

**KOTON MAĐAZACILIK TEKSTİL
SANAYİ VE TİCARET A.Ş.**

**CONSOLIDATED FINANCIAL STATEMENTS FOR
THE PERIOD 1 JANUARY - 30 SEPTEMBER 2024**

**(CONVENIENCE TRANSLATION OF THE REPORT
AND THE FINANCIAL STATEMENTS ORIGINALLY
ISSUED IN TURKISH)**

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KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2024 AND 31 DECEMBER 2023

(Currency expressed in Turkish Lira based on the purchasing power of Turkish Lira ("TRY") as of 30 September 2024, unless otherwise stated)

	Notes	Unaudited 30 September 2024	Audited 31 December 2023
ASSETS			
Cash and cash equivalents	4	617,345,900	487,848,758
Trade receivables	5	1,872,354,814	1,557,400,916
- <i>Trade receivable from third parties</i>		<i>1,872,354,814</i>	<i>1,557,400,916</i>
Other receivables		6,336,273	4,772,478
- <i>Other receivable from third parties</i>		<i>6,336,273</i>	<i>4,772,478</i>
Inventories	6	8,363,616,625	6,948,639,386
Prepaid expenses	7	1,538,803,153	583,851,382
Current tax assets	21	49,310,470	21,418,599
Other current assets	15	481,918,954	368,715,367
Total current assets		12,929,686,189	9,972,646,886
Financial investmensts		2,825,000	3,838,055
Other receivables		125,784,264	122,873,418
- <i>Other receivable from third parties</i>		<i>125,784,264</i>	<i>122,873,418</i>
Property and equipment	8	1,763,332,318	1,933,941,857
Intangible assets	9	587,705,781	521,399,795
Right of use assets	10	3,743,831,916	3,786,194,510
Prepaid expenses		4,297,374	4,971,040
Deferred tax assets	21	321,335,344	325,087,022
Other non-current assets		6,026,392	23,342,226
Total non-current assets		6,555,138,389	6,721,647,923
TOTAL ASSETS		19,484,824,578	16,694,294,809

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

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2024 AND 31 DECEMBER 2023

(Currency expressed in Turkish Lira based on the purchasing power of Turkish Lira ("TRY") as of 30 September 2024, unless otherwise stated)

	Notes	Unaudited 30 September 2024	Audited 31 December 2023
LIABILITIES			
Short-term borrowings	11	3,656,840,667	3,040,832,576
<i>Short-term borrowings</i>	11	2,007,414,729	1,482,942,619
Short-term Portion of Long-term Borrowings	11	464,065,799	414,864,545
Lease liabilities	11	1,185,360,139	1,143,025,412
Trade payables	5	5,281,748,561	4,530,356,371
<i>Trade payables to third parties</i>		5,281,748,561	4,530,356,371
Payables related to employee benefits	14	302,892,622	280,353,088
Other payables		30,346,147	24,416,398
<i>Other payable to third parties</i>		30,346,147	24,416,398
Deferred income	7	171,355,069	109,289,545
Current tax liabilities	21	-	36,362,045
Short-term provisions		210,138,489	300,516,720
<i>Provisions for employee benefits</i>	14	186,819,136	258,301,702
<i>Other short-term provisions</i>	12	23,319,353	42,215,018
Other short-term liabilities	15	116,532,504	147,497,981
Total current liabilities		9,769,854,059	8,469,624,724
Long-term borrowings	11	1,617,715,048	2,008,083,104
<i>Long-term borrowings</i>	11	26,051,068	146,578,493
<i>Lease liabilities</i>	11	1,591,663,980	1,861,504,611
Other payables		27,700,447	33,127,294
<i>Other payables to third parties</i>		27,700,447	33,127,294
Deffered income		69,410,627	9,029,240
Long term provisions	14	110,741,141	120,768,363
<i>Long-term provisions for employee benefits</i>	14	110,741,141	120,768,363
Deffered tax liabilities	21	694,805,140	571,083,604
Total non-current liabilities		2,520,372,403	2,742,091,605
TOTAL LIABILITIES		12,290,226,462	11,211,716,329
Paid-in share capital	16	829,650,000	795,500,000
Capital adjustment differences	16	4,667,219,260	4,662,289,593
Share premium/discount		1,016,002,279	-
Other comprehensive loss not to be reclassified to profit or loss	16	(135,540,606)	(126,374,206)
- <i>Loss on remeasurement of defined benefit plans</i>		(135,540,606)	(126,374,206)
Other comprehensive loss to be reclassified to profit or loss		(2,230,825,727)	(1,940,780,714)
- <i>Foreign currency translation differences</i>	16	(2,132,276,748)	(1,848,756,928)
- <i>Loss on cash flow hedge</i>	16	(98,548,979)	(92,023,786)
Restricted reserves	16	164,465,295	164,465,295
Retained earnings		1,927,478,512	(524,222,952)
Net profit/(loss) for the period		956,149,103	2,451,701,464
TOTAL EQUITY		7,194,598,116	5,482,578,480
TOTAL LIABILITIES AND EQUITY		19,484,824,578	16,694,294,809

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

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED 30 SEPTEMBER 2024 AND 30 SEPTEMBER 2023

(Currency expressed in Turkish Lira based on the purchasing power of Turkish Lira ("TRY") as of 30 September 2024, unless otherwise stated)

	Notes	Unaudited 1 January - 30 September 2024	Unaudited 1 January - 30 September 2023	Unaudited 1 July - 30 September 2024	Unaudited 1 July - 30 September 2023
Revenue	17	17,851,223,028	17,545,676,939	6,190,002,251	5,971,550,107
Cost of sales (-)	17	(7,605,861,567)	(7,768,832,892)	(2,398,673,297)	(1,944,945,683)
GROSS PROFIT		10,245,361,461	9,776,844,047	3,791,328,954	4,026,604,424
General administrative expenses (-)		(1,501,682,947)	(1,318,077,975)	(506,099,377)	(466,779,934)
Marketing expenses (-)		(6,212,343,026)	(5,634,799,242)	(2,260,201,665)	(1,898,865,979)
Research and development expenses (-)		(228,409,416)	(207,518,139)	(73,163,922)	(74,006,582)
Other operating income	19	736,349,209	1,521,760,233	250,486,622	315,211,303
Other operating expenses (-)	19	(1,730,564,936)	(1,783,944,190)	(587,865,366)	(622,212,809)
OPERATING PROFIT		1,308,710,345	2,354,264,734	545,166,923	1,279,950,423
Income from investment activities		2,385,875	7,112,311	1,047,132	3,322,379
Losses from investment activities (-)		(1,011,385)	(16,918,975)	(29,341)	(936,109)
OPERATING PROFIT BEFORE FINANCIAL EXPENSES		1,310,084,835	2,344,458,070	615,503,037	1,282,336,693
Financial income	20	257,800,321	90,773,291	83,262,860	19,008,411
Financial expenses (-)	20	(1,302,474,702)	(1,220,892,657)	(454,504,011)	(550,047,742)
Net monetary position gains		784,766,899	1,835,376,917	161,024,070	1,039,384,154
PROFIT BEFORE TAX		1,050,177,353	3,049,715,621	405,285,956	1,790,681,516
Tax income	21	(94,028,250)	(720,154,527)	(156,578,768)	(717,856,644)
Current tax expense	21	-	(351,729,110)	61,419	(145,508,733)
Deffered tax expense	21	(94,028,250)	(368,425,417)	(156,640,187)	(572,347,911)
PROFIT FOR THE PERIOD		956,149,103	2,329,561,094	248,707,188	1,072,824,872
PROFIT FOR THE PERIOD	23	1,175	2,928	0,300	1,349
OTHER COMPREHENSIVE LOSS					
Items not to be reclassified to profit or loss		(9,166,400)	(15,813,081)	(7,095,750)	8,633,991
Defined benefit plans					
Remeasurement losses	14	(12,221,868)	(19,766,353)	(9,461,000)	10,792,491
Taxes relating to components of other comprehensive income that will not be reclassified to other profit or loss					
Deffered tax income	21	3,055,468	3,953,272	2,365,250	(2,158,500)
Other comprehensive income that will be reclassified to profit or loss		(290,045,013)	(991,200,407)	(89,020,434)	(306,794,643)
Foreing currency translation differences		(283,519,820)	(1,021,976,308)	(70,337,481)	(461,376,906)
Cash flow hedge gains/losses		(8,700,257)	41,034,534	(24,910,604)	206,109,683
Other comprehensive income that will be reclassified to profit or loss					
Deffered tax (expense) / income	21	2,175,064	(10,258,633)	6,227,651	(51,527,420)
OTHER COMPREHENSIVE INCOME/ (EXPENSE)		(299,211,413)	(1,007,013,488)	(96,116,184)	(298,160,652)
TOTAL COMPREHENSIVE INCOME/ (EXPENSE)		656,937,690	1,322,547,606	152,591,004	774,664,220

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

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIODS ENDED 30 SEPTEMBER 2024 AND 30 SEPTEMBER 2023

(Currency expressed in Turkish Lira based on the purchasing power of Turkish Lira (“TRY”) as of 30 September 2024, unless otherwise stated)

	Paid in share capital	Capital adjustment differences	Share premium/ discount	Other comprehensive loss not to be reclassified to profit or loss	Other comprehensive loss to be reclassified to profit or loss	Loss on cash flow hedge	Restricted reserves	Retained earnings	Net profit/(loss) for the period	Total equity
				Loss on remeasurement of defined benefit plans	Foreign currency translation differences					
Balances as of 1 January 2024	795,500,000	4,662,289,593	-	(126,374,206)	(1,848,756,928)	(92,023,786)	164,465,295	(524,222,952)	2,451,701,464	5,482,578,480
Transfers	-	-	-	-	-	-	-	2,451,701,464	(2,451,701,464)	-
Capital increases	34,150,000	4,929,667	-	-	-	-	-	-	-	39,079,667
Gains/(losses) on share-based transactions	-	-	1,016,002,279	-	-	-	-	-	-	1,016,002,279
Total comprehensive income	-	-	-	(9,166,400)	(283,519,820)	(6,525,193)	-	-	956,149,103	656,937,690
Profit for the period	-	-	-	-	-	-	-	-	956,149,103	956,149,103
Cash flow hedge gains	-	-	-	-	-	(6,525,193)	-	-	-	(6,525,193)
Foreing currency translation differences	-	-	-	-	(283,519,820)	-	-	-	-	(283,519,820)
Actuarial loss	-	-	-	(9,166,400)	-	-	-	-	-	(9,166,400)
Balances as of 30 September 2024	829,650,000	4,667,219,260	1,016,002,279	(135,540,606)	(2,132,276,748)	(98,548,979)	164,465,295	1,927,478,512	956,149,103	7,194,598,116
Balances as of 1 January 2023	795,500,000	4,662,289,592	-	(94,968,367)	(765,134,243)	(134,961,804)	164,465,295	(2,898,841,370)	2,374,618,416	4,102,967,519
Transfers	-	-	-	-	-	-	-	2,374,618,416	(2,374,618,416)	-
Total comprehensive income	-	-	-	(15,813,081)	(1,021,976,308)	30,775,901	-	-	2,329,561,094	1,322,547,606
Profit for the period	-	-	-	-	-	-	-	-	2,329,561,094	2,329,561,094
Cash flow hedge losses	-	-	-	-	-	30,775,901	-	-	-	30,775,901
Foreing currency translation differences	-	-	-	-	(1,021,976,308)	-	-	-	-	(1,021,976,308)
Actuarial loss	-	-	-	(15,813,081)	-	-	-	-	-	(15,813,081)
Balances as of 30 September 2023	795,500,000	4,662,289,592	-	(110,781,448)	(1,787,110,551)	(104,185,903)	164,465,295	(524,222,954)	2,329,561,094	5,425,515,125

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

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIODS ENDED 30 SEPTEMBER 2024 AND 30 SEPTEMBER 2023

(Currency expressed in Turkish Lira based on the purchasing power of Turkish Lira ("TRY") as of 30 September 2024, unless otherwise stated)

