

Koton

Annual Report

2024

General Information | Significant Developments Related to Activities | Operational Developments | Financial Position | Corporate Governance | Sustainability



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CHAPTER

01

General Information

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1.1. Company Profile

Report Period:	01.01.2024 - 31.12.2024
Trade Name:	Koton Mağazacılık Tekstil Sanayi ve Ticaret A.Ş.
Trade Registry Number:	1243-4
Tax ID:	5810590984
Registered Capital Ceiling:	TRY 6,600,000,000
Issued Capital:	TRY 829,650,000
Headquarters Address:	Ayazağa Mah. Ayazağa Yolu, No:3 A-B Blok Maslak Sarıyer İstanbul
E-mail:	yatirimci.iliskileri@koton.com investor.relations@koton.com
Website:	https://kurumsal.koton.com.tr/yatirimci-iliskileri/



1.2. About Koton

Established

1988

Turkiye's leading apparel and retail brand, Koton, was founded in 1988 in Istanbul. Koton started selling apparel wholesale in 1992, and opened its first overseas sales point in Munich, Germany, in 1996. In 2000, in order to meet customers' expectations for product variety and large scale stores, it started focusing on retail business. As of the end of 2024, Koton delivers trending products to over 70 countries with online channels and has 451 brick-and-mortar stores in 32 countries, including 207 stores overseas and 244 domestic stores.

With its Trend in Time motto and a large collection appealing to a variety of styles, Koton speedily and innovatively delivers the latest trends to customers. Koton has a Design Center approved by the Ministry of Industry and Technology, and shapes its collections in its Design Lab with a strong team of 150, in a data-driven and dynamic manner.

According to surveys conducted by the Council of Shopping Centers-Turkey, it was selected favorite womenswear brand 11 times. To provide impeccable customer experience, it continuously improves CRM and omnichannel programs and delivers personalized offers to millions of customers through its loyalty program Koton Club, which has reached 6.5 million users.

Koton embraces a policy of empowering women in business and 72% of its employees, 54% of its executives, and 66.6% of its board members are women.

Koton as a brand believes it has a responsibility for a sustainable future, and has released a Respect Life Manifesto pledging to base its business goals on respect for our planet, society, for the people who make up society, and for labor.

Its monobrand stores, run directly or franchised, operate in a multi-channel manner through e-commerce platforms, marketplaces and wholesale channels. Every year Koton offers thousands of brand new designs for sale in stores in 32 countries, on its own online channels in Türkiye, Kazakhstan and Romania, and on additional marketplaces in over 70 countries around the world.

This Activity Report has been prepared in accordance with CMB Communiqué No. II-14.1 and constitutes the Board of Directors' Activity Report for the year 2024, covering the period from January 1, 2024 to December 31, 2024.

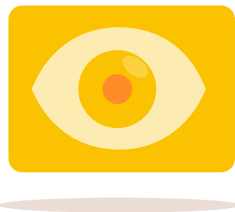
In this report, Koton Retail Textile Industry and Trade Inc. and its subsidiaries will be referred to as the "Group," "Company," or "Koton."

1.3. Our Mission



To bring our products to 1 billion customers worldwide by 2030, driven by our fast and agile business model.

Our Vision



Making trends accessible to everyone around the world







1.4. Message from the Chairman of the Board

“As Koton, we will continue to operate according to our vision of bringing our products to **1 billion customers** worldwide and our mission of **making trends accessible** for everyone around the world.”



YILMAZ YILMAZ

Chairman of the Board

**DISTINGUISHED SHAREHOLDERS,
ESTEEMED BUSINESS PARTNERS AND
DEAR EMPLOYEES;**

Our journey started in 1988 when we established our first store in Kuzguncuk and every step of the way on this journey, we never stopped developing our business, and we focused on contributing to the people we work with, to our sector, to the society which we belong in, and finally to the earth.

The key to our success in the fast fashion world since day one was not only to work hard, but also to keep alive our enthusiasm to work together and grow with innovations. Thus we have commenced a brand-new era in our journey of growth with Koton's IPO in 2024.

During its 37-year journey, Koton succeeded in becoming a brand that delivers rapidly changing fashion trends to its customers. With domestic stores across our country, not only did we bring our customers together with fashion, but also contributed to making the area, city or district we exist in, become an attractive place for other brands. We pride ourselves in adding value to our country's economy with the employment we created and the trade environment we enlivened. With that pride, as a Turkish brand, we represented our country overseas. Today, as of the end of 2024, we bring Koton products to our customers in over 70 countries, online and offline, through 244 stores in Turkey, 207 stores in 32 other countries, and through our growing online channels.

In 2024, despite the volatility of global economics, stagnation and even uncertainty in many places, thanks to our experience and expertise in fashion trade, we seized opportunities to continue expanding our brand and added 14 new

stores to our chain, of which 11 are overseas.

Our goal is to strengthen Koton's global brand identity with effective collaborations and operate in more countries around the world through our stores. Thus in 2024, we have established our presence in three new markets with our brick-and-mortar stores: Egypt, Hungary and Armenia. In 2025, we have begun to see positive results from the preparatory agreements we made in 2024, which support our growth targets in the Gulf region. We continue to work on new collaborations in different areas around the world that will answer Koton's desire to expand globally.

As Koton, we will continue to operate according to our vision of bringing our products to 1 billion customers worldwide and our mission of making trends accessible for everyone around the world. We will work hard to deliver trends to our customers right on time, inspired by the spirit of the times and current dynamics in the fashion retail industry.

In 2025, guided by the fundamental values of the Republic, as an agile and efficient, customer oriented, passionate, quality-focused, respectful, team-spirited brand that confidently moves forward to the future, we will continue to create value for our shareholders.

Sincerely,

No of countries that
Koton products
reach*

+70

* Online ve offline

1.5. Message from the CEO



DISTINGUISHED SHAREHOLDERS, ESTEEMED BUSINESS PARTNERS

It is every brand's dream to become the best, the most successful in the eyes of consumers. Fortunately, this dream of ours has continued to come true for 11 years. In 2024 Koton was selected Türkiye's Favorite Womenswear Brand for the 11th time. Our goal is to carry this appreciation overseas and consolidate our strong brand position in the fashion retail industry globally.

As Koton, we increased access to customers through new stores in Türkiye and overseas in 2024, when our shares began trading on the Istanbul Stock Exchange. While our number of stores in Türkiye increased to 244, the number of Koton stores overseas reached 207. The number of countries where we have stores in rose to 32. We observe valuable opportunities overseas and especially in the Gulf Region. Indeed, in 2024, we collaborated with one of the largest players, Apparel, in this area.

Our growth in 2024 also continued in online channels. Through online channels and marketplaces we delivered Koton products to over 70 countries; we were also proud to start our own online channels in Romania and Kazakhstan over the last months of 2024. In 2025, we aim to open more new stores compared to 2024 and increase our growth rate in online channels.

One of the most important indicators of Koton's ability to anticipate trends and quickly implement innovations, which has always been its most significant competitive advantage, is its focus on omnichannel management. As a brand that has anticipated the impact of the omnichannel model on today's trade sector, we continued our investments in this area in 2024. We increased operational efficiency by directing store inventory to e-commerce channels. On the other hand, Koton Club, which we hope will become one of Türkiye's largest loyalty card programs, has grown from 3.1 million members in 2023 to 6.5 million by the end of 2024. As we continue our growth journey with determination, our momentum in this area encourages us. I would like to emphasize that in all of these efforts, we proceed by leveraging technological



Dr. A. BÜLENT SABUNCU
CEO



The investments we have made in Koton's strong employer brand identity in 2024 will continue to increase in 2025.



and digital capabilities and integrating developments and improvements into our systems.

Koton, founded in 1988, has grown faster every year and engraved its name in fashion retailing with innovations. In its success, anticipating trends and delivering trends in a timely manner to customers has been an important driving force. Koton, which has reached this point by fulfilling fast fashion essentials such as being customer focused, fast and efficient, continues to work with a focus on quality with the intention to make fashion accessible to everyone at the right time. Sure enough, we entered 2025 with a very strong business plan based on our six core values that we re-defined in 2024. As Koton employees, by embracing each element of our value set (Speed and Efficiency, Customer Focus, Passion, Quality Focus, Team Spirit and Respect), and reflecting these values in all our business processes, we will move towards our goals much more effectively.

As Koton, we believe that we make the biggest difference with the values we embrace unconditionally and combine under the Respect for Life motto. We don't see sustainability as a preference for Koton, but as a mainframe for our existence and we integrate all that is necessary for sustainability into all of our business processes. In this journey where we proceed with respect for our work, our people, our society and our planet, we pledge to do better every day. 2024 was a year when we believe we inspired both our sector and the business world in general with our progress in areas ranging from waste management and recycling to social responsibility and environmental projects. With our 72% female employees and 54% female executives we have been on the forefront among companies nationally

and internationally. We are also proud to have been awarded for our ratio of 66% female board members among companies that went public in 2024, by the Sabancı University Corporate Governance Forum. Empowering women is an indispensable goal for us not only in our company but in society in general. Through our Handmade Collection and Housewives Projects, we are happy to include in our value chain, women who were excluded from economic and social life. Furthermore, the scholarship program we had started through the Turkish Education Foundation continues to aid 200 female students who were affected by the February 6 earthquake.

As of the end of 2024, through 8,169 employees worldwide, Koton adds value to customers' lives with its products and services. I would like to express my gratitude to all of our colleagues from store employees who greet our customers with smiles every day, to our warehouse managers, from our designers to our quality control managers. In this context, I would like to emphasize that the investments we made in our strong employer brand identity will continue increasingly in 2025.

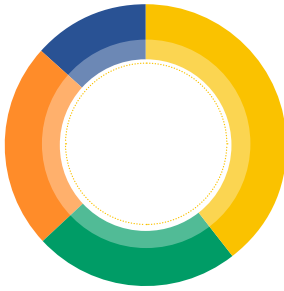
We are including artificial intelligence technologies, which are rapidly transforming the retail sector, into our business processes, and we are steadily progressing in our journey to solidify Koton's presence in the global fashion retail industry. We will continue to work hard to create more value for our customers and our shareholders, and grow in 2025.

Sincerely,

1.6. Capital and Shareholding Structure

As of 31 December 2024, the Company's paid-in capital is TRY 829,650,000, and its partnership structure is as presented on the table below. The prospectus approval application made within the scope of the public offering of company shares was approved by the Capital Markets Board on 25 April 2024, and published in the Board's bulletin No. 2024/21. Within the framework of the public offering, the Company issued 34,150,000 new shares, increasing its paid-in capital from TRY 795,500,000 to TRY 829,650,000. As of 31 December 2024, the nominal value of the publicly traded shares under the capital increase and shareholder sales is TRY 109,335,970.

Koton Retail Inc. Capital Information



Shareholder	Nominal Value	Ratio (%)
Nemo Apparel B.V.	328,508,456	39.60
Yılmaz Yılmaz	195,902,787	23.61
Şükriye Gülden Yılmaz	195,902,787	23.61
Free Float	109,335,970	13.18
Total	829,650,000	100.00

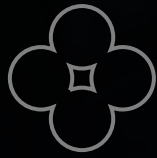
1.7. Preferred Shares

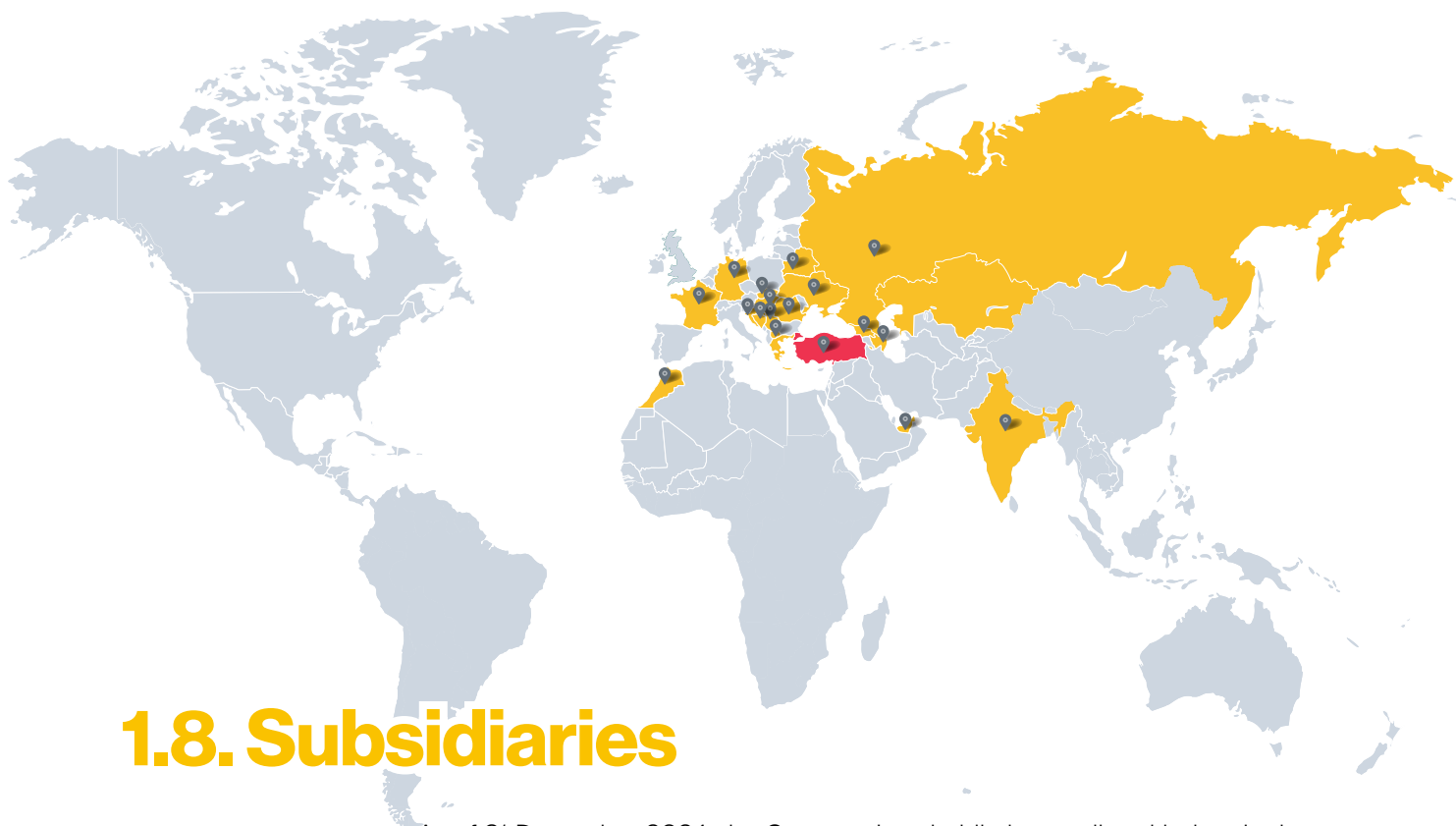
The voting rights of Group A shares at the general assembly are regulated in Article 19 of the Articles of Association entitled "General Assembly." In this context, at the general assembly, A group shares have five voting rights per share in (i) the election of board members, excluding independent board members, and (ii) the election of the chair of the general assembly and the formation of the chairmanship. Group B shares have no privileges.

In addition, the approval of the majority of Group A shareholders is required for certain general assembly resolutions specified in the Articles of Association. These general assembly resolutions are as follows: (i) Capital increases, except for those made in accordance with the Company's registered capital system, liquidation, termination, dissolution, capital reduction, change of type of the Company, (ii) application for bankruptcy, concordatum, financial restructuring, application for postponement of bankruptcy, (iii) the transfer of all or part of the Company's commercial operations, mergers, or divisions, (iv) the removal or modification of the privileges of Group A shareholders set forth in the articles of association; (v) changes to the structure of the Company's board of directors and the quorum requirements for meetings and resolutions of the board of directors and committees, and (vi) the approval of the annual activity report, profit and loss statements, and balance sheet, and the discharge of the members of the board of directors.



IT'S IN OUR NATURE TO SUCCEED WITH OUR VALUES





1.8. Subsidiaries

As of 31 December 2024, the Company's subsidiaries are listed below. In the consolidated financial statements, the Company and its subsidiaries will be referred to as the "Group".

Subsidiaries	Country of Registration
Koton Textile Group Gmbh (Koton Germany) ^(*)	Germany
Koton Textile Ltd. Doo Sarajevo (Koton Bosnia-Herzegovina)	Bosnia and Herzegovina
Koton Textile Limited Llc (Koton Georgia)	Georgia
Koton Textile D.O.O Zagreb (Koton Croatia) ^(*)	Croatia
TOO "Koton Textile" Limited (Koton Kazakhstan)	Kazakhstan
Koton Mağazacılık Doo El Skopje (Koton Macedonia)	Macedonia
Koton Textile Retail Srl (Koton Romania)	Romania
Ooo Koton Textile Llc (Koton Russia)	Russia
Koton Textile Limited Doo Beograd (Koton Serbia)	Serbia
Koton Textile Limited S.R.O (Koton Slovakia) ^(*)	Slovakia
Koton Tekstil Emboria Endimaton Monoprosopi Epe (Koton Greece) ^(*)	Greece
Koton Mağazacılık Sarl Au (Koton Morocco)	Morocco
Koton Mağazacılık Sasu (Koton France) ^(*)	France
LLC Koton Textile (Koton Belarus)	Belarus
Limited Liability Company Koton Textile (Koton Ukraine)	Ukraine
Koton Mağazacılık Limited (Koton Azerbaijan) ^(*)	Azerbaijan
Koton Textil Korlátolt Felelősségű Társaság (Koton Hungary)	Hungary
Koton A.G. Trading LLC (Koton UAE) ^(*)	UAE
Koton India Private Limited (Koton India) ^(*)	India
Koton Trading Company LLC (Koton SA)	Saudi Arabia
Koton Bahrain Trading W.L.L (Koton Bahrain)	Bahrain

^(*) No active corporate stores as of 31 December 2024

1.9. Board Members and Senior Executives

The company's board of directors consists of six members, who were elected at the extraordinary general assembly held on 11 November 2024, to serve for a term of one year. The members serving on the Board of Directors as of 31 December 2024 are listed below:

Board Member	Position
Yılmaz YILMAZ	Chairman of the Board (Executive)
Gurgle B.V. (*)	Vice Chairman of the Board (Non-Executive)
Şükriye Gülden YILMAZ	Board Member (Executive)
Deniz YILMAZ	Board Member (Non-Executive)
Ömer Faruk IŞIK	Independent Board Member
Ayşe Ufuk AĞAR	Independent Board Member

(*) The representative of Gurgle B.V. is Eleonora Barbara van Geloven.



Board of Directors

Biographies of Members of the Board of Directors

Yilmaz Yilmaz
*Chairman
of the Board*

Yilmaz Yilmaz, born in Adapazarı in 1962, graduated from the Naval Academy in 1984 with the rank of Naval Lieutenant. He was the SAS Team Commander with the rank of First Lieutenant when he left the Turkish Naval Forces in 1991 and joined the management of Koton, which was founded by his wife Gülden Yilmaz and had two stores at the time.

Yilmaz Yilmaz is the Chairman of the Board of Directors of Koton, Turkey's leading fast fashion brand, which was founded in 1988 and has grown into an international chain. Actively involved in industry representative associations such as the Istanbul Textile and Apparel Exporters' Association (ITKIB), Turkish Federation of Shopping Centers And Retailers (TAMPF), Turkish Apparel Manufacturers' Association (TGSD), United Brands Association (BMD), and also "Yanındayız Derneği" (We Are By Your Side Association), Yilmaz assumed presidency in the United Brands Association (BMD) from 2010 to 2013. Yilmaz Yilmaz, who was elected as a member of the TÜSİAD Board of Directors at the General Assembly held in 2024, also continues to serve as the Chair of the TÜSİAD Social Development Roundtable.

A former volleyball player and diver, Yilmaz is interested in photography, philosophy and gastronomy. Married to Board Member Gülden Yilmaz, he is the father of two children and speaks English and German.

**Eleonora
Barbara van
Geloven**
*Vice Chairman of
the Board*
*(Real person acting on
behalf of) Gurgle B.V.*

Eleonora Barbara van Geloven holds a bachelor's degree in Spanish and European history from the University of Amsterdam. She has been involved in various projects as a producer since 2003. She has taken on consulting roles in advertising campaigns for leading global companies such as airlines and telecommunications companies. Since 2017, she has been independently managing and producing global advertising campaigns for major brands (such as Adidas, Tesla, Twitter, Nikon, Ikea, Google, KLM, Samsung, Emirates, and T-mobile) in various media outlets, including print media, television, and social media.

**Şükriye Gülden
Yılmaz**
Board Member

Born in Adapazarı in 1966, Gülden Yılmaz completed her primary and secondary education in Adapazarı. She graduated from Marmara University's Psychological Counseling and Guidance Undergraduate Program in 1987.

Yılmaz, who entered the ready-to-wear clothing sector in 1988 with her store in Kuzguncuk, led the design of Koton's store concept, customer service principles, and the development of its modern approach to retail.

With her entrepreneurial spirit, Yılmaz is an active figure in the retail sector. In 2009, she and her husband Yılmaz Yılmaz were selected as "Entrepreneurs of the Year" in the Turkish section of the "Entrepreneur of the Year" competition organized by Ernst & Young to reward the most successful, dynamic, and innovative entrepreneurs of the year. Yılmaz was named "Female Entrepreneur of the Year" in the 2008 "Business People of the Year" survey conducted by Ekonomist magazine and in the same year, she won the grand prize with Koton in the "Retail Success Story" category at MAPIC 2008, which is one of the world's most important retail platforms and is considered the Oscars of the retail industry.

Gülden Yılmaz, who has served as Vice President of the TOBB Young Entrepreneurs Council since 2009, has been chairing the G3 Forum Platform since 2011. Gülden Yılmaz, a founding member of the Turkish Businesswomen's Association (TİKAD), served on the Board of Directors of the Turkish Apparel Manufacturers Association (TGSD) between 2009 and 2015. She currently serves as a member of the GEN Turkey Board of Directors and is a founding member of the Turkish Endometriosis Association.

Yılmaz, who was awarded the Strong Women in Export - Branding Special Award by the Turkish Exporters Assembly in 2020, has been included in Fortune Magazine's list of "Turkey's 50 Most Powerful Businesswomen" every year. Yılmaz, who chairs the Sustainability Committee and Societal Gender Equality Committee at Koton, has been named one of Fast Company Magazine's Sustainability Leaders in 2022, 2023, and 2024 for her leading activities in the sector.

In addition to her entrepreneurial endeavors, Yılmaz also leads initiatives in the field of social responsibility, continuing to contribute to society through projects that focus on the participation of young people and women in the workforce.

Yılmaz, mother of a daughter and a son, is interested in basketball and psychology.

Deniz Yılmaz
Board Member

Deniz Yılmaz graduated from Robert College in Istanbul and completed her university education at the Wharton School of the University of Pennsylvania. In 2016, she designed and implemented Koton's Handicraft Project in partnership with ÇATOM (Multi-Purpose Community Centers), a joint project of UNDP-GAP Administration. Deniz Yılmaz began her career as an analyst at investment bank Moelis & Company, where she worked in the mergers & acquisitions and restructuring projects. She began working as a private equity specialist at Apollo Global Management, Inc., one of the leading asset management companies, in 2023 and continues to hold this position today.

Ömer Faruk Işık
*Independent
Board Member*

Ömer Faruk Işık graduated from Boğaziçi University's Department of Business Administration in 1987 and Istanbul University's Department of History in 2017. He began his career in 1987 at Arthur Andersen & Co, where he worked in auditing and consulting positions in offices in Turkey and abroad. Faruk Işık, who has held senior management positions at various banks and companies and subsequently served as CEO at institutions such as Ata Holding, Galatasaray Sports Club, and Unit International for many years, established Merrill Lynch (Bank of America) Investment Bank in Turkey in 2006 and served as Chairman of the Board of Directors until 2010. He founded Fokus Holding with his partners and has made investments in various sectors as a managing partner. Faruk Işık, who has experience in banking and capital markets, has participated in various training programs in Turkey and abroad, and has also organized seminars as an instructor.




Ayşe Ufuk Ağar
*Independent
Board Member*

Dr. Ayşe Ufuk Ağar graduated from Boğaziçi University in 1992 with degrees in Electrical and Electronical Engineering and Mathematics, then went to the US on a Fulbright Scholarship and received her master's and doctoral degrees in Electrical and Computer Engineering from Purdue University in 1995 and 1999, respectively. She obtained a postgraduate certificate in Management Science and Engineering from Stanford University in 2002 and an Executive MBA degree from Koç University in 2003.

Dr. Ağar began her career in 1999 as a research and development engineer at Hewlett Packard Laboratories in Silicon Valley, where she developed innovative technologies and obtained three patents. After returning to Turkey, she worked as an assistant professor in the Electrical and Electronical Engineering Department at Işık University. She then took on critical roles in digital transformation projects as a senior strategy expert at Garanti Technology and as technology strategy director at Oger Telecom, the majority shareholder of Türk Telekom. In 2007, Dr. Ağar played an active role in the restructuring of TTNNet, which separated from Türk Telekom. She led the development of TTNNet's strategy, product roadmap, and the launch and marketing of new products until 2009, first as assistant general manager responsible for product development and strategy, then as assistant general manager of marketing. Between 2009 and 2012, she served as director in the areas of broadband, online services, and fixed communications at Vodafone Turkey; managed the commercial integration of KoçNet and Borusan Telekom; and spearheaded the establishment of VodafoneNet. Since 2013, she has been working as senior vice president of business development and strategy at Digiturk.



Senior Management

		
Dr. A. Bülent Sabuncu	Mert Güneş Sönmezsoy	İlkay Keskin
General Manager (CEO)	Deputy General Manager (Finance-CFO)	Deputy General Manager (Brand-CMO)
October 2020-to date	March 2020-to date	April 2018-to date

Investor Relations Department

Information about the Investor Relations Department, which is responsible for relations with shareholders in our company, is provided below.

Eda ÇANGA BELBER - *Capital Markets Compliance Coordinator*

Licenses Held: CM Activities Level 3 License (License No: 927843)
Corporate Governance Rating License (License No: 927858)

Hulusi ZARPLI - *Investor Relations Coordinator*

Licenses Held: CM Activities Level 3 License (License No: 210592)
Corporate Governance Rating License (License No: 925021)

* Koton shares began trading on the Stock Exchange on 10 May 2024, and prior to this date, during the public offering preparation phase, in accordance with the resolution of our Board of Directors dated 14 February 2024, and in accordance with Article 11 of the Capital Markets Board's Corporate Governance Regulation No. II-17.1, it was decided to establish an "Investor Relations Department", Eda ÇANGA BELBER was appointed as the Manager of the Investor Relations Department, and it was decided that the Investor Relations Department would operate directly under the Company General Manager.

The Investor Relations Department is responsible for disclosing special circumstances to the public, answering questions from shareholders and analysts, handling matters related to the General Assembly (E-GKS), capital increases, profit distribution, amendments to the articles of association, and the use of the Public Disclosure Platform and Central Registry System, as well as ensuring compliance with obligations arising from capital markets legislation and coordinating corporate governance practices. In this context, numerous internal briefings, administrative regulations, and

applications have been implemented to comply with corporate governance principles and capital market legislation. All shareholders are provided with timely, complete, and accurate information through the PDP.

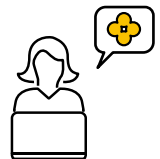
In addition, following the announcement of its second quarter 2024 financial results, the Company held its first analyst meeting on September 30, 2024, and its second analyst meeting on November 8, 2024, following the announcement of its third quarter financial results, to share financial, operational, and strategic developments related to the Company and the audio recordings of the meetings were made available on our corporate website. Investor presentations for each interim period were also shared simultaneously on the PDP and the company website. In addition, 27 domestic and foreign institutional investors were met with via teleconference or in person at the company headquarters.

Furthermore, the Investor Relations Department keeps the Board of Directors and senior management informed about changes in capital market legislation and developments related to competing companies.



Investor Relations Department Contact Information:

e-mail: yatirimci.iliskileri@koton.com ;
investor.relations@koton.com





1.10. Board Committees

Audit Committee

At the meeting of our Company's Board of Directors dated 11 November 2024 and numbered 2024/99; in order to ensure that the Board of Directors fulfills its duties and responsibilities in a sound manner, it was decided that an "Audit Committee" be established to ensure that the Board of Directors can effectively fulfill its duties and responsibilities in accordance with the provisions of Article 4.5 of the Corporate Governance Principles annexed to the Capital Markets Board's (CMB) Corporate Governance Regulation No. II-17.1. In accordance with the Audit Committee's Duties and Operating Principles, it was decided that the Committee consist of two members, with Ömer Faruk Işık appointed as Chair and Dr. Ayşe Ufuk Ağar appointed as a member. The committee consists solely of independent board members.

The Audit Committee conducts its activities in accordance with capital market legislation and as stipulated in the CMB Corporate Governance Principles. The Audit Committee acts within its authority and responsibility and makes recommendations to the Board. Established in November 2024, the Committee held its first meeting in February 2025, following the reporting period, and submitted a report containing findings and recommendations to the Board.

Early Risk Detection Committee

At the meeting of our Company's Board of Directors held on 11 November 2024, and numbered 2024/99, in accordance with the provisions of Article 4.5 of the Corporate Governance Principles annexed to the Capital Markets Board (CMB) Corporate Governance Communiqué No. II-17/1, it was decided that an "Early Risk Detection Committee" be established to ensure that the Board of Directors fulfills its duties and responsibilities in a sound manner, and in accordance with the Duties and Operating Principles of the Early Risk Detection Committee, the Committee consist of three members, with Ömer Faruk Işık, an independent member of the Board of Directors, appointed as Chairman, and Dr. Ayşe Ufuk Ağar, another independent member of the Board of Directors, and Yılmaz Yılmaz, Chairman of the Board of Directors, appointed as members. The majority of members are non-executive members.

