b>
Provision made during the year	25.642.015	24.431.982
Provision paid during the year	(26.592.548)	(9.470.391)
Monetary gain/ (loss)	(5.586.982)	(5.301.749)
<b>Balance at 31 December</b>	<b>20.055.033</b>	<b>26.592.548</b>

**Unused vacation provision**

The movement of the unused vacation provision for the years ended 31 December 2023 and 2022 is as follows:

	1 January – 31 December 2023	1 January – 31 December 2022
<b>Balance at 1 January</b>	<b>4.885.118</b>	<b>7.032.885</b>
Current provisions expense / (reversal), net	2.123.232	714.920
Monetary gain/ (loss)	(2.382.978)	(2.862.687)
<b>Balance at 31 December</b>	<b>4.625.372</b>	<b>4.885.118</b>



## ARZUM ELEKTRİK EV ALETLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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#### 14. Share Capital

##### a) Capital

As of 31 December 2023 and 2022, the Company's paid-in capital structure is as follows:

Shareholders	Group	31 December 2023		31 December 2022		
		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
Rengin Yağan	A	1.259.411	3,91	A	1.259.411	3,91
Filiz Kolbaşı	A	314.852	0,98	A	314.852	0,98
Bora Kolbaşı	A	314.853	0,98	-	314.853	0,98
İbrahim Buğra Kolbaşı	A	314.853	0,98	-	314.853	0,98
Kayra Kolbaşı	A	314.853	0,98	-	314.853	0,98
Halka Açık Kısım (*)	B	15.782.900	49,00	B	15.782.900	49,00
<b>Paid-in capital</b>		<b>32.210.000</b>			<b>32.210.000</b>	
<b>Capital adjustment positive differences</b>		<b>391.161.699</b>			<b>391.161.699</b>	

(\*) The Company is registered with the Capital Markets Board ("CMB") and its shares are traded on Borsa Istanbul A.Ş. ("BIST") as of 2020. %1,49 of shares among the remaining Group B shares which were not traded on the BIST, were registered as of 6 July 2021 and have become tradable on the BIST. 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 2023, the official and nominal capital of the Company is 32.210.000 TL (31 December 2022: 32.210.000 TL). This capital is divided into 32,210,000 registered shares, each with a nominal value of 1 TL (31 December 2022: 32,210,000). The shares consist of 16,427,100 Group A shares and 15,782,900 Group B shares.

As of December 31, 2023, the Company's capital adjustment difference is TL 391.161.699 (December 31, 2022: TL 391.161.699).

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 69.857.505 to Turkish Household Appliances was approved. Turkish Household Appliances. TL 145.884.925 was paid for the shares sold and TL 93.570.704 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 28.684.050 to Turkish Household was approved. For the shares sold by Turkish Household, TL 146.760.111 was paid and TL 118.290.329 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 2023, the Group's legal reserves included in the restricted reserves account allocated from profit is TL 55.596.881 (31 December 2022: TL 53.914.526).

**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 2023, the Group's total foreign currency translation differences is TL 21.408.989 (31 December 2022: TL 15.392.131).

**e) Retained earnings**

The Group has accumulated previous year's losses amounting to TL 275.790.154 as of 31 December 2023 (31 December 2022: TL 97.454.430 accumulated losses).

**f) Dividend**

Based on the approval of the Ordinary General Assembly of the Company for the period ended 31 December 2023 held on June 19, 2023, the Company distributed a gross dividend of TL 18.847.105 to its shareholders based on the Board of Directors Decision No. 2023/17 dated 23 May 2023 (31 December 2022: 28.520.544).

**g) Additional Information on Capital, Reserves and Other Equity Items**

The comparison of the Group's equity items restated for the effects of inflation in the consolidated financial statements as of 31 December 2023 with the amounts restated for the effects of inflation in the financial statements prepared in accordance with the Law No. 6762 and other legislation is as follows:

31 December 2023	6762 numbered law and other legislation in the financial statements prepared in accordance with the inflation adjusted amounts	Inflation adjusted amounts in the financial statements prepared in accordance with TAS 29	Differences followed in retained earnings
Capital Adjustment Differences	613.284.415	391.161.699	222.122.716
Share Premium	340.871.913	211.861.033	129.010.880
Legal Reserves	81.949.136	55.596.881	26.352.254

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#### 15. Revenue and Cost of Sales

For the years ended 31 December 2023 and 2022, revenue and cost of sales is as follows:

	1 January – 31 December 2023	1 January – 31 December 2022
Domestic modern channel sales	5.018.815.674	4.459.087.320
Domestic traditional channel sales	1.861.368.557	1.604.356.038
Domestic other sales	97.328.163	94.295.285
Foreign sales	334.332.464	314.551.533
<b>Gross sales</b>	<b>7.311.844.858</b>	<b>6.472.290.176</b>
Sales returns	(67.128.005)	(60.825.650)
Sales discounts	(3.554.284.474)	(3.484.538.111)
<b>Net sales</b>	<b>3.690.432.379</b>	<b>2.926.926.415</b>
Cost of goods sold (-)	(2.478.218.573)	(2.288.089.906)
Warranty expenses	(39.904.699)	(43.376.240)
Depreciation expenses and amortization	(17.294.463)	(14.654.090)
<b>Cost of sales (-)</b>	<b>(2.535.417.735)</b>	<b>(2.346.120.236)</b>
<b>Gross profit</b>	<b>1.155.014.644</b>	<b>580.806.179</b>

(\*) It consists of spare parts sales and service revenues within the scope of the Group's after-sales service operations.