Notes	Unaudited 1 January - 30 September 2024	Reviewed 1 January - 30 September 2023
A. Cash Flows From Operating Activities	139,469,048	1,320,751,836
Net Profit/(Loss) For The Period	956,149,103	2,329,561,093
Adjustments To Reconcile Loss For The Year	2,721,654,747	3,638,949,913
Adjustments related to depreciation and amortization expense	8,9.10 1,867,167,870	1,886,989,518
Adjustments related to impairment	44,952,395	59,806,951
Adjustments related to impairment / (reversals) on inventory	6 34,051,550	35,854,817
Adjustments related to impairment loss recognised on receivables	5 10,900,845	23,952,134
Adjustments related to provisions	153,046,092	218,849,712
Adjustments Related to for Employee Benefits	14 157,235,619	248,797,247
Adjustments Related to Provisions for Legal Claims	12 5,292,451	1,467,663
Adjustments Related to Other Provisions	(9,481,978)	(31,415,198)
Adjustments Related to Interest (Income) and Expense	1,884,048,214	1,415,655,994
Adjustments Related to Interest Income	20 (189,513,811)	(34,780,775)
Adjustments Related to Interest Expense	20 810,844,645	646,317,182
Deferred Financing Expense from Forward Purchases	1,262,717,380	804,119,587
Adjustments Related to Income From Government Grants	(3,602,272)	(4,719,696)
Adjustments Related to Unrealised Currency Translation Differences	(95,348,413)	281,156,157
Other Adjustments Related to Non-Cash Items	55,135,126	(9,871,290)
Adjustments Related to Tax Expense	21 94,028,250	720,154,527
Adjustments Related to Losses/(Gains) on Disposal of Non-Current Assets	(1,374,490)	9,806,664
Other Adjustments Related to Net Profit / Loss	9,101,292	(43,836,490)
Monetary Loss / Gain	(1,285,499,317)	(895,042,134)
Changes in Working Capital	(3,538,334,802)	(4,647,759,170)
Adjustments Related to Increase in Inventories	(1,451,064,348)	(464,297,065)
Adjustments Related to Increase in Trade Receivables	(737,155,616)	(893,495,882)
Adjustments Related to Decrease (Increase) in Prepaid Expenses	318,391,742	(374,692,077)
Adjustments Related to Decrease (Increase) in Other Receivables	(230,962,771)	(133,604,917)
Adjustments Related to Increase (Decrease) in Trade Payables	(1,333,551,388)	(2,022,898,615)
Adjustments Related to Increase (Decrease) in Employee Benefits	96,538,739	(157,427,759)
Adjustments Related to Increase (Decrease) in Other Payables	(42,565,760)	(59,499,281)
Adjustments Related to Increase (Decrease) in Deferred Income	67,311,785	(82,081,528)
Payments Related to Employee Benefits	(152,208,779)	(247,050,228)
Tax Returns (Payments)	21 (64,253,916)	(231,688,238)
Other Cash Inflows (Outflows)	(8,814,490)	18,976,420
B. Cash Flows Used in Investing Activities	(526,634,840)	(466,666,959)
Cash Outflows for the Purchase of Shares or Debt Instruments of Other Entities or Funds Proceeds from Sale of Property, Plant and Equipment and Intangible Assets	12,684,137	32,934,519
Proceeds from Sale of Property, Plant and Equipment	12,675,933	32,924,836
Proceeds from Sale of Intangible Assets	9 8,204	9,683
Cash Outflows from Purchase of Property, Plant and Equipment and Intangible Assets	(539,318,977)	(498,974,703)
Cash Outflows from Purchase Property, Plant and Equipment	8 (443,383,499)	(432,272,814)
Cash Outflows from Purchase Intangible Assets	9 (95,935,478)	(66,701,889)
Cash Outflows for the Acquisition of Shares or Debt Instruments of Other Businesses or Funds	-	(626,775)
C. Cash Flows Generated from/(Used in) Financing Activities	637,202,652	(1,276,707,380)
Proceeds from Borrowings	11 2,141,917,577	1,246,600,337
Cash Outflows Repayment of Borrowings	11 (1,322,392,475)	(1,393,697,484)
Cash Outflows Repayment of Borrowings Arising from Lease Agreements	11 (1,017,110,175)	(976,860,149)
Cash Inflows from the Issuance of Shares and Other Equity-Based Instruments	16 1,041,575,000	-
Cash Inflows from the Issuance of Shares	16 1,041,575,000	-
Interest Received	5.20 181,285,836	34,780,775
Interest Paid	(388,073,111)	(187,530,859)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF FOREIGN CURRENCY TRANSLATION DIFFERENCES (A+B+C)	250,036,860	(422,622,503)
D. MONETARY LOSSES AND GAINS ON CASH AND CASH EQUIVALENTS	(128,767,693)	(394,052,544)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)	121,269,167	(816,675,047)
Change in Blocked Accounts	4 -	74,363,854
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4 487,848,758	1,051,251,223
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	4 609,117,925	308,940,030

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

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2024

(Currency expressed in Turkish Lira based on the purchasing power of Turkish Lira ("TRY") as of 30 September 2024, unless otherwise stated)

1. ORGANIZATION AND OPERATIONS OF THE GROUP

Koton Mağazacılık Tekstil Sanayi ve Ticaret Anonim Şirketi ("Koton Mağazacılık" or "the Company") started its activities in 1988 and was registered under the Turkish Commercial Code on 25 March 2005. The main field of activity of the Company is to design and manufacture all kinds of textile products under the trade name of "Koton Mağazacılık" and to sell them wholesale or retail through its own retail network.

The registered address of the Company is Ayağaza Mah. Maslak Ayazağa Cad. No: 3İç Kapı No:5, Sarıyer, İstanbul

As explained in Note 16, as of 30 September 2024, the main partner of the Company is the Netherlands-based Nemo Apparel BV owned by Turkven Private Equity and Yılmaz family.

The company's shares started trading on Borsa İstanbul as of May 10, 2024.

As of 30 September 2024 the Company's subsidiaries are shown below. The Company and its subsidiaries will be referred to as the "Group" in the consolidated financial statements.

Subsidiaries	Registered Country	Field of Activity
Koton Textile Group Gmbh ("Koton Almanya") (*)	Germany	Retailing
Koton Textile Limited Doo Sarajevo ("Koton Bosna Hersek")	Bosnia and Herzegovina	Retailing
Koton Textile Limited Llc ("Koton Gürcistan")	Georgia	Retailing
Koton Textile D.O.O Zagreb ("Koton Hırvatistan") (*)	Croatia	Retailing
TOO "Koton Textile" Limited ("Koton Kazakistan")	Kazakhstan	Retailing
Koton Mağazacılık Doo El Skopje ("Koton Makedonya")	Macedonia	Retailing
Koton Textile Retail Srl ("Koton Romanya")	Romania	Retailing
Ooo Koton Textile Llc ("Koton Rusya")	Russia	Retailing
Koton Textile Limited Doo Beograd ("Koton Sırbistan")	Serbia	Retailing
Koton Textile Limited S.R.O ("Koton Slovakya") (*)	Slovakia	Retailing
Koton Tekstil Emboria Endimaton Monoprosopi Epe ("Koton Yunanistan") (*)	Greece	Retailing
Koton Mağazacılık Sarl Au ("Koton Fas")	Morocco	Retailing
Koton Mağazacılık Sasu ("Koton Fransa") (*)	France	Retailing
LLC Koton Textile ("Koton Belarus")	Belarus	Retailing
Limited Liability Company Koton Textile ("Koton Ukrayna")	Ukraine	Retailing
Koton Mağazacılık Limited ("Koton Azerbaycan") (*)	Azerbaijan	Retailing
Koton Textil Korlátolt Felelősségű Társaság ("Koton Macaristan")	Hungary	Retailing
Koton A.G. Trading L.L.C. ("Koton BAE") (**)	UAE	Retailing
Koton India Private Limited ("Koton Hindistan") (**)	India	Retailing

(*)As of 30 September2024 there are active no store.

(**) It was established in 2024.

The Company and its subsidiaries together will be referred as "the Group"

As of 30 September 2024, the total number of stores of the Group is 444'dir (31 December 2023: 437). 243 of these stores (31 December 2023: 241) has been operating in Türkiye. The Group has 243 stores in Türkiye, 30 of which are franchise stores (31 December 2023: 29). The Group has 201 stores abroad (31 December 2023: 196). 86 of these stores are franchise stores (31 December 2023: 81 stores as of 30 September 2024, the Group's average number of employees is 7,923 (31 December 2023: 8,391).

The condensed consolidated financial statements were approved for publication by the Company's Board of Directors on 7 November 2024, and were signed by the Chairman of the Board, Yılmaz Yılmaz, and the General Manager, A. Bülent Sabuncu. The General Assembly and certain regulatory boards have the authority to make changes following the publication of the statutory financial statements

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2024

(Currency expressed in Turkish Lira based on the purchasing power of Turkish Lira (“TRY”) as of 30 September 2024, unless otherwise stated)

2. BASIS OF PRESENTATION OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Basis of preparation and presentation of financial statements

The Group companies, that operate in Turkey, keep their accounting books and their statutory financial statements in Turkish Lira in accordance with the Generally Accepted Accounting Principles in Turkey accepted by the Capital Markets Board (CMB), Turkish Commercial Code, Tax Legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. The foreign subsidiaries and joint ventures keep their accounting books and statutory financial statements in their local currencies and in accordance with the rules and regulations of the countries in which they operate

Consolidated financial statements are based on the statutory financial statements of the Group’s subsidiaries and joint ventures and presented in TRY in accordance with CMB Financial Reporting Standards with certain adjustments and reclassifications for the purpose of fair presentation. Such adjustments are primarily related to application of consolidation accounting, accounting for business combinations, accounting for deferred taxes on temporary differences, accounting for employment termination benefits on an actuarial basis and accruals for various expenses. Except for the financial assets and liabilities, derivative instruments carried from their fair values and assets and liabilities included in business combinations application, financial statements are prepared on historical cost basis

The condensed consolidated interim financial statements have been prepared in accordance with the Communiqué Serial II, No: 14.1 “Communiqué on the Principles of Financial Reporting in Capital Markets” (the Communiqué) published in the Official Gazette No: 28676 dated June 13, 2013 and based on the Turkish Accounting Standards (TAS) / Turkish Financial Reporting Standards (TFRS) promulgated by the Public Oversight Accounting and Auditing Standards Authority in accordance with Article 5 of the Communiqué.

In accordance with the IAS, the entities are allowed to prepare a complete or condensed set of interim financial statements in accordance with IAS 34, “Interim Financial Reporting”. In this respect, the Group has preferred to prepare condensed consolidated financial statements in the interim periods and prepared the aforementioned interim condensed consolidated financial statements in compliance with CMB Financial Reporting Standards. Furthermore, in accordance with the Communiqué and announcements regarding the explanations of the Communiqué, guarantee pledge mortgage table, foreign currency position table, total export and total import amounts and hedging amount of total foreign currency liabilities are presented in the interim condensed consolidated financial statement disclosures

2.1.2 Comparative information and restatement of prior period financial statements

The 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. In order to comply with the presentation of the current period consolidated financial statements, comparative information is reclassified when it is necessary and significant differences are disclosed.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2024

(Currency expressed in Turkish Lira based on the purchasing power of Turkish Lira ("TRY") as of 30 September 2024, unless otherwise stated)

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

2.1 Basis of preparation and presentation of financial statements (cont'd)

2.1.3 Changes in the accounting policies, estimates and errors

In case of changes and errors in accounting policies and accounting estimates, significant changes and significant accounting errors are applied retrospectively and the previous period financial statements are restated. Changes in accounting estimates are applied in the current period if the change is made for only one period, and both in the period when the change is made and prospectively if it is related to future periods.

2.1.4 Functional and reporting currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in TRY, which is the functional currency the reporting currency of the Group.

Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- Income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions)
- All resulting exchange differences are recognised in other comprehensive income

2.2 Financial reporting in hyperinflationary economy

The Group prepared its consolidated financial statements as at and for the period ended 30 September 2024 by applying TAS 29 "Financial Reporting in Hyperinflationary Economies" in accordance with the announcement made by POA on 23 November 2023 and the "Application Guidance on Financial Reporting in Hyperinflationary Economies". TAS 29 is applied to the financial statements, including the consolidated financial statements, of any entity whose functional currency is the currency of a hyperinflationary economy. According to the standard, financial statements prepared in the currency of a hyperinflationary economy are presented in terms of the purchasing power of that currency at the balance sheet date. Prior period financial statements are also presented in the current measurement unit at the end of the reporting period for comparative purposes. Therefore, the Group has presented its consolidated financial statements as of 30 September 2023 and 31 December 2023 on a purchasing power basis as of 30 September 2024.

Pursuant to the decision of the Capital Markets Board (SPK) 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 Turkish Accounting/Financial Reporting Standards will apply inflation accounting by applying the provisions of IAS 29 starting from their annual financial reports for the periods ending on 31 December 2023

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş.