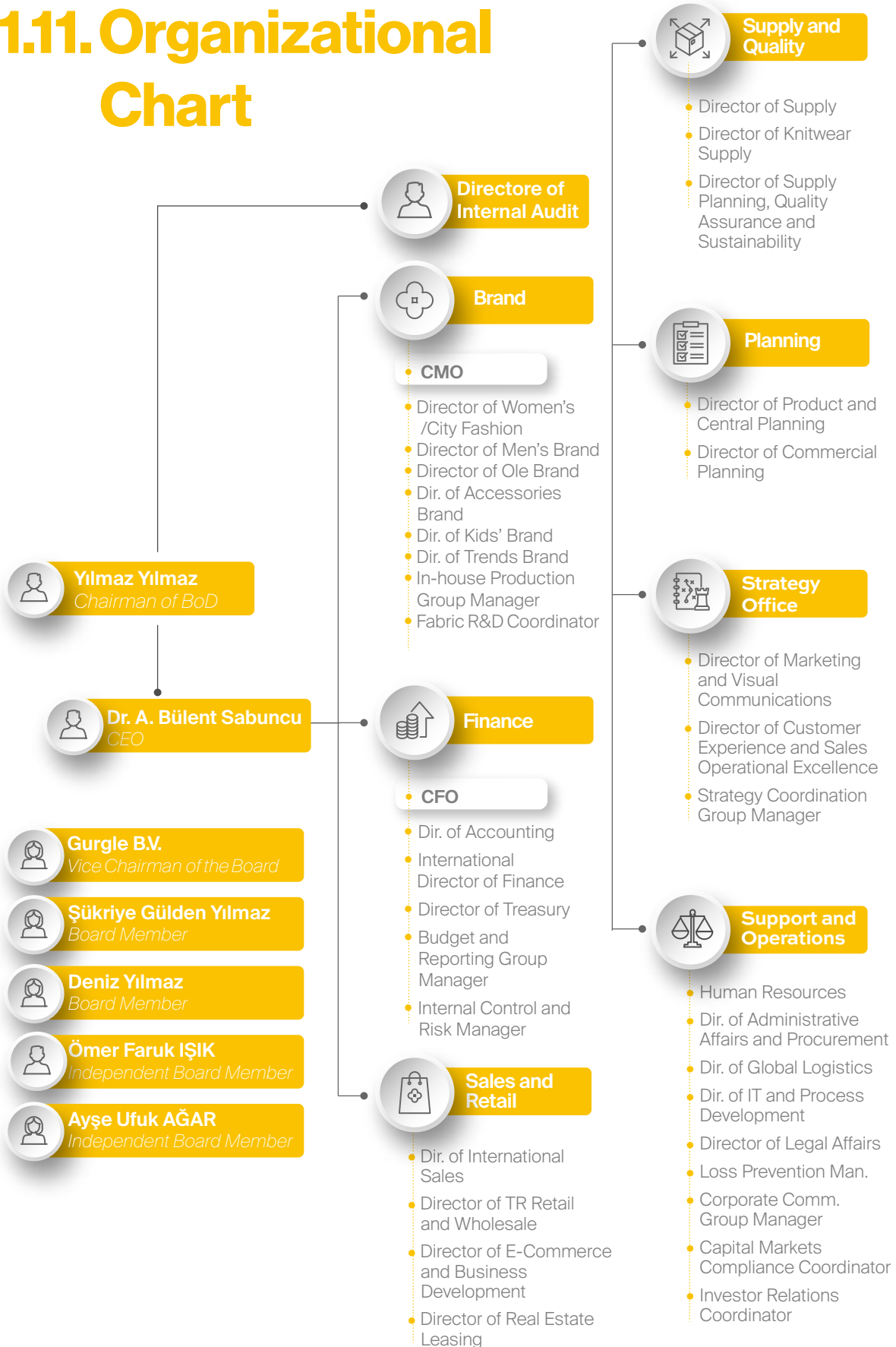
The Early Risk Detection Committee conducts efforts related to the early detection and management of risks that may endanger the Company's existence, development, and continuity. In addition, the Committee has begun working on establishing the corporate risk management infrastructure required by capital market legislation. The Committee was established in November 2024 and thus has only met once in 2024, submitting a report to the Board of Directors outlining the actions it will take and providing findings and recommendations.

Corporate Governance Committee

At the meeting of our Company's Board of Directors held on 11 November 2024, and numbered 2024/99, in accordance with the provisions of Article 4.5 of the Corporate Governance Principles annexed to the Capital Markets Board (CMB) Corporate Governance Communiqué No. II-17/1, it was decided that a "Corporate Governance Committee" be established to ensure that the Board of Directors fulfills its duties and responsibilities in a sound manner, and in accordance with the Duties and Operating Principles of the Corporate Governance Committee, the Committee consist of five members, with Dr. Ayşe Ufuk Ağar, independent member of the Board of Directors, as Chairman, Mr. Ömer Faruk Işık, independent member of the Board of Directors, Mr. Yılmaz Yılmaz, Chairman of the Board of Directors, Gülden Yılmaz, member of the Board of Directors, and Eda Çanga Belber, Investor Relations Manager, as members. The majority of members are non-executive members

The Corporate Governance Committee was established to monitor the company's compliance with corporate governance principles, examine the reasons for the non-implementation of principles that have not yet been implemented, and make recommendations to the Board of Directors for improving implementation. The Corporate Governance Committee also performs the functions of the Nomination Committee and the Compensation Committee. Established in November 2024, the Committee held its first meeting on 31 December 2024, and its second meeting in February following the end of the fiscal year, reviewed the Corporate Governance Compliance Report (CRF) and the Corporate Governance Information Form (CGIF) to be published by the Company on the PDP, decided to establish priorities among the optional principles that have not yet been implemented and to provide the Board of Directors with periodic information and recommendations on the actions the Company should take accordingly, and reported this matter to the Board of Directors.

1.11. Organizational Chart





1.12. General Assembly Meetings

Prior to the public offering, on 28 March 2024, the Company's Ordinary General Assembly for the accounting period from 1 January 2023 to 31 December 2023 was held.

At the aforementioned meeting, the members of the Board of Directors and the Auditor for the 2023 fiscal year were discharged, the Auditor for the 2024 fiscal year was elected, and it was unanimously decided not to distribute profit for the 2023 fiscal year.

Following the public offering, an Extraordinary General assembly was held on 11 November 2024. At the aforementioned Extraordinary General Assembly,

- 1- It has been decided that Yılmaz Yılmaz, Gurgle B.V., Şükriye Gülden Yılmaz, and Deniz Yılmaz will be appointed as members of the Board of Directors, and Ömer Faruk Işık and Ayşe Ufuk Açar will be appointed as independent members of the Board of Directors.
- 2- The remuneration to be granted to the members of the Board of Directors for the 2024 fiscal year has been approved by a vote.
- 3- The Donation and Aid Policy and Profit Distribution Policy, which were created in line with CMB regulations and announced to the public on the Public Disclosure Platform on 16 October 2024, were put to a vote and approved. The general assembly was informed about the Information and Public Disclosure Policy and the Remuneration Policy.



Ordinary General
Assembly

March 28, 2024

Extraordinary General
Assembly

November 11, 2024



CHAPTER

02

Important Information Regarding Activities

1. Information on Investments
2. Information on Internal Control and Internal Audit Activities, and Corporate Risk Management
3. Lawsuits Filed Against the Company
4. Disclosures Regarding Special Audit and Public Audit
5. Administrative Fines and Judicial Sanctions
6. Attainment of Goals
7. Related Party Transactions
8. Donations and Aid
9. Regulatory Changes That Could Significantly Affect Company Operations
10. Financial Rights Granted to Board Members and Senior Executives
11. Overview of Company Activities Related to Employees' Social Rights and Vocational Training



2.1. Information on Investments

The Company is investing in domestic and foreign markets with the aim of growing and expanding its trade volume.

Capital expenditures are primarily directed toward expanding retail channel activities through new store openings and store renovations. In addition, investments are made in storage and IT, and license and software investments related to the development of the Company and its Affiliates' information systems can be included within this scope. Investments made within the scope of design center activities are also included in the Company's investment accounts.

The breakdown of the Company's total capital expenditures as of the period is shown in the table below.

Capital Expenditures (TRY)	December 31, 2024
Machinery and Equipment	18,630,018
Vehicles	-
Fixtures and Fittings	217,830,933
Special Costs	398,941,186
Ongoing Investments	51,582,125
Tangible Assets	686,984,262
Rights and Licences	149,467,306
Intangible Assets	149,467,306
Total	836,451,568

2. 2. Information on Internal Control and Internal Audit Activities and Corporate Risk Management

The Internal Audit Directorate reported directly to the Board of Directors prior to the public offering, but following the public offering and the establishment of committees, with full compliance to the principles of independence, objectivity, and impartiality, although administratively subordinate to the Chairman of the Board of Directors within the company's organizational structure, in accordance with its function as defined by capital market legislation, it began reporting directly to the Audit Committee composed of independent Board members.

The duties of the Internal Audit Directorate are to evaluate the effectiveness of the company's internal control processes through audits within the framework of a risk-based annual audit plan and to provide internal consulting services. In this scope, department and process audits are conducted and contributions are made to eliminate problems within the framework of a risk-based annual audit plan to verify that the company's activities are carried out in accordance with the defined objectives, policies, business plans, and legal regulations, that resources are used effectively, economically, and efficiently, that important financial, administrative, and operational information is reliable, and that the actions of company employees comply with relevant procedures, ethical rules, and legal regulations.

Although the Company does not yet have a separate function or unit for corporate risk management, following the Extraordinary General assembly held on 11 November 2024, and the establishment and commencement of operations of the Early Risk Detection Committee, work has begun on a risk map to establish the Company's corporate risk management infrastructure. All risks and risk management systems within the company will be reviewed and risks identified within the scope of corporate risk management will be regularly monitored within the scope of the Early Detection of Risk Committee activities, and measures to be taken, if necessary, will be proposed to the Board of Directors.

2. 3. Lawsuits Filed Against the Company

There are no lawsuits filed against the Company that could affect its financial position and operations.

2. 4. Disclosures Regarding Special Audit and Public Audit

The Company is subject to full confirmation and independent audit. There has been no special audit or public audit related to the Company's activities in the 01.01. 2024 to 31.11. 2024 period.

A woman wearing a brown coat with a fur collar and a brown hat with a band, walking on a city street. She is carrying a patterned bag and wearing black high-heeled shoes.

2.5. Administrative Fines and Judicial Sanctions

No administrative or judicial sanctions were imposed on the Company during the activity report period.

2.6. Attainment of Goals

The Company's financial and operational performance forecast for 2024 and its actual financial and operational performance will be compared and disclosed on the PDP investor presentation.

2.7. Related Party Transactions

There are no commercial or other debts owed to related parties for the period 01.01. 2024 to 31.11. 2024, nor are there any commercial or other receivables from related parties.

2.8. Donations and Aid

The total amount of the relevant detailed accounts of the income statement for the period 01.01.2024-31.12.2024 is TRY 6,337,074.

2.9. Regulatory Changes That Could Significantly Affect Company Operations

There have been no regulatory changes between 01.01.2024 and 31.12.2024 that could significantly affect the Company's activities.

2.10. Financial Rights Granted to Board Members and Senior Executives

As of 31 December 2024, the total benefits and privileges provided to the members of the board of directors and senior executives of the Group amounted to TRY 142,849,261. (31 December 2023: TRY 141,896,287)

2.11. Overview of Company Activities Related to Employees' Social Rights and Vocational Training

Our company implements human resources practices that protect the social rights of employees by ensuring fundamental rights such as fair wages, insurance, retirement, occupational health and safety. In addition, issues such as equality, working hours, rest rights, and prevention of discrimination in the workplace are guaranteed within the framework of our Gender Equality Policy and Human Rights Policy. Technical, vocational, and personal development training is provided to support the continuous development of our employees. In addition, we encourage our employees' career development through leadership, digital transformation, and competency improvement programs, while also supporting young talents' adaptation to working life through our internship and mentoring programs.

All our employees' learning and development needs are met through Koton's unique "Koton Learning Path," which offers role-specific training, strengthens technical skills, and supports career journeys.

The company's goal through the Learning Path:

- Managing and leading change,
- Unlocking and managing the potential of our teams,
- Delegating effectively,
- Ensuring our teams consistently perform well and providing effective feedback.

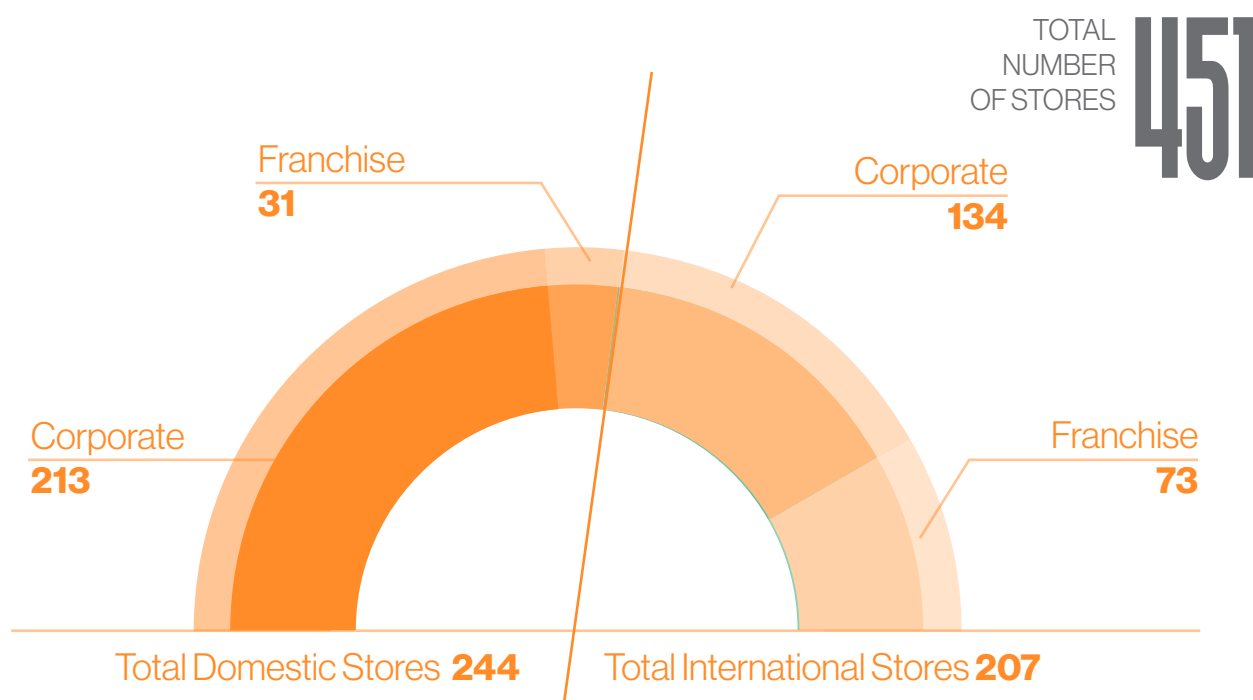
Managing relationships between different profiles and generations through effective communication and to ensure the motivation of our teams by increasing employee loyalty.



CHAPTER

Operational Developments

1. Number of Stores and Sales Area
2. Like-for-Like (LFL) Number of Stores and Sales Amounts
3. E-Commerce Channel Data
4. Number of Koton Club Members
5. Number of Employees
6. Developments that Occurred Between the End of the Period and the Preparation of the Report



3.1. Store and Total Sales Area Statistics



With 14 new stores opening in 2024, the total number of stores reached 451. Store openings gained momentum in the second quarter of the year and continued in the third and fourth quarters. The number of domestic stores has reached 244 with the opening of one corporate store and two franchise stores. With the addition of five new corporate stores and six new franchise stores abroad, the number of stores abroad has increased from 196 to 207. During this period, 14 stores in the Gulf Co-operation Council (GCC) region were transferred from franchise partners to affiliated companies.

While new store openings continued, improvements in square foot efficiency continued to be achieved. In 2024, the domestic sales value per square meter increased by 14.5% in real terms to TRY66,595. The sales area and total store area, which were 391,908 and 508,191 square meters, respectively, on December 31, 2023, increased to 391,938 and 509,294 square meters, respectively, as of 31 December 2024, with the opening of new stores.

Number of Stores	31 December 2023	31 December 2024
Domestic (corporate) store	212	213
Domestic franchise	29	31
Total Domestic	241	244
Abroad (corporate) store	115	134
Abroad franchise	81	73
Total Overseas	196	207
Grand Total	437	451

3.2. Like-for-Like (LFL) Store Unit and Sales Volumes

In 2024, domestic store LFL unit sales increased by 12.4%, bringing consolidated unit sales growth to 7.1%.

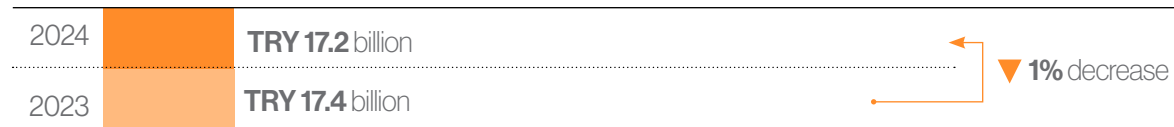
During the same period, domestic store LFL sales volume increased by 6.6%, while consolidated LFL sales volume declined by 1%.

Overseas store LFL unit sales and sales volume declined due to the strong Turkish lira and specific market conditions in certain regions.

Consolidated Retail LFL Unit Sales



Consolidated Store LFL Sales Volumes



(*) Like-For-Like: A measurement method used to compare a specific period in the past with the same period in the present and between the same stores. The most important rule to keep in mind when analyzing according to this method is consistency. Changes in the number of stores make it impossible to compare one period to another under equal conditions. Therefore, when analyzing one period compared to another, the same stores that were active in both periods are compared and evaluated. For example, when calculating revenue growth from year A to year B on a like-for-like basis, stores that opened or began operating in year B are not included. This is because these stores do not contribute to the revenues of year A. Similarly, stores that closed in Year A are also excluded from the calculation on a like-for-like revenue basis. Only stores that have been in continuous operation for both periods are considered in the like-for-like revenue assessment. Overseas franchise stores are not included in the LFL calculation. Sales amounts have been adjusted for inflation.

3.3. E-Commerce Channel Data

In 2024, consolidated e-commerce sales recorded a real growth of 14.9% compared to the same period last year. This growth was significantly supported by koton.com with 30.5% real growth, domestic marketplaces (B2C) with 24.6% real growth, and international marketplaces with 23.5% real growth. +During this period, marketplaces (B2B) shrank by approximately 10%.

Koton.com's total number of visitors increased by 14% to 67.5 million in 2024, while the number of active users of the Koton mobile app increased by 190% to approximately 7 million.

Driven by strong growth, e-commerce's share of consolidated sales rose from 10.7% in 2023 to 12.2% in 2024.

E-commerce Consolidated Sales

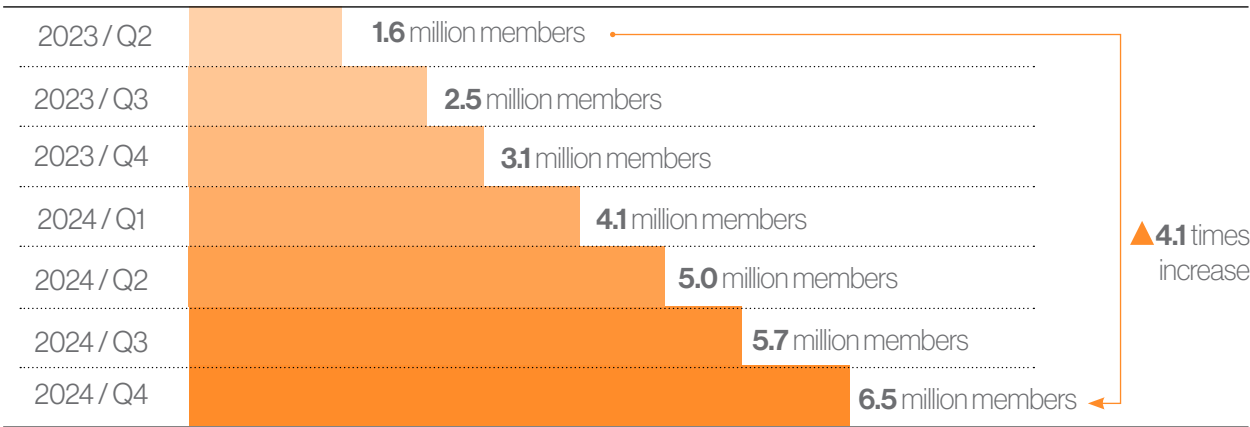


3.4. Number of Koton Club Members

The number of Koton Club members, an important part of the omnichannel strategy, reached 3.1 million at the end of 2023 and 6.5 million in 2024.

Koton Club aims to increase customer satisfaction and improve customer data analysis by providing a personalized experience. Koton Club members' shopping cart volume is 7% larger than non-members, and their shopping frequency is 56% higher.

Number of Koton Club Members



3.5. Number of Employees

As of 31 December 2024, the Group's average annual number of employees, including domestic and international operations, was 7,979, while at the end of 31 December 2024, the number of employees was 8,169.

3.6. Developments occurred between the end of the period and the preparation of the report

As of 19 January 2025, Koton Trading LLC was established in Qatar, the Company does not currently have any stores.

As of 13 January 2025, Koton Fashion Trading LLC was established in Oman, the Company does not currently have any stores.



CHAPTER

04


Financial Position

1. Summarized Financial Statements
2. Financial Indicators
3. Independent Audit Report and Consolidated Financial Statements
4. Declaration of Responsibility

4.1. Summarized Financial Statements

In the activity report for the period from 1 January 2024 to 31 December 2024, the Company, which applies Turkish Accounting/Financial Reporting Standards in accordance with the Capital Markets Board's resolution dated 28 December 2023, has applied inflation accounting in accordance with TMS 29 and based its financial data on independently audited figures. Unless otherwise stated, amounts in this report are expressed in Turkish Lira (TRY) based on purchasing power parity (including TMS 29) as of 31 December 2024.


Summary Information on Balance Sheet

	(TRY)	Dec. 31, 2024	Dec. 31, 2023
 TOTAL ASSETS	Total current assets	12,244,524,297	10,597,930,933
	Total fixed assets	7,101,277,680	7,143,094,631
	TOTAL ASSETS	19,345,801,977	17,741,025,564
	Total short-term liabilities	10,641,210,677	9,000,669,420
	Total long-term liabilities	2,529,295,634	2,914,020,496
	TOTAL LIABILITIES	13,170,506,311	11,914,689,916
	EQUITY	6,175,295,666	5,826,335,648
	TOTAL EQUITY	19,345,801,977	17,741,025,564

TOTAL ASSETS

TRY **19.3**
billion

Summary Income Statement

	(TRY)	January 1 - Dec. 31, 2024	January 1 - Dec. 31, 2023
 OPERATING PROFIT	Revenue	25,086,294,418	24,824,204,132
	Gross Profit	13,505,309,084	12,918,519,880
	<i>Gross Profit Margin</i>	53.8%	52.0%
	Operating Profit	118,460,224	2,291,006,390
	Profit Before Tax	-550,673,380	3,233,874,511
	Profit for the Period	-394,899,782	2,605,422,921
	EBITDA	4,877,619,946	6,600,675,222
	<i>EBITDA Margin</i>	19.4%	26.6%

OPERATING PROFIT

TRY **118.5**
million



4.2. Financial Indicators

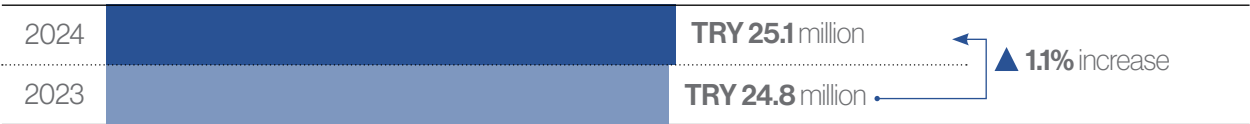
 In 2024, domestic sales grew by 11.5% in real terms, while consolidated sales increased by 1.1% to reach TRY 25.1 billion.

Despite slowing domestic demand, domestic store sales grew by a strong 12.8% in real terms, bringing domestic sales growth to 11.5%.

During this period, overseas sales decreased by 18.7% due to the strong Turkish lira. This effect has been felt more strongly in the CIS region, where demand has weakened compared to previous periods and competition has intensified. During this period, the Turkish lira's depreciation against the US dollar remained well below the average inflation rate.

In 2023, approximately 35% of consolidated sales came from overseas sales channels, while this ratio was 28% in 2024.

Consolidated Sales



Domestic Sales

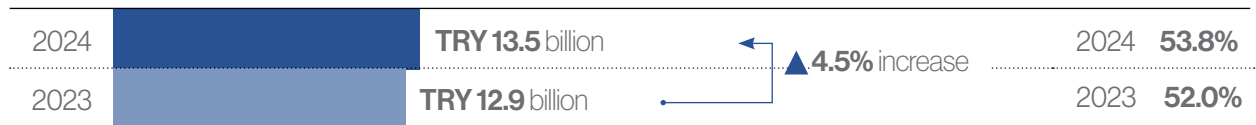


In 2024, domestic gross profit increased by 17%, while the domestic gross profit margin rose to 58.1%. Consolidated gross profit increased by 4.5% to over TRY13.5 billion, and the consolidated gross profit margin increased by 1.8 points to 53.8%.

This strong gross profit increase was achieved through a flexible and effective product supply strategy, a wide product range, and dynamic pricing practices.

Domestic Sales

Gross profit margin

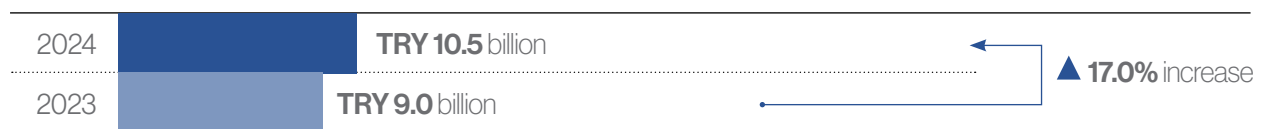


Consolidated EBITDA for 2024 reached TRY 4.9 billion, with an EBITDA margin of 19.4%. Despite increases in operating expenses due to inflationary pressures and the negative impact of the strong Turkish lira on exchange rate gains, the EBITDA margin exceeded the industry average.

In 2024, the consolidated period loss amounted to approximately TRY 395 million. Despite the real sales and gross profit growth achieved, factors affecting net profit included higher expenses mainly caused by high inflation, a decrease in exchange rate gains as a result of the stable Turkish lira, and a decline in net monetary position due to lower monetary gains from assets due to the average inflation rate decrease in 2024 compared to 2023.

Although there has been a relatively limited increase in net financial debt as a percentage of EBITDA, it remains at a very sound level.

Domestic Gross Profit



Net Financial Debt

	(TRY)	2024	2023
Cash and cash equivalents		585,006,930	518,436,830
Bank loans		3,279,943,538	2,172,568,450
Leasing obligations		3,169,834,508	3,192,913,780
Net Financial Liability		-5,864,771,116	-4,847,045,400
Net Financial Liability (USD*)		165,952,776	137,154,652
Net Financial Liability / EBITDA		1.2	0.7
Net Financial Liability (excluding leasing obligations)		-2,694,936,608	-1,654,131,620
Net Financial Liability / EBITDA (excluding leasing obligations)		0.6	0.3

(*) The amounts were calculated using the TCMB reference rate of 35.34 as of 31 December 2024.



3.3. Independent Audit Report and Consolidated Financial Statements

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2024 AND 31 DECEMBER 2023

INDEPENDENT AUDITOR'S REPORT

*(Convenience translation of the report and the financial statements
originally issued in Turkish)*

(CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Koton Mağazacılık Tekstil Sanayi ve Ticaret A.Ş.

A) Report on the Special Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Koton Mağazacılık Tekstil Sanayi ve Ticaret A.Ş. ("the Company") and its subsidiaries ("the Group") which comprise the consolidated statement of financial position as at 31 December 2024 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRSs").

2) Basis for Opinion

We conducted our audit in accordance with the Standards on Independent Auditing ("SIA") which is a part of Turkish Auditing Standards accepted by regulations of the Capital Markets Board and published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the Code of Ethics for Independent Auditors ("Code of Ethics") published by the POA, together with the ethical requirements included in the regulations of the Capital Markets Board and other regulations that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters

Key Audit Matter	How the matter was addressed in the audit
<p><i>Application of TFRS 16, Leases and evaluation of significant estimates and assumptions</i></p> <p>Right-of-use assets amounting to TL 4,147,275,548 and lease liabilities amounting to TL 3,169,834,508 were recognized in the consolidated financial statements of the Group as of 31 December 2024 and, respectively.</p> <p>The amounts recognized as a result of the application of TFRS 16 are significant in terms of the consolidated financial statements and the determination of the accounting policy depends on the choices of the Group management. In addition, the calculation of right-of-use assets and related lease liabilities includes significant management estimates and assumptions. The most important of these assumptions; is the evaluation of the lease extension, early termination options and the interest rate.</p> <p>Considering these reasons, the application of TFRS 16 and its effects on the consolidated financial statements and the notes on the consolidated financial statements have been determined as an important issue for our audit.</p> <p>Accounting policies regarding the application of TFRS 16 and explanations including related amounts are given in Note 2.5, 11 and Note 12.</p>	<p>During our audit, the following procedures were applied, including but not limited to, for the application of TFRS 16 and the evaluation of significant estimates and assumptions:</p> <ul style="list-style-type: none"> ➤ Understanding and evaluating the significant processes that affect financial reporting in relation to the TFRS 16 calculations process, ➤ Recalculation of right-of-use assets and related lease liabilities, which are accounted for in the consolidated financial statements by calculating the samples selected from the lease contracts within the scope of TFRS 16, ➤ Testing the suitability of inputs such as rent increase rate and interest rate used in the relevant calculations, ➤ Selecting the contracts subject to the calculation of right-of-use assets and lease liabilities by sampling method, and checking the compatibility of the evaluation of the terms of the lease contracts used in these calculations with the terms of the contract, and the extension options, ➤ Checking the explanations in the notes to the consolidated financial statements regarding the application of TFRS 16 and evaluating the adequacy of the information included in these notes in accordance with the rules in TFRS 16.

