

2025
ANNUAL
REPORT



KOTON

“Fashion isn’t shaped by seasons anymore, but by moments.”

AS A FASHION RETAILER THAT BRINGS CURRENT TRENDS TO LIFE THROUGH ITS FAST-FASHION APPROACH AND ORIGINAL DESIGNS, AND MANAGES THE INTEGRATED PROCESS FROM DESIGN TO STORE, KOTON CONTINUED TO TURN ITS AGILITY INTO A STRATEGIC ADVANTAGE IN 2025.

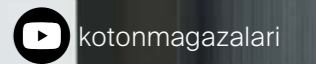
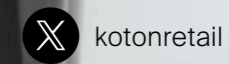
COMPANY PROFILE

Report Period:	01 January 2025- 31 December 2025
Trade Name:	Koton Mağazacılık Tekstil Sanayi ve Ticaret A.Ş.
Trade Register Number:	1243-4
Tax Number:	5810590984
Registered Capital:	TRY 6,600,000,000
Paid-in Capital:	TRY 829,650,000
Headquarter Address:	Ayazağa Mah. Maslak Ayazağa Caddesi No:3 İç Kapı No:5 Sarıyer İstanbul
e-mail:	yatirimci.iliskileri@koton.com investor.relations@koton.com
Website:	www.kurumsal.koton.com.tr/en/investor-relations

+90 212 331 33 00

info@koton.com.tr

www.koton.com.tr



Contents

CORPORATE PROFILE

- 8** About the Company
- 10** Vision, Mission and Values
- 12** Milestones
- 14** Capital and Partnership Structure
- 15** Privileged Shares
- 16** Subsidiaries
- 18** Koton at a Glance

GOVERNANCE

- 22** Message from the Chairman of the Board
- 24** Message from the CEO
- 28** Board of Directors
- 29** Senior Executives
- 30** Committees
- 32** Organizational Chart

2025 ACTIVITIES

- 36** Operational Overview
- 42** Brands and Design Lab
- 48** Partnerships with Suppliers
- 52** Information Technologies and Digitalization
- 56** Customer Experience
- 58** Communications and Marketing Activities
- 60** Human Resources
- 68** Occupational Health and Safety
- 70** Corporate Social Responsibility
- 76** Sustainability
- 84** Awards
- 86** Future Perspective

FINANCIAL POSITION and RISK MANAGEMENT

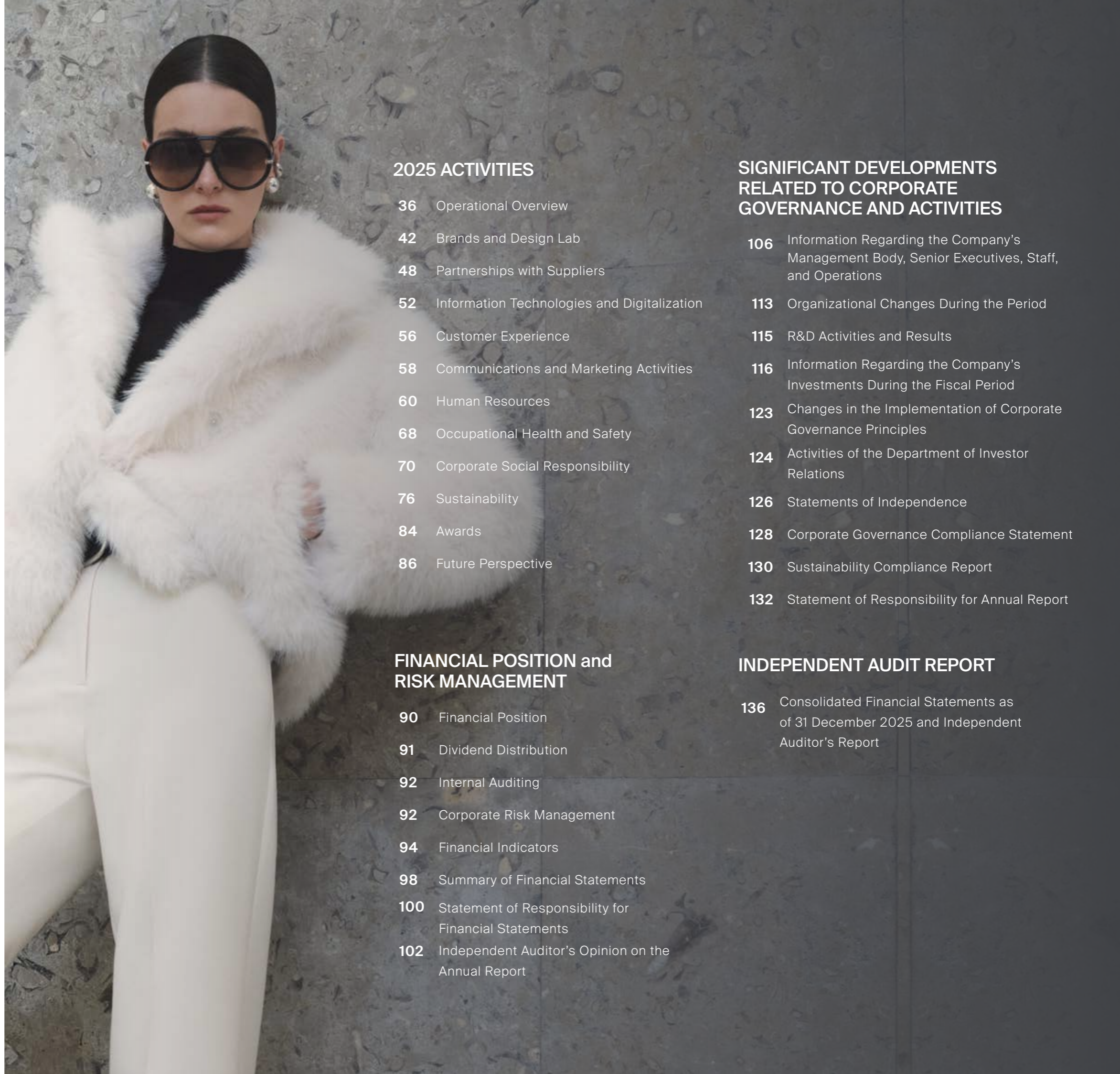
- 90** Financial Position
- 91** Dividend Distribution
- 92** Internal Auditing
- 92** Corporate Risk Management
- 94** Financial Indicators
- 98** Summary of Financial Statements
- 100** Statement of Responsibility for Financial Statements
- 102** Independent Auditor's Opinion on the Annual Report

SIGNIFICANT DEVELOPMENTS RELATED TO CORPORATE GOVERNANCE AND ACTIVITIES

- 106** Information Regarding the Company's Management Body, Senior Executives, Staff, and Operations
- 113** Organizational Changes During the Period
- 115** R&D Activities and Results
- 116** Information Regarding the Company's Investments During the Fiscal Period
- 123** Changes in the Implementation of Corporate Governance Principles
- 124** Activities of the Department of Investor Relations
- 126** Statements of Independence
- 128** Corporate Governance Compliance Statement
- 130** Sustainability Compliance Report
- 132** Statement of Responsibility for Annual Report

INDEPENDENT AUDIT REPORT

- 136** Consolidated Financial Statements as of 31 December 2025 and Independent Auditor's Report





Corporate *Profile*

About *the Company*

Koton, a leading brand in Türkiye's fashion and ready-to-wear retail sector, has been serving consumers in many countries from Europe to Asia with its steadily growing presence since 1988.

Strong roots stretching from the 1980s to the 2000s

The story of Koton, today's strong, global brand in the fashion and ready-to-wear retail sector, began in 1988 in a 25 m2 store in Kuzguncuk, Istanbul. Founded by Gülden Yılmaz and Yılmaz Yılmaz, who foresaw the growing potential of the textile industry at the time, Koton began selling wholesale ready-to-wear products in 1992, quickly expanded and entered international markets..

A strong entry into the European market with its first showroom in Germany...

Koton opened its first international showroom in Germany in 1995. For the company, this step marked a significant turning point in expanding its business in the ready-to-wear sector, entering international markets, and gaining a better understanding of consumer expectations in the European market while enhancing its design and production capabilities. The same year, the company made a strong entry into the German market with its own Koton and Ole brands, focusing on creating designs aligned with trends by better understanding the fashion demands of European consumers.

By the year 2000 Koton, with 10 branches, had established itself as a profitable and growing exporter and had become a brand primarily focused on export-oriented production in Türkiye. Continuing its investments, Koton expanded its international presence in 2002 by opening its first stores in the Middle East, Russia, and the Balkans.

Winds of change in the sector

In the early 2000s, the widespread dissemination of information via communication tools thanks to the internet placed the concept of "trends" at the very heart of consumer habits and fashion perception. As needs and consumer demands evolved, shopping malls began to proliferate rapidly, creating significant retail opportunities in the textile and ready-to-wear sector. Recognizing these sector developments, Koton, guided by accurate forecasts of these opportunities, decided to focus on retail in 2002. With this strategic decision in mind, the company commissioned a large-scale study across Türkiye to reposition its brand, examining customer profiles and expectations. This research revealed that customers desired product variety and spacious, airy stores. Koton heeded its customers and began designing its retail concept to meet these expectations. As a result, Koton's spacious, large-format stores have focused on offering customers trendy fashion items at affordable prices.

Growth through partnerships and public offering

Over the next 10 years, Koton evolved into a growing fashion brand, and in 2012, the venture capital firm Turkven acquired a 50% stake in the company through the Nemo Apparel BV fund. This partnership made a significant contribution to the company's branding efforts and its expansion into global markets.

Koton went public in May 2024 and began trading on the Istanbul Stock Exchange; a small portion of Turkven's shares was offered to the public, reducing its stake in the company's capital from 50% to 39.6%. As of today, Koton continues its operations under the leadership of its Board of Directors. The company is not affiliated with any holding company or parent entity. The company's decision-making processes, long-term growth strategies and corporate values are managed directly by the Board of Directors and the professional management team.

Universal principles and values in corporate governance

Having grown from a small family business into a strong and prominent player in its sector, Koton has adopted universal values in its corporate governance philosophy. The company builds its corporate governance philosophy on the principles of transparency, accountability, fairness, and responsibility. Ethical values, risk management, and

stakeholder expectations serve as the fundamental reference points in decision-making processes. Within its governance approach, the company adopts an open, inclusive, and sustainable relationship model with employees, suppliers, business partners, customers, and the community.

Sustainability: the DNA of the Koton brand

Koton has adopted the "Respect for Life" approach with the goal of "a sustainable world and work life—from yesterday to today, and from today to tomorrow." In line with this, environmental impact reduction, efficient use of resources, responsible production, and the use of sustainable raw materials are among the company's top priorities.

Koton, rapidly adapting to the spirit and demands of the times, is enhancing its operational efficiency while reducing its environmental footprint through investments in digital transformation and innovation.

Koton positions the concept of social responsibility as an integral part of its business processes and actively takes on responsibility in the areas of women's empowerment, employment equality, gender equality, and social inclusion. The projects supported and implemented in this context are among the priority areas of focus that Koton has consistently pursued for many years.

Vission, Mission and Values

Our Vision

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

Misyon

Making global trends accessible



Value Driven Success is in our fabric



We Are Fast and Efficient

We are an agile, fast-paced, and flexible team focused on operational excellence and technology. Being fast and efficient is in our fabric.



We Are Customer Focused

We are a team that understands their customers and creates value out of data. Customer-focus is in our fabric.



We Are Passionate

We're a close-knit, enthusiastic team that brings a unique touch to our work through our success-driven creativity. Our passion for what we do is in our fabric.



We Are Quality-Focused

We are a team that presents our customers with quality products and services, and that continually improves work processes to better our standards. Quality-focus in our fabric.



We Are a Team

We are a team that thinks globally, acts locally, draws strength from diversity, inspires trust, is focused on improvement, and makes data-driven decisions. Team spirit is in our fabric.



We Are Respectful

We are a team that feels responsibility for today and tomorrow, is compassionate, transparent, inclusive, and draws strength from diversity: a team that upholds the values of the Republic. Respect is in our fabric.

Milestones

▼ **1988**

First retail store opened in Kuzguncuk, İstanbul.

▼ **1992**

Besides retail, wholesale trade was introduced into the company's operations.

▼ **1996**

First international showroom opened in Munich, Germany.

▼ **2002**

New stores started operation in the Middle East, Russia and the Balkans

▲ **2009**

Ranked as the 2nd most valuable fashion brand in Türkiye's Most Valuable Brands list.

▲ **2008**

For "Koton Designer's Line", first international designer collaboration with Jean Pierre Braganza.

▲ **2006**

Türkiye's first designer and brand collaboration with "Bora Aksu for Koton".

▼ **2012**

- » Turkven, through Nemo Apparel BV fund, became a 50% partner in Koton.
- » First international collaboration, featuring Alessandra Ambrosio

▼ **2014**

Koton entered the Superbrands list.

▼ **2015**

Koton.com was launched. Selected as Türkiye's "Most Trusted Women's Fashion Brand" according to BrandSpark Türkiye Consumer Research.

▲ **2018**

Named "Brand of the Year" by Campaign Türkiye magazine

▲ **2017**

Obtained Türkiye's 27th Design Center certificate.

▲ **2016**

The Handmade Collection project was launched with the aim of empowering women who have been excluded from the socio-economic system.

▼ **2019**

Launched Koton Love Collection, designed to improve the living conditions of stray animals.

▼ **2020**

First Turkish member of the Better Cotton Initiative.

▼ **2022**

- » Published its first sustainability report.
- » Named "Anchor Store of the Year" and "Most Popular Women's Brand" at the AYD Number One Brands Awards Ceremony.
- » World's first TikTok collection was launched.

● **2025**

- » Rose to 36th place on the "Türkiye's Most Valuable and Strongest Brands" list.
- » Named "Most Popular Women's Brand" for the 12th time at the AYD Number One Brands Awards Ceremony.

▲ **2024**

Began trading on the Istanbul Stock Exchange.

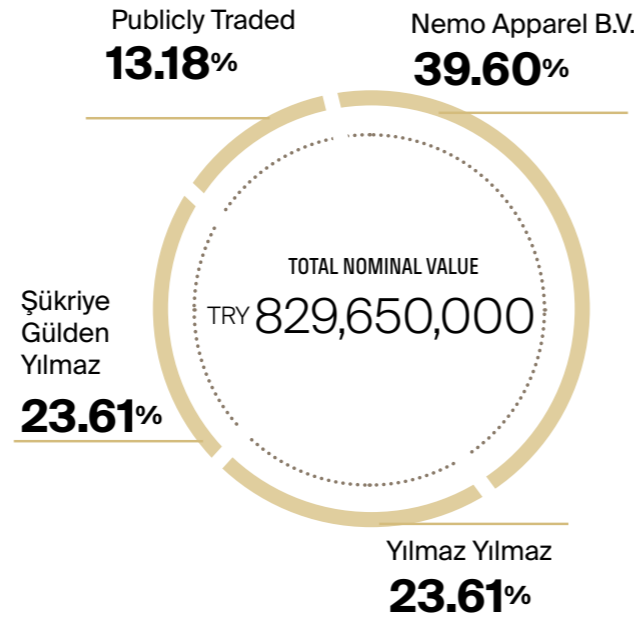
▲ **2023**

- » Given the "Brand Embracing Republic Values" award.
- » Named "Most Popular Women's Brand" for the 10th time at the AYD Number One Brands Awards Ceremony.
- » "Koton Club" loyalty program launched.

Capital and Partnership Structure

The Company's paid-in capital is TRY 829,650,000. As of 31 December 2025, the Company's capital consists of a total of 829,650,000 Class A and Class B shares, each with a par value of TRY 1. Of these shares, 136,600,000 are publicly traded.

The shareholders have repurchased a portion of the shares from the stock exchange as a result of price stabilization transactions. As of today, 27,264,030 publicly traded shares are held by the shareholders. Accordingly, the actual number of shares outstanding is 109,335,970.



As of 31 December 2025, the company's capital structure is as follows:

SHAREHOLDER	NOMINAL VALUE	PERCENTAGE (%)	SHARE CLASS
Yılmaz Yılmaz	99,437,500	12.00	A
	96,465,287	11.61	B
Şükriye Gülden Yılmaz	99,437,500	12.00	A
	96,465,287	11.61	B
Nemo Apparel B.V.	328,508,456	39.60	B
Publicly Traded	109,335,970	13.18	B
TOTAL	829,650,000	100.00	

Privileged Shares

The voting rights of Class A shares at the General Assembly are governed by Article 19 of the Articles of Association, titled "General Assembly." In this context, Class A shares carry five voting rights per share at the General Assembly regarding (i) the election of Board members other than Independent Board members and (ii) the election of the chairperson of the General Assembly and the formation of the presiding chairmanship. Class B shares, however, have no such privileges.

In addition, a majority of affirmative votes from Group A shareholders is required for certain General Assembly resolutions specified in the Articles of Association to be adopted.

These General Assembly resolutions are as follows: (i) capital increases, liquidation, dissolution, or termination of the Company, capital reduction, or a change in the Company's legal form, except for capital increases to be made under the Company's authorized capital system; (ii) filing for bankruptcy, concordat, financial restructuring, or a stay of bankruptcy proceedings; (iii) the transfer of all or part of the Company's business operations, merger, or division; (iv) the removal or modification of the scope of the preferential rights of Class A shareholders as set forth in the Articles of Association; (v) Changes to the Company's board of directors structure and the quorum requirements for meetings and decisions of the board of directors and its committees, and (vi) the approval of the annual activity report, income statements, and balance sheets, as well as the discharge of the members of the Board of Directors.

Subsidiaries

Subsidiaries

SHAREHOLDER	REGISTERED COUNTRY	FIELD OF ACTIVITY
Koton Textile Group Gmbh ("Koton Germany") (*)	Germany	Retail
Koton Textile Limited Doo Sarajevo ("Koton Bosnia-Herzegovina")	Bosnia and Herzegovina	Retail
Koton Textile Limited Llc ("Koton Georgia")	Georgia	Retail
Koton Textile D.O.O Zagreb ("Koton Croatia") (*)	Croatia	Retail
TOO "Koton Textile" Limited ("Koton Kazakhstan")	Kazakhstan	Retail
Koton Mağazacılık Doo El Skopje ("Koton Macedonia")	Macedonia	Retail
Koton Textile Retail Srl ("Koton Romania")	Romania	Retail
Koton Textile Llc ("Koton Russia")	Russia	Retail
Koton Textile Limited Doo Beograd ("Koton Serbia")	Serbia	Retail
Koton Textile Limited S.R.O ("Koton Slovakia") (*)	Slovakia	Retail
Koton Tekstil Emboria Endimaton Monoprosopi Epe ("Koton Greece") (*)	Greece	Retail
Koton Mağazacılık Sarl Au ("Koton Morocco")	Morocco	Retail
Koton Mağazacılık Sasu ("Koton France") (*)	France	Retail
LLC Koton Textile ("Koton Belarus")	Belarus	Retail
Limited Liability Company Koton Textile ("Koton Ukraine")	Ukraine	Retail
Koton Mağazacılık Limited ("Koton Azerbaijan") (*)	Azerbaijan	Retail
Koton Textil Limited ("Koton Hong Kong") (*)	Hong Kong	Retail
Koton Textil Korlátolt Felelősségű Társaság ("Koton Hungary")	Hungary	Retail
Koton A.G. Trading L.L.C. ("Koton UAE")	United Arab Emirates	Retail
Koton India Private Limited ("Koton India") (*)	India	Retail
Koton Trading LLC ("Koton KSA")	Saudi Arabia	Retail
Koton Fashion Trading L.L.C ("Koton Oman") (**)	Oman	Retail
Koton Bahrain Trading W.L.L ("Koton Bahrain") (**)	Bahrain	Retail
Koton Trading L.L.C ("Koton Qatar") (**)	Qatar	Retail
Koton INC ("Koton USA") (*)(**)	United States of America	Retail

(*) No active stores as of 31 December 2025

(**) Established in 2025.

KOTON

at a Glance

NUMBER OF
CORPORATE STORES

 **360**
stores

NUMBER OF
FRANCHISE STORES

 **104**
stores

TOTAL SALES AREA

 **~ 395**
thousand m²

DOMESTIC M² EFFICIENCY

 **22%**
increase (in USD)

NUMBER OF NEW
INTERNATIONAL STORES

 **14**
stores

CONSOLIDATED SALES

 TRY **32.9**
million

TOTAL NUMBER OF STORES

 **464**
stores

WHOLESALE CHANNEL

 **~ 600**
sales points

AVERAGE NUMBER OF EMPLOYEES

 **7,852**
employees

IN 2025

Physical Stores in
35 COUNTRIES

Including e-commerce operations
CLOSE TO 70 COUNTRIES

TOTAL WORKFORCE

74% | **26%**
WOMEN | MEN

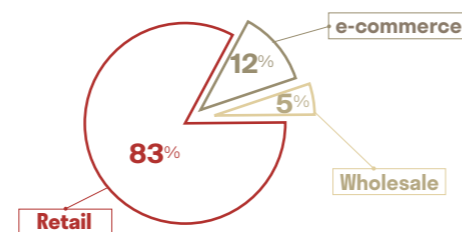
CONSOLIDATED GROSS
PROFIT MARGIN

 **54.1%**

CONSOLIDATED EBITDA MARGIN

 **23.7%**

SALES BY CHANNEL



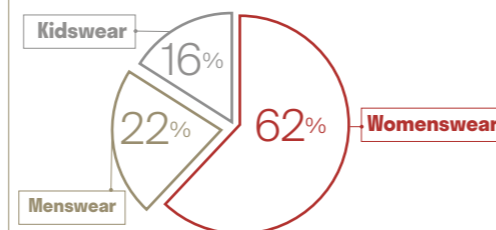
DOMESTIC RETAIL LFL
SALES VOLUME

 **11.6%**
increase

BREAKDOWN OF SALES BY
DOMESTIC AND INTERNATIONAL
MARKETS



SALES BY CATEGORY



IN 2025

24,000

SKU* accessories, basic and
RPT products included,

CLOSE TO

30 DIFFERENT PROJECTS/
CAPSULE COLLECTIONS

3 REGIONAL
COLLECTIONS

products tailored to
the needs of different
markets

NUMBER OF SUPPLIERS

360

LOCAL SUPPLY
(NO OF PRODUCTS)

89%

LOCAL SUPPLY
(PRODUCT VALUE)

83%

STRATEGIC POWER

90 DESIGN
CENTER
people

NUMBER OF KOTON
CLUB MEMBERS

 **9+**
million

SHARE OF KOTON CLUB
MEMBERS IN TOTAL SALES

 **68%**



Governance

Message from *the Chairman of Board*

We combine the strengthened organizational discipline we gained through our initial public offering with an approach that aligns with the creativity and pace of the fashion industry, and we embrace a transparent and balanced growth strategy.



YILMAZ YILMAZ
Chairman of the Board of Directors

To our esteemed stakeholders,

I am pleased to share our Company's second annual report with you, since we started trading on Borsa Istanbul in 2024. This report not only highlights our financial performance and key figures but also discusses the business practices that strengthen our brand.

With a legacy dating back to 1988, our company meets consumer expectations through its experience in the fashion and ready-to-wear retail sector and its technology-driven processes. Through our data-driven, technology-focused business model, we offer collections that capture the latest trends in both the Turkish and international markets. Thanks to our robust R&D capabilities and ability to act quickly, we are positioned as one of the industry's key competitive brands, capable of responding to consumer demands that change almost instantly.

In 1995, we took the first step in Koton's international journey by opening our first overseas store in Germany. During the same period, we began selling wholesale to European consumers under our Koton and Ole labels, thereby expanding our brand into global markets. During this time, we honed our ability to understand customer expectations in Europe and further developed our design and production capabilities. As shopping malls began to proliferate, significant opportunities emerged in the textile and ready-to-wear sectors from a retail perspective. As Koton, we decided to exit the wholesale business in 2002 and focus on retail. In the early 2000s, the widespread adoption of the internet and digitalization enabled content across various topics such as fashion, trends, shopping, home textiles, clothing, and cosmetics, to take on an "information" format, reaching consumers almost "automatically." As technology evolved over time, the concept of e-commerce entered consumers' lives. During this period, brands that could quickly integrate with digitalization and technology managed to maintain their competitive edge. As Koton, we were one of them. Today, leveraging the agility gained from early adaptation to digitalization, we take trends to millions of customers across nearly 70 countries through our online channels.

Our future goals include expanding in the Gulf Region through both our physical stores and online channels; expanding through our physical stores in Central and Eastern Europe and through our online channel across Europe; making operational improvements in the CIS Region; entering the U.S. market via our e-commerce channel; and entering the African market through franchising to strengthen our presence across all regions.

Koton is a brand that has integrated its years-long design expertise and corporate know-how with a strong

brand vision. By combining our trend-focused ("Trendy") and affordable premium ("Affordable Premium") product philosophy with our local strength through a global perspective ("Local Global"), we aim to reach 1 billion customers worldwide by 2030.

As fashion awareness and clothing culture have gained momentum through knowledge and access, advancing technology has also propelled our industry forward through its contributions to production processes. In the textile industry, yarn, fabric, dyeing, and printing methods have advanced rapidly. In parallel, the environmental and social impacts of each area—including raw materials, labor, logistics, and supply chains—have gained significance, and the concept of "sustainability" has entered our agenda.

With the understanding that we must show the same respect for our world as we do for our work, we place sustainability at the heart of our operations.

“

Just as we have done in the past, we will continue to evolve as a forward-thinking, trend-setting brand, focusing on digital transformation, sustainability, and affordability.

As of the end of 2025, the share of sustainable products in our revenue has reached 37%. We aim to increase the share of renewable energy sources in our energy consumption. Our "Renewable Energy Source Guarantee Certificate" (YEK-G) is the most concrete indicator of this commitment. We continue to work diligently on key areas such as promoting recycling, supporting the circular economy, and waste disposal.

Guided by the fundamental values of the Republic, in 2026, too, we are moving confidently toward the future by combining our fast, efficient, and customer-focused approach with passion, quality, and a spirit of teamwork. On behalf of the Koton Board of Directors, I would like to thank all our stakeholders who have accompanied us on this journey.

Sincerely,

YILMAZ YILMAZ
Chairman of the Board of Directors

Message from *the CEO*

As the go-to address for trends, Koton concluded 2025 a year in which the impact of challenging macroeconomic conditions on consumers was felt more acutely than in the previous year by increasing its operational profitability thanks to its strong brand positioning, flexible business model, and focus on profitability, achieving approximately TRY 33 billion in consolidated revenue and TRY 7.8 billion in EBITDA.



Dr. A. BÜLENT SABUNCU
Chief Executive Officer (CEO)

To our esteemed stakeholders,

In 2025, amid challenging macroeconomic conditions that increasingly impacted consumer behavior, we delivered a strong performance thanks to our robust brand positioning and optimal price-product balance. Indeed, for the industry, 2025 was a year in which the contraction in demand intensified further compared to 2024, cost increases persisted due to the ongoing inflationary environment, and high interest rates and a strong Turkish Lira policy continued. Despite all these adverse conditions, disciplined cost management, operational improvements, strategic decisions, and particularly the positive performance demonstrated in the fourth quarter of 2025 enabled us to close 2025 with significantly better operational results compared to 2024.

Thanks to our strategy of offering trendy and high-quality products at competitive prices, we further strengthened our financial performance in 2025. Despite a shrinking domestic market, we managed to sustain demand for our products by offering our unique, trend-driven designs at the right price points, and achieved growth in retail sales that exceeded the market average. As a result, we achieved a 5.7% real growth in domestic retail sales compared to the previous year. During this period, we solidified our leadership in the retail sector by winning the “Most Popular Women’s Apparel Brand” award, presented by AYD (Retail Investors Association), one of the industry’s leading organizations, for the 12th time.

Figures adjusted for inflation show that we closed 2025 with a consolidated revenue of approximately TRY 33 billion. Throughout the year, we saw tangible results from our effective inventory management, controlled costs, and disciplined expense management practices. We succeeded in increasing our gross profit margin to 54.1% and our EBITDA

margin to 23.7%. Despite challenging industry conditions and rental expenses rising at a rate exceeding inflation, which significantly strained the sector during this period, we generated TRY 1.7 billion in operating income. We managed our operations with inventory levels 11% lower than the previous year. While this situation partially impacted net profitability due to a decrease in monetary position gains resulting from inflation accounting, it contributed positively to cash flow and supported the generation of a total of TRY 3.5 billion in free cash flow during the year. We anticipate that the increase in financing expenses caused by high interest rates will positively impact net profitability in the coming period, in line with the expected decline in interest rates.

“

Thanks to our brand strength, we rose to 36th place among Türkiye’s most valuable brands according to Brand Finance data, and we crowned our international presence by winning the “Company with the Most Stores Abroad” award at the Turkish Ministry of Trade’s Turquality Awards.

Message from the CEO



Through our global e-commerce operations and physical stores, we export to nearly 70 countries. Thanks to our robust supply chain and efficient capacity utilization, we have the capability to source over 80% of our supplies from Türkiye quickly and with high quality. This enables our company to establish a competitive position in pricing, creating a significant advantage for us in the global marketplace.

As of 2025, Koton has physical stores in 35 countries and carries out e-commerce operations in nearly 70 countries. This year, we recorded a net growth of 13 stores, primarily driven by store openings abroad. Our total number of stores reached 464. In addition to the Gulf Region, we opened new stores in Hungary, Serbia, Romania, and Kosovo. In the second half of the year, while opening the 10 stores planned for the Gulf Region, through our partnership with the Apparel Group we also launched new stores in Oman and Qatar, in addition to Saudi Arabia, the United Arab Emirates, and Bahrain. We are continuing our preparations to enter the Kuwait market in the second half of 2026.

Through our daily sales tracking systems we effectively analyze our customers' needs and expectations. We source the majority of our products from Türkiye through efficient capacity utilization as well as fast and high-quality delivery, and this fact gives us a significant competitive advantage in the market.

In 2025, we made significant strides in the areas of customer experience and CRM.

While enhancing customer experience and reinforcing our premium brand image through our new concept in our physical stores, we have also elevated the customer experience to new heights through personalization and artificial intelligence initiatives on our online channels. This holistic approach has earned us three prestigious awards.

By segmenting our customers based on their shopping habits, we provide our members with a value-driven experience through personalized offers tailored to their expectations and needs. We maintain effective communication with our customers through our CRM-integrated call center and survey practices.

We are expanding Koton Club with our omni-channel centered approach

Our loyalty program, Koton Club, a key pillar of our omni-channel strategy, has reached 9 million members by the end of 2025, having gained over 2.8 million new members in Türkiye since the end of 2024. While the member engagement rate stands at 60%, we observe that members shop 76% more frequently than non-members. For members who earn and use points through the Koton Club points system, shopping frequency is more than four times higher than that of non-members. Internationally, our loyalty programs launched in the CIS region in the second quarter of 2025 and in Serbia in the fourth quarter continue to grow.

We view the growing financial contribution of our international operations as a key driver of our future growth.

Thanks to operational improvements abroad and strong performance in the e-commerce channel, we achieved a 15% growth in our international sales in USD terms in 2025. We anticipate that the financial contribution of our international operations will increase as the impact of the strong Turkish Lira policy subsidies in the coming periods. We continue to open new stores abroad, primarily in the GCC region. We are implementing efficiency-focused transformation projects in regions with relatively lower performance. In 2025, we achieved a 61% year-over-year growth in our e-commerce channel abroad, driven by strong sales in the CIS and European marketplaces, and we expect this growth to continue. Additionally, our plans to enter the U.S. market via e-commerce in the second half of 2026 are a source of great excitement for us.

Our philosophy of "Respect for Life" lays the foundation of our values.

We prioritize sustainability, and as a member of the United Nations Global Compact, we aim to increase the proportion of sustainable products in our collections every year. As a member of Better Cotton, we support responsible cotton production and use fabric scraps to create hangers for our stores. In 2025, with our "Respect for Water" initiative, we received an

award in the "Projects Supporting the UN Sustainable Development Goals" category.

Our success is built on our human capital. Women make up 67% of our board of directors, 74% of our workforce, and 56% of our management team. Through our corporate social responsibility initiatives such as the Handicrafts and Housewives Projects and the "One Woman Can Change the World" Impact and Solidarity Fund, we are making a difference by empowering women and young people, thereby supporting social development.

We are implementing the necessary changes to take Koton into the future.

In line with our company's vision and mission, we are now implementing projects aimed at carrying Koton into the future even stronger. For the coming period our top priorities are closing the low-profit B2B channel in e-commerce, increasing koton.com's share of the e-commerce market and completing the integration of e-commerce with store inventory. Sales growth through omnichannel customers, along with increased conversion rates and average order value through Koton Club, are also among the key priorities.

In domestic retail, our other key focus areas include growth driven by dynamic pricing policies and operational agility, increased sales per square meter through optimization efforts, and an enhanced customer experience enabled by new store concepts. In international retail, our other key priorities include entering new markets in the GCC region with the Apparel Group, expanding in the CEE region, and implementing operational improvements and optimization initiatives in the CIS region.

I would like to extend my heartfelt thanks to all our stakeholders, whose support we have always felt throughout our operations. I sincerely believe that, with the continued trust and support of our stakeholders, we will further strengthen our brand by adapting global trends to the local market and offering our unique designs and high-quality products at competitive prices.