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(Currency expressed in Turkish Lira based on the purchasing power of Turkish Lira (“TRY”) as of 30 September 2024, unless otherwise stated)

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

2.2 Financial reporting in hyperinflationary economy (cont’d)

The adjustments made in accordance with IAS 29 were made using the adjustment coefficient obtained from the Consumer Price Index (CPI) of Turkey published by the Turkish Statistical Institute (TSI). As of 30 June 2024, the indices and adjustment coefficients used in the adjustment of the consolidated financial statements are as follows:

Date	Index	Coefficient	Three – year cumulative inflation rates
30 September 2024	2,526.16	1,00000	%343
31 December 2023	1,859.38	1,35860	%268
30 September 2023	1,691.04	1,49385	%254

The main elements of the Group's adjustment process for financial reporting in hyperinflationary economies are as follows:

- As of the balance sheet date, all items other than those stated in terms of current purchasing power are restated by using the relevant price index coefficients. Prior year amounts are also restated in the same way.
- Monetary assets and liabilities are expressed in terms of the purchasing power at the balance sheet date and are therefore not subject to restatement. Monetary items are cash and items to be received or paid in cash.
- Fixed assets, subsidiaries and similar assets are indexed to their acquisition values, which do not exceed their market values. Depreciation has been adjusted in a similar manner. Amounts included in shareholders' equity have been restated by applying general price indices for the periods in which they were contributed to or arose within the Company.
- All items in the income statement, except for the effects of non-monetary items in the balance sheet on the income statement, have been restated by applying the multiples calculated over the periods when the income and expense accounts were initially recognized in the financial statements.
- The gain or loss arising on the net monetary position as a result of general inflation is the difference between the adjustments to non-monetary assets, equity items and income statement accounts. This gain or loss on the net monetary position is included in net profit.

The impact of the application of TAS 29 “Inflation Accounting” is summarized below:

Restatement of the Statement of Financial Position

Amounts in the consolidated statement of financial position that are not expressed in terms of the measuring unit current at the end of the reporting period are restated. Accordingly, monetary items are not restated because they are expressed in the currency of the reporting period. Non-monetary items are required to be restated unless they are expressed in terms of the currency in effect at the end of the reporting period.

The gain or loss on the net monetary position arising on restatement of non-monetary items is recognized in profit or loss and presented separately in the statement of comprehensive income.

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(Currency expressed in Turkish Lira based on the purchasing power of Turkish Lira (“TRY”) as of 30 September 2024, unless otherwise stated)

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

2.2 Financial reporting in hyperinflationary economy (cont’d)

Restatement of the Statement of Profit or Loss

All items in the statement of profit or loss are expressed in terms of the measuring unit current at the end of the reporting period. Therefore, all amounts have been restated by applying changes in the monthly general price index.

Cost of inventories sold has been restated using the restated inventory balance.

Depreciation and amortization expenses have been restated using the restated balances of property, plant and equipment, intangible assets, investment property and right-of-use assets.

Restatement of Statement of Cash Flows

All items in the statement of cash flows are expressed in terms of the measuring unit current at the end of the reporting period.

Consolidated financial statements

The financial statements of a subsidiary whose functional currency is the currency of a hyperinflationary economy are restated by applying the general price index before they are included in the consolidated financial statements prepared by the parent company.

Subsidiaries of the Group whose functional currency is other than Turkish Lira have been restated to 30 September 2024 purchasing power according to the following principles.

For the year ended 30 September 2024, the consolidated statement of financial position is translated into Turkish Lira at the closing rate of 30 September 2024. The consolidated income statement for the period 1 January 2024 – 30 September 2024 has been translated into Turkish Lira at the average monthly exchange rates and indexed to the purchasing power of 30 September 2024. For the year ended 31 December 2023, the consolidated statement of financial position is translated into Turkish Lira at the closing rate of

31 December 2023 and indexed to the purchasing power of 30 September 2024. For the period 1 January 2023 – 30 September 2023, the income statement is translated into Turkish Lira at the average monthly exchange rates and indexed to the purchasing power of 30 September 2024.

Comparative figures

Relevant figures for the previous reporting period are restated by applying the general price index so that the comparative financial statements are presented in the measuring unit applicable at the end of the reporting period. Information disclosed for prior periods is also expressed in terms of the measuring unit current at the end of the reporting period.

2.3 Going concern assumption

The consolidated financial statements have been prepared on the basis of going concern, assuming that the Company and its subsidiaries subject to consolidation will benefit from its assets and fulfill its obligations in the next year and within the natural flow of its operations.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2024

(Currency expressed in Turkish Lira based on the purchasing power of Turkish Lira ("TRY") as of 30 September 2024, unless otherwise stated)

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

2.4 Basis for Consolidation

The consolidated financial statements include the Group's accounts prepared on the basis determined in the following items. During the preparation of the financial statements of the companies included in the consolidation, necessary adjustments and classifications were made in terms of compliance with the Turkish Financial Reporting Standards and the accounting policies and presentation styles applied by the Group. The results of operations of the subsidiaries are included or excluded on the effective dates of the related transactions in accordance with the acquisition or disposal transactions.

The control is achieved by having control over the financial and operational policies of an entity to obtain benefits from its activities.

Subsidiaries are businesses controlled by the Company. The company controls the business when it is exposed to variable returns due to its relationship with a business or is entitled to these returns, and also has the opportunity to influence these returns with its power over the business. The financial statements of the subsidiaries are included in the consolidated financial statements from the date control occurs until the date control disappears. The accounting policies of the subsidiaries are changed in order to comply with the Group's policies when needed.

All of the subsidiaries included in the consolidation were established by the Company, and the table below shows the ownership rates as of 30 September 2024 and 31 December 2023:

Subsidiaries	30 September 2024 Effective partnership rate (%)	31 December 2023 Effective partnership oranı (%)
Koton Germany (*)	100.00	100.00
Koton Azerbaijan (*)	100.00	100.00
Koton Bosnia and Herzegovina	100.00	100.00
Koton Georgia	100.00	100.00
Koton Croatia (*)	100.00	100.00
Koton Kazakhstan	100.00	100.00
Koton Macedonia	100.00	100.00
Koton Romania	100.00	100.00
Koton Russia	100.00	100.00
Koton Slovakia (*)	100.00	100.00
Koton Greece (*)	100.00	100.00
Koton France (*)	100.00	100.00
Koton Morocco	100.00	100.00
Koton Belarus	100.00	100.00
Koton Ukraine	100.00	100.00
Koton Serbia	100.00	100.00
Koton Hungary	100.00	100.00
Koton United Arab Emirates (*) (**)	100.00	-
Koton India (*) (**)	100.00	-

(*) There is no activity as of the balance sheet date.

(**) It was established in 2024.

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(Currency expressed in Turkish Lira based on the purchasing power of Turkish Lira ("TRY") as of 30 September 2024, unless otherwise stated)

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

2.4 Basis for Consolidation (cont'd)

Subsidiaries are fully consolidated from the date on which control is transferred to the Group, and they are deconsolidated from the date that control ceases. Accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the Group.

The result of operations of subsidiaries acquired or sold during the year are included in the consolidated statement of comprehensive income from the date of acquisition or until the date of sale.

The balance sheets and statements of income of the subsidiaries are consolidated and the carrying value of the investment held by the Company and its subsidiaries is netted off against the related shareholders' equity. Intercompany transactions and balances between the Company and its Subsidiaries are netted off during the consolidation. The cost of and the dividends arising from, shares held by the Group in its subsidiaries are netted off from shareholders' equity and other comprehensive income, respectively.

2.5 New and Amended Turkish Financial Reporting Standards

a) Amendments that are mandatorily effective from 2024

Amendments to TAS 1	<i>Classification of Liabilities as Current or Non-Current</i>
Amendments to TFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to TAS 1	<i>Non-current Liabilities with Covenants</i>
Amendments to TAS 7 and TFRS 7	<i>Supplier Finance Arrangements</i>
TSRS 1	<i>General Requirements for Disclosure of Sustainability-related Financial Information</i>
TSRS 2	<i>Climate-related Disclosures</i>

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

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2024 and earlier application is permitted.

Amendments to TFRS 16 Lease Liability in a Sale and Leaseback

Amendments to TFRS 16 clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in TFRS 15 to be accounted for as a sale.

Amendments are effective from annual reporting periods beginning on or after 1 January 2024.

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

2.5 New and Amended Turkish Financial Reporting Standards (cont'd)

a) Amendments that are mandatorily effective from 2024 (cont'd)

Amendments to TAS 1 Non-current Liabilities with Covenants

Amendments to TAS 1 clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

Amendments are effective from annual reporting periods beginning on or after 1 January 2024.

The Group evaluates the effects of these standards, amendments and improvements on the consolidated financial statements.

Amendments to TAS 7 and TFRS 7 Supplier Finance Arrangements

The amendments add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements. Amendments are effective from annual reporting periods beginning on or after 1 January 2024.

TSRS 1 General Requirements for Disclosure of Sustainability-related Financial Information

TSRS 1 sets out overall requirements for sustainability-related financial disclosures with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity. The application of this standard is mandatory for annual reporting periods beginning on or after 1 January 2024 for the entities that meet the criteria specified in POA's announcement dated 5 January 2024 and numbered 2024-5 and for banks regardless of the criteria. Other entities may voluntarily report in accordance with TSRS.

TSRS 2 Climate-related Disclosures

TSRS 2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity. The application of this standard is mandatory for annual reporting periods beginning on or after 1 January 2024 for the entities that meet the criteria specified in POA's announcement dated 5 January 2024 and numbered 2024-5 and for banks regardless of the criteria. Other entities may voluntarily report in accordance with TSRS.

The aforementioned standards, amendments, and improvements are not expected to have a significant impact on the Group's consolidated financial position and performance.

b) Changes and interpretations made to existing previous standards and standards that have not yet come into effect.

Amendments to TAS 21 Lack of Exchangeability

The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not. Amendments are effective from annual reporting periods beginning on or after 1 January 2025.

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3. SEGMENT REPORTING

The Group's operating segments are identified based on the information provided to and analyzed by the Board of Directors, which represents the chief operating decision maker (CODM), as a result of the performance and resource allocation assessments made by the management responsible for monitoring the day-to-day operations of the Group.

The information reported includes information used by the Board of Directors to evaluate the performance of operating segments and to make decisions about resource allocation. In measuring and reporting segment income from transactions between the Group's operating segments and other segments, intersegment transfers are recognized at normal market prices and terms. Information regarding the segment reporting of the Group's domestic and foreign subsidiaries is as follows:

1 January - 30 September 2024

	Türkiye	CIS Countries(*)	Other International Countries(**)	Total
-Retail	10,444,921,921	2,667,120,009	1,581,073,319	14,693,115,249
-E-Commerce	1,320,539,469	437,697,959	200,075,613	1,958,313,041
-Wholesale	882,616,736	117,518,536	199,659,466	1,199,794,738
Total sales	12,648,078,126	3,222,336,504	1,980,808,398	17,851,223,028
Cost of sales	(4,692,355,709)	(1,495,784,793)	(1,417,721,065)	(7,605,861,567)
Gross profit	7,955,722,417	1,726,551,711	563,087,333	10,245,361,461
EBITDA	3,764,744,413	828,731,174	65,143,472	4,658,619,059
Adjusted EBITDA	3,108,266,489	559,122,844	(25,880,449)	3,641,508,884
Profit / (loss) for the period	1,069,021,178	54,813,449	(167,685,524)	956,149,103

The Group Management utilizes Earnings Before Interest, Depreciation, Tax and Amortization (EBITDA) values to measure the financial performance of the Group on a consolidated basis. EBITDA is calculated by adding finance income/(expenses), discount interest expenses on purchases of goods, income/(expense) from investing activities and depreciation and amortization expenses and other one-off provisions to profit before tax and deducting gains from net monetary position.

The Chief Operating Decision Maker (CODM) relies primarily on EBITDA and Adjusted EBITDA to assess the performance of the segment and to make decisions about resources to be allocated to the segment.

(*) The Commonwealth of Independent States (CIS) consists of the countries Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Ukraine, and Turkmenistan.