3) Key Audit Matters (cont'd)

Key Audit Matter	How the matter was addressed in the audit
<p>Inventories</p> <p>The Group manufactures and sells ready-to-wear garments, which are significantly affected by rapidly changing customer demands and fashion trends. The Group's inventories amounting to TL 7,977,649,755 as at 31 December 2024, respectively, are valued at the lower of cost or net realizable value. Accordingly, management's assessment of the provision for impairment of inventories is based on certain assumptions and estimates.</p> <p>Effective inventory management, inventory count results and inventory turnover rate, which directly affect the value of inventories, are important issues monitored by the Group management.</p> <p>As of 31 December 2024, this issue is a key matter for our audit due to the significant level of inventory amounts in the consolidated statement of financial position and the fact that inventory valuations include assumptions. The Group's accounting policies and amounts related to impairment of inventories are disclosed in Notes 2.5 and 7.</p>	<p>During our audit, we performed the following significant procedures related to inventories:</p> <ul style="list-style-type: none"> ➤ Considering the Group's inventory counting procedures and the frequency of the counts, we determined the number of stores and warehouses that should be participated in the counts. ➤ We participated in the counts of selected stores and warehouses from different regions and countries to test the quantities of inventories. In order to determine the cost for the valuation of inventories, invoice and delivery note matching and the accuracy of the acquisition cost and quantities used in the inventory valuation calculation were checked. In addition, samples were selected for the unit costs of inventories and verifications were made by matching the movements in and out of the warehouses, delivery notes and invoices. ➤ As of 31 December 2024, the sales prices used in the net realizable value calculation were tested by sampling and checking the consistency of certain sales prices with the current lowest approved sales prices. In addition, we have assessed the adequacy of the disclosures in Note 7 within the scope of TFRS.



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

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

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

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

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

Responsibilities of independent auditors in an independent audit are as follows:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the regulations of the Capital Markets Board and SIA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected.

As part of an audit in accordance with the regulations of the Capital Markets Board and SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.).



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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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



B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Group's set of accounts and financial statements prepared for the period 1 January – 31 December 2024 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

The engagement partner on the audit resulting in this independent auditor's report is Tolga Sirkecioğlu.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Tolga Sirkecioğlu
Partner

İstanbul, 11 March 2025

	Notes	Audited/ current period 31 December 2024	Audited/ prior period 31 December 2023
ASSETS			
Cash and Cash Equivalents	4	585,006,930	518,436,830
Trade Receivables	5	1,780,056,050	1,655,049,810
- <i>Trade Receivables from Third Parties</i>		<i>1,780,056,050</i>	<i>1,655,049,810</i>
Other Receivables	6	6,546,921	5,071,711
- <i>Other Receivables from Third Parties</i>		<i>6,546,921</i>	<i>5,071,711</i>
Inventories	7	7,977,649,755	7,384,318,437
Prepaid Expenses	8	1,365,965,989	620,458,810
Current Tax Assets	24	62,606,449	22,761,543
Other Current Assets	16	466,692,203	391,833,792
Current Assets		12,244,524,297	10,597,930,933
Financial Investments	12	3,975,000	4,078,700
Other Receivables		145,764,835	130,577,570
- <i>Other Receivables from Third Parties</i>	6	<i>145,764,835</i>	<i>130,577,570</i>
Property, Plant and Equipment	9	1,901,110,032	2,055,199,834
Intangible Assets	10	635,655,320	554,091,514
Right-of-Use Assets	11	4,147,275,548	4,023,588,558
Prepaid Expenses	8	3,895,341	5,282,724
Deferred Tax Asset	24	256,264,056	345,469,949
Other Non-Current Assets	16	7,337,548	24,805,782
Other Non- Current Assets		7,101,277,680	7,143,094,631
TOTAL ASSETS		19,345,801,977	17,741,025,564

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

	Notes	Audited/ current period 31 December 2024	Audited/ prior period 31 December 2023
LIABILITIES			
Short-Term Borrowings	12	4,595,542,680	3,231,492,500
<i>Short-Term Borrowings</i>	12	2,972,622,194	1,575,922,985
<i>Short-Term Portion of Long-term Borrowings</i>	12	282,952,578	440,876,514
<i>Lease Liabilities</i>	12	1,339,967,908	1,214,693,001
Trade Payables	5	5,201,021,881	4,814,409,301
<i>Trade Payables to Third Parties</i>		5,201,021,881	4,814,409,301
Payables Related to Employee Benefits	15	307,630,006	297,931,201
Other Payables	6	27,233,409	25,947,304
<i>Other Payables to Third Parties</i>		27,233,409	25,947,304
Deferred Income	8	115,731,575	116,141,990
Current Tax Liabilities	24	-	38,641,942
Short-Term Provisions		228,400,762	319,359,091
<i>Short-Term Provisions for</i>			
<i>Employee Benefits</i>	15	203,418,458	274,497,195
<i>Other Short-Term Provisions</i>	13	24,982,304	44,861,896
Other Current Liabilities	16	165,650,364	156,746,091
Current Liabilities		10,641,210,677	9,000,669,420
Long-Term Borrowings	12	1,854,235,366	2,133,989,730
<i>Long-Term Borrowings</i>	12	24,368,766	155,768,951
<i>Lease Liabilities</i>	12	1,829,866,600	1,978,220,779
Other Payables	6	26,430,026	35,204,372
<i>Other Payables to third parties</i>		26,430,026	35,204,372
Deferred Income	8	63,761,434	9,595,373
Long-Term Provisions	15	111,130,808	128,340,528
<i>Long-term Provisions for Employee Benefits</i>	15	111,130,808	128,340,528
Deferred Tax Liability	24	473,738,000	606,890,493
Non-Current Liabilities		2,529,295,634	2,914,020,496
TOTAL LIABILITIES		13,170,506,311	11,914,689,916
Share Capital	17	829,650,000	795,500,000
Capital Adjustment Differences	17	5,011,872,455	5,004,492,499
Accumulated Other Comprehensive Expenses	17	1,084,051,781	-
that will not be Reclassified to Profit or Loss	17	(136,672,946)	(134,297,857)
- <i>Loss on Remeasurement of Defined Benefit Plans</i>		(136,672,946)	(134,297,857)
Accumulated Other Comprehensive Expenses			
That will be Reclassified to Profit or Loss		(2,441,814,334)	(2,062,467,486)
- <i>Foreign Currency Translation Differences</i>	17	(2,408,100,981)	(1,964,673,817)
- <i>Cash Flow Hedge Losses</i>	17	(33,713,353)	(97,793,669)
Restricted Reserves Appropriated from Profit	17	174,777,254	174,777,254
Prior Years Losses		2,048,331,238	(557,091,683)
Net Profit for the Period		(396,675,311)	2,605,422,921
Major Shareholders	17	6,173,520,137	5,826,335,648
Minority Shareholders	17	1,775,529	-
EQUITY		6,175,295,666	5,826,335,648
TOTAL LIABILITIES AND EQUITY		19,345,801,977	17,741,025,564

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

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş.
AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT AS OF 31 DECEMBER 2024 AND 31 DECEMBER 2023

(Amount expressed in Turkish Lira (TL) in terms of the purchasing power of Turkish Lira (TL) as of 31 December 2024 unless otherwise stated)

		Audited/current period 1 January- 31 December 2024	Audited/prior period 1 January- 31 December 2023
	Dipnot		
Revenue	18	25,086,294,418	24,824,204,132
Cost Of Sales (-)	18	(11,580,985,334)	(11,905,684,252)
GROSS PROFIT		13,505,309,084	12,918,519,880
General Administrative Expenses (-)	19	(2,325,477,471)	(2,027,686,969)
Marketing Expenses (-)	19	(8,862,328,780)	(8,148,778,029)
Research and Development Expenses (-)	19	(374,673,273)	(311,408,909)
Other Income from Operating Activities	21	879,337,936	1,849,897,955
Other Expenses from Operating Activities (-)	21	(2,703,707,272)	(1,989,537,538)
OPERATING PROFIT		118,460,224	2,291,006,390
Income from Investing Activities	22	3,831,342	4,968,267
Expenses from Investing Activities (-)	22	(9,279,499)	(14,803,017)
OPERATING PROFIT BEFORE FINANCE EXPENSE		113,012,067	2,281,171,640
Finance Income	23	113,526,287	129,947,286
Finance Expenses	23	(1,724,881,086)	(1,814,961,990)
Net Monetary Position Gains	29	947,669,352	2,637,717,575
PROFIT BEFORE TAX		(550,673,380)	3,233,874,511
Tax (Expense) / Income	24	155,773,598	(628,451,590)
Current Tax Expense	24	-	(407,402,109)
Deferred Tax Expense	24	155,773,598	(221,049,481)
PROFIT FOR THE PERIOD		(394,899,782)	2,605,422,921
Net Profit / (Loss) Distribution			
Minority Shareholders		1,775,529	-
Major Shareholders		(396,675,311)	2,605,422,921
Earnings per share	26	(0.483)	3.140
PROFIT FOR THE PERIOD		(394,899,782)	2,605,422,921
OTHER COMPREHENSIVE EXPENSES			
Items not to be reclassified to Profit or Loss		(2,375,089)	(33,374,982)
Defined Benefit Plans Remeasurement Losses	15	(3,166,786)	(44,499,977)
Deferred Tax Income	24	791,697	11,124,995
Items to be Reclassified to Profit or Loss		(379,346,848)	(1,105,935,500)
Foreign Currency Translation Differences		(443,427,164)	(1,151,565,728)
Cash Flow Hedge		85,440,421	60,840,303
Deferred Tax (Expense) / Income		(21,360,105)	(15,210,075)
OTHER COMPREHENSIVE INCOME		(381,721,937)	(1,139,310,482)
TOTAL COMPREHENSIVE INCOME		(776,621,719)	1,466,112,439
Distributon of Total Comprehensive Income			
Minority Shareholders		1,775,529	-
Major Shareholders		(778,397,248)	1,466,112,439

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

	Paid-In Capital	Adjustment Differences	Capital	Share Issues Premiums/ Discounts	Accumulated Other Comprehensive Income and Expenses not to be Reclassified to Profit or Loss	Accumulated Other Comprehensive Income and Expenses to be reclassified to Profit or Loss	Foreign Currency Translation Differences	Gain/ Losses On Hedge Accounting	Restricted Reserves Appropriated from Profit	Prior Years Losses	Minority Shareholders	Net Profit for the Period	Equity
Balance as of 1 January 2023	795,500,000	5,004,492,499	-	-	(100,922,875)	(813,108,089)	(143,423,897)	174,777,254	(3,080,598,457)	-	2,523,506,774	2,523,506,774	4,360,223,209
Transfers	-	-	-	-	-	-	-	-	-	2,523,506,774	-	(2,523,506,774)	-
Total Comprehensive Income	-	-	-	-	(33,374,982)	(1,151,565,728)	45,630,228	-	-	-	-	2,605,422,921	1,466,112,439
Profit for the Period	-	-	-	-	-	-	-	-	-	-	-	2,605,422,921	2,605,422,921
Cash Flow Hedge Gains	-	-	-	-	-	-	-	-	-	-	-	-	45,630,228
Foreign Currency Translation Differences	-	-	-	-	-	(1,151,565,728)	-	-	-	-	-	-	(1,151,565,728)
Actuarial Loss	-	-	-	-	(33,374,982)	-	-	-	-	-	-	-	(33,374,982)
Balance as of 31 December 2023	795,500,000	5,004,492,499	-	-	(134,297,857)	(1,964,673,817)	(97,793,669)	174,777,254	(557,091,683)	-	2,605,422,921	2,605,422,921	5,826,335,648
Balance as of 1 January 2024	795,500,000	5,004,492,499	-	-	(134,297,857)	(1,964,673,817)	(97,793,669)	174,777,254	(557,091,683)	-	2,605,422,921	2,605,422,921	5,826,335,648
Transfers	-	-	-	-	-	-	-	-	-	2,605,422,921	-	(2,605,422,921)	-
Capital Increase	34,150,000	7,379,956	-	-	-	-	-	-	-	-	-	-	41,529,956
Increase due to	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-Based Transactions	-	-	-	1,084,051,781	-	-	-	-	-	-	-	-	1,084,051,781
Total Comprehensive Income	-	-	-	-	(2,375,089)	(443,427,164)	64,080,316	-	-	-	1,775,529	(396,675,311)	(776,621,719)
Profit for the Period	-	-	-	-	-	-	-	-	-	-	1,775,529	(396,675,311)	(394,899,782)
Cash Flow Hedge Gains	-	-	-	-	-	-	64,080,316	-	-	-	-	-	64,080,316
Foreign Currency Translation Differences	-	-	-	-	-	(443,427,164)	-	-	-	-	-	-	(443,427,164)
Actuarial Loss	-	-	-	-	(2,375,089)	-	-	-	-	-	-	-	(2,375,089)
Balance as of 31 December 2024	829,650,000	5,011,872,455	-	1,084,051,781	(136,672,946)	(2,408,100,981)	(33,713,353)	174,777,254	2,048,331,238	1,775,529	(396,675,311)	(396,675,311)	6,175,295,666

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

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş.
AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT AS OF 31 DECEMBER 2024 AND 31 DECEMBER 2023

(Amount expressed in Turkish Lira (TL) in terms of the purchasing power of Turkish Lira (TL) as of 31 December 2024 unless otherwise stated)

	Notes	Audited/current period 1 January- 31 December 2024	Audited/prior period 1 January- 31 December 2023
A. Cash Flows From Operating Activities		198,910,722	2,424,972,536
Profit/Losses for the Period		(394,899,782)	2,605,422,921
Adjustments Related to Reconciliation of Net Profit for the Period		3,131,237,827	1,739,945,212
Adjustments Related to Depreciation and Amortization Expense	9,10,11	2,646,765,601	2,947,348,988
Adjustments Related to Impairment		27,502,054	17,301,572
-Adjustments Related to Impairment / (Reversals) on Inventory	7	2,685,809	(5,495,348)
-Adjustments Related to Impairment Loss Recognised on Receivables	5	24,816,245	22,796,920
Adjustments Related to Provisions		195,590,616	260,121,355
-Adjustments Related to for Employee Benefits	15	198,393,788	286,308,083
-Adjustments Related to Provisions for Legal Claims	13	7,273,326	12,146,175
-Adjustments Related to Other Provisions		(10,076,498)	(38,332,903)
Adjustments Related to Interest (Income) and Expense		2,881,099,624	1,963,054,368
-Adjustments Related to Interest Income	23	(52,932,278)	(62,268,927)
-Adjustments Related to Interest Expense	23	1,012,390,316	966,555,033
- Deferred Financing Expense from Forward Purchases		1,921,641,586	1,058,768,262
Adjustments Related to Income From Government Grants	16	(3,118,265)	(4,511,282)
Adjustments Related to Unrealised Currency Translation Differences		46,310,704	273,977,690
Adjustments related to other uncash items		17,670,242	(15,348,991)
Adjustments Related to Tax Expense	24	(155,773,598)	628,451,590
Adjustments Related to Losses/(Gains) on Disposal of Non-Current Assets	22	5,448,157	9,834,750
Other Adjustments Related to Net Profit / Loss		(33,806,044)	57,649,934
Monetary Loss / Gain		(2,496,451,264)	(4,397,934,762)
Changes in Working Capital		(2,537,427,323)	(1,920,395,597)
Adjustments Related to Increase in Inventories		(615,762,297)	(185,421,943)
Adjustments Related to Increase in Trade Receivables		(658,556,060)	(963,935,831)
Adjustments Related to Decrease (Increase) in Prepaid Expenses		(896,723,103)	(257,721,323)
Adjustments Related to Decrease (Increase) in Other Receivables		(237,722,395)	(129,947,016)
Adjustments Related to Increase (Decrease) in Trade Payables		(44,495,029)	89,396,670
Adjustments Related to Increase (Decrease) in Employee Benefits		101,276,123	141,303,547
Adjustments Related to Increase (Decrease) in Other Payables		39,271,694	39,936,456
Adjustments Related to Increase (Decrease) in Deferred Income		36,085,404	(60,660,316)
Payments Related to Employee Benefits	13,15	(173,182,398)	(149,462,440)
Tax Returns (Payments)	24	(78,486,848)	(352,269,884)
Other Cash Inflows (Outflows)		(9,132,414)	(91,613,517)
B. Cash Flow Used In Investing Activities		(810,171,197)	(715,801,643)
Proceeds from Sale of Property, Plant and Equipment and Intangible Assets		27,430,371	36,043,968
- Proceeds from Sale of Property, Plant and Equipment	9	27,377,835	36,033,642
- Proceeds from Sale of Intangible Assets	10	52,536	10,326
Cash Outflows from Purchase of Property, Plant and Equipment and Intangible Assets		(836,451,568)	(751,232,001)
- Cash Outflows from Purchase of Property, Plant and Equipment	9	(686,984,262)	(659,996,920)
- Cash Outflows from Purchase of Intangible Assets	10	(149,467,306)	(91,235,081)
Cash Outflows for the Purchase of Shares or Debt Instruments of Other Entities or Fund		(1,150,000)	(613,610)
C. Cash Flows Generated from/(Used in) Financing Activities		834,555,081	(1,954,641,637)
Proceeds from Borrowings	12	3,691,699,136	2,497,391,404
Cash Outflows Repayment of Borrowings	12	(2,080,168,106)	(2,614,078,899)
Cash Outflows Repayment of Borrowings Arising from Lease Agreements	12	(1,435,423,709)	(1,579,870,978)
Cash Inflows from Issuing Capital Share and Other Equity instruments	17	1,187,520,104	-
- Cash inflows from capital shares	17	1,187,520,104	-
Interest Received	4,23	50,301,019	62,268,927
Interest Paid		(579,373,363)	(320,352,091)
NET INCREASE/DECREASE IN CASH AND CASH EQUILEVENTS BEFORE THE EFFECT OF FOREIGN CURRENCY TRANSLATION DIFFERENCES (A+B+C)		223,294,606	(245,470,744)
D. MONETARY LOSSES AND GAINS ON CASH AND CASH EQUIVALENTS		(159,355,765)	(494,805,232)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		223,294,606	(245,470,744)
Change in Blocked Accounts	4	-	141,548,228
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	518,436,830	1,117,164,578
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	4	582,375,671	518,436,830

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

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 Yolu, No: 3/5, Sarıyer, İstanbul. As explained in Note 17, as of 31 December 2024, the main partner of the Company is the Netherlands-based Nemo Apparel BV owned by Turkven Private Equity and Yılmaz family.

As of 31 December 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 Germany”) (*)	Germany	Retailing
Koton Textile Limited Doo Sarajevo (“Bosnia Herzegovina”)	Bosnia and Herzegovina	Retailing
Koton Textile Limited Llc (“Koton Georgia”)	Georgia	Retailing
Koton Textile D.O.O Zagreb (“Croatia”) (*)	Croatia	Retailing
TOO “Koton Textile” Limited (“Kazakhstan”)	Kazakhstan	Retailing
Koton Mağazacılık Doo El Skopje (“North Macedonia”)	North Macedonia	Retailing
Koton Textile Retail Srl (“Romania”)	Romania	Retailing
Ooo Koton Textile Llc (“Russia”)	Russia	Retailing
Koton Textile Limited Doo Beograd (“Serbia”)	Serbia	Retailing
Koton Textile Limited S.R.O (“Koton Slovakia”) (*)	Slovakia	Retailing
Koton Tekstil Emboria Endimaton Monoprosopi Epe (“Koton Greece”) (*)	Greece	Retailing
Koton Mağazacılık Sarl Au (“Koton Morocco”)	Morocco	Retailing
Koton Mağazacılık Sasu (“Koton France”) (*)	France	Retailing
LLC Koton Textile (“Koton Belarus”)	Belarus	Retailing
Limited Liability Company Koton Textile (“Koton Ukraine”)	Ukraine	Retailing
Koton Mağazacılık Limited (“Koton Azerbaijan”) (*)	Azerbaijan	Retailing
Koton Textil Korlátolt Felelősségű Társaság (“Koton Hungary”) (**)	Hungary	Retailing
Koton A.G. Trading L.L.C. (“Koton United Arab Emirates”) (**)	United Arab Emirates	Retailing
Koton India Private Limited (“Koton India”) (*) (**)	India	Retailing
Koton Trading LLC (“Koton Suudi Arabia”) (**)	Suudi Arabia	Retailing
Koton Bahrain Trading W.L.L (“Koton Bahreyn”) (*) (**)	Bahreyn	Retailing

(*) As of 31 December 2024, there are active no store.

(**) Established in 2024.

As of 31 December 2024, the total number of stores of the Group is 451 (31 December 2023: 437), 244 of these stores (31 December 2023: 241) has been operating in Türkiye. The Group has 244 stores in Türkiye, 31 of which are franchise stores (31 December 2023: 29). The Group has 207 stores abroad (31 December 2023: 196), 73 of these stores are franchise stores (31 December 2023: 81 stores). As of 31 December 2024, the Group's average number of employees is 7,979 (31 December 2023: 8,391).

The consolidated financial statements were approved for publication by the Company's Board of Directors as of 11 March 2025.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance with TFRS

The accompanying consolidated financial statements are prepared in accordance with the requirements of Capital Markets Board (“CMB”) Communiqué Serial II, No: 14.1 “Basis of Financial Reporting in Capital Markets” (“the Communiqué”), which was published in the Official Gazette No:28676 on 13 June 2013. The accompanying financial statements are prepared based on the Turkish Financial Reporting Standards (“TFRS”) and interpretations that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority (“POA”) under Article 5 of the Communiqué. In addition, the consolidated financial statements have been prepared in accordance with the “Announcement on TFRS Taxonomy” published by POA and the resolution of CMB about the Illustrations of Financial Statements and Application Guidance published on 4 October 2022.

The Group in Türkiye maintain their books of accounts and prepare their statutory financial statements in accordance with the Turkish Commercial Code (“TCC”), tax legislation, the Uniform Chart of Accounts issued by the Ministry of Finance and principles issued by CMB. The foreign subsidiaries maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered. The consolidated financial statements have been prepared on the basis of historical cost and the necessary adjustments and classifications have been reflected in the statutory records in order to provide accurate presentation in accordance with TFRS. The consolidated financial statements for the year ended have been approved on 11 March 2025 by the Board of Directors.

In addition, the Group has prepared its consolidated financial statements prepared in accordance with the Turkish Commercial Code within the framework of the accounting policies specified in Note 2.5 in order to ensure correct presentation in legal records in accordance with TFRS.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Currency Used

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position of each entity are expressed in TL, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements. “Koton Germany”, “Koton France”, “Koton Greece”, “Koton Croatia” and “Koton Slovakia” use Euro (“EUR”) as the functional currency, “Koton Russia”, “Koton Kazakhstan”, “Koton Romania”, “Koton Serbia”, “Koton Georgia”, “Koton Macedonia”, “Koton Bosnia and Herzegovina”, “Koton Azerbaijan”, “Koton Hong Kong”, “Koton Morocco”, “Koton Belarus”, “Koton Ukraine”, “Koton Hungary”, “Koton UAE”, “Koton India”, “Koton KSA” and “Koton Bahreyn” use Ruble (“RUB”), Kuna (“HRK”), Tenge (“KZT”), Ley (“RON”), Dinar (RSD), Lari (“GEL”), Macedonian Denar (“MKD”), Bosnian Mark (“BAM”), New Manat (“AZN”) Hong Kong Dollar (“HKD”), Moroccan Dirham (“MAD”), Belarusian Ruble (“BYR”), Ukrainian Hryvnia (“UAH”), Hungary Forint (“HUF”), United Arab Emirates Dirham (“AED”), India Rupee (“INR”), Saudi Arabia Riyal (“SAR”) respectively as the functional currency. However, the financial statements are presented in TL, which is the functional currency of the parent company. All financial information is presented in TL and in full unless otherwise stated.

Companies of the Group operating in foreign countries, keep their accounting records and prepare their legal financial statements in accordance with the generally accepted accounting principles of the countries in which they operate and the legislation of those countries.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**2.1 Basis of Presentation (cont'd)**Currency Used (cont'd)

The exchange rates used in the translation of foreign currency transactions of companies included in the consolidation are as follows:

Currency	31 December 2024		31 December 2023	
	<u>End of the year</u>	<u>Average for the Period</u>	<u>End of the year</u>	<u>Average for the Period</u>
US Dollar	35.2233	34.9028	29.4382	23.6416
Euro	36.7429	36,5735	32.5739	25.6500
Ruble	0.3348	0.3381	0.3261	0.2754
Tenge	0.0672	0.0672	0.0645	0.0519
Lei	1.9160	1.9094	1.6932	1.3141
Dinar	0.3132	0.3126	0.2781	0.2189
Lari	12.5687	12.4503	10.9616	9.0331
Macedonian Dinar	0.5986	0.5948	0.5297	0.4167
Bosnian Mark	18.7867	18.6772	16.6402	13.0916
Moroccan Dirham	3.4837	3.4866	2.9757	2.3413
Belarusian Ruble	10.7970	10.6965	8.9578	8.8183
Ukrainian Hryvnia	0.8377	0.8364	0.7752	0.6451
Hungarian Forint	0.0895	0.0889	-	-
United Arab Emirates Dirham	9.5361	9.4493	-	-
Indian Rupı	0.4123	0.4123	-	-
Suudi Arabia Riyal	9.3804	9.2906	-	-

Restatement of financial statements during periods of high inflation:

The financial statements and related figures for previous periods have been restated for changes in the general purchasing power of the functional currency and, consequently, the financial statements and related figures for previous periods are expressed in terms of the measuring unit current at the end of the reporting period in accordance with TAS 29 “Financial Reporting in Hyperinflationary Economies”.

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

As at the reporting date, entities operating in Türkiye are required to apply TAS 29 “Financial Reporting in Hyperinflationary Economies” for the reporting periods ending on or after 31 December 2023, as the cumulative change in the general purchasing power of the last three years based on the Consumer Price Index (“CPI”) is more than 100%.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**2.1 Basis of Presentation (cont'd)**Restatement of financial statements during periods of high inflation (cont'd)

POA made an announcement on 23 November 2023 regarding the scope and application of TAS 29. It stated that the financial statements of the entities applying Turkish Financial Reporting Standards for the annual reporting period ending on or after 31 December 2023 should be presented in accordance with the related accounting principles in TAS 29, adjusted for the effects of inflation.

In accordance with the CMB's decision dated 28 December 2023 and numbered 81/1820, issuers and capital market institutions subject to financial reporting regulations applying Turkish Accounting/Financial Reporting Standards are required to apply inflation accounting by applying the provisions of TAS 29 to their annual financial statements for the accounting periods ending on 31 December 2024.

In this framework, while preparing the financial statements dated 31 December 2024, inflation adjustment has been made in accordance with TAS 29.

The table below shows the inflation rates for the relevant years calculated by taking into account the Consumer Price Indices published by the Turkish Statistical Institute ("TURKSTAT"):

Date	Index	Adjustment coefficient	Three-year cumulative inflation rates
31.12.2024	2,684.55	1.00000	291%
31.12.2023	1,859.38	1.44379	268%

The main lines of TAS 29 indexation transactions 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.

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

2.1 Basis of Presentation (cont'd)

Restatement of financial statements during periods of high inflation (cont'd)

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.

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 31 December 2024 purchasing power according to the following principles.

The consolidated financial position statement for the year ending on 31 December 2024 has been translated into Turkish Lira at the closing rate of 31 December 2024. The consolidated income statement for the period of 1 January 2024 - 31 December 2024 has been translated into Turkish Lira at the monthly average rates and indexed to the purchasing power of 31 December 2024 from the relevant months. The consolidated financial position statement for the year ending on 31 December 2023 has been translated into Turkish Lira at the closing rate of 31 December 2023 and indexed to the purchasing power of 31 December 2024. The income statement for the period of 1 January 2023 - 31 December 2023 has been translated into Turkish Lira at the monthly average rates and indexed to the purchasing power of 31 December 2024 from the relevant months.

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

2.1 Basis of Presentation (cont'd)

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.

Comparative Information and Restatement of Prior Period Consolidated Financial Statements

The financial statements of the Group include comparative financial information to enable the determination of the financial position and performance trends. In order to comply with the presentation of the current period financial statements, comparative information is reclassified, and significant changes are disclosed if necessary.

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.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**2.1 Basis of Presentation (cont'd)**Basis for Consolidation (cont'd)

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 31 December 2024 and 31 December 2023:

Subsidiaries	31 December 2024 Partnership rate (%)	31 December 2023 Partnership rate (%)
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(**)	51.00	-
Koton India(*)(**)	51.00	-
Koton Suudi Arabia(**)	51.00	-
Koton Suudi Bahreyn(**)	51.00	-

(*) There is no active store as of balance sheet date.

(**) Established in 2024.

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.

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

2.1 Basis of Presentation (cont'd)

Basis for Consolidation (cont'd)

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.

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to prior years' profit as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under TFRS 9 *Financial Instruments*, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

The sanctions imposed on Russia and the ongoing Ukraine-Russia tension may affect the Group's operations in this country. The mentioned impacts are beyond the control of the companies operating in the country. Companies operating in Russia must consider certain risks that are not generally observable in other markets. The accompanying consolidated financial statements include the Group's management assumptions regarding its operations and financial position in Russia. Russia's future economic situation may differ from the assumptions made by the Group's management.