Sincerely,

Dr. A. BÜLENT SABUNCU
Chief Executive Officer (CEO)

Board of *Directors*



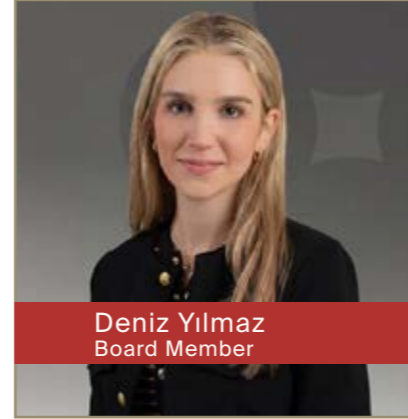
Yılmaz Yılmaz
Chairman of the Board



Gurgle B.V. Representative
Eleonora Barbara van Geloven
Vice Chairperson of the Board



Şükriye Gülden YILMAZ
Board Member



Deniz Yılmaz
Board Member



Ömer Faruk IŞIK
Independent Board Member



Ayşe Ufuk AĞAR
Independent Board Member

NAME	TITLE	TERM OF OFFICE İ (Start-End)
Yılmaz Yılmaz	Chairman of the Board	28.May.2025 - 28.May.2026
Gurgle B.V. (*)	Vice Chairperson of the Board	28.May.2025 - 28.May.2026
Şükriye Gülden YILMAZ	Board Member	28.May.2025 - 28.May.2026
Deniz YILMAZ	Board Member	28.May.2025 - 28.May.2026
Ömer Faruk IŞIK	Independent Board Member	28.May.2025 - 28.May.2026
Ayşe Ufuk AĞAR	Independent Board Member	28.May.2025 - 28.May.2026

*Gurgle B.V. (represented by Eleonora Barbara van Geloven)

Senior *Executives*



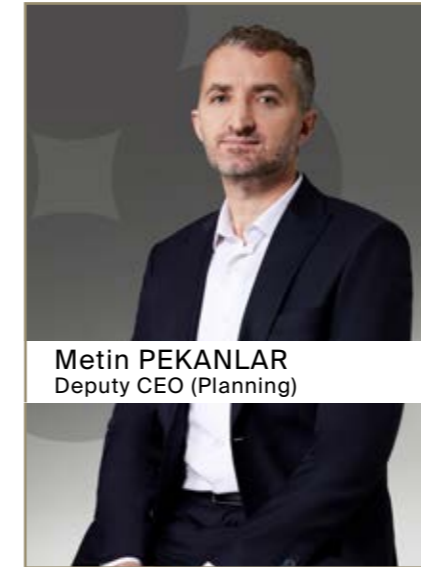
Dr. A. Bülent SABUNCU
Chief Executive Officer (CEO)



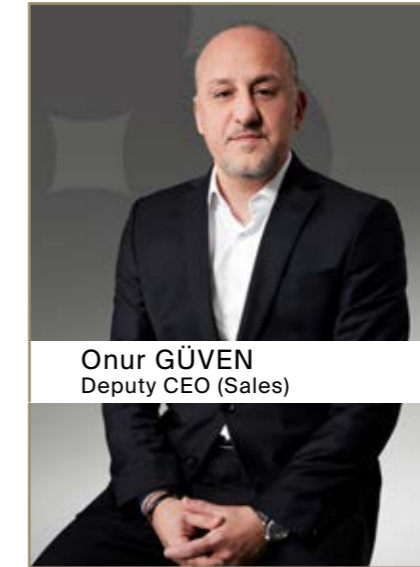
Mert Güneş SÖNMEZSOY
Deputy CEO (CFO)



İlkay KESKİN
Deputy CEO (Creative)



Metin PEKANLAR
Deputy CEO (Planning)



Onur GÜVEN
Deputy CEO (Sales)



Sebla Oran PALUT
Deputy CEO (Human Resources)

NAME	TITLE	TERM OF OFFICE İ (Start-End)
Dr. A. Bülent SABUNCU	Chief Executive Officer (CEO)	October 2020-present
Mert Güneş SÖNMEZSOY	Deputy CEO (CFO)	March 2020-present
İlkay KESKİN	Deputy CEO (Creative)	January 2026-present
Metin PEKANLAR	Deputy CEO (Planning)	January 2026-present
Onur GÜVEN	Deputy CEO (Sales)	December 2025-present
Sebla Oran PALUT	Deputy CEO (Human Resources)	January 2026-present

Committees

Audit Committee

NAME		TITLE
Ömer Faruk IŞIK	Chair	Independent Board Member
Ayşe Ufuk AĞAR	Member	Independent Board Member

Early Risk Detection Committee

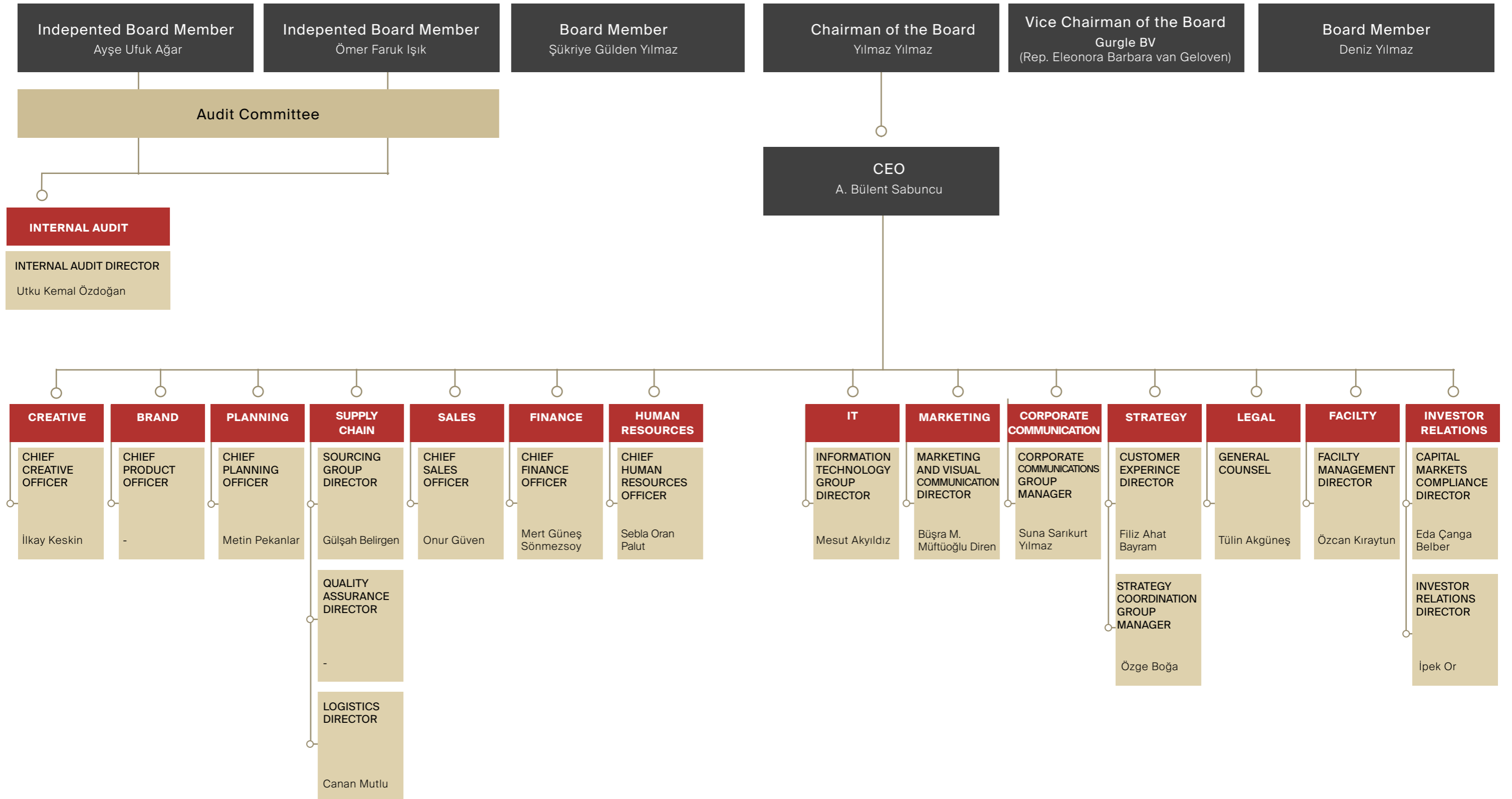
NAME		TITLE
Ömer Faruk IŞIK	Chair	Independent Board Member
Ayşe Ufuk AĞAR	Member	Independent Board Member
Yılmaz YILMAZ	Member	Chairman of the Board

Corporate Governance Committee

NAME		TITLE
Ayşe Ufuk AĞAR	Chair	Independent Board Member
Ömer Faruk IŞIK	Member	Independent Board Member
Yılmaz YILMAZ	Member	Chairman of the Board
Şükriye Gülden YILMAZ	Member	Board Member
Eda Çanga BELBER	Member	Capital Markets Compliance Coordinator



Organizational Chart





2025 *Activities*



Overview of *Operations*

Koton's primary business is the design and sale of ready-to-wear clothing. The company conducts its sales through a network of company-owned and/or franchise-operated stores, as well as through wholesale and e-commerce channels.

Industry Overview and Market Positioning

Koton operates in the textile sector as a ready-to-wear and fashion retailer. In 2025, the textile sector faced a challenging period due to intensifying global competition from countries with low-cost production, rising raw material prices, and increasing logistics costs, all of which led to price pressures on products. Tight monetary policy conditions implemented due to the ongoing inflationary environment also affected consumer spending.

According to the latest data from the Turkish Exporters' Assembly, exports of ready-to-wear and apparel declined by 6.3% year-over-year in 2025, falling to USD 16.8 billion. During the same period, exports of textiles and textile materials decreased by 0.8% to USD 9.4 billion. As of 2025, Türkiye's share of the global ready-to-wear market fell below 3% for the first time in 35 years, while its share in the European Union dropped below 5% for the first time in 30 years. This contraction in the sector stems from the effects of the strong Turkish Lira policy against foreign currencies and rising financing costs due to high interest rates; this situation has negatively impacted Koton, as well as all Turkish export companies, in terms of their international operations.

Koton's total exports amounted to USD 82,541,355 in 2025, representing a 9.78% decline compared to the previous year.

Regarding Koton's operations in Türkiye, however, the company stands out positively within the sector. According to the monthly shopping mall sales index data from the Association of Shopping Centers and Investors (AYD), the ready-to-wear retail sector contracted in real terms in 2025 compared to the previous year due to weakening consumer demand, as consumers prioritized essential expenditures. In contrast, Koton outperformed the retail sector's overall performance throughout 2025 by growing at a rate exceeding the monthly shopping mall sales index published by AYD.

Thanks to measures taken to accelerate operations, as well as controlled cost and expense management, disciplined supply chain practices, and effective inventory management, the company succeeded in closing 2025 with stronger financial results compared to the previous year. Koton's revenue stood at TRY 32.9 billion, with a gross profit margin of 54.1% and EBITDA of TRY 7.8 billion. Despite this positive performance, Koton closed 2025 with a net loss of TRY 958 million due to the impact of currency appreciation on foreign currency-denominated loans and the recording of fewer monetary gains in the income statement under inflation accounting practices resulting from declining inventory levels.

Agility and Quality Advantage Through Local Sourcing

Koton sources 89% of its total product volume from Türkiye. By closely analyzing trends and demand through daily sales tracking, the company has the ability to arrange production in Türkiye much more quickly and with much higher quality compared to countries where manufacturing is concentrated, such as China and India. This capability has provided Koton, positioned as a "Trendy, Affordable Premium" brand, with the opportunity to take swift action in response to customer demand in 2025 as well.

Omnichannel and Extensive Sales Network

Koton, which aims to quickly and innovatively offer its customers the latest trends and a wide range of collections catering to diverse styles, conducts its sales through mono-brand stores, including both company-owned and franchise-operated locations. By 2025, Koton has expanded its physical store presence to 35 countries. Including its e-commerce operations, it has reached nearly 70 countries.

The company operates on an omnichannel basis, utilizing its retail channel, e-commerce channel, which includes online marketplaces and its own corporate e-commerce site, and wholesale channel.

Koton operates in 38 markets across a total of 56 countries through its e-commerce channel. It also sells products in four countries via www.koton.com. In the wholesale channel, there are over 600 sales points.

Koton, which reached a total of 464 stores in 2025, aims to achieve a net increase of more than 10 stores in 2026. Increasing the square-meter efficiency of existing stores in both domestic and international retail operations is also part of the 2026 business plan.

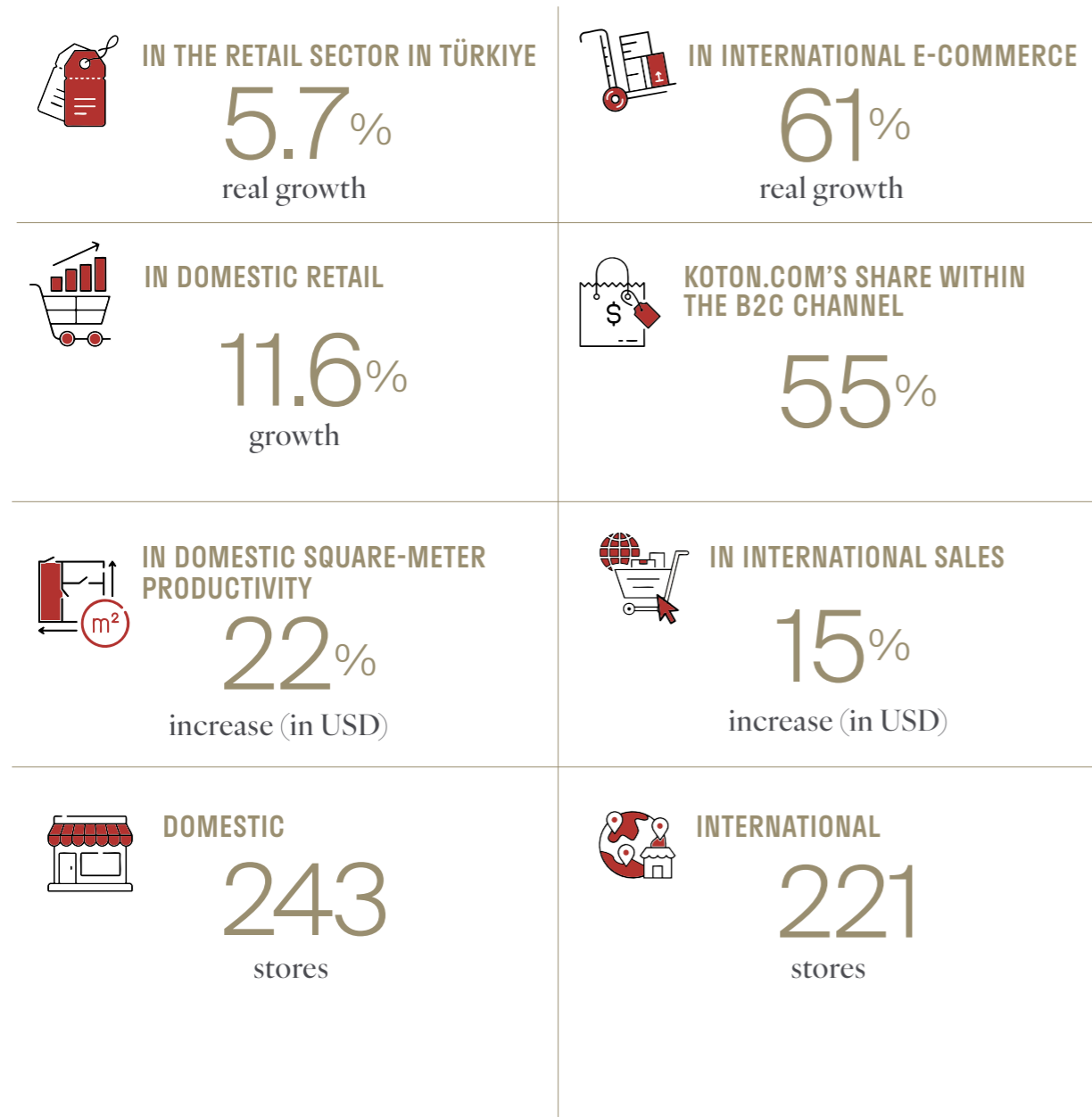
“

Koton positions itself as a strong brand that makes fashion accessible to everyone through its trendy designs, affordable premium value, and local-global approach.

Overview of Operations

2025 Overview

The successful results achieved through a dynamic pricing policy, operational agility, and effective inventory management;



Developments in International Markets

Koton's international sales accounted for approximately 28% of total sales in 2025.

During the year, new stores were opened in the Gulf Region, as well as in Hungary, Serbia, Armenia, Romania, and Kosovo. As part of its partnership with Apparel Group, one of the leading retail groups in the Gulf Region, the company continues to grow with a focus on profitability abroad and has launched corporate stores in Saudi Arabia, the United Arab Emirates, Bahrain, Oman, and Qatar. Sales in this region grew by 28% in dollar terms in 2025.

The company's goal for 2026 is to enter the Kuwaiti market, the final link in the Gulf region, with corporate stores; to establish a presence in the U.S. market through e-commerce, and to expand into the African market via franchise stores.

“

Positioned as a “Trendy, Affordable Premium” brand, Koton prioritizes ensuring the right product is available at the right time and at the right retail location by taking swift action in line with current trends and customer expectations.



Overview of Operations

Activities in the e-commerce Channel

A strategic decision was made to bring the profitability of the domestic e-commerce channel up to the level of the retail channel in 2025. Although e-commerce sales were lower in 2025, due to this focus on profitability the gross profit of the domestic e-commerce channel increased by 6.5 percentage points compared to the previous year.

The company aims to increase Koton.com's share of the overall e-commerce market by focusing on profitability in the domestic e-commerce sector.

Through its loyalty program, Koton Club, Koton aims to increase average order value and conversion rates. Additionally, by integrating its e-commerce inventory with its in-store inventory, the company seeks to support its omnichannel brand structure and enhance customer experience.

While e-commerce sales abroad recorded 61% real growth on an annual basis, growth was particularly pronounced in Russia and Europe. In 2025, Koton.com and Koton Club were launched in the CIS region and Serbia. Efforts to develop the e-commerce channel in these regions are ongoing.

The company's 2026 goals include entering online marketplaces in the Gulf region and India. Additionally, plans are underway to enter the U.S. market through the company established by Koton in the United States and marketplaces.

Profit-Driven Growth Potential in E-Commerce

Türkiye in 2025

- ✦ Focus on increasing Koton.com's market share in e-commerce
- ✦ Integration of store inventory into e-commerce
- ✦ Sales growth through omnichannel customers
- ✦ Increased conversion rates and average order value with Koton Club
- ✦ Reducing the B2B channel with a focus on profitability

International E-commerce Channel Plans

- ✦ Entry into new marketplaces through business partners in the GCC region and India
- ✦ Expanding the reach of Koton.com and Koton Club
- ✦ Strong online growth in Russia and Europe
- ✦ Growth through online entry into the U.S. market



Marketplaces Currently Under Integration

Brands and *Design Lab*

As a brand capable of operating on a global scale, Koton ranks among the companies that have successfully refreshed their dynamic collection structure at a high frequency by introducing nearly 200 new products to its warehouses each week throughout 2025.

The company's agile process management is directly reflected in the product and collection refreshing cycles. With its ability to act quickly, Koton not only keeps pace with trends but also continuously updates its product lineup based on feedback from stores and customers.

Dynamic Processes and High Frequency Retail

2As of 2025, a total of approximately 24,000 SKUs (stock-keeping units), including accessories, core products, and RPT items, have been introduced to stores. Even excluding core and RPT (reordered) products, nearly 200 new items are added to the warehouse each week on average.

While processes are managed in a disciplined manner through sign-off* days, the product flow continues uninterrupted throughout the season. Within this framework, nearly 30 different projects and capsule collections, including a sustainability initiative, have been launched over the course of the year. In addition, three regional collections have been developed to meet the specific needs of different markets.

Through collaborations with professional influencers, capsule collections particularly and other projects,

driven by the number of designs they have reached, have constituted a significant portion of the collection. At the same time, special occasion projects such as New Year's, Back-to-School, Mother's Day, and Valentine's Day, have served as the driving force behind in-season refreshments, thanks to their high volume of designs. The high number of SKUs and project diversity demonstrate that collections are managed not as static entities, but as a structure that is constantly updated, refreshed with capsule collections, and capable of rapid response. This pace clearly highlights that Koton's collection structure is dynamic and refreshed at a high frequency.

Integrated Personnel Inputs

Koton manages the process from the concept stage to the product's arrival in stores within an approximate timeframe of 8-10 weeks, maintaining its dynamism through rapid approval mechanisms and an agile structure. This dynamic process is fueled through a strong design team, Creative and Design Lab initiatives that closely track trends, and the joint analysis of sales data and competitive intelligence. Through Koton's creative team, global trends, customer expectations, and seasonal shifts are continuously monitored, and these insights are directly incorporated into brand management and design processes.

Sales performance and competitive data, meanwhile, support this creative process by ensuring the right product, the right price, and the right timing. Thanks to the seamless integration of all these factors, Koton is able to bring fast-moving, trend-conscious, and competitive collections to market.

Domestic Supply Chain

With more than half of its stores located in Türkiye and a high local production rate, Koton is able to track trends on the ground in real time and quickly translate them into products. Although a global brand, Koton draws on local sources, enabling it to swiftly implement emerging micro-trends, color and style updates, or capsule collections during the season, thereby gaining a competitive edge by entering the market early.

"Speed to Market" Comparable to Global Competitors

Positioned in a competitive landscape alongside global brands, Koton delivers the latest trends to customers at the right time and at an affordable price point. By launching its collections quickly, the brand keeps pace with global competitors in terms of trend speed, while distinguishing itself in the local market with a more up-to-date and dynamic product lineup. This approach reinforces the brand's "trendy, affordable" positioning while ensuring that its collections remain current throughout the season.



*The day of the meeting when the models to be put into production are selected from among the designed models.

Brands and *Design Lab*

“

With its customer-focused approach, the Koton Design Lab serves as the company's strategic powerhouse. Through its innovative, consistent, and original designs, the lab enhances the company's competitive advantage.

KOTON *Design Lab*

Koton's Design Lab, also referred to as the company's "strategic powerhouse," aims to maintain the highest level of customer satisfaction by placing the company's customer-centric approach at the core, while delivering a consistent and innovative shopping experience across both in-store and online channels. The Koton Design Lab combines creativity and innovation with unique designs and trend-focused solutions, developing collections that cater to different customer segments in line with short-, medium-, and long-term design strategies, while embracing sustainable, technology-driven, and people-centered production. The Lab continuously enhances Koton's design capabilities and establishes a structure that strengthens the company's competitive edge in the fashion retail sector. Over 20,000 samples are developed annually in the Design Lab's patternmaking and sewing workshops.

Design Lab Workflow

With the contribution of the approximately 90-member Design Lab team, the process begins with the evaluation of project ideas submitted by the brand teams and is supported by literature and trend research. Once a project decision is made, design preparations begin, and the process is refined through prototyping and testing phases. Projects are finalized through design reviews and approvals, then transferred to production following cost and efficiency checks. Post-sales success analyses are conducted based on project outcomes, and a holistic approach that continuously improves through feedback is prioritized.

Feedback Loop Between Sales Data and Design

The feedback loop between sales data and design is managed in an agile manner. At the heart of this structure is the Aura program, implemented within Koton, which analyzes the distinctive features of products performing strongly in sales to generate recommendations for new products and variations. Planning and brand teams continuously incorporate insights from regular sales analyses and RPT studies into design and collection decisions. Different color variations of the same product are quickly introduced, and summer products can be repositioned by adapting them to transitional seasons with winter colors.

Koton's operations across different continents, countries, and climates provide the opportunity to test its products under a variety of conditions. Best-selling products are identified early on, scaled up quickly, and given priority placement in stores.

Regional Collections

For regional collections, end-to-end initiatives tailored to the CIS (Commonwealth of Independent States), CEE (Central and Eastern Europe), and GCC (Gulf Cooperation Council) markets are being carried out, with a focus on local needs. For each region, market dynamics, customer expectations, and purchasing habits are analyzed in detail, incorporating field feedback, insights from local teams, and evaluations from brand teams. This process also includes region-specific trend studies to clarify product language,

style preferences, and price perception. The design process proceeds in integration with commercial planning, structuring the collection to meet regional needs.

“

Regional collections developed in line with growth targets in global markets are supported by special photo shoots tailored to the relevant regions and local marketing activities.

Thanks to the company's direct shipping capabilities, a faster and more controlled flow of products to these markets is ensured.

Brand awareness studies, exit surveys, and competitive analyses are regularly monitored, enabling both the products and the brand's communication style to be continuously updated. This approach ensures that Koton maintains its global brand identity while establishing strong and sustainable connections with local customers in every market.

Brands and Design Lab

Special Occasion Collections Focused on Regional Culture

In addition to regional collections, Koton also creates campaigns and collections for special occasions: special periods such as Mother's Day, Father's Day, Valentine's Day, New Year's, Back to School, and national holidays (April 23 and October 29) are planned according to each country's local calendar. For example, for market-specific special days like "March 8" in Russia and "National Day" in Saudi Arabia, products and communication strategies are developed to meet local expectations. Additionally, collaborations with celebrities that strengthen the brand's image play a significant role. Collaborations with figures like Melis Ağazat, Zeynep Bastık, Sima Tarkan, Sibil Çetinkaya, and Şahika Ercümen, who appeal to diverse target audiences, help increase the brand's reach and relevance.

Sub-collections such as the Sustainability Collection, Handcrafted Collection, Koton Studio, and Young City offer clear and compelling product options tailored to different customer segments. These collections are supported end-to-end through dedicated photo shoots, window displays, in-store visual merchandising, and digital and social media communications.

While maintaining its global brand identity, Koton's communication strategy generates significant interest, strong visibility, and sustainable growth across various markets and customer segments. This allows the company not only to offer a comprehensive collection but also to foster a special connection with its customers.

Brands

KOTON BUSINESS

KOTON SWIMWEAR

KOTON LINGERIE

KOTON Kids

KOTON Baby

KOTON PARTYWEAR

KOTON BEACHWEAR

KOTON ACCESSORIES

Ole by **KOTON**

KOTON SPORTS

KOTON JEANS

KOTON BEAUTY

KOTON STUDIO

Collection Collaborations



Special Collections

- ✦ Respect for Life Collection
- ✦ Respect for Water Collection
- ✦ Licensed Collection
- ✦ Handcrafted Collection
- ✦ Mother's Day
- ✦ Exclusive International Collection (products tailored to women in different countries, reflecting local trends)
- ✦ Valentine's Day
- ✦ New Year's Collection
- ✦ Online Exclusive Collection
- ✦ Father's Day
- ✦ April 23 Special Collection
- ✦ Back to School
- ✦ Back to Office
- ✦ Athletic Club
- ✦ Bridal

Supplier Partnerships

Koton, which subjects all of its suppliers to comprehensive audits on a regular basis, aims to manage its supply chain using traceable processes by 2030.

“Internal Operating Procedures for Manufacturers and Suppliers”

Koton works with all new business partners in its supply chain within the framework of a comprehensive commitment that demonstrates its dedication to sustainable growth goals and ethical business practices. This framework requires suppliers to review and declare their compliance with the Internal Operating Rules for Manufacturers and Suppliers, thereby ensuring transparency, compliance, and assurance in the supply chain processes.

By developing partnerships with suppliers that meet established standards, Koton focuses on building long-term, mutually beneficial relationships grounded in ethical values. This approach supports the company’s sustainable growth while strengthening the traceability of the supply chain through social and environmental audits.

Koton subjects its suppliers to comprehensive audit processes that assess not only technical competence but also social compliance criteria. Based on audit findings, processes are closely monitored, and warning and corrective action mechanisms are implemented for identified non-conformities, thereby adopting a proactive approach to supply chain management.

Awareness-Raising Training and Audits

Koton holds regular informational meetings as part of its Internal Operating Procedures to raise awareness among its suppliers regarding sustainability and ethical working practices. During these meetings, the requirements for compliance with standards and the principles of implementation are discussed in detail.

The company conducts on-site audits of its suppliers’ operations to prevent discrimination, child labor, and forced labor, and integrates the findings into its training and awareness programs. These audits measure suppliers’ compliance levels while ensuring that standards are effectively implemented in the field.

GRADE	OPTION NUMBER	INCOMING QUANTITY	RATE
A	7,052	13,302,544	28.06%
B	14,437	30,264,977	61.39%
C	307	662,467	9.22%
D	14	25,276	1.33%
TOTAL	21,810	44,255,264	100.00%

Tracking, Monitoring, and Measurement

Koton aims to ensure the traceability of its entire supply chain by 2030. To this end, as part of the assessment studies conducted in 2024, suppliers were categorized into A, B, C, and D groups, and their performance scores were shared in detail with them during meetings held in 2025. Based on the monitoring and measurement results, suppliers were requested to submit action plans focused on improvement.

As part of supplier development initiatives, the existing evaluation system was revised in 2025. This revision ensures comprehensive monitoring of supplier performance based on quality, price, on-time delivery, and GMROI (Gross Margin Return on Investment) metrics. As of 2025, Supply Chain Management processes are conducted in accordance with these performance scores.

Preference for Local Producers, Speed Advantage in Distribution Processes

By prioritizing local producers in the procurement of products needed for its manufacturing processes, Koton supports the development of local economies and contributes to employment. As of 2025, the

company works with a total of 360 suppliers for ready-to-wear and accessories, 267 of which are based in Turkey. This strong local supplier base enables processes to be managed more quickly, flexibly, and resiliently.

Another key benefit of prioritizing local suppliers is the reduction of logistics-related carbon emissions. By 2025, Türkiye’s share of the total number of products supplied (excluding accessories) reached 89%, and even when accessory supply is included, this ratio stood at 81.8%, contributing to lower transportation-related emissions and a more sustainable distribution structure.



As of 2025, the company works with a total of 360 suppliers for ready-to-wear clothing and accessories, 267 of which are based in Turkey.

Supplier Partnerships

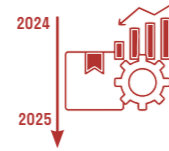


Through the training programs it organizes, Koton supports its suppliers and facilitates the adoption of the company's sustainability principles.

Improved Performance in Inventory Management

Thanks to its dynamic pricing strategy, Koton has managed its inventory more efficiently, increasing its flexibility and agility by redirecting products with slowing sales to different regional sales channels. By implementing improved time management in procurement planning and distribution across sales channels, Koton conducted its 2025 operations with approximately 11% less inventory compared to the same period the previous year.

INVENTORY MANAGEMENT



11%
less inventory

Koton Quality Policy

As a brand that identifies trends, is adept at meeting customer expectations, and sets fashion trends, Koton has adopted the following **“Quality Policy”**:



To prioritize customer satisfaction in every step we take by focusing on customers and technology



To closely monitor developments in the ready-to-wear and textile sectors both globally and in Türkiye, and to adapt to the dynamic changes of the times



To contribute to the national economy through its influence and market position, and to support the local economy by prioritizing local employment and local suppliers



To maintain trust-based relationships with all stakeholders



To create value for all stakeholders by adopting a work culture aligned with ethical values and contributing to society and the environment



To comply with the principles of the Quality Management System and continuously improve the system's effectiveness



Supply Processes Prioritizing Sustainability

Koton's “We Respect Our Work” approach, which forms the foundation of its corporate culture, also guides its supply chain management. In line with this philosophy, processes are integrated with sustainability principles to ensure more efficient and responsible operations. The company strengthens the sustainability perspective in decision-making mechanisms by providing regular briefings to procurement teams on incorporating environmental factors into procurement processes.

As part of our sustainability vision, training programs were launched in 2025 to support suppliers' active participation in the compliance process. These initiatives enhance business partners' capacity to manage their environmental and social impacts while contributing to the widespread adoption of a shared understanding of sustainability throughout the supply chain.

Information Technologies *and Digitalization*

In 2025, significant steps were taken in the company's digital transformation journey.

Koton has consolidated its efforts in areas such as digital transformation, data security, infrastructure, and artificial intelligence under the Information Technology Group Directorate. The initiatives carried out under this directorate in recent years have made significant contributions to the company's digital transformation journey.

Koton's vision for digital transformation encompasses not only the modernization of its technological infrastructure but also an integrated and sustainable approach to transformation that aligns with the company's growth objectives. As of 2025, Koton's digital infrastructure has been strengthened, processes have been accelerated through the widespread use of artificial intelligence and automation, and a solid foundation has been established to help the company achieve its strategic goals.

Infrastructure and Security Investments

In 2025, the modernization efforts and distributed backup architecture implemented at the data centers in Istanbul and Izmir ensured the reduction of operational risks through system continuity. The Izmir ODM (Operational Decision Management) implementation project marked a critical step toward business continuity.

In the field of security, the organization has implemented a proactive, multi-layered defense mechanism across the entire organization through investments such as an ISO 27001-certified infrastructure, real-time threat management, a DDI network security platform, and multi-factor authentication.

Digitalization and Automation Projects

Digital transformation projects covering store and e-commerce operations have led to the launch of new web and mobile platforms, thereby increasing the speed and flexibility of business processes. AI-powered process automation and autonomous operational infrastructure have automated repetitive tasks and optimized cross-departmental data flow. These advancements have improved the efficiency of store teams and enhanced the customer experience.

Artificial Intelligence and Data Management

Artificial intelligence projects implemented on a cloud-based big data infrastructure have strengthened data-driven decision-making processes in areas such as sales forecasting, inventory optimization, product planning, and customer behavior analysis. Productivity and business continuity have been significantly improved across the company through modern data processing and analysis systems.

Organizational Development and Data Literacy

In 2025, Koton's overall digital maturity level was assessed, and team structures and accountability frameworks were clarified. Training programs and organizational changes were implemented to enhance data literacy and ensure the effective management of artificial intelligence projects. Operational risks were minimized by strengthening information security and data privacy standards.

In the coming period, the transformation process will steadfastly continue through projects focused on security, data-driven applications, and digitalization.

Projects Completed in 2025

TEXTILE WMS PROJECT

Objective: The project aims to systematically manage the processes of fabric intake, placement, transfer, counting, and outbound shipping; to establish a traceable, controlled, and efficient structure for warehouse operations; and to reduce errors and time losses resulting from manual processes.

Achievement: Fabric warehouse processes have been consolidated under a centralized and standardized WMS structure. Fabric inventory can now be tracked by yardage, roll, and location, improving inventory accuracy and reducing the risks of loss, discrepancies, and incorrect shipments. By eliminating manual processes in warehouse operations, operational efficiency has been improved, and incoming, outgoing, and transfer processes are now controlled by system rules. More accurate and up-to-date inventory data is provided for production and supply planning, thereby establishing a scalable and sustainable fabric warehouse management infrastructure.

B2B PROJECT

Objective: The objective of the project is to standardize order, inventory, shipping, and reporting processes and ensure real-time traceability. **Achievement:** As part of the B2B project, all business processes conducted with the customer have been digitized and consolidated under a centralized structure. Manual interventions in order and operational processes have been minimized, and the error rate has been reduced. End-to-end traceability of processes has been ensured, while reporting and analytical capabilities have been enhanced. By achieving time and cost efficiencies in operations, a scalable and sustainable B2B infrastructure has been established.

Information Technologies and Digitalization

RETAIL MOBILE PROJECT

Objective: The goal is to manage store operations more effectively, reduce the time required to provide support to stores, and increase staff productivity; in line with these improvements, the aim is to streamline operational processes and enhance the quality of customer service

Achievement: By managing all store operations through a single platform, a 40% improvement in workforce and staff efficiency was achieved. Through the integration of parallel applications into the existing infrastructure, mobile solutions were successfully implemented in e-commerce and reporting processes. Artificial intelligence has been integrated into operational processes, reducing the response time for support requests caused by information gaps to as little as 5 seconds.