(**) The foreign subsidiaries of the Group operating in different countries are aggregated as "Other" due to their similar economic characteristics and individual revenues, profits and losses, or asset sizes not exceeding 10% of the total revenues, profits and losses, or asset amounts, respectively.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2024

(Currency expressed in Turkish Lira based on the purchasing power of Turkish Lira ("TRY") as of 30 September 2024, unless otherwise stated)

3. SEGMENT REPORTING (cont'd)

The reconciliation of Adjusted EBITDA to consolidated Operating Profit Before Finance Income/Expense and the components of Adjusted EBITDA are as follows:

1 January - 30 September 2024 (cont'd)

	Türkiye	CIS Countries (*)	Other International Countries (**)	Total
Profit/loss before tax	1,235,491,650	(16,338,309)	(168,975,988)	1,050,177,353
Finance expense, net	(878,068,237)	(160,002,197)	(6,603,947)	(1,044,674,381)
Monetary loss/gain	784,766,899	-	-	784,766,899
Operating profit / (loss) before finance income / (expense)	1,328,792,988	143,663,888	(162,372,041)	1,310,084,835
Income from investing activities	2,385,875	-	-	2,385,875
Expenses from investing activities	(1,011,385)	-	-	(1,011,385)
Operating profit/loss	1,327,418,498	143,663,888	(162,372,041)	1,308,710,345
Depreciation and amortization expenses (Note 18)	(1,384,527,472)	(328,156,275)	(154,484,123)	(1,867,167,870)
Discount interest expense on purchases of goods (Note 19)	(1,052,798,443)	(356,911,011)	(73,031,390)	(1,482,740,844)
EBITDA	3,764,744,413	828,731,174	65,143,472	4,658,619,059
Cash outflows related to debt payments arising from lease agreements (Note 11)	(656,477,924)	(269,608,330)	(91,023,921)	(1,017,110,175)
Adjusted EBITDA	3,108,266,489	559,122,844	(25,880,449)	3,641,508,884

1 January - 30 September 2023

	Türkiye	CIS Countries (*)	Other International Countries (**)	Total
- Retail	9,794,346,249	3,472,593,687	1,468,392,001	14,735,331,937
- E-Commerce	1,307,937,944	310,682,657	167,246,979	1,785,867,580
- Wholesale	948,620,177	10,263,530	65,593,715	1,024,477,422
Total sales	12,050,904,370	3,793,539,874	1,701,232,695	17,545,676,939
Cost of sales	(4,675,927,501)	(1,860,046,491)	(1,232,858,900)	(7,768,832,892)
Gross profit	7,374,976,869	1,933,493,383	468,373,795	9,776,844,047
EBITDA	4,586,387,848	837,017,965	(20,853,048)	5,402,552,765
Adjusted EBITDA	3,963,731,487	602,905,440	(140,944,311)	4,425,692,616
Profit / (loss) for the period	2,715,601,083	(105,454,109)	(280,585,880)	2,329,561,094

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2024

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3. SEGMENT REPORTING (cont'd)

The reconciliation of Adjusted EBITDA to consolidated Operating Profit Before Finance Income/Expense and the components of Adjusted EBITDA are as follows:

1 January - 30 September 2023 (cont'd)

	Türkiye	CIS Countries (*)	Other International Countries (**)	Total
Profit/loss before tax	3,378,894,153	(48,404,377)	(280,774,155)	3,049,715,621
Finance expense, net	(966,766,154)	(154,175,551)	(9,177,661)	(1,130,119,366)
Monetary loss/gain	1,835,376,917	-	-	1,835,376,917
Operating profit / (loss) before finance income / (expense)	2,510,283,390	105,771,174	(271,596,494)	2,344,458,070
Income from investing activities	7,112,311	-	-	7,112,311
Expenses from investing activities	(16,918,975)	-	-	(16,918,975)
Operating profit/loss	2,520,090,054	105,771,174	(271,596,494)	2,354,264,734
Depreciation and amortization expenses (Note 18)	(1,270,528,133)	(455,189,885)	(161,271,500)	(1,886,989,518)
Other expenses	(19,971,237)	-	-	(19,971,237)
Discount interest expense on purchases of goods (Note 19)	(775,798,424)	(276,056,906)	(89,471,946)	(1,141,327,276)
EBITDA	4,586,387,848	837,017,965	(20,853,048)	5,402,552,765
Cash outflows related to debt payments arising from lease agreements (Note 11)	(622,656,361)	(234,112,525)	(120,091,263)	(976,860,149)
Adjusted EBITDA	3,963,731,487	602,905,440	(140,944,311)	4,425,692,616

(*) The Commonwealth of Independent States (CIS) consists of the countries Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Ukraine, and Turkmenistan.

(**) The foreign subsidiaries of the Group operating in different countries are aggregated as "Other" due to their similar economic characteristics and individual revenues, profits and losses, or asset sizes not exceeding 10% of the total revenues, profits and losses, or asset amounts, respectively.

Information regarding the Group's domestic and international subsidiaries, including segment reporting is as follows:

1 July - 30 September 2024

	Türkiye	CIS Countries (*)	Other International Countries (**)	Total
- Retail	3,736,935,610	725,760,709	511,575,109	4,974,271,428
- E-Commerce	524,814,580	242,280,420	85,755,209	852,850,209
- Wholesale	293,865,774	24,984,363	44,030,477	362,880,614
Total sales	4,555,615,964	993,025,492	641,360,795	6,190,002,251
Cost of sales	(1,509,929,496)	(441,669,925)	(447,073,876)	(2,398,673,297)
Gross profit	3,045,686,468	551,355,567	194,286,919	3,791,328,954
EBITDA	1,598,550,667	158,964,334	1,684,021	1,759,199,022
Adjusted EBITDA	1,362,477,831	90,277,821	(21,437,320)	1,431,318,332
Profit / (loss) for the period	435,386,028	(140,801,457)	(45,877,383)	248,707,188

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3. SEGMENT REPORTING (cont'd)

The reconciliation of Adjusted EBITDA to consolidated Operating Profit Before Finance Income/Expense and the components of Adjusted EBITDA are as follows:

1 July - 30 September 2024 (cont'd)

	Türkiye	CIS Countries (*)	Other International Countries (**)	Total
Profit/loss before tax	620,486,344	(168,959,699)	(46,240,689)	405,285,956
Finance expense, net	(296,926,017)	(67,205,954)	(7,109,180)	(371,241,151)
Monetary loss/gain	161,024,070	-	-	161,024,070
Operating profit / (loss) before finance income / (expense)	756,388,291	(101,753,745)	(39,131,509)	615,503,037
Income from investing activities	1,047,132	-	-	1,047,132
Expenses from investing activities	(29,341)	-	-	(29,341)
Operating profit/loss	755,370,500	(101,753,745)	(39,131,509)	614,485,246
Depreciation and amortization expenses (Note 18)	(480,877,620)	(111,855,702)	(41,720,595)	(634,453,917)
Discount interest expense on purchases of goods (Note 19)	(362,302,547)	(148,862,377)	905,065	(510,259,859)
EBITDA	1,598,550,667	158,964,334	1,684,021	1,759,199,022
Cash outflows related to debt payments arising from lease agreements	(236,072,836)	(68,686,513)	(23,121,341)	(327,880,690)
Adjusted EBITDA	1,362,477,831	90,277,821	(21,437,320)	1,431,318,332

Information regarding the Group's domestic and international subsidiaries, including segment reporting is as follows:

1 July - 30 September 2023

	Türkiye	CIS Countries (*)	Other International Countries (**)	Total
- Retail	3,423,109,509	1,166,438,969	444,281,381	5,033,829,859
- E-Commerce	426,431,504	113,283,285	61,414,728	601,129,517
- Wholesale	305,367,235	5,858,080	25,365,416	336,590,731
Total sales	4,154,908,248	1,285,580,334	531,061,525	5,971,550,107
Cost of sales	(949,986,929)	(548,629,506)	(446,329,248)	(1,944,945,683)
Gross profit	3,204,921,319	736,950,828	84,732,277	4,026,604,424
EBITDA	2,094,060,393	375,266,595	(114,656,265)	2,354,670,723
Adjusted EBITDA	1,933,442,419	349,164,353	(144,413,552)	2,138,193,220
Profit / (loss) for the period	1,258,791,228	15,400,458	(201,366,814)	1,072,824,872

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3. SEGMENT REPORTING (cont'd)

The reconciliation of Adjusted EBITDA to consolidated Operating Profit Before Finance Income/Expense and the components of Adjusted EBITDA are as follows:

1 July - 30 September 2023 (cont'd)

	Türkiye	CIS Countries (*)	Other International Countries (**)	Total
Profit/loss before tax	1,941,782,091	50,218,471	(201,319,046)	1,790,681,516
Finance expense, net	(467,691,238)	(58,893,196)	(4,454,897)	(531,039,331)
Monetary loss/gain	1,039,384,154	-	-	1,039,384,154
Operating profit / (loss) before finance income / (expense)	1,370,089,175	109,111,667	(196,864,149)	1,282,336,693
Income from investing activities	3,322,379	-	-	3,322,379
Expenses from investing activities	(936,109)	-	-	(936,109)
Expenses from investing activities	1,367,702,905	109,111,667	(196,864,149)	1,279,950,423
Depreciation and amortization expenses (Note 18)	(439,566,661)	(142,775,492)	(38,525,612)	(620,867,765)
Other expenses	(19,971,237)	-	-	(19,971,237)
Discount interest expense on purchases of goods (Note 19)	(266,819,590)	(123,379,436)	(43,682,272)	(433,881,298)
EBITDA	2,094,060,393	375,266,595	(114,656,265)	2,354,670,723
Cash outflows related to debt payments arising from lease agreements	(160,617,974)	(26,102,242)	(29,757,287)	(216,477,503)
Adjusted EBITDA	1,933,442,419	349,164,353	(144,413,552)	2,138,193,220

4. CASH AND CASH EQUIVALENTS

	<u>30 September 2024</u>	<u>31 December 2023</u>
Cash	16,539,378	41,184,967
Cash at banks	553,986,623	308,949,311
- <i>Time deposits</i>	350,433,388	19,307,177
- <i>Demand deposits</i>	203,553,235	289,642,134
Credit card receivables (*)	38,591,924	137,714,480
Cash and cash equivalents in the cash flow statement	609,117,925	487,848,758
Interest income accruals	8,227,975	-
	617,345,900	487,848,758

(*) The maturity of credit card receivables is less than 1 week.

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4. CASH AND CASH EQUIVALENTS(cont'd)

As of 30 September 2024 and 31 December 2023 the details of time deposits, maturity dates and interest rates of the Group are as follows:

	<u>Maturity</u>	<u>Interest Rate</u>	<u>30 September 2024</u>
TL	30 September 2024 - 1 October 2024	% 50	350,114,321
Tenge	30 September 2024 - 1 October 2024	% 14	35,450
Tenge	30 September 2024 - 31 October 2024	% 11	283,617
			350,433,388

	<u>Maturity</u>	<u>Interest Rate</u>	<u>31 December 2023</u>
TL	29 December 2023 - 2 January 2024	% 40	13,586,034
Tenge	29 December 2023 - 2 January 2024	% 15	5,721,143
			19,307,177

5. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables:

As of reporting date, details of the Group's trade receivables are as follows:

	<u>30 September 2024</u>	<u>31 December 2023</u>
<u>Short-term trade receivables</u>		
Trade receivables	1,715,003,098	1,493,824,846
Notes receivable	216,437,137	131,788,451
Provision for doubtful trade receivables (-)	(59,085,421)	(68,212,381)
	1,872,354,814	1,557,400,916

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. The average maturity of trade receivables is 64 days (31 December 2023: 61 days).

Movement of doubtful trade receivables during the period are as follows:

	<u>1 January 30 September 2024</u>	<u>1 January 30 September 2023</u>
Opening balance	68,212,381	81,491,352
Expense for the period (Note 19)	10,900,845	23,952,134
Collections	(224,860)	(2,041,453)
Translation gain	456,607	1,139,604
Inflation effect	(20,259,552)	(31,504,654)
Closing balance	59,085,421	73,036,983

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5. TRADE RECEIVABLES AND PAYABLES (cont'd)

b) Trade Payables:

The Group's trade payables are as follows as of the reporting date:

	<u>30 September 2024</u>	<u>31 December 2023</u>
<u>Short-term trade payables</u>		
Trade payables (*)	2,161,517,756	1,592,881,648
Notes payable	3,618,644,448	3,282,085,622
Less: Deferred finance income from forward purchases	(498,413,643)	(344,610,899)
	<u>5,281,748,561</u>	<u>4,530,356,371</u>

(*) A total of TL 131,281,915 (31 December 2023: TL 200,933,087) of trade payables consist of supplier financing payables. The Group's payment terms do not change after supplier financing

The average payment maturity for the purchase of trade goods is 199 days (31 December 2023: 178 days). The annual average effective interest rate in TL used in discount calculation is 59% (31 December 2023: 50%).

6. INVENTORIES

	<u>30 September 2024</u>	<u>31 December 2023</u>
Raw materials and supplies	1,154,512,917	917,692,262
Semi-finished goods	9,620,137	11,556,350
Finished goods	316,542,016	307,047,701
Trade goods	6,851,729,804	5,665,735,236
Other inventories	142,323,964	131,003,862
Provision for impairment in inventory (-)	(111,112,213)	(84,396,025)
	<u>8,363,616,625</u>	<u>6,948,639,386</u>

In the current year, the Group has identified inventory items where the net realizable values were below the cost of the related inventory. Consequently, the Group has written down TL 111,112,213 (31 December 2023: TL 84,396,025) of inventory. As of 30 September 2024, the total amount of inventory presented as net realizable value is TL 8,363,616,625 (31 December 2023: TL 6,948,639,386).

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6. INVENTORIES (cont'd)

Movement table of provision for impairment on inventories for the years ended 30 September 2024 and 30 September 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Opening balance	84,396,025	97,956,374
Charge for the period	92,306,823	79,953,756
Reversed provision	(58,255,273)	(44,098,939)
Translation gain	(7,335,362)	5,910,023
Closing balance	111,112,213	139,721,214

As of 30 September 2024, there is no pledge/mortgage on inventories (31 December 2023: None)

7. PREPAID EXPENSES AND DEFERRED INCOME

<u>Short-Term Prepaid Expenses</u>	<u>30 September 2024</u>	<u>31 December 2023</u>
Inventory advances given	1,503,044,943	527,602,522
Prepaid expenses (*)	33,728,286	55,884,375
Other	2,029,924	364,485
	1,538,803,153	583,851,382

(*) Consists of prepaid insurance and transportation expenses for the following months and years.