2.2 Changes in Accounting Policies

Significant changes in accounting policies have been applied retrospectively and prior period consolidated financial statements are restated. The Group has not made any changes in its accounting policies due to the effects of the changes in standards in the current year.

2.3 Change in Accounting Estimates and Errors

If changes in accounting estimates relate only for one period, changes are applied only in the current period but if changes in estimates relate more than one period, changes are applied both in the current and following periods prospectively. In the current period, there is no significant change in the accounting estimates. The consolidated financial statements have been restated retrospectively in accordance with TAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" which requires changes in accounting policies and accounting estimates to be accounted for and corrections of errors to be recognized.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**2.4 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 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 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 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.

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 the Board Decision dated 16 December 2024 amending this announcement. 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 the

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**New and Amended Turkish Financial Reporting Standards (cont'd)**

Board Decision dated 16 December 2024 amending this announcement. Other entities may voluntarily report in accordance with TSRS.

b) New and revised TFRSs in issue but not yet effective

The Group has not yet adopted the following standards and amendments and interpretations to the existing standards:

TFRS 17	<i>Insurance Contracts</i>
Amendments to TFRS 17	<i>Initial Application of TFRS 17 and TFRS 9 — Comparative Information</i>
Amendments to TAS 21	<i>Lack of Exchangeability</i>

TFRS 17 *Insurance Contracts*

TFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. TFRS 17 has been deferred for insurance, reinsurance and pension companies for a further year and will replace TFRS 4 *Insurance Contracts* on 1 January 2026.

Amendments to TFRS 17 *Insurance Contracts* and Initial Application of TFRS 17 and TFRS 9 — Comparative Information

Amendments have been made in TFRS 17 in order to reduce the implementation costs, to explain the results and to facilitate the initial application.

The amendment permits entities that first apply TFRS 17 and TFRS 9 at the same time to present comparative information about a financial asset as if the classification and measurement requirements of TFRS 9 had been applied to that financial asset before. Amendments are effective with the first application of TFRS 17.

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.

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

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

2.5 Summary of Significant Accounting Policies

Related Parties

In the presence of one of the following criteria, the party is considered associated with the Group:

- (a) Directly, or indirectly through one or more intermediaries, the party:
 - (i) Controls, is controlled by, or is under common control with the entity (this includes parent, subsidiaries and fellow subsidiaries),
 - (ii) Has an interest in the Company that gives it significant influence over the Group,
 - (iii) Has joint control over the Company.
- (b) The party is an associate of the Group,
- (c) The party is a joint venture in which the Group is a venturer,
- (d) The party is member of the key management personnel of the Group and its parent,
- (e) The party is a close member of the family of any individual referred to in (a) or (d),
- (f) The party is an entity that is controlled or significantly influenced by, or for which significant voting power in such entity resides with directly or indirectly, any individual referred to in (d) or (e),
- (g) The party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. A number of transactions are entered into with related parties in the normal course of business.

In accordance with the purpose of consolidated financial statements, partners, senior management (CEOs, vice presidents, group vice presidents), and board members, along with their families, and companies controlled and significantly influenced by them, are recognized as “related parties.”

Revenue recognition

The Group transfers a committed good or service to its customer and records the revenue in its consolidated financial statements as it fulfills or obtains its performance obligation. An asset is transferred when the control of an asset is (or passes) into the hands of the customer.

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

- (a) Identification of customer contracts,
- (b) Identification of performance obligations,
- (c) Determination of the transaction price in the contracts,
- (d) Allocation of transaction price to the performance obligations,
- (e) Recognition of revenue when the performance obligations are satisfied.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Revenue recognition (cont'd)

Following indicators are considered while evaluating the transfer of control of the goods and services:

- (a) The parties to the contract have approved the contract (whether in writing, verbally or in accordance with other customary trade practices) and undertake to perform their respective obligations,
- (b) The Group is able to identify the rights to the goods or services to be transferred by each party,
- (c) The Group may define payment terms for goods or services to be transferred,
- (d) The contract is commercial in nature,
- (e) It is possible that the Group will collect fees for goods or services to be transferred to the customer.

When evaluating whether a price is likely to be collected, the entity takes into account only the customer's ability to pay this amount on due date and its intention to do so.

In general, the Group has three sales channels: wholesale, retail and e-commerce.

Revenue from the sale of goods through retail business is recognized when the control of ownership have been transferred to the buyer. Revenue from the sale of goods through retail business in the course of ordinary activities is measured at the fair value of the consideration received in cash or credit card when the control over the goods is transferred and the revenue is measured reliably. The discount is recognized as a reduction of revenue as the sales are recognized.

Wholesale sales are to third-party retailers that then on-sell to consumers. The wholesale channel includes stores operated by franchise holders, where Koton brand products are sold ("franchises"), folded stores, corner stores and other individual stores, and online ("online") channels for third parties. The Group has consignment merchandise at the stores of companies operating by signing a franchise agreement with it. The revenue of this consignment of commercial goods is recorded only after the sale to the final customer within the scope described above. Sales to the online stores belonging to third stores, corner stores and other individual stores, are reflected in the records as sales following the invoice issuance.

E-commerce represents direct sales of the Company to consumers through its website at Koton.com and marketplace applications residing in Türkiye and abroad. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement that the significant risk and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If a deduction is possible and the amount can be measured reliably, the discount amount is recognized as a deduction from the proceeds as soon as the revenue is recorded.

Gift cheques given to customers are recognized as short-term deferred income when they are given and recognized as revenue in profit or loss when they are used.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Inventories

Inventories are stated at the lower of cost and net realizable value. The cost determination method is the monthly weighted average for all inventories, and semi-finished products and products take a share from the production costs. Net realizable value is the amount obtained by deducting the estimated completion cost from the sale price and the estimated total sale cost required to realize the sale. Unusable inventories are removed from the records. Credit costs are not included in inventory costs.

Property, Plant and Equipment

All property, plant and equipment are initially recognized at cost and recognized at cost less accumulated depreciation and, if any, provision for impairment. When the property, plant and equipment is sold, the income or expense incurred after deducting the cost and accumulated depreciation from the related accounts is included in the income statement.

The cost value of the property, plant and equipment consists of the purchase price, import duties and non-refundable taxes, and the expenses incurred to prepare the property, plant and equipment for use. Costs such as repair and maintenance that occur after the use of property, plant and equipment are recognized as expense in the period in which they occur. If the expenditures made provide an economic value increase in the future use of the relevant property, plant and equipment, these expenditures are added to the cost of the asset.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Such assets are depreciated when they are ready for use, as is the depreciation method used for other fixed assets.

The estimated useful lives of property, plant and equipment in the current and comparative years are as follows:

Description	Year
Machinery and equipment	4-15
Vehicles	2-11
Furniture and fixtures	3-14
Leasehold improvements	1-15

The economic life, residual value and depreciation method are regularly reviewed every year for the possible effects of the changes in the estimates, attention is paid to whether the method used in this process and the depreciation period are in line with the economic benefits to be obtained from the related asset, and if there is a change in the estimates, they are accounted for prospectively.

Property, plant and equipment are examined in order to detect a possible decrease in value, and if the book value of the property, plant and equipment is more than its recoverable value, its book value is reduced to its recoverable value by making a provision. The recoverable amount is accepted as the higher of the net cash flows from the current use of the related property, plant and equipment and its fair value less costs to sell.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Property, Plant and Equipment (cont'd)

The gain or loss resulting from the disposal of property, plant and equipment or the retirement of a property, plant and equipment is determined as the difference between the sales revenue and the net book value of the asset and is reflected in other relevant operating income and expenses accounts in the current period.

Rights-of-use assets

The Group as Lessee

At inception of a contract, the Group assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. The Group considers the following matters when assessing whether the agreement transfers the right to control the use of an identified asset for a limited period:

- a) The contract contains an identified asset: - this may be specified explicitly or implicitly,
- b) The asset should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified,
- c) The Group has the right to obtain substantially all the economic benefits from the use of an asset throughout the period of use and
- d) The Group has the right to direct use of the asset. The Group concludes to have the right of use, when it is predetermined how and for what purpose the Group will use the asset. Group has the right to direct the use of the asset throughout the period of use only if either:
 - i. The Group has the right to operate the asset (or to direct others to operate the asset in a manner that it determines) throughout the period of use, without the supplier having the right to change those operating instructions
 - ii. The Group designed the asset (or specific aspects of the asset) in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

The Group reflects a right of use and a lease obligation in the financial statements at the date when the lease actually begins.

Right-of-use asset

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

- a) The amount of the initial measurement of lease liability,
- b) Any lease payments made at or before the commencement date, less any lease incentives received,
- c) Any initial direct costs incurred by the Group and
- d) An estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease (unless those costs are incurred to produce inventories).

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

2.5 Summary of Significant Accounting Policies (cont'd)

Right of use assets (cont'd)

When applying the cost model, Group measures the right-of-use asset at cost:

- a) Less any accumulated depreciation and any accumulated impairment losses and
- b) Adjusted for any remeasurement of the lease liability.

The Group apply the depreciation requirements in TAS 16, "Property, Plant and Equipment" in depreciating the right-of-use asset, subject to the requirements. The Group apply TAS 36, "Impairment of Assets" to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Lease liability

At the commencement date, the Group measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the Group use the lessee's incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- a) Fixed payments, less any lease incentives receivable,
- b) Rent payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,
- c) Payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, the Group measure the lease liability by:

- a) Increasing the carrying amount to reflect interest on the lease liability,
- b) Reducing the carrying amount to reflect the lease payments made,
- c) Remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Extension and termination options

The lease liability is determined by taking into account the extension and early termination options in the contracts. The majority of the extension and early termination options included in the contracts are options that can be exercised jointly by the Group and the lessor. The Group determines the lease term by including extension and early termination options in the lease term if they are at the Group's discretion and the exercise of the options is reasonably certain. The assessment is reviewed by management if there is a significant change in circumstances.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Lease liability (cont'd)

Variable lease payments

Some lease contracts of the Group contain variable payment terms. Variable lease payments are not in the scope of TFRS 16 Standard and recognized in the statement of income in the related period.

Practical expedients

The short-term lease agreements with a lease term of 12 months or less and agreements related to information technology equipment leases (mainly printer, laptop, mobile phone etc.), which are determined by the Group as low value, have been evaluated within the scope of practical expedients introduced by the TFRS 16, "Leases". A single discount rate has been applied to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar asset class in a similar economic environment).

Group - as a lessor

The Group's activities as lessor do not include a significant amount.

Intangible assets

Intangible assets with finite useful lives purchased by the Group are recognized at cost less accumulated amortization and, if any, permanent losses in value. Amortization of intangible assets are recognized in profit or loss over their estimated useful lives from the date on which the related assets are ready for use, using the straight-line depreciation method. Intangible assets mainly consist of computer licenses, product designs developed by the Group, and rights and licenses consisting of advertising films with intellectual property.

In the current and comparative years, the estimated useful lives of intangible assets are between 2 and 15 years. Amortization methods and useful lives are revised in each reporting period and corrected if necessary.

Research and development expenses

There is a separate department within the Group that carries out new fabric and design development activities, and as a result of the activities of this department, sample productions including new collection product designs are made. The Group presents the costs and expenses, mainly personnel expenses and sample production expenses, which it incurs in relation to these activities, in research expenses. As explained under the intangible assets section, the Group capitalizes and presents in its records the personnel expenses incurred for the projects that are in the development phase.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Cash and cash equivalents

Cash and cash equivalents include cash, credit card receivables and bank deposits, and short-term and highly liquid investments with a maturity of three months or less, which can be easily translated into cash with a definite amount. For cash and cash equivalents, the Group assesses impairment according to the expected credit loss model, taking into account past credit loss experiences and future projections.

Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Trade receivables net of deferred finance income are calculated using the effective interest method based on the collection amount in the subsequent period instead on the amount at the invoice date. Short-term trade receivables with no determined interest rate are measured at the original invoice amount if the effect of interest accrual is not significant. In accordance with TFRS 9, if no provision provided to the trade receivables because of a specific event, the Company measures expected credit loss from these receivables by the lifetime expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Company and its expectation based on the macroeconomic indications. Change in the provision for expected credit loss is recognized in other operating income/(expense).

Borrowing Costs

Bank borrowings are recorded over their fair values with reduced transaction costs on the date they are received. In the following periods, it is valued at its discounted prices by using the effective interest rate method and the difference between the amount remaining after the transaction costs is deducted and the discounted cost value is reflected to the consolidated comprehensive income statement as financing cost during the loan period.

In case foreign exchange gains are included in the financing activities, the aforementioned income is deducted from the total capitalized finance expense.

In the case of assets (qualified assets) that take significant time to get ready for use and sale, borrowing costs directly attributable to their acquisition, construction or production are included in the cost of the asset until it is ready for use or sale. All other borrowing costs are recorded in the consolidated statement of comprehensive income in the period in which they are incurred.

Exchange rates related to bank loans are capitalized as long as they are associated with interest expenses. Exchange rate income and expenses to be capitalized with interest expenses are determined by taking into account the value difference between borrowing expenses that the company will bear in case of borrowing in its functional currency and the borrowing expenses that it currently incurs through borrowing in foreign currency.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments

Financial assets and financial liabilities are recognized in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on the transaction date.

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

Classification of financial assets

Financial assets that meet the following conditions are measured subsequently at amortized cost:

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

Financial assets that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Financial assets (cont'd)

(i) Amortized cost and effective interest method

Interest income on financial assets carried at amortized cost is calculated using the effective interest method. The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. This income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset:

(a) Credit-impaired financial assets when purchased or generated. For such financial assets, the Company applies the effective interest rate on the amortized cost of a financial asset based on the loan from the date of the recognition in the financial statements.

(b) Non-financial assets that are impaired at the time of acquisition or generation but subsequently become a financial asset that has been impaired. For such financial assets, the Company applies the effective interest rate to the amortized cost of the asset in the subsequent reporting periods.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. Interest income is recognized in profit or loss and is included in the “finance income – interest income” line item.

(ii) Financial assets carried at FVTOCI

Financial assets at FVTOCI include “financial investments” items in the statement of financial position. In case the assets whose fair value difference is recorded in other comprehensive income/expenses are sold, the valuation difference classified into other comprehensive income is reclassified to retained earnings.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI (see (i) to (ii) above) are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy).

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

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Financial assets (cont'd)

Foreign exchange gains and losses

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

- for financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortized cost of the debt instrument are recognized in profit or loss. Other exchange differences are recognized in other comprehensive income;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss; and
- for equity instruments measured at FVTOCI, exchange differences are recognized in other comprehensive income.

Impairment of financial assets

The Group recognizes a provision for impairment in the consolidated financial statements for expected credit losses carried at amortized cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the financial asset.

The Group calculates impairment allowances for trade receivables that do not have a significant financing component, assets arising from contracts with customers using the simplified approach, in an amount equal to the expected credit loss over the life of the related financial assets

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

Measurement and recognition of expected credit losses

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Financial assets (cont'd)

Impairment of financial assets (cont'd)

Measurement and recognition of expected credit losses (cont'd)

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows (all cash-deficiencies) that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate (or credit-based adjusted effective interest rate for financial assets with credit-value impairment when purchased or incurred).

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities

The Group measures a financial liability at fair value at initial recognition. On initial recognition of liabilities other than those that are recognized at FVTPL, transaction costs directly attributable to the acquisition or issuance thereof are also recognized in the fair value.

A financial liability is subsequently classified at amortized cost except:

(a) Financial liabilities at FVTPL: These liabilities including derivative instruments are subsequently measured at fair value.

(b) Financial liabilities arising if the transfer of the financial asset does not meet the conditions of derecognition from the financial statements or if the ongoing relationship approach is applied: When the Group continues to present an asset based on the ongoing relationship approach, a liability in relation to this is also recognized in the financial statements. The transferred asset and the related liability are measured to reflect the rights and liabilities that the Group continues to hold. The transferred liability is measured in the same manner as the net book value of the transferred asset.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Financial liabilities (cont'd)

(c) A contingent consideration recognized in the financial statements by the entity acquired in a business combination where TFRS 3 is applied: After initial recognition, the related contingent consideration is measured as at FVTPL.

The Group does not reclassify any financial liability.

Derecognition of financial liabilities

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

Derivative instruments and hedging activities

Derivative financial instruments are initially recognized at the acquisition cost reflecting the fair value on the date on which a derivative contract is entered and are subsequently remeasured at fair value. The derivative instruments of the Group mainly consist of cash flow hedge instruments. These derivative transactions, even though providing effective economic hedges under the Group risk management position, do not generally qualify for hedge accounting under the specific rules and are therefore treated as derivatives held for trading in the consolidated financial statements. The fair value changes for these derivatives are recognized in the consolidated profit or loss statement. The hedging transactions of the Group that qualify for hedge accounting are accounted for as follows:

Cash Flow Hedge Transactions

There is an effective cash flow hedging relationship between the Group's long-term foreign currency denominated loans (non-derivative hedging instrument) and its highly probable future sales (the item subject to hedging).

In this context, within the scope of the policy of managing cash flows arising from currency risk, has defined its sales that are highly probable to occur in the foreseeable future as "hedging items", and has started cash flow hedge accounting by matching these sales with long-term financial liabilities that it defines as "non-derivative hedging instruments". Discounted spot component (as effective) of the foreign exchange difference arising from the principal balances of the long-term loans defined as hedging instruments within the scope of this accounting, arising from the principal balances to be paid within a calendar period in accordance with the foreseeable budgets, is under "Other comprehensive income/(expense) related to cash flow hedging" in the Statement of Other Comprehensive Income, will be held until the associated sale affects the income statement. When the sales are realized, the related foreign exchange gain/loss accumulated in this fund is recognized in the income statement under "other income/expenses from operating activities".

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

2.5 Summary of Significant Accounting Policies (cont'd)

Effects of Changes in Exchange Rates

Foreign Currency Transactions and Balances

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

In preparing the financial statements of the individual entities, transactions in foreign currencies (other than TL) are recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into TL at the exchange rates prevailing at the balance sheet date.

Monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on those foreign currency borrowings,
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks (accounting policies related to providing financial hedging against risks are explained below),
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

Financial Statements of the Subsidiaries, Joint Ventures and Associates Operating Overseas

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's subsidiaries operating in foreign countries are translated into TL using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period (in which case the exchange rates at the dates of the transactions are used). Translation differences arising, if any, are recognized in other comprehensive income and accumulated foreign currency translation fund in equity. When the foreign operations are disposed, these translation differences are recognized in profit or loss statement in the related period.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Offsetting

Financial assets and liabilities are offset, and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liabilities simultaneously.

Trade payables

Trade payables are initially recorded at fair value and subsequently measured at amortized cost using the effective interest method. The carried trade payables are the fair value of consideration to be paid in the future for goods and services received, whether billed or not billed.

Provisions, contingent assets and liabilities

If there is an existing obligation arising from past events, it is probable that the obligation will be fulfilled and the amount in question is reliably predictable, a provision is made in the financial statements.

The amount allocated as a provision is calculated by considering the risks and uncertainties related to the liability, by estimating the expenditures to be made to fulfill the liability as of the balance sheet date.

In cases where the time value effect of money is significant, the provision amount is determined as the present value of the expenses expected to be required to fulfill the obligation. In determining the discount rate to be used in reducing the provisions to their present values, the interest rate in the relevant markets and the risk related to the said liability are taken into consideration. The said discount rate is determined as pre-tax and does not include the risk related to the estimation of future cash flows.

Taxes Calculated on Corporate Income

Current tax expense and deferred tax

Tax deduction or income is the sum of the statutory and deferred taxes calculated in relation to the gains or losses arising in the period. The tax is included in the profit or loss statement if it is not related to a transaction that is accounted for directly under equity. Otherwise, the tax is accounted under equity as well as the related transaction.

Period tax expense is calculated by taking into consideration the tax laws in force in the countries where the Group's subsidiaries operate as of the balance sheet date.

Deferred income tax is recognized, using liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax asset or liability is not recognized in the financial statements in case assets and liabilities that do not affect both commercial and financial profit or loss, except for business combinations, are recognized for the first time. Deferred tax assets and liabilities are calculated over the tax rates expected to be applied in the period when the tax asset is to be realized or the obligation will be performed, taking into account the tax rates and tax legislation that are in force or effective as of the balance sheet date.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Taxes Calculated on Corporate Income and Deferred Taxes (cont'd)

Current tax expense and deferred tax (cont'd)

The major temporary differences arise from the difference between the tax base and the carrying value of property, plant and equipment and intangible assets due to various expense accruals and unused tax deductions and exemptions. Deferred tax assets are recognized for unused tax losses, tax advantages and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be utilized. The deferred tax asset is reviewed at each balance sheet date and the carrying amount of the deferred tax asset is reduced when it is not possible to generate sufficient taxable profit for future use.

While deferred tax liabilities are calculated for all taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated provided that it is highly likely to benefit from these differences by obtaining taxable profit in the future.

Deferred tax assets and liabilities are mutually offset provided that they are subject to the tax legislation of the same country and that there is a legally enforceable right to set off current tax assets from current tax liabilities.

Provision For Employee Benefits

Employment termination benefits

Employment termination benefits, as required by the Turkish Labor Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Company arising in case of the retirement of the employees. According to Turkish Labor Law and other laws applicable in Türkiye, the Company is obliged to pay employment termination benefit to all personnel in cases of termination of employment without due cause, call for military service, retirement or death upon the completion of a minimum one year service. The provision which is allocated by using the defined benefit pension's current value is calculated by using the estimated liability method. Current service costs and interest costs are recognized in the statement of income and all actuarial profits and losses are recognized in the statements of other comprehensive income.

The Group does not record the severance pay provision for its employees in these countries, as a company has an obligation to pay severance pay only in very special cases, according to the labor laws that its subsidiaries abroad are subject to. Retirement pay provisions are not subject to legal funding.

Unused vacation rights

Unused vacation rights accrued in the consolidated financial statements represent the total amount of employees' unused vacation days as of the balance sheet date.

Statement of Cash Flows

The Group prepares statements of cash flows as an integral part of its of financial statements to enable financial statement analysis about the change in its net assets, financial structure and the ability to direct cash flow amounts and timing according to evolving conditions. Cash flows include those from operating activities, investing activities and financing activities.

Cash flows from operating activities represent the cash flows generated from the Group's activities.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Statement of Cash Flows (cont'd)

Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (fixed investments and financial investments).

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

Segmental reporting of financial information

Operating segments are evaluated in parallel with the internal reporting and strategic segments presented to the bodies or persons authorized to make decisions regarding the Group's activities. For the purposes of making decisions about resources to be allocated to operating segments and assessing the performance of operating segments, the Group's key management personnel are identified as the bodies and individuals who have the authority to make strategic decisions about the Group's activities.

Türkiye and foreign operations of the Group are defined as geographical operating segments. The Group's foreign subsidiaries operating in different countries are combined and presented as 'Other' since they have similar economic characteristics and their individual revenue, profit and loss or asset amounts do not exceed 10% of total revenue, profit and loss or asset amounts, respectively. A significant portion of the Other segment consists of activities in the Balkan countries.

Earnings per share

Earnings per share disclosed in the consolidated statement of profit or loss are determined by dividing net profit for the year by the weighted average number of shares in existence during the year concerned.

In Türkiye, companies can increase their share capital by distributing 'bonus shares' to shareholders from retained earnings. Such bonus share distributions are treated as issued shares in earnings per share computations. Accordingly, the weighted average number of shares used in these computations is calculated by taking into consideration the retrospective effect of such share distributions.

Financing income and expenses

Financing expenses consist of interest expenses of borrowings, exchange rate differences of borrowing items, commission expenses on borrowings, letters of guarantee paid to banks and credit card commission expenses. Exchange rate incomes or expenses are shown in net income within financing income or financing expenses according to whether they are in income or net expense after exchange difference movements are netted on a company basis.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Other income and expenses from main activities

Other main income consist of Turquality income, discount interest income from trade transactions, foreign exchange income differences arising from consolidated statement of financial position items other than borrowing instruments, derivative financial transaction earnings and other operating income.

Other main expenses consist of discount interest expenses from trade transactions, provisions for doubtful receivables, donations, foreign exchange losses arising from consolidated statement of financial position items other than debt instruments, and expenses related to other operations.

Exchange rate difference income or expenses are shown in net amounts within other income from operation activities or other expense from operating activities, depending on whether the currency difference movements are net income or net expense on a company basis.

Events after the balance sheet date

Subsequent events that occur after the balance sheet date and that may affect the status of the group on the balance sheet date (events requiring correction) are reflected in the consolidated financial statements. Events that do not require correction are explained in footnotes if they have a certain importance.

2.6 Significant Accounting Judgements and Estimates

The preparation of the consolidated financial statements requires the disclosure of the amounts of assets and liabilities reported as of the balance sheet date, the disclosure of contingent assets and liabilities, and the use of estimates and assumptions that may affect the amounts of income and expenses reported during the accounting period. Accounting evaluations, estimates and assumptions are continuously evaluated by considering past experience, other factors and reasonable expectations about future events under current conditions. Although these estimates and assumptions are based on management's best knowledge of current events and transactions, actual results may differ from the assumptions. Estimates and assumptions that may cause significant adjustments to the carrying value of assets and liabilities in the next financial reporting period are set out below:

- a) With regard to the impairment of inventory, inventories are physically analyzed, how long the inventory is from the past, is examined, and a provision is set for items that are estimated to be unusable. In determining the net realizable value of inventories, data on list sales prices and average discount rates given during the year are used (Note 7).

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

2.6 Summary of Significant Accounting Policies (cont'd)

- b) As explained in Note 2.5, Property, plant and equipment are carried at the cost less accumulated depreciation and, if any, impairment. The Group evaluates its operational performance on a store-by-store basis and decides whether continue or not they continue activities of the stores. Each store's continuity depends on the discounted net cash flow projections. Those cash flow projections are calculated on a consistent basis to the Group's five year business plans and on a store-by-store basis by taking into consideration the remaining useful life of each store. In this context, the Group executed an impairment estimate on the leasehold improvements and right-of-use assets on stores by considering the continuity of each store. At the same time, the Group management makes significant assumptions in the determination of useful lives of tangible and intangible assets in line with the experience of its technical team and forward looking marketing and management strategies especially for lease hold improvements.
- c) As explained in Note 2.5, the lease payments are discounted using the interest rate implicit in the lease and the Group's incremental borrowing rate is used. Also, the management assess the expected length of some of the leases and this assessment takes into account non-cancellations and extension options. The lease liability is determined by taking into account the extension options in the agreements. Most of the extension options included in long term lease agreements consist of extension options applicable by the Group. The Group reassesses the extension options in the lease term in the last year of the lease term based on the medium-term business plans and includes the right to extend to the contract term prospectively, if necessary. If there is a significant change in the conditions, the evaluation made is reviewed by the Group.
- d) The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with TFRS published by POA and their statutory financial statements. The fully or partially recoverable amount of deferred tax assets are estimated under available circumstances. The future income projections, unused losses and expiration dates of other tax assets and tax planning strategies that can be used when necessary are considered during the evaluation of estimations. As of 31 December 2024, the Group has recognized deferred tax assets amounting to TL 2,046,182,915 (31 December 2023: TL 1,679,980,475) arising from unused tax losses amounting to TL 518,541,078 (31 December 2023: TL 335,294,518) (Note 24).
- e) In measuring the allowance for expected losses, the Group uses reasonable and supportable forward-looking information based on assumptions about different future economic conditions and how they will affect each other. It is based on the difference between the contractual cash flows and the receivables the lender expects to collect, taking into account cash flows arising from collateral and credit enhancements.
- f) Litigation provisions have been determined based on the assessments of the Group Management and lawyers based on the probable outcomes of the related lawsuits and the possible cash outflows and outcomes as a result of these outcomes. The amount of litigation provision recognized in the consolidated financial statements is based on the estimates of the Group management and lawyers. Possible differences between the estimates and actual results may affect the accompanying consolidated financial statements.

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 – 31 December 2024

	Türkiye	CIS Countries (*)	Other International Countries(**)	Total
-Retail	14,804,556,481	3,379,353,563	2,228,222,756	20,412,132,800
-E-Commerce	2,133,452,942	604,567,693	323,840,428	3,061,861,063
-Wholesale	1,179,267,258	168,630,321	264,402,976	1,612,300,555
Total Sales	18,117,276,681	4,152,551,577	2,816,466,160	25,086,294,418
Cost of Sales	(7,584,137,676)	(1,933,166,873)	(2,063,680,785)	(11,580,985,334)
Gross Profit	10,533,139,005	2,219,384,704	752,785,375	13,505,309,084
EBITDA	4,132,559,372	868,232,092	(123,171,518)	4,877,619,946
Adjusted EBITDA	3,186,500,560	508,918,706	(253,223,029)	3,442,196,237
Profit / (loss) for the period	304,165,681	(165,342,092)	(533,723,371)	(394,899,782)

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.