The Group sells small household appliances in six product categories: food preparation, cooking and frying, beverage preparation, house cleaning, personal care and iron.

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

Revenue	1 January – 31 December 2023	1 January – 31 December 2022
Turkey	3.356.099.915	2.612.401.723
Egypt	45.617.965	16.552.614
Germany	43.518.760	28.766.842
Kuwait	30.367.890	40.383.986
Other	214.827.849	228.821.250
<b>Net sales</b>	<b>3.690.432.379</b>	<b>2.926.926.415</b>

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

For the years ended 31 December 2023 and 2022, marketing, sales and distribution expenses is as follows:

	<b>1 January – 31 December 2023</b>	<b>1 January – 31 December 2022</b>
Advertising and marketing expenses	197.445.240	169.424.157
Personnel expenses	171.968.623	128.456.712
Distribution expenses	79.837.222	59.536.332
Exhibition and fair expenses	56.146.067	43.591.809
Storage expenses	40.428.492	27.467.702
Outsourcing expenses	12.967.780	10.032.590
Travel expenses	11.958.407	7.891.580
Depreciation expenses and amortization	8.984.191	10.492.349
Motor vehicle expenses	4.434.271	5.234.703
Communication expenses	4.245.013	3.069.063
Market research expenses	2.062.970	2.777.141
Freight expenses	1.293.043	1.094.765
Other	18.391.984	16.804.310
<b>Total</b>	<b>610.163.303</b>	<b>485.873.213</b>

**General Administrative Expenses**

For the years ended 31 December 2023 and 2022, general administrative expenses are as follows:

	<b>1 January – 31 December 2023</b>	<b>1 January – 31 December 2022</b>
Personnel expenses	87.693.008	78.449.492
Depreciation expenses and amortization	38.671.740	26.819.499
Consulting expenses	21.042.886	16.900.205
Software expenses	19.918.756	7.822.191
Office expenses	15.499.963	13.325.514
Insurance expenses	4.901.681	2.870.143
Travel expenses	4.805.893	3.344.471
Taxes, fees and charges	3.304.241	982.354
Repair and maintenance expenses	2.813.706	2.044.925
Other	16.127.891	13.226.519
<b>Total</b>	<b>214.779.765</b>	<b>165.785.313</b>

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#### 17. Expenses by nature

For the years ended 31 December 2023 and 2022, expenses by nature is as follows

	1 January – 31 December 2023	1 January – 31 December 2022
Cost of goods sold	2.478.218.573	2.288.089.906
Personnel expenses	259.661.631	206.906.204
Advertising and marketing expenses	197.445.240	169.424.157
Distribution expenses	79.837.222	59.536.332
Depreciation expenses and amortization	67.924.609	49.365.169
Exhibition and fair expenses	56.146.067	43.591.809
Storage expenses	40.428.492	27.467.702
Warranty expenses	39.904.699	43.376.240
Consulting expenses	21.042.886	16.900.205
Software expenses	19.918.756	7.822.191
Travel expenses	17.773.672	13.377.061
Office expenses	15.499.963	13.325.514
Outsourcing expenses	8.984.191	10.492.349
Insurance expenses	4.901.681	2.870.143
Motor vehicle expenses	4.434.271	5.234.703
Communication expenses	4.245.013	3.069.063
Taxes, fees and charges	3.304.241	982.354
Repair and maintenance expenses	2.813.706	2.044.925
Market research expenses	2.062.970	2.777.141
Freight expenses	1.293.043	1.094.765
Other	34.519.877	30.030.829
<b>Total</b>	<b>3.360.360.803</b>	<b>2.997.778.762</b>

#### *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 2023	1 January – 31 December 2022
Independent audit fee for the reporting period (*)	1.925.017	1.044.250
Tax advisory service	434.100	713.317
Other assurance services	139.685	95.568
<b>Total</b>	<b>2.498.802</b>	<b>1.853.135</b>

(\*) 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 2023 and 2022, other income and expenses from operating activities is as follows:

<b>Other income from operating activities</b>	<b>1 January – 31 December 2023</b>	<b>1 January – 31 December 2022</b>
Foreign exchange gains, net	39.236.155	27.004.065
Deferred finance income	37.830.770	377.447
Provisions no longer required	8.211.830	--
Other	9.478.575	2.491.933
<b>Total</b>	<b>94.757.330</b>	<b>29.873.445</b>

<b>Other expense from operating activities</b>	<b>1 January – 31 December 2023</b>	<b>1 January – 31 December 2022</b>
Deferred finance expenses	79.747.868	15.071.906
Other	12.614.936	4.851.593
<b>Total</b>	<b>92.362.804</b>	<b>19.923.499</b>

**19. Financial Income and Expenses**

For the years ended 31 December 2023 and 2022, financial income and expenses is as follows:

<b>Financial Income</b>	<b>1 January – 31 December 2023</b>	<b>1 January – 31 December 2022</b>
Interest income	35.798.671	19.462.112
Gains on derivative instruments	19.887.293	10.962.232
Foreign exchange gains, net	17.325.128	10.282.321
<b>Total</b>	<b>73.011.092</b>	<b>40.706.665</b>

<b>Financial Expense</b>	<b>1 January – 31 December 2023</b>	<b>1 January – 31 December 2022</b>
Loan interest expenses	107.898.842	151.146.900
Bank commission and pos expenses	134.150.870	36.037.996
Bond interest expense	105.514.201	42.000.422
Derivative expense	--	1.863.363
Interest expenses on leasing transactions	10.006.331	1.770.344
Severance interest expense	1.232.924	700.823
<b>Total</b>	<b>358.803.168</b>	<b>233.519.848</b>

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#### 20. Taxation

##### Tax expense

For the years ended 31 December 2023 and 2022, tax expense is as follows:

<b>Tax expense</b>	<b>1 January – 31 December 2023</b>	<b>1 January – 31 December 2022</b>
Corporate tax expense	(71.219.425)	(58.176.864)
Deferred tax income	30.631.596	21.260.053
<b>Total</b>	<b>(40.587.829)</b>	<b>(36.916.811)</b>

##### Tax payable

As of 31 December 2023 and 31 December 2022, current tax asset /liability are as follows:

<b>Current tax asset / (liability)</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Corporate tax provision	77.676.016	58.520.341
Prepaid taxes (-)	(90.549.525)	(68.647.805)
<b>Corporate tax provision / (assets related to current tax), net</b>	<b>(12.873.509)</b>	<b>(10.127.464)</b>

##### Corporate tax

The Company and its subsidiaries located in Turkey are subject to the tax legislation and practices in force in Turkey. Corporate tax is declared by the evening of the last day of the fourth month following the end of the relevant accounting period and is paid in a single installment until the end of the relevant month. Institutions are required to calculate provisional tax at the current rate based on their financial profits realized quarterly, declare it by the 17th day of the second month following the period, and pay it by the evening of the 17th day. Provisional taxes paid during the year are offset against the corporate tax calculated on the annual corporate tax return of that year. If the provisional tax amount remains despite the offset, this amount can be refunded in cash or offset against other financial debts.

In Turkey, the general rate of corporate tax applied to the legal tax base to be found by adding the expenses that are not accepted as deductible in accordance with the tax laws to the commercial profits of the institutions and deducting the exemptions in the tax laws was applied as 20% as of December 31, 2022. However, the "Law on the Creation of Additional Motor Vehicle Tax and Amendments to Certain Laws and the Decree Law No. 375 for the Compensation of Economic Losses Caused by the Earthquakes Occurring on 6/2/2023" published in the Official Gazette No. 32249 dated July 15, 2023 In accordance with Article 21, with the amendments made to Article 32 of the Corporate Tax Law No. 5520, which regulates the corporate tax rate; Starting from the declarations that must be submitted as of October 1, 2023, the general rate applied to corporate tax has been increased from 20% to 25%. Therefore, the Company and its subsidiaries located in Turkey used a 25% tax rate in the current tax calculation for 2023.

Within the scope of this change, the tax rate used in deferred tax calculation as of 31 December 2023 is 25%. (31 December 2022: 23%).

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**20. Taxation (continued)***Corporate tax (continued)*

As of 31 December 2021, the conditions required for the inflation adjustment of the financial statements as of 31 December 2021 have been met in accordance with Article 298 of the Tax Procedure Law. However, in accordance with the provisional article 33 of the Tax Procedure Law No. 213 with the Law No. 7352 "Law Amending the Tax Procedure Law and Corporate Tax Law" published in the Official Gazette No. 31734 dated 29 January 2022:

- Regardless of whether the conditions regarding the inflation adjustment within the scope of Article 298, including the provisional tax periods, are met or not, the duplicate financial statements will not be subject to inflation adjustment in the 2021 and 2022 accounting periods and the provisional tax periods of the 2023 accounting period,
- 31 December 2023 dated financial statements will be subject to inflation adjustment with no effect on the corporate tax base, is provided for.

In accordance with the Tax Procedure Law General Communiqué No. 555 published in the 2nd bis Official Gazette dated 30 December 2023 and numbered 32415 and the 298th bis article of the Tax Procedural Law No. 213, the financial statements of enterprises operating in Turkey for the 2023 accounting period are subject to inflation adjustment. It is essential to keep it. These inflation-adjusted financial statements will constitute an opening balance sheet basis in the tax returns to be prepared as of 1 January 2024, and inflation effects will not be taken into account in the period tax calculation for 2023.

As of 31 December 2023, the Hong Kong corporate tax rate is 8.25% (31 December 2022: 8.25%)

As of 31 December 2023, the German corporate tax rate is 30% (31 December 2022: 30%).

According to the temporary article 33 of the Tax Procedure Law, the tax effects arising from the inflation adjustment of the financial statements dated 31 December 2023 are included in the deferred tax calculation as of 31 December 2023.