<u>Short-Term Deferred Income</u>	<u>30 September 2024</u>	<u>31 December 2023</u>
Order advances received (*)	114,829,815	107,899,417
Deferred income (**)	56,525,254	1,390,128
	171,355,069	109,289,545

(*) TL 44,950,735 of the order advances received (31 December 2022: TL 43,841,693) consists of unused and unexpired gift and return checks.

(**) Deferred income consists of lease incentives. Lease incentives received are the result of the lessor paying this construction cost to the Group in advance, in cases where the Group has completed the interior decoration construction of new stores rented by the Group in certain shopping centers. This amount paid in advance to the Group is recorded as deferred income and transferred proportionally to profit or loss during the lease period.

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8. PROPERTY, PLANT AND EQUIPMENT

	Plant, machinery and Equipment	Vehicles	Furniture and Fixtures	Leasehold Improvements	Construction in progress(*)	Total
<u>Cost Value</u>						
Opening balance as of 1 January 2024	83,801,438	18,603,502	5,380,339,004	4,230,635,335	61,530,275	9,774,909,554
Foreign currency translation differences	285,136	(770,198)	(139,334,803)	(265,720,581)	2,862,109	(402,678,337)
Additions	6,318,456	-	138,770,657	176,887,535	121,406,851	443,383,499
Transfers	19,232,219	-	(18,503,728)	(361,761)	(86,972,257)	(86,605,527)
Disposals	(1,343,404)	(1,026,145)	(31,687,485)	(42,232,617)	(920,844)	(77,210,495)
Closing balance as of 30 September 2024	108,293,845	16,807,159	5,329,583,645	4,099,207,911	97,906,134	9,651,798,694
<u>Accumulated Depreciation</u>						
Opening balance as of 1 January 2024	(61,652,652)	(15,039,591)	(4,617,252,081)	(3,147,023,373)	-	(7,840,967,697)
Foreign currency translation differences	7,458,411	298,130	143,926,008	159,673,091	-	311,355,640
Charge for the period	(7,592,160)	(439,259)	(190,150,351)	(221,717,740)	-	(419,899,510)
Disposals	1,231,932	769,685	22,801,542	36,242,032	-	61,045,191
Closing balance as of 30 September 2024	(60,554,469)	(14,411,035)	(4,640,674,882)	(3,172,825,990)	-	(7,888,466,376)
Net book value as of 30 September 2024	47,739,376	2,396,124	688,908,763	926,381,921	97,906,134	1,763,332,318

(*) Amounts transferred from ongoing investments to rights and licenses consist of projects capitalized by the design center.

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8. PROPERTY, PLANT AND EQUIPMENT (cont’d)

	Plant, machinery and Equipment	Vehicles	Furniture and Fixtures	Leasehold Improvements	Construction in progress	Total
<u>Cost Value</u>						
Opening balance as of 1 January 2023	92,116,637	19,532,520	5,323,381,469	4,283,225,721	50,163,530	9,768,419,877
Foreign currency translation differences	1,389,376	(161,806)	(154,606,232)	(181,109,685)	983,183	(333,505,164)
Additions	20,309,145	19,943	157,891,013	180,746,218	73,306,495	432,272,814
Transfers	-	-	(11,558,800)	16,161,712	(42,786,563)	(38,183,651)
Disposals	(185,950)	(818,933)	(32,436,956)	(120,175,770)	(18,533,407)	(172,151,016)
Closing balance as of 30 September 2023	113,629,208	18,571,724	5,282,670,494	4,178,848,196	63,133,238	9,656,852,860
<u>Accumulated Depreciation</u>						
Opening balance as of 1 January 2023	(57,347,299)	(14,416,459)	(4,521,853,988)	(3,088,172,719)	-	(7,681,790,465)
Foreign currency translation differences	2,029,252	22,329	182,331,026	117,827,855	-	302,210,462
Charge for the period	(5,454,714)	(1,074,731)	(237,879,171)	(245,872,913)	-	(490,281,529)
Disposals	36,944	682,444	28,279,169	81,033,645	-	110,032,202
Closing balance as of 30 September 2023	(60,735,817)	(14,786,417)	(4,549,122,964)	(3,135,184,132)	-	(7,759,829,330)
Net book value as of 30 September 2023	52,893,391	3,785,307	733,547,530	1,043,664,064	63,133,238	1,897,023,530

TL 54,859 (30 September 2023: TL 138,130) of depreciation expenses are included in research and development expenses, TL 319,611,453 (30 September 2023: TL 421,442,013) in marketing expenses and TL 100,233,198 (30 September 2023: TL 68,701,386) in general administrative expenses.

As of 30 September 2024, the Company has capitalized personnel expenses amounting to TL 73,614,698 within the scope of design center activities. (30 September 2023: TL 55,693,753)

As of 30 September 2024 and 30 September 2023, there are no guarantees, pledges and mortgages on property, plant and equipment.

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9. INTANGIBLE ASSETS

Cost Value	Rights and Licenses
Opening balance as of 1 January 2024	1,318,680,300
Foreign currency translation differences	(2,594,971)
Additions	95,935,478
Transfers	86,605,527
Disposals	(22,459)
Closing balance as of 30 September 2024	1,498,603,875
Accumulated Amortization	
1 Ocak 2024 itibarıyla açılış bakiyesi	(797,280,505)
Foreign currency translation differences	(3,460,299)
Charge for the period	(110,171,545)
Disposals	14,255
Closing balance as of 30 September 2024	(910,898,094)
Net book value as of 30 September 2024	587,705,781
Cost Value	
Opening balance as of 1 January 2023	1,157,193,044
Foreign currency translation differences	9,643,817
Additions	66,701,889
Transfers	38,183,651
Disposals	(18,746)
Closing balance as of 30 September 2024	1,271,703,655
Accumulated Amortization	
Opening balance as of 1 January 2023	(656,973,464)
Foreign currency translation differences	(13,962,052)
Charge for the period	(92,915,886)
Disposals	9,063
Closing balance as of 30 September 2023	(763,842,339)
Net book value as of 30 September 2023	507,861,316

TL 45,859,288 (30 September 2023: TL 32,047,985) of depreciation expenses are included in research and development expenses, TL 39,450,734 (30 September 2023: TL 12,909,022) in marketing expenses and TL 24,861,523 (30 September 2023: TL 47,958,879) in general administrative expenses.

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10. RIGHT-OF-USE ASSETS

The details of the items recognized in the consolidated profit and loss statement related to right-of-use assets for the periods 1 January – 30 September 2024 and 1 January – 30 September 2023 are as follows:

<u>Cost Value</u>	<u>Building</u>	<u>Motor vehicles</u>	<u>Total</u>
Opening balance as of 1 January 2024	10,769,983,830	125,288,728	10,895,272,558
Additions	326,386,763	7,994,411	334,381,174
Rent change	1,406,881,542	887,182	1,407,768,724
Disposals	(919,572,544)	(58,196,155)	(977,768,699)
Foreign currency translation differences	(622,739,986)	-	(622,739,986)
Closing balance as of 30 September 2024	10,960,939,605	75,974,166	11,036,913,771
<u>Accumulated Depreciation</u>			
Opening balance as of 1 January 2024	(7,015,070,020)	(94,008,028)	(7,109,078,048)
Charge for the period	(1,299,668,609)	(37,428,206)	(1,337,096,815)
Disposals	658,965,579	58,051,904	717,017,483
Foreign currency translation differences	436,075,525	-	436,075,525
Closing balance as of 30 September 2024	(7,219,697,525)	(73,384,330)	(7,293,081,855)
Net book value as of 30 September 2024	3,741,242,080	2,589,836	3,743,831,916

<u>Cost Value</u>	<u>Buildings</u>	<u>Motor vehicles</u>	<u>Total</u>
Opening balance as of 1 January 2023	9,880,914,988	122,424,213	10,003,339,201
Additions	477,098,372	14,033,510	491,131,882
Rent change	1,080,981,857	(778,255)	1,080,203,602
Disposals	(589,175,421)	(10,804,101)	(599,979,522)
Foreign currency translation differences	(439,278,560)	-	(439,278,560)
Closing balance as of 30 September 2023	10,410,541,236	124,875,367	10,535,416,603
<u>Accumulated Depreciation</u>			
Opening balance as of 1 January 2023	(5,680,073,122)	(45,817,092)	(5,725,890,214)
Charge for the period	(1,266,517,876)	(37,274,227)	(1,303,792,103)
Disposals	470,032,342	10,086,233	480,118,575
Foreign currency translation differences	260,801,672	-	260,801,672
Closing balance as of 30 September 2023	(6,215,756,984)	(73,005,086)	(6,288,762,070)
Net book value as of 30 September 2023	4,194,784,252	51,870,281	4,246,654,533

The average useful lives of right-of-use assets is between 2-15 years.

Depreciation expenses amounting to TL 1,337,096,815 (30 September 2023 TL 1,303,792,103) are included in marketing expenses.

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10. RIGHT OF USE ASSETS (cont'd)

Depreciation expenses:

	30 September 2024	30 September 2023
Buildings	1,299,668,609	1,266,517,876
Motor vehicles	37,428,206	37,274,227
	1,337,096,815	1,303,792,103

Profit or loss statement items related to leasing transactions

	30 September 2024	30 September 2023
Depreciation and amortization expenses	1,337,096,815	1,303,792,103
Interest expenses	212,862,968	290,279,529
Foreign exchange expenses	7,633,020	(2,048,279)
	1,557,592,803	1,592,023,353

11. BORROWINGS

Financial Borrowings

Details of borrowings at amortized cost are as follows:

<u>Financial Borrowings</u>	30 September 2024	31 December 2023
Short-term bank loans	2,007,414,729	1,482,942,619
Short-term portion of long-term financial borrowings	464,065,799	414,864,545
Short-term lease liabilities	1,185,360,139	1,143,025,412
Long-term bank loans	26,051,068	146,578,493
Long-term lease liabilities	1,591,663,980	1,861,504,611
	5,274,555,715	5,048,915,680

Bank Loans

As of 30 September 2024 and 31 December 2023 bank loan details are as followed:

	30 September 2024	31 December 2023
To be paid within 1 year	2,471,480,528	1,897,807,164
To be paid within 1 - 2 years	26,051,068	146,578,493
	2,497,531,596	2,044,385,657

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11. BORROWINGS (cont'd)

Bank Loans (cont'd)

Short-Term Financial Borrowings as of 30 September 2024

Currency	Effective interest rate(%)	Nominal value (*)	Carrying value
TL	%27 - %64	1,540,599,780	1,452,680,393
Euro	%7 - %10	738,248,304	673,835,451
US Dollar	%9 - %11	52,234,934	49,220,183
Georgian Lari	%15 - %16	90,709,183	89,920,793
Kazakhstan Tenge	%17 - %22	64,262,621	59,136,924
Other	%12 - %24	145,141,712	146,686,784
		2,631,196,534	2,471,480,528

Short-Term Financial Borrowings as of 31 December 2023

Currency	Effective interest rate(%)	Nominal value (*)	Carrying value
TL	%26 - %52	860,367,974	743,844,482
Euro	%3 - %10	907,205,992	824,659,536
US Dolllar	%11 - %14	55,842,688	51,933,767
Georgian Lari	%17	93,081,642	91,566,334
Kazakhstan Tenge	%19 - %21	74,642,493	67,678,704
Other	%12 - %22	128,455,690	118,124,341
		2,119,596,479	1,897,807,164

(*) Financial debts consist of principal and interest payments based on nominal amounts.

Long-Term Financial Borrowings as of 30 September 2024

Currency	Effective interest rate(%)	Nominal value (*)	Carrying value
EUR	%7 - %10	32,499,384	26,051,068
		32,499,384	26,051,068

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11. BORROWINGS (cont'd)

Bank Loans (cont'd)

Long-Term Financial Borrowings as of 31 December 2023

Currency	Effective interest rate(%)	Nominal value (*)	Carrying value
EUR	% 8 - % 10	150,382,765	142,359,977
Other	% 12	4,260,702	4,218,516
		154,643,467	146,578,493

(*) Financial debts consist of principal and interest payments based on nominal amounts.