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 – 31 December 2024 (cont'd)

	Türkiye	CIS Countries (*)	Other International Countries(**)	Total
Profit Before Tax	183,953,828	(199,659,704)	(534,967,504)	(550,673,380)
Finance expense, net	(1,377,363,932)	(208,605,956)	(25,384,911)	(1,611,354,799)
Monetary loss / gain	947,669,352	-	-	947,669,352
Operating profit / (loss) before finance income / (expense)	613,648,408	8,946,252	(509,582,593)	113,012,067
Income from investing activities	3,776,342	-	55,000	3,831,342
Expenses from investing activities	(9,224,499)	-	(55,000)	(9,279,499)
Operating profit	619,096,565	8,946,252	(509,582,593)	118,460,224
Depreciation, and amortization Expenses (Note 20)	(1,988,166,058)	(449,566,904)	(209,032,639)	(2,646,765,601)
Discount of interest expense on Purchases of goods (Note 21)	(1,525,296,749)	(409,718,936)	(177,378,436)	(2,112,394,121)
EBIDTA	4,132,559,372	868,232,092	(123,171,518)	4,877,619,946
Cash outflows related to debt payments Arising from lease Agreements (Note 12)	(946,058,812)	(359,313,386)	(130,051,511)	(1,435,423,709)
Adjusted EBITDA	3,186,500,560	508,918,706	(253,223,029)	3,442,196,237

3. SEGMENT REPORTING (cont'd)

1 January – 31 December 2023

	Türkiye	CIS Countries	Other International Countries	Total
-Retail	13,128,599,544	4,800,739,743	3,011,140,933	20,940,480,220
-E-Commerce	1,913,571,793	466,800,000	285,027,933	2,665,399,726
-Wholesale	1,205,295,803	12,724,030	304,353	1,218,324,186
Total Sales	16,247,467,140	5,280,263,773	3,296,473,219	24,824,204,132
Cost of Sales	(7,233,126,328)	(2,746,486,932)	(1,926,070,992)	(11,905,684,252)
Gross profit	9,014,340,812	2,533,776,841	1,370,402,227	12,918,519,880
EBIDTA	4,790,050,232	1,156,186,302	654,438,688	6,600,675,222
Adjusted EBITDA	3,723,856,615	789,855,324	507,092,307	5,020,804,246
Profit for the period	2,336,671,698	(5,581,797)	274,333,020	2,605,422,921

3. SEGMENT REPORTING (cont'd)

1 January – 31 December 2023

	Türkiye	CIS Countries	Other International Countries	Total
Profit Before Tax	2,906,333,908	53,297,268	274,243,335	3,233,874,511
Finance expense, net	(1,466,379,386)	(209,965,326)	(8,669,992)	(1,685,014,704)
Monetary loss / gain	2,637,717,575	-	-	2,637,717,575
Operating profit / (loss) before finance income / (expense)	1,734,995,719	263,262,594	282,913,327	2,281,171,640
Income from investing activities	4,968,267	-	-	4,968,267
Expenses from investing activities	(14,803,017)	-	-	(14,803,017)
Operating profit	1,744,830,469	263,262,594	282,913,327	2,291,006,390
Depreciation, and amortization Expenses (Note 20)	(2,100,063,815)	(580,821,245)	(266,463,928)	(2,947,348,988)
Other Provisions	(28,397,814)	-	-	(28,397,814)
Discount of interest expense on Purchases of goods (Note 21)	916,758,134	312,102,463	105,061,433	1,333,922,030
EBIDTA	4,790,050,233	1,156,186,302	654,438,688	6,600,675,223
Cash outflows related to debt payments Arising from lease Agreements (Note 12)	(1,066,193,618)	(366,330,978)	(147,346,381)	(1,579,870,977)
Adjusted EBIDTA	3,723,856,615	789,855,324	507,092,307	5,020,804,246

4. CASH AND CASH EQUIVALENTS

	<u>31 December 2024</u>	<u>31 December 2023</u>
Cash	20,125,843	43,767,261
Cash at banks	491,229,931	328,320,404
- Time deposits	235,944,175	20,517,735
- Demand deposits	255,285,756	307,802,669
Credit card receivables (*)	71,019,897	146,349,165
Cash and Cash Equivalants at Cash Flow Tables	582,375,671	518,436,830
Interest Income Accruals	2,631,259	-
	585,006,930	518,436,830

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

4. CASH AND CASH EQUIVALENTS (cont'd)

As of 31 December 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>31 December 2024</u>
TL	31 December 2024 - 02 January 2025	%46,5-49,75	235,944,175
			235,944,175
	<u>Maturity</u>	<u>Interest Rate</u>	<u>31 December 2023</u>
TL	29 December 2023 - 2 January 2024	%40	14,437,877
Tenge	29 December 2023 - 2 January 2024	%15	6,079,858
			20,517,735

5. TRADE RECEIVABLES AND PAYABLES**a) Trade Receivables:**

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

	<u>31 December 2024</u>	<u>31 December 2023</u>
<u>Short-term trade receivables</u>		
Trade receivables	1,604,014,471	1,587,487,527
Notes receivables	242,187,420	140,051,574
Provision for doubtful trade receivables (-)	(66,145,841)	(72,489,291)
	1,780,056,050	1,655,049,810

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 61 days (31 December 2023: 61 days).

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

	<u>2024</u>	<u>2023</u>
Opening Balance – 1 January	72,489,291	86,600,852
Expense for the period (Not 21)	24,816,245	22,796,920
Collections	(224,860)	(1,942,774)
Translation loss	349,662	1,530,496
Inflation effect	(31,284,497)	(36,496,203)
Closing balance – 31 December	66,145,841	72,489,291

5. TRADE RECEIVABLES AND PAYABLES (cont'd)**b) Trade Payables:**

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

	<u>31 December 2024</u>	<u>31 December 2023</u>
<u>Short-term trade payables</u>		
Trade payables (*)	2,180,364,714	1,692,755,181
Notes payable	3,508,463,758	3,487,872,089
Less: Deferred finance income from forward purchases	(487,806,591)	(366,217,969)
	5,201,021,881	4,814,409,301

(*) A total of TL 179,319,884 (31 December 2023: TL 213,531,573) 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 159 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. OTHER RECEIVABLES AND PAYABLES**a) Other Receivables**

	<u>31 December 2024</u>	<u>31 December 2023</u>
<u>Short- Term Other Receivables</u>		
Personnel advances	5,435,101	1,848,370
Deposits and quarantees given(*)	121,843	346,574
Other	989,977	2,876,767
	6,546,921	5,071,711
	<u>31 December 2024</u>	<u>31 December 2023</u>
<u>Long term other receivables</u>		
Deposits and quarantees given (*)	145,764,835	130,577,570
	145,764,835	130,577,570

(*) Deposits and quarantees given mainly consist of deposits and quarantees given to the store owners within the scope of the lease agreements signed by the Group for foreign stores.

6. OTHER RECEIVABLES AND PAYABLES (cont'd)**b) Other Payables**

	<u>31 December 2024</u>	<u>31 December 2023</u>
<u>Short- Term Other Payables</u>		
Deposits and quarantees received (*)	21,092,386	25,451,318
Other miscellaneous debts	6,141,023	495,986
	27,233,409	25,947,304
<u>Long-Term Other Payables</u>		
Deposits and quarantees received (*)	26,430,026	35,204,372
	26,430,026	35,204,372

(*) Consists of the amounts that the Group collects as a collateral from the customers that it makes regular sales at domestic and abroad.

7. INVENTORIES

	<u>31 December 2024</u>	<u>31 December 2023</u>
Raw materials and supplies	1,153,776,519	975,231,483
Semi-finished goods	15,564,537	12,280,932
Finished goods	378,945,237	326,299,564
Trade goods	6,471,708,280	6,020,976,315
Other inventories	30,283,468	139,217,790
Provision for impairment in inventory (-)	(72,628,286)	(89,687,647)
	7,977,649,755	7,384,318,437

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 72,628,286 (31 December 2023: TL 89,687,647) of inventory. As of 31 December 2024, the total amount of inventory presented as net realizable value is TL 6,399,079,994 (31 December 2023: TL 5,931,288,668).

7. INVENTORIES (cont'd)

Movement table of provision for impairment on inventories for the years ended 31 December 2024 and 31 December 2023 as follows:

	<u>2024</u>	<u>2023</u>
Opening Balance – 1 January	89,687,647	104,098,230
Charge for the period	63,059,993	48,401,061
Reversed provision	(60,374,184)	(53,896,409)
Translation gain	(19,745,170)	(8,915,235)
Closing balance – 31 December	72,628,286	89,687,647

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

8. PREPAID EXPENSES AND DEFERRED INCOME

<u>Short Term Prepaid Expenses</u>	<u>31 December 2024</u>	<u>31 December 2023</u>
Inventory advances given	1,298,988,197	560,683,152
Prepaid expenses (*)	66,593,364	59,388,321
Other	384,428	387,337
	1,365,965,989	620,458,810

<u>Long-Term Prepaid Expenses</u>	<u>31 December 2024</u>	<u>31 December 2023</u>
Prepaid expenses for the following years (*)	3,895,341	5,282,724
	3,895,341	5,282,724

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

8. PREPAID EXPENSES AND DEFERRED INCOME(cont'd)

<u>Short- Term Deferred Income</u>	<u>31 December 2024</u>	<u>31 December 2023</u>
Deferred income (**)	96,584,044	114,664,701
Order advances received (***)	19,147,531	1,477,289
	115,731,575	116,141,990

<u>Long-Term Deferred Income</u>	<u>31 December 2024</u>	<u>31 December 2023</u>
<u>Deferred income for the following years(**)</u>	63,761,434	9,595,373
	63,761,434	9,595,373

(**)TL 50,678,237 of the order advances received (31 December 2023: TL 46,590,563) 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.

9. PROPERTY, PLANT AND EQUIPMENT

	Plant, machinery and equipment	Vehicles	Furniture and Fixtures	Leasehold Improvements	Construction in progress(*)	Total
Cost Value						
Opening Balance as of 1 January 2024	89,055,780	19,769,940	5,717,685,765	4,495,895,783	65,388,217	10,387,795,485
Foreign currency translation differences	(2,197,607)	(1,095,103)	(215,465,044)	(422,638,296)	65,325,084	(576,070,966)
Additions	18,630,018	-	217,830,933	398,941,186	51,582,125	686,984,262
Transfers	19,578,962	-	(13,864,184)	3,950,028	(135,106,108)	(125,441,302)
Disposals	(5,085,113)	(1,300,789)	(51,464,768)	(84,917,373)	(7,958,648)	(150,726,691)
Closing balance as of 31 December 2024	119,982,040	17,374,048	5,654,722,702	4,391,231,328	39,230,670	10,222,540,788
Accumulated Depreciation						
Opening balance as of 1 January 2024	(65,518,268)	(15,982,572)	(4,906,753,365)	(3,344,341,446)	-	(8,332,595,651)
Foreign currency translation differences	12,197,407	426,527	217,219,663	269,825,250	-	499,668,847
Additions	(10,055,407)	(603,583)	(278,121,072)	(317,624,589)	-	(606,404,651)
Disposals	1,498,070	1,045,417	51,244,966	64,112,246	-	117,900,699
Closing balance as of 31 December 2024	(61,878,198)	(15,114,211)	(4,916,409,808)	(3,328,028,539)	-	(8,321,430,756)
Net book value as of 31 December 2024	58,103,842	2,259,837	738,312,894	1,063,202,789	39,230,670	1,901,110,032

(*) Construction in progress consisting of rights, transfers to licences, capitalization of design center projects.

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

Cost Value	Plant, machinery and equipment	Vehicles	Furniture and Fixtures	Leasehold Improvements	Construction in progress(*)	Total
Opening Balance as of 1 January 2023	97,892,342	20,757,206	5,652,378,210	4,549,445,627	53,308,782	10,373,782,167
Foreign currency translation differences	(14,732,955)	(1,007,713)	(126,812,431)	(174,791,999)	(805,449)	(318,150,547)
Additions	6,196,521	20,447	257,218,432	301,154,717	95,406,804	659,996,921
Transfers	-	-	(10,870,973)	15,762,485	(76,591,407)	(71,699,895)
Disposals	(300,128)	-	(54,227,473)	(195,675,047)	(5,930,513)	(256,133,161)
Closing balance as of 31 December 2023	89,055,780	19,769,940	5,717,685,765	4,495,895,783	65,388,217	10,387,795,485
Accumulated Depreciation						
Opening balance as of 1 January 2023	(60,942,971)	(15,320,368)	(4,800,595,054)	(3,279,462,908)	-	(8,156,321,301)
Foreign currency translation differences	210,445	(152,261)	125,252,889	53,294,648	-	178,605,721
Additions	(4,824,830)	(509,941)	(265,455,232)	(265,788,390)	-	(536,578,393)
Disposals	39,088	-	34,044,032	147,615,202	-	181,698,322
Closing balance as of 31 December 2023	(65,518,268)	(15,982,570)	(4,906,753,365)	(3,344,341,448)	-	(8,332,595,651)
Net book value as of 31 December 2023	23,537,512	3,787,370	810,932,400	1,151,554,335	65,388,217	2,055,199,834

TL 20,731,752 (31 December 2023: TL 191,702) of depreciation expenses are included in research and development expenses, TL 445,035,186 (31 December 2023: TL 453,657,841) in marketing expenses and TL 140,637,712 (31 December 2023: TL 112,202,566) in general administrative expenses.

As of 31 December 2024, the Company has capitalized personnel expenses amounting to TL 100,090,125 within the scope of design center activities. (31 December 2023: TL 65,102,697)

As of 31 December 2024, 31 December 2023, there are no guarantees, pledges and mortgages on property, plant and equipment.

10. INTANGIBLE ASSETS

Cost Value	Rights and Licenses
Opening balance as of 1 January 2024	1,401,361,434
Foreign currency translation differences	(45,015,419)
Additions	149,467,306
Transfers	125,441,302
Disposals	(134,636)
Closing balance as of 31 December 2024	1,631,119,987
Accumulated Amortization	
Opening balance as of 1 January 2024	(847,269,920)
Foreign currency translation differences	(307,812)
Charge for the period	(147,969,035)
Disposals	82,100
Closing balance as of 31 December 2024	(995,464,667)
Net book value as of 31 December 2024	635,655,320
Cost Value	Rights and Licenses
Opening balance as of 1 January 2023	1,229,748,943
Foreign currency translation differences	8,741,595
Charge for the period	91,235,081
Transfers	71,699,895
Disposals	(64,080)
Closing balance as of 31 December 2023	1,401,361,434
Accumulated Amortization	
Opening balance as of 1 January 2023	(698,165,643)
Foreign currency translation differences	(17,605,680)
Charge for the period	(131,552,351)
Disposals	53,754
Closing balance as of 31 December 2023	(847,269,920)
Net book value as of 31 December 2023	554,091,514

TL 69,755,827 (31 December 2023: TL 50,934,593) of depreciation expenses are included in research and development expenses, TL 32,491,750 (31 December 2023: TL 8,195,219) in marketing expenses and TL 45,721,459 (31 December 2023: TL 79,476,486) in general administrative expenses.

11. 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 – 31 December 2024 and 1 January - 31 December 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	11,445,260,827	133,144,320	11,578,405,147
Additions	773,443,007	14,272,681	787,715,688
Rent change	1,255,197,969	566,306	1,255,764,275
Disposals	(523,061,700)	(61,468,535)	(584,530,235)
Foreign currency translation differences	(973,501,325)	-	(973,501,325)
Closing Balance as of 31 December 2024	11,977,338,778	86,514,772	12,063,853,550
<u>Accumulated Amortization</u>			
Opening balance as of 1 January 2024	(7,454,914,266)	(99,902,323)	(7,554,816,589)
Additions	(1,844,841,235)	(47,550,680)	(1,892,391,915)
Disposals	492,049,052	61,414,738	553,463,790
Foreign currency translation differences	977,166,712	-	977,166,712
Closing Balance as of 31 December 2024	(7,830,539,737)	(86,038,265)	(7,916,578,002)
Net book value as of 31 December 2024	4,146,799,041	476,507	4,147,275,548
<u>Cost Value</u>	<u>Building</u>	<u>Motor Vehicles</u>	<u>Total</u>
Opening balance as of 1 January 2023	10,500,447,450	130,100,198	10,630,547,648
Additions	648,847,868	14,913,399	663,761,267
Rent change	1,485,522,853	937,677	1,486,460,530
Disposals	(802,692,630)	(12,806,953)	(815,499,583)
Foreign currency translation differences	(386,864,715)	-	(386,864,715)
Closing Balance as of 31 December 2023	11,445,260,826	133,144,321	11,578,405,147
<u>Accumulated Amortization</u>			
Opening balance as of 1 January 2023	(6,036,213,185)	(48,689,820)	(6,084,903,005)
Additions	(2,224,215,910)	(55,002,334)	(2,279,218,244)
Disposals	428,633,620	3,789,830	432,423,450
Foreign currency translation differences	376,881,210	-	376,881,210
Closing Balance as of 31 December 2023	(7,454,914,265)	(99,902,324)	(7,554,816,589)
Net book value as of 31 December 2023	3,990,346,561	33,241,997	4,023,588,558

The average useful lives of right-of-use assets is between 2-15 years. Depreciation expenses amounting to TL 1,892,391,915 (31 December 2023: TL 2,242,690,582) are included in marketing expenses.

11. RIGHT-OF-USE ASSETS (cont'd)*Depreciation expenses:*

	<u>31 December 2024</u>	<u>31 December 2023</u>
Buildings	1,844,841,235	2,224,215,909
Vehicles	47,550,680	55,002,335
	1,892,391,915	2,279,218,244

Profit or loss statement items related to leasing transactions:

	<u>31 December 2024</u>	<u>31 December 2023</u>
Depreciation and amortization expenses	1,892,391,915	2,242,690,582
Interest expenses	92,159,287	443,306,282
Foreign exchange expenses	(4,811,801)	31,917,946
	1,979,739,401	2,717,914,810

12. FINANCIAL INSTRUMENTS**Financial Investments**

	<u>31 December 2024</u>	<u>31 December 2023</u>
<u>Financial Investments</u>		
Financial assets at fair value through profit or loss	3,975,000	4,078,700
	3,975,000	4,078,700

Borrowings

Details of borrowings at amortized cost are as follows:

	<u>31 December 2024</u>	<u>31 December 2023</u>
<u>Financial borrowings</u>		
Short-term bank loans	2,972,622,194	1,575,922,985
Short-term portion of long-term financial borrowings	282,952,578	440,876,514
Short-term lease liabilities	1,339,967,908	1,214,693,001
Long-term bank loans	24,368,766	155,768,951
Long-term lease liabilities	1,829,866,600	1,978,220,779
	6,449,778,046	5,365,482,230

12. FINANCIAL INSTRUMENTS (cont'd)**Borrowings (cont'd)**

a) Bank Loans

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

	<u>31 December 2024</u>	<u>31 December 2023</u>
To be paid within 1 year	3,255,574,772	2,016,799,499
To be paid within 1 - 2 years	24,368,766	155,768,951
	3,279,943,538	2,172,568,450

Currency	Effective interest rate (%)	Nominal value (*)	Carrying value
TL	%26-64	2,011,356,488	1,938,718,968
Euro	%6-10	1,060,869,956	997,773,323
US Dollor	%9-10	53,871,174	50,871,704
Georgian Lari	%15-16	84,801,043	83,966,383
Kazakhstan Tenge	%17-22	41,959,751	36,834,054
Other	%12-27	155,014,725	147,410,340
		3,407,873,137	3,255,574,772

Short term financial debts as of 31 December 2023

Currency	Effective interest rate (%)	Nominal value (*)	Carrying value
TL	%26 - %52	914,312,967	790,483,463
Euro	%3 - %10	964,087,725	876,365,613
US Dollor	%11 - %14	59,344,019	55,190,010
Georgian Lari	%17	98,917,853	97,307,535
Kazakhstan Tenge	%19 - %21	79,322,571	71,922,152
Other	%12 - %22	136,509,850	125,530,726
		2,252,494,985	2,016,799,499

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

12. FINANCIAL INSTRUMENTS (cont'd)**Borrowings (cont'd)****a) Bank Loans (cont'd)**

Currency	Effective interest rate (%)	Nominal value (*)	Carrying value
Euro	%7 - %10	30,636,242	24,368,766
		30,636,242	24,368,766

Long term financial debts as of 31 December 2023

Currency	Effective interest rate (%)	Nominal value (*)	Carrying value
Euro	%8 - %10	159,811,751	151,285,934
Other	%12	4,527,847	4,483,017
		164,339,598	155,768,951

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

b) Financial Lease Liabilities

As of 31 December 2024 and 31 December 2023, there is no finance lease payables.

<u>Financial Borrowings</u>	<u>31 December 2024</u>	<u>31 December 2023</u>
Short-term lease liabilities	1,339,967,908	1,214,693,001
Long-term lease liabilities	1,829,866,600	1,978,220,779
	3,169,834,508	3,192,913,780

<u>Net Financial Debt Reconciliation</u>	<u>31 December 2024</u>	<u>31 December 2023</u>
Cash and cash equivalents	585,006,930	518,436,830
Bank Loans	(3,279,943,538)	(2,172,568,450)
Lease Liabilities	(3,169,834,508)	(3,192,913,780)
Net borrowings	(5,864,771,116)	(4,847,045,400)

12. FINANCIAL INSTRUMENTS (cont'd)

Borrowings (cont'd)

	Bank loans	Lease liabilities	Financial lease liabilities	Net borrowings
1 January 2024	2,172,568,450	3,192,913,780	-	5,365,482,230
Cash inflows from borrowings	3,691,699,136	-	-	3,691,699,136
Cash outflows related to debt payments	(2,080,168,106)	(1,435,423,709)	-	(3,515,591,815)
Effect of contract changes/reversals	-	2,069,702,652	-	2,069,702,652
Change in foreign exchange differences	180,129,751	(4,811,801)	-	175,317,950
Change in interest accruals	(29,181,214)	279,582,164	-	250,400,950
Foreign currency translation differences	12,693,962	49,300,960	-	61,994,922
Inflation effect	(667,798,441)	(981,429,538)	-	(1,649,227,979)
31 December 2024	3,279,943,538	3,169,834,508	-	6,449,778,046
1 January 2023	3,038,900,796	3,613,273,628	5,769,973	6,657,944,397
Cash inflows from borrowings	2,497,391,404	-	-	2,497,391,404
Cash outflows related to debt payments	(2,610,244,423)	(1,579,870,978)	(3,834,476)	(4,193,949,877)
Effect of contract changes/reversals	-	1,607,335,808	-	1,607,335,808
Change in foreign exchange differences	397,043,846	31,917,951	332,704	429,294,501
Change in interest accruals	(11,876,806)	359,993,964	-	348,117,158
Foreign currency translation differences	55,958,155	323,255,754	-	379,213,909
Inflation effect	(1,194,604,522)	(1,162,992,347)	(2,268,201)	(2,359,865,070)
31 December 2023	2,172,568,450	3,192,913,780	-	5,365,482,230

13. PROVISIONS

<u>Short-term provisions</u>	<u>31 December 2024</u>	<u>31 December 2023</u>
Provision for litigation	24,982,304	34,785,398
Other (*)	-	10,076,498
	24,982,304	44,861,896

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

As of 31 December 2024 and 31 December 2023, the movement of provisions for litigation is as follows:

	<u>2024</u>	<u>2023</u>
Provision as of 1 January	34,785,398	52,310,481
Provision recognised in the period	7,273,326	12,146,175
Payments	(6,384,174)	(6,345,083)
Inflation effect	(10,692,246)	(23,326,175)
Provision as of 31 December	24,982,304	34,785,398

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.

13. 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.

14. COMMITMENTS

Guarantee-Pledge-Mortgages (“GPM”)

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

31 December 2024

	Original Currency			
	TL	USD	EURO	TL Equivalent
A. GPMs Given for Company’s Own Legal Personality	267,040,085	230,634	4,405,018	437,016,911
-Guarantee	267,040,085	230,634	4,405,018	437,016,911
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
B. GPMs Given on Behalf of Fully Consolidated Companies	-	42,238	1,199,398	45,557,123
-Guarantee	-	42,238	1,199,398	45,557,123
-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	267,040,085	272,872	5,604,416	482,574,034

Guarantees, pledges and mortgages given to the equity ratio of the Group is 0% as of 31 December 2024.

(*) The related amounts are presented in original currency and TL equivalents are expressed in terms of the purchasing power of 31 December 2024.

14. COMMITMENTS (cont'd)

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

31 December 2023

	Original Currency			
	TL	USD	EURO	TL Equivalent
A. GPMs Given for Company's Own Legal Personality	202,124,912	291,967	6,052,566	499,185,191
-Guarantee	202,124,912	291,967	6,052,566	499,185,191
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
B. GPMs Given on Behalf of Fully Consolidated Companies	-	42,238	1,121,737	54,550,276
-Guarantee	-	42,238	1,121,737	54,550,276
-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	202,124,912	334,205	7,174,303	553,735,467

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 31 December 2024.

14. 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 12) and the Group's liabilities are limited to the amounts disclosed in Note 12.

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 12). 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 12. As at 31 December 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 6.5 million (TL 83,966,389) ,RUB 405 million (TL 135,594,000) and KZT 548 million (TL 36,834,054), 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 and 276 million ruble, respectively)

15. EMPLOYEE BENEFITS**Payables related to employee benefits**

	<u>31 December 2024</u>	<u>31 December 2023</u>
Payables to personnel	209,996,390	164,748,761
Social security premiums payable	97,633,616	133,182,440
	307,630,006	297,931,201

Short-term provisions for employee benefits

	<u>31 December 2024</u>	<u>31 December 2023</u>
Unused vacation provision	188,800,911	174,902,884
Bonus provisions	14,617,547	99,594,311
	203,418,458	274,497,195

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.

15. EMPLOYEE BENEFITS (cont'd)**Short-term provisions for employee benefits (cont'd)****Movement of unused vacation provisions:**

	<u>2024</u>	<u>2023</u>
Provision as of 1 January	174,902,884	141,464,799
Period expense / Used (Net)	103,645,951	95,904,855
Vacation provision paid	(37,192,530)	(18,254,131)
Foreign currency translation differences	1,205,799	11,397,761
Inflation effect	(53,761,193)	(55,610,400)
Provision as of 31 December	188,800,911	174,902,884

Movement of provisions for bonuses:

	<u>2024</u>	<u>2023</u>
Provision as of 1 January	99,594,311	113,822,172
Bonus provision paid	(68,981,271)	(69,078,204)
Charge for the period	14,617,547	99,594,312
Inflation effect	(30,613,040)	(44,743,969)
Provision as of 31 December	14,617,547	99,594,311

15. EMPLOYEE BENEFITS (cont'd)**Long-term provisions for employee benefits**Provision for employment termination benefits:

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 31 December 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 46,655.43 effective from 1 January 2025 has been taken into account in the calculation of the severance pay provision of the Group (1 January 2024: TL 35,058.58).

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

	<u>2024</u>	<u>2023</u>
Provision as of January 1	128,340,528	131,699,764
Service cost	37,833,938	46,235,936
Interest cost	42,296,352	44,572,980
Employment termination benefit paid	(67,008,597)	(89,432,313)
Actuarial loss	3,166,786	44,499,977
Inflation effect	(33,498,199)	(49,235,816)
Provision as of 31 December	111,130,808	128,340,528

16. OTHER ASSETS AND LIABILITIES

	<u>31 December 2024</u>	<u>31 December 2023</u>
<u>Other Current Assets</u>		
Deferred VAT	440,040,635	369,969,435
Turquality income accruals (*)	1,318,615	-
Other	25,332,953	21,864,357
	466,692,203	391,833,792

16. OTHER ASSETS AND LIABILITIES (cont'd)

	2024	2023
<u>Movement of Turquality income accruals</u>		
Opening balance	-	19,940,308
Income for the period (Note 21)	3,118,265	4,511,282
Collections	(2,973,100)	(14,181,612)
Inflation effect	1,173,450	(10,269,978)
Closing balance	1,318,615	-

(*) Koton Mağazacılık has the right to receive a government incentive, the amount of which is calculated in return for the investments made abroad periodically within the scope of a branding program carried out by the Ministry of Economy of the Republic of Türkiye under the name of “Turquality”. Turquality income accruals consist of the unpaid portion of the investment costs and the incentive amount calculated over certain expenses within the scope of this branding program.

31 December 2024 31 December 2023**Other Non-Current Assets**

Deferred VAT	7,337,548	24,805,782
	7,337,548	24,805,782

31 December 2024 31 December 2023**Other Current Liabilities**

Taxes and funds payable	165,650,364	119,412,621
Expense accruals	-	37,333,470
	165,650,364	156,746,091

17. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS**Paid-in capital**

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

	%	31 December 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
Nominal Capital	%13.2	109,335,970	-	-
	%100.0	829,650,000	%100.0	795,500,000
Capital adjustment differences (*)		5,011,872,455		5,004,492,499
Adjusted Capital		5,841,522,455		5,799,992,499

(*) 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 31 December 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.

Company initial public offering has been released with 30,50 share price, 16,5 share float ratio, 136,600,000 TL sales of nominal share and 4,116,300.000 TL IPO size as of 02-03 May 2024 and started to be traded within Borsa Istanbul A.S. Yıldız Market as of 10 May 2024. This initial public offering has been occur with 34,150,000 TL capital increase. As a result of purchase of some shares by the shareholders of the company, publicly trade shares amounting to 27,264,030 unit is owned by shareholders of the company with %13,2 share float ratio.

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

Group did not adopt registered capital system by regarding this information, registered capital and released capital of the group as follows:

31 December 2024

Registered capital ceiling (historical value)	6,600,000,000
Registered capital with nominal value	829,650,000

Companies within Türkiye could distribute shares to their shareholders with no price to increase their registered capital ceiling for one time.

17. 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 31 December 2024, the Group has allocated reserves amounting to TL 174,777,254 (31 December 2023: TL 174,777,254) in the restricted reserves in the consolidated financial statements for the treasury shares of the Group.