Tax legislation in Turkey does not allow the Company and its subsidiaries to file consolidated tax returns. Therefore, the tax provision reflected in the financial statements is calculated separately on a company basis.

According to the Corporate Tax Law, financial losses shown on the declaration can be deducted from the corporate tax base of the period for a period not exceeding 5 years. Declarations and relevant accounting records can be examined by the tax office within five years and tax accounts can be revised.

Dividend payments made from joint stock companies resident in Turkey to those other than those who are not liable for corporate tax and income tax and those who are exempt, and to natural persons who are resident and non-resident of Turkey and legal entities who are not resident in Turkey are subject to 10% income tax.

Dividend payments made from joint stock companies resident in Turkey to joint stock companies resident in Turkey are not subject to income tax. In addition, if the profit is not distributed or added to the capital, income tax is not calculated.



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### 20. Taxation (continued)

#### *Corporate tax (continued)*

Dividend earnings obtained by institutions from participating in the capital of another institution subject to full liability are exempt from corporate tax. In addition, 75% of the profits arising from the sale of the participation shares that have been in the assets of the institutions for at least two full years, as well as the founding shares, usufruct shares and priority rights of the real estate (immovable properties) they have owned for the same period, are exempt from corporate tax. However, with the amendment made by Law No. 7061, this rate was reduced from 75% to 50% for real estate, and this rate is used as 50% in tax returns to be prepared as of 2018. Additionally, with the amendment, as of July 15, 2023; The 50% tax exemption foreseen for real estate sales profits in Law No. 5520 has been abolished. However, this exception will be applied as 25% on the sales of real estate in the assets of businesses before July 15, 2023.

In order to benefit from the exemption, the earnings in question must be kept in a passive fund account and must not be withdrawn from the business for 5 years. The sales price must be collected by the end of the second calendar year following the year in which the sale was made.

In Turkey, there is no practice of reaching an agreement with the tax administration regarding the taxes to be paid. Corporate tax returns are submitted within four months following the month in which the accounting period closes. Authorities authorized for tax inspection may examine tax returns and the accounting records underlying them during the five years following the accounting period and make re-assessments as a result of their findings.

There is a withholding tax obligation on dividend distributions, and this withholding tax obligation is declared in the period when the dividend is paid in cash or on account. Dividend payments other than those made to non-resident taxpayer institutions that generate income through a workplace or permanent representative in Turkey and institutions resident in Turkey were subject to 15% withholding tax until 22 December 2021. However, in accordance with the Presidential Decree No. 4936, which came into force after being published in the Official Gazette No. 31697 dated 22 December 2021, the dividend withholding tax rate, which was 15% according to the Income Tax Law No. 193 and the Corporate Tax Law No. 5520, was reduced to 10%.

In the application of withholding tax rates regarding profit distributions made to non-resident taxpayer institutions and natural persons, the withholding tax rates included in the relevant Double Taxation Avoidance Agreements are also taken into consideration. Addition of retained earnings to capital is not considered profit distribution, therefore it is not subject to withholding tax.

#### *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.

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**20. Taxation (continued)***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 will be applied by reducing two points from the tax rate valid for 5 years as of 1 January 2021, temporary differences expected to be realized or closed by 31 December 2025 will not be included in the deferred tax calculation as of 31 December 2023. The tax rate was used by deducting two points for the tax rate. The rate in question will be valid for the years 2023, 2024 and 2025.

The breakdown of the accumulated temporary differences and deferred tax assets and liabilities that are subject to deferred tax as of 31 December 2023 and 2022, using the applicable tax rates, is as follows:

Deferred tax assets / liabilities	Cumulative temporary differences		Deferred tax	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Trade and Other Receivables	(235.742.935)	(168.335.361)	54.220.874	35.350.426
Employee Benefits	(37.825.151)	(46.154.099)	8.699.785	9.252.067
Guarantee Provisions	(16.269.479)	(19.361.850)	3.741.980	4.065.988
Tax Losses Carried Forward	(7.958.976)	--	2.387.693	--
Provision for Impairment	(4.448.271)	(8.703.109)	1.023.103	1.827.653
Inventories	8.285.134	22.017.931	(1.905.580)	(4.623.764)
Derivative Instruments	23.953	(1.863.363)	(5.509)	391.306
Right of Use Assets and Liabilities, net	14.405.984	8.180.706	(3.313.377)	(1.717.948)
Property, Plant and Equipment and Intangible Assets	26.479.772	121.244.466	(6.090.348)	(21.824.004)
Borrowings	440.918	2.418.628	(101.411)	(507.911)
Trade Payables and Other Liabilities	31.558.520	7.231.417	(7.258.460)	(1.518.598)
Other Assets and Liabilities, net	(1.789.697)	2.102.027	411.630	(441.425)
<b>Deferred tax asset, net</b>	<b>(222.840.228)</b>	<b>(81.222.607)</b>	<b>51.810.380</b>	<b>20.253.790</b>

## ARZUM ELEKTRİK EV ALETLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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#### 20. Taxation (continued)

##### Deferred tax (continued)

The movement table of deferred tax assets for the years ended 31 December 2023 and 2022 is as follows:

	1 January –31 December 2023	1 January –31 December 2022
<b>Balance at 1 January</b>	<b>20.253.790</b>	<b>(2.388.877)</b>
Deferred tax recognized in profit	30.631.596	21.260.053
Deferred tax recognized in other comprehensive income	924.994	1.382.614
<b>Balance at 31 December</b>	<b>51.810.380</b>	<b>20.253.790</b>

The movement table of tax expense for the years ended 31 December 2023 and 2022 is as follows:

	1 January - 31 December 2023	%	1 January - 31 December 2022	%
<b>Profit before taxation</b>	93.567.522		(120.889.457)	
Tax expense calculated with the income tax rate	(21.520.530)	(23,00)	25.386.786	(21,00)
Differences due to corporate tax rate deduction	389.246	0,42	(2.949.973)	2,44
Non-deductible expenses	(27.305.989)	(29,18)	(39.194.404)	32,42
Non-taxable income	3.926.997	4,20	4.826.466	(3,99)
Carried tax losses for previous years	2.186.637	2,34	1.021.433	(0,84)
The effect of tangible fixed assets revalued within the scope of Law No. 7326	4.655.753	4,98	--	-
Tax base effect within export incentive	--	-	206.686	(0,17)
Other	(448.006)	(0,48)	(162.712)	0,13
Monetary gain/ (loss)	(2.471.937)	(2,64)	(26.051.093)	21,55
<b>Current tax expense</b>	<b>(40.587.829)</b>	<b>(43,38)</b>	<b>(36.916.811)</b>	<b>30,54</b>

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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 2023 and 2022 are as follows:

	1 January –31 December 2023	1 January –31 December 2022
<b>Profit per share</b>		
Average number of common shares available during the year (exact value)	32.210.000	32.210.000
<b>Total</b>	<b>32.210.000</b>	<b>32.210.000</b>
<b>Term profit</b>	52.979.693	(157.806.264)
<b>Loss per ordinary share (1 TL nominal equivalent)</b>	<b>1,6448</b>	<b>(4,8993)</b>

**22. Related Party Disclosures****a) Related parties balances**

As of 31 December 2023 and 2022, the Group has no trade payables or receivables to related parties. (31 December 2022: None).

**b) Related party transactions**

As of 31 December 2023 and 2022, the Group does not have any goods and service purchases or sales with related parties.

**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 2023 and 2022 are as follows:

	1 January –31 December 2023	1 January –31 December 2022
Fees and other benefits	45.848.927	63.771.251
<b>Total</b>	<b>45.848.927</b>	<b>63.771.251</b>

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

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#### 23. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

##### 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 2023, and 2022, the net debt/equity ratio is as follows:

	31 December 2023	31 December 2022
Total borrowings	934.312.736	1.048.500.159
Minus: Cash and cash equivalents	(237.433.240)	(521.185.766)
<b>Net liability</b>	<b>696.879.496</b>	<b>527.314.393</b>
Total equity	469.657.155	435.153.164
Total capital	32.210.000	32.210.000
<b>Liability / equity</b>	<b>1,4838</b>	<b>1,2118</b>

##### 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 2023	Receivables				Cash and cash equivalents
	Trade receivables		Other receivables		
	Related party	Other party	Related party	Other party	
Maximum credit risk exposed as of the end of the reporting year (1)	--	<b>1.102.103.060</b>	--	--	<b>237.433.240</b>
- The part of the maximum risk under guarantee with collateral etc. (4)	--	824.099.119	--	--	--
A. Net book value of financial assets that are neither past due nor impaired	--	1.046.009.022	--	--	237.433.240
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	--	56.094.038	--	--	--
- the part secured with security, etc.	--	44.371.539	--	--	--
D. Net book values of impaired assets	--	--	--	--	--
Overdue (gross book value)	--	15.224.973	--	--	--
- Impairment (-)	--	(15.224.973)	--	--	--
- 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 2022	Receivables				Cash and cash equivalents
	Trade receivables		Other receivables		
	Related party	Other party	Related party	Other party	
Maximum credit risk exposed as of the end of the reporting year (1)	--	<b>873.017.467</b>	--	--	<b>521.185.766</b>
- The part of the maximum risk under guarantee with collateral etc. (4)	--	770.647.687	--	--	--
A. Net book value of financial assets that are neither past due nor impaired	--	816.019.901	--	--	521.185.766
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	--	56.997.566	--	--	--
- the part secured with security, etc.	--	50.085.314	--	--	--
D. Net book values of impaired assets	--	--	--	--	--
Overdue (gross book value)	--	32.907.469	--	--	--
- Impairment (-)	--	(32.907.469)	--	--	--
- 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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#### 23. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

##### Credit risk (continued)

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

31 December 2023	Trade receivables	Other receivables	Total
Past due 1-30 days	45.034.830	--	45.034.830
Past due 1-3 months	9.586.285	--	9.586.285
Past due 3-12 months	1.472.923	--	1.472.923
Past due 1-5 years	--	--	--
<b>Total overdue receivables</b>	<b>56.094.038</b>	<b>--</b>	<b>56.094.038</b>
<b>The part under guarantee with collateral etc.</b>	<b>44.371.539</b>	<b>--</b>	<b>44.371.539</b>