Financial Lease Liabilities

As of 30 September 2024 and 31 December 2023, details of finance lease payables are as follows:

<u>Financial Borrowings</u>	30 September 2024	31 December 2023
Short-term lease liabilities	1,185,360,139	1,143,025,412
Long-term lease liabilities	1,591,663,980	1,861,504,611
	2,777,024,119	3,004,530,023

<u>Net Financial Debt Reconciliation</u>	30 September 2024	31 December 2023
Cash and cash equivalents	617,345,900	487,848,758
Bank loans	(2,497,531,596)	(2,044,385,657)
Financial lease liabilities	(2,777,024,119)	(3,004,530,023)
Total borrowings	(4,657,209,815)	(4,561,066,922)

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11. BORROWINGS (cont’d)

	Bank loans	Lease liabilities	Financial lease liabilities	Net borrowings
1 January 2024	2,044,385,657	3,004,530,023	-	5,048,915,680
Cash inflows from borrowings	2,141,917,577	-	-	2,141,917,577
Cash outflows related to debt payments	(1,322,392,475)	(1,017,110,175)	-	(2,339,502,650)
Effect of contract changes/reversals	-	1,382,102,696	-	1,382,102,696
Change in foreign exchange differences	134,810,756	7,633,025	-	142,443,781
Change in interest accruals	11,752,373	189,223,731	-	200,976,104
Foreign currency translation differences	26,673,356	3,690,600	-	30,363,956
Inflation effect	(539,615,648)	(793,045,781)	-	(1,332,661,429)
30 September 2024	2,497,531,596	2,777,024,119	-	5,274,555,715
	Bank loans	Lease liabilities	Financial lease liabilities	Net borrowings
1 January 2023	2,859,603,894	3,400,088,398	5,429,541	6,265,121,833
Cash inflows from borrowings	1,246,600,337	-	-	1,246,600,337
Cash outflows related to debt payments	(1,390,166,470)	(976,860,149)	(3,531,015)	(2,370,557,633)
Effect of contract changes/reversals	-	1,305,344,790	-	1,305,344,790
Change in foreign exchange differences	290,868,346	27,506,253	311,720	318,686,319
Change in interest accruals	(283,634)	226,783,010	-	226,499,376
Foreign currency translation differences	38,643,817	267,885,445	-	306,529,262
Inflation effect	(951,358,072)	(1,131,171,192)	(1,806,345)	(2,084,335,609)
30 September 2023	2,093,908,219	3,119,576,555	403,901	5,213,888,675

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12. PROVISIONS

<u>Short-term provisions</u>	30 September 2024	31 December 2023
Provision for litigation	23,319,353	32,733,040
Other (*)	-	9,481,978
	23,319,353	42,215,018

(*) Other provisions consists of provisions made for franchise companies in Türkiye based on discounts.

As of 30 September 2024 and 30 September 2023, the movement of provisions for litigation is as follows:

	2024	2023
Provision as at 1 January	32,733,040	49,224,132
Provision recognised in the period	5,703,714	5,007,271
Payments	(6,066,250)	(2,208,778)
Provision used in the period	(411,263)	(3,539,608)
Inflation effect	(8,639,888)	(17,338,778)
Provision as of 30 September	23,319,353	31,144,239

Significant litigations

In 2012, the Company became a party to damage compensation lawsuits concerning a fire that occurred in a shopping center where it had leased a store to a third party, with whom it had a franchise relationship through a sublease agreement. The claim asserted that the Company is strictly liable for the damage arising from the sub-tenant's fault. The Company has been named as a party in the damage compensation lawsuits, some of which have been notified to the Company, and has intervened in the criminal case.

The first-instance court where the criminal case, in which the Company intervened, was heard found the Company's sub-tenant, who was the operational manager, to be at fault, and the criminal case resulted against the individual in question. The Company appealed the decision in the criminal case in which it intervened. The Court of Cassation completed its review of the appeal, and the decision of the first-instance court was overturned by the Court of Cassation on the grounds of insufficient evidence. The first-instance court, Kocaeli 8th Criminal Court of First Instance, complied with the Court of Cassation's decision, and the defendant was acquitted. Subsequently, the acquittal decision was appealed by the parties involved, and following the appellate review, on 25 June 2019, the decision confirmed that the appeal objections indicating the fire originated from the Koton Store were rejected, affirming the acquittal decision for the sub-tenant and the franchise's store manager.

However, in the compensation lawsuit filed by Iss Management Services Inc. through the file numbered 2020/40 E. of Istanbul 18th Commercial Court, imputed due to the fire, the court ruled in favor of the Company by rejecting the lawsuit, stating that the fire originated from the cleaning room.

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12. PROVISIONS (cont'd)

Significant litigations (cont'd)

Following the appeal to the Supreme Court of Appeals against the decision, the decision of the Local Court in favor of the Company was approved as a result of the appeal review carried out by the Supreme Court of Appeals. A request for correction of decision has been made against the approval decision given by the Supreme Court of Appeals and the file is at the Court of Cassation for revision review.

The Group management, in the opinion of the Group management and lawyers, has not recognized any provision amount in the consolidated financial statements for the liabilities that may arise in relation to these lawsuits, taking into account the defenses that the building owner has the primary responsibility because of the fact that Koton cannot be held legally liable even if the sub-lessee and its employee are at fault, since there is no service or auxiliary person/employee relationship between the sub-lessee and Koton even if the fire started in the Koton store and that there is no primary fault; at the same time, that the fate of these cases is directly related to the final outcome of the criminal case, that in some of the existing compensation cases, it was decided that the finalization of the decision given in this criminal case should be made as a matter of waiting, and that the proceedings should be suspended, and in some of them, although the proceedings continue, it has been decided to wait for the finalization of the decision given in the criminal case; the store was not a defendant in some of these compensation cases, but only a reported one; the verdict of the court of first instance acquitting the accused employee in the criminal case was upheld by the relevant criminal chamber of the Court of Cassation "rejecting the grounds of appeal that the fire originated from the Koton store"; the high probability that the lawsuits filed on behalf of our group would have been rejected due to the fact that the aforementioned acquittal decision would have affected the fault examinations in the damage compensation lawsuits and the shopping mall is a defective building built in violation of the building license and does not have a fire report.

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13. COMMITMENTS

Guarantee-Pledge-Mortgages (“GPM”)

The Group’s guarantees/pledges/mortgage position (“GPM”) as of 30 September 2024 and 31 December 2023 are as follows:

30 September 2024

	Original currency			
	TL	ABD Dollar	Euro	TL Equivalents
A. GPMs Given for Company’s Own Legal Personality	251,883,418	230,634	4,636,518	436,016,872
-Guarantee	251,883,418	230,634	4,636,518	436,016,872
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
B. GPMs Given on Behalf of Fully Consolidated Companies	-	42,238	1,223,078	47,938,873
-Guarantee	-	42,238	1,223,078	47,938,873
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
C. GPMs Given in the Normal Course of Business Activities on Behalf of Third Parties	-	-	-	-
- Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
D. Total Amount of Other GPMs	-	-	-	-
i. Total GPM given in favour of parent entity	-	-	-	-
- Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
ii. Total GPM given in favour of other Group companies	-	-	-	-
- Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
iii. Total GPM given in favour of other 3rd parties out of the scope of clause C	-	-	-	-
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
Total	251,883,418	272,872	5,859,596	483,955,745

Guarantees, pledges and mortgages given to the equity ratio of the Group is 0% as of 30 September 2024.

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13. COMMITMENTS (cont’d)

Guarantee-Pledge-Mortgages (“GPM”)

31 December 2023

	Original currency			
	TL	ABD Dollar (*)	Euro(*)	TL Equivalents
A. GPMs Given for Company’s Own Legal Personality	190,199,425	291,967	6,052,566	469,732,977
-Guarantee	190,199,425	291,967	6,052,566	469,732,977
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
B. GPMs Given on Behalf of Fully Consolidated Companies	-	42,238	1,121,737	51,331,778
-Guarantee	-	42,238	1,121,737	51,331,778
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
C. GPMs Given in the Normal Course of Business Activities on Behalf of Third Parties	-	-	-	-
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
D. Total Amount of Other GPMs	-	-	-	-
i. Total GPM given in favour of parent entity	-	-	-	-
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
ii. Total GPM given in favour of other Group Companies	-	-	-	-
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
iii. Total GPM given in favour of other 3rd parties out of the scope of clause C	-	-	-	-
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
Total	190,199,425	334,205	7,174,303	521,064,755

Guarantees, pledges and mortgages given to the equity ratio of the Group is 0% as of 31 December 2023.

(*) The related amounts are presented in original currency and TL equivalents are expressed in terms of the purchasing power of 30 September 2024.

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13. COMMITMENTS (cont'd)

Guarantee-Pledge-Mortgages ("GPM") (cont'd)

Guarantees given in relation to the loans obtained from Eximbank are included in the guarantees given on behalf of the Company's legal entity. Loans related to these guarantees are recognized in the financial liabilities note (Note 11) and the Group's liabilities are limited to the amounts disclosed in Note 11.

The financial liabilities of the Group's subsidiaries are recognized on a line-by-line basis in the consolidated financial statements and disclosed in the financial liabilities note (Note 11). Koton Mağazacılık has given guarantees to the financial institutions as a guarantor for the use of these loans. The Group's liabilities are limited to the amounts disclosed in Note 11. As at 30 June 2024, the total amount of these loans, for which the Company is a guarantor and which are already recognized as financial liabilities in the consolidated financial statements due to full consolidation method of accounting, is GEL 7 million (TL 87,969,043) and RUB 376 million (TL 137,360,788), respectively. (As at 31 December 2023, the total amount of these loans, for which the Company is a guarantor and which are already recognized as financial liabilities in the consolidated financial statements due to full consolidation method of accounting, is 6 million GEL (TL 65,769,600) and 276 million RUB (TL 90,003,600)

14. EMPLOYEE BENEFITS

Payables related to employee benefits

	30 September 2024	31 December 2023
Payables to personnel	216,983,707	155,028,489
Social security premiums payable	85,908,915	125,324,599
	302,892,622	280,353,088

Short-term provisions for employee benefits

	30 September 2024	31 December 2023
Unused vacation provision	179,847,340	164,583,513
Bonus provisions	6,971,796	93,718,189
	186,819,136	258,301,702

The Group provides reserve for the vacation pay liability due to the earned and unused vacation rights of its employees in accordance with the labor laws of the respective countries where the Group operates since the Group has to make payments for unused vacation days when the employment agreement was discharged for any reason. Vacation pay liability is the undiscounted amount calculated over the unused vacation days of the employee as of the reporting date.

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14. EMPLOYEE BENEFITS (cont'd)

Short-term provisions for employee benefits (cont'd)

Movement of unused vacation provisions:

	2024	2023
Provision as of 1 January	164,583,513	133,118,293
Period expense / Used (Net)	88,757,066	83,192,496
Vacation provision paid	(31,215,264)	(16,846,277)
Foreign currency translation differences	1,163,847	6,294,519
Inflation effect	(43,441,822)	(44,286,959)
Provision as of 30 September	179,847,340	161,472,072

Movement of provisions for bonuses:

	2024	2023
Provision as of 1 January	93,718,189	107,106,598
Bonus provision paid	(68,981,271)	(71,473,437)
Charge for the period	6,971,796	84,428,574
Inflation effect	(24,736,918)	(35,633,161)
Provision as of 30 September	6,971,796	84,428,574

Long-term provisions for employee benefits

Provision for employment termination benefits:

Under Turkish Labor Law, the Group is required to pay termination benefits to each employee who has completed certain years of service and whose employment is terminated without due cause, is called up for military service, dies or achieves the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of TL 41,828.42 for each period of service as of 30 September 2024 (30 September 2023: TL 23,489.83).

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

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14. EMPLOYEE BENEFITS (cont'd)

Long-term provisions for employee benefits (cont'd)

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as of 30 September 2024, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated with the assumption of 26.25% real discount rate (31 December 2023: 27.05%) calculated by using 20.65% annual inflation rate and 4.64% discount rate. Estimated amount of retirement pay not paid due to voluntary leaves is also taken into consideration as 15.41% (31 December 2023: 16.05%). The maximum amount of TL 41,828.42 effective from 1 January 2024 has been taken into account in the calculation of the severance pay provision of the Group (1 July 2023: TL 23,489.83T).

Significant assumptions used in the calculation of employee termination benefit is likely to leave the job depends on the discount rate and demand.