Share issue premiums / discounts

Company increase its capital by Initial Public Offering Method to 829,650,000 TL from 795,500,000 TL, amount collected above nominal capital value has been booked after deduction of capital costs that has been related to Initial Public Offering. As of 31 December 2024 Group share issue premiums disclosed in below;

	<u>31 December 2024</u>
Share issue premiums / discounts	1,187,520,104
Capital Increase	(34,150,000)
IPO costs	(96,386,253)
Inflation effects	27,067,930
	<u>1,084,051,781</u>

Additional Information on Capital, Reserves and Other Equity Items

Financial Statement prepared according to CMB standards for the end of a year 2024 according to TFRS and VUK demonstrated as based on Consumer Price Index(CPI), Producer Price Index(PPI) for the parts of "Capital Adjustments Differences", "Share issues premiums ", (Emission Premiums) including "Legal Reserves" and status reserve and special reserves that is reclassified to "Other Reserves"

	Inflation Adjusted Available Amounts in Financial Statements Prepared in Accordance with the Tax Procedure Law	Inflation Adjusted Amounts in Financial Statements Prepared in Accordance with TAS/TFRS Financial Statements	Difference in Prior Year Losses
<u>31 December 2024</u>			
Capital Adjustment Differences	6,990,970,050	5,011,872,455	1,979,097,595
Inflation adjustment differences for legal reserves	263,025,794	174,647,714	88,378,080
Share Related Premiums	1,098,476,641	1,153,370,104	(54,893,463)
	<u>8,352,472,484</u>	<u>6,339,890,273</u>	<u>2,012,582,212</u>

17. 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 31 December 2024, the Group has foreign currency translation differences amounting to (TL 2,408,100,981, 31 December 2023: TL 1,964,673,817) 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 31 December 2024, actuarial losses amounting to TL 136,672,946 (31 December 2023: TL 134,297,857) 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

	31 December 2024	31 December 2023
Defined Benefit Plans Remeasurement Losses	(136,672,946)	(134,297,857)
Hedge Fund	(33,713,353)	(97,793,669)
Foreign Currency Translation Fund	(2,408,100,981)	(1,964,673,817)
	(2,578,487,280)	(2,196,765,343)

18. REVENUE AND COST OF SALES**a) Sales**

Sales	1 January - 31 December 2024	1 January - 31 December 2023
-Retail	20,412,132,800	20,940,480,220
-E-Commerce	3,061,861,063	2,665,399,726
-Wholesale	1,612,300,555	1,218,324,186
	25,086,294,418	24,824,204,132

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

b) Cost of Sales

	1 January - 31 December 2024	1 January - 31 December 2023
Cost of trade goods sold	(10,597,731,017)	(11,338,646,963)
Cost of goods sold	(983,254,317)	(567,037,289)
	(11,580,985,334)	(11,905,684,252)

19. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

	1 January - 31 December 2024	1 January - 31 December 2023
Marketing expenses (-)	(8,862,328,780)	(8,148,778,029)
General administrative expenses (-)	(2,325,477,471)	(2,027,686,969)
Research and development expenses(-)	(374,673,273)	(311,408,909)
	(11,562,479,524)	(10,487,873,907)

19. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES (cont'd)**a) Details of Marketing Expenses**

	1 January - 31 December 2024	1 January - 31 December 2023
Personnel expenses	(3,272,097,259)	(2,945,225,094)
Depreciation and amortization expenses	(2,369,918,851)	(2,704,543,641)
Rent expenses	(545,341,039)	(340,768,376)
Freight and transport vehicle expenses	(454,811,410)	(213,917,325)
Building management expenses	(384,431,983)	(416,497,550)
Energy and electricity expenses	(368,761,463)	(481,777,773)
General store expenses	(250,789,544)	(209,513,039)
Advertisement expenses	(122,289,405)	(285,126,901)
Maintenance and repair expenses	(76,835,012)	(70,272,952)
Export expenses	(57,577,360)	(25,478,888)
Packaging expenses	(55,591,946)	(58,545,905)
Insurance expenses	(32,574,275)	(22,478,101)
Decoration expenses	(22,682,184)	(19,962,610)
Travel expenses	(18,041,677)	(18,181,521)
Taxes, duties and fee expenses	(13,243,461)	(14,768,468)
Consultancy expenses	(3,410,991)	(1,816,808)
Other	(813,930,920)	(319,903,077)
	(8,862,328,780)	(8,148,778,029)

b) Details of General Administrative Expenses

	1 January - 31 December 2024	1 January - 31 December 2023
Personnel expenses	(1,501,018,692)	(1,255,265,184)
Depreciation and amortization expenses	(186,359,171)	(191,679,054)
Rent expenses	(116,244,260)	(73,744,455)
Consulting expenses	(88,605,969)	(123,961,395)
General office expenses	(63,967,211)	(39,971,357)
Travel expenses	(61,899,840)	(56,980,038)
Maintenance and repair expenses	(50,026,820)	(49,267,576)
Energy and electricity expenses	(9,204,201)	(10,542,476)
Taxes, duties and fee expenses	(7,253,075)	(7,676,277)
Other	(240,898,232)	(218,599,157)
	(2,325,477,471)	(2,027,686,969)

c) Details of Research and Development Expenses

	1 January - 31 December 2024	1 January - 31 December 2023
Personnel expenses	(236,199,604)	(214,016,099)
Depreciation and amortization expenses	(90,487,579)	(51,126,293)
Sample expenses	(16,307,458)	(17,691,194)
Travel expenses	(3,759,331)	(4,215,440)
Other	(27,919,301)	(24,359,883)
	(374,673,273)	(311,408,909)

20. EXPENSES BY NATURE

The details of depreciation and amortization expenses for the periods ended 31 December 2024 and 31 December 2023 are as follows:

	1 January - 31 December 2024	1 January - 31 December 2023
Depreciation and amortization expenses		
Research and development expenses	90,487,579	51,126,293
Marketing expenses	2,369,918,851	2,704,543,641
General administrative expenses	186,359,171	191,679,054
	2,646,765,601	2,947,348,988

The details of personnel expenses for the periods ended 31 December 2024, 3 and 31 December 2023 are as follows:

	1 January - 31 December 2024	1 January - 31 December 2023
Personnel expenses		
Research and development expenses	236,199,604	214,016,099
Marketing expenses	3,272,097,259	2,945,225,094
General administrative expenses	1,501,018,692	1,255,265,184
	5,009,315,555	4,414,506,377

21. OTHER INCOME/(EXPENSES) FROM OPERATING ACTIVITIES

	1 January - 31 December 2024	1 January - 31 December 2023
Other Income From Operating Activities		
Foreign exchange gains from operating activities	556,075,831	1,470,198,206
Discount interest income from trade transactions	190,752,535	263,034,123
Turquality income	3,118,265	4,511,282
Other income	129,391,305	112,154,344
	879,337,936	1,849,897,955

	1 January - 31 December 2024	1 January - 31 December 2023
Other Expense From Operating Activities		
Discount interest expense on purchases of goods	2,112,394,121	1,333,922,030
Foreign exchange losses from operating activities	469,759,739	543,597,028
Provision for doubtful trade receivables (Note 5)	24,816,245	22,796,920
Litigation provision expenses (Note 13)	7,684,589	15,656,678
Other	89,052,578	73,564,882
	2,703,707,272	1,989,537,538

22. INCOME/(EXPENSES) FROM INVESTING ACTIVITIES

The details of income/(expenses) from investing activities for the periods ended 31 December 2024 and 31 December 2023 are as follows:

	1 January - 31 December 2024	1 January - 31 December 2023
Income from Investing Activities		
Gain on sales of fixed assets	3,831,342	4,968,267
	3,831,342	4,968,267
Expenses from Investing Activities		
Loss on sales of fixed assets	9,279,499	14,803,017
	9,279,499	14,803,017

23. FINANCE INCOME AND EXPENSES

The details of finance income for the years ended 31 December 2024 and 31 December 2023 are as follows:

	1 January - 31 December 2024	1 January - 31 December 2023
Interest income	52,932,278	62,268,926
Other (*)	60,594,009	67,678,360
	113,526,287	129,947,286

(*) 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 31 December 2024 and 31 December 2023.

The details of finance expenses for the years ended 31 December 2024 and 31 December 2023 are as follows:

	1 January - 31 December 2024	1 January - 31 December 2023
Interest expenses	859,637,020	455,570,393
Credit card commissions	484,847,864	316,181,244
Interest expense on lease liabilities	152,753,296	510,984,641
Foreign exchange losses (net)	170,730,433	490,337,617
Banking and guarantee expenses	41,871,865	33,061,909
Other	15,040,608	8,826,186
	1,724,881,086	1,814,961,990

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

	1 January - 31 December 2024	1 January - 31 December 2023
Current Period Tax Assets		
Corporate tax and income tax payable	-	407,402,109
Less: prepaid taxes (-)	(62,606,449)	(318,212,125)
Inflation effect	-	(73,309,585)
	(62,606,449)	15,880,399

	1 January - 31 December 2024	1 January - 31 December 2023
Current Period Tax Assets		
Current period corporate tax expense (-)	-	407,402,109
Deferred tax (expense) / income	155,773,598	(221,049,481)
	155,773,598	(628,451,590)

	<u>31 December 2024</u>	<u>31 December 2023</u>
Profit Before Tax	(550,673,380)	3,233,874,511
Tax rate (Türkiye)	137,668,345	(793,145,438)
Tax calculated according to effective tax rate		
Non-deductible expenses	(42,906,522)	(56,585,409)
Losses for the period over which deferred tax assets are not recognized	(8,477,719)	(28,500,490)
Design centre discount	19,829,904	54,963,752
Earthquake tax	-	(54,114,332)
Property, plant and equipment revaluation adjustment	-	295,253,602
Non-taxable inflation adjustment effects	(8,161,248)	(172,215,904)
Effect of different tax rates	-	(2,316,605)
Income subject to tax exemption	6,761,030	6,609,378
Consolidation adjustmenst not subject to tax calculation.	36,149,681	10,775,290
Türkiye Local TMS 29 index effects	26,787,965	112,118,298
Other	(17,027,905)	(1,293,732)
Total Tax Expense / (Income)	155,773,598	(628,451,590)

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

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.

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.

24. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)*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: 25%). 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.

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.

24. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)*Deferred Tax (cont'd):*

	<u>Accumulated Temporary Differences</u>		<u>Deferred Tax Assets/Liabilities</u>	
	31 December 2024	31 December 2023	31 December 2024	31 December 2023
Inventories	1,683,076,878	1,861,911,861	(448,228,290)	(458,287,087)
Property, plant and equipment and intangible assets	258,208,384	272,043,488	(64,552,096)	(65,313,192)
Provision for vacation	(181,805,508)	(166,082,221)	45,126,903	40,161,301
Provision for employment				
Termination benefit	(111,130,808)	(126,232,018)	27,782,702	30,775,366
Litigation provision	(24,982,304)	(34,785,398)	6,245,576	8,531,525
Cash capital deduction	(145,105,484)	-	36,276,371	-
Adjustments related to trade payables	485,771,221	365,121,581	(121,374,146)	(89,349,604)
Adjustments related to trade receivables	(91,045,969)	(48,625,056)	22,761,492	13,105,405
Prior years' losses	(2,046,182,915)	(1,679,980,475)	518,541,078	335,294,518
Adjustments related to financial				
Liabilities	154,949,262	(171,355)	(38,737,315)	42,026
Right-of-use asset and liability	980,471,145	877,762,316	(247,222,877)	(216,216,634)
Derivative instruments	(44,951,136)	(129,322,502)	11,237,784	31,528,826
VUK inflation accounting affect	-	(459,878,172)	-	112,118,298
Premium accrual	(11,828,179)	(3,332,542)	2,933,293	679,235
Return provisions	14,934,174	(27,198,516)	(3,733,544)	6,670,753
Design Center discounts	(65,413,772)	-	16,353,443	-
Other	(76,462,750)	40,073,550	19,115,682	(11,161,280)
Deferred tax assets, net	778,502,239	741,304,541	(217,473,944)	(261,420,544)

Tax Rate for the calculation of Deferred tax and liabilities which is expected to be reverse after 2024 and later years is %25 (2023: %25)

24. 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 31 December 2024 and 31 December 2023 is given below:

	2024	2023
Opening balance as of 1 January	(261,420,544)	34,984,619
Tax (expense)/income for the period	155,773,598	(221,049,481)
Recognized in other comprehensive income	(20,568,408)	(4,085,080)
Translation (gain) / loss	56,193,714	71,677,372
Monetary Gain Loss	(147,452,304)	(142,947,974)
Closing balance as of 31 December	(217,473,944)	(261,420,544)

The amount of the prior year's losses for which deferred tax assets are not allocated is TL 589,024,554 (31 December 2023: TL 575,191,495) and may be offset against future earnings for a period of ten years.

The expiration dates of unused accumulated losses are as follows:

	31 December 2024	31 December 2023
Within 1 year	54,615,127	17,452,508
Within 2 year	33,926,367	78,852,774
Within 3 year	85,743,332	48,982,549
Within 4 year	130,542,921	116,468,921
Within 5 year	284,196,807	313,434,743
Total	589,024,554	575,191,495

25. 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.

Details of the balances and transactions between the Group and the related parties are as follows:

Transactions with related parties	1 January - 31 December 2024	1 January - 31 December 2023
Gülyılmaz Gayrimenkul Yatırım Geliştirme İşletme ve Ticaret A.Ş.	16,938,882	19,443,886
	16,938,882	19,443,886

25. RELATED PARTY DISCLOSURES (cont'd)

Compensation of key management personnel:

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.

The remuneration of key management personnel during the year were as follows:

	1 January- 31 December 2024	1 January- 31 December 2023
Salaries and other short-term benefits	142,849,261	141,896,287
	142,849,261	141,896,287

26. 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.

Earnings per share	1 January - 31 December 2024	1 January - 31 December 2023
Number of shares as of end of the period (full value)	829,650,000	795,500,000
Weighted Average number (full value) of shares outstanding during the period	817,486,986	795,500,000
Net Profit/ (Loss)	(394,899,782)	2,605,422,921
Less: Minority Shareholders Profits	1,775,529	-
Net profit for the parent company shareholders	(396,675,311)	2,605,422,921
Earnings per share	(0,483)	3,140

On 10 May 2024, Company's share started to be traded on stock exchange market, with that transaction Company's paid-in capital amounting to TL 795,500,000 raised into 829,655,000 registered nominal shares with a nominal share value of TL 1 per unit. Nominal value shares added to a capital by cash is amounting to 34,150,000 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.

27. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (INCLUDING HEDGE ACCOUNTING)

a) Capital risk management

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

The share capital structure of the Company comprises payables including the loans disclosed in Note 17 and equity items including cash and cash equivalents, issued capital, reserves and retained earnings, respectively.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the statement of financial position plus net debt.

As of 31 December 2024 and 31 December 2023, the gearing ratio calculated as net debt (net debt is calculated by deducting cash and cash equivalents and short-term financial investments from financial liabilities divided by the capital) is as follows:

	31 December 2024	31 December 2023
Financial Borrowings	6,449,778,046	5,365,482,230
Less: Cash and Cash Equivalents	(585,006,930)	(518,436,830)
Net Borrowing	5,864,771,116	4,847,045,400
Total Equity	6,175,295,666	5,826,335,648
Total Capital	12,040,066,782	10,673,381,048
Net Borrowing/Total Capital Ratio	49%	45%

b) Financial risk factors

The Group's activities expose it to market risk (including foreign currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize the potential adverse effects over the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central finance department in line with policies approved by the Board of Directors. With regard to risk policies, financial risk is defined and evaluated by the Group's finance department and tools are used to reduce risk by working with the Group's operating units. A written general legislation regarding risk management and written procedures covering various risk types such as exchange rate risk, interest risk, credit risk, use of derivative products and other non-derivative financial instruments and how to evaluate excess liquidity is established by the Board of Directors.

b.1) Credit risk management

Credit risk is the risk that a customer or a counterparty will not fulfill its contractual obligations and arises mainly from customer receivables.

27. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (INCLUDING HEDGE ACCOUNTING) (cont'd)

b) Financial risk factors (cont'd)

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

Details of credit risk by class of financial instruments

31.12.2024	Related Parties	Third Parties	Related Parties	Third Parties	At Banks	Instruments	Other
Maximum credit risk							
exposed as of balance sheet date (A+B+C+D)(*)							
- The portion secured by collateral, etc., against the maximum risk (**)	-	1,780,056,050	-	152,311,756	562,249,828	-	-
	-	478,882,460	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired							
The portion secured by collateral, etc., against the maximum risk	-	1,664,643,470		152,311,756	562,249,828		
B. Net book value of financial assets that are past due but not impaired							
The portion secured by collateral, etc., against the maximum risk	-	-	-	-	-	-	-
C. Net book value of the Past due but not-impaired assets	-	115,412,580	-	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	(20,601,486)	-	-	-	-	-
D. Net book value of the impaired assets	-	-	-	-	-	-	-
- Past due (gross book value)	-	66,145,841	-	-	-	-	-
- Secured portion of the net book value by guarantees, etc	-	(66,145,841)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
E. Off-balance sheet items exposed to credit risk	-	-	-	-	-	-	-

(*) In determining the amount, factors that increase credit reliability, such as guarantees received, are not taken into consideration.

(**) Collaterals consist of guarantee notes, guarantee cheques and mortgages received from customers.

27. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (INCLUDING HEDGE ACCOUNTING) (cont'd)

b) Financial risk factors (cont'd)

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

Details of credit risk by class of financial instruments

31.12.2023		Receivables					Derivative Instruments	Other
		Trade Receivables		Other Receivables		Deposits		
		Related Parties	Third Parties	Related Parties	Third Parties	At Banks		
Maximum credit risk								
exposed as of balance sheet date (A+B+C+D)(*)								
- The portion secured by collateral, etc.,		-	1,655,049,810	-	135,649,281	474,669,569	-	-
against the maximum risk (**)		-	636,759,894	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired		-	1,498,194,257		135,649,281	474,669,569		
The portion secured by collateral, etc., against the maximum risk								
B. Net book value of financial assets that are past due but not impaired								
The portion secured by collateral, etc., against the maximum risk		-	-	-	-	-	-	-
C. Net book value of the Past due but not-impaired assets		-	156,855,553	-	-	-	-	-
- Teminat ile gıvence altına alınmış kısmı		-	(146,753,158)	-	-	-	-	-
D. Net book value of the impaired assets		-	-	-	-	-	-	-
- Past due (gross book value)		-	72,489,291	-	-	-	-	-
- Secured portion of the net book value by guarantees, etc		-	(72,489,291)	-	-	-	-	-
- Impairment (-)		-	-	-	-	-	-	-
E. Off-balance sheet items exposed to credit risk		-	-	-	-	-	-	-

(*) In determining the amount, factors that increase credit reliability, such as guarantees received, are not taken into consideration.

(**) Collaterals consist of guarantee notes, guarantee cheques and mortgages received from customers.

27. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (INCLUDING HEDGE ACCOUNTING) (cont'd)**b) Financial risk factors (cont'd)****b.1) Credit risk management (cont'd)**

Trade receivables mainly arise from the Group's operations in Türkiye by 91% of total trade receivables (31 December 2023: 97%). The Group has established an effective control system on its customers and the credit risk arising from these transactions is monitored by the management. In the management of the risk from third party companies, bank guarantees, credit insurances and check and promissory notes are taken with the principle of securing the receivables at the highest possible rate.

Impairment:

As of 31 December 2024 and 31 December 2023 the aging analysis of the trade receivables which are past due but not impaired are comprised the following:

	31 December 2024	31 December 2023
1-30 days past due	43,512,196	46,925,311
1-3 months past due	18,694,694	72,359,102
3-12 months past due	53,205,690	37,571,140
1-5 years past due	-	-
Total	115,412,580	156,855,553

Based on past payment behavior and risk analysis of customers, the Group management believes that it is probable that all amounts of past due receivables but not impaired will be collected.

b.2) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the Group can be required to pay. The interests to be paid on the mentioned liabilities are included in the table below. Derivative financial liabilities are measured at undiscounted net cash inflows and outflows. Forward instruments are settled on a net basis and realized on undiscounted, gross cash inflows and outflows. The amount disclosed when receivables or payables are not fixed is determined using the interest rate derived from the yield curves at the reporting date.

Liquidity risk table:

As the Group considers the expected maturity of the related liabilities in liquidity management, breakdown of cash flows to be resulted from non-derivative financial liabilities by the maturity expected by the Group has been separately given:

27. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (INCLUDING HEDGE ACCOUNTING) (cont'd)**b) Financial risk factors (cont'd)*****b.2) Liquidity risk management (cont'd)*****Liquidity risk table: (cont'd)****31 December 2024**

Contract terms	Book Value	Total contracted cash outflows (I+II+III)	Less than 3 months (I)	3 to 12 months (II)	1 to 5 yıl years (III)
<u>Non-derivative financial liabilities</u>					
Financial borrowings	6,449,778,046	6,608,138,478	1,398,638,183	3,355,264,929	1,854,235,366
Trade payables	5,201,021,881	5,685,775,708	2,678,723,905	3,007,051,803	-
Current liabilities (*)	209,996,390	209,996,390	209,996,390	-	-
Total liabilities	11,860,796,317	12,503,910,576	4,287,358,478	6,362,316,732	1,854,235,366

31 December 2023

Contract terms	Book Value	Total contracted cash outflows (I+II+III)	Less than 3 months (I)	3 to 12 months (II)	1 to 5 years (III)
<u>Non-derivative financial liabilities</u>					
Financial borrowings	5,365,482,230	5,612,527,211	894,873,849	2,576,407,759	2,141,245,603
Trade payables	4,814,409,301	5,070,930,827	2,628,516,502	2,442,414,325	-
Current liabilities (*)	164,748,761	164,748,761	164,748,761	-	-
Total liabilities	10,344,640,292	10,848,206,799	3,688,139,112	5,018,822,084	2,141,24,603

(*) Social security debts to be paid, which are not financial instruments, are not included.

b.3) Market risk management

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.

27. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL (INCLUDING HEDGE ACCOUNTING) (cont'd)

b) Financial risk factors (cont'd)

b.3) Market risk management (cont'd)

b.3.1) Foreign currency risk management

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

31 December 2024

	TL Equivalent (Functional currency)	US Dollar(*)	Euro(*)	GBP
1. Trade Receivables	467,384,680	10,496,127	2,658,376	-
2a. Monetary Financial Assets	113,109,796	1,452,680	1,682,931	2,391
2b. Non-Monetary Financial Assets	-	-	-	-
3. Other	11,724,916	304,092	27,591	-
4. Current Assets (1+2+3)	592,219,392	12,252,899	4,368,898	2,391
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)	592,219,392	12,252,899	4,368,898	2,391
10. Trade Payables	1,154,619,122	31,781,886	955,131	1,400
11. Financial Liabilities	1,048,645,029	1,444,263	27,155,541	-
12a. Other Monetary Liabilities	-	-	-	-
12b. Other Non-Monetary Liabilities	-	-	-	-
13. Current Liabilities (10+11+12)	2,203,264,151	33,226,149	28,110,672	1,400
14. Trade Payables	-	-	-	-
15. Financial Liabilities	23,146,821	-	629,967	-
16a. Other Monetary Liabilities	-	-	-	-
16b. Other Non-Monetary Liabilities	-	-	-	-
17. Non-Current Liabilities (14+15+16)	23,146,821	-	629,967	-
18. Total Liabilities (13+17)	2,226,410,972	33,226,149	28,740,639	1,400
19. Net asset/(liability) position of off balance sheet derivative instruments (19a-19b)	(33,713,353)	-	(917,547)	-
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	33,713,353	-	917,547	-
20. Net foreign currency asset/(liability) position (9-18+19)	(1,667,904,933)	(20,973,250)	(25,289,288)	991
21. Monetary items net foreign currency liability position (1+2a+5+6a-10-11-12a-14-15-16a)	(1,645,916,496)	(21,277,342)	(24,399,332)	991
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	5,495,626,085	43,870,262	119,974,756	-
24. Import	1,813,557,081	55,184,836	91,309	-

(*) Related amounts are presented in original currency and TL equivalents are expressed in terms of purchasing power of 31 December 2024.

27. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL (INCLUDING HEDGE ACCOUNTING) (cont'd)**b) Financial risk factors (cont'd)****b.3) Market risk management (cont'd)****b.3.1) Foreign currency risk management**

31 December 2023

	TL Equivalent (Functional currency)	US Dollar (*)	Euro (*)	GBP
1. Trade Receivables	278,912,923	5,120,657	1,302,836	-
2a. Monetary Financial Assets	119,292,153	1,437,101	1,236,941	715
2b. Non-Monetary Financial Assets	-	-	-	-
3. Other	19,804,438	439,159	24,220	-
4. Current Assets (1+2+3)	418,009,514	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)	418,009,514	6,996,917	2,563,997	715
10. Trade Payables	855,743,698	19,692,883	395,625	2,600
11. Financial Liabilities	931,555,624	1,298,512	18,634,263	-
12a. Other Monetary Liabilities	12,244,626	191,434	87,353	-
12b. Other Non-Monetary Liabilities	-	-	-	-
13. Current Liabilities (10+11+12)	1,799,543,948	21,182,829	19,117,241	2,600
14. Trade Payables	-	-	-	-
15. Financial Liabilities	151,285,934	-	3,216,810	-
16a. Other Monetary Liabilities	-	-	-	-
16b. Other Non-Monetary Liabilities	-	-	-	-
17. Non-Current Liabilities (14+15+16)	151,285,934	-	3,216,810	-
18. Total Liabilities (13+17)	1,950,829,882	21,182,829	22,334,051	2,600
19 Net asset/(liability) position of off balance sheet derivative instruments (19a-19b)	(97,793,670)	-	(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	97,793,670	-	2,079,398	-
20. Net foreign currency asset/(liability) position (9-18+19)	(1,630,614,038)	(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)	(1,552,624,806)	(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	6,229,551,491	41,712,346	130,223,274	-
23. Export	1,385,442,217	38,912,661	78,335	-
24. Import	-	-	-	-

(*) Related amounts are presented in original currency and TL equivalents are expressed in terms of purchasing power of 31 December 2024.

27. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL (INCLUDING HEDGE ACCOUNTING) (cont'd)**b) Financial risk factors (cont'd)*****b.3) Market risk management (cont'd)******b.3.1) Foreign currency risk management (cont'd)*****Foreign currency sensitivity**

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.

31 December 2024

	Profit / Loss		Equity (*)	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency	Appreciation of Foreign Currency	Depreciation of Foreign Currency
In case of US Dollar appreciation by 20 % against TL				
1 - US Dolar net asset / liability	(83,521,535)	83,521,535	(83,521,535)	83,521,535
2- The portion hedged from US Dolar risk (-)	-	-	-	-
3- Net effect of US Dollar	(83,521,535)	83,521,535	(83,521,535)	83,521,535
In case of Euro appreciation by 20 % against TL				
4 - Euro net asset / liability	(142,344,376)	142,344,376	(142,344,376)	142,344,376
5 - The portion hedged from Euro risk (-)	6,320,905	(6,320,905)	(13,546,821)	13,546,821
6- Net effect of Euro	(136,023,471)	136,023,471	(155,891,197)	155,891,197
TOTAL (3+6)	(219,545,006)	219,545,006	(239,412,732)	239,412,732

27. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL (INCLUDING HEDGE ACCOUNTING) (cont'd)**b) Financial risk factors (cont'd)****b.3) Market risk management (cont'd)****b.3.1) Foreign currency risk management (cont'd)****Foreign currency sensitivity (cont'd)****31 December 2023**

	Profit / Loss		Equity (*)	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency	Appreciation of Foreign Currency	Depreciation of Foreign Currency
In case of US Dollar appreciation by 20 % against TL				
1 - US Dollar net asset / liability	(120,587,366)	120,587,366	(120,587,366)	120,587,366
2- The portion hedged from US Dollar risk (-)	-	-	-	-
3- Net effect of US Dollar	(120,587,366)	120,587,366	(120,587,366)	120,587,366
In case of Euro appreciation by 20 % against TL				
4 - Euro net asset / liability	(205,515,061)	205,515,061	(205,515,061)	205,515,061
5 - The portion hedged from Euro risk (-)	9,126,046	(9,126,046)	(19,558,734)	19,558,734
6- Net effect of Euro	(196,389,015)	196,389,015	(225,073,795)	225,073,795
TOTAL (3+6)	(316,976,381)	316,976,381	(345,661,161)	345,661,161

b.3.2) Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite. Thus, it is aimed to establish an optimal hedging strategy, to review the position of the balance sheet and to keep interest expenditures under control at different interest rates.

Information on interest rates of the Group in financial assets and financial liabilities is detailed in the liquidity risk management section of this note.

27. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL (INCLUDING HEDGE ACCOUNTING) (cont'd)**b) Financial risk factors (cont'd)****b.3) Market risk management (cont'd)****b.3.2) Interest rate risk management (cont'd)*****Interest rate sensitivity analysis***

The details of the interest-bearing financial assets of the Group are as follows:

31 December 2024 31 December 2023

Fixed Rate Instruments

Financial Assets	585,006,930	518,436,830
Financial Liabilities	(2,003,173,539)	(977,441,933)

Variable Rate Financial Instruments

Financial Liabilities	(1,276,769,999)	(1,195,126,517)
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Hedge accounting

The Group provides hedging against the foreign exchange risk on the balance sheet by borrowing in the same currency against the exchange rate risks arising from the foreign currency sales amounts that are highly probable to be realized in the future within the scope of the agreements it has made and the corporate budget.

In this context, repayments of foreign currency borrowings that are subject to hedge accounting and determined as hedging instrument are made with foreign currency sales cash flows that will be realized on close dates and determined as hedged item within the scope of hedge accounting.

Within the scope of the currency risk management strategy it has determined, the Group applies hedge accounting for the purpose of hedging the currency risk component of the highly probable estimated transaction cash flow risk, and the foreign exchange rate that has occurred on the hedging instrument, whose effectiveness has been mathematically proven in accordance with TFRS 9 and has not yet been realized. It pulls the fluctuations from the income statement and parks it in the comprehensive income statement and aims to present a healthier income statement.