31 December 2022	Trade receivables	Other receivables	Total
Past due 1-30 days	42.433.965	--	42.433.965
Past due 1-3 months	7.476.258	--	7.476.258
Past due 3-12 months	7.087.343	--	7.087.343
Past due 1-5 years	--	--	--
<b>Total overdue receivables</b>	<b>56.997.566</b>	<b>--</b>	<b>56.997.566</b>
<b>The part under guarantee with collateral etc</b>	<b>50.085.314</b>	<b>--</b>	<b>50.085.314</b>

The Group has applied the simplified approach stated in TFRS 9 for the calculation of expected credit loss provision for trade receivables. This approach allows expected credit loss provision for all trade receivables. In order to measure expected credit losses, the Group appropriately classified its trade receivables based on maturity and credit risk characteristics. The expected credit loss ratio for each class of trade receivables, which is grouped using past loan loss experiences and forward-looking macroeconomic indicators, is calculated and the expected credit loss provision has been calculated by multiplying the determined rate and totals of trade receivable.

As of 31 December 2023, the explanations regarding the calculation are as follows:

31 December 2023	Not overdue	Overdue 0-1 month	Overdue 1-3 months	Overdue more than 3 months	Total
Expected loss rate (%)	0,001	0,01	0,04	0,18	
Gross carrying amount (*)	1.298.394.500	129.002.846	9.586.285	1.472.924	<b>1.438.456.555</b>
Expected credit lose	435.606	17.592	34.716	262.722	<b>750.635</b>

(\*) Represents gross trade receivables excluding related party balances, customer turnover premium provisions and impairment provisions.

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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 2023	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)
<b>Derivative and non-derivative financial instruments</b>					
Financial borrowings	893.244.326	990.465.800	675.437.348	315.028.452	--
Financial lease payables	41.068.410	60.037.108	12.879.954	12.879.954	34.277.200
Trade and other payables	733.086.064	764.644.584	764.644.584	--	--
Derivative instruments	(23.952)	383.110.250	284.439.000	98.671.250	--
<b>Total financial liabilities</b>	<b>1.667.374.848</b>	<b>2.198.257.742</b>	<b>1.737.400.886</b>	<b>426.579.656</b>	<b>34.277.200</b>
Terms according to the contract as at 31 December 2022	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)
<b>Derivative and non-derivative financial instruments</b>					
Financial borrowings	1.040.328.539	1.239.715.055	1.036.225.571	203.489.484	--
Financial lease payables	8.171.620	8.768.222	3.667.217	3.667.217	1.433.788
Trade and other payables	558.637.362	565.868.781	565.868.781	--	--
Derivative instruments	1.863.363	47.785.794	47.785.794	--	--
<b>Total financial liabilities</b>	<b>1.609.000.884</b>	<b>1.862.137.852</b>	<b>1.653.547.363</b>	<b>207.156.701</b>	<b>1.433.788</b>

**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.

In the current period, there has been no change in the market risk the Group is exposed to or the method of handling the risks encountered or the method used to measure these risks compared to the previous period.