	2024	2023
Provision as of January 1	120,768,363	123,929,402
Service cost	29,784,493	67,636,203
Interest cost	31,722,264	13,539,974
Employment termination benefit paid	(52,012,244)	(83,088,994)
Actuarial loss	12,221,868	19,766,353
Foreign currency translation differences	357,187	-
Inflation effect	(32,100,790)	(38,558,545)
Provision as of 30 September	110,741,141	103,224,393

15. OTHER ASSETS AND LIABILITIES

As of 30 September 2024, and 31 December 2023, other current assets and short-term liabilities are as follows:

	30 September 2024	31 December 2023
Deferred VAT	443,545,380	348,141,025
Other	38,373,574	20,574,342
	481,918,954	368,715,367
	30 September 2024	31 December 2023
Taxes and funds payable	116,532,504	112,367,207
Expense accruals	-	35,130,774
	116,532,504	147,497,981

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16. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Paid-in capital

As of 30 September 2024 and 31 December 2023, the structure of paid in capital is as follows:

	%	30 September 2024	%	31 December 2023
Nemo Apparel BV	%39,6	328,508,456	%50,0	397,750,000
Yılmaz Yılmaz	%23,6	195,902,787	%25,0	198,875,000
Şükriye Gülden Yılmaz	%23,6	195,902,787	%25,0	198,875,000
Shares publicly held	%13,2	109,335,970	-	-
	%100,0	829,650,000	%100,0	795,500,000
Shares publicly held		4,667,219,260		4,662,289,593
Adjusted capital		5,496,869,260		5,457,789,593

(*) Adjustment to share capital represents the restatement effect of cash and cash equivalent contributions to share capital in accordance with CMB Financial Reporting Standards. Adjustment to share capital is not available for any other use except to be added to share capital.

On 30 September 2024, at the extraordinary general assembly meeting held, it was decided to divide the Company's paid-in capital amounting to TL 829,650,000 into 829,650,000 registered nominal shares with a unit nominal share value of TL 1. (As of 31 December 2023, the Company's paid-in capital amounting to TL 795,500,000 consists of 795,500,000 registered nominal shares with a unit nominal share value of TL 1).

The company went public with a share price of 30.50 TL, a public offering ratio of 16.2%, a nominal value of 136,600,000 TL in shares sold, and a total public offering size of 4,166,300,000 TL between April 30 and May 2-3, 2024. It began trading on Borsa İstanbul A.Ş. Yıldız Pazar on May 10, 2024. Of the total public offering, 34,150,000 TL was realized through a capital increase. As a result of some shares being repurchased by the shareholders from the stock exchange, 27,264,030 of the publicly traded shares are owned by the shareholders, leading to a public offering ratio of 13.2%.

In addition, inflation adjustment differences arising from reserves, on which there is no record preventing profit distribution, can be used in profit distribution.

The group has adopted the registered capital system, and its registered capital and issued capital are as follows:

	30 September 2024
Authorized share capital (historical value)	6,600,000,000
Issued capital with nominal value	829,650,000

Companies in Turkey can exceed the registered capital ceiling on a one-time basis by distributing free shares to their shareholders.

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

Restricted reserves appropriated from profit

Restricted reserves are reserves which are reserved for specific purposes from previous period profit other than due to law or contractual obligations or dividend payments. These reserves are presented as the same amount in Company's statutory books and differences arising preparing the financial statements in accordance with TFRS are associated with prior years' profit or losses.

In accordance with the Turkish Commercial Code TCC numbered 519, 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 Group'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.

As of 30 September 2024, the Group has allocated reserves amounting to TL 164,465,295 (31 December 2023: TL 164,465,295) in the restricted reserves in the consolidated financial statements for the treasury shares of the Group.

Share issuance premiums / discounts

The company increased its paid-in capital from 795,500,000 TL to 829,650,000 TL through the public offering method. The portion of the nominal capital increase that exceeds this amount has been accounted for in the share premium account after deducting the expenses related to the public offering.

As of September 30, 2024, the group's share issuance premiums are detailed below:

	30 September 2024
Share issuance premiums / discounts	1,041,575,000
Capital increase	(34,150,000)
Public offering expenses	(96,386,253)
Inflation effect	104,963,532
	1,016,002,279

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

Other accumulated comprehensive income or expenses that will be reclassified in profit or loss

Foreign currency translation differences

Foreign currency translation differences consist of foreign currency exchange differences arising from the translation of the Group's financial statements from the functional currency to the reporting currency. As of 30 September 2024, the Group has foreign currency translation differences amounting to TL 2,132,276,748 (31 December 2023: TL 1,848,756,928) in the accompanying consolidated financial statements.

Other accumulated comprehensive income or expenses that will not be reclassified in profit or loss

Defined benefit plans remeasurement losses

As of 30 September 2024, actuarial losses amounting to TL 135,540,606 (31 December 2023: TL 126,374,206) consist of actuarial losses recognized as other comprehensive expense related to provision for employment termination benefits.

Profit Distribution:

Listed companies processes their profit distributions according to the II-19.1 numbered CMB profit distribution declaration become effective on or after 1 February 2014.

Companies distributes dividends within the frame of dividend distribution policies determined by general assembly and according to the related declaration by the approval of general assembly. Within the mentioned declaration, minimum rate of distribution is not determined. Companies distribute their dividends according to the predetermined terms in their articles of incorporation or dividend distribution policies.

Resources that may be subject to profit distribution:

As of the reporting date, the Group has no resources that can be subject to profit distribution in the financial statements prepared in accordance with the Tax Procedure Law (31 December 2023: None).

Analysis of other comprehensive expense items

	30 September 2024	31 December 2023
Defined Benefit Plans Remeasurement Losses	(135,540,606)	(126,374,206)
Hedge Fund	(98,548,979)	(92,023,786)
Foreign Currency Translation Fund	(2,132,276,748)	(1,848,756,928)
	(2,366,366,333)	(2,067,154,920)

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17. REVENUE AND COST OF SALES

a) Sales

Sales of goods and services	1 January - 30 September 2024	1 January - 30 September 2023	1 July- 30 September 2024	1 July- 30 September 2023
-Retail	14,693,115,249	14,735,331,937	4,974,271,428	5,033,829,859
-E-Commerce	1,958,313,041	1,785,867,580	852,850,209	601,129,517
-Wholesale	1,199,794,738	1,024,477,422	362,880,614	336,590,731
	17,851,223,028	17,545,676,939	6,190,002,251	5,971,550,107

The Group fulfills its performance obligations by transferring goods and services at a certain point in time.

b) Cost of sales

	1 January - 30 September 2024	1 January- 30 September 2023	1 July- 30 September 2024	1 July- 30 September 2023
Cost of trade goods sold	(7,145,450,884)	(7,293,770,460)	(2,221,025,161)	(1,820,897,714)
Cost of goods sold	(460,410,683)	(475,062,432)	(177,648,136)	(124,047,969)
	(7,605,861,567)	(7,768,832,892)	(2,398,673,297)	(1,944,945,683)

18. EXPENSES BY NATURE

The details of depreciation and amortization expenses for the periods ended 30 September 2024, 30 September 2023 are as follows:

Depreciation and amortization expenses

	1 January - 30 September 2024	1 January - 30 September 2023	1 July- 30 September 2024	1 July - 30 September 2023
Research and development expenses	45,914,147	32,186,114	15,723,708	10,341,554
Marketing expenses	1,696,159,002	1,738,143,139	560,892,641	566,859,933
General administrative expenses	125,094,721	116,660,265	57,837,568	43,666,278
	1,867,167,870	1,886,989,518	634,453,917	620,867,765

The details of personnel expenses for the periods ended 30 September 2024, 30 September 2023 are as follows:

Personnel expenses	1 January - 30 September 2024	1 January - 30 September 2023	1 July- 30 September 2024	1 July- 30 September 2023
Research and development expenses	150,680,549	143,286,114	47,865,066	52,603,861
Marketing expenses	2,212,519,751	2,089,663,992	715,616,278	745,739,758
General administrative expenses	957,711,975	818,416,159	333,771,887	259,681,171
	3,320,912,275	3,051,366,265	1,097,253,231	1,058,024,790

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19. OTHER INCOME/(EXPENSES) FROM OPERATING ACTIVITIES

Other Income From Operating Activities	1 January - 30 September 2024	1 January - 30 September 2023	1 July- 30 September 2024	1 July- 30 September 2023
Foreign exchange gains from operating activities	427,294,051	1,087,344,669	99,294,769	109,564,008
Discount interest income from trade transactions	220,023,464	337,207,689	121,461,977	168,255,556
Turquality income	3,602,272	4,719,696	88,638	-
Other income	85,429,422	92,488,179	29,641,238	37,391,739
	736,349,209	1,521,760,233	250,486,622	315,211,303
Other Expense From Operating Activities	1 January - 30 September 2024	1 January - 30 September 2023	1 July- 30 September 2024	1 July- 30 September 2023
Discount interest expense on purchases of goods	1,482,740,844	1,141,327,276	510,259,859	433,881,298
Foreign exchange losses from operating activities	194,785,588	544,361,629	62,721,935	175,308,186
Provision for doubtful trade receivables (Note 5)	10,900,845	23,952,134	442,591	3,169,355
Litigation provision expenses	5,703,714	5,007,272	879,831	4,139,981
Other	36,433,945	69,295,879	13,561,150	5,713,989
	1,730,564,936	1,783,944,190	587,865,366	622,212,809

20. FINANCE INCOME AND EXPENSES

The details of finance income for the years ended 30 September 2024 and 30 September 2023 are as follows:

	1 January - 30 September 2024	1 January - 30 September 2023	1 July- 30 September 2024	1 July- 30 September 2023
Lease concessions (*)	68,286,510	55,992,516	5,401,342	1,548,151
Interest income	189,513,811	34,780,775	77,861,518	17,460,260
	257,800,321	90,773,291	83,262,860	19,008,411

(*) It consists of the rent discounts received by the Group from the lessor regarding the lease agreements within the scope of TFRS 16 standard in the years ended 30 September 2024 and 30 September 2023.

The details of finance expenses for the years ended 30 September 2024 and 30 September 2023 are as follows:

	1 January - 30 September 2024	1 January - 30 September 2023	1 July- 30 September 2024	1 July- 30 September 2023
Interest expenses	529,695,167	300,045,137	185,376,246	137,678,986
Credit card commissions	330,501,263	182,472,672	109,050,984	80,986,807
Interest expense on lease liabilities	281,149,478	346,272,045	101,932,647	123,603,155
Foreign exchange losses (net)	125,025,918	355,325,083	41,395,838	189,070,537
Banking and guarantee expenses	28,686,771	25,394,910	13,695,734	11,847,182
Other	7,416,105	11,382,810	3,052,562	6,861,075
	1,302,474,702	1,220,892,657	454,504,011	550,047,742

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

Current Period Tax Assets	1 January - 30 September 2024	1 January - 31 December 2023
Corporate tax and income tax payable	-	383,365,150
Less: prepaid taxes (-)	(49,310,470)	(299,437,426)
Inflation effect	-	(68,984,278)
	(49,310,470)	14,943,446

	1 January - 30 September 2024	1 January - 30 September 2023
Current period corporate tax expense (-)	-	(351,729,110)
Deferred tax (expense) / income	(94,028,250)	(368,425,417)
	(94,028,250)	(720,154,527)

Corporate Tax

Türkiye

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying consolidated financial statements for the estimated charge based on the Group's results for the years and periods.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting tax-exempt earnings, other exempt income and other incentives (prior year's losses if any and investment incentives used if preferred) utilized.

The effective tax rate in 2024 is 25% in Türkiye (2023: 25%).

The Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts was published on the Official Gazette dated 5 December 2017 and numbered 30261. Article 5 entitled "Exceptions" of the Corporate Tax Law has been amended in Article 89 of the Law. In accordance with (a) clause in the first paragraph of the Article, the exemption of 75% applied to gains from the sales of lands and buildings held by the entities for two full years has been reduced to rate of 50%. This regulation has been effective from 5 December 2017.

There is also a withholding tax on the dividends paid and is accrued only at the time of such payments. The withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Türkiye through their operations or permanent representatives and the resident institutions is 15%. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account.

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

Corporate Tax (cont’d)

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

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

In Türkiye, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes shown in the consolidated financial statements reflects the total amount of taxes calculated on each entity that are included in the consolidation.

Transfer pricing regulations

In Türkiye, the transfer pricing provisions have been stated under Article 13 of Corporate Tax Law with the heading of “disguised profit distribution via transfer pricing”. 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.

Russia

The taxation system in the Russia is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions. The applicable tax rate for current and deferred tax is 25% (31 December 2023: 20%). Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russia suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation. Tax losses can be carried forward to be offset against future taxable income for the next ten taxable years after the year when this loss appeared.

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

Deferred Tax:

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

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

The Group recognizes deferred tax assets and liabilities on the temporary timing differences between the legal books and the financial statements prepared in accordance with TFRS. Such differences generally arise from timing differences of some revenue and expense balances in legal books and financial statements prepared in accordance with TFRS and are explained below.