GLOBAL HR PROJECT

Objective: The goal is to standardize local human resources solutions used in different countries through a global application.

Achievement: Personnel data from all countries has been consolidated and standardized within a single system, enabling easy access to positions, departments, and reports. Human resources processes such as leave, hiring, and promotions can now be tracked and managed through the system. With Shift Scheduling, staffing needs can be planned by store and by country, and employee clock-in and clock-out times can be tracked via the mobile app. A digital document archive has been created, and training and user configurations have been automated through new integrations. Additionally, the Human Resources department can access its reports from a single point.

ITEM PLAN PROJECT

Objective: To manage seasonal product planning through a centralized, data-driven, and standardized framework, with the aim of enabling product, store, and channel-specific decisions aligned with sales, inventory, and profitability targets.

Achievement: As part of the "Item Plan" Project, product planning processes based on seasons and collections have been standardized and centralized. Unit, revenue, and margin targets have been clarified by store, channel, and region, and initial allocation and reallocation decisions have begun to be made in a data-driven manner. As a result, inventory turnover has increased, the impact of discount and pricing decisions on profitability has been managed more effectively, and discrepancies between planned and actual performance can be analyzed quickly. Thanks to all these developments, a scalable, sustainable, and user-friendly product planning infrastructure capable of integrating with artificial intelligence systems has been established.

GLOBAL STORES PORTAL

Objective: The goal is to consolidate the systems used by various departments within the company into a single dashboard to ensure data standardization and enable comprehensive reporting of master data.

Achievement: In the first stage, data has been deduplicated and manual processes have been automated. In later stages, reverse integration will be implemented to manage all data through a single system.

LABEL PORTAL PROJECT

Objective: The goal is to enhance accuracy and compliance, and prevent manual errors by enabling the management of product labels on a centralized and standardized digital platform.

Achievement: Suppliers can retrieve labels from a single system based on company templates.

As part of the Label Portal Project, product labels have been standardized and centralized to improve accuracy and compliance. Through this process, manual errors and version discrepancies have been minimized thanks to label rules defined within the system, and a transparent and streamlined workflow has been established for suppliers. As a result of these steps, a verifiable and sustainable management infrastructure has been established.



As a result of advancements in information technology, infrastructure, security, artificial intelligence, and organizational development, the Company continues its operations with an integrated and sustainable approach to digital transformation that aligns with its corporate objectives.

Customer Experience

Koton Club Loyalty Program

Launched by Koton in 2023 to enhance customer satisfaction and loyalty, Koton Club is a loyalty program that offers exclusive benefits to its members. Koton Club members enjoy benefits such as earning points on all purchases, a “Welcome” bonus, birthday surprises, hassle-free returns and exchanges without a receipt, special promotions, and style consulting.

With over 9 million members as of 2025, Koton Club Turkey has focused on consumer satisfaction through its communication initiatives. The Türkiye Call Center and WhatsApp communication channel play a significant role in enhancing customer satisfaction. These two channels identify Koton Club customers who reach out and, thanks to artificial intelligence and CRM integration, notify them of their Koton Club points. Additionally, thanks to CRM integration, Koton Club members can easily find solutions to all their requests during their first contact with the Call Center.

Throughout the year, personalized visual and video-based communication campaigns tailored to members' shopping habits were conducted via the “Koton Club” WhatsApp communication channel, designed exclusively for Koton Club members. Additionally, brand collaborations with leading companies in the industry were organized exclusively for Koton Club members.

During the year, the Koton Club program was also launched in the CIS region. The total number of Koton Club members in these countries has reached 250,000.

Koton Club members shop 76% more frequently than other registered customers.

They also have 8% more items in their shopping carts. This clearly shows that the loyalty program positively influences repeat purchase rates thanks to the benefits it provides to its members. As of 2025, Koton Club members' share of total sales reached 67%.



YOU CAN ACCESS THE KOTON CLUB MEMBERSHIP PAGE HERE.

KOTON CLUB MEMBERS

9+ MILLION

NEW MEMBERS

2,5 MILLION

ACTIVITY RATE AMONG KOTON CLUB MEMBERS

60%

SHOPPING FREQUENCY

76% HIGHER

Koton Club member shopping frequency compared to other customers

NUMBER OF ITEMS IN CART

8% HIGHER

Koton Club member number of cart items compared to other customers

Customer Communications

Koton customers can contact the company through 10 different channels to submit their requests. The call center, social media, WhatsApp, and email are the most popular of these channels. In 2025, 93% of incoming requests were resolved on the first contact.

The AI-powered WhatsApp customer service line is available 24/7 in both Turkish and English. It also notifies members of their Koton Club points through CRM integration. Questions submitted by customers on marketplaces via the “Ask the Seller” section are answered using AI-integrated responses, providing customers with fast and tailored solutions.

Through the “Koton Club” WhatsApp communication channel, designed exclusively for Koton Club members, numerous communication initiatives were carried out throughout the year, including personalized visual and video-based content tailored to members' shopping habits, covering seasonal trends, special collections, discount and campaign updates, holiday gift ideas, and Koton Club points. Customers were also reached via SMS, email, and push notifications.

Projects Completed in 2025

1. 24/7 AI-powered responses to customer inquiries via the WhatsApp customer service line, with multilingual support
2. Tracking customer inquiries through the CRM-integrated Customer Request Management Portal, managing requests with internal departments from a single screen, and measuring response times
3. AI-powered responses to questions from customers in the “Ask the Seller” section of the marketplace
4. The WhatsApp customer service line, integrated with CRM, notifying our customers of their Koton Club points
5. Providing our customers with Koton Club points redeemable on specific products.

Customer Insights

Koton conducted various surveys and studies throughout the year to better understand customer expectations. The findings from these studies are highly valuable for planning communication activities tailored to the target audience. Based on data collected across all channels, the findings are as follows: The data from the studies aligns with and validates Koton Club membership data. While Koton's primary target audience is women, studies have also been conducted specifically for men and children. According to exit surveys at stores, 40% of the customer profile consists of married individuals, and 32% have children.

Koton values customer feedback and listens to its customers through multiple channels. In 2025, feedback was collected from over 250,000 customers via in-store, online, and call center channels. Additionally, nearly 120,000 customer reviews from online marketplaces were analyzed, leading to various departments taking action. Through CRM integrated surveys, feedback is collected from customers on a product-by-product basis after use.



According to exit surveys conducted at Koton stores, the customer base consists primarily of an urban demographic from the AB SES group. Approximately 70–75% of customers are women, and the majority are between the ages of 25 and 45.

İletişim Platformları



Koton Club
WhatsApp
Line



SMS Push
Notification



e-mail



Social
Media

Communication and Marketing Activities

Koton has kept its finger on the pulse of consumers throughout the year by conducting various surveys and studies as part of its marketing and communications activities.

Throughout the year, Koton aimed to build a strong and sustainable connection with its customers through its marketing and brand communication activities, focusing on increasing the visibility of its product categories while reflecting its brand values across various touchpoints.

Each season, comprehensive photo and video shoots covering all product categories were conducted to present the collections through a strong visual language with a fashion-forward perspective. These campaigns were featured in-store and on Koton's social media channels. Additionally, outdoor advertising was utilized for the outerwear and holiday campaigns launched in the third quarter.

As part of the brand's collaboration strategy, collections are launched in partnership with individuals who represent diverse styles and lifestyles. These collaborations are supported by social media content. The collection collaborations with Zeynep Bastık, Sibil Çetinkaya, Sima Tarkan, Melis Ağazat, Şahika Ercümen, and İnji have reached a wide audience through original content creation and digital communication efforts.

Creative window displays and focal point installations were implemented in stores to support product launches. As part of the outerwear and holiday campaigns held in the final quarter of the year, the customer experience was enhanced through special window displays, mirror installations, and creative touches that enriched the in-store experience.

As a brand that embraces the values of the Republic, we have also prioritized communication initiatives that contribute to the collective memory throughout the year.

Visuals specially created for April 23 (National Sovereignty and Children's Day), May 19

(Commemoration of Atatürk, Youth and Sports Day), October 29 (Republic Day), and November 10 (Atatürk Memorial Day) were displayed in stores, and the significance and importance of these special days were shared with a wide audience through social media communications and film projects.

As part of a communication strategy focused on raising social awareness, projects aimed at fostering a sense of social responsibility were implemented through communication campaigns specifically organized for Women's Day, World Stray Animals Day on April 4, and World Animal Welfare Day on October 4.

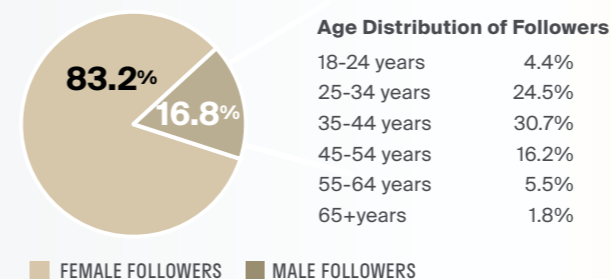
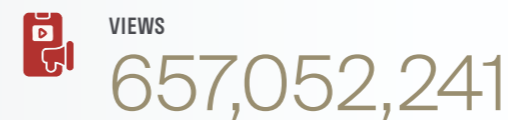
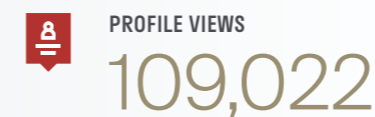
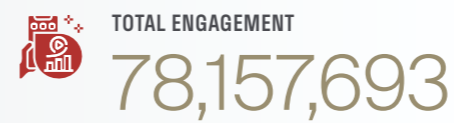
Thanks to its social media efforts, Koton's follower count has increased across all platforms.

2025 Outdoor Campaigns

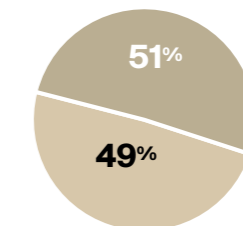
- Between June and September, communications were carried out for the Sibil Çetinkaya, Melis Ağazat, denim and "Back to City" collections.
- Between July and August, SS25 communications were conducted via outdoor advertising spaces in the Antalya Airport area.
- During the November–December period, campaigns with "Winter Coat" and "New Year" themes were carried out using digital advertising spaces on the baggage carousels in the domestic and international terminals at Istanbul Airport, as well as light-box advertising spaces at Sabiha Gökçen Airport.
- Between November 8 and 21, 2025, a winter coat advertising campaign was conducted using 1,000–2,000 outdoor advertising spaces in the European side of Istanbul, and between December 20 and January 2, a "New Year" themed campaign was carried out using 500–1,000 spaces in the same area.

2025 Koton Türkiye Social Media Analysis

INSTAGRAM



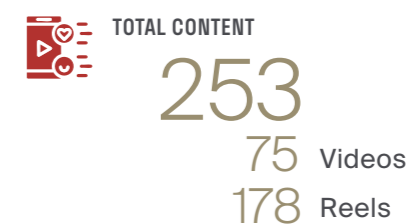
TİK-TOK



FACEBOOK



YOUTUBE



Human Resources

Koton offers its employees a work environment where they can gain global experience, create value through innovative projects, and shape their own professional development journeys. The company builds its human resources practices on the principles of transparency, fairness, and sustainability.

The company views competence, performance, and cultural alignment as key drivers in achieving its strategic goals, and manages its processes in accordance with its Human Resources Policy.

[KOTON'S HUMAN RESOURCES POLICY IS AVAILABLE ON OUR WEBSITE.](#)

Some of the key application areas in this context include:

✦ EQUAL OPPORTUNITIES

The company is committed to providing an equal and inclusive work environment for all employees. Fair access to opportunities is ensured in accordance with roles and responsibilities.

There is no discrimination in hiring, promotions, compensation, or training opportunities; these processes are managed based on objective criteria.

✦ RECRUITMENT AND PLACEMENT

Koton's hiring processes are conducted transparently, based on competencies and position requirements. The goal is to achieve long-term success by placing the right person in the right role.

✦ TRAINING AND DEVELOPMENT

Koton designs its employee training and development programs with a focus on individual development needs. Continuous development is encouraged through programs prepared in accordance with annual plans.

✦ PERFORMANCE MANAGEMENT

Through a fair and objective performance evaluation system, employees' contributions are regularly assessed, and areas for development are identified through feedback.

✦ COMPENSATION AND BENEFITS

The compensation policy is determined based on market conditions, internal balance, and performance-based criteria. The aim is to enhance employee satisfaction and promote work-life balance through benefits.

Number of Employees by Workplace (As of 31 December 2025, excluding interns and temporary employees)

Türkiye Headquarters	1,248	16%
Logistics	523	7%
Türkiye Stores	4,123	53%
International Headquarters	133	2%
International Stores	1,825	23%
TOTAL	7,852	100%

Percentage of Female Employees

	Domestic	Overseas
Female Employees	71%	82%

PERCENTAGE OF FEMALE EMPLOYEES GLOBALLY 74%

Total Workforce

Men	26%
Women	74%

Executives

Men	44%
Women	56%

Workforce Generational Breakdown

Generation X	9%
Generation Y	36%
Generation Z	56%



Human Resources

Committees

» **Gender Equality Committee:** Koton, which embraces gender equality as a fundamental human right and an integral part of sustainable development, is committed to treating all employees in accordance with the principle of equal opportunity and to creating an inclusive work environment. The Committee, which oversees the implementation of the company's Gender Equality Policies, conducts awareness campaigns, develops projects, and serves as a representative both within and outside the organization.

» **Sustainability Committee:** Koton approaches sustainability through the lens of "Respect for Life," grounded in respect for the world, people, society, and work, and conducts its environmental, social, and economic activities with a holistic approach. The company plays an active role in developing initiatives that will inspire the industry and the business world in areas such as combating climate change, the circular economy, the efficient use of natural resources, and ethical supply chain management.

» **Ethics Committee:** Koton is committed to ensuring that all employees work in a fair, safe, and respectful environment and prioritizes adherence to the Code of Business Ethics. Ethics violations can be reported anonymously, 24/7, through an independent firm or by emailing etik@koton.com.tr. Reports are handled confidentially and investigated impartially in accordance with Koton's values.

» **Occupational Health and Safety Committee:** The committee operates to assess risks in the workplace, monitor the implementation of policies and procedures, and ensure compliance with regulations.

» **Employee Representative:** The Employee Representative is tasked to convey employees' views on occupational health and safety, monitor related practices, and ensure that necessary measures are taken.

Performance Management System Procedure

The Performance Management System Procedure implemented by the Company aims to evaluate and effectively manage individual and organizational performance in line with the organization's specific strategic objectives. This procedure aims to evaluate employees' contributions using fair and objective criteria, support their development, and recognize their achievements.

Based on their final performance evaluation results, employees are placed in either the Development Planning Process or the Performance Improvement Process. The Development Planning Process aims to support the individual and career development of high-performing employees, while the Performance Improvement Process (PIP) aims to more closely monitor and improve the performance of low-performing employees.



Performance Evaluation

A total of 2,757 Koton employees participated and were evaluated in the "Performance Evaluation" process, which was launched in December 2025. Retail performance evaluations are conducted through the Shiftup digital platform using a standardized and traceable structure. The stages of the corporate performance evaluation process are as follows: gathering feedback from relevant employees, monitoring implementation, and ensuring that necessary measures are taken.

- ✦ All employees with at least six months of tenure are included in the evaluation process.
- ✦ Store team evaluations are conducted by Store Managers.
- ✦ Evaluations of managerial roles are conducted by Regional Managers.
- ✦ Once the evaluations for the retail division are complete, Human Resources conducts a calibration process. At this stage, consistency, fairness, and organizational balance are ensured in the evaluations.
- ✦ Following the calibration process, the final performance results are shared by Human Resources, and feedback sessions are conducted.
- ✦ Based on the evaluation results, individual development plans or performance improvement processes are initiated to support employee development.

Human Resources

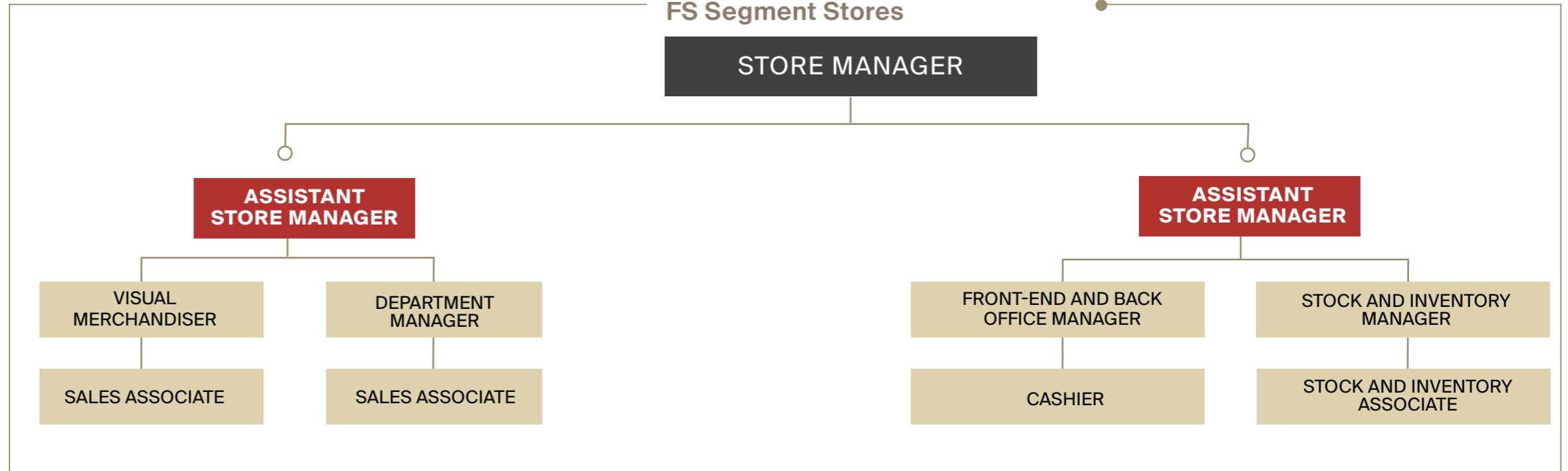
Revised Store Operations Organization Chart

Koton implemented changes to its retail organization in 2025. The newly established structure is designed to improve operational efficiency and strengthen employee engagement and customer satisfaction in a more sustainable manner.

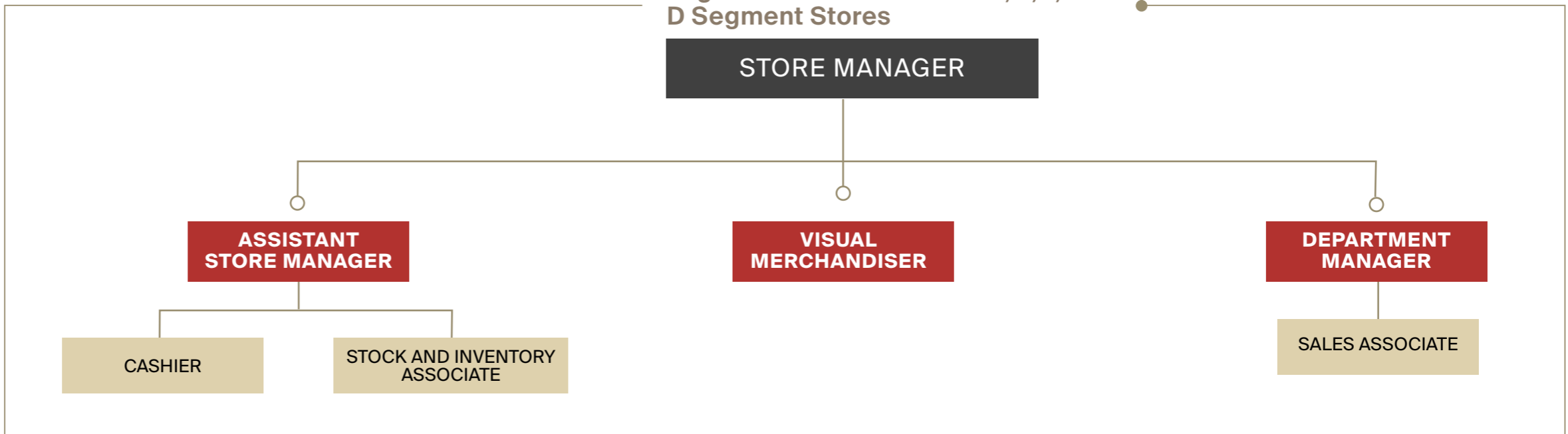
In 2025, career development and internal promotion processes within store organizations were managed using an approach that prioritizes internal talent and supports the goal of sustainable leadership. A total of 1,039 employees were included in the evaluation and promotion processes, and 405 of them met the necessary criteria and were successful. This result demonstrates that a broad pool of candidates has been established in the field, and that the promotion processes proceeded in a selective, objective, and performance-focused manner.

Store segments are classified from largest to smallest based on annual sales ranges as FS, A++, A+, A, B, and C.

Organizational Chart for A++ and FS Segment Stores



Organizational Chart for A+, A, B, C and D Segment Stores



Human Resources

Career Journey at Koton

The Koton retail career path is designed with a fair and transparent structure that offers employees opportunities for development, gaining experience, and taking on responsibilities. Hiring is conducted in accordance with the standard staffing structure, which is planned based on operational needs, efficiency, and budget management. Retail teams are evaluated in accordance with the principle of equal opportunity during the transition process to headquarters positions, provided they meet the criteria and required training conditions for the relevant roles.



Koton Retail Academy and Training Processes



In 2025, a total of 78 training modules were shared with store employees via the training platform.

One of the most important aspects of human resources development is training programs. To support the development of Koton store teams, Koton launched the Koton Retail Academy on 12 August 2025. Thanks to this strategic initiative in the field of training, numerous initiatives have been carried out throughout the year. The most significant of these are as follows:

»The Koton Rise competency set has been developed. As part of this initiative, training materials selected in alignment with Koton's values have been assigned to store employees via the training platform.

»Under the Koton EDGE umbrella, a comprehensive learning catalog has been created containing more than 700 training materials.

»In collaboration with Koton Retail Academy and e.nocta, a series of webinars featuring experts in their fields has begun to be held every month.

»The Store Managers Development Program, designed to support store managers on their leadership journey and improve the retail workforce, has been launched. The first phase of the program was conducted both in-person and online.

»An online training session on "Effective & Empathetic Communication and Feedback" was conducted with regional visual design managers and specialists.

»The Visionary Leadership training program for regional managers was conducted both in-person and online. Additionally, this training was supplemented with group coaching sessions.

»A total of 78 training modules were conducted, including 36 at domestic stores, 10 of which were development training, and 42 at international stores, covering professional development topics such as NPS, Koton Club, the Customer Experience podcast series, and Quality Eye.

Occupational *Health and Safety*

Koton, which aims to create value for its employees and the working life in all its activities, has made safeguarding the safety and health of its employees a top priority and responsibility.

As a socially responsible company toward its employees and the community, Koton conducts its Occupational Health and Safety (OHS) activities in accordance with its OHS Policy document. This document is implemented in line with Koton's "Manifesto of Respect for Life." "Manifesto of Respect for Life."



THE OCCUPATIONAL HEALTH AND SAFETY POLICY IS AVAILABLE ON OUR WEBSITE.

In all its operations, Koton strives to create value for its employees, foster a sense of well-being, and ensure the sustainability of working life through processes aligned with its motto of "respect for people." Since 2020 the company has been receiving awards at the British Safety Awards, organized by the London British Safety Council to recognize and measure its global human-centered goals.

At the beginning of 2025, with the entry into force of the deferral provision in the Occupational Health and Safety Law No. 6331, which provides for the commencement of occupational health and safety services at "low-risk" workplaces, all domestic stores have completed their transition to full compliance with the regulations.

»The OHS - Clerical system assigned Occupational Physicians and Occupational Safety Specialists have been employed within the legally prescribed timeframes. Matters reported regarding OHS laws and regulations are being addressed with the utmost care.

»Services are provided to employees by 48 part-time Occupational Safety Specialists and 54 Occupational Physicians working in the stores

»On-site medical services are provided to employees through infirmaries located at the Headquarters, three logistics warehouses, and four stores with over 50 employees each.

OHS Hazard Identification Studies

To identify potential occupational health and safety (OHS) hazards in advance, Koton conducts routine visits with OHS professionals at its headquarters, stores, and logistics centers. Reports are compiled based on the observations made during these visits and shared with the relevant authorized personnel. These reports are then translated into corrective and preventive actions following the input and approval of the responsible parties.

Koton provides all its employees and stakeholders with on-the-job training, central orientation programs, root cause analysis training, high-altitude work training, safe driving training, and 8- or 12-hour Occupational Health and Safety Training based on the workplace's hazard classification, first aid certification training approved by the Turkish Ministry of Health, professional search-and-rescue and survival training, and training camp exercises.

Occupational Accident Management

Since 2021, Koton has been managing its workplace accident processes through its digital platform, EBA. The company ensures that process managers oversee these procedures in a way that enables the measurement of response times, the digitalization of cross-departmental communication in accident management, and the analysis of accident record data. Thanks to the coordination among departments such as Human Resources, Occupational Health and Safety, Legal, Sales, Logistics, Finance, Construction, Administrative Affairs, and Customer Service, processes are carried out in compliance with regulations, while employee and customer satisfaction remain a key focus in post-incident management. Throughout 2025, approximately 530 incidents classified as workplace accidents were managed and documented in accordance with current regulations.

"Hazardous Situations" and "Near-Miss" incidents are recorded in the "Kotodesk" system and resolved with the cooperation of the relevant departments. Immediately after the necessary medical interventions are carried out during the incident management process, the accident reporting steps are initiated through EBA to ensure that the required notifications are officially submitted to the relevant authorities. If available, the number of lost workdays, accident-related expenses, photos, videos, and incident statements are managed and recorded through the platform.

Following an incident, a root cause analysis is conducted with the support of the incident investigation team and the OHS professional advising the team. Once nonconformities are identified, corrective and preventive actions are planned. The same process is also applied in "Near-Miss Incident" management procedures.

In addition to all these efforts, Koton is committed to the following goals and promises for its future employees and stakeholders:



To comply with all local and international laws, regulations, and standards related to occupational health and safety.



To ensure the health and safety of employees and customers, create appropriate working and shopping environment conditions in offices and stores; continuously plan regulatory and preventive activities to eliminate hazards and reduce risks; and establish an internal safety culture aligned with these objectives.



To provide stakeholders with the necessary OSH training required by law.



To achieve the goal of becoming an organization with a zero-accident rate for employees and suppliers.



To promote the adoption of digital solutions in OHS management.



To transition to International Occupational Health and Safety Standards (ISO 45001 Occupational Health and Safety Management System).



To continuously improve Occupational Health and Safety performance.

Corporate Social Responsibility

Koton supports sustainable development through its Corporate Social Responsibility approach and prioritizes social benefit in all its activities.

Koton's Corporate Social Responsibility (CSR) approach is based on creating social value, supporting sustainable development, and generating a positive impact in all areas where the brand operates. The CSR Policy adopts a business model that is sensitive to people, society, and the environment, while focusing on creating long-term, lasting, and measurable value.

During the relevant fiscal year, efforts aligned with this approach were further developed and expanded. Regarding projects carried over from previous years, progress was made toward expanding their scope, strengthening partnerships with stakeholders, and establishing a more sustainable structure for the projects.

Koton also conducts its sponsorship activities in line with its sustainability and social responsibility approach. As part of this initiative, the company sponsored national athlete Şahika Ercümen, the face of the "Respect for Water" Collection, during her dive in Lake Baikal, which was aimed at raising awareness about the climate crisis.

In addition, the company served as a session sponsor at the Plastic-Free Festival organized by the Circles of Influence Foundation in 2025, with the aim of contributing to raising environmental awareness.



The core values that Koton upholds in its CSR projects revolve around gender equality, women's empowerment, education, equal opportunities, social inclusion, environmental responsibility, and support for local development. Initiatives that support women's stronger participation in economic and social life have long been among Koton's primary areas of focus.



AWARDS

- ✦ **Social Impact Awards 2025** - Respect for Water Project - Projects Supporting the UN Sustainable Development Goals Category Award
- ✦ **The Hammers Awards 2025 Social Responsibility and Sustainability Category** - Best Team in Recycling and Waste Reduction - Silver Award
- ✦ **The Hammers Awards 2025 Social Responsibility and Sustainability Category** - Best Team in Social Gender Equality - Silver Award
- ✦ **Işıldayanlar Ödülleri 2025** - The only brand in the retail sector to win awards for Social Gender Equality projects
- ✦ **Climate and Sustainability Awards** - Respect for Water Project - "Most Effective Sustainability Project of the Year" and "Sustainable Textile/Fashion Brand of the Year" categories - Gold Award
- ✦ **Climate and Sustainability Awards** - Hanger Project - "Recycling Project of the Year" category - Silver Award
- ✦ **30% Club** - Women-Empowered Board of Directors Award
- ✦ **E-Commerce Awards** - Sustainable Fashion/Product Brand of the Year - Gold Award
- ✦ **Business Honors Awards** - Sustainability Communication - Sustainability Communication with Respect for Water



Projects developed with a focus on social gender equality and women's empowerment are being implemented with a determined approach, particularly in the area of employment.

Corporate Social Responsibility



HANDMADE PROJECT

Launched in 2016, the Handmade Project is a business model designed for women from disadvantaged groups in the Southeastern Anatolia Region who are often excluded from socio-economic life, by helping them generate income through their existing craft skills. As part of the project, women participate in the economy by using their craft skills, such as beading and embellishment, to Koton products. The project provides a sustainable source of income for women who have limited opportunities to go outside their homes, who lack economic independence, and face restricted participation in social life.

This model, which allows women to receive direct compensation for their labor, not only provides economic support but also contributes to women's empowerment by encouraging their participation in social life. The Handmade Project, which has been ongoing for over a decade, is positioned as a sustainable initiative that supports women's participation in the workforce and serves as a model for social transformation.

In addition to the Kilis Association for Humanitarian and Social Development, the project expanded its scope in 2025 to include women in new associations and cooperatives such as the Hatay Rimmen Women's Cooperative. In 2025, 680 women participated in production as part of the Handmade Collection, and TRY 2,506,702 was distributed to them.

HOUSEWIVES PROJECT

The Koton Housewives Project aims to create sustainable employment by supporting the gradual and part-time transition into the workforce for women over the age of 30 who are unable to participate in full-time work due to household responsibilities. Under the project, which offers flexible work options to women who prioritize their family life, part-time employment opportunities are provided at Koton stores closest to their residential areas through work models of 5 hours a day for 3 days a week or 3 hours a day for 5 days a week.

The project, which aims to support women gain economic independence and actively participate in social life, is positioned as a key extension of the vision for gender equality. It also helps women become active participants in the economic system by providing opportunities for education and career development.

In 2025, a total of 159 women were employed across 89 stores in 34 provinces as part of the project.



TURKISH EDUCATION FOUNDATION – “ONE WOMAN CAN CHANGE THE WORLD” IMPACT AND SOLIDARITY SCHOLARSHIP FUND

In the aftermath of the 6 February 2023 Kahramanmaraş earthquakes, it was determined that one of the most severe and long-lasting effects of the disaster was the risk of disruption to education. In particular, the likelihood that female students would be cut off from education made it imperative for Koton to quickly step up and take responsibility in this area. In this context, starting with the 2023-2024 academic year, the “One Woman Can Change the World” Impact and Solidarity Scholarship Fund was launched in collaboration with the Turkish Education Foundation, and scholarships were provided to 200 female students affected by the earthquake. To expand the program's reach, it was decided to increase the number of scholarship recipients by 10% annually by 2027, and accordingly, the number of recipients was raised to 220 starting with the 2025-2026 academic year.

In 2025, a total of TRY 3,442,000 was allocated through the Turkish Education Foundation to support the education of female students affected by the earthquake.

Corporate Social Responsibility



PURPLE ROOM TALKS

As part of its Purple Room Talks series, which takes place during the week encompassing International Women's Day on March 8 each year, Koton hosts discussions with thought leaders and experts on various social issues, with a particular focus on gender equality and women's empowerment. The program aims to raise awareness in these areas and foster an inclusive environment for dialogue.

One of Koton's key initiatives for women, the Purple Room Talks has expanded beyond being an internal event as of 2025, reaching a wider audience through open-access YouTube live streams. As a result, the program has expanded its reach to include not only employees but also all stakeholders and the general public, reaching 216,537 views.

PLASTIC-FREE FESTIVAL

Koton served as a sponsor at the Plastic-Free Festival held in 2025 and shared its pioneering efforts in sustainability and reducing environmental impact in the ready-to-wear sector during a panel discussion held as part of the festival. Through this platform, the brand helped raise awareness by sharing the knowledge and experience it has gained in line with its approach to responsible production and consumption with its stakeholders.



Sustainability

Koton's sustainability strategy, Respect for Life, consists of the following pillars: Respect for Our World, Respect for Society, Respect for People, and Respect for Our Work.

Koton aims to raise awareness among all its stakeholders, particularly its employees, on topics such as climate change, sustainability, quality, environment, energy efficiency, and occupational health and safety. The company is implementing practices that support sustainability in the workplace and pursuing a transformation process aligned with global goals, using the United Nations Sustainable Development Goals as a guide in all its operations.

Koton, which holds memberships in international platforms such as WEPs, the Global Compact, and the Better Cotton Initiative, has transformed its experiences in sustainability into a comprehensive framework under the "Respect for Life" philosophy. Defined as the "Respect for Life Manifesto," this approach is structured around the pillars of Respect for Our World, Respect for Society, Respect for People, and Respect for Our Work, and forms the foundation of the company's sustainability strategy.

Climate Action and Emissions Management

Koton operates with the understanding that leaving a livable world for future generations is a shared responsibility. As part of a prioritization analysis conducted in 2024, climate change and emissions management were identified as priority areas, and these topics were addressed within the framework of energy management and emissions reduction strategies. With this approach, climate-related risks and impacts are monitored and the goal is to mitigate risks and integrate potential opportunities into business processes.

As part of the annual environmental training programs, employees receive training on environmental awareness, the ISO 14001 Environmental Management System, Zero Waste, and basic sustainability topics. These training sessions not only raise organizational awareness but also help strengthen a sense of shared responsibility for a sustainable future.

Greenhouse Gas (GHG) Emissions Data

Koton manages the processes of monitoring, reporting, and reducing greenhouse gas emissions in accordance with international standards. In this context, emissions calculations are conducted in accordance with the GHG Protocol and the ISO 14064 Corporate Carbon Footprint Standard.

The company systematically defines the environmental, social, and governance aspects of its operations, the significant impacts that may arise in

these areas, and the principles governing performance management within the framework of its Sustainability Policy.