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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 2023		
	TL equivalent (functional currency)	Usd	Eur
1. Trade receivables	111.958.814	1.464.239	2.113.786
2 a. Monetary financial assets	74.265.942	2.281.890	217.696
2b. Non-monetary financial assets	--	--	--
3. Other	--	--	--
<b>4. CURRENT ASSETS</b>	<b>186.224.756</b>	<b>3.746.129</b>	<b>2.331.482</b>
5. Trade receivables	--	--	--
6a. Monetary financial assets	--	--	--
6b. Non-monetary financial assets	--	--	--
7. Other	--	--	--
<b>8. NON-FIXED ASSETS</b>	--	--	--
<b>9. TOTAL ASSETS</b>	<b>186.224.756</b>	<b>3.746.129</b>	<b>2.331.482</b>
10. Trade payables	26.006.293	819.295	57.952
11. Financial liabilities	--	--	--
12a. Other Monetary Liabilities	--	--	--
12b. Other Non-Monetary Liabilities	--	--	--
<b>13. SHORT-TERM LIABILITIES</b>	<b>26.006.293</b>	<b>819.295</b>	<b>57.952</b>
14. Trade payables	--	--	--
15. Financial liabilities	--	--	--
16a. Other monetary liabilities	--	--	--
16b. Other non-monetary liabilities	--	--	--
17. LONG-TERM LIABILITIES	--	--	--
<b>18. TOTAL LIABILITIES</b>	<b>26.006.293</b>	<b>819.295</b>	<b>57.952</b>
19. Net assets / liability position (19a-19b)	<b>339.422.446</b>	<b>11.530.000</b>	--
19a. Amount of foreign currency derivative products with active character out of financial position statement	339.422.446	11.530.000	--
19b. Amount of derivative products with passive character in non-financial position in foreign currency	--	--	--
<b>20. Net foreign currency asset liability position</b>	<b>499.640.909</b>	<b>14.456.834</b>	<b>2.273.530</b>
<b>21. Monetary items net foreign currency asset / liability position (1 + 2a + 5 + 6a-10-11-12a-14-15-16a)</b>	<b>160.218.463</b>	<b>2.926.834</b>	<b>2.273.530</b>
<b>22. Financial instruments used for foreign currency hedging total fair value</b>	--	--	--
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 2022		
	TL equivalent (functional currency)	Usd	Eur
1. Trade receivables	111.625.722	1.683.454	1.824.316
2 a. Monetary financial assets	41.399.341	1.306.805	34.820
2b. Non-monetary financial assets	--	--	--
3. Other	--	--	--
<b>4. CURRENT ASSETS</b>	<b>153.025.063</b>	<b>2.990.259</b>	<b>1.859.136</b>
5. Trade receivables	--	--	--
6a. Monetary financial assets	--	--	--
6b. Non-monetary financial assets	--	--	--
7. Other	--	--	--
8. NON-FIXED ASSETS	--	--	--
<b>9. TOTAL ASSETS</b>	<b>153.025.063</b>	<b>2.990.259</b>	<b>1.859.136</b>
10. Trade payables	33.485.904	1.036.040	47.885
11. Financial liabilities	--	--	--
12a. Other Monetary Liabilities	--	--	--
12b. Other Non-Monetary Liabilities	--	--	--
<b>13. SHORT-TERM LIABILITIES</b>	<b>33.485.904</b>	<b>1.036.040</b>	<b>47.885</b>
14. Trade payables	--	--	--
15. Financial liabilities	--	--	--
16a. Other monetary liabilities	--	--	--
16b. Other non-monetary liabilities	--	--	--
17. LONG-TERM LIABILITIES	--	--	--
<b>18. TOTAL LIABILITIES</b>	<b>33.485.904</b>	<b>1.036.040</b>	<b>47.885</b>
19. Net assets / liability position (19a-19b)	45.594.262	1.480.000	--
19a. Amount of foreign currency derivative products with active character out of financial position statement	45.594.262	1.480.000	--
19b. Amount of derivative products with passive character in non-financial position in foreign currency	--	--	--
<b>20. Net foreign currency asset liability position</b>	<b>165.133.421</b>	<b>3.434.219</b>	<b>1.811.251</b>
<b>21. Monetary items net foreign currency asset / liability position (1 + 2a + 5 + 6a-10-11-12a-14-15-16a)</b>	<b>119.539.159</b>	<b>1.954.219</b>	<b>1.811.251</b>
<b>22. Financial instruments used for foreign currency hedging total fair value</b>	<b>--</b>	<b>--</b>	<b>--</b>
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 2023				
	Profit / (Loss)		Equity	
	Appreciation of foreign currency (10%)	Depreciation of foreign currency (10%)	Appreciation of foreign currency (10%)	Depreciation of foreign currency (10%)
<b>In case of 10% appreciation / depreciation of USD against TL</b>				
1- USD net asset / liability	8.616.072	(8.616.072)	--	--
2- The part protected from USD risk (-)	33.942.245	(33.942.245)	--	--
<b>3- USD net effect (1 +2)</b>	<b>42.558.317</b>	<b>(42.558.317)</b>	--	--
<b>In case of 10% appreciation / depreciation of Euro against TL</b>				
4 - EUR net asset / liability	7.405.774	(7.405.774)	--	--
5 - The part protected from Euro risk (-)	--	--	--	--
<b>6- EUR net effect (4 + 5)</b>	<b>7.405.774</b>	<b>(7.405.774)</b>	--	--
<b>Total (3+6)</b>	<b>49.964.091</b>	<b>(49.964.091)</b>	--	--

Foreign currency sensitivity analysis				
31 December 2022				
	Profit / (Loss)		Equity	
	Appreciation of foreign currency (10%)	Depreciation of foreign currency (10%)	Appreciation of foreign currency (10%)	Depreciation of foreign currency (10%)
<b>In case of 10% appreciation / depreciation of USD against TL</b>				
1- USD net asset / liability	6.020.349	(6.020.349)	--	--
2- The part protected from USD risk (-)	4.559.426	(4.559.426)	--	--
<b>3- USD net effect (1 +2)</b>	<b>10.579.775</b>	<b>(10.579.775)</b>	--	--
<b>In case of 10% appreciation / depreciation of Euro against TL</b>				
4 - EUR net asset / liability	5.933.567	(5.933.567)	--	--
5 - The part protected from Euro risk (-)	--	--	--	--
<b>6- EUR net effect (4 + 5)</b>	<b>5.933.567</b>	<b>(5.933.567)</b>	--	--
<b>Total (3+6)</b>	<b>16.513.343</b>	<b>(16.513.343)</b>	--	--

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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 2023 and 2022, the Group's interest position is as follows:

<b><u>Interest position table</u></b>		
	<b>31 December 2023</b>	<b>31 December 2022</b>
<b>Fixed rate financial instruments</b>		
Financial assets	66.162.540	428.990.406
Financial liabilities	(934.312.736)	(1.048.500.159)
<b>Variable rate financial instruments</b>		
Financial liabilities	--	--