	<u>Accumulated Temporary Differences</u>		<u>Deferred Tax Assets/Liabilities</u>	
	<u>30 September 2024</u>	<u>31 December 2023</u>	<u>30 September 2024</u>	<u>31 December 2023</u>
Inventories	2,213,015,037	1,650,124,310	(533,696,725)	(405,764,465)
Property, plant and equipment and intangible Assets	758,864,169	729,494,999	(137,150,593)	(176,069,373)
Provision for vacation	(170,425,955)	(156,283,274)	42,133,298	37,791,761
Provision for employment termination benefits	(108,479,550)	(118,784,256)	21,695,910	28,959,602
Litigation provision	(23,319,353)	(32,733,040)	5,829,839	8,028,160
Cash capital deduction	(117,483,752)	-	29,370,938	-
Adjustments related to trade payables	496,091,812	343,579,197	(123,965,192)	(84,077,926)
Adjustments related to trade receivables	(7,232,429)	(45,756,150)	1,808,108	12,332,179
Prior years' losses	(1,325,706,412)	(1,580,860,657)	329,322,640	315,511,948
Adjustments related to financial liabilities	48,207	(161,244)	(12,052)	39,546
Right-of-use asset and liability	977,813,798	825,973,833	(194,288,963)	(203,459,728)
Hedge accounting	(131,398,638)	(121,692,399)	32,849,660	29,668,607
Premium accrual	(1,932,917)	(3,135,920)	436,385	639,159
Property, plant and equipment revaluation adjustment	(584,986,093)	(794,764,097)	146,246,523	194,925,163
Return provisions	(10,037,664)	(25,593,788)	2,509,416	6,277,174
Design centre discount	(46,913,340)	-	11,728,335	-
Other	50,158,413	38,891,718	(8,287,323)	(10,798,389)
Net, deferred tax assets/(liabilities)	1,968,075,333	708,299,232	(373,469,796)	(245,996,582)

The tax rate used in the calculation of deferred tax assets and liabilities is 25% on temporary timing differences expected to reverse in 2024 and beyond (2023 : 25%).

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

Deferred Tax (cont'd):

The movement of deferred tax (assets) / liabilities for the years ended 30 September 2024, 30 September 2023 is given below:

	2024	2023
Opening balance as of 1 January	(245,996,582)	32,920,507
Tax (expense)/income for the period	(94,028,250)	(368,425,417)
Recognized in other comprehensive income	5,230,532	(6,305,361)
Translation (gain) / loss	78,742,943	(23,146,941)
Monetary loss/gain	(117,418,439)	(66,398,120)
Closing balance as of 30 June	(373,469,796)	(431,355,332)

22. RELATED PARTY DISCLOSURES

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Payables due to related parties generally arise from lease transactions and have approximate maturities of one month.

As of 30 September 2024 and 31 December 2023, there are no trade payables to related parties.

The trade payables to related parties consist of lease payments for the stores leased by Gülyılmaz Yatırım, Geliştirme, İşletme ve Ticaret A.Ş.

Transactions with related parties	1 January - 30 September 2024	1 January - 30 September 2023	1 July - 30 September 2024	1 July - 30 September 2023
Gülyılmaz Gayrimenkul Yatırım Geliştirme İşletme ve Ticaret A.Ş. (*)	12,378,418	12,865,649	4,854,328	1,465,406
	12,378,418	12,865,649	4,854,328	1,465,406

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22. RELATED PARTY DISCLOSURES (cont'd)

Compensation of key management personnel:

	1 January- 30 September 2024	1 January- 30 September 2023
Salaries and other short-term benefits	139,207,321	89,977,496
	139,207,321	89,977,496

Key management personnel consists of Company's Senior Management and members of Board of Directors. The key management personnel consists of the General Manager, Deputy General Managers and Directors. The compensation of key management personnel includes salaries, bonus, health insurance and transportation.

23. EARNINGS PER SHARE

Earnings per share disclosed in the consolidated statements of income are determined by dividing net income by the weighted average number of shares in existence during the period concerned.

Companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, such bonus shares are regarded as issued shares. Accordingly, the weighted average number of shares used in the computation of earnings per share is derived by giving retroactive effect to the bonus issue of shares.

Pay başına kazanç	1 January - 30 September 2024	1 January - 30 September 2023	1 July- 30 September 2024	1 July- 30 September 2023
Average number (full value) of shares outstanding during the period	829,650,000	795,500,000	829,650,000	795,500,000
Weighted average number of shares outstanding (whole number) during the period	813,586,852	795,500,000	829,650,000	795,500,000
Net profit for the parent company shareholders	956,149,103	2,329,561,094	248,707,188	1,072,824,872
Earnings per share (TL)	1,175	2,928	0.300	1,349

On May 10, 2024, the company's shares began trading on the stock exchange. With this public offering, the company's capital was increased from 795,500,000 TL to 829,650,000 TL, with the additional 34,150,000 TL in nominal value shares being added to the capital. It was decided that the paid-in capital of 829,650,000 TL would be divided into 829,650,000 registered nominal shares, each with a nominal value of 1 TL.

There have been no other transactions involving shares or potential shares between the balance sheet date and the date of approval of these financial statements.

24. EXCHANGE RATE RISK AND FOREIGN CURRENCY POSITION

Foreign currency risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Market risks are also evaluated with sensitivity analyzes and stress scenarios.

In the current period, there has been no change in the market risk that the Group is exposed to or in the risk management and measurement methods compared to the previous year.

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24. EXCHANGE RATE RISK AND FOREIGN CURRENCY POSITION (cont'd)

Foreign currency risk management

30 September 2024

	TL Equivalent (Functional Currency)	US Dollar	Euro	GBP
1. Trade Receivables	426,986,919	10,276,176	2,016,731	--
2a. Monetary Financial Assets	75,582,865	1,016,340	1,075,939	676
2b. Non-Monetary Financial Assets	-	-	-	-
3. Other	12,034,528	321,148	28,581	--
4. Current Assets (1+2+3)	514,604,312	11,613,664	3,121,251	676
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. Non-Current Assets (5+6+7)	-	-	-	-
9. Total Assets (4+8)	514,604,312	11,613,664	3,121,251	676
10. Trade Payables	1,193,746,361	34,314,125	629,020	1,400
11. Financial Liabilities	723,063,579	1,443,833	17,724,323	--
12a. Other Monetary Liabilities	-	-	-	-
12b. Other Non-Monetary Liabilities	-	-	-	-
13. Current Liabilities (10+11+12)	1,916,809,940	35,757,958	18,353,343	1,400
14. Trade Payables	-	-	-	-
15. Financial Liabilities	26,051,074	--	685,230	--
16a. Other Monetary Liabilities	-	-	-	-
16b. Other Non-Monetary Liabilities	-	-	-	-
17. Non-Current Liabilities (14+15+16)	26,051,074	--	685,230	--
18. Total Liabilities(13+17)	1,942,861,014	35,757,958	19,038,573	1,400
19. Net asset/(liability) position of off balance sheet derivative instruments (19a-19b)	(98,548,967)	--	(2,592,166)	--
19a. Amount of foreign currency derivative products out of statement of financial position with active character	-	-	-	-
19b. Amount of foreign currency derivative products excluded from the financial position statement with liable character	98,548,967	--	2,592,166	--
20. Net foreign currency asset/(liability) position (9-18+19)	(1,526,805,669)	(24,144,294)	(18,509,488)	(724)
21. Monetary items net foreign currency liability position (1+2a+5+6a-10-11-12a-14-15-16a)	(1,440,291,230)	(24,465,442)	(15,945,903)	(724)
22. Financial instruments used for currency hedging total fair value	-	-	-	-
23. The amount of the hedged portion of foreign currency assets	-	-	-	-
24. The amount of the hedged portion of foreign currency liabilities	-	-	-	-
23. Export	4,018,619,822	30,635,221	86,565,069	-
24. Import	1,531,649,684	47,057,589	51,332	-

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24. EXCHANGE RATE RISK AND FOREIGN CURRENCY POSITION (cont'd)

Foreign currency risk management

31 December 2023

	TL Equivalent (Functional Currency)	US Dollar	Euro	GBP
1. Trade Receivables	262,456,900	5,120,657	1,302,836	-
2a. Monetary Financial Assets	112,253,847	1,437,101	1,236,941	715
2b. Non-Monetary Financial	-	-	-	-
3. Other	18,635,964	439,159	24,220	-
4. Current Assets (1+2+3)	393,346,711	6,996,917	2,563,997	715
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. Non-Current Assets (5+6+7)				
9. Total Assets (4+8)	393,346,711	6,996,917	2,563,997	715
10. Trade Payables	805,254,326	19,692,883	395,625	2,600
11. Financial Liabilities	876,593,304	1,298,512	18,634,263	-
12a. Other Monetary Liabilities	11,522,186	191,434	87,353	-
12b. Other Non-Monetary Liabilities	-	-	-	-
13. Current Liabilities (10+11+12)	1,693,369,816	21,182,829	19,117,241	2,600
14. Trade Payables	-	-	-	-
15. Financial Liabilities	142,359,977	-	3,216,810	-
16a. Other Monetary Liabilities	-	-	-	-
16b. Other Non-Monetary Liabilities	-	-	-	-
17. Non-Current Liabilities (14+15+16)	142,359,977	-	3,216,810	-
18. Total Liabilities(13+17)	1,835,729,793	21,182,829	22,334,051	2,600
19. Net asset/(liability) position of off balance sheet derivative instruments (19a-19b)	(92,023,787)	-	(2,079,398)	-
19a. Amount of foreign currency derivative products out of statement of financial position with active character	-	-	-	-
19b. . Amount of foreign currency derivative products excluded from the financial position statement with liable character	92,023,787	-	2,079,398	-
20. Net foreign currency asset/(liability) position (9-18+19)	(1,534,406,869)	(14,185,912)	(21,849,452)	(1,885)
21. Monetary items net foreign currency liability position (1+2a+5+6a-10-11-12a-14-15-16a)	(1,461,019,046)	(14,625,071)	(19,794,274)	(1,885)
22. Financial instruments used for currency hedging total fair value	-	-	-	-
23. The amount of the hedged portion of foreign currency assets	-	-	-	-
24. The amount of the hedged portion of foreign currency liabilities	-	-	-	-
23. Export	5,862,004,356	41,712,346	130,223,274	-
24. Import	1,303,700,326	38,912,661	78,335	-

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24. EXCHANGE RATE RISK AND FOREIGN CURRENCY POSITION (cont’d)

Foreign currency risk management (cont’d)

Foreign currency sensitivity

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

The following table details the Group’s sensitivity to a 20% appreciation and depreciation in US Dollar and Euro against TL. 20% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 20% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit/loss or equity.

30 September 2024

	<u>Profit/Loss</u>		<u>Equity(*)</u>	
	<u>Appreciation of Foreign Currency</u>	<u>Depreciation of Foreign Currency</u>	<u>Appreciation of Foreign Currency</u>	<u>Depreciation of Foreign Currency</u>
In case of US Dollar appreciation by 20 % against TL				
1 - US Dollar net asset / liability	(164,615,797)	164,615,797	(164,615,797)	164,615,797
2- The portion hedged from US Dollar risk (-)	-	-	-	-
3- Net effect of US Dollar	(164,615,797)	164,615,797	(164,615,797)	164,615,797
In case of Euro appreciation by 20 % against TL				
4 - Euro net asset / liability	(140,738,744)	140,738,744	(140,738,744)	140,738,744
5 - The portion hedged from Euro risk (-)	(1,305,039)	1,305,039	(19,709,796)	19,709,796
6- Net effect of Euro	(142,043,783)	142,043,783	(160,448,540)	160,448,540
TOTAL (3+6)	(306,659,580)	306,659,580	(325,064,337)	325,064,337

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2024

(Currency expressed in Turkish Lira based on the purchasing power of Turkish Lira ("TRY") as of 30 September 2024, unless otherwise stated)

24. EXCHANGE RATE RISK AND FOREIGN CURRENCY POSITION (cont'd)

Foreign currency risk management (cont'd)

Foreign currency sensitivity (cont'd)

31 December 2023

	<u>Profit/Loss</u>		<u>Equity(*)</u>	
	<u>Appreciation of Foreign Currency</u>	<u>Depreciation of Foreign Currency</u>	<u>Appreciation of Foreign Currency</u>	<u>Depreciation of Foreign Currency</u>
In case of US Dollar appreciation by 20 % against TL				
1 - US Dollar net asset / liability	(113,472,642)	113,472,642	(113,472,642)	113,472,642
2- The portion hedged from US Dollar risk (-)	-	-	-	-
3- Net effect of US Dollar	(113,472,642)	113,472,642	(113,472,642)	113,472,642
In case of Euro appreciation by 20 % against TL				
4 - Euro net asset / liability	(193,389,554)	193,389,554	(193,389,554)	193,389,554
5 - The portion hedged from Euro risk (-)	8,587,604	(8,587,604)	8,587,604	(8,587,604)
6- Net effect of Euro	(184,801,950)	184,801,950	(184,801,950)	184,801,950
TOTAL (3+6)	(298,274,592)	298,274,592	(298,274,592)	298,274,592

25. EVENTS AFTER REPORTING PERIOD

After the reporting period of 30 September 2024, three stores were opened abroad, and one store was opened domestically, while one store was closed abroad. As of 7 November 2024, the total number of stores has reached 447.