In future reporting periods, it is planned to monitor emission data more effectively through a digital data management infrastructure. Accordingly, the goal is to improve data management processes and increase access to reliable, transparent, and comparable data through technological solutions.

Energy Efficiency

Koton systematically monitors energy consumption and aims to continuously improve energy efficiency through effective management practices. Thanks to the remote Energy Monitoring System used in its domestic stores, headquarters, and logistics warehouses, consumption data is measured and reported in real time.

Work continues to develop new energy monitoring software aimed at more effectively tracking energy consumption and increasing energy-saving potential. Additionally, Heat Recovery (HR) units used in street-level stores help reduce electricity consumption by reusing waste heat, and energy efficiency is further supported through the use of next-generation HVAC systems.

As part of efforts to improve the efficiency of mechanical systems, the HVAC infrastructure used in stores is being gradually upgraded, and the transition to more efficient, next-generation technologies is being facilitated through VRV system conversions.

“

As a result of the implemented system improvements, a 22% energy savings has been achieved in stores.

This transformation improves energy performance while contributing to operational sustainability.

As a result of the implemented system improvements, a 22% energy savings has been achieved in stores.

In line with its goal of increasing the share of renewable sources in energy consumption, Koton procures energy certified by I-REC (International Renewable Energy Certificate), which verifies that electricity consumption is met by renewable energy sources.

“

In 2025, 37% of revenue was generated from sustainable products.

[KOTON SUSTAINABILITY POLICY IS AVAILABLE ON OUR WEBSITE.](#)

[KOTON SUSTAINABILITY REPORT IS AVAILABLE ON OUR WEBSITE.](#)

Sustainability

Water Management

The conservation of water resources is of critical importance both for the fashion industry and for the sustainability of the planet. Koton is implementing measures to reduce water consumption starting with its own production processes, evaluating alternative fibers and raw materials that require less water, and promoting water-saving production methods.

Although Koton has limited ability to directly influence water and chemical usage at the raw material stage of the supply chain, it prioritizes the use of raw materials with low environmental impact that are verified by certifications.

The company also manages its suppliers' use of chemicals in fabric production in accordance with legal compliance requirements. As part of its water and wastewater management practices, industrial wastewater generated from cleaning and washing operations at the Reverse Logistics Center is transported by accredited third-party organizations and treated through appropriate purification processes to minimize its impact on the receiving environment.

Wastewater discharged from logistics warehouses is regularly analyzed by environmental testing laboratories authorized under the Water Pollution Control Regulation of the Ministry of Environment, Urbanization, and Climate Change of the Republic of Türkiye. As part of water consumption management in stores, while the use of bottled water continues in stores located within shopping centers, the use of water filtration systems is prioritized in street-level stores to optimize resource usage.



International Standards in Waste Management

To improve its environmental performance, Koton is aligning its processes with international environmental standards, conducting regular audits and implementing continuous improvement initiatives. While collaborating with store and shopping mall management, the company is also carrying out joint projects with industrial zone environmental units and consulting firms at its logistics warehouses. These efforts reinforce the company's commitment to environmentally responsible operations.

Projects developed to achieve the zero-waste goal in stores and warehouses aim to reduce waste generation, increase recycling rates, and integrate environmentally friendly practices into operations. Steps taken to reduce plastic use and promote environmentally conscious product initiatives are being shared with the industry to create a broader impact.

Encouraging Recycling Initiatives

Koton supports the promotion of environmental awareness and the adoption of eco-friendly habits through regular training programs for its employees. As part of its Environmental Awareness Training initiatives, Koton aims to foster a culture of recycling and resource efficiency throughout the organization through training sessions on ISO 14001 Environmental Management System, Zero Waste, and Basic Sustainability. The training programs are supported by both online and in-person modules.

To reduce the use of cardboard boxes in product shipments to stores, durable boxes made from recycled plastic raw materials are being preferred. The use of plastic boxes made from 30% recycled raw materials during the reporting period has contributed

to promoting plastic recycling and reducing the environmental impact caused by cardboard packaging.

Supporting the Circular Economy

Koton aims to reduce its environmental impact and strengthen its commitment to sustainable production by integrating the principles of the circular economy into every stage of its operations. In line with this approach, production processes and product communication are designed to raise customer awareness about eco-friendly options.

The Textile Waste Collection Project, which targets customers, contributes to Türkiye's zero-waste goals. The switch from single-use plastic bottles to glass bottles at the General Directorate building has been a significant step toward encouraging sustainable consumption habits. The digitization of shipping processes has reduced the volume of printed documents, and the recycling of packaging waste has been ensured through licensed companies.

As a result of activities carried out throughout 2025, a total of 618.74 tons of waste, including both hazardous and non-hazardous waste, was generated at the General Directorate and logistics warehouses.



The total amount of recycled waste decreased by 24.06% compared to the previous year.

Sustainability

Sustainability Goals:

	GOAL	TARGET YEAR
respect for our world	Achieving carbon neutrality	2040
	Using 100% renewable energy in operations	2030
	Reducing Scope 1 and Scope 2 emissions by 15% compared to 2021	2026
	Achieving Green Office Status	2027
	Increasing the rate of recycled packaging by 50%	2026
	Establishing an emissions data collection system	2026
	Planting 1,000 saplings at each store opening to help restore forested areas destroyed by wildfires	2027
	Increasing the share of "Respect for Life" products in total revenue by 10% each year compared to the previous year	Annual
respect for our society	Increasing the number of products in the Koton Handmade Project Collection by 10% each year by 2027	2027
	Increase the number of TEV female scholarship recipients by 10% each year	2027
respect for humanity	Maintaining a female workforce of over 68%	Annual
	Increasing the number of women working under the Housewives Project by 10% each year	2027
respect for our business	Procuring 50% of viscose and lyocell from environmentally responsible sources	2030
	Ensuring that the entire supply chain system is 100% traceable	2030
	To be included in the ESG Indices	2026

Koton Sustainability Strategy

RESPECT FOR OUR WORLD

Acting with a sense of responsibility toward future generations, Koton aims to minimize its impact on the ecosystem across all its processes, from the conservation of natural resources, particularly water, to waste management, and from combating climate change to emissions management. Guided by this approach, which is rooted in respect for the Earth and the right to life of all living beings on it, the company manages its operations with a holistic perspective and a strong sense of environmental responsibility to create a livable world.

The recycling of packaging waste is carried out through licensed companies, with the aim of reducing environmental impact through practices that support the circular use of resources. As a result of activities conducted throughout 2025, a total of 618.74 tons of waste was generated, including both hazardous and non-hazardous waste. The amount of recycled waste, however, decreased by 24.06% compared to the previous year.

RESPECT FOR OUR SOCIETY

With its sustainable fashion approach, Koton responds to consumers' conscious choices and aims to strengthen its corporate values and support local development through the social impact projects it undertakes. By contributing to society through projects focused on creating social impact, the company is transforming its business practices to align with social values. Koton, which pursues its sustainability journey in collaboration with its stakeholders, aims to increase its social impact and strengthen the creation of shared value.

RESPECT FOR HUMANITY

Koton promotes respect for human rights throughout its value chain and provides an inclusive and safe working environment that supports the development of its employees. Considering its stakeholders in all processes from production to post-sales customer satisfaction, the company prioritizes sustainable value creation.

Considering gender equality and women's empowerment among its business priorities, Koton embraces diversity and inclusion as an integral part of its corporate culture. The steps taken in this direction contribute to creating an egalitarian working environment and supporting a fair social structure.

RESPECT FOR OUR BUSINESS

Koton conducts all its operations in accordance with ethical values and legal compliance, while placing a high priority on information security and data privacy. The company aims to contribute to both corporate and industry-wide development through its technology and R&D initiatives, and by closely monitoring digital transformation trends, it is making its business processes more effective and efficient.

The integration of AI-powered systems into social responsibility projects and governance processes aims to achieve more measurable and data-driven results. By prioritizing customer satisfaction at every stage, Koton fosters long-term, trust-based relationships through a transparent and responsible approach to supply chain management.

Sustainability

we respect our world

- ✦ Combating Climate Change and Ensuring Emissions Management
- ✦ Improving Water and Wastewater Management
- ✦ Developing Circular Economy Practices and Eco-designed Products
- ✦ Reducing Chemical Impact

we respect our society

- ✦ Acting with a sense of corporate social responsibility
- ✦ Engaging with Stakeholders
- ✦ Contributing to Gender Equality
- ✦ Supporting Local Economy

we respect humanity

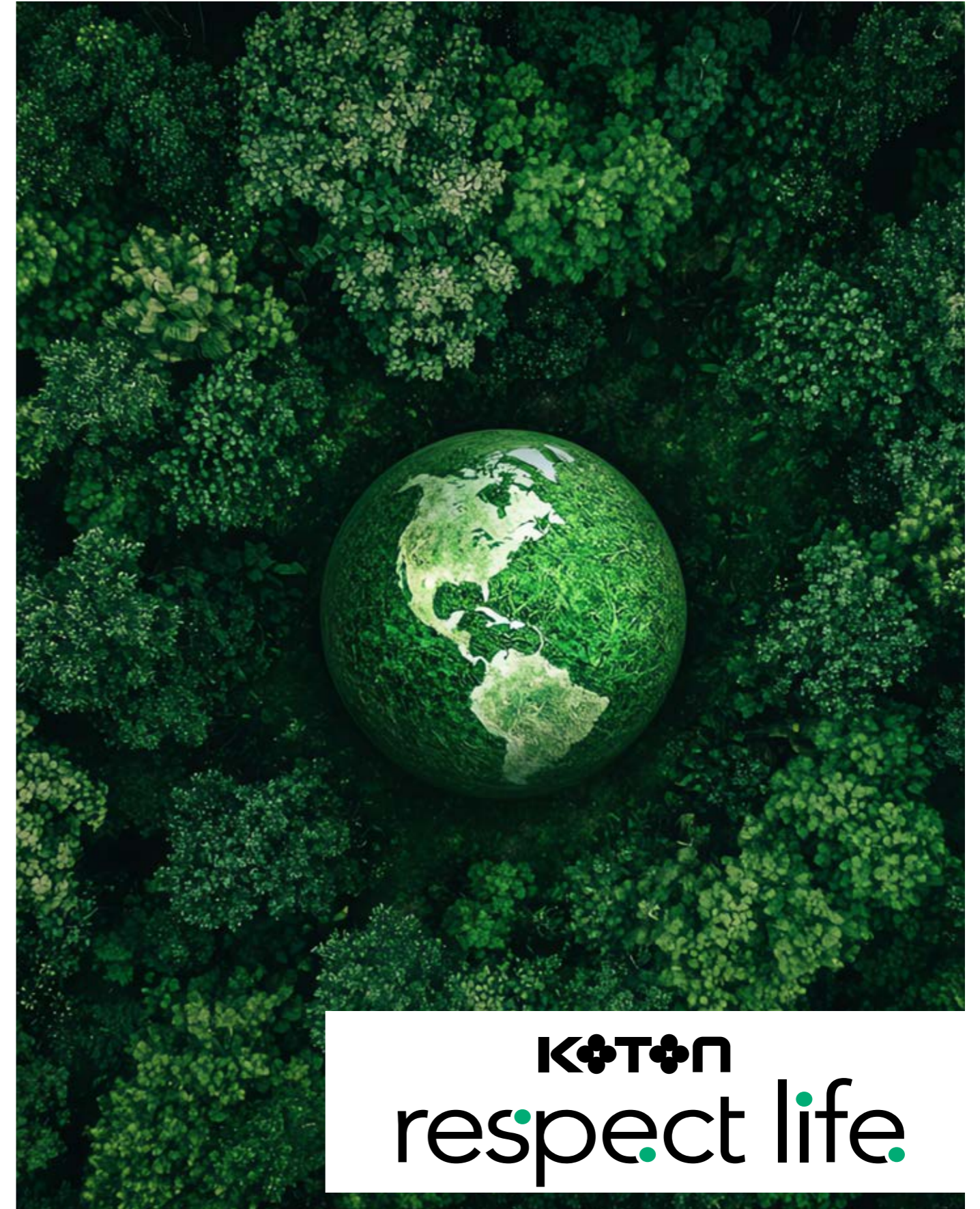
- ✦ Improving Employee Satisfaction and Loyalty
- ✦ Ensuring Talent and Performance Management
- ✦ Promoting Equality, Diversity, and Inclusion
- ✦ Upholding Occupational Health and Safety Standards

we respect our business

- ✦ Designing high-quality and sustainable products
- ✦ Advancing in digitalization and innovation
- ✦ Ensuring responsible supply chain management
- ✦ Promoting sustainable economic growth



DETAILS OF OUR RESPECT FOR LIFE MANIFESTO IS AVAILABLE ON OUR WEBSITE.



KOTON
respect life

Awards

JANUARY 2025

Golden Leader Awards - Most Popular CMO - Büşra Miray Müftüoğlu Diren

Golden Leader Awards - Most Popular CFO - Mert Güneş Sönmezsoy

Golden Leader Awards - Most Popular CEO - Dr. A. Bülent Sabuncu

FEBRUARY 2025

The One Awards - Most Reputable of the Year Award - Koton

7. Cx Awards Customer Experience Awards - Best Idea Award

The 30% Club - Women-Empowered Board of Directors Award - Yılmaz Yılmaz

Business Honors Awards - Best AI Application - AI-Powered Denim Fit Guide

Business Honors Awards - Customer Satisfaction and Loyalty - Koton Club Loyalty Program and Data Analytics

Business Honors Awards - Customer Satisfaction and Loyalty - Review analysis using artificial intelligence on marketplaces

Business Honors Awards - Best Event Management - 100th Anniversary Communications Event Management

Business Honors Awards - Sustainability Communication - Sustainability Communication with Respect for Water

Future Of CIO & Awards - New product design based on the features of best-selling products

MARCH 2025

Fast Company's 50 Sustainability Leaders List - Gülden Yılmaz

BÜİKAD - "Businesswoman of the Year" Award - Gülden Yılmaz

British Safety Awards - International Occupational Safety Award - Merit Category

APRIL 2025

Fast Company - Türkiye's Most Innovative Human Resources List - CHRO Sebla Oran Palut

Effie Awards - Silver Award - "From Now On, This Is Me" TV Commercial

MAY 2025

Brand Finance - Rose to 36th place on the "Turkey's Most Valuable and Strongest Brands" list

JUNE 2025

Brandverse Awards - Social Brands Data Analytics Category - Casual Wear Category - Bronze Award

Brandverse Awards - Social Responsibility and Sustainability Category - Life Underwater and on Land Subcategory - Respect for Water Bronze Award

JULY 2025

Textile Logistics Supply Chain Manager of the Year - Global Logistics Director Canan Mutlu

OCTOBER 2025

BMI Business School's "Türkiye's 50 Most Influential CMOs" - Büşra Miray Müftüoğlu Diren

ENOCTA: Shapers of the Future of Learning and Development - Active Learner Engagement Leader Award

The Hammers Awards 2025 Strategy Category - Koton x Zeynep Bastık Best Launch Award - Silver Award

The Hammers Awards 2025 Social Responsibility and Sustainability Category - Best Team in Recycling and Waste Reduction - Silver Award

The Hammers Awards 2025 Social Responsibility and Sustainability Category - Best Team in the Field of Gender Equality - Silver Award

İşıldayanlar Awards 2025 - With our TCE projects, the only brand to win awards from the retail sector

Social Impact Awards - Respect for Water Project - Award in the category of Projects Supporting the UN Sustainable Development Goals

Climate and Sustainability Awards - "Most Impactful Sustainability Project of the Year and Sustainable Textile/Fashion Brand of the Year" category Gold Award, "Recycling Project of the Year" category Silver Award

NOVEMBER 2025

Climate and Sustainability Awards - Respect for Water Project - "Most Impactful Sustainability Project of the Year and Sustainable Textile/Fashion Brand of the Year" category Gold Award

Climate and Sustainability Awards - Textile and Fashion Brand of the Year Category - Gold Award

Climate and Sustainability Awards - Hanger Project - "Recycling Project of the Year" Category - Silver Award

DECEMBER 2025

Social Impact Awards 2025 - Respect for Water Project - Award in the Category of Projects Supporting Sustainable Development Goals

Turquality 20th Anniversary Awards Ceremony - Company with the Most Branches Abroad - Turquality Champion

E-Commerce Awards - Best E-Commerce Team - Gold Award

E-Commerce Awards - Most Innovative Use of Artificial Intelligence in E-Commerce - Gold Award

E-Commerce Awards - Most Reputable and Trustworthy E-Commerce Site - Gold Award

E-Commerce Awards - Women's Apparel Website of the Year - Gold Award

E-Commerce Awards - Sustainable Fashion/Product Brand of the Year - Gold Award

E-Commerce Awards - Best Store-Integrated E-Commerce Site - Silver Award

Council of Shopping Centers "Most Popular Women's Apparel Brand" for the 12th time

Future *Perspective*

Profit-Driven Growth Strategy in the Physical Retail Channel



Domestic Stores



International Stores

- ✦ Growth through dynamic pricing policies and operational agility.
- ✦ Increased square-meter efficiency through optimization efforts.
- ✦ Improved customer experience with new store concepts.
- ✦ Window displays designed to drive foot traffic.
- ✦ Integration of store inventory with e-commerce through an omnichannel focus.

- ✦ Entry into new markets in the GCC region with the Apparel Group.
- ✦ Growth in the CEE region.
- ✦ Operational improvements and optimization efforts in the CIS region.
- ✦ The weakening of the Turkish Lira's strong position expected to have a positive impact on international financials going forward.

Domestic E-Commerce Channel Strategy

- ✦ Increase Koton.com's share of the e-commerce market by closing the low-profit B2B channel.
- ✦ Centralizing inventory management, completing the integration of e-commerce and store inventory, and thereby achieving additional efficiency in cost management.
- ✦ Increase sales through omnichannel customers, higher conversion rates and average order value through Koton Club.

International E-Commerce Channel Strategy

- ✦ Entering new marketplaces in the GCC region with our business partners.
- ✦ Entering U.S. marketplaces through a newly established company in the U.S.
- ✦ Entering new marketplaces in India.
- ✦ Expanding in e-commerce in Europe and Russia.
- ✦ Increasing the reach of Koton.com and Koton Club in various countries.

Efficiency Improvement Plan Through Effective and Centralized Inventory Management

- ✦ Focus on effective inventory management to improve net working capital.
- ✦ Integration of store and e-commerce inventory for centralized inventory management.
- ✦ Increasing efficiency in inventory and expense management by fulfilling all shipments from the store.



Financial Position *and Risk Management*



Financial Position and Risk Management

The management body's analysis and assessment of the financial position and operating results, the extent to which planned activities have been carried out, and the company's position relative to the established strategic objectives

Evaluating the performance for 2025, it can be seen that the previously announced 2025 expectations have been largely met.

Consolidated sales growth was projected to range from flat to a slight decline: Despite all the challenges facing the sector, 2025 closed at the upper end of the forecast range, on par with the previous year, without any contraction.

It was stated that the gross profit margin was expected to be above 50%: Thanks to the dynamic pricing strategy implemented throughout the year, product planning capabilities, and purchases below inflation, the gross profit margin reached 54.1%, in line with expectations.

A net increase of more than 14 stores had been projected for 2025: With 25 store openings and 12 store closures during the year, 2025 ended with a net increase of 13 stores, bringing the total to 464 stores. Due to external factors, the two planned shopping mall openings for 2025 were postponed to 2026; as a result, the two previously planned store openings could not be completed in 2025 and were carried over to 2026.

Additionally, it was announced in the presentation for 2025 the second-quarter financial results on the Public Disclosure Platform (PDP) that nearly 10 store openings were planned in the second half of 2025 as part of a strategic expansion plan in the GCC (Gulf) region. In accordance with this plan, 10 new stores were opened in this region in the second half of 2025, and this development was publicly announced in the PDP in December.

Information regarding the Company's sales, efficiency, revenue-generating capacity, profitability, and debt-to-equity ratio during the year compared to previous years; factors that provide insight into the results of the Company's operations and future expectations

Consolidated sales reached approximately TRY 33 billion. Despite the sector-wide contraction, domestic sales grew in line with inflation, supported by domestic retail operations and driven by dynamic pricing and effective inventory management. The physical retail channel accounted for 83% of consolidated sales.

Total international sales, meanwhile, closed the year with real growth, supported by operational improvements and growth in the e-commerce channel.

The gross profit margin reached 54.1% thanks to purchasing at rates below inflation and effective inventory management.

During the same period, an operating profit of 1.7 billion TL was achieved despite the inflationary environment, thanks to a strong gross profit margin and controlled expense management.

The consolidated EBITDA margin increased by 4.3 percentage points compared to 2024, reaching 23.7%.

In 2025, the company's operations were conducted with approximately 11% less inventory compared to 2024.

As a result, the ratio of net working capital to sales decreased by 4.2 percentage points in 2025, settling at 13.9%.

This decline in inventory levels negatively impacted net profitability by reducing the monetary gain resulting from the application of inventory valuation methods. Although the Company generated an operating profit of 1.7 billion, a 59% year-over-year increase in financing expenses also led the Company to close the 2025 fiscal year with a net loss of 959 million.

The Company's future expectations are included in the 2025 Financial Results Presentation disclosed on PDP.

While the Company's debt-to-equity ratio stood at 2.13 in 2024, this ratio reached 2.60 in 2025, reflecting a modest increase.

Determinations and assessments by the management regarding whether the company's capital is insufficient or whether the company is insolvent

An assessment was conducted to determine whether the Company's capital was insufficient under Article 376 of the Turkish Commercial Code, and it was concluded that the Company's issued capital more than sufficiently covered its equity and that the Company's debt structure is sound and conducive to the continuation of its operations.

Statement regarding the status of eligibility for incentives and, if applicable, the extent to which they have been utilized

INCENTIVES	TOTAL AMOUNT (TRY)
Turquality Government Aid Revenue	100,742,996
E-Export Incentive Revenues	1,932,917.62
TOTAL	102,675,913.62

Dividend Distribution

Information regarding the dividend distribution policy, the rationale for not distributing dividends if applicable; proposal on how undistributed profits will be utilized; sources eligible for dividend distribution

The Dividend Distribution Policy is available on the company's website and was adopted as follows at the Extraordinary General Assembly held on 11 November 2024 following the initial public offering:

[THE DIVIDEND DISTRIBUTION POLICY IS AVAILABLE ON OUR WEBSITE.](#)

The decision regarding the distribution of dividends, as well as the method and timing of such distribution, is made by the Company's general assembly upon the recommendation of the Board of Directors. Provided that applicable regulations and financial circumstances permit, and subject to the condition that profit distribution is not restricted by relevant legislation, the decision is made by taking into account market expectations, the Company's long-term strategies, the capital requirements of subsidiaries and affiliates, investment and financing policies, profitability, and cash position. It is intended that at least 20% of the distributable net profit for the period, calculated in accordance with the Articles of Association, the Turkish Commercial Code (TTK), the Capital Markets Board (SPK), the Dividend Regulation, and tax regulations, be distributed to shareholders. Although companies whose shares are traded on Borsa Istanbul Inc. are under no obligation to make a dividend distribution decision, the Company aims to establish a consistent dividend distribution tradition. To avoid any ambiguity, this objective is not a commitment and shall not be interpreted as such. Dividends may be distributed in cash and/or in the form of stock dividends and/or through a combination of these two methods in specific proportions.

Dividend Distribution

At the Board of Directors' meeting held on 30 April 2025, in accordance with TFRS and taking into account the Capital Markets Board's announcement dated 28 December 2023 regarding the application of inflation accounting, the financial statements prepared on an inflation-adjusted basis show a net loss of TRY 396, 675,311 for the company, and a current year loss of TRY 1,092,789,830.77 based on the inflation-adjusted records under the Turkish Tax Procedure Code (VUK). Consequently, at the ordinary General Assembly meeting held on 28 May 2025, it was resolved not to distribute profits and to transfer these amounts to the prior year's loss account.

Internal *Auditing*

Corporate *Risk Management*

Information regarding the company's internal control system and internal audit activities; the management body's views on this matter

The Internal Audit Directorate, while administratively working under the Chairman of the Board of Directors within the company's organizational structure, in accordance with the functions defined by capital markets legislation, reports directly to the Audit Committee composed of independent board members in full compliance with the principles of independence, objectivity and impartiality.

The responsibilities of the Internal Audit Directorate include evaluating the effectiveness of the Company's internal control processes through audits within the framework of a risk-based annual audit plan, and providing internal consulting services.

In this context, to ensure that the Company's operations are conducted in accordance with established objectives, policies, business plans, and legal regulations; that resources are used effectively, economically, and efficiently; and that key financial, administrative, and operational information is reliable; and to verify that employees' actions comply with relevant procedures, codes of business ethics, and legal regulations, the Directorate conducts department and process audits within the framework of a risk-based annual audit plan and contributes to the resolution of issues. As part of internal audit activities, audits are conducted on store and logistics operations, as well as the processes of the Headquarters and the Company's subsidiaries. Internal audit activities also include investigating suspected cases of misconduct reported through management requests, internal audit findings, or whistleblower reports, and conducting the necessary internal investigation activities.

Risks and Assessment of the Management Body

Following the Extraordinary General Assembly held on 11 November 2024 and the establishment and launch of the Early Risk Detection Committee, work on the risk map, initiated to establish the Company's corporate risk management infrastructure, continued in 2025. In this context, a risk inventory was created for the Company, risks were classified and communicated to Senior Management, and awareness-raising activities regarding the corporate risk management methodology were conducted.

The results and recommendations of the meetings held by the Early Risk Detection Committee are reported not only to the Board of Directors but also to the independent auditor. At the meeting of the Early Risk Detection Committee held on 9 July 2025 (No. 2025-3), it was decided to recommend to the Board of Directors that the Corporate Risk Management process be managed and reported in coordination with other directorates through a function to be established under the Internal Audit Department, and work is ongoing to establish the necessary infrastructure.

Information regarding the Company's risk management policy for addressing anticipated risks, if any

There is currently no risk management policy in place, and work is ongoing.

Information regarding the activities and reports of the Early Risk Detection and Management Committee, if established

The Early Risk Detection Committee met six times on 11 March 2025, 30 April 2025, 9 July 2025, 21 August 2025, 5 November 2025, and 31 December 2025.

The Early Risk Detection Committee worked to establish, implement, and operate the corporate risk management system within the company, and recommended to the Board of Directors that the corporate risk management function be overseen by the Internal Audit Directorate. During the year, the Committee also provided guidance on preparing a risk inventory to identify and detect risks that could threaten the Company's existence, development, and continuity; provided information regarding the necessary measures to be taken and risk management for the identified risks; and coordinated planning for training programs that would be beneficial for the Company in relation to the risk management system to be established.

Future risks related to sales, efficiency, revenue-generating capacity, profitability, debt-to-equity ratio, and similar matters

SSales, productivity, and revenue-generating capacity may be affected by increased costs in procurement operations due to economic fluctuations, currency fluctuations, or the suspension of operations resulting from the inability to work with suppliers due to force

majeure events (such as natural disasters). In this context, financial risks refer to risks arising from the Company's financial position and decisions, or from external factors. Financial risks include loans, F/X, cash, financial markets, inflation, and economic crises/uncertainties.

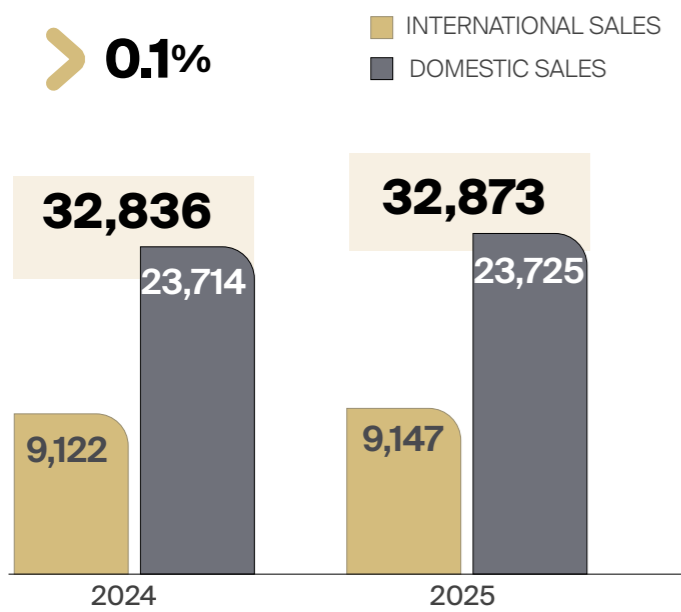
When managing financial risks, financial indicators, including net financial debt-to-EBITDA ratio, liquidity ratios, foreign exchange position, foreign currency-denominated loans, and the maturity profile of debt, are monitored to ensure they remain within established limits.

To mitigate the risk of declining product profitability due to rising costs, early production or procurement is organized within the framework of capacity plans, and changes are made to suppliers, manufacturers, or production locations. In managing currency risk, natural hedging is the preferred approach; to manage the risk of being unable to work with suppliers due to force majeure, alternative suppliers are utilized.

Financial assessments are conducted for customers to mitigate receivables risk; the finance department performs periodic risk assessments and monitors customers' financial conditions; and customers are regularly evaluated in accordance with the open credit limit procedure.

Financial Indicators

Consolidates Sales (TRY million)



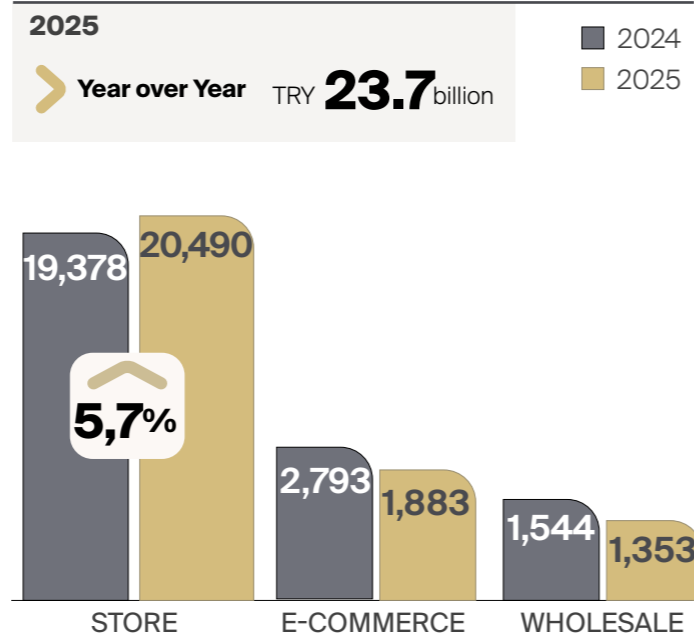
Strong Growth in Domestic Stores

In 2025, domestic sales remained at the same level as the previous year due to the impact of declining consumer demand compared to 2024. However, Koton's domestic store sales outperformed the sector, recording a real growth of 5.7%. As a result of the strategic decision to focus on profitability, e-commerce and wholesale sales decreased. The strong performance of domestic stores offset the decrease in other channels, supporting the growth of total domestic sales in line with inflation.

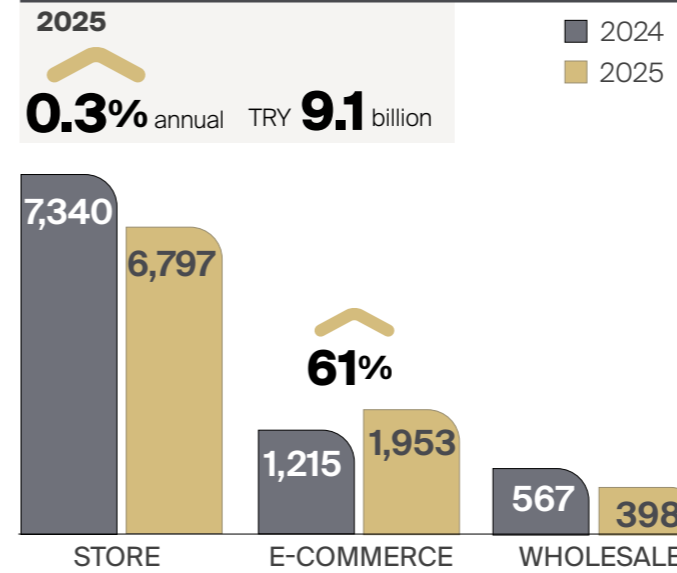
Resilient Sales Performance

Consolidated sales remained flat in 2025 compared to the previous year, despite the ongoing inflationary environment and the impact of the strong Turkish lira policy domestically, as well as adverse geopolitical factors abroad.

Domestic Sales (TRY million)



International Sales (TRY million)



The Growing Contribution of International Sales

Positive signs are emerging regarding the easing of exchange rate pressure on international sales. Supported by a 61% increase in international e-commerce sales in 2025, total international sales closed the year with real growth.

International sales recorded a 15% annual increase in USD terms in 2025, driven by operational improvements. However, due to the impact of inflation adjustments, this growth remained limited in TL terms.

Increased Gross Profit Margin Through Effective Cost Management and Dynamic Planning

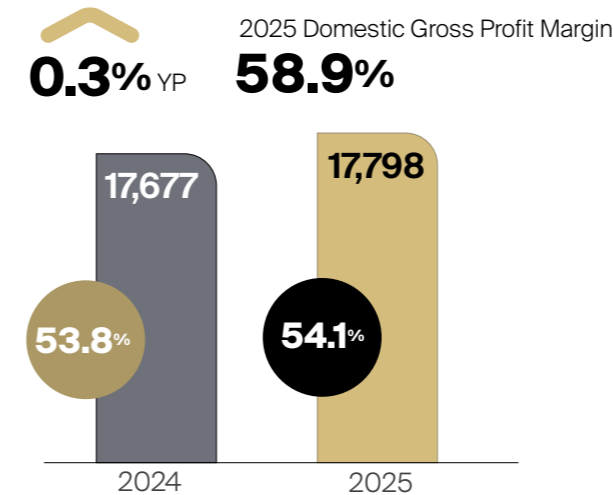
The consolidated gross profit margin reached 54.1% thanks to dynamic product planning and effective cost management. Despite shrinking domestic demand in 2025, thanks to the discount strategy and dynamic pricing policy implemented, the gross profit margin reached 58.9%.