**Notes to the Consolidated Financial Statements  
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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 2023	Loans and receivables	Financial instruments at fair value through profit or loss	Financial liabilities shown at amortized value	Registered value	Fair value	Note
<b>Financial assets</b>						
Cash and cash equivalents	237.433.240	--	--	237.433.240	237.433.240	3
Trade receivables	1.102.103.060	--	--	1.102.103.060	1.102.103.060	5
Derivative instruments	--	23.952	--	23.952	23.952	24
Other receivables	3.608.177	--	--	3.608.177	3.608.177	6
<b>Financial liabilities</b>						
Financial liabilities	--	--	934.312.736	934.312.736	934.312.736	4
Trade payables	--	--	732.613.454	732.613.454	732.613.454	5
Other payables	--	--	472.610	472.610	472.610	6

**ARZUM ELEKTRİK Lİ EV ALETLERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES****Notes to the Consolidated Financial Statements  
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**24. Financial Instruments (continued)**

31 December 2022	Loans and receivables	Financial instruments at fair value through profit or loss	Financial liabilities shown at amortized value	Registered value	Fair value	Note
<b>Financial assets</b>						
Cash and cash equivalents	521.185.766	--	--	521.185.766	521.185.766	3
Trade receivables	873.017.467	--	--	873.017.467	873.017.467	5
Other receivables	1.740.625	--	--	1.740.625	1.740.625	6
<b>Financial liabilities</b>						
Financial liabilities	--	--	1.048.500.159	1.048.500.159	1.048.500.159	4
Trade payables	--	--	558.406.192	558.406.192	558.406.192	5
Derivative financial liabilities	--	1.863.363	--	1.863.363	1.863.363	24
Other payables	--	--	231.170	231.170	231.170	6

## ARZUM ELEKTRİK 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 2023

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2023 unless otherwise stated.)

#### 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 2023	Level 1	Level 2	Level 3
Derivative financial liabilities (*)	--	(23.952)	--
31 December 2022	Level 1	Level 2	Level 3
Derivative financial liabilities (*)	--	1.863.363	--

(\*) As of 31 December 2023, derivative financial liabilities are USD forward transactions with a maturity between January 2024 and April 2024 and a nominal value of TL 383.110.250 (31 December 2022: TL 47.785.794).

The Group discloses its investment properties at cost less depreciation and impairment, if any. As of 31 December 2023, the valuation of the Group's investment properties were performed by the Group, market approach was used.

The value of the Group's investment properties is TL 1.500.000. By using market approach, considering the similar real estates that have been recently issued and sold, after price adjustments are made within the framework criteria that may affect the market value, square meters and total market values, including the land shares, are determined for the subject real estate and the comparable found are compared within the criteria such as location and size. It is determined by negotiating with real estate marketing firms for the current evaluation of the market.

#### 25. Subsequent Events

In the Group's announcement to the Public Disclosure Platform (KAP) dated January 2, 2024; it was announced that with the change in the organizational structure of the Company as previously detailed, effective from January 1, 2024, to December 31, 2024, the position of Chief Executive Officer role, which is currently held by Ş. Arda Altınok, will be assumed by Mr. Arif Emre Ünal in addition to his current duties, who is currently serving as the General Manager of Technology, Product and Supply Chain of the Company.

In the Group's Public Disclosure Platform (KAP) announcement dated January 12, 2024; the Company announced that a fixed interest coupon with an ISIN code TRFAZEV72414 and with a nominal value of TL 200.000.000, 180 days maturity, an annual fixed interest rate of 49% at maturity, was issued.

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**25. Subsequent Events (continued)**

In the Group's Public Disclosure Platform (KAP) announcement dated January 12, 2024; it was announced that the coupon payment and redemption of the financing bond with ISIN code TRFAZEV12410, nominal value of TL 125.000.000, 177 days maturity, a fixed annual interest rate of 39,5% at maturity was made.

In the Group's Public Disclosure Platform (KAP) announcement dated January 18, 2024; it was announced that JCR Eurasia Rating affirmed the Company's long term national rating as "A+ (tr)", short term national rating as "J1 (tr)" and outlook as "Stable" and long term foreign and local currency international rating as "BB" and outlook as "Negative".

In the Group's Public Disclosure Platform (KAP) announcement dated February 13, 2024; it was announced that the second coupon payment of the private sector bond with ISIN Code TRSAZEV82416, nominal value of TL 50.000.000, 365 days maturity, 40% fixed interest rate at maturity was made.

In the Group's Public Disclosure Platform (KAP) announcement dated March 13, 2024; it was announced that, within the scope of the issuance limit approved by the Capital Markets Board dated 22.11.2023 and numbered 73/1574 and through intermediation of D Investment; our Company has issued a bond to be sold to qualified investors without public offering in the domestic market with 364-day maturity, TLREF + 4% floating rate, quarterly coupon payment, with a maturity of 364 days and maturity date of March 12, 2025, with ISIN code TRFAZEV32517 amounting to 120.000.000 TL.

In the Group's Public Disclosure Platform (KAP) announcement dated March 15, 2024; it was announced that within the scope of the issuance limit approved by the Capital Markets Board dated 19.01.2023 and numbered 3/67, the coupon payment and redemption of the financing bond with ISIN code TRFAZEV32418, 182 days maturity, a fixed annual interest rate of 47% at maturity was made as of March 15, 2024.



## **DIRECTORY**

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