Within the scope of the hedge accounting that it has established, the company pays attention to maintain a hedge ratio of around 100% and hedging efficiency between 70% and 130%. As of 31 December 2024, hedging ratio was calculated as 112% and hedging efficiency as 90%.

27. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL (INCLUDING HEDGE ACCOUNTING) (cont'd)**b) Financial risk factors (cont'd)*****b.3) Market risk management (cont'd)******Hedge accounting (cont'd)***

<i>US Dollar</i>	31 December 2024	31 December 2023
Present value of hedged item (current portion)	1,220,020	-
Present value of hedged item (non-current portion)	-	-
Present value of hedged item (current portion)	1,198,822	-
Present value of hedged item (non-current portion)	-	-

<i>Euro</i>	31 December 2024	31 December 2023
Present value of hedged item (current portion)	30,164,094	31,859,065
Present value of hedged item (non-current portion)	658,671	4,948,158
Present value of hedged item (current portion)	26,770,429	27,553,947
Present value of hedged item (non-current portion)	580,157	4,339,636

<i>Turkish Lira</i>	31 December 2024	31 December 2023
Cumulative foreign exchange differences on the hedged item (current portion)	39,240,586	114,231,184
Cumulative foreign exchange differences on the hedged item (non-current portion)	592,270	30,645,336
Cumulative foreign exchange differences on the hedged item (current portion)	(35,167,922)	(101,770,137)
Cumulative foreign exchange differences on the hedged item (non-current portion)	(507,181)	(27,552,358)
Hedge effectiveness ratio	90%	89%

<i>Hedge ratio as of 31 December</i>	2024	2023
Total amount of hedged items used	1,186,112,137	1,286,742,343
Total amount of hedging instruments used	1,057,085,648	1,119,652,812
Hedge ratio	112%	115%

27. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL (INCLUDING HEDGE ACCOUNTING) (cont'd)**Hedge accounting (cont'd)**

The income statement for the period 1 January – 31 December 2024, within the scope of derivative transactions for hedging purposes, the post-tax exchange gain/(loss) recognized in the account of 'fair value hedge' is TL 44,620,545 (1 January – 31 December 2023: TL 17,732,052). Accumulated other comprehensive expense movements of the derivative transaction for hedging purposes are as follows:

	2024	2023
Opening balance	129,322,502	183,870,829
Charge for the period	44,620,545	17,732,052
Disposals	-	-
Inflation effect	330,591	(72,280,379)
Closing balance	174,273,638	129,322,502

28. FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDIT FIRM

The fees related to the services received by the Group from the Independent Audit Firm (IAF) for the periods 1 January – 31 December 2024 and 1 January - 31 December 2023 are as follows:

	31 December 2024	31 December 2023
Independent audit fee for the reporting period	5,900,000	30,168,624
Fees for tax consultancy services	550,000	258,438
Fees for other assurance services	2,212,000	329,830
Total	8,662,000	30,756,892

29. MONETARY POSITION GAIN(LOSSES)

Monetary Gain Loss table as of 31.12.2024 is as follows:

Non-Monetary Items**31 December 2024**

<u>Balance Sheet Items</u>	<u>(1,028,944,077)</u>
Subsidiaries	206,509,065
Deferred income	(14,623,092)
Property, Plant and equipment	(59,201,242)
Intangible Assets	(28,249,269)
Right of use of Assets	37,942,279
Prepaid Assets	38,471,888
Inventory	(68,248,916)
Restricted reserves appropriated from the profit	(7,980,436)
Capital Adjustment Differences	(532,150,085)
Accumulated other comprehensive expenses not To be reclassified to profit or loss	27,785,868
Prior's Year Profits	(629,200,137)
<u>Income Statement Items</u>	<u>1,976,613,429</u>
Revenue	(2,534,642,065)
Cost of sales (-)	2,195,279,779
Research and Development Expenses (-)	78,751,253
Marketing Expenses (-)	1,463,797,222
General Administrative Expenses (-)	280,422,500
Other income from operating activities	(131,020,471)
Other expenses from operating activities (-)	342,950,245
Income from investing activities	(486,340)
Expenses from investing activities (-)	1,187,987
Financial expenses	162,834,961
Deferred tax Income/ (Expenses)	117,538,358
Total	947,669,352

30. EVENTS AFTER THE REPORTING PERIOD

As of January 9, 2025, Koton Trading LLC was established in Qatar and the Company does not currently have any stores.

As of January 13, 2025, Koton Fashion Trading LLC was established in Oman and the Company does not currently have any stores.

According to the Presidential Decree No. 9487 published in the Official Gazette No. 32800 dated February 1, 2025, the withholding tax rate for profits from money market funds has been increased from 10% to 15%

4.4. Declaration of Responsibility

Date and Number of the Board of Directors' Resolution Regarding the Approval of the Financial Statements and Activity Report

Board of Directors Resolution Date: 11/03/2025

Resolution Number: 2025/8

Declaration of Responsibility in accordance with Article 9 of Section II of the Capital Markets Board's "Communiqué on Principles of Financial Reporting in the Capital Markets"

our company's financial statements and activity report for the accounting period from 1 January 2024 to 31 December 2024, which were audited by DRT Independent Audit and Certified Public Accountant Firm Inc., have been approved by the Board of Directors' decision dated 11 March 2025 and numbered 2025/8, and it has been decided to disclose the aforementioned financial statements and activity report to the Public Disclosure Platform.

The financial statements and activity report of our company for the period from 1 January 2024 to 31 December 2024 have been reviewed by us, and based on the information available to us within the scope of our duties and responsibilities at the company, we declare that:

- The financial statements and activity report do not contain any misstatements or omissions that could result in misleading information as of the date of the report,
- The financial statements prepared in accordance with the Principles of Financial Reporting in the Capital Markets, -including those within the scope of consolidation- accurately and fairly reflect the company's assets, liabilities, financial position, and profit or loss, and that the activity report fairly reflects the development and performance of the business -including those within the scope of consolidation- the financial position of the business, and the significant risks and uncertainties it faces.

Sincerely,

Koton Audit Committee

11 March 2025



CHAPTER

05



Corporate Governance

1. Declaration of Compliance with Corporate Governance Principles

2. Corporate Governance Compliance Report and Corporate Governance Information Form

3. Declarations of Independence



5.1. Declaration of Compliance with Corporate Governance Principles

Koton began trading on the stock exchange on 10 May 2024, and has adopted the principle of fully complying with the mandatory principles set forth in Corporate Governance Disclosure No. II-17.1, which is currently in effect. While full compliance with non-mandatory corporate governance principles is also intended, work is ongoing on principles that have not yet been implemented, and it is planned to comply with those principles deemed necessary in line with the needs of our shareholders and other stakeholders as soon as possible.

The information contained in the Corporate Governance Compliance Report ("CRF") and the Corporate Governance Information Form ("CGIF") for the company's financial period from 1 January 2024, to 31 December 2024, was prepared in accordance with the presentation principles announced in the CMB Weekly Bulletin pursuant to the CMB's resolution dated 10 January 2019, numbered 2/49, and the CMB's II-17.1 "Corporate Governance Regulation," and approved by the Board of Directors' resolution dated 5 March 2025, numbered 2025/06. The items in the Company's Corporate Governance Compliance Report ("CRF") published on the PDP, where the compliance status is stated as 'partially' or "no," and the reasons for these are listed below.

However, no information has been conveyed to our Company regarding any conflict of interest arising from non-compliance with non-mandatory Principles, and no such finding has been made by our Company's Corporate Governance Committee. Administrative, legal, and technical infrastructure work is ongoing for non-mandatory principles that the company has not been able to implement. Once this work is complete, the company plans to implement these principles as necessary, based on the needs of its shareholders and other stakeholders. In this context, the main headings of the non-mandatory principles that our Company was unable to comply with in 2024, where the compliance status is stated as "partially" or 'no' in the Corporate Governance Compliance Report ("CRF") published on the PDP and also included under the heading below, and the reasons for non-compliance are listed below.

1.4.2. The company does not have any shares with preferential voting rights.

This principle is not complied with, as Group A shares have five votes in the election of board members, excluding independent members.

1.5.2- Minority rights are granted to those who hold less than one-twentieth of the capital under the articles of association, and the scope of minority rights has been expanded by regulating them in the articles of association.

This principle is not complied with, as actions are being taken within the framework of legal regulations on the subject, and there is no plan to expand minority rights by regulating them in the articles of association.

1.7.1. There are no restrictions that make it difficult to transfer shares.

This principle is not fully complied with, as according to our articles of association, A group preferred shares must first be offered to A group shareholders before they can be transferred. There are no restrictions on the transfer of B group shares traded on the stock exchange.

2.1.4 - The information on the Company's corporate website has been prepared in foreign languages selected as needed, so that it is completely identical to the Turkish content.

This principle is not fully complied with, however, the Company attaches great importance to preparing the content of its corporate website in English so that it is completely identical to the Turkish content. As our company is newly listed on the stock exchange, we are continuing our efforts to create English versions of the newly added sections/documents on the website.

3.1.3. Policies and procedures relating to stakeholder rights are published on the company's corporate website.

This principle is not fully complied with, as while some policies related to the rights of stakeholders are published on the corporate website, procedures and other regulations are published on the company's internal communication platform. Therefore, efforts are being made to ensure that all relevant policies and procedures are documented and published to the public.

3.1.4. Mechanisms have been established for stakeholders to report transactions that are contrary to legislation and unethical.

This principle is not fully complied with, as investor relations and customer communication email addresses allow stakeholders, and the contact form on our website allow customers visiting our stores to report issues to the headquarters, but we do not have an ethics helpline operated by an independent third party.

3.1.5 - The company handles conflicts of interest among stakeholders in a well-balanced manner.

This principle is not fully complied with, as the company's balanced approach to this issue will become transparent when all policies and mechanisms are made public.

3.2.1. Employee participation in management is regulated by the articles of association or internal company regulations.

This principle is not complied with, as although our employees participate indirectly in management through communication tools such as regular information meetings and surveys, their direct representation in management is not regulated by the articles of association or internal company regulations. This is because communication with employees is sometimes project-based and is continuously revised according to the needs of the company and employees. It is planned to continue this practice in the coming period.

3.5.1. The board of directors has established a Code of Ethical Conduct and published it on the company's corporate website.

This principle is not complied with, as the Code of Business Ethics exists but is not published on the corporate website. The Code of Business Ethics was prepared as an internal document for employees prior to the public offering. Updates are currently underway to publish it on our corporate website following the public offering.

4.2.1. The board of directors has documented its activities and made them available to shareholders.

This principle is not fully complied with, as while Board of Directors activities that constitute insider information subject to special situation disclosures are immediately announced on the PDP, detailed information on other activities carried out during the year is not included in the Activity Report, and it is planned to provide more detailed information in subsequent periods.

4.3.9- The company's board of directors has set a minimum target of 25% female members and has established a policy to achieve this goal. The structure of the board of directors is reviewed annually, and the candidate selection process is carried out in accordance with this policy.

This principle is not fully complied with, as efforts are ongoing to develop a written policy on this matter, and even without such a policy, 66.6% of the current board of directors consists of female members.

4.4.2 - The board of directors has set a minimum period for distributing information and documents related to items on the agenda to all members prior to the meeting.

This principle is not fully complied with, as although our Company has not established a written internal regulation in this regard, in practice, information and documents that facilitate decision-making by board members are shared with members via email two days in advance. Efforts will be made to establish a written internal regulation.

4.4.5. The manner in which board meetings are to be conducted has been set forth in writing in internal regulations.

This principle is not fully complied with, as there are no separate internal regulations in this regard other than the articles of association and the Board of Directors Internal Regulations, due to the fact that board meetings are conducted in accordance with the Turkish Commercial Code, the Capital Markets Board, and other relevant legislation. In the coming period, this matter will be submitted for reconsideration by the board of directors, and it is planned to work on an internal regulation regarding how the meeting should be conducted.

4.4.6. The minutes of the board of directors' meeting show that all items on the agenda have been discussed, and the resolution minutes are prepared to include dissenting opinions.

This principle is not fully complied with, as the independent members were elected at the extraordinary general assembly on 11 November 2024, and the practice of adding dissenting opinions to the resolution will be carefully monitored. This matter will also be addressed in the upcoming internal regulation changes.

4.4.7. There are restrictions on board members taking on other roles outside the company. Any roles that board members take on outside the company are disclosed to shareholders at general assemblies.

This principle is not complied with, as board members are encouraged to devote the necessary time to company business, and there are no restrictions on them taking on other roles or responsibilities outside the company. Such a restriction was deemed unnecessary, as the board members' professional experience and industry expertise make a significant contribution to management. Prior to the general assembly, the members' resume, along with the positions they hold outside the company, is presented to the shareholders for their information.

4.5.5. Each member of the board of directors serves only one committee.

This principle is not complied with, as there are three committees, and it is necessary for independent members to serve on more than one committee in order to comply with the principles that committee chairs must be independent members and that the Audit Committee must consist entirely of independent members. This situation does not give rise to any internal conflict of interest.

4.6.1. The board of directors has conducted a board performance assessment to evaluate whether it has effectively fulfilled its responsibilities.

This principle has not been complied with, as no specific work has been carried out at the board level as part of the performance assessment.

4.6.5. Compensation paid to members of the board of directors and managers with administrative responsibilities is disclosed on an individual basis in the annual report.

This principle is not complied with, as payments made to members of the board of directors and senior managers are disclosed collectively to the public in accordance with general practices in the notes to the financial statements.

5.2. Corporate Governance Compliance Report & Corporate Governance Information Form

2024 - Annual Disclosure

CORPORATE GOVERNANCE COMPLIANCE REPORT

	Compliance Status					Explanation
	Yes	Partially	No	Exempt	Irrelevant	
1.1. FACILITATING THE EXERCISE OF SHAREHOLDERS' RIGHTS						
1.1.2 - Information and disclosures that may affect the exercise of shareholder rights are made available to investors on the company's corporate website in a timely manner.	X					
1.2. RIGHT TO INFORMATION AND REVIEW						
1.2.1 - Company management has refrained from conducting operations that would hinder special audits.					X	No such audit was conducted.
1.3. GENERAL ASSEMBLY						
1.3.2 - The Company has ensured that the agenda of the General Assembly is clearly stated and that each proposal is presented under a separate heading.	X					
1.3.7 - Persons who have privileged access to partnership information have informed the board of directors to be added to the agenda to ensure that information is provided at the general meeting regarding transactions they have carried out on their own behalf within the scope of the partnership's activities.					X	There are no privileged persons conducting transactions within the scope of the partnership's activities.
1.3.8 - Board members, other relevant persons, authorized persons responsible for preparing financial statements, and auditors were present at the general meeting to discuss items of particular interest on the agenda.	X					
1.3.10 - The agenda of the general assembly includes a separate item listing the amounts of all donations and aid and the beneficiaries thereof.					X	Since the ordinary general assembly was held prior to the IPO, there was no item on the agenda in this regard.

	Compliance Status					Explanation
	Yes	Partially	No	Exempt	Irrelevant	
1.3.11. The General Assembly meeting was held publicly, including stakeholders and the media, who were not given the right to speak.	X					

1.4. VOTING RIGHTS

1.4.1. There are no restrictions or practices that make it difficult for shareholders to exercise their voting rights.	X					
1.4.2. The company does not have any shares with preferential voting rights.			X			In Group A shares, members of the board of directors, excluding independent members, have five votes in the election.
1.4.3. The Company has not exercised its voting rights at the General Assembly of any partnerships with which it has a reciprocal affiliation relationship that also entails a controlling interest.					X	

1.5. MINORITY RIGHTS

1.5.1. The Company has taken the utmost care in exercising minority rights.	X					
1.5.2. Minority rights are granted to those who hold less than one-twentieth of the capital, and the scope of minority rights has been regulated and expanded in the articles of association.			X			Legal regulations are being followed in accordance with the law, and there are no plans to expand minority rights by regulating them in the articles of association.

1.6. DIVIDEND RIGHTS

1.6.1. The dividend distribution policy approved by the general assembly has been disclosed to the public on the company's corporate website.	X					
1.6.2. The dividend distribution policy contains minimum information that is sufficiently clear to enable shareholders to predict the methods and principles of dividend distribution in future periods.	X					

	Compliance Status					Explanation
	Yes	Partially	No	Exempt	Irrelevant	
1.6. DIVIDEND RIGHTS						
1.6.3. Reasons for not distributing profits and the use of undistributed profits are specified in the relevant agenda item.					X	As our company's shares were first offered to the public in 2024 and began trading on the stock exchange, it is necessary to ensure compliance as of the date of the first general assembly to be held after the shares began trading on the stock exchange. As no ordinary general assembly has yet been held after the public offering, the goal is to achieve compliance with the relevant principle at the first general meeting.
1.6.4. The board of directors has reviewed whether the profit distribution policy strikes a balance between the interests of shareholders and the interests of the partnership.	X					
1.7. TRANSFER OF SHARES						
1.7.1. There are no restrictions that make it difficult to transfer shares.		X				When transferring Class A preferred shares, these shares are first offered to Class A shareholders. There are no restrictions on the transfer of Class B shares traded on the stock exchange.
2.1. CORPORATE WEBSITE						
2.1.1. The company's corporate website contains all the elements listed in corporate management principle 2.1.1.	X					
2.1.2. Shareholding structure (names, privileges, number of shares, and percentage of real persons who own more than 5% of the issued capital) is updated on the corporate website at least once every six months.	X					

	Compliance Status					Explanation
	Yes	Partially	No	Exempt	Irrelevant	
2.1.4 - The information on the company's corporate website has been prepared in foreign languages selected as needed, with content that is identical to the Turkish version.		X				Since our company has just gone public, work continues to create English versions of the newly added sections/documents to the website.

2.2. ACTIVITY REPORT

2.2.1. The board of directors ensures that the annual activity report accurately and completely reflects the company's activities.	X					
2.2.2. The annual activity report contains all the elements listed in principle 2.2.2.	X					

3.1. COMPANY POLICY REGARDING STAKEHOLDERS

3.1.1. Stakeholders' rights are protected within the framework of relevant regulations, contracts, and rules of good faith.	X					
3.1.3. Policies and procedures relating to stakeholder rights are published on the company's corporate website.		X				Some policies relating to the rights of stakeholders are available on the corporate website, while procedures and other regulations are available on the company's internal communication platform.
3.1.4. Mechanisms have been established for stakeholders to report transactions that are contrary to legislation and unethical.		X				Investor relations and customer communication email addresses allow stakeholders, and the contact form on our website allow customers visiting our stores to report issues to the headquarters, but we do not have an ethics helpline operated by an independent third party There is only an ethics helpline for employees working within the company.

	Compliance Status					Explanation
	Yes	Partially	No	Exempt	Irrelevant	
3.1. COMPANY POLICY REGARDING STAKEHOLDERS						
3.1.5. The company handles conflicts of interest among stakeholders in a well-balanced manner.		X				When all policies and mechanisms are made public, the company's balanced approach to this issue will also become transparent.
3.2. ENCOURAGING THE PARTICIPATION OF STAKEHOLDERS IN COMPANY MANAGEMENT						
3.2.1 - Employee participation in management is regulated by the articles of association or internal company regulations.			X			This principle is not complied with, as although our employees participate indirectly in management through communication tools such as regular information meetings and surveys, their direct representation in management is not regulated by the articles of association or internal company regulations. This is because communication with employees is sometimes project-based and is continuously revised according to the needs of the company and employees. It is planned to continue this practice in the coming period.
3.2.2. Methods such as surveys/ consultations have been employed to obtain the opinions of stakeholders on important decisions that affect them.	X					

	Compliance Status					Explanation
	Yes	Partially	No	Exempt	Irrelevant	
3.3. COMPANY HR POLICY						
3.3.1. The company has adopted an employment policy that provides equal opportunities and succession planning for all key management positions.	X					
3.3.2. Criteria for personnel recruitment are defined in written form.	X					
3.3.3. The company has a Human Resources Development Policy and organizes trainings for employees within this scope.	X					
3.3.4. Meetings were held to inform employees about subjects such as the company's financial situation, compensation, career planning, training, and healthcare.	X					
3.3.5. Decisions that may affect employees have been communicated to them and their representatives. The relevant trade unions have also been consulted on these matters.	X					
3.3.6. Job descriptions and performance criteria have been prepared in detail for all employees, communicated to employees, and used in compensation decisions.	X					
3.3.7. Measures such as procedures, training, awareness raising, targets, monitoring, and complaint mechanisms have been taken to prevent discrimination among employees and to protect employees from physical, mental, and emotional abuse within the company.	X					
3.3.8. The company supports the freedom to form associations and the effective recognition of the right to collective bargaining.	X					
3.3.9. A safe working environment is ensured for employees.	X					

	Compliance Status					Explanation
	Yes	Partially	No	Exempt	Irrelevant	
3.4. CUSTOMER AND SUPPLIER RELATIONS						
3.4.1. The Company has measured customer satisfaction and has operated with an understanding of unconditional customer satisfaction.	X					
3.4.2. Customers are notified when there is a delay in processing their requests regarding the goods and services they have purchased.	X					
3.4.3. The company is committed to quality standards for goods and services.	X					
3.4.4. The company has measures in place to protect the confidentiality of sensitive information covered by trade secrets belonging to customers and suppliers.	X					
3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY						
3.5.1. The board of directors has established a Code of Ethical Conduct and published it on the company's corporate website.			X			The Code of Business Ethics is present but not published on the corporate website. The Code of Business Ethics was prepared as an internal document for employees prior to the public offering. Work is underway to update it for publication on our corporate website after the public offering.
3.5.2. The partnership is sensitive to social responsibility. It has taken measures to prevent corruption and bribery.	X					

	Compliance Status					Explanation
	Yes	Partially	No	Exempt	Irrelevant	

4.1. FUNCTION OF THE BOARD OF DIRECTORS

4.1.1. The board of directors ensures that strategy and risks do not threaten the company's long-term interests and that effective risk management is implemented.	X					
4.1.2. Meeting agendas and minutes show that the board of directors discussed and approved the company's strategic objectives, identified the necessary resources, and monitored management performance.	X					

4.2. WORKING PRINCIPLES OF THE BOARD OF DIRECTORS

4.2.1. The board of directors has documented its activities and made them available to shareholders.		X				If the activities of the BoD constitute inside information that is subject to special disclosure, they are immediately announced on the Public Disclosure Platform. Other than that, detailed information about activities carried out during the year is not included in the Activity Report, but it is planned to provide more detailed information in subsequent periods.
4.2.2. The duties and the authority of the members of the board of directors are explained in the annual activity report.	X					
4.2.3. The board of directors has established an internal control system appropriate to the scale and complexity of the company's operations.	X					
4.2.4. Information regarding the operation and effectiveness of the internal control system is provided in the annual activity report.	X					
4.2.5. The roles of the chairman of the board of directors and the chief executive officer are separate and clearly defined.	X					

	Compliance Status					Explanation
	Yes	Partially	No	Exempt	Irrelevant	

4.2. YÖNETİM KURULUNUN FAALİYET ESASLARI

4.2.7. The board of directors has ensured the effective functioning of the investor relations department and the corporate governance committee and has worked closely with the investor relations department and the corporate governance committee to resolve disputes between the company and its shareholders and to communicate with shareholders.	X					
4.2.8 - The Company has taken out directors' and officers' liability insurance, worth over 25% of the capital, in relation to possible negligence of the members of the board of directors in the performance of their duties and the resulting damage to the Company.	X					

4.3. STRUCTURE OF THE BOARD OF DIRECTORS

4.3.9. The company's board of directors has set a minimum target of 25% female members and has established a policy to achieve this goal. The structure of the board of directors is reviewed annually, and the candidate selection process is carried out in accordance with this policy.		X				Work is ongoing to develop a written policy on this issue, but even without such a policy, 66.6% of the current board of directors are female.
4.3.10. At least one member of the audit committee has five years of experience in auditing/accounting and finance.	X					

4.4. FORMAT OF BOARD MEETINGS

4.4.1. All board members have physically or virtually attended most board meetings.	X					
4.4.2. The board of directors has set a minimum period for distributing information and documents related to items on the agenda to all members prior to the meeting.		X				

	Compliance Status					Explanation
	Yes	Partially	No	Exempt	Irrelevant	
4.4. FORMAT OF BOARD MEETINGS						
4.4.3. The opinions of members who were unable to attend the meeting but submitted their opinions in writing to the board of directors were presented to the other members for their consideration.					X	There has been no such case.
4.4.4. Each member of the board of directors has one vote.	X					
4.4.5. The manner in which board meetings are conducted is set forth in writing in internal company regulations.		X				As board meetings are conducted in accordance with the Turkish Commercial Code, the CMB, and other relevant legislation, there are no separate internal regulations in this regard other than the articles of association and the Board of Directors Internal Regulations. This issue will be resubmitted to the board of directors for review in the coming period, and work on internal regulations regarding how meetings are to be conducted is planned.
4.4.6. The minutes of the board meeting indicate that all items on the agenda have been discussed, and the decision minutes shall be prepared to include dissenting opinions.		X				The independent members were elected at the extraordinary general meeting on 11 November 2024, and the practice of adding dissenting opinions to the resolution will be closely monitored. This issue will also be addressed in the upcoming internal regulation amendment.

	Compliance Status					Explanation
	Yes	Partially	No	Exempt	Irrelevant	
4.4. FORMAT OF BOARD MEETINGS						
4.4.7. There are restrictions on board members taking on other roles outside the company. Any roles that board members take on outside the company are disclosed to shareholders at general assemblies.			X			Care is taken to ensure that members of the Board of Directors devote the necessary time to company affairs, and there are no restrictions on their taking on other duties or responsibilities outside the company. There is no need for such restrictions, as the work experience and industry expertise of the members of the Board of Directors make an important contribution to the management of the company. Prior to the General Assembly, the member's resume and the duties he or she performs outside the company are presented to the shareholders.
4.5. COMMITTEES ESTABLISHED WITHIN THE BOARD OF DIRECTORS						
4.5.5. Each member of the board of directors serves only one committee.			X			There are three committees, and in accordance with the principles that committee Chairmans must be independent members and that the Audit Committee must consist entirely of independent members, it has become necessary for independent members to serve on more than one committee in this case. This situation does not give rise to any internal conflict of interest.
4.5.6. The committees invited individuals deemed necessary to attend meetings and sought their opinions.	X					

	Compliance Status					Explanation
	Yes	Partially	No	Exempt	Irrelevant	
4.5. COMMITTEES ESTABLISHED WITHIN THE BOARD OF DIRECTORS						
4.5.7. Information on the independence of the person/organization providing advisory services to the committee is included in the annual activity report.					X	No such consulting services were employed in this regard.
4.5.8. Reports on the results of committee meetings were prepared and presented to the members of the board of directors.	X					
4.6. FINANCIAL ENTITLEMENTS PROVIDED TO MEMBERS OF THE BOARD OF DIRECTORS AND MANAGERS WITH ADMINISTRATIVE RESPONSIBILITIES						
4.6.1. The board of directors has conducted a board performance assessment to evaluate whether it has effectively fulfilled its responsibilities.			X			No specific work has been carried out in the context of performance assessment at the Board of Directors level.
4.6.4. The Company has not extended credit to any member of the board of directors or managers with administrative responsibility, has not lent money or extended the term of a loan, has not improved the terms, has not extended credit under a personal credit heading through third parties, and has not provided guarantees or other collateral on their behalf.	X					
4.6.5. Compensation paid to members of the board of directors and managers with administrative responsibilities is disclosed on an individual basis in the annual activity report.			X			The compensation of the members of the Board of Directors is determined by the General Assembly and is disclosed to the public collectively in accordance with general practices in the notes to the financial statements, along with the payments made to the members of the Board of Directors and senior executives.

Corporate Governance Disclosure Form

2024 – Annual Report

1. SHAREHOLDERS

1.1. Facilitating the Exercise of Shareholder Rights

Number of investor conferences and meetings organized by the company throughout the year

Analyst meetings were held after the second and third quarter results, and online or physical meetings were held with 21 domestic and 7 foreign portfolio management companies.

1.2. Right to Access Information and Review

Number of special auditor requests

-

Number of special auditor requests accepted at the general meeting

-

1.3. General Assembly

Link to the PDP announcement in which the information requested within the scope of the principle 1.3.1 (a-d)

<https://www.kap.org.tr/tr/Bildirim/1348979>

Whether the documents related to the General Assembly meeting are presented in English at the same time as with Turkish

No. Starting in 2025, it is planned to present documents in English, as well.

Within the scope of the principle 1.3.9, the links to the PDP announcements related to transactions where the approval of the majority of independent members or unanimous vote by participants wasn't achieved

There was no such activity.

Links to the PDP announcements regarding related party transactions carried out within the scope of Article 9 of the Corporate Governance Communiqué (II-17.1)

There was no such activity.

Links to the PDP announcements regarding extensive and continuous activities within the scope of Article 10 of the Corporate Governance Communiqué (II-17.1)

There was no such activity.

1. SHAREHOLDERS

1.3. General Assembly

The name of the section on the company's corporate website where the policy on donations and aid is located

Corporate Governance / Policies

Link to the PDP announcement containing the minutes of the general meeting at which the policy on donations and aid was adopted

<https://www.kap.org.tr/tr/Bildirim/1356353>

Article number in the articles of association regulating the participation of stakeholders in the general assembly

Article 19 (f)

Information regarding stakeholders participating in the general assembly

In accordance with Article 5 of the General Assembly Internal Regulations, members of the press, shareholders, company employees, representatives of the Ministry, and other relevant persons may attend.

1.4. Voting Rights

Whether or not there is a privilege regarding the vote

Yes

If there are voting privileges, the privileged shareholders and their voting ratios

Group A shares have five votes in the election of Board Members other than independent members and in the election of the chair of the General Assembly. There are no voting privileges in other matters. There are no privileges for Group B shares.