Increased EBITDA Margin Through Prudent Cost Management

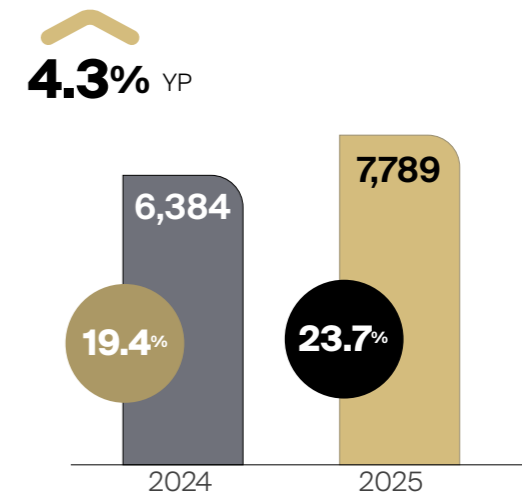
The EBITDA margin rose by 4.3 percentage points to 23.7% on a consolidated basis.

Despite rental expenses rising faster than inflation, thanks to disciplined cost management, EBITDA reached approximately TRY 7.8 billion in 2025, marking a 22% increase.

Consolidated Gross Profit and Margin (TRY million)



Consolidated EBITDA and Margin (TRY million)



Financial Indicators

Positive Free Cash Flow Through Operational Acceleration

Working Capital

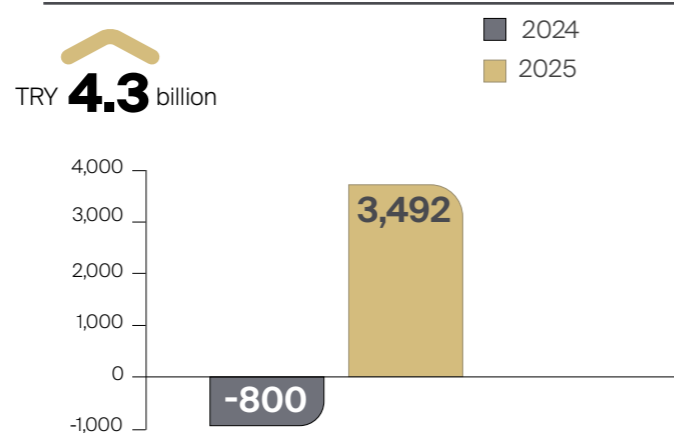
Improvements in working capital were achieved primarily due to an 11% year-over-year reduction in inventory, driven by dynamic pricing, effective product planning, and flexible supply chain practices.

Working Capital (TRY million)	2024	2025	DIFFERENCE
Commercial and Other Short Term Receivables	2,339	1,523	-35%
Ratio to Sales	71 %	4.6 %	-2.5pp
Stocks	10,442	9,288	-11%
Ratio to Cost of Goods Sold	68.9%	61.6%	-7.3pp
Commercial and Other Short Term Liabilities	6,843	6,235	-9%
Ratio to Cost of Goods Sold	45.1%	41.4%	-3.8pp
Net Working Capital	5,937	4,576	-23%
Ratio to Sales	18.1%	13.1%	-4.2pp

Free Cash Flow

Thanks to operational agility and improvements in working capital, a total of TRY 3.5 billion in free cash flow was generated in 2025.

Free Cash Flow (TRY million)



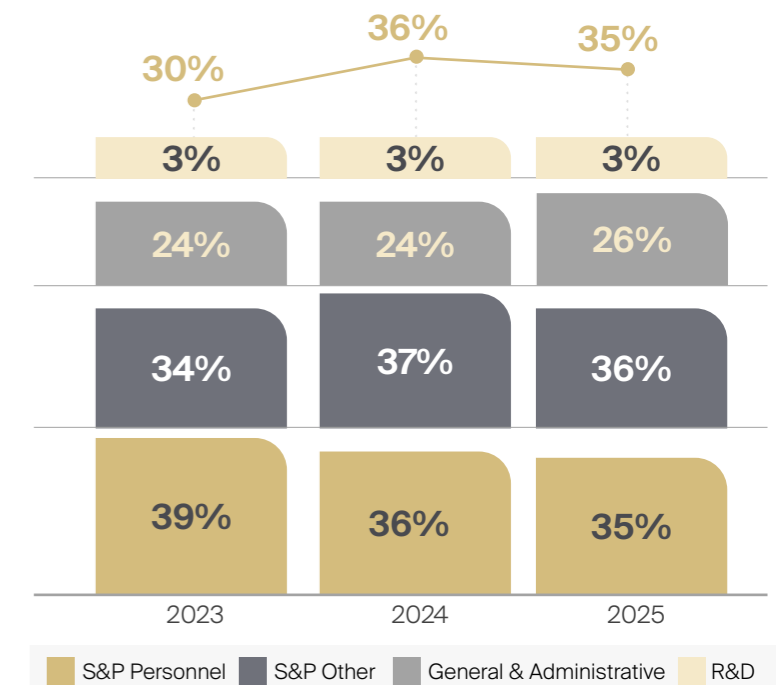
Notes: Free cash flow is calculated by subtracting cash flows used in investing activities from the cash flows from operating activities reported in the consolidated statements of cash flows.

Disciplined Management of Operating Expenses

While the ratio of operating expenses to sales stood at 36% in 2024, it declined to 35% in 2025 as a result of projects implemented under a prudent operating expense management strategy.

Despite rent expenses increasing at a rate higher than inflation in 2025, total operating expenses decreased by 1.3% year-over-year due to the decline in total personnel expenses.

Ratio of Operating Expenses to Sales (%)



Decline in Net Financial Liabilities to EBITDA Ratio

In 2025, the ratio of net financial liabilities to EBITDA fell to 1.0x, and to 0.5x when excluding lease liabilities (excluding IFRS 16).

The reason for the increase in bank loans is that the Company's foreign currency loans are predominantly in Euros and the appreciation of the Euro.

In 2025, the ratio of investment expenditures to sales remained at 3.4%, in line with previous years, despite a net increase of 13 stores during the year.

Net Financial Liabilities (TRY million)	2024	2025	DIFFERENCE
Cash and Cash Equivalents	766	1,443	88%
Bank Loans	(4,293)	(5,101)	19%
Lease Obligations	(4,149)	(4,118)	1%
Net Financial Liabilities	(7,676)	(7,776)	1%
Net Financial Liabilities/ EBITDA	1.2x	1.0x	
Net Financial Liabilities (excluding IFRS 16)	(3,527)	(3,658)	4%
Net Financial Liabilities/ EBITDA (excluding IFRS 16)	0.6x	0.5x	

Summary of *Financial Statements*

In the activity report for the period from 1 January 2025 to 31 December 2025, the Company, which applies Turkish Accounting/Financial Reporting Standards in accordance with the Capital Markets Board's Decision dated 28 December 2023, has based its financial data on figures that have undergone inflation accounting in accordance with the provisions of TAS 29 and have been subject to independent audit. In this context, unless otherwise specified, amounts are expressed in Turkish Lira (TRY) as of 31 December 2025, based on purchasing power (including TAS 29)..

Summary Balance Sheet

	31 December 2025	31 December 2024
Total Current Assets	14,725,102,404	16,027,142,934
Total Fixed Assets	9,438,838,830	9,295,027,696
TOTAL ASSETS	24,163,941,234	25,322,170,630
Total Short-Term Liabilities	14,334,957,357	13,928,528,407
Total Long-Term Liabilities	3,130,598,719	3,310,653,942
TOTAL LIABILITIES	17,465,556,076	17,239,182,349
EQUITY	6,698,385,158	8,082,988,281
TOTAL EQUITY	24,163,941,234	25,322,170,630

Summary Income Statement

	31 December 2025	31 December 2024
Revenue	32,872,814,234	32,836,034,854
Gross Profit	17,798,176,982	17,677,413,508
Gross Profit Margin	54.1%	53.8%
Operating Income	1,690,746,631	155,055,346
Profit Before Tax (Loss)	(1,055,674,431)	(720,789,205)
Period Income (Loss)	(958,673,329)	(516,893,516)
EBITDA	7,789,156,149	6,384,430,314
EBITDA Margin	23.7%	19.4%

Statement of Responsibility for Financial Reports

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

Date of Resolution: 3 March 2026

Resolution Number: 2026/02

Our company's audited financial statements for the period from 1 January 2025 to 31 December 2025 were approved by the Board of Directors' resolution No. 2026/02 dated 3 March 2026, and it was decided to disclose the aforementioned financial statements on the Public Disclosure Platform.

The financial statements of our company for the period from 1 January 2025, to 31 December 2025, have been submitted to us for review and have been examined by us; based on the information available to us within the scope of our duties and responsibilities at the company, we hereby state that:

- » The financial statements do not contain any material omissions that could result in a misstatement or misleading information as of the date of the financial statements,
- » The financial statements, prepared in accordance with the Regulation on Principles of Financial Reporting in the Capital Markets—including those within the scope of consolidation—faithfully reflect the company's assets, liabilities, financial position, and profit or loss.

Ömer Faruk Işık

Chair of the Audit Committee

Ayşe Ufuk Açar

Audit Committee Member

A.Bülent Sabuncu

CEO

Deloitte.

DRT Bağımsız Denetim ve
Serbest Muhasebeci
Mali Müşavirlik A.Ş.
Maslak No1 Plaza
Eski Büyükdere Caddesi
Maslak Mahallesi No:1
Maslak, Sarıyer 34485
İstanbul, Türkiye

Tel: +90 (212) 366 60 00
Fax: +90 (212) 366 60 10
www.deloitte.com.tr

Mersis No :0291001097600016
Ticari Sicil No: 304099

**(CONVENIENCE TRANSLATION OF
INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S ANNUAL REPORT
ORIGINALLY ISSUED IN TURKISH)**

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

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

1) Opinion

As we have audited the full set consolidated financial statements of Koton Mağazacılık Tekstil Sanayi ve Ticaret A.Ş. ("the Company") and its subsidiaries ("the Group") for the period between 01/01/2025–31/12/2025, we have also audited the annual report for the same period.

In our opinion, the consolidated financial information provided in the Management's annual report and the Management's discussions on the Group's financial performance, are fairly presented in all material respects, and are consistent with the full set audited consolidated financial statements and the information obtained from our audit.

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 responsibility is disclosed under *Responsibilities of the Independent Auditor on the Independent Audit of the Annual Report* in detail. We are independent of the Company in accordance with the *Code of Ethics for Independent Auditors (including Independence Standards)* ("Code of Ethics") published by the POA, as applicable to audits of financial statements of public interest entities, together with the ethical requirements included in the regulations of the Capital Markets Board and other regulations that are relevant to audits of the financial statements of public interest entities. We have also 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 audit opinion.

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

We have presented unqualified opinion for the Group's full set consolidated financial statements for the period between 01/01/2025–31/12/2025 in our Auditor's Report dated 3 March 2026.

Deloitte, Deloitte Touche Tohmatsu Limited ("DTTL"), onun küresel üye firma ağı ve ilgili kuruluşlarından bir veya daha fazlasını ifade eder. DTTL üye firmalarının her biri yasal olarak ayrı ve bağımsız kuruluşlardır. DTTL müşterilere hizmet sunmamaktadır. Daha fazla bilgi almak için www.deloitte.com/about adresini ziyaret ediniz.

© 2026. Daha fazla bilgi için Deloitte Türkiye (Deloitte Touche Tohmatsu Limited üye şirketi) ile iletişime geçiniz.

Deloitte.

4) Management's Responsibility for the Annual Report

The Group's Management is responsible for the following in accordance with Article 514 and 516 of the Turkish Commercial Code No. 6102 ("TCC") and "Communiqué on Principles of Financial Reporting in Capital Markets" with No.14.1 of the Capital Markets Board ("the Communiqué"):

- Preparing the annual report within the three months following the reporting date and presenting it to the General Assembly,
- Preparing the annual report with the all respects of the Group's flow of operations for that year and the Group's consolidated financial performance accurately, completely, directly and fairly. In this report, the consolidated financial position is assessed in accordance with the consolidated financial statements. The Group's development and risks that the Group may probably face are also pointed out in this report. The Board of Director's evaluation on those matters are also stated in this report.
- The annual report also includes the matters stated below:
 - The significant events occurred in the Group's activities subsequent to the financial year ends,
 - The Group's research and development activities,
 - The compensation paid to key management personnel and members of Board of Directors including financial benefits such as salaries, bonuses and premiums, allowances, travelling, accommodation and representation expenses, in cash and kind facilities, insurances and other similar guarantees.

The Board of Directors also considers the secondary regulations prepared by the Ministry of Trade and related institutions while preparing the annual report.

5) Responsibilities of the Independent Auditor on the Independent Audit of the Annual Report

Our aim is to express an opinion and prepare a report about whether the Management's discussions and consolidated financial information in the annual report within the scope of the provisions of the TCC and the Communiqué are fairly presented and consistent with the information obtained from our audit.

We conducted our audit in accordance with the regulations of the Capital Markets Board and the SIA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Management's discussions on the Group's financial performance, are fairly presented in all material respects, and are consistent with the full set audited consolidated financial statements and the information obtained from 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, 10 March 2026

Significant Developments *Related To Corporate Governance And Activities*

Information Regarding the Company's *Management Body, Senior Executives, Staff, and Operations*

Biographies of Board Members

Yılmaz Yılmaz

Chairman of the Board of Directors

Yılmaz Yılmaz, 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.

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 "Yanıdayız Derneği" (We Are By Your Side Association), Yılmaz assumed presidency of the United Brands Association (BMD) from 2010 to 2013.

Yılmaz Yılmaz, who was elected as a member of the TÜSİAD Board of Directors at the General Assembly held in 2024, held the position until 2026. He also continued to serve as the Chair of the TÜSİAD Social Development Roundtable.

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

Gurgle B.V.

Vice Chairperson of the Board of Directors

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. Eleonora Barbara van Geloven represents Gurgle B.V. on the Koton Board of Directors.

Şükriye Gülden Yılmaz

Member of the Board of Directors

Born in Adapazarı in 1966, Gülden Yılmaz completed her primary and secondary education in Adapazarı. Şükriye Gülden Yılmaz graduated from the Department of Guidance and Psychological Counseling at Marmara University. She began her career as an educational specialist at Dost Private High School. In 1988, she founded the Koton brand. Yılmaz has served as Vice Chair of the TOBB Young Entrepreneurs Council since 2009 and also chaired the G3 Forum Platform from 2011 to 2018. A founding member of the Turkish Businesswomen's Association (TİKAD), Yılmaz served as a member of the Board of Directors of the Turkish Apparel Manufacturers' Association (TGSD) from 2009 to 2015. Şükriye Gülden Yılmaz currently serves as a member of the Company's Board of Directors.

Deniz Yılmaz

Member of the Board of Directors

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.

Information Regarding the Company's Management Body, Senior Executives, Staff, and Operations

Ömer Faruk Işık

Independent Member of the Board of Directors

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.

Dr. Ayşe Ufuk Ağar

Independent Member of the Board of Directors

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 his career in 1999 as a Research and Development Engineer at Hewlett Packard Laboratories in Silicon Valley, where he obtained three patents for innovative technologies she developed. After returning to Turkey, she served as an assistant professor in the Department of Electrical and Electronics Engineering at Işık University. Subsequently, she played critical roles in digital transformation projects as a Senior Strategy Specialist at Garanti Technology and as the Director of Technology Strategy at Oger Telecom. In 2007, Dr. Ağar played an active role in the restructuring of TNet after its separation from Türk Telekom, serving first as Deputy General Manager responsible for Product Development & Strategy and then as Deputy General Manager responsible for Marketing until 2009. Between 2009 and 2012, she served as Director responsible for broadband, online services, and fixed communications at Vodafone Turkey, managing the commercial integration of KoçNet and Borusan Telekom, and leading the establishment process of VodafoneNet. Since 2013, she has been serving as Senior Deputy CEO responsible for Business Development and Strategy at Digiturk.

Senior Management Biographies

Dr. A. Bülent Sabuncu

CEO

A. Bülent Sabuncu was born in Mardin in 1969 and completed his elementary, middle, and high school education in Ankara. After graduating from the Department of Economics at Hacettepe University's Faculty of Economics and Administrative Sciences in 1992, Sabuncu earned his master's degree from the same university in 1996 with a thesis on futures trading. He led the establishment of the Cotton Futures Market at the Izmir Commodity Exchange. In 1997, he established Oyak Portfolio Management Inc., Turkey's first portfolio management company. Sabuncu also played a role in the establishment of Global Portfolio Management Inc. in 1999 where he served as a member of the Board of Directors and as Operations Director. During the same period, he also served as a member of the Fund Board for the six investment funds he established while acting as General Manager of Atlas Securities Investment Partnership Inc.

Sabuncu, who earned his Ph.D. in 2001 with a thesis on Individual Pension Funds, joined Balnak Logistics Group in 2002 and served as a Board Member and CFO until the company's sale in 2012. From March 2013 to May 2014, Sabuncu served as General Manager (Support Units) at Umur Printing Industry and Trade Inc. From 2014 to 2018, he worked as an Executive Board Member & CFO at Flo Retail and Marketing Inc. In 2019, Sabuncu began working as General Manager at Omsan Logistics Inc., a subsidiary of the Oyak Group, and was appointed General Manager (Support Units) at Koton Retail Textile Industry Inc. in November 2019. He has been serving as General Manager (CEO) since October 2020. Sabuncu has participated in various educational programs at the London Business School and is fluent in English and Arabic. Sabuncu is married and the father of a daughter.

İlkay Keskin

Deputy CEO
(Creative)

İlkay Keskin completed her undergraduate studies in the Marketing Department at Bentley University from 1997 to 1999 and in the Business Administration Department at Işık University from 1999 to 2001. She began her career in 2001 as a Product Manager at Şahnur Tekstil. From 2002 to 2003, she served as Senior Product Manager at Comiteks Tekstil Ürünleri, where she was responsible for managing customer relations in the UK market. From 2004 to 2006, she served as Product Manager at Options Moda, overseeing the Italian, Spanish, and UK markets. From 2006 to 2009, she worked as Export Manager at Hong Kong-based Create Value Ltd., coordinating operations in China.

Keskin joined Koton in 2009 as Country Product Purchasing Manager, where she was responsible for managing supply chains in the Far East and developing new supplier relationships. From 2013 to 2018, she served as Purchasing Manager and later as Purchasing Director in the Women's Apparel department. In 2018, she was appointed as Deputy CEO of Brand (Chief Merchandising Officer—CMO).

As of January 2025, İlkay Keskin has been appointed as Deputy CEO (Creative) and continues to work toward defining the brand's creative vision and strategy, managing the design and product development teams, and ensuring that creative and commercial objectives are advanced in harmony.

Information Regarding the Company's *Management Body, Senior Executives, Staff, and Operations*

Mert Güneş Sönmezsoy Deputy CEO (Finance-CFO)

Mert Güneş Sönmezsoy earned a bachelor's degree in Business Administration from Istanbul University and subsequently completed an MBA (Accounting and Finance) program at Yeditepe University. He began his career in 1999 as a Financial Benchmarking and Research Analyst at Rumeli Telekom Inc. (Telsim). Sönmezsoy worked as a Senior Auditor at Mazars Denge from 2000 to 2003, and from 2004 to 2020, he served at PricewaterhouseCoopers (PwC), rising to the position of Director.

Mert Güneş Sönmezsoy, who joined the Koton family in March 2020, currently serves as Deputy CEO (CFO).

Metin Pekanlar Deputy CEO (Planning)

Metin Pekanlar completed his bachelor's, master's, and doctoral degrees in the Department of Business Administration at Sakarya University. Pekanlar began his career at LC Waikiki and has held various managerial positions in the areas of product planning and business intelligence for over 14 years.

Metin Pekanlar, who joined the Koton family as Director of Planning in November 2017, has served as Deputy CEO responsible for Planning since January 2025, overseeing the Commercial Planning, E-Commerce Planning, Central Planning, and Product Planning functions.

Onur Güven Deputy CEO (Sales)

Onur Güven graduated from the Department of Business Administration at Dokuz Eylül University. He began his career in 1998 as Sales Manager at TEBA Foreign Trade, where he was responsible for the Latin American, Spanish, and Scandinavian markets. From 2004 to 2008, he served as Product Manager at Vestel International, and from 2008 to 2010, he served as Sales and Marketing Director responsible for EMEA and Eastern Europe at Midea Group. Joining A101 Yeni Mağazacılık Inc. in 2010, Güven managed operational growth and store openings as Regional General Manager from 2010 to 2015. From 2015 to 2018, he served as General Manager/CEO at English Home. He then returned to A101 in 2018, continuing his role as General Manager responsible for Business Development, International Growth, and Strategic Planning. From 2019 to 2025, he served as Chief Operating Officer (COO) at Penti Inc.

Onur Güven joined the Koton family in December 2025 and continues to serve as Deputy CEO (Sales), overseeing the functions of Retail and Wholesale Sales in Türkiye, International Retail Operations, E-commerce, Real Estate Investment and Leasing, Construction, and Sales Operations.

Sebla Oran Palut Deputy CEO (Human Resources)

Sebla Oran Palut graduated from the Department of Sociology at Mimar Sinan University. She began her career in 2000 at Garanti Bank and has held positions in human resources, executive recruitment, and consulting at various organizations, including GSK, Adecco Search & Selection, and Iveco.

Oran Palut joined Coca-Cola Beverages in 2007, where she held roles as Türkiye Human Resources Partner, Global Human Resources Manager, and Head of People Analytics and Organizational Design. From 2021 to 2024, she served as Global Leader of Organizational Design, Total Rewards, and People Analytics at Hayat Kimya.

Sebla Oran Palut joined the Koton family in November 2024 as Director of Human Resources and continues as Deputy CEO (Human Resources) since January 2025.

Information Regarding the Company's *Management Body, Senior Executives, Staff, and Operations*

Changes to the Board of Directors During the Period

There were no changes to the Board of Directors during the fiscal year. At the annual General Meeting held on 28 May 2025, the previous members of the Board of Directors were re-elected to serve for a one-year term.

The Activities of the Board of Directors During the Year, Number of Meetings, and Attendance of Board Members at Said Meetings

In 2025, the Board of Directors met 10 times to review the company's financial and operational performance and discuss strategic decisions that needed to be made. All members of the Board of Directors attended every meeting.

Rules of Procedure for Board Committees, Including Committee Members, Meeting Frequency, and Activities Conducted

Pursuant to the decision of the Company's Board of Directors dated 28 May 2025, and in accordance with the Corporate Governance Principles annexed to the Capital Markets Board's Corporate Governance Communiqué No. II-17.1 and other relevant legislation, it was decided that;

1. The Audit Committee shall consist of two members, with Independent Board Member Ömer Faruk Işık appointed as Chair and Independent Board Member Ayşe Ufuk Açar appointed as a member;
2. The Early Risk Detection Committee shall consist of three members, with Ömer Faruk Işık appointed as Chair and Independent Board Member Ayşe Ufuk Açar and Board Chairman Yılmaz Yılmaz appointed as members;

3. The Corporate Governance Committee shall consist of five members, with Ayşe Ufuk Açar serving as Chair, and Independent Board Member Ömer Faruk Işık, Board Chairman Yılmaz Yılmaz, Board Member Gülden Yılmaz, and Capital Markets Compliance Director (Head of the Investor Relations Department) Eda Çanga Belber as members.

Taking into account the requirements of the Board of Directors' structure, a separate nomination and compensation committees shall not be established, and the duties of these committees shall be carried out by the Corporate Governance Committee.

The Rules of Procedure, which were adopted by the Board of Directors on 05 February 2024, are available on the Company's corporate website and the Public Disclosure Platform.

In 2025, all Board Committees fulfilled the duties and responsibilities required of them in accordance with the Corporate Governance Principles and their own working principles, and operated effectively.

In this context;

- » **The Audit Committee** met six times on 24 February 2025, 10 March 2025, 9 May 2025, 11 August 2025, 5 November 2025, and 31 December 2025,
- » **The Corporate Governance Committee** met four times on 21 February 2025, 9 April 2025, 16 April 2025, and 30 December 2025,
- » **The Early Risk Detection Committee** met six times on 11 March 2025, 30 April 2025, 9 July 2025, 21 August 2025, 5 November 2025, and 31 December 2025.

The committees submitted the reports they prepared as a result of these meetings to the Board of Directors throughout the year.

Accordingly;

- » The Audit Committee oversaw the public disclosure of the Company's financial information, the independent audit, and the operation and effectiveness of the Company's internal control and internal audit systems during the fiscal year.
- » During the year, the Corporate Governance Committee fulfilled its duties to determine whether the Company was adhering to the Corporate Governance Principles, to identify the reasons for any non-compliance, and to detect any conflicts of interest arising from failure to fully comply with these principles; provided recommendations to the Board of Directors to improve corporate governance practices, and oversaw the activities of the Investor Relations Department. The Corporate Governance Committee also performed the duties of the Nomination and Compensation Committees.
- » The Early Risk Detection Committee has worked to start, establish and effectively implement the company's corporate risk management system; during the year, identified and conducted early detection of risks that could threaten the company's existence, development, and continuity; took necessary measures regarding the identified risks; and managed those risks. Additionally, the Committee reviewed the risk management system and took actions regarding training programs that would be beneficial for the company to undertake in this regard.



DETAILED INFORMATION ON THE COMMITTEES AND THEIR OPERATING PRINCIPLES ARE AVAILABLE ON OUR WEBSITE.

Organizational Changes During the Year

During the reporting period; on 01 December 2025 Onur Güven was appointed as Deputy CEO (Sales) to lead the functions of Türkiye Retail and Wholesale, International Retail Organizations, e-Commerce, Real Estate Investment and Leasing, Construction Operations, and Sales Operations, which were consolidated to strengthen Koton's solid position in Turkey and achieve its global growth objectives, and this development was announced on the Public Disclosure Platform.

Following the reporting period, as announced on the Public Disclosure Platform on 08 January 2026, the Company has taken a significant step toward achieving its vision of reaching 1 billion customers worldwide by 2030, with the aim of transforming its organization into a more agile and resilient structure by embedding its values into every stage of its operations. In this context, changes have been made to the organizational structure to create a more streamlined, future-ready framework that aligns better with Koton's strategic priorities.

Pursuant to the Board of Directors' resolution dated 8 January 2026, in addition to the positions of Deputy CEO (CFO), Deputy CEO (Brand), and Deputy CEO (Sales), which are currently part of the organizational structure and report to the CEO, the following senior management positions have been established, effective 1 January 2026, and reporting to the CEO:

- » Deputy CEO (Creative)
- » Deputy CEO (Planning)
- » Deputy CEO (Human Resources)

Information Regarding the Company's Management Body, Senior Executives, Staff, and Operations

Information Regarding Transactions Conducted by Board Members on Behalf of the Company or on Their Own Behalf, and Activities Subject to the Non-Competition Clause

None.

Financial Benefits Provided to Board Members and Senior Executives Financial

	1 Jan- 31 Dec 2025	1 Jan- 31 Dec 2024
Compensation and other short-term benefits	247,931,488	186,978,724
TOTAL	247,931,488	186,978,724

Financial Benefits Provided to Management

Consists of the Company's senior management team and members of the Board of Directors. The senior management team comprises the CEO, deputy CEOs, and directors. The benefits provided to senior executives include salary, bonuses, health insurance, and transportation

Information Regarding Mutual Holdings Where the Direct Equity Participation Ratio Exceeds 5%

None.

Amendments to the Articles of Association

None.

The Company's Independent External Audit Firm

DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.



Conflicts of Interest Between the Company and Institutions from Which It Receives Services Such as Investment Advisory and Rating Services, and Measures Taken to Prevent Them

In its credit rating assessment conducted in February 2025, JCR Eurasia Rating classified "Koton Mağazacılık Tekstil Sanayi ve Ticaret Anonim Şirketi" within the high-grade investment-grade category, assigning the company a Long-Term National Credit Rating of "A+ (tr)", with a "Stable" outlook, its Short-Term National Credit Rating at "J1 (tr)", and its outlook as "Stable." There is no conflict of interest between JCR and Koton.

- » EBITDA figures sustained in 2023 due to rising demand, store space efficiency, and supply chain policies,
- » strong payment capacity demonstrated by cash flow and leverage ratios in the third quarters of 2023 and 2024,
- » positive net working capital in 2023—unlike previous periods—indicating stronger liquidity,
- » Continued expansion into international markets driven by a well-known brand name and market strength,
- » A diversified product portfolio and sales channels that fuel revenue streams,
- » Limited collection risk supporting asset quality,
- » Compliance with corporate governance practices and quality standards as a publicly traded company,
- » A narrowing of the net profit margin in the third quarter of 2024 due to declining foreign exchange gains from core operations and net monetary position gains,
- » A partial decrease in cash flow from operations (CFO) in the 2023 fiscal year,
- » Relatively high operational expenses inherent to the nature of the business,
- » Price pressure in the ready-to-wear sector and the highly competitive environment created by rapidly changing fashion trends,

- » Revenues exposed to various country-specific risk factors,
- » Important measures aimed at achieving a soft landing on a global scale, and the significant uncertainty created by decisions that could negatively impact global trade have led to Koton's ratings as follows:

Long-Term National Institutional Credit Rating: A+ (tr) / (Stable Outlook)

Short-Term National Institutional Credit Rating: J1 (tr) / (Stabil Görünüm)

Long-Term International Foreign Currency Institutional Credit Rating: BB / (Stable Outlook)

Long-Term International Local Currency Institutional Credit Rating: BB / (Stable Outlook)

Number of Employees, Collective Bargaining Practices, Rights and Benefits Provided to Employees

As of 31 December 2025, the Company's average number of employees is 7,852. The Company prioritizes protecting the rights and interests of its employees, ensuring fundamental employee rights through fair and competitive compensation, social security and pension rights, and occupational health and safety practices. Work hours, leave and rest rights, as well as equal opportunity, the prevention of discrimination, and the creation of an inclusive work environment are monitored and continuously improved within the framework of the Company's Gender Equality Policy and Human Rights Policy.

R&D Activities and Results

According to the law No. 5746 on the Support of Research, Development, and Design Activities (R&D Law) and the Regulation on the Implementation and Supervision of the Support of Research, Development, and Design Activities, published in the Official Gazette

No. 31934 dated 25 August 2022 (R&D Regulation), an R&D center refers to a unit organized as a separate department within the organizational structure of companies established to carry out R&D and innovation projects or contract-based R&D and innovation activities, employing at least fifty full-time R&D personnel and possessing sufficient R&D expertise and capabilities. A design center, on the other hand, refers to units organized as a separate department within the organizational structure of companies established to carry out design projects or contract-based design activities, employing at least ten full-time design personnel, and possessing sufficient design expertise and capabilities. R&D centers and design centers are required to operate in compliance with the R&D Law and the R&D Regulation. Various incentives and support are provided to businesses holding R&D center and design center status. Design and R&D centers submit an annual activity report detailing their operations through the Ministry of Industry and Technology's online portal (<https://biltek.sanayi.gov.tr/>).

The company holds a Design Center Certificate issued by the Ministry of Industry and Technology of the Republic of Türkiye.

The Company is required to submit the Design Center Annual Activity Report online, bearing the electronic signature of a Company representative or the Design Center manager, by the end of May of the year following the reporting year. This report contains information on all aspects of the Design Center's operations, including design projects, personnel, training and scientific events in which the Design Center participated, as well as articles, publications, and other related materials.

Following the submission of the activity report, the Ministry appoints academics specialized in the design center's field of activity as reviewers (typically two or three reviewers) to evaluate the report at least once every three years. The reviewers visit the design center on-site to assess compliance with the design center certification criteria and the activities and projects

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş.

Information Regarding the Company's *Management Body, Senior Executives, Staff, and Operations*

being carried out, and submit a report to the Ministry. Subsequently, a commission meeting is held at the Ministry of Industry and Technology, and a decision is made regarding whether the design center certification will be renewed. The meeting minutes dated 19 September 2024, determined that the company should continue to benefit from the incentives and exemptions provided.

One of the key factors that sets Koton apart from its competitors is its experienced textile R&D team. The textile R&D team focuses on identifying new fabrics by taking into account domestic and international developments, and aims to capture trends and ensure a fast production process by proactively identifying fashion-forward fabrics. By providing custom-designed patterns for use in collections, the textile R&D team aims to give the Company a competitive edge.

The company has the capacity to produce 2,000 new samples per month across various categories and, thanks to its in-house sample production facility, can complete the process from design to sample production within 48 hours.

The company's Design Center is accredited by the Ministry of Industry and Technology of the Republic of Türkiye and is a leader in the industry. The center employs 90 design professionals. It maintains multi-faceted academic and industry partnerships with Süleyman Demirel University, Istanbul Technical University, Marmara University, Nişantaşı University, Harran University, Istanbul Bilgi University, and Mimar Sinan University of Fine Arts, as well as with the Istanbul Fashion Academy. The design team possesses expertise in rapid prototyping and digital collection development and actively uses tools such as Adobe Photoshop (Ps), Adobe Illustrator (Ai), Adobe Creative Cloud, Browzwear, and Gerber Technology. Additionally, by leveraging AI and data-driven trend analysis platforms such as WGSN, Edited, Myth AI, and T-Fashion, the team manages collection planning and design processes in a data-driven manner. The team develops over 20,000 samples annually.

Information Regarding the Company's Investments During the Fiscal Period

The Company is making investments in domestic and international markets with the aim of growing and expanding its business volume. Investment expenditures are primarily directed toward expanding operations in the retail channel. Additionally, investment expenditures are made for licenses and software related to the development of the Company's and its Affiliates' information systems, as well as for activities conducted within the scope of the design center.

A significant portion of the Company's capital expenditures relates to tangible fixed assets. Investments in machinery and equipment primarily consist of investments in information technology equipment (such as computers, tablets, cash registers, and handheld terminals) used in stores, at the headquarters, and in the offices of affiliated companies. During the relevant periods, a significant portion of the Company's capital expenditures on tangible fixed assets consists of furniture, fixtures, and special cost items used for opening new stores and expanding or renovating existing stores. Special costs, in turn, primarily consist of capital expenditures made for store decoration purposes.

Under the "Investments in Progress" account, the Company tracks its investments before they begin to generate benefits. Investments in progress include both tangible and intangible fixed assets. As of the relevant periods, the majority of investment expenditures under the "Investments in Progress" account consist of design center expenditures, which will subsequently be classified as development costs under intangible fixed assets.

Of the Company's expenditures related to ongoing investments for the years ending 31 December 2025 and 31 December 2024, TRY 193,731,709 and TRY 67,517,044, respectively, pertain to development costs tracked under design center expenditures. In 2025, R&D design and development projects showed an increase compared to previous years. The majority of these development costs consist of personnel expenses.

Current investment expenditures related to intangible fixed assets consist primarily of expenditures on computer software and licenses.

The company has financed a portion of its investments with equity and another portion with third-party financing.

The details of investments made during the financial periods ending 31 December 2025 and 31 December 2024 are provided in the table below.

INVESTMENT EXPENDITURES	31 December 2025	31 December 2024
Machinery and Equipment	12,546,261	24,385,265
Vehicles	0	0
Fixed Assets	354,092,248	285,123,980
Special Costs	363,619,465	522,183,407
Ongoing Investments	193,731,709	67,517,044
TOTAL	923,989,683	899,209,696

Information Regarding the Company's *Management Body, Senior Executives, Staff, and Operations*

Information Regarding the Company's Direct and Indirect Subsidiaries and Their Ownership Interests

TRADE NAME COMPANY'S	BUSINESS ACTIVITY	EQUITY STAKE (%)	NATURE OF THE RELATIONSHIP WITH THE COMPANY
Koton Textil Group Gmbh	Retail	100	Affiliate
Koton Textile Limited Doo Sarajevo	Retail	100	Affiliate
Koton Textile Limited Şirketi	Retail	100	Affiliate
Koton Textile D.O.O. Zagreb	Retail	100	Affiliate
Koton Textil Limited	Retail	100	Affiliate
TOO Koton Textile Limited Liability Partnership	Retail	100	Affiliate
Koton Mağazacılık Doo El Skopje	Retail	100	Affiliate
Koton Textile Retail Srl	Retail	100	Affiliate
Ooo Koton Textile Llc	Retail	100	Affiliate
Koton Textile Limited Doo Beograd	Retail	100	Affiliate
Koton Textile Limited S.R.O	Retail	100	Affiliate
Koton Mağazacılık Limited	Retail	100	Affiliate
Koton Mağazacılık Sarl au	Retail	100	Affiliate
Koton Mağazacılık Sasu	Retail	100	Affiliate
Limited Liability Company Koton Textile	Retail	100	Affiliate
Koton Magazacilik Limited Liability Company	Retail	100	Affiliate
Koton Textil Korilátolt Felelősségű Társaság (Koton Textil KFT)	Retail	100	Affiliate
Koton Tekstil Emboria Endimation Monoprosopi Epe	Retail	100	Affiliate
Koton A.G. Trading L.L.C.	Retail	100	Affiliate
Koton India Private Limited.	Retail	100	Affiliate
Koton Trading LLC	Retail	51	Affiliate
Koton Fashion Trading LLC	Retail	51	Affiliate
Koton Bahrain Trading W.L.L.	Retail	51	Affiliate
Koton Trading LLC	Retail	51	Affiliate
Koton INC	Retail	100	Affiliate

Information Regarding the Company's Management Body, Senior Executives, Staff, and Operations

Information Regarding the Company's Acquisition of Its Own Shares

None.

Disclosures regarding private and public audits conducted during the reporting period

No private or public audits were conducted during the relevant period. The independent audit of the financial statements was performed by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

Regulatory changes that will significantly impact the company's operations

None.

Information regarding lawsuits filed against the Company that could affect its financial condition and operations, and their potential outcomes

There are lawsuits against the Company of a magnitude that could affect its financial position or operations. Details of the litigation provisions are provided below in the notes to the financial statements:

SHORT-TERM PROVISIONS	31 December 2025	31 December 2024
Litigation provisions	23,979,450	32,699,919
TOTAL	23,979,450	32,699,919

On the other hand, in 2012, the Company was a party to claims for damages filed on the grounds that it was liable without fault for damages resulting from the subtenant's negligence in connection with a fire that broke out in a shopping center where the Company was a tenant and had subleased a store to a third party under a franchise agreement; some of the compensation claims were served on the Company, and the Company intervened in the criminal case.

In addition, in a case filed under Case No. 2020/40 E. at the Istanbul 18th Civil Commercial Court—one of the compensation claims filed in connection with the fire—the court ruled in favor of the Company, dismissing the claim on the grounds that the fire originated in the cleaning room. Following the appeal process to the Supreme Court, the relevant decision became final in favor of the Company.

In accordance with the opinions of Group management and legal counsel regarding potential liabilities arising from these cases, no provision has been recorded in the consolidated financial statements.

Disclosures regarding administrative or judicial sanctions imposed on the Company and members of its governing bodies due to practices contrary to statutory provisions

None.

If an extraordinary general assembly was held during the year, information regarding the extraordinary general assembly, including the date of the assembly, the resolutions adopted at the assembly, and the related actions taken

None.

If the Company is part of a corporate group, legal transactions entered into with the controlling company, with a company affiliated with the controlling company, or at the direction of the controlling company for the benefit of the controlling company or a company affiliated with it, as well as all other measures taken or avoided during the preceding fiscal year for the benefit of the controlling company or a company affiliated with it

The Company is not part of a corporate group.

Information on the Indices in Which the Company Is Listed on the BIST:

Koton is included in the BIST TİCARET, BIST HALKA ARZ, BIST TÜM, BIST TÜM-100, BIST KATILIM TÜM, BIST 500, BIST HİZMETLER, BIST KATILIM 100, and BIST YILDIZ indices.

Information regarding the donations and aid provided by the company during the year, as well as expenditures made as part of its corporate social responsibility projects

DONATIONS and AID	TOTAL AMOUNT (TRY)
Tema Foundation	868,000.00
Turkish Education Foundation	4,020,000.00
Turkish Red Crescent	5,000.00
Other	240,000.00
TOTAL	5,133,000.00

Information Regarding the Company's *Management Body, Senior Executives, Staff, and Operations*

Transactions with Related Parties

Transactions between the Company and its subsidiaries, which are related parties, are eliminated during consolidation.

Trade payables and advances to related parties as of 31 December 2025 and 31 December 2024 are given below.

ADVANCE PAYMENTS MADE TO RELATED PARTIES	31 December 2025	31 December 2024
Ecomod Tekstil	4,367,807	6,316,176
TOTAL	4,367,807	6,316,176

DEBTS OWED TO RELATED PARTIES	31 December 2025	31 December 2024
Canko Tekstil Ürünleri San.Tic.Ltd.Şti.	983,075	704,171
TOTAL	983,075	704,171

Details of purchases made from related parties as of 31 December 2025 and 31 December 2024 are also provided below. While Canko Tekstil Ürünleri San. Tic. Ltd. Şti. and Ecomod Tekstil are related parties from whom the Company sources products, the Company is a tenant in two properties owned by another related party, Gülyılmaz Real Estate Investment, Development, Management, and Trading Inc.

PURCHASES FROM RELATED PARTIES	31 December 2025	31 December 2024
Canko Tekstil Ürünleri San.Tic.Ltd.Şti.	37,826,530	2,713,961
Ecomod Tekstil	106,239,140	86,866,702
Gülyılmaz Real Estate Investment, Development, Management, and Trading Inc.	26,834,809	22,171,6971
TOTAL	170,900,478	111,752,359

Changes in the Implementation of *Corporate Governance Principles*

Koton began trading on Borsa İstanbul Inc. on 10 May 2024, and has adopted as a matter of principle full compliance with the mandatory principles set forth in the Corporate Governance Communiqué No. II-17.1 currently in effect. While full compliance with non-mandatory corporate governance principles is also aimed for, work is currently underway on principles that have not yet been implemented, and it is planned to achieve compliance with those deemed necessary in light of the needs of shareholders and other stakeholders as soon as possible.

Work was conducted on the principles that had not yet been implemented during the previous reporting period, and some of them have been put into practice. For example, in accordance with Article 3.1.3 of the Corporate Governance Communiqué No. II-17.1—a non-mandatory corporate governance principle—additional policies and procedures regarding stakeholder rights have been published on the Company's corporate website. In this context, the Human Resources Policy, Employee Compensation Policy, Customer Satisfaction Policy, and Personal Data Protection Policy have been uploaded to the corporate website. Work is ongoing to finalize the remaining policies and procedures in writing and make them publicly available.

Although Article 4.3.9 of the Corporate Governance Communiqué No. II-17.1—a non-mandatory corporate governance principle—provides for the establishment of a policy to set a minimum target of 25% for the proportion of female members on the Company's Board of Directors, Koton's Board of Directors Diversity Policy, published on the company's website, establishes the principle that the proportion of female members on the Board of Directors shall not be less than 50%, a principle adopted by a Board of Directors resolution dated 2 May 2025.

Among the non-mandatory corporate governance

principles under the Corporate Governance Communiqué No. II-17.1, Article 4.4.2 stipulates that the Board of Directors must establish a minimum timeframe for sending information and documents related to agenda items to all members prior to the meeting, and Article 4.4.5 requires that the procedures for conducting Board of Directors meetings be governed by internal written regulations. To ensure compliance with these principles, the Board of Directors adopted the Internal Guidelines on Board of Directors Operating Procedures by a resolution dated 31 December 2025, establishing operating procedures that include sharing information and documents necessary for Board members to make decisions no later than two days in advance. The aforementioned Internal Guidelines on Board of Directors Operating Procedures have also been uploaded to the corporate website.

In addition, to ensure that the Company's operations are conducted effectively and in accordance with corporate governance principles, the internal regulation titled "Principles Regarding Related-Party Transactions" was adopted by the Company's Board of Directors via a resolution dated 31 December 2025, in compliance with the Capital Markets Board's Corporate Governance Communiqué; it is decreed that, by the end of March each year, the Board of Directors will adopt a general framework resolution for the scope and conditions of the Company's extensive and recurring related-party transactions, based on budget projections for that year. In the event of a significant change in the scope or terms of such transactions during the year, a new Board of Directors resolution regarding the change will be adopted; the initial framework resolution adopted by the Board of Directors will also cover ongoing related-party transactions occurring from the beginning of the fiscal year and will have effect for such transactions

Activities of the *Department of Investor Relations*

as well. In the event that natural disasters, epidemics, terrorist activities, war, general strikes, work slowdowns, work stoppages, extraordinary circumstances arising in financial markets and macroeconomic conditions, and/or similar events create uncertainty in the Company's operations and in the planning and projections regarding transactions with related parties that form part of such operations, the Board of Directors is authorized to postpone the adoption of the decision in question to a later date. For the Board of Directors to adopt such a postponement decision, the unanimous approval of all Independent Board Members is required. These matters have been adopted as internal regulations to concretize the application of the rules set forth in the Corporate Governance Communiqué regarding related-party transactions within the Company and to ensure clarity in their implementation, and relevant internal units have been informed of the matter.

Developments Occurring Between the End of the Period and the Preparation of the Report

The Company's operations in the Gulf Cooperation Council ("GCC") region account for a limited share of its total operations. However, the geopolitical developments that began in late February and are also affecting the GCC region could lead to uncertainty in global markets and economic conditions. Given the Company's low operational exposure to the region, the direct impact of these developments on the Company is expected to be limited. Nevertheless, as with all global risks, the situation is being closely monitored by the Company, and proactive assessments are being conducted to ensure the uninterrupted continuation of supply chain and financial processes.

On 10 May 2024, Koton shares began trading on the Istanbul Stock Exchange (BIST) under the ticker symbol KOTON. Prior to this date, during the preparation phase for the initial public offering (IPO), on 14 February 2024, pursuant to Article 11 of the Capital Markets Board's Corporate Governance Communiqué No. II-17.1, the Board of Directors established the Investor Relations Department which reports directly to the Company's General Manager.

The Investor Relations Department is responsible for disclosing particular events to the public, responding to questions from shareholders and analysts, transactions related to the General Assembly (E-GKS), capital increases, dividend distributions, and amendments to the articles of association; the use of the Public Disclosure Platform and the 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 implementations have continued throughout 2025 to ensure compliance with corporate governance principles and capital markets legislation. All shareholders are provided with timely, complete, and accurate information via PDP. In addition, the Investor Relations Department continuously informs the Board of Directors and senior management regarding changes in capital markets legislation and developments related to competitor companies.

The Investor Relations Department has maintained continuous communication with current and potential investors throughout the year to provide transparent, accurate, understandable, and timely information, excluding the Company's confidential and trade secret information, in a manner that does not create information asymmetry. Department staff are proactive individuals who are well-versed in the dynamics of the Company and the industry and are capable of

comprehensively conveying the Company's story, business model, and strategies. The department aims to build long-term relationships with investors. Investor and analyst inquiries and requests are addressed as quickly and accurately as possible within the framework of applicable regulations. In this context, the activities conducted by the Investor Relations Department in 2025 can be summarized as follows:

The Annual General Assembly was held on 28 May 2025, and the relevant documents were prepared before and after the meeting and published on PDP.

- » Financial statements were published on the PDP in both Turkish and English every quarter, and interim and year-end activity reports were prepared and announced on the PDP.
- » Following the release of financial results each quarter, analyst meetings were held to discuss the company's financial, operational, and strategic developments; during these meetings, questions were answered by the CEO, CFO, and Director of Investor Relations.
- » Analyst presentations and press releases for each quarter were published on the PDP. Additionally, analyst presentations for each quarter have been posted on the company's website in both Turkish and English.
- » Meetings were held with 23 domestic and foreign institutional investors, either via teleconference at the company's headquarters or through in-person visits.
- » In accordance with the Capital Markets Board's Corporate Governance Communiqué, the "Koton Board of Directors Diversity Policy," the "Internal Guidelines on the Board of Directors' Operating Procedures," and the "Principles Regarding

Related-Party Transactions" were prepared and submitted to the Board of Directors for approval.

- » Store openings in the regions that are among our strategic priorities have been announced on the PDP in a timely manner to ensure transparent communication with investors and to inform their investment decisions.
- » In accordance with the relevant regulations, investors' requests for information were responded to via email in order to maintain records of these communications.
- » A two-week training program on "mandatory Capital Markets Board regulations for publicly traded companies" was conducted for designated executives within the company, including the CFO and independent board members.

The investor relations webpage was updated.

Information regarding the Investor Relations Department, which is responsible for shareholder relations at the Company, is provided below:

Eda ÇANGA BELBER - Capital Markets Compliance Director

Licenses Held: Capital Markets Activities Level 3 License (License No.: 927843) Corporate Governance Rating License (License No.: 927858)

İpek OR - Director of Investor Relations

Licenses Held: Capital Markets Activities Level 3 License (License No.: 205904)

Declarations

Declaration of Independence

In accordance with Article 4.3.6 of the Corporate Governance Principles, annexed to the Corporate Governance Communiqué 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 April 2025

Sincerely

Ömer Faruk Işık

KOTON

Declaration of Independence

In accordance with Article 4.3.6 of the Corporate Governance Principles, annexed to the Corporate Governance Communiqué 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 April 2025

Sincerely

Ayşe Ufuk Açar

Declarations

Corporate Governance Compliance Report

Koton began trading on the stock exchange on 10 May 2024 and has adopted as a matter of principle full compliance with the mandatory principles set forth in the Corporate Governance Communiqué No. II-17.1 currently in force. While full compliance with non-mandatory corporate governance principles is also aimed for, work is currently underway on principles that have not yet been implemented, and it is planned to achieve compliance with those deemed necessary in the near future, in line with the needs of our shareholders and other stakeholders.

The information contained in the Company's Corporate Governance Compliance Report ("CGC") and Corporate Governance Information Sheet ("CGIS") for the financial period from 1 January 2025, to 31 December, 2025, has been prepared in accordance with the presentation guidelines published in the CMB Weekly Bulletin and the CMB's "Corporate Governance Communiqué" No. II-17.1, and was approved by the Board of Directors' decision No. 2026/04 dated 10 March 2026. The provisions for which the Company's compliance status is stated as "partially" or "no" in the Corporate Governance Compliance Report ("CGC") published on the PDP, along with the justifications for these, are provided below.

Our Company has not received any information indicating that a conflict of interest has arisen due to non-compliance with the non-mandatory Principles, nor has our Corporate Governance Committee identified any such issue. Administrative, legal, and technical infrastructure work is ongoing for the non-mandatory principles that the Company has not yet implemented. Once this work is completed, it is planned to implement and publicly announce the principles that are currently not being applied and that are deemed necessary in light of the needs of our shareholders and other stakeholders.

In this context, the main headings of the optional principles with which our Company was unable to comply in 2025, and which are stated as "partially" or "no" in the Corporate Governance Compliance Report ("CGC") 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 carry five votes in the election of board members, with the exception of independent members.

1.5.2—Minority rights have been extended to shareholders holding less than one-twentieth of the capital, and the scope of these rights has been expanded through provisions in the articles of association. This principle is not complied with, as the company is operating within the framework of relevant legal regulations and has no plans to expand minority rights through provisions in the articles of association.

1.7.1- There are no restrictions that would hinder the transfer of shares. This principle is not fully complied with, as, pursuant to our Articles of Association, in the transfer of Class A preferred shares, such shares are first offered to Class A shareholders. There are no restrictions on the transfer of Class B shares, which are traded on the stock exchange.

3.1.3 - Policies and procedures regarding stakeholder rights are published on the company's corporate website. This principle is not fully complied with, as while some policies regarding stakeholder rights (such as the Customer Satisfaction Policy and the Human Resources Policy) are available on the corporate website, certain procedures, such as the Supplier Policy, and other relevant regulations are located on the company's internal communication platform. Therefore, the goal is to complete the necessary work to document all relevant policies and procedures in writing and make them publicly available.

2.1.4 - The information on the Company's corporate website has been prepared in selected foreign languages so that the content is identical to the Turkish version. While this principle is not fully complied with, the Company places great importance on ensuring that the content of its corporate website is prepared in English so that it is identical to

Corporate Governance Compliance Report

the Turkish version. We are continuing our efforts to complete the English translations of new sections and documents added to our website.

3.1.4 - Mechanisms have been established to enable stakeholders to report transactions that violate regulations or are unethical. This principle is not fully complied with, as while stakeholders can report issues via our investor relations and customer communication email addresses, as well as through the contact form on our website, and customers visiting our stores can also submit reports to headquarters, we do not have an ethics hotline operated by an independent third party.

3.1.5 - The company addresses conflicts of interest among stakeholders in a balanced manner. While this principle is not yet fully complied with, the company's balanced approach to this matter will become transparent once all policies and mechanisms are made public.

3.2.1 - Employee participation in management is governed by the articles of association or internal company regulations. This principle is not being complied with, as while our employees participate indirectly in management through communication tools such as regular informational meetings and surveys held at our Company, 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 the employees. It is planned to continue this practice in the coming period.

3.5.1 - The Board of Directors has established the Code of Ethical Conduct and published it on the company's corporate website. This principle is not being complied with, as a Code of Business Ethics exists but has not been published on the corporate website. The Code of Business Ethics was prepared as an internal document for company employees prior to the initial public offering. Work is currently underway to update it for publication on our corporate website.

4.4.7 - Board members are restricted from holding other positions outside the company. The positions held by board members outside the company have been disclosed to shareholders at the General Assembly. While this principle is not complied with, care is taken to ensure that board members allocate the necessary time to company affairs, and there is no restriction on their holding other positions outside the company. Given that the professional experience and industry expertise of board members make a significant contribution to management, there has been no need for such a restriction. Prior to the General Assembly, the member's resume, along with the positions held outside the company, was presented to the shareholders.

4.5.5 - Each board member serves on only one committee. This principle is not being complied with, as there are three committees; given the principles requiring that committee chairs be independent members and that the Audit Committee consist entirely of independent members, it has become necessary for independent members to serve on more than one committee in this situation. This situation does not give rise to any internal conflicts of interest.

4.6.1 - The Board of Directors has conducted a performance evaluation to assess whether it has effectively fulfilled its responsibilities. This principle is not being complied with, as no specific study has been conducted at the Board of Directors level as part of the performance evaluation.

4.6.5 - Remuneration paid to members of the board of directors and managers with executive responsibilities is disclosed on an individual basis in the annual activity report. This principle is not being complied with, as payments made to members of the board of directors and senior executives are disclosed to the public in aggregate form in the notes to the financial statements, in line with general practice.

Declarations

Sustainability Compliance Statement

To ensure that publicly traded companies can share the fundamental principles (Sustainability Principles Compliance Framework) expected to be disclosed when conducting their environmental, social, and corporate governance (ESG) activities with stakeholders, the "Communication Regarding Amendments to the Corporate Governance Communiqué (II-17.1) (II-17.1.a)" where necessary additions were made to the 1st and 8th items of the Corporate Governance Communiqué, was published in the Official Gazette on 2 October 2020 and entered into force.

In accordance with the relevant communiqué, KOTON adopts an approach aligned with sustainability principles across all areas of its operations, develops strategies in this regard, and continues its efforts toward achieving the established goals. A significant portion of the principles outlined in the Sustainability Principles Compliance Framework are currently being implemented, and improvement efforts are ongoing in areas requiring further development. Based on the information and data shared with the public in its most recently published report, the 2024 Integrated Sustainability Report, KOTON aims to conduct its operations in alignment with responsible practices in the environmental, social, and corporate governance domains. Development efforts are ongoing regarding provisions within the Compliance Framework where full compliance has not yet been achieved or partial compliance has been achieved, and progress in these areas will be shared in greater detail with the public in the Sustainability Report to be published with 2025 data.

General Principles

A1. Strategy, Policy, and Objectives

KOTON's sustainability policies have been developed to help identify the right strategy for sustainability initiatives and facilitate their implementation, and have been published on the website www.koton.com.tr. Under the coordination of the Sustainability Committee, efforts are underway to establish, implement, and ensure the traceability of short-, medium-, and long-term goals within the framework of these policies.

A2. Implementation/Monitoring

Sustainability initiatives at KOTON are carried out by the Sustainability Committee, which operates under the supervision of the Board of Directors. Comprising members selected to represent various departments, the Committee ensures the integration of the sustainability approach across the entire company and meets regularly to assess risks, opportunities, and areas for improvement in the environmental, social, and governance domains. Work on developing sustainability performance indicators is ongoing, with the goal of making sustainability management more fully integrated into corporate processes.

A3. Reporting

KOTON shares its sustainability performance with the public in accordance with the principle of transparency. In this context, the KOTON Integrated Sustainability Report for 2024, the most recent report disclosed to the public in accordance with POA regulations, has been prepared and published in compliance with the GRI Standards and the International Integrated Reporting Framework. Disclosures under the Sustainability Principles Compliance Framework are included in the 2025 Annual Activity Report, prepared in accordance with CMB regulations. The 2024 Integrated Sustainability Report includes information regarding the scope of reporting; the Sustainability Report to be published in 2025 in accordance with POA regulations will also provide detailed information specific to that year.

A4. Verification

KOTON prioritizes improving environmental and social sustainability performance throughout the supply chain and encourages suppliers to utilize internationally recognized social compliance and environmental assessment systems. This approach aims to monitor risks, support improvement processes, and strengthen sustainable supply chain management. The most recently published 2024 Integrated Sustainability Report includes information on supply chain management and monitoring practices. The 2025 Annual Activity Report, prepared in accordance with CMB regulations, also contains disclosures on this subject. Details regarding development initiatives for 2025 will be shared more comprehensively with the public through the 2025 Sustainability Report, which will be published in accordance with POA regulations.

B. Environmental Principles

KOTON considers reducing the environmental impact of its operations, ensuring the efficient use of natural resources, and contributing to the fight against climate change to be among its core responsibilities. In this context, greenhouse gas emissions are regularly calculated and monitored. Efforts are ongoing to increase the use of renewable energy, improve energy efficiency, and reduce resource consumption in line with the circular economy approach.

As part of the collaboration with TEMA, 10,000 saplings were planted in 2025, and the Company aims to support ecosystems through new afforestation projects. KOTON continues its emission reduction efforts in line with its 2040 carbon neutrality target. The most recent 2024 Integrated Sustainability Report published in accordance with POA regulations includes information on renewable energy initiatives and emissions data; data for 2025 will be shared with the public through the Sustainability Report.

Declarations

C. Social Principles

C1. Human Rights and Workers' Rights

KOTON upholds respect for human rights as a fundamental principle and aims to comply with international labor standards in all its operations. Gender equality, inclusivity, and employee well-being are among the core elements of the company's culture. Our company employs a total of 7,747 people, with women accounting for 74% of the workforce. Women make up 56% of senior management and 66.7% of the board of directors. This strong representation is a concrete indicator of an equitable and inclusive management approach. We aim to ensure safe working environments through occupational health and safety practices, and we organize training and awareness programs for employees. Additionally, there are internal communication channels through which employees can report ethical violations and misconduct.

C2. Stakeholders, International Standards, and Initiatives

KOTON conducts its sustainability initiatives in alignment with national and international principles, standards, and initiatives. As a signatory to the UN Global Compact, our company is committed to integrating universal principles in the areas of human rights, labor standards, the environment, and anti-corruption into its business processes, and strengthens collaboration with local stakeholders through its membership in UN Global Compact Türkiye. Additionally, as a signatory to the Women's Empowerment Principles (WEPs) led by UN Women, KOTON supports the integration of gender equality into its business processes. Our company also aims to develop collaborations in the field of sustainable development and strengthen its institutional capacity through its membership in the Business and Sustainable Development Association. Stakeholder communication and partnerships are detailed in the 2024 Integrated Sustainability Report, which was most recently disclosed to the public in accordance with POA regulations.

D. Corporate Governance Principles

KOTON is committed to integrating its sustainability initiatives into its corporate governance structure; the Board of Directors and relevant committees oversee the implementation of sustainability strategies and ensure the effective management of risks and opportunities. The Company places importance on maintaining effective communication with stakeholders, and stakeholder feedback is taken into account when determining sustainability strategies. The Company conducts its operations in accordance with principles of anti-corruption, adherence to ethical standards, and transparency, and supports United Nations Sustainable Development Goals 1 and 2.

Our Sustainability Principles Compliance Report was approved by our Company's Board of Directors via Resolution No. 2026/04 dated 10 March 2026, and was prepared in accordance with the format specified in the Capital Markets Board's Resolution No. 34/977 dated 23 June 2022. It is included in the 2025 Annual Activity Report and is also available on the Public Disclosure Platform website.

Statement of Responsibility for Annual Report

Date and Number of the Board of Directors' Resolution Regarding the Approval of the Annual Report

Date of Resolution: 10 March 2026

Resolution Number: 2026/04

The annual report for the period from 1 January 2025 to 31 December 2025, relating to our company's independently audited financial statements, was approved by the Board of Directors' resolution No. 2026/04 dated 10 March 2026, and it was decided to submit the aforementioned activity report to the Public Disclosure Platform.

The aforementioned annual report for the period from 1 January 2025 to 31 December 2025 was submitted to us for review and has been examined by us; based on the information available to us within the scope of our duties and responsibilities at the company, we hereby declare that:

- » The annual report does not contain any misstatements regarding material matters or any omissions that could result in the report being misleading as of the date of the statement,
- » The Annual Report, prepared in accordance with the Communiqué on Principles of Financial Reporting in the Capital Markets, fairly presents the Company's development and performance—including those within the scope of consolidation—as well as the Company's financial position, along with the significant risks and uncertainties it faces.

Ömer Faruk Işık

Chairman of the Audit Committee

Ayşe Ufuk Açar

Audit Committee Member

A.Bülent Sabuncu

CEO

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2025 INDEPENDENT
AUDITOR'S REPORT

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



DRT Bağımsız Denetim ve
Serbest Muhasebeci
Mali Müşavirlik A.Ş.
Maslak No1 Plaza
Eski Büyükdere Caddesi
Maslak Mahallesi No:1
Maslak, Sarıyer 34485
İstanbul, Türkiye

Tel: +90 (212) 366 60 00
Fax: +90 (212) 366 60 10
www.deloitte.com.tr

Mersis No :0291001097600016
Ticari Sicil No: 304099

(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 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 2025, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards (TFRS).

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 (including Independence Standards)* ("Code of Ethics") published by the POA, as applicable to audits of consolidated financial statements of public interest entities, together with the ethical requirements included in the regulations of the Capital Markets Board and other regulations that are relevant to audits of the consolidated financial statements of public interest entities. We have also 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.

Deloitte refers to a Deloitte member firm, one of its related entities, or Deloitte Touche Tohmatsu Limited ("DTTL"). Each Deloitte member firm is a separate legal entity and a member of DTTL. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more about.

© 2026. For information, contact Deloitte Türkiye, Member of Deloitte Touche Tohmatsu Limited.



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>Application of TFRS 16, Leases and evaluation of significant estimates and assumptions</p> <p>Right-of-use assets amounting to TL 5,143,747,021 and lease liabilities amounting to TL 4,117,607,077 were recognized in the consolidated financial statements of the Group as of 31 December 2025 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 9,287,693,259 as at 31 December 2025, 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 2025, 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 2025, 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

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 to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the 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.)
- 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.

Deloitte.

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

- 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Deloitte.

B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 ("TCC"), the auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Company on 3 March 2026.

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 2025 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, 3 March 2026

INDEX

	PAGE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	145-146
AUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	147
AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	148
CONSOLIDATED STATEMENTS OF CASH FLOWS	149
AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	150-228
NOTE 1 ORGANIZATION AND OPERATIONS OF THE GROUP	150
NOTE 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS	151
NOTE 3 SEGMENT REPORTING	178
NOTE 4 CASH AND CASH EQUIVALENTS	180
NOTE 5 TRADE RECEIVABLES AND PAYABLES	181
NOTE 6 OTHER RECEIVABLES AND PAYABLES	182
NOTE 7 INVENTORIES	183
NOTE 8 PREPAID EXPENSES AND DEFERRED INCOME	184
NOTE 9 PROPERTY, PLANT AND EQUIPMENT	186
NOTE 10 INTANGIBLE ASSETS	188
NOTE 11 RIGHT-OF-USE ASSETS	189
NOTE 12 FINANCIAL INSTRUMENTS	190
NOTE 13 PROVISIONS	195
NOTE 14 COMMITMENTS	197
NOTE 15 EMPLOYEE BENEFITS	199
NOTE 16 OTHER ASSETS AND LIABILITIES	201
NOTE 17 SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS	203
NOTE 18 REVENUE AND COST OF SALES	206
NOTE 19 GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES	206
NOTE 20 EXPENSES BY NATURE	208
NOTE 21 OTHER INCOME/(EXPENSES) FROM OPERATING ACTIVITIES	208
NOTE 22 INCOME/(EXPENSES) FROM INVESTING ACTIVITIES	209
NOTE 23 FINANCE INCOME AND EXPENSES	209
NOTE 24 INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)	210
NOTE 25 RELATED PARTY DISCLOSURES	214
NOTE 26 EARNINGS PER SHARE	215
NOTE 27 NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (INCLUDING HEDGE ACCOUNTING)	216
NOTE 28 FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDIT FIRM	227
NOTE 29 PARASAL POZİSYON KAZANÇLARI/(KAYIPLARI)	228
NOTE 30 MONETARY POSITION GAIN (LOSSES)	228

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2025 AND 1 JANUARY - 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

	Notes	Audited/ current period 31 December 2025	Audited/ prior period 31 December 2024
ASSETS			
Cash and Cash Equivalents	4	1,442,990,839	765,729,192
Trade Receivables	5	1,474,210,145	2,329,956,807
- Trade Receivables from Third Parties		1,474,210,145	2,329,956,807
Other Receivables	6	49,155,229	8,569,417
- Other Receivables from Third Parties		49,155,229	8,569,417
Inventories	7	9,287,693,259	10,442,131,510
Prepaid Expenses	8	1,901,445,191	1,787,944,687
Current Tax Assets	24	84,192,988	81,947,039
Other Current Assets	16	485,414,753	610,864,282
Current Assets		14,725,102,404	16,027,142,934
Financial Investments	12	8,459,171	5,202,970
Other Receivables		208,443,912	190,794,986
- Other Receivables from Third Parties	6	208,443,912	190,794,986
Property, Plant and Equipment	9	2,666,922,251	2,488,407,185
Intangible Assets	10	912,782,095	832,024,048
Right-of-Use Assets	11	5,143,747,021	5,428,465,527
Prepaid Expenses	8	4,010,802	5,098,703
Deferred Tax Asset	24	488,034,708	335,429,990
Other Non-Current Assets	16	6,438,870	9,604,287
Other Non- Current Assets		9,438,838,830	9,295,027,696
TOTAL ASSETS		24,163,941,234	25,322,170,630

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

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2025 AND 1 JANUARY - 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

	Notes	Audited/ current period 31 December 2025	Audited/ prior period 31 December 2024
LIABILITIES			
Short-Term Borrowings	12	6,846,596,269	6,015,212,813
<i>Short-Term Borrowings</i>	12	4,752,903,886	3,890,934,402
<i>Short-Term Portion of Long-term Borrowings</i>	12	303,603,647	370,363,217
<i>Lease Liabilities</i>	12	1,790,088,736	1,753,915,194
Trade Payables	5	6,201,549,561	6,807,738,637
<i>Trade Payables to Related Parties</i>	25	704,171	983,075
<i>Trade Payables to Third Parties</i>		6,200,845,390	6,806,755,562
Payables Related to Employee Benefits	15	396,767,320	402,664,077
Other Payables	6	33,658,352	35,646,433
<i>Other Payables to Third Parties</i>		33,658,352	35,646,433
Deferred Income	8	234,150,792	151,483,753
Short-Term Provisions		308,589,827	298,959,075
<i>Short-Term Provisions for Employee Benefits</i>	15	284,610,377	266,259,156
<i>Other Short-Term Provisions</i>	13	23,979,450	32,699,919
Other Current Liabilities	16	313,645,236	216,823,619
Current Liabilities		14,334,957,357	13,928,528,407
Long-Term Borrowings	12	2,372,333,738	2,427,051,843
<i>Long-Term Borrowings</i>	12	44,815,397	31,896,845
<i>Lease Liabilities</i>	12	2,327,518,341	2,395,154,998
Other Payables	6	39,167,826	34,594,873
<i>Other Payables to third parties</i>		39,167,826	34,594,873
Deferred Income	8	16,239,649	83,458,826
Long-Term Provisions	15	146,114,541	145,461,702
<i>Long-term Provisions for Employee Benefits</i>	15	146,114,541	145,461,702
Deferred Tax Liability	24	556,742,965	620,086,698
Non-Current Liabilities		3,130,598,719	3,310,653,942
TOTAL LIABILITIES		17,465,556,076	17,239,182,349
Share Capital	17	829,650,000	829,650,000
Capital Adjustment Differences	17	6,816,454,751	6,816,454,751
Share Issues Premiums/(Discounts)	17	1,418,940,616	1,418,940,616
Accumulated Other Comprehensive Expenses that will not be Reclassified to Profit or Loss	17	(190,239,724)	(178,894,401)
<i>- Loss on Remeasurement of Defined Benefit Plans</i>		(190,239,724)	(178,894,401)
Accumulated Other Comprehensive Expenses That will be Reclassified to Profit or Loss		(3,610,732,106)	(3,196,147,635)
<i>- Foreign Currency Translation Differences</i>	17	(3,491,864,381)	(3,152,019,442)
<i>- Cash Flow Hedge Losses</i>	17	(118,867,725)	(44,128,193)
Restricted Reserves Appropriated from Profit	17	228,770,017	228,770,017
Prior Years Losses		2,161,890,902	2,681,108,449
Net Profit for the Period		(963,673,931)	(519,217,547)
Major Shareholders	17	6,691,060,525	8,080,664,250
Minority Shareholders	17	7,324,633	2,324,031
EQUITY		6,698,385,158	8,082,988,281

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

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2025 AND 1 JANUARY - 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

	Notes	Audited/current period 1 January- 31 December 2025	Audited/prior period 1 January- 31 December 2024
Revenue	18	32,872,814,234	32,836,034,854
Cost Of Sales (-)	18	(15,074,637,252)	(15,158,621,346)
GROSS PROFIT		17,798,176,982	17,677,413,508
General Administrative Expenses (-)	19	(3,257,887,982)	(3,043,871,606)
Marketing Expenses (-)	19	(11,804,318,405)	(11,600,108,484)
Research and Development Expenses (-)	19	(397,281,714)	(490,418,571)
Other Income from Operating Activities	21	2,040,479,366	1,150,985,898
Other Expenses from Operating Activities (-)	21	(2,688,421,616)	(3,538,945,399)
OPERATING PROFIT		1,690,746,631	155,055,346
Income from Investing Activities	22	12,382,066	5,014,933
Expenses from Investing Activities (-)	22	(9,053,215)	(12,146,152)
OPERATING PROFIT BEFORE FINANCE EXPENSE		1,694,075,482	147,924,127
Finance Income	23	166,716,084	148,597,200
Finance Expenses	23	(3,512,989,715)	(2,257,737,014)
Net Monetary Position Gains	29	596,523,718	1,240,426,482
PROFIT BEFORE TAX		(1,055,674,431)	(720,789,205)
Tax (Expense) / Income	24	97,001,102	203,895,689
<i>Current Tax Expense</i>	24	-	-
<i>Deferred Tax Income</i>	24	97,001,102	203,895,689
PROFIT FOR THE PERIOD		(958,673,329)	(516,893,516)
Net Profit / (Loss) Distribution			
<i>Minority Shareholders</i>		5,000,602	2,324,031
<i>Major Shareholders</i>		(963,673,931)	(519,217,547)
Earnings per share	26	(1,162)	(0,625)
LOSS FOR THE PERIOD		(958,673,329)	(516,893,516)
OTHER COMPREHENSIVE EXPENSES			
Items not to be reclassified to Profit or Loss			
Defined Benefit Plans Remeasurement Losses	15	(15,127,098)	(4,145,080)
Deferred Tax Income	24	3,781,775	1,036,271
Items to be Reclassified to Profit or Loss		(414,584,471)	(496,535,922)
Foreign Currency Translation Differences		(339,844,939)	(580,412,139)
Cash Flow Hedge		(99,652,709)	111,834,956
Deferred Tax (Expense) / Income	24	24,913,177	(27,958,739)
OTHER COMPREHENSIVE INCOME		(425,929,794)	(499,644,731)
TOTAL COMPREHENSIVE INCOME		(1,384,603,123)	(1,016,538,247)
Distribution of Total Comprehensive Income			
<i>Minority Shareholders</i>		5,000,602	2,324,031
<i>Major Shareholders</i>		(1,389,603,725)	(1,018,862,278)

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

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş.
AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2025, AND 1 JANUARY - 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

	Comprehensive Income and Expenses not to be Reclassified In Profit or Loss	Other Comprehensive Income and Expenses to be reclassified to Profit or Loss	Share Issues/Premiums/Discounts	Capital Adjustment Differences	Paid-In Capital	Share Issues/Premiums/Discounts	Gain/Losses On Hedge Accounting	Restricted Reserves Appropriated from Profit	Prior Years Profit/(Loss)	Minority Shareholders	Net Profit/(Loss) for the Period	Equity
Balance as of January 2024	795,500,000	6,796,245,225	-	6,796,245,225	795,500,000	-	(128,004,410)	228,770,017	(729,190,275)	-	3,410,298,724	7,626,226,386
Transfers Capital Increase	34,150,000	20,209,526	-	20,209,526	34,150,000	-	-	-	3,410,298,724	-	(3,410,298,724)	54,359,526
Increase/Decrease due to Share-Based Transactions	-	-	1,418,940,616	-	-	1,418,940,616	-	-	-	-	-	1,418,940,616
Total Comprehensive Income Profit for the Period	-	(3,108,809)	-	-	(3,108,809)	83,876,217	-	-	-	2,324,031	(519,217,547)	(1,016,538,247)
Cash Flow Hedge Gains	-	-	-	-	-	83,876,217	-	-	-	2,324,031	(519,217,547)	(516,893,516)
Foreign Currency Translation Differences	-	-	-	-	-	-	-	-	-	-	-	83,876,217
Actuarial Loss	-	(3,108,809)	-	-	(3,108,809)	-	-	-	-	-	-	(580,412,139)
Balance of 31 December 2024	829,650,000	6,816,454,751	1,418,940,616	6,816,454,751	829,650,000	1,418,940,616	(44,128,193)	228,770,017	2,681,108,449	2,324,031	(519,217,547)	8,082,988,281
Balance as of 1 January 2025	829,650,000	6,816,454,751	1,418,940,616	6,816,454,751	829,650,000	1,418,940,616	(44,128,193)	228,770,017	2,681,108,449	2,324,031	(519,217,547)	8,082,988,281
Transfers Capital Increase	-	-	-	-	-	-	-	-	(519,217,547)	-	519,217,547	-
Increase/Decrease due to Share-Based Transactions	-	-	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income Profit for the Period	-	(11,345,323)	-	-	(11,345,323)	(74,739,532)	-	-	-	5,000,602	(963,673,931)	(1,384,603,123)
Cash Flow Hedge Loss	-	-	-	-	-	(74,739,532)	-	-	-	5,000,602	(963,673,931)	(958,673,329)
Foreign Currency Translation Differences	-	-	-	-	-	-	-	-	-	-	-	(74,739,532)
Actuarial Loss	-	(11,345,323)	-	-	(11,345,323)	-	-	-	-	-	-	(339,844,939)
Balance of 31 December 2025	829,650,000	6,816,454,751	1,418,940,616	6,816,454,751	829,650,000	1,418,940,616	(118,867,725)	228,770,017	2,161,890,902	7,324,633	(963,673,931)	6,698,385,158

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

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş.
CONSOLIDATED STATEMENTS OF CASH FLOWS
THE PERIOD 1 JANUARY - 31 DECEMBER 2025 AND 1 JANUARY - 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

	Notes	Audited/current period 1 January- 31 December 2025	Audited/prior period 1 January- 31 December 2024
A. Cash Flows From Operating Activities		4,605,650,482	260,358,875
Profit/Losses for the Period		(958,673,329)	(516,893,516)
Adjustments Related to Reconciliation of Net Profit for the Period		5,511,057,440	4,098,550,099
Adjustments Related to Depreciation and Amortization Expense	9,10,11	3,935,584,530	3,464,413,122
Adjustments Related to Impairment	7	21,574,131	35,998,079
-Adjustments Related to Impairment /Reversals on Inventory		(6,724,811)	3,515,518
-Adjustments Related to Impairment Loss Recognised on Receivables	5	28,298,942	32,482,561
Adjustments Related to Provisions		261,720,027	256,013,111
-Adjustments Related to for Employee Benefits	15	255,729,319	259,682,248
-Adjustments Related to Provisions for Legal Claims	13	5,990,708	9,520,226
-Adjustments Related to Other Provisions		-	(13,189,363)
Adjustments Related to Interest (Income) and Expense		3,973,771,192	3,771,138,379
-Adjustments Related to Interest Income	23	(166,716,084)	(69,284,291)
-Adjustments Related to Interest Expense	23	2,102,204,142	1,325,141,256
- Deferred Financing Expense from Forward Purchases		2,038,283,134	2,515,281,414
Adjustments Related to Income From Government Grants	16	(100,742,997)	(4,081,570)
Adjustments Related to Unrealised Currency Translation Differences		(104,707,690)	60,617,159
Adjustments related to other uncash items		87,227,632	23,128,991
Adjustments Related to Tax Expense	24	(97,001,102)	(203,895,689)
Adjustments Related to Losses/(Gains) on Disposal of Non-Current Assets	22	(3,328,851)	7,131,220
Other Adjustments Related to Net Profit / Loss		44,479,255	(44,249,518)
Monetary Loss / Gain		(2,507,518,687)	(3,267,663,185)
Changes in Working Capital		53,266,371	(3,321,297,702)
Adjustments Related to Increase in Inventories		1,199,452,672	(805,985,607)
Adjustments Related to Increase in Trade Receivables		259,873,313	(861,999,360)
Adjustments Related to Decrease (Increase) in Prepaid Expenses		(358,093,749)	(1,173,741,748)
Adjustments Related to Decrease (Increase) in Other Receivables		78,374,750	(311,160,378)
Adjustments Related to Increase (Decrease) in Trade Payables		(1,031,641,216)	(58,240,579)
Adjustments Related to Increase (Decrease) in Employee Benefits		89,137,314	132,562,675
Adjustments Related to Increase (Decrease) in Other Payables		131,311,670	51,403,635
Adjustments Related to Increase (Decrease) in Deferred Income		(71,779,770)	47,233,025
Payments Related to Employee Benefits	13,15	(152,831,811)	(226,682,473)
Tax Returns (Payments)	24	(84,192,988)	(102,733,263)
Other Cash Inflows (Outflows)		(6,343,814)	(11,953,629)
B. Cash Flow Used In Investing Activities		(1,096,618,329)	(1,060,451,949)
Proceeds from Sale of Property, Plant and Equipment and Intangible Assets		34,532,587	35,904,252
- Proceeds from Sale of Property, Plant and Equipment	9	34,065,924	35,835,486
- Proceeds from Sale of Intangible Assets	10	466,663	68,766
Cash Outflows from Purchase of Property, Plant and Equipment and Intangible Assets		(1,131,150,916)	(1,094,850,933)
- Cash Outflows from Purchase of Property, Plant and Equipment	9	(923,989,673)	(899,209,696)
- Cash Outflows from Purchase of Intangible Assets	10	(207,161,233)	(195,641,237)
Cash Outflows for the Purchase of Shares or Debt Instruments of Other Entities or Fund		-	(1,505,268)
C. Cash Flows Generated from/(Used in) Financing Activities		(2,652,256,886)	(1,092,368,577)
Proceeds from Borrowings	12	8,496,169,874	4,832,150,954
Cash Outflows Repayment of Borrowings	12	(7,478,892,729)	(2,722,780,467)
Cash Outflows Repayment of Borrowings Arising from Lease Agreements	12	(2,588,966,657)	(1,878,859,514)
Cash Inflows from Issuing Capital Share and Other Equity Instruments	17	-	1,554,372,713
Cash inflows from capital shares	17	-	1,554,372,713
Interest Received	4,23	168,951,580	65,840,175
Interest Paid		(1,249,518,953)	(758,355,284)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF FOREIGN CURRENCY TRANSLATION DIFFERENCES (A+B+C)		856,775,268	292,275,509
D. MONETARY LOSSES AND GAINS ON CASH AND CASH EQUIVALENTS		(180,722,262)	(208,584,471)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		676,053,006	83,691,038
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	762,285,075	678,594,037
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	4	1,438,338,081	762,285,075

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 STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

1. ORGANIZATION AND OPERATIONS OF THE GROUP

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

The registered address of the Company is Ayağaza Mah. Maslak Ayazağa Yolu, No: 3/5, Sarıyer, İstanbul. As explained in Note 17, as of 31 December 2025, the main partner of the Company is the owned by Turkven Private Equity and Yılmaz family.

The company's shares began trading on the Istanbul Stock Exchange on May 10, 2024.

As of 31 December 2025 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 Emborja 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 Limited ("Koton Hong Kong") (*)	Hong Kong	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 Saudi Arabia")	Saudi Arabia	Retailing
Koton Fashion Trading LLC ("Koton Oman") (**)	Oman	Retailing
Koton Bahrain Trading W.L.L ("Koton Bahrain") (**)	Bahrain	Retailing
Koton Trading L.L.C ("Koton Qatar") (**)	Qatar	Retailing
Koton I.N.C ("Koton U.S.A") (**)**	Amerika	Retailing

(*) As of 31 December 2025, there are active no stores.

(**) Established in 2025.

As of 31 December 2025, the total number of stores of the Group is 464 (31 December 2024: 451), 243 of these stores (31 December 2024: 244) has been operating in Türkiye. The Group has 243 stores in Türkiye, 32 of which are franchise stores (31 December 2024: 31). The Group has 221 stores abroad (31 December 2024: 207), 72 of these stores are franchise stores (31 December 2024: 73 stores). As of 31 December 2025, the Group's average number of employees is 7,852 (31 December 2024: 7,979).

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

The consolidated financial statements were approved for publication by the Company's Board of Directors as of 3 March 2026.

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.

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", "Koton Oman", "Koton Bahrain", "Koton Qatar" and "Koton USA" 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 Rial ("SAR"), Omani Rial ("OMR"), Bahrain Dinar ("BHD"), Qatar Rial ("QAR") ve US Dollar ("USD") 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.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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

2.1 Basis of Presentation (cont'd)

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.

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

Currency	31 December 2025		31 December 2024	
	End of the year	Average for the year	End of the year	Average for the Period
US.Dollar	42.8623	42.5841	35.2233	34.9028
Euro	50.4532	49.8603	36.7429	36.5735
Ruble	0.5445	0.5402	0.3348	0.3381
Tenge	0.0848	0.0827	0.0672	0.0672
Lei	2.5592	2.5235	1.9160	1.9094
Dinar	0.4299	0.4247	0.3132	0.3126
Lari	15.9305	15.8042	12.5687	12.4503
Macedonian Dinar	0.8198	0.8102	0.5986	0.5948
Bosnian Mark	25.7834	25.4673	18.7867	18.6772
Moroccan Dirham	4.7083	4.6344	3.4837	3.4866
Belarusian Ruble	12.3273	12.3273	10.7970	10.6965
Ukrainian Hryvnia	1.0114	1.0100	0.8377	0.8364
Hungarian Forint	0.1308	0.1295	0.0895	0.0889
United Arab Emirates Dirham	11.6054	11.5295	9.5361	9.4494
Indian Rupi	0.4778	0.4735	0.4123	0.4123
Saudi Arabia Rial	11.4286	11.3503	9.3804	9.2906
Omani Rial	111.5759	110.7113	-	-
Bahrain Dinar	113.7850	113.0461	-	-
Qatar Rial	11.6928	11.6160	-	-

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

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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 2025.

In this framework, while preparing the financial statements dated 31 December 2025, 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
31.12.2025	3,513.87	1.00000	211%
31.12.2024	2,684.55	1.30890	291%
31.12.2023	1,859,38	1.88981	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.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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 2025 purchasing power according to the following principles.

The consolidated financial position statement for the year ending on 31 December 2025 has been translated into Turkish Lira at the closing rate of 31 December 2025. The consolidated income statement for the period of 1 January 2025 - 31 December 2025 has been translated into Turkish Lira at the monthly average rates and indexed to the purchasing power of 31 December 2025 from the relevant months. 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 and indexed to the purchasing power of 31 December 2025. The 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 2025 from the relevant months.

Tax Procedure Law

Within the scope of the temporary article added to the Tax Procedure Law ("VUK") by the Omnibus Law No. 7571 published in the Official Gazette dated December 24, 2025, it has been stipulated that even if the conditions are met, the PPI-based inflation adjustment will not be applied in the accounting periods of 2025, 2026 and 2027. Accordingly, inflation adjustment has not been applied to the VUK financial statements that will be used as the basis for the corporate tax returns for these periods..

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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.

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.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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

2.1 Basis of Presentation (cont'd)

Basis for Consolidation (cont'd)

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 2025 and 31 December 2024:

Subsidiaries	31 December 2025 Partnership rate (%)	31 December 2024 Partnership rate (%)
Koton Germany (*)	100.00	100.00
Koton Azerbaijan (*)	100.00	100.00
Koton Hong Kong (*)	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	51.00
Koton India(*)	100.00	100.00
Koton Saudi Arabia	51.00	51.00
Koton Bahrain (**)	51.00	-
Koton Oman (**)	51.00	-
Koton Qatar (**)	51.00	-
Koton U.S.A. (*) (**)	100.00	-

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

(**) Established in 2025.

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

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

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

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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

2.1 Basis of Presentation (cont'd)

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.

Developments regarding tensions between Russia and Ukraine

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.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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 2025

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 aforementioned standard, amendments and improvements do not have any significant effect on the Group's consolidated financial position and performance.

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>
TFRS 18	<i>Presentation and Disclosures in Financial Statements</i>
TFRS 19	<i>Subsidiaries without Public Accountability: Disclosures</i>
Amendments to TFRS 9 and TFRS 7	<i>Classification and Measurement of Financial Instruments</i>
Amendments to TFRS 9 and TFRS 7	<i>Power Purchase Arrangements</i>
Annual Improvements	<i>Annual Improvements to TFRSs – Volume 11</i>
Amendments to TFRS 19	<i>Subsidiaries without Public Accountability: Disclosures</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 2027.

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.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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

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

b) New and revised TFRSs in issue but not yet effective (cont'd)

TFRS 18 *Presentation and Disclosures in Financial Statements*

TFRS 18 includes requirements for all entities applying TFRS for the presentation and disclosure of information in financial statements. This standard is effective from annual reporting periods beginning on or after 1 January 2027.

TFRS 19 *Subsidiaries without Public Accountability: Disclosures*

TFRS 19 specifies the disclosure requirements an eligible subsidiary is permitted to apply instead of the disclosure requirements in other IFRS Accounting Standards. This standard is effective from annual reporting periods beginning on or after 1 January 2027.

Amendments to TFRS 9 and TFRS 7 *Classification and Measurement of Financial Instruments*

The amendments address matters identified during the post-implementation review of the classification and measurement requirements of TFRS 9 *Financial Instruments*. Amendments are effective from annual reporting periods beginning on or after 1 January 2026.

Amendments to TFRS 9 and TFRS 7 *Power Purchase Arrangements*

The amendments aim at enabling entities to include information in their financial statements that in the IASB's view more faithfully represents contracts referencing nature-dependent electricity. Amendments are effective from annual reporting periods beginning on or after 1 January 2026.

Annual Improvements to TFRS

The pronouncement comprises the following amendments:

- TFRS 1: Hedge accounting by a first-time adopter
- TFRS 7: Gain or loss on derecognition
- TFRS 7: Disclosure of deferred difference between fair value and transaction price
- TFRS 7: Introduction and credit risk disclosures
- TFRS 9: Lessee derecognition of lease liabilities
- TFRS 9: Transaction price
- TFRS 10: Determination of a 'de facto agent'
- TAS 7: Cost method

Amendments are effective from annual reporting periods beginning on or after 1 January 2026.

Amendments to TFRS 19 *Subsidiaries without Public Accountability: Disclosures*

The amendments cover new or amended Turkish Financial Reporting Standards that were not considered when TFRS 19 was first issued. Amendments are effective from annual reporting periods beginning on or after 1 January 2027.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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

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

b) New and revised TFRSs in issue but not yet effective (cont'd)

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

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.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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	4-5
Furniture and fixtures	1-50
Leasehold improvements	1-20

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.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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:

- The contract contains an identified asset: - this may be specified explicitly or implicitly,
- 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,
- The Group has the right to obtain substantially all the economic benefits from the use of an asset throughout the period of use and
- 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:
 - 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
 - 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:

- The amount of the initial measurement of lease liability,
- Any lease payments made at or before the commencement date, less any lease incentives received,
- Any initial direct costs incurred by the Group and
- 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).

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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:

- Less any accumulated depreciation and any accumulated impairment losses and
- 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:

- Fixed payments, less any lease incentives receivable,
- Rent payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,
- 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:

- Increasing the carrying amount to reflect interest on the lease liability,
- Reducing the carrying amount to reflect the lease payments made,
- 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.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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).

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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".

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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 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.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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).

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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 2025, the Group has recognized deferred tax assets amounting to TL 3,758,061,152 (31 December 2024: TL 1,758,373,721) arising from unused tax losses amounting to TL 939,515,288 (31 December 2024: TL 445,843,430) (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.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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 2025

	Türkiye	CIS Countries (*)	Other International Countries (**)	Total
-Retail	20,489,765,599	3,223,499,066	3,573,042,752	27,286,307,417
-E-Commerce	1,882,558,624	1,296,969,945	655,998,866	3,835,527,435
-Wholesale	1,352,999,828	22,973,249	375,006,305	1,750,979,382
Total Sales	23,725,324,051	4,543,442,260	4,604,047,923	32,872,814,234
Cost of Sales	(9,754,569,577)	(2,820,249,998)	(2,499,817,677)	(15,074,637,252)
Gross Profit	13,970,754,474	1,723,192,262	2,104,230,246	17,798,176,982
EBITDA	6,534,677,202	485,546,921	768,932,026	7,789,156,149
Adjusted EBITDA	4,703,710,404	57,244,506	439,234,586	5,200,189,496
Profit / (loss) for the period	(536,052,574)	(557,306,325)	134,685,570	(958,673,329)

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.

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

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

3. SEGMENT REPORTING (cont'd)

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

1 January – 31 December 2025 (cont'd)

	Türkiye	CIS Countries (*)	Other International Countries (**)	Total
Profit Before Tax	(544,453,255)	(642,752,877)	131,531,701	(1,055,674,431)
Finance expense, net	(3,068,974,441)	(233,391,817)	(43,907,373)	(3,346,273,631)
Monetary loss / gain	596,523,718	-	-	596,523,718
Operating profit / (loss) before finance income / (expense)	1,927,997,468	(409,361,060)	175,439,074	1,694,075,482
Income from investing activities	12,382,066	-	-	12,382,066
Expenses from investing activities	(9,053,215)	-	-	(9,053,215)
Operating profit	1,924,668,617	(409,361,060)	175,439,074	1,690,746,631
Depreciation, and amortization Expenses (Note 20)	(3,046,527,264)	(501,260,316)	(387,796,950)	(3,935,584,530)
Discount of interest expense on Purchases of goods (Note 21)	(1,563,481,321)	(393,647,665)	(205,696,002)	(2,162,824,988)
EBIDTA	6,534,677,202	485,546,921	768,932,026	7,789,156,149
Cash outflows related to debt payments Arising from lease Agreements (Note 12)	(1,830,966,798)	(428,302,417)	(329,697,442)	(2,588,966,657)
Adjusted EBIDTA	4,703,710,404	57,244,506	439,234,586	5,200,189,496

1 January – 31 December 2024

	Türkiye	CIS Countries	Other International Countries (**)	Total
-Retail	19,378,028,676	4,423,314,561	2,916,572,645	26,717,915,882
-E-Commerce	2,792,526,229	791,332,730	423,882,276	4,007,741,235
-Wholesale	1,543,570,371	220,724,153	346,083,213	2,110,377,737
Total Sales	23,714,125,276	5,435,371,444	3,686,538,134	32,836,034,854
Cost of Sales	(9,927,054,387)	(2,530,367,130)	(2,701,199,829)	(15,158,621,346)
Gross profit	13,787,070,889	2,905,004,314	985,338,305	17,677,413,508
EBIDTA	5,409,203,181	1,136,449,200	(161,222,067)	6,384,430,314
Adjusted EBIDTA	4,170,884,775	666,135,544	(331,449,519)	4,505,570,800
Profit for the period	398,129,542	(216,420,114)	(698,602,944)	(516,893,516)

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

3. SEGMENT REPORTING (cont'd)

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

1 January – 31 December 2024

	Türkiye	CIS Countries (*)	Other International Countries (**)	Total
Profit Before Tax	240,781,451	(261,339,235)	(700,231,421)	(720,789,205)
Finance expense, net	(1,802,863,720)	(273,049,193)	(33,226,901)	(2,109,139,814)
Monetary loss / gain	1,240,426,482	-	-	1,240,426,482
Operating profit / (loss) before finance income / (expense)	803,218,689	11,709,958	(667,004,520)	147,924,127
Income from investing activities	4,942,942	-	71,991	5,014,933
Expenses from investing activities	(12,074,161)	-	(71,991)	(12,146,152)
Operating profit	810,349,908	11,709,958	(667,004,520)	155,055,346
Depreciation, and amortization Expenses (Note 20)	(2,602,356,844)	(588,448,588)	(273,607,690)	(3,464,413,122)
Discount of interest expense on Purchases of goods (Note 21)	(1,996,496,429)	(536,290,655)	(232,174,764)	(2,764,961,848)
EBIDTA	5,409,203,181	1,136,449,201	(161,222,068)	6,384,430,314
Cash outflows related to debt payments Arising from lease Agreements (Note 12)	(1,238,318,406)	(470,313,657)	(170,227,451)	(1,878,859,514)
Adjusted EBIDTA	4,170,884,775	666,135,544	(331,449,519)	4,505,570,800

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

4. CASH AND CASH EQUIVALENTS

	31 December 2025	31 December 2024
Cash	28,165,974	26,343,184
Cash at banks	1,318,288,967	642,982,294
- Time deposits	724,752,246	308,832,824
- Demand deposits	593,536,721	334,149,470
Credit card receivables(*)	91,883,140	92,959,597
Cash and Cash Equivalents at Cash Flow Tables	1,438,338,081	762,285,075
Interest Income Accruals	4,652,758	3,444,117
	1,442,990,839	765,729,192

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

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

4. CASH AND CASH EQUIVALENTS (cont'd)

As of 31 December 2025 and 31 December 2024 the details of time deposits, maturity dates and interest rates of the Group are as follows:

	Maturity	Interest Rate	31 December 2025
TL	31 December 2025 - 1 January 2026	39%-41%	502,178,125
Euro	31 December 2025 - 1 January 2026	1%	214,426,100
Tenge	31 December 2025 - 01 January 2026	12%	8,148,021
			724,752,246

	Maturity	Interest Rate	31 December 2024
TL	31 December 2024 - 2 January 2025	47-50%	308,832,824
			308,832,824

5. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables:

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

	31 December 2025	31 December 2024
Short-term trade receivables		
Trade Receivables from Third Parties	1,411,109,240	2,099,531,887
Notes receivables	160,409,290	317,004,751
Provision for doubtful trade receivables (-)	(97,308,385)	(86,579,831)
	1,474,210,145	2,329,956,807

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 58 days (31 December 2024: 61 days).

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

	2025	2024
Opening Balance – 1 January	86,579,831	94,882,921
Expense for the period (Not 21)	28,298,942	32,482,561
Collections	(649,748)	(294,324)
Translation loss	705,968	457,681
Inflation effect	(17,626,608)	(40,949,008)
Closing balance – 31 December	97,308,385	86,579,831

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş.

AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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 2025</u>	<u>31 December 2024</u>
<u>Short-term trade payables</u>		
Trade Payables to Third Parties (*)	3,336,020,591	2,852,947,065
Trade Payables to Related Parties	704,171	983,075
Notes payable	3,536,469,558	4,592,309,901
Less: Deferred finance income from forward purchases	(671,644,759)	(638,501,404)
	6,201,549,561	6,807,738,637

(*) A total of TL 259,277,283 (31 December 2024: TL 234,715,971) 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 111 days (31 December 2024: 159 days). The annual average effective interest rate in TL used in discount calculation is 52% (31 December 2024: 59%).

6. OTHER RECEIVABLES AND PAYABLES

a) Other Receivables

	<u>31 December 2025</u>	<u>31 December 2024</u>
<u>Short- Term Other Receivables</u>		
E-Commerce other income	17,634,750	7,114,130
Deposits and guarantees given(*)	10,412,194	159,483
Other	21,108,285	1,295,804
	49,155,229	8,569,417
	<u>31 December 2025</u>	<u>31 December 2024</u>
<u>Long term other receivables</u>		
Deposits and guarantees given(*)	208,443,912	190,794,986
	208,443,912	190,794,986

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

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş.

AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

6. OTHER RECEIVABLES AND PAYABLES (cont'd)

b) Other Payables

	<u>31 December 2025</u>	<u>31 December 2024</u>
<u>Short- Term Other Payables</u>		
Deposits and guarantees received(**)	25,666,766	27,608,305
Other miscellaneous debts	7,991,586	8,038,128
	33,658,352	35,646,433
	<u>31 December 2025</u>	<u>31 December 2024</u>
<u>Long-Term Other Payables</u>		
Deposits and guarantees received (**)	39,167,826	34,594,873
	39,167,826	34,594,873

(**) 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 2025</u>	<u>31 December 2024</u>
Raw materials and supplies	1,735,816,576	1,510,204,949
Semi-finished goods	19,133,574	20,372,785
Finished goods	398,623,992	496,010,244
Trade goods	7,153,055,568	8,470,969,650
Other inventories	57,686,674	39,638,736
Provision for impairment in inventory (-)	(76,623,125)	(95,064,854)
	9,287,693,259	10,442,131,510

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 76,623,125 (31 December 2024: TL 95,064,855) of inventory. As of 31 December 2025, the total amount of inventory presented as net realizable value is TL 9,287,693,259 (31 December 2024: TL 10,442,131,510).

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

7. INVENTORIES (cont'd)

Movement table of provision for impairment on inventories for the years ended 31 December 2025 and 31 December 2024 as follows:

	<u>2025</u>	<u>2024</u>
Opening Balance – 1 January	95,064,854	117,394,249
Charge for the period	83,270,869	82,540,693
Reversed provision	(89,995,680)	(79,025,175)
Translation differences	(11,716,918)	(25,844,913)
Closing balance – 31 December	76,623,125	95,064,854

As of 31 December 2025 there is no pledge/mortgage on inventories (31 December 2024: None).

8. PREPAID EXPENSES AND DEFERRED INCOME

<u>Short Term Prepaid Expenses</u>	<u>31 December 2025</u>	<u>31 December 2024</u>
Inventory advances given	1,688,868,905	1,700,275,896
Prepaid expenses (*)	212,364,059	87,165,605
Other	212,227	503,186
	1,901,445,191	1,787,944,687

<u>Long-Term Prepaid Expenses</u>	<u>31 December 2025</u>	<u>31 December 2024</u>
Prepaid expenses for the following years (*)	4,010,802	5,098,703
	4,010,802	5,098,703

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

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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

<u>Short- Term Deferred Income</u>	<u>31 December 2025</u>	<u>31 December 2024</u>
Order advances received (**)	121,860,511	126,421,104
Deferred income (***)	112,290,281	25,062,649
	234,150,792	151,483,753
<u>Long-Term Deferred Income</u>	<u>31 December 2025</u>	<u>31 December 2024</u>
<u>Deferred income for the following years</u>	16,239,649	83,458,826
	16,239,649	83,458,826

(**)TL 78,241,728 of the order advances received (31 December 2024: TL 66,333,924) consists of unused and unexpired gift and return checks.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş.
AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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 2025	157,047,287	22,741,296	7,401,598,205	5,747,784,927	51,349,937	13,380,521,652
Foreign currency translation differences	(1,778,893)	(99,910)	134,356,444	136,519,983	19,460,176	292,015,586
Additions	12,546,261	-	354,092,248	363,619,465	193,731,709	923,989,683
Transfers	-	-	-	-	(117,648,643)	(117,648,643)
Disposals	(7,512,082)	(700,816)	(47,211,004)	(51,223,974)	(8,391,280)	(115,039,156)
Closing balance as of 31 December 2025	163,860,359	21,940,570	7,842,835,893	6,196,700,401	138,501,899	14,363,839,122
Accumulated Depreciation						
Opening balance as of 1 January 2025	(80,993,814)	(19,783,343)	(6,435,203,268)	(4,356,134,042)	-	(10,892,114,467)
Foreign currency translation differences	(1,206,337)	61,696	(47,003,736)	(102,555,686)	-	(150,704,063)
Additions	(13,434,640)	(608,582)	(328,945,848)	(395,411,353)	-	(738,400,423)
Disposals	3,606,528	700,816	39,540,343	40,454,395	-	84,302,082
Closing balance as of 31 December 2025	(92,028,263)	(19,629,413)	(6,771,612,509)	(4,813,646,686)	-	(11,696,916,871)
Net book value as of 31 December 2025	71,832,096	2,311,157	1,071,223,384	1,383,053,715	138,501,899	2,666,922,251

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

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş.
AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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

	Plant, machinery and equipment	Vehicles	Furniture and Fixtures	Leasehold Improvements	Construction in progress(*)	Total
Cost Value						
Opening Balance as of 1 January 2024	116,567,184	25,877,335	7,484,012,024	5,884,782,669	85,588,160	13,596,827,372
Foreign currency translation differences	(2,876,498)	(1,433,406)	(282,027,213)	(553,201,106)	85,505,523	(754,032,700)
Additions	24,385,265	-	285,123,980	522,183,407	67,517,044	899,209,696
Transfers	25,627,358	-	(18,147,153)	5,170,284	(176,843,530)	(164,193,041)
Disposals	(6,656,022)	(1,702,633)	(67,363,433)	(111,150,327)	(10,417,260)	(197,289,675)
Closing balance as of 31 December 2024	157,047,287	22,741,296	7,401,598,205	5,747,784,927	51,349,937	13,380,521,652
Accumulated Depreciation						
Opening balance as of 1 January 2024	(85,758,386)	(20,919,961)	(6,422,563,724)	(4,377,486,386)	-	(10,906,728,457)
Foreign currency translation differences	15,965,470	558,291	284,323,874	353,180,552	-	654,028,187
Additions	(13,161,756)	(790,044)	(364,039,147)	(415,746,220)	-	(793,737,167)
Disposals	1,960,858	1,368,371	67,075,729	83,918,012	-	154,322,970
Closing balance as of 31 December 2024	(80,993,814)	(19,783,343)	(6,435,203,268)	(4,356,134,042)	-	(10,892,114,467)
Net book value as of 31 December 2024	76,053,473	2,957,953	966,394,937	1,391,650,885	51,349,937	2,488,407,185

TL 13,627,833 (31 December 2024: TL 27,652,809) of depreciation expenses are included in research and development expenses, TL 687,369,141 (31 December 2024: TL 709,133,397) in marketing expenses and TL 37,403,449 (31 December 2024: TL 56,950,961) in general administrative expenses.

As of 31 December 2025, the Company has capitalized personnel expenses amounting to TL 228,876,745 within the scope of design center activities. (31 December 2024: TL 85,214,436)

As of 31 December 2025, 31 December 2024, there are no guarantees, pledges and mortgages on property, plant and equipment.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

10. INTANGIBLE ASSETS

Cost Value	Rights and Licenses
Opening balance as of 1 January 2025	2,135,010,929
Foreign currency translation differences	(5,330,264)
Additions	207,161,233
Transfers	117,648,643
Disposals	(1,053,318)
Closing balance as of 31 December 2025	2,453,437,223
Accumulated Amortization	
Opening balance as of 1 January 2025	(1,302,986,881)
Foreign currency translation differences	(4,336,065)
Charge for the period	(233,918,847)
Disposals	586,665
Closing balance as of 31 December 2025	(1,540,655,128)
Net book value as of 31 December 2025	912,782,095
Cost Value	Rights and Licenses
Opening balance as of 1 January 2024	1,834,274,609
Foreign currency translation differences	(58,921,730)
Charge for the period	195,641,237
Transfers	164,193,041
Disposals	(176,228)
Closing balance as of 31 December 2024	2,135,010,929
Accumulated Amortization	
Opening balance as of 1 January 2024	(1,109,011,325)
Foreign currency translation differences	(402,902)
Charge for the period	(193,680,117)
Disposals	107,463
Closing balance as of 31 December 2024	(1,302,986,881)
Net book value as of 31 December 2024	832,024,048

TL 4,317,179 (31 December 2024: TL 6,747,573) of depreciation expenses are included in research and development expenses, TL 217,752,580 (31 December 2024: TL 173,035,916) in marketing expenses and TL 11,849,088 (31 December 2024: TL 13,896,626) in general administrative expenses.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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 2025 and 1 January - 31 December 2024 are as follows:

Cost Value	Building	Motor Vehicles	Total
Opening balance as of 1 January 2025	15,677,417,595	113,241,202	15,790,658,797
Additions	751,696,054	126,135,813	877,831,867
Rent change	1,880,713,676	-	1,880,713,676
Disposals	(445,446,924)	(113,241,208)	(558,688,132)
Foreign currency translation differences	341,878,802	-	341,878,802
Closing Balance as of 31 December 2025	18,206,259,203	126,135,807	18,332,395,010
Accumulated Amortization			
Opening balance as of 1 January 2025	(10,249,575,782)	(112,617,488)	(10,362,193,270)
Additions	(2,950,275,350)	(12,989,910)	(2,963,265,260)
Disposals	255,488,573	100,403,236	355,891,809
Foreign currency translation differences	(219,081,268)	-	(219,081,268)
Closing Balance as of 31 December 2025	(13,163,443,827)	(25,204,162)	(13,188,647,989)
Net book value as of 31 December 2025	5,042,815,376	100,931,645	5,143,747,021
Cost Value	Building	Motor Vehicles	Total
Opening balance as of 1 January 2024	14,980,968,379	174,275,700	15,155,244,079
Additions	1,012,377,560	18,681,845	1,031,059,405
Rent change	1,642,957,847	741,251	1,643,699,098
Disposals	(684,647,638)	(80,457,596)	(765,105,234)
Foreign currency translation differences	(1,274,238,551)	-	(1,274,238,551)
Closing Balance as of 31 December 2024	15,677,417,598	113,241,199	15,790,658,797
Accumulated Amortization			
Opening balance as of 1 January 2024	(9,757,910,857)	(130,764,477)	(9,888,675,334)
Additions	(2,414,755,647)	(62,240,192)	(2,476,995,839)
Disposals	644,054,461	80,387,181	724,441,642
Foreign currency translation differences	1,279,036,261	-	1,279,036,261
Closing Balance as of 31 December 2024	(10,249,575,782)	(112,617,488)	(10,362,193,270)
Net book value as of 31 December 2024	5,427,841,815	623,712	5,428,465,527

The average useful lives of right-of-use assets is between 2-15 years. Depreciation expenses amounting to TL 2,758,472,277 (31 December 2024: TL 2,212,974,957) are included in marketing expenses.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

11. RIGHT-OF-USE ASSETS (cont'd)

Depreciation expenses:

	31 December 2025	31 December 2024
Buildings	2,950,275,350	2,414,755,646
Vehicles	12,989,910	62,240,192
	2,963,265,260	2,476,995,838

Profit or loss statement items related to leasing transactions:

	31 December 2025	31 December 2024
Depreciation and amortization expenses	2,963,265,260	2,476,995,838
Interest expenses	615,646,836	120,629,437
Foreign exchange expenses	(46,531,197)	(6,298,278)
	3,532,380,899	2,591,326,997

12. FINANCIAL INSTRUMENTS

Financial Investments

	31 December 2025	31 December 2024
Financial Investments		
Financial assets at fair value through profit or loss	8,459,171	5,202,970
	8,459,171	5,202,970

Borrowings

Details of borrowings at amortized cost are as follows:

	31 December 2025	31 December 2024
Financial borrowings		
Short-term bank loans	4,752,903,886	3,890,934,402
Short-term portion of long-term financial borrowings	290,508,408	370,363,217
Short-term portions of long-term financial leasing transactions.	13,095,239	-
Short-term lease liabilities	1,790,088,736	1,753,915,194
Long-term bank loans	14,029,878	31,896,845
Long-term financial leasing transactions	30,785,519	-
Long-term lease liabilities	2,327,518,341	2,395,154,998
	9,218,930,007	8,442,264,656

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

12. FINANCIAL INSTRUMENTS (cont'd)

Borrowings (cont'd)

Bank Loans

As of 31 December 2025 and 31 December 2024 bank loan details are as followed:

	31 December 2025	31 December 2024
To be paid within 1 year	5,043,412,294	4,261,297,619
To be paid within 1 - 2 years	14,029,878	31,896,845
	5,057,442,172	4,293,194,464

Short term financial debts as of 31 December 2025

Currency	Effective interest rate (%)	Nominal value (*)	Carrying value
TL	39%-53%	2,798,988,970	2,351,945,801
Euro	6%-9%	2,267,476,329	2,171,582,214
US Dollar	8%-11%	105,515,113	104,376,558
Georgian Lari	16%	99,290,311	97,887,466
Kazakhstan Tenge	14%-20%	71,021,113	65,959,955
Other	20%-27%	267,674,790	251,660,300
		5,609,966,626	5,043,412,294

Short term financial debts as of 31 December 2024

Currency	Effective interest rate (%)	Nominal value (*)	Carrying value
TL	26% - 64%	2,632,711,338	2,537,634,397
Euro	6% - 10%	1,388,597,386	1,306,008,734
US Dollar	9% - 10%	70,513,234	66,587,158
Georgian Lari	15%-16%	110,998,060	109,905,554
Kazakhstan Tenge	17% - 22%	54,922,095	48,212,951
Other	12% - 27%	202,902,383	192,948,825
		4,460,644,496	4,261,297,619

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

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş.
AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

12. FINANCIAL INSTRUMENTS (cont'd)

Borrowings (cont'd)

Long term financial debts as of 31 December 2025

Currency	Effective interest rate (%)	Nominal value (*)	Carrying value
Euro	6%	14,525,453	14,029,878
		14,525,453	14,029,878

Long term financial debts as of 31 December 2024

Currency	Effective interest rate (%)	Nominal value (*)	Carrying value
Euro	7% - 10%	40,100,490	31,896,845
		40,100,490	31,896,845

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

Financial Lease Liabilities

As of 31 December 2025 and 31 December 2024 financial lease liabilities details are as followed:

<u>Financial Borrowings</u>	<u>31 December 2025</u>	<u>31 December 2024</u>
Short-term lease liabilities	1,790,088,736	1,753,915,194
Long-term lease liabilities	2,327,518,341	2,395,154,998
	4,117,607,077	4,149,070,192

Liabilities Arising from Financial Leasing Transactions

As of 31 December 2025 and 31 December 2024 financial lease liabilities details are as followed:

<u>Financial Leasing</u>	<u>31 December 2025</u>	<u>31 December 2024</u>
Short-term lease liabilities	13,095,239	-
Long-term lease liabilities	30,785,519	-
	43,880,758	-

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş.
AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

12. FINANCIAL INSTRUMENTS (cont'd)

Liabilities Arising from Financial Leasing Transactions

Currency	interest rate (%)	value (*)	Carrying value
TL	39%	22,808,571	22,808,571
Euro	6%	21,072,187	21,072,187
		43,880,758	43,880,758

Net Financial Debt Reconciliation

	<u>31 December 2025</u>	<u>31 December 2024</u>
Cash and cash equivalents	1,442,990,839	765,729,192
Bank Loans	(5,057,442,172)	(4,293,194,464)
Lease Liabilities	(4,117,607,077)	(4,149,070,192)
Financial Leasing	(43,880,758)	-
Net borrowings	(7,775,939,168)	(7,676,535,464)

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş.
AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

12. FINANCIAL INSTRUMENTS (cont'd)

	Bank loans	Lease liabilities	Financial lease liabilities	Net borrowings
1 January 2025	4,293,194,464	4,149,070,192	-	8,442,264,656
Cash inflows from borrowings	8,496,169,874	-	43,428,309	8,539,598,183
Cash outflows related to debt payments	(7,478,892,729)	(2,588,966,657)	-	(10,067,859,386)
Effect of contract changes/reversals	-	2,453,124,901	-	2,453,124,901
Change in foreign exchange differences	677,761,808	139,494,035	452,449	817,708,292
Change in interest accruals	29,187,650	479,581,189	-	508,768,839
Foreign currency translation differences	53,272,030	464,539,102	-	517,811,132
Inflation effect	(1,013,250,925)	(979,235,685)	-	(1,992,486,610)
31 December 2025	5,057,442,172	4,117,607,077	43,880,758	9,218,930,007
1 January 2024	2,843,725,429	4,179,279,188	-	7,023,004,617
Cash inflows from borrowings	4,832,150,954	-	-	4,832,150,954
Cash outflows related to debt payments	(2,722,780,467)	(1,878,859,514)	-	(4,601,639,981)
Effect of contract changes/reversals	-	2,709,081,991	-	2,709,081,991
Change in foreign exchange differences	235,776,025	(6,298,278)	-	229,477,747
Change in interest accruals	(38,195,970)	365,951,604	-	327,755,634
Foreign currency translation differences	16,615,422	64,531,175	-	81,146,597
Inflation effect	(874,096,929)	(1,284,615,972)	-	(2,158,712,901)
31 December 2024	4,293,194,464	4,149,070,194	-	8,442,264,658

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş.
AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

13. PROVISIONS

	31 December 2025	31 December 2024
Short-term provisions		
Provision for litigation	23,979,450	32,699,919
	23,979,450	32,699,919

As of 31 December 2025 and 31 December 2024, the movement of provisions for litigation is as follows:

	2025	2024
Provision as of 1 January	32,699,919	45,531,417
Provision recognised in the period	5,990,708	9,520,226
Payments	(6,993,562)	(8,356,394)
Inflation effect	(7,717,615)	(13,995,329)
Provision as of 31 December	23,979,450	32,699,919

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.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

14. COMMITMENTS

Guarantee-Pledge-Mortgages ("GPM")

The Group's guarantees/pledges/mortgage position ("GPM") as of 31 December 2025 and 31 December 2024 are as follows:

31 December 2025

	Original Currency			
	TL	USD	EURO	TL Equivalent
A. GPMs Given for Company's Own Legal Personality	274,522,793	852,452	1,741,799	398,940,180
-Guarantee	274,522,793	852,452	1,741,799	398,940,180
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
B. GPMs Given on Behalf of Fully Consolidated Companies	-	97,970	1,289,223	69,244,617
-Guarantee	-	97,970	1,289,223	69,244,617
-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	274,522,793	950,422	3,031,022	468,184,797

Guarantees, pledges and mortgages given to the equity ratio of the Group is 0% as of 31 December 2025.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

14. COMMITMENTS (cont'd)

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

31 December 2024

	Original Currency			
	TL	USD(*)	EURO(*)	TL Equivalent
A. GPMs Given for Company's Own Legal Personality				
-Guarantee	349,534,985	230,634	4,405,018	572,021,610
-Pledge	349,534,985	230,634	4,405,018	572,021,610
-Mortgage	-	-	-	-
B. GPMs Given on Behalf of Fully Consolidated Companies				
-Guarantee	-	42,238	1,199,398	59,630,779
-Pledge	-	42,238	1,199,398	59,630,779
-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	349,534,985	272,872	5,604,416	631,652,389

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 2025.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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 2025, 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 million (TL 95,583,000), RUB 461 million (TL 250,927,201) and KZT 776 million (TL 65,809,073), respectively. (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 6,5 million GEL (TL 83,966,389), 405 million RUB (TL 135.594.000) and KZT 548 million (TL 36,834,054), respectively)

15. EMPLOYEE BENEFITS

Payables related to employee benefits

	31 December 2025	31 December 2024
Payables to personnel	282,673,673	274,869,164
Social security premiums payable	114,093,647	127,794,913
	396,767,320	402,664,077

Short-term provisions for employee benefits

	31 December 2025	31 December 2024
Unused vacation provision	267,903,687	247,125,908
Bonus provisions	16,706,690	19,133,248
	284,610,377	266,259,156

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.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

15. EMPLOYEE BENEFITS (cont'd)

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

Movement of unused vacation provisions:

	<u>2025</u>	<u>2024</u>
Provision as of 1 January	274,125,908	228,934,457
Period expense / Used (Net)	128,650,758	135,664,598
Vacation provision paid	(53,407,368)	(48,682,168)
Foreign currency translation differences	5,499,373	1,578,298
Inflation effect	(59,964,984)	(70,369,277)
Provision as of 31 December	267,903,687	247,125,908

Movement of provisions for bonuses:

	<u>2025</u>	<u>2024</u>
Provision as of 1 January	19,133,248	130,361,313
Bonus provision paid	(14,617,547)	(90,291,192)
Charge for the period	16,706,690	19,133,248
Inflation effect	(4,515,701)	(40,070,121)
Provision as of 31 December	16,706,690	19,133,248

Long-term provisions for employee benefits

Provision for employment termination benefits:

According to the Turkish Labor Law, the Group is obligated to pay severance pay to each employee who has completed at least one year of service and has a 25-year working life, retires (58 years for women, 60 years for men), has their employment terminated, is called up for military service, or passes away.

As of December 31, 2025, the severance pay payable is subject to a ceiling of 53,919.68 TL per month (December 31, 2024: 41,828.42 TL).

The severance pay obligation is not legally subject to any funding. The severance pay provision is calculated by estimating the present value of the Company's potential future liabilities arising from the retirement of employees. IAS 19 Employee Benefits provides for the development of the Company's liabilities using actuarial valuation methods within the framework of defined benefit plans. Accordingly, the actuarial assumptions used in calculating total liabilities are listed below.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

15. EMPLOYEE BENEFITS (cont'd)

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

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 2025, 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 28.53% real discount rate (31 December 2024: 20.65%) calculated by using 22.28% annual inflation rate and 5.11% discount rate. Estimated amount of retirement pay not paid due to voluntary leaves is also taken into consideration as 4.14% (31 December 2024: 26, 25%). The maximum amount of TL 64,948.77 effective from 1 January 2026 has been taken into account in the calculation of the severance pay provision of the Group (1 January 2025: TL 46,655.43).

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

	<u>2025</u>	<u>2024</u>
Provision as of January 1	145,461,702	167,987,905
Service cost	49,898,221	49,521,722
Interest cost	60,473,650	55,362,680
Employment termination benefit paid	(84,806,896)	(87,709,113)
Actuarial loss	15,127,098	4,145,080
Inflation effect	(40,039,234)	(43,846,572)
Provision as of 31 December	146,114,541	145,461,702

16. OTHER ASSETS AND LIABILITIES

	<u>31 December 2025</u>	<u>31 December 2024</u>
Other Current Assets		
Deferred VAT	330,471,466	575,979,433
Turquality income accruals (*)	100,742,997	1,725,966
Other	54,200,290	33,158,883
	485,414,753	610,864,282

(*) 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

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş.

AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

16. OTHER ASSETS AND LIABILITIES (cont'd)

	<u>2025</u>	<u>2024</u>
<u>Movement of Turquality income accruals</u>		
Opening balance	1,725,966	-
Income for the period (Note 21)	100,742,997	4,081,570
Collections	(1,318,615)	(3,891,560)
Inflation effect	(407,351)	1,535,956
Closing balance	102,742,997	1,725,966
	<u>31 December 2025</u>	<u>31 December 2024</u>
Deferred VAT	6,438,870	9,604,287
	6,438,870	9,604,287
	<u>31 December 2025</u>	<u>31 December 2024</u>
<u>Other Current Liabilities</u>		
Taxes and funds payable	313,645,236	216,823,619
	313,645,236	216,823,619

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş.

AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

17. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Paid-in capital

As of 31 December 2025 and 31 December 2024, the structure of paid in capital is as follows:

	%	<u>31 December 2025</u>	%	<u>31 December 2024</u>
Nemo Apparel BV	39.6%	328,508,456	39.6%	328,508,456
Yılmaz Yılmaz	23.6%	195,902,787	23.6%	195,902,787
Şükriye Gülden Yılmaz	23.6%	195,902,787	23.6%	195,902,787
Nominal Capital	13.2%	109,335,970	13.2%	109,335,970
	100.0%	829,650,000	100.0%	829,650,000
Capital adjustment differences (*)		6,816,454,751		6,816,454,751
Adjusted Capital		7,646,104,751		7,646,104,751

(*) 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 2025, 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 2024, the Company's paid-in capital amounting to TL 829,650,000 consists of 829,650,000 registered nominal shares with a unit nominal share value of TL 1.

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

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 2025, the Group has allocated reserves amounting to TL 228,770,017 (31 December 2024: TL 228,770,017) in the restricted reserves in the consolidated financial statements for the treasury shares of the Group.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş.

AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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

Share issue premiums / discounts

As of 31 December 2025 Group share issue premiums disclosed in below;

	31 December 2025
Share issue premiums / discounts	1,543,822,984
Capital Increase	(34,150,000)
IPO costs	(126,162,211)
Inflation effects	35,429,844
	1,418,940,617

Additional Information on Capital, Reserves and Other Equity Items

Financial Statement prepared according to CMB standards for the end of a year 2025 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
31 December 2025			
Capital Adjustment Differences	6,990,970,050	6,816,454,751	174,515,299
Inflation adjustment differences for legal reserves	263,025,794	228,770,017	34,255,777
Share Related Premiums	1,098,476,641	1,418,940,617	(320,463,976)
	8,532,472,484	8,464,165,385	(111,692,900)

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş.

AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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 2025, the Group has foreign currency translation differences amounting to (TL 3,491,864,381 31 December 2024: TL 3,152,019,442) 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 2025, actuarial losses amounting to TL 190,239,724 (31 December 2024: TL 178,894,401) consist of actuarial losses recognized as other comprehensive expense related to provision for employment termination benefits.

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

Defined benefit plans remeasurement losses

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 2024: None).

Analysis of other comprehensive expense items

	31 December 2025	31 December 2024
Defined Benefit Plans Remeasurement Losses	(190,239,724)	(178,894,401)
Hedge Fund	(118,867,725)	(44,128,193)
Foreign Currency Translation Fund	(3,491,864,381)	(3,152,019,442)
	(3,800,971,830)	(3,375,042,036)

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş.

AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

18. REVENUE AND COST OF SALES

a) Sales

	1 January- 31 December 2025	1 January- 31 December 2024
Sales		
Retail	27,286,307,417	26,717,915,882
E-Commerce	1,750,979,382	2,110,377,737
Wholesale	3,835,527,435	4,007,741,235
	32,872,814,234	32,836,034,854

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 2025	1 January- 31 December 2024
Cost of trade goods sold	(13,977,488,615)	(13,871,616,877)
Cost of goods sold	(1,097,148,637)	(1,287,004,469)
	(15,074,637,252)	(15,158,621,346)

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

	1 January- 31 December 2025	1 January- 31 December 2024
Marketing expenses (-)	(11,804,318,405)	(11,600,108,484)
General administrative expenses (-)	(3,257,887,982)	(3,043,871,606)
Research and development expenses(-)	(397,281,714)	(490,418,571)
	(15,459,488,101)	(15,134,398,661)

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş.

AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

19. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES (cont'd)

a) Details of Marketing Expenses

	1 January- 31 December 2025	1 January- 31 December 2024
Personnel expenses	(4,013,318,140)	(4,282,924,287)
Depreciation and amortization expenses	(3,663,450,588)	(3,102,041,963)
Rent expenses	(689,518,409)	(724,393,829)
Freight and transport vehicle expenses	(795,997,291)	(595,313,245)
Building management expenses	(506,531,106)	(503,191,973)
Energy and electricity expenses	(530,173,319)	(482,680,464)
General store expenses	(351,519,475)	(328,264,273)
Advertisement expenses	(169,953,636)	(160,067,449)
Maintenance and repair expenses	(88,717,449)	(100,571,137)
Export expenses	(65,438,420)	(75,364,347)
Packaging expenses	(69,377,843)	(72,765,592)
Insurance expenses	(49,105,398)	(42,637,227)
Decoration expenses	(30,033,920)	(29,689,239)
Travel expenses	(26,426,580)	(23,615,171)
Taxes, duties and fee expenses	(35,382,618)	(17,334,674)
Consultancy expenses	(5,981,247)	(4,464,724)
Other	(713,392,966)	(1,054,788,887)
	(11,804,318,405)	(11,600,108,481)

b) Details of General Administrative Expenses

	1 January- 31 December 2025	1 January- 31 December 2024
Personnel expenses	(2,186,564,725)	(1,964,718,315)
Depreciation and amortization expenses	(199,460,952)	(243,929,858)
Rent expenses	(235,177,742)	(152,154,818)
Consulting expenses	(137,885,294)	(115,978,416)
General office expenses	(77,991,999)	(83,728,172)
Travel expenses	(59,041,229)	(81,022,142)
Maintenance and repair expenses	(54,832,579)	(65,481,270)
Energy and electricity expenses	(10,527,819)	(12,047,593)
Taxes, duties and fee expenses	(10,009,027)	(9,493,717)
Other	(286,396,616)	(315,317,305)
	(3,257,887,982)	(3,043,871,606)

c) Details of Research and Development Expenses

	1 January- 31 December 2025	1 January- 31 December 2024
Personnel expenses	(263,978,401)	(309,167,161)
Depreciation and amortization expenses	(72,672,990)	(118,441,299)
Rent expenses	(19,416,981)	(21,345,211)
Travel expenses	(4,965,921)	(4,920,676)
Other	(36,247,420)	(36,544,223)
	(397,281,714)	(490,418,571)

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

20. EXPENSES BY NATURE

The details of depreciation and amortization expenses for the periods ended 31 December 2025 and 31 December 2024 are as follows:

	1 January- 31 December 2025	1 January- 31 December 2024
Depreciation and amortization expenses		
Research and development expenses	72,672,990	118,441,299
Marketing expenses	3,663,450,588	3,102,041,963
General administrative expenses	199,460,952	243,929,860
	3,935,584,530	3,464,413,122

The details of personnel expenses for the periods ended 31 December 2025, 31 December 2024 are as follows:

	1 January- 31 December 2025	1 January- 31 December 2024
Personnel expenses		
Research and development expenses	263,978,401	309,167,161
Marketing expenses	4,013,318,140	4,282,924,287
General administrative expenses	2,186,564,725	1,964,718,315
	6,463,861,266	6,556,809,763

21. OTHER INCOME/(EXPENSES) FROM OPERATING ACTIVITIES

The details of income/(expenses) from operating activities for the periods ended 31 December 2025 and 31 December 2024 are as follows:

	1 January- 31 December 2025	1 January- 31 December 2024
Other Income From Operating Activities		
Foreign exchange gains from operating activities	1,552,238,281	727,860,602
Discount interest income from trade transactions	124,909,199	249,680,434
Turquility income	100,742,996	4,081,570
Other income	262,588,890	169,363,292
	2,040,479,366	1,150,985,898

	1 January- 31 December 2025	1 January- 31 December 2024
Other Expense From Operating Activities		
Discount interest expense on purchases of goods	2,162,824,988	2,764,961,848
Foreign exchange losses from operating activities	351,495,808	614,879,460
Provision for doubtful trade receivables (Note 5)	28,298,942	32,482,561
Litigation provision expenses (Note 13)	6,963,797	10,058,537
Other	138,838,081	116,562,993
	2,688,421,616	3,538,945,399

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

22. INCOME/(EXPENSES) FROM INVESTING ACTIVITIES

The details of income/(expenses) from investing activities for the periods ended 31 December 2025 and 31 December 2024 are as follows:

	1 January- 31 December 2025	1 January- 31 December 2024
Income from Investing Activities		
Gain on sales of fixed assets	12,382,066	5,014,933
	12,382,066	5,014,933

	1 January- 31 December 2025	1 January- 31 December 2024
Expenses from Investing Activities		
Loss on sales of fixed assets	9,053,215	12,146,152
	9,053,215	12,146,152

23. FINANCE INCOME AND EXPENSES

The details of finance income for the years ended 31 December 2025 and 31 December 2024 are as follows:

	1 January- 31 December 2025	1 January- 31 December 2024
Finance Income		
Interest income	166,716,084	69,284,291
Other (*)	-	79,312,909
	166,716,084	148,597,200

(*) 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.

The details of finance expenses for the years ended 31 December 2025 and 31 December 2024 are as follows:

	1 January- 31 December 2025	1 January- 31 December 2024
Finance Expense		
Interest expenses	1,486,557,306	1,125,198,911
Credit card commissions	663,829,840	634,628,658
Interest expense on lease liabilities	615,646,836	199,942,346
Foreign exchange losses (net)	678,229,372	223,473,039
Banking and guarantee expenses	58,033,197	54,807,059
Other	10,693,164	19,687,001
	3,512,989,715	2,257,737,014

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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

	1 January- 31 December 2025	1 January- 31 December 2024
Current Period Tax Assets		
Corporate tax and income tax payable	-	-
Less: prepaid taxes (-)	(84,192,988)	(81,947,039)
	(84,192,988)	(81,947,039)

	1 January- 31 December 2025	1 January- 31 December 2024
Current Period Tax Liability		
Current period corporate tax expense (-)	-	-
Deferred tax (expense)/ income	97,001,102	203,895,689
	97,001,102	203,895,689

	31 December 2025	31 December 2024
Profit Before Tax	(1,055,674,431)	(720,789,209)
Tax rate (Türkiye)	263,918,608	180,197,302
Tax calculated according to effective tax rate		
Non-deductible expenses	(50,062,399)	(56,161,346)
Losses for the period over which deferred tax assets are not recognized	(27,045,083)	(11,096,684)
Design centre discount	12,169,781	25,955,823
Cash capital reduction	16,709,237	
Non-taxable inflation adjustment effects	-	(10,682,448)
Effect of different tax rates	-	-
Income subject to tax exemption	2,944,939	8,849,670
Consolidation adjustmenst not subject to tax calculation.	(108,353,662)	47,317,159
Türkiye Local TMS 29 index effects	-	35,063,391
Other	(13,280,319)	(15,547,178)
Total Tax Income / (Expense)	97,001,102	203,895,689

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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 2025 is 25% in Türkiye (2024: 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.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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 2024: 20%). Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russia suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation. Tax losses can be carried forward to be offset against future taxable income for the next ten taxable years after the year when this loss appeared.

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.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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

	<u>Accumulated Temporary Differences</u>		<u>Deferred Tax Assets/Liabilities</u>	
	31 December 2025	31 December 2024	31 December 2025	31 December 2024
Inventories	2,277,214,071	2,203,018,513	(569,449,043)	(586,696,445)
Property, plant and equipment and intangible assets	761,785,689	337,974,966	(190,446,422)	(84,493,741)
Provision for vacation	(255,566,796)	(237,969,462)	63,891,699	59,067,654
Provision for employment				
Termination benefit	(146,114,541)	(145,461,702)	36,528,635	36,365,426
Litigation provision	(23,979,450)	(32,699,919)	5,994,863	8,174,980
Cash capital deduction	(267,347,792)	(189,931,947)	66,836,948	47,482,987
Adjustments related to trade payables	666,646,092	635,837,261	(166,593,973)	(158,869,446)
Adjustments related to trade receivables	(419,150,934)	(119,172,189)	104,787,733	29,793,047
Prior years' losses	(3,663,165,256)	(2,678,296,459)	915,791,314	678,730,490
Adjustments related to financial liabilities	100,768,681	202,816,697	(25,192,170)	(50,704,174)
Right-of-use asset and liability	973,180,138	1,283,361,510	(246,749,391)	(323,595,780)
Derivative instruments	(158,490,300)	(58,837,589)	39,622,575	14,709,397
Premium accrual	(9,529,568)	(15,482,179)	2,382,392	3,839,456
Return provisions	10,170,303	19,547,688	(2,542,577)	(4,886,923)
Design Center discounts	(194,716,495)	(85,621,609)	48,679,124	21,405,402
Other	608,999,819	(100,083,874)	(152,249,964)	25,020,962
Deferred tax assets, net	260,703,661	1,018,999,706	(68,708,257)	(284,656,708)

Tax Rated for the calculation of Deferred tax and liabilities which is expected to be reverse after 2025 and later years is %25 (2024: %25)

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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 2025 and 31 December 2024 is given below:

	2025	2024
Opening balance as of 1 January	(284,656,708)	(342,179,437)
Tax (expense)/income for the period	97,001,102	203,895,689
Recognized in other comprehensive income	28,694,952	(26,922,468)
Translation (gain) / loss	90,252,397	73,553,261
Monetary Gain Loss	-	(193,003,753)
Closing balance as of 31 December	(68,708,257)	(284,656,708)

The amount of the prior year's losses for which deferred tax assets are not allocated is TL 3,758,061,152 (31 December 2024: TL 1,783,373,721) 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 2025	31 December 2024
Within 1 year	360,181,463	71,487,011
Within 2 year	424,197,151	44,407,012
Within 3 year	146,855,314	112,231,444
Within 4 year	1,551,770,125	1,183,256,436
Within 5 year	1,275,056,899	371,991,818
Closing balance as of 31 December	3,758,061,152	1,783,373,721

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.

Trade payables and advances to related parties as of December 31, 2025 and December 31, 2024 are listed below

	1 January- 31 December 2025	1 January- 31 December 2024
Order Advances Paid to Related Parties		
Ecomod Tekstil	4,367,807	6,316,176
	4,367,807	6,316,176
Obligations to Related Parties		
Canko Tekstil Ürünleri San.Tic.Ltd.Şti.	983,075	704,171
	983,075	704,171

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

25. RELATED PARTY DISCLOSURES (cont'd)

Purchases made from related companies as of December 31, 2025 and December 31, 2024 are listed below.

Purchases from Related Parties	1 January- 31 December 2025	1 January- 31 December 2024
Canko Tekstil Ürünleri San.Tic.Ltd.Şti.	37,826,530	2,713,961
Ecomod Tekstil	106,239,140	86,866,702
Gülyılmaz Gayrimenkul Yatırım, Geliştirme, İşletme ve Ticaret A.Ş.	26,834,809	22,171,697
	170,900,479	111,752,359

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

	1 January- 31 December 2025	1 January- 31 December 2024
Salaries and other short-term benefits	247,931,488	186,978,724
	247,931,488	186,978,724

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.

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.

Earning per share	1 January- 31 December 2025	1 January- 31 December 2024
Number of shares as of end of the period (full value)	829,650,000	829,650,650
Weighted Average number (full value) of shares outstanding during the period	829,650,000	817,486,986
Net Profit/ (Loss)	(958,673,329)	(516,893,516)
Less: Minority Shareholders Profits	5,000,602	1,954,196
Net profit / loss for the parent company shareholders	(963,673,931)	(518,847,712)
Loss per share	(1,162)	(0,625)

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.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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 2025 and 31 December 2024, 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 2025	31 December 2024
Financial Borrowings	9,218,930,007	8,442,264,656
Less: Cash and Cash Equivalents	(1,442,990,839)	(765,729,192)
Net Borrowing	7,775,939,168	7,676,535,464
Total Equity	6,698,385,156	8,082,988,278
Total Capital	14,474,324,324	15,759,523,742
Net Borrowing/Total Capital Ratio	54%	49%

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.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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

31.12.2025	Receivables				Deposits At Banks	Derivative Instruments	Other
	Trade Receivables Related Parties	Third Parties	Other Receivables Related Parties	Third Parties			
Maximum credit risk exposed as of balance sheet date (A+B+C+D+E)(*)	-	1,474,210,147	-	257,599,141	1,410,172,126	-	-
The portion secured by collateral, etc against the maximum risk (**)	-	360,795,841	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired The portion secured by collateral, etc., against the maximum risk	-	987,835,535	-	257,599,141	1,410,172,126	-	-
B Net book value of financial assets that are past due but not impaired The portion secured by collateral, etc., against the maximum risk	-	849,035,101	-	-	-	-	-
C. Net book value of the Past due but not-impaired assets Secured portion of the net book value by guarantees, etc.	-	486,374,612	-	-	-	-	-
D. Net book value of the impaired assets Past due (gross book value) Secured portion of the net book value by guarantees, etc Impairment (-)	-	138,800,434	-	-	-	-	-
E. Off-balance sheet items exposed to credit risk	-	97,308,385	-	-	-	-	-
	-	(97,308,385)	-	-	-	-	-

(*) 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.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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	Receivables				Deposits At Banks	Derivative Instruments	Other
	Trade Receivables Related Parties	Other Receivables Third Parties	Related Parties	Third Parties			
Maximum credit risk exposed as of balance sheet date (A+B+C+D+E)(*)	-	2,329,956,809	-	199,364,404	735,941,891	-	-
The portion secured by collateral, etc against the maximum risk (**)	-	626,820,402	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired The portion secured by collateral, etc., against the maximum risk	-	2,178,890,596	-	199,364,404	735,941,891	-	-
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 Secured portion of the net book value by guarantees, etc.	-	151,066,213	-	-	-	-	-
D. Net book value of the impaired assets Past due (gross book value) Secured portion of the net book value by guarantees, etc Impairment (-)	-	(26,965,765)	-	-	-	-	-
E. Off-balance sheet items exposed to credit risk	-	86,579,831	-	-	-	-	-
	-	(86,579,831)	-	-	-	-	-

(*) 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.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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 93% of total trade receivables (31 December 2024: 91%). 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 2025 and 31 December 2024 the aging analysis of the trade receivables which are past due but not impaired are comprised the following:

	31 December 2025	31 December 2024
1-30 days past due	106,922,101	56,954,126
1-3 months past due	123,974,976	24,469,920
3-12 months past due	255,477,535	69,642,166
1-5 years past due	18,849,961	-
Total	505,224,573	151,066,212

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.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş.

AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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

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:

31 December 2025

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)
Non-derivative financial liabilities					
Financial borrowings	9,218,930,007	12,860,292,848	1,810,317,554	5,482,648,498	2,372,333,738
Trade payables	6,201,549,561	6,063,754,736	2,059,248,541	4,004,506,195	-
Current liabilities (*)	282,673,673	282,673,673	282,673,673	-	-
Total liabilities	15,703,153,241	19,206,721,257	4,152,239,768	9,487,154,693	2,372,333,738

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 years (III)
Non-derivative financial liabilities					
Financial borrowings	8