The largest shareholder's shareholding ratio

39.6%

1.5. Minority Rights

Whether minority rights have been expanded (in terms of content or proportion) in the company's articles of association

No

If minority rights have been expanded in terms of content and proportion, please specify the number of the relevant article in the articles of association.

-

1. SHAREHOLDERS

1.6. Dividend Rights

Name of the section on the corporate website containing the dividend distribution policy

Corporate Governance / Policies

Minutes of the general assembly agenda item stating the reasons for the board of directors' proposal not to distribute profits to the general assembly and the manner in which the undistributed profits will be used

Since our company's shares were first offered to the public and started trading on the stock exchange in 2024, it's necessary to make sure the required adaptation is completed by the date of the first general meeting after the shares start trading on the stock exchange. No ordinary general assembly has been held after the public offering, yet.

Link to the PDP announcement containing the relevant general assembly minutes if the board of directors proposed that no dividends be distributed to the general assembly

-

General Assembly Meetings

General Assembly Meeting Date

November 11, 2024

Number of requests for additional explanations submitted to the company regarding the agenda of the general assembly meeting

0

Shareholders' attendance rate at the general assembly meeting

86.8%

Percentage of directly represented shares

23.6%

Percentage of shares represented by proxy

63.2%

The name of the section on the company's corporate website where the minutes of the general assembly meetings are posted, showing the votes for and against each agenda item.

Corporate Governance/
General Assembly

The name of the section on the corporate website containing all inquiries raised at the general assembly meeting and the answers provided to them.

Corporate Governance/
General Assembly

Article or paragraph number in the minutes of the general assembly meeting relating to related parties

-

Number of persons with privileged access to partnership information who have notified the board of directors (list of insiders)

0

Link to the general assembly announcement published on the PDP

<https://www.kap.org.tr/trBildirim/1356353>

2. PUBLIC DISCLOSURE AND TRANSPARENCY

2.1. Corporate Website

Sections of the corporate website which contain all the information required as per corporate management principle 2.1.1.	Investor Relations
Section of the corporate website which contains the list of real persons who own more than 5% of the issued capital directly or indirectly.	Corporate Governance/ Shareholding Structure
Languages in which the corporate website is available.	Turkish and English

2.2. Activity Report

Page numbers or section titles of the activity report where the information listed in corporate governance principle 2.2.2 are included.	
a) Page no or section title where the board members' and executives' outside roles and members' independence statements are listed	General Information and Corporate Governance
b) Page no or section title of information regarding committees established within the Board of Directors	General Information
c) Page no or section title containing information regarding the number of meetings held by the board of directors during the year and the attendance of members	Corporate Governance
d) Page no or section title of information regarding regulatory changes that could significantly affect the company's operations	Significant Developments Related to Activities
e) Page no or section title of information regarding significant lawsuits filed against the company and their potential outcomes	Significant Developments Related to Activities
f) Page no or section title of information regarding conflicts of interest between the company and institutions from which it receives services such as investment advisory and rating, and measures taken to prevent such conflicts.	There is no such instance.
g) Page no or section title of information regarding mutual affiliations in which the direct participation ratio exceeds 5% of the capital	There is no such instance.
h) Page no or section title regarding corporate social responsibility activities related to employees' social rights, vocational training, and other company activities that have social and environmental consequences.	Sustainability

3. STAKEHOLDERS

3.1. Company Policy Regarding Stakeholders

Section on the corporate website where the compensation policy has been posted	Our company's compensation policy for employees is implemented in accordance with the provisions of the current Labor Law No. 4857.
Number of definitive court rulings against the company for violation of employee rights	80
Title of the authority responsible for the reporting system	Ethics Committee
Contact details for the company's reporting system	Telephone: +90 0212 401 37 88 / Email: (a) koton@ speak-hub.com (b) etik@koton.com.tr / Web form: speak-hub.com

3.2. Encouraging the Participation of Stakeholders in Company Management

Section on the corporate website that contains internal regulations regarding employee participation in management bodies	There is no public access to internal regulations.
Management bodies representing employees	Gender Equality Committee, Sustainability Committee, Republic Committee, Business Continuity Management Committee, Occupational Health and Safety Committee, Koton Social

3.3. Company HR Policy

The role of the board of directors in developing succession plans for key management positions	Although there is no written policy, contingency plans for succession of high level managers are approved by the Board of Directors.
Section of the corporate website that contains the human resources policy, including equal opportunity and recruitment criteria, or a summary of the relevant provisions of the policy.	Corporate Governance/Policies/Diversity and Inclusion Policy and Human Rights Policy
Whether a employee stock ownership programme exists.	There isn't an employee stock ownership programme
Section of the corporate website that contains the human resources policy on measures to prevent discrimination and mistreatment, or a summary of the relevant provisions of the policy.	Corporate Governance/Policies /Diversity and Inclusion Policy and Human Rights Policy
Number of definitive court rulings against the company due to liability for work accidents	0

3. STAKEHOLDERS

3.5. Ethical Rules and Social Responsibility

Section on the corporate website where the ethical rules policy is located	The Code of Business Ethics was prepared as an internal document for company employees prior to the public offering. Developments are underway to make it a publicly available.
Section on the corporate website where the corporate social responsibility report is located. If there is no corporate social responsibility report, measures taken in relation to environmental, social, and corporate governance issues.	Investor Relations/Reports/Sustainability Report
Measures taken to combat all forms of corruption, including embezzlement and bribery	The anti-corruption policy has not yet been uploaded as a public document under the Corporate Governance/Policies and Ethics section of the corporate website. Although the Company's Code of Ethics contains provisions on this subject, the Code of Ethics has been established as an internal document, and these policies will be developed and made available to the public.

4. THE BOARD OF DIRECTORS-I

4.2. Working Principles of the Board of Directors

Date of the most recent board performance review.	As the company's shares began trading on the Stock Exchange on 10 May 2024, no performance review has been made yet.
Whether independent experts were consulted on the performance review of the board of directors	No
Whether all members of the board of directors were given discharge	Yes
The members of the board of directors to whom authority has been delegated through the distribution of duties and the content of the said authority	Although the Board of Directors' Internal Regulations do not provide for such a distribution of duties among members, the Board of Directors' decision dated 12 June 2024 and numbered 2024/26 stipulates that Yilmaz Yilmaz, Chairman of the Board of Directors, shall be appointed as the member responsible for financial reporting until the Audit Committee, consisting of independent members, is formed.

4. THE BOARD OF DIRECTORS-I

4.2. Working Principles of the Board of Directors

Number of reports submitted by the internal control unit to the audit committee or other relevant committees	As the Audit Committee was formed shortly after the election of independent members at the extraordinary general meeting on November 11, 2024, four reports were submitted to this Committee by the Internal Audit Unit by the end of 2024.
Page number or title of the section in the activity report containing the assessment of the effectiveness of the internal control system	Significant Developments Related to Activities
Chairman of the Board of Directors	Yılmaz Yılmaz
CEO/General Manager	A. Bülent Sabuncu
Link to the PDP announcement stating the reason why the chairman of the board of directors and the CEO/general manager are the same person	They are not the same person.
Link to the PDP announcement stating that a liability insurance was taken out, worth over 25% of the capital, in relation to possible negligence of the members of the board of directors in the performance of their duties and the resulting damage to the Company.	https://www.kap.org.tr/tr/Bildirim/1399819
Section on the corporate website that contains information about the diversity policy aimed at increasing the proportion of female board members.	Although no written policy has yet been developed in this regard, 66.6% of the current board of directors consists of female members. Efforts are underway to develop a written policy.
Number and ratio of female members.	4 members – 66.6%

Structure of the Board of Directors

Name of the Member of the Board of Directors	Whether the Member is Executive	Whether the Member is Independent	Date of Initial Election to the Board of Directors	Link to the PDP Announcement of the Member's Declaration of Independence	Whether the Independent Member has been Evaluated by the Nomination Committee	Whether the Member has Ceased to be Independent	Whether the Member has at Least Five Years of Experience in Auditing, Accounting, and/or Finance
Yılmaz Yılmaz	Executive	Non-Independent member	11/11/2024		Irrelevant	Irrelevant	No
Gurgle B.V. (Gerçek kişi temsilcisi: E. Barbara van Geloven)	Non-Executive	Non-Independent member	11/11/2024		Irrelevant	Irrelevant	No
Şükriye Gülden Yılmaz	Executive	Non-Independent member	11/11/2024		Irrelevant	Irrelevant	No
Deniz Yılmaz	Non-Executive	Non-Independent member	11/11/2024		Irrelevant	Irrelevant	No
Ömer Faruk Işık	Non-Executive	Independent member	11/11/2024	https://www.kap.org.tr/tr/Bildirim/1348979	Not considered	No	Yes
Ayşe Ufuk Açar	Non-Executive	Independent member	11/11/2024	https://www.kap.org.tr/tr/Bildirim/1348979	Not considered	No	No

4. THE BOARD OF DIRECTORS-II

4.4. Format of Board Meetings

Number of board meetings held during the reporting period, either in person or virtually	10
Average attendance rate at board meetings	66.6%
Whether an online portal is used to facilitate the activities of the board of directors	No
The number of days before the meeting at which information and documents are presented to members in accordance with the working principles of the board of directors	2 days
Section on the corporate website that contains information about internal regulations determining how board meetings are to be conducted.	There are no internal regulations regarding how board meetings are to be conducted outside of the articles of association.
The upper limit specified in the policy restricting members from taking on other roles outside the company	There is no policy restricting board members from taking on positions outside the company.

4.5. Committees Established Within the Board of Directors

Page number or title of the section in the activity report containing information about the board committees	General Information
Link to the PDP announcement disclosing the committee's working principles	https://www.kap.org.tr/tr/Bildirim/1361836

Board Committees - I

Board Committee Name	Committee Member Name	Whether He/She is Chairman of the Committee	Whether He/She is a Board Member
Audit Committee	Ömer Faruk Işık	Yes	Board Member
Audit Committee	Ayşe Ufuk Ağar	No	Board Member
Early Detection of Risk Comm.	Ömer Faruk Işık	Yes	Board Member
Early Detection of Risk Comm.	Ayşe Ufuk Ağar	No	Board Member
Early Detection of Risk Comm.	Yılmaz Yılmaz	No	Board Member
Corporate Governance Comm.	Ayşe Ufuk Ağar	Yes	Board Member
Corporate Governance Comm.	Ömer Faruk Işık	No	Board Member
Corporate Governance Comm.	Yılmaz Yılmaz	No	Board Member
Corporate Governance Comm.	Şükriye Gülden Yılmaz	No	Board Member
Corporate Governance Comm.	Eda Çanga Belber	No	Board Member

4. THE BOARD OF DIRECTORS-III

4.5. Committees Established Within the Board of Directors-II

Page number or section name of the activity report or corporate website where information on the activities of the audit committee is provided	Activity Report/General Information
Page number or section name of the activity report or corporate website where information on the activities of the corporate governance committee is provided	Activity Report/General Information
Page number or section name of the activity report or corporate website where information on the activities of the nomination committee is provided	Activity Report/General Information
Page number or section name of the activity report or corporate website where information on the activities of the early risk detection committee is provided	Activity Report/General Information
Page number or section name of the activity report or corporate website where information on the activities of the compensation committee is provided	Activity Report/General Information

4.6. Financial Entitlements Provided to Members of the Board of Directors and Managers with Administrative Responsibilities

The page number or section title of the activity report that contains information on operational and financial performance targets and whether they have been achieved.	Activity Report/Operational Developments and Financial Position
Name of the section of the corporate website that contains the compensation policy for members who are in executive or non-executive positions	Policies
Page number or section title of the activity report containing information on the remuneration paid to members of the board of directors and managers with administrative responsibility, as well as all other benefits provided to them.	Activity Report/Significant Developments Related to Activities

Board Committees-II

Board Committee Name	Percentage of Non-Executive Directors in the Committee	Percentage of Independent Members in the Committee	Komitenin Number of In-Person Meetings Held by the Committee	Number of Reports Submitted to the Board of Directors Regarding the Committee's Activities
Audit Committee	100%	100%	1	1
Early Detection of Risk Committee	66.6%	66.6%	1	1
Corporate Governance Committee	60%	40%	1	1

5.3. Declarations of Independence

In accordance with Article 4.3.6 of the Corporate Governance Principles, annexed to the Corporate Governance Communication No. II-17.1 of the Capital Markets Board, to fulfil my duties as an independent member of the Board of Directors of Koton Retail Textile Industry and Trade Inc (the Company) in accordance with the criteria set forth in the legislation, the articles of association, and the criteria set forth in the Corporate Governance Regulation published by the Capital Markets Board, I declare that

a. Over the last five years, there has been no employment relationship in a managerial position that will undertake significant duties and responsibilities between myself, my spouse and my relatives by blood or marriage up to the second degree and the Company, the partnerships in which the Company has management control or significant influence, the partners who have management control or significant influence over the Company and the legal entities in which these partners have management control; I do not own more than 5% of the capital or voting rights or privileged shares, either jointly or individually; I have not established significant commercial relationships

b. Over the last five years I have not worked as a partner (5% or more), in a managerial position that carries significant duties or responsibilities or served as a member of the board of directors in companies involved in primarily the Company's auditing (tax auditing, legal auditing, internal auditing included), rating, and consulting, from which the Company has, within the framework of agreements, purchased or sold significant amounts of services or products, during the periods in which services or products were purchased or sold,

c. I have the professional training, knowledge, and experience necessary to properly perform the duties I will undertake as an independent board member,

d. In accordance with the legislation, I will not work full-time in public institutions and organizations after being elected as a member, except for academic positions at universities,

e. I am considered a resident of Turkey in accordance with the Income Tax Law (ITL) No. 193 dated 31 December 1960,

f. I possess strong ethical standards, professional reputation, and experience that enable me to make positive contributions to the Company's activities, maintain impartiality in conflicts of interest between the Company and its shareholders, and make decisions freely while considering the rights of stakeholders,

g. I am able to allocate sufficient time to Company affairs to monitor the operations of the Company's activities and fully execute the requirements of duties I undertake,

h. I have not served as a member of the Company's board of directors for more than six years over the last ten years,

i. I am not serving as an independent board member in more than three companies controlled by the Company or its controlling shareholders, and in total, in more than five companies listed on the stock exchange,

j. I have not been registered and announced on behalf of the legal entity elected as a board member.

16 October 2024

Sincerely,

Ömer Faruk Işık

Declarations of Independence

In accordance with Article 4.3.6 of the Corporate Governance Principles, annexed to the Corporate Governance Communication No. II-17.1 of the Capital Markets Board, to fulfil my duties as an independent member of the Board of Directors of Koton Retail Textile Industry and Trade Inc (the Company) in accordance with the criteria set forth in the legislation, the articles of association, and the criteria set forth in the Corporate Governance Regulation published by the Capital Markets Board, I declare that

a. Over the last five years, there has been no employment relationship in a managerial position that will undertake significant duties and responsibilities between myself, my spouse and my relatives by blood or marriage up to the second degree and the Company, the partnerships in which the Company has management control or significant influence, the partners who have management control or significant influence over the Company and the legal entities in which these partners have management control; I do not own more than 5% of the capital or voting rights or privileged shares, either jointly or individually; I have not established significant commercial relationships

b. Over the last five years I have not worked as a partner (5% or more), in a managerial position that carries significant duties or responsibilities or served as a member of the board of directors in companies involved in primarily the Company's auditing (tax auditing, legal auditing, internal auditing included), rating, and consulting, from which the Company has, within the framework of agreements, purchased or sold significant amounts of services or products, during the periods in which services or products were purchased or sold,

c. I have the professional training, knowledge, and experience necessary to properly perform the duties I will undertake as an independent board member,

d. In accordance with the legislation, I will not work full-time in public institutions and organizations after being elected as a member, except for academic positions at universities,

e. I am considered a resident of Turkey in accordance with the Income Tax Law (ITL) No. 193 dated 31 December 1960,

f. I possess strong ethical standards, professional reputation, and experience that enable me to make positive contributions to the Company's activities, maintain impartiality in conflicts of interest between the Company and its shareholders, and make decisions freely while considering the rights of stakeholders,

g. I am able to allocate sufficient time to Company affairs to monitor the operations of the Company's activities and fully execute the requirements of duties I undertake,

h. I have not served as a member of the Company's board of directors for more than six years over the last ten years,

i. I am not serving as an independent board member in more than three companies controlled by the Company or its controlling shareholders, and in total, in more than five companies listed on the stock exchange,

j. I have not been registered and announced on behalf of the legal entity elected as a board member.

16 October 2024

Sincerely,

Ayşe Ufuk Ağar

06

CHAPTER

SUSTAINABILITY

1. Sustainability Compliance Report

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş.

Sustainability Compliance Report

	Compliance Status				Explanation	Report Information Regarding Publicly Disclosed Information
	Yes	Partially	No	Irrelevant		

A. GENERAL PRINCIPLES

A1. Strategy, Policies and Goals

A1.1. The partnership's board of directors has identified priority environmental, social, and corporate governance (ESG) issues, risks, and opportunities.		X			While it has been disclosed in previous years' reports, the revised version will be included in our 2024 KGK Sustainability Report.	
A1.1. The partnership's board of directors has established and publicly disclosed its ESG policies (e.g., environmental, energy, human rights and employment policy, etc.).	X					https://kurumsal.koton.com.tr/politikalar/
A1.2. Short- and long-term goals set within the scope of ESG policies have been disclosed to the public.			X		Short- and long-term ESG targets are being revised. The targets will be shared in the 2024 KGK Sustainability Report.	

A2. Application / Monitoring

A2.1. The committees and/or units responsible for implementing ESG policies and the highest-level officials and their duties related to ESG issues in the partnership have been determined and disclosed to the public.	X					https://kurumsal.koton.com.tr/politikalar/
A2.1. Activities carried out within the scope of policies by the responsible committee and/or unit have been reported to the board of directors at least once a year.			X		Work is ongoing to update the Committee Working Principles for reporting to the Board of Directors.	

	Compliance Status				Explanation	Report Information Regarding Publicly Disclosed Information
	Yes	Partially	No	Irrelevant		

A. GENERAL PRINCIPLES

A2. Application / Monitoring

A2.2. Implementation and action plans have been developed and made public in line with the ESG targets.			X		Short- and long-term ESG targets are being revised. The targets will be shared in the 2024 KGK Sustainability Report.	
A2.3. ESG Key Performance Indicators (KPI) and the level of achievement of these indicators over the years has been disclosed to the public.			X		ESG Key Performance Indicators will be shared in the 2024 KGK Sustainability Report.	
A2.4. Activities to improve sustainability performance in business processes or products and services are publicly disclosed.			X		Will be shared in the 2024 KGK Sustainability Report.	

A3. Reporting

A3.1. The activity reports provide clear, accurate, and sufficient information on the partnership's sustainability performance, goals, and actions.			X		Will be shared in the 2024 KGK Sustainability Report.	
A3.2. The partnership has disclosed information to the public regarding which of the United Nations (UN) 2030 Sustainable Development Goals its activities are related to.		X			The 2023 report describes the SDG goals and targets for 2030. The 2024 Sustainability Report will revise and share the relationship between activities and the SDGs.	
A3.3. Lawsuits filed and/or concluded against the company in relation to ESG issues, which are significant in terms of ESG policies and/or will significantly affect its activities, have been disclosed to the public.	X				2024 Annual Report/ Section on Significant Developments Related to Activities	

	Compliance Status				Explanation	Report Information Regarding Publicly Disclosed Information
	Yes	Partially	No			

A. GENERAL PRINCIPLES

A4. Verification

A4.1. The partnership's ESG key performance indicators have been verified by an independent third party and disclosed to the public.			X		Our 2024 KGK Sustainability Report will be verified by a third party.	
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B. ENVIRONMENTAL POLICIES

B1. The partnership has disclosed its policies and practices in the field of environmental management, action plans, environmental management systems (known as the ISO 14001 standard), and programs to the public.		X			Environmental issues are discussed in the 2023 report (pages 44-55) under the heading "Respect for Our World" and will be revised and shared in the 2024 KGK Sustainability Report.	
B2. The scope of the environmental reports prepared for the provision of information on environmental management, the reporting period, the reporting date, and the restrictions on reporting conditions have been disclosed to the public.			X		Will be shared in the 2024 KGK Sustainability Report.	
B4. Environmental targets included in the reward criteria under performance incentive systems for interested parties (such as board members, managers, and employees) have been disclosed to the public.			X		There are no such practices yet.	
B5. How the priority environmental issues are integrated into business objectives and strategies has been disclosed to the public.		X			Will be shared in the 2024 KGK Sustainability Report.	

	Compliance Status				Explanation	Report Information Regarding Publicly Disclosed Information
	Yes	Partially	No			

B. ENVIRONMENTAL POLICIES

B7. Throughout the partnership value chain, including the operational process, suppliers and customers, how environmental issues are managed, and how they are integrated into business objectives and strategies has been disclosed to the public.			X		While it has been disclosed in previous years' reports, the revised version will be included in our 2024 KGK Sustainability Report.	
B8. Whether relevant organizations and non-governmental organizations are involved in policy-making processes on environmental issues and collaborations with these institutions and organizations are disclosed to the public.		X			While it has been disclosed in previous years' reports, the revised version will be included in our 2024 KGK Sustainability Report.	
B9. Environmental impacts in the light of environmental indicators (greenhouse gas emissions (Scope 1 (direct), Scope 2 (energy indirect), Scope 3 (other indirect), air quality, energy management, water and wastewater management, waste management, biodiversity impacts)) have been disclosed to the public on a periodic basis in a comparable manner.			X		Will be shared in the 2024 Sustainability Report	
B10. The standard, protocol, methodology, and base year details used to collect and calculate the data have been disclosed to the public.			X		While it has been disclosed in previous years' reports, the revised version will be included in our 2024 KGK Sustainability Report.	
B11. The increase or decrease in environmental indicators for the reporting year compared to previous years has been disclosed to the public.			X		While it has been disclosed in previous years' reports, the revised version will be included in our 2024 KGK Sustainability Report.	

	Compliance Status				Explanation	Report Information Regarding Publicly Disclosed Information
	Yes	Partially	No			

B. ENVIRONMENTAL POLICIES

B12. Short- and long-term goals have been set to reduce environmental impacts, and these goals and progress with regards to those set in previous years has been disclosed to the public.			X		Short- and long-term ESG targets are being revised. The targets will be shared in the 2024 KGK Sustainability Report.	
B13. A strategy to combat the climate crisis has been developed and the planned actions have been made public.			X		The 2024 KGK Sustainability Report will include the strategy and planned actions to combat the climate crisis.	
B14. Programs and/or procedures have been established in order to prevent or minimize the potential negative impact of products and/or services on the environment, and disclosed to the public.			X		Work is ongoing in this area.	
B14. Actions have been taken to reduce greenhouse gas emissions from third parties (e.g., suppliers, subcontractors, distributors, etc.), and these actions have been disclosed to the public.			X		Work is ongoing in this area.	
B15. The environmental benefits/gains and cost savings provided by initiatives and projects aimed at reducing environmental impacts have been disclosed to the public.			X		Work is ongoing in this area.	
B16. Energy consumption data (natural gas, diesel fuel, gasoline, LPG, coal, electricity, heating, cooling, etc.) has been disclosed to the public as Scope 1 and Scope 2.			X		Will be shared in the 2024 Sustainability Report	

	Compliance Status				Explanation	Report Information Regarding Publicly Disclosed Information
	Yes	Partially	No			

B. ENVIRONMENTAL POLICIES

B17. Information about the electricity, heat, steam, and cooling produced during the reporting year has been disclosed to the public.			X		Will be shared in the 2024 Sustainability Report	
B18. Efforts have been made to increase the use of renewable energy and transition to zero- or low-carbon electricity, and these efforts have been disclosed to the public.			X		Will be shared in the 2024 Sustainability Report	
B19. Renewable energy production and usage data has been disclosed to the public.			X		Work is ongoing in this area.	
B20. Energy efficiency projects have been implemented, and the reduction in energy consumption and emissions as a result of these projects has been disclosed to the public.			X		Will be shared in the 2024 Sustainability Report	
B21. Water consumption, including the amount of water extracted from underground or above ground, recycled, and discharged, as well as its sources and procedures, has been disclosed to the public.			X		Will be shared in the 2024 Sustainability Report	
B22. Whether operations or activities are included in any carbon pricing system (Emissions Trading System, Cap & Trade, or Carbon Tax) has been disclosed to the public.			X		Statements regarding our non-participation in the carbon pricing system will be included in the 2024 KGK Sustainability Report.	
B23. Information on carbon credits accumulated or purchased during the reporting period has been disclosed to the public.			X		Disclosures regarding carbon credit information will be included in the 2024 KGK Sustainability Report.	

	Compliance Status				Explanation	Report Information Regarding Publicly Disclosed Information
	Yes	Partially	No			

B. ENVIRONMENTAL POLICIES

B24. If carbon pricing is applied within the partnership, the details have been disclosed to the public.			X		Disclosures regarding carbon credit information will be included in the 2024 KGK Sustainability Report.	
B25. The platforms on which the partnership discloses its environmental information are disclosed to the public.			X		While it has been disclosed in previous years' reports, the revised version will be included in our 2024 KGK Sustainability Report.	

C. SOCIAL PRINCIPLES

C1. Human Rights and Employee Rights

C1.1. A Corporate Human Rights and Employee Rights Policy has been established covering the Universal Declaration of Human Rights, ILO Conventions ratified by Turkey, and other relevant legislation. Those responsible for implementing the policy have been identified, and the policy and those responsible have been disclosed to the public.	X				Our Human Rights and Gender Equality Policies address women's employment and inclusiveness, and work continues on the remaining issues. (https://kurumsal.koton.com.tr/politikalar/)	
C1.2. Taking into account supply and value chain impacts, the company's policy on employee rights includes fair labor, improvement of working standards, female employment, and inclusiveness (not making discrimination based on gender, race, religion, language, marital status, ethnic identity, sexual orientation, gender identity, family responsibilities, union activities, political views, disability, social and cultural differences, etc.)		X			Work is ongoing in this area.	

	Compliance Status				Explanation	Report Information Regarding Publicly Disclosed Information
	Yes	Partially	No			

C. SOCIAL PRINCIPLES

C1. Human Rights and Employee Rights

C1.3. Measures taken throughout the value chain to protect certain economically, environmentally, and socially vulnerable groups (low-income groups, women, etc.) or minority rights/equal opportunities have been disclosed to the public.			X		Work is ongoing in this area.	
C1.4. Developments regarding preventive and corrective measures against discrimination, inequality, human rights violations, forced labor, and child labor have been disclosed to the public.			X		Work is ongoing in this area.	
C1.5. Investments in employees (training, development policies), compensation, recognized fringe benefits, unionization rights, work/life balance solutions, and talent management issues are included in the company's employee rights policy.			X		The Code of Business Ethics includes regulations on this subject in the Management of Reports Regarding Ethics Procedure, but these regulations are currently only shared internally within the company	
C1.5. Mechanisms for resolving employee complaints and disputes have been established, and dispute resolution processes have been defined.		X			Work is ongoing in this area.	
C1.5. Activities carried out during the reporting period to ensure employee satisfaction have been disclosed to the public.			X			
C1.6. Occupational health and safety policies have been established and disclosed to the public.	X					https://kurumsal.koton.com.tr/politikalar/

	Compliance Status				Explanation	Report Information Regarding Publicly Disclosed Information
	Yes	Partially	No			

C. SOCIAL PRINCIPLES

C1. Human Rights and Employee Rights

C1.6. Measures taken to prevent workplace accidents and protect health, as well as accident statistics, have been disclosed to the public.			X		While it has been disclosed in previous years' reports, the revised version will be included in our 2024 KGK Sustainability Report.	
C1.7. Personal data protection and data security policies have been established and disclosed to the public.		X			Although regulations on this matter exist, they are still only shared internally within the company.	
C1.8. An ethics policy has been established and disclosed to the public.		X			Although regulations on this matter exist, they are still only shared internally within the company.	
C1.9. Work in the areas of social investment, social responsibility, financial inclusion, and access to finance is disclosed.			X		Work is ongoing in this area.	
C1.10. Informational meetings and training programs have been organized for employees on ESG policies and practices.		X			While it has been disclosed in previous years' reports, the revised version will be included in our 2024 KGK Sustainability Report.	

C2. Stakeholders, International Standards, and Initiatives

C2.1. A customer satisfaction policy regarding the management and resolution of customer complaints has been established and disclosed to the public.			X		Work is ongoing in this area.	
C2.2. Information about communication with stakeholders (which stakeholders, topics, and frequency) has been disclosed to the public.		X			While it has been disclosed in previous years' reports, the revised version will be included in our 2024 KGK Sustainability Report.	

	Compliance Status				Explanation	Report Information Regarding Publicly Disclosed Information
	Yes	Partially	No			

C. SOCIAL PRINCIPLES

C2. Stakeholders, International Standards, and Initiatives

C2.3. The international reporting standards adopted are explained.		X			While it has been disclosed in previous years' reports, the revised version will be included in our 2024 KGK Sustainability Report.	
C2.4. The principles adopted regarding sustainability, international organizations, committees, and principles that have been joined as member or signatory member are disclosed to the public.		X			While it has been disclosed in previous years' reports, the revised version will be included in our 2024 KGK Sustainability Report.	
C2.5. Improvements have been made and efforts have been undertaken to be included in the sustainability indices of Borsa Istanbul and/or international index providers.		X			Work is ongoing in this area.	

D. CORPORATE GOVERNANCE PRINCIPLES

D1. The views of stakeholders were sought in determining measures and strategies in the area of sustainability.			X		Work is ongoing in this area.	
D2. Efforts have been made to raise awareness about sustainability and its importance through social responsibility projects, advocacy events, and training sessions.		X			While it has been disclosed in previous years' reports, the revised version will be included in our 2024 KGK Sustainability Report.	



Koton Mağazacılık Tekstil Sanayi ve Ticaret A.Ş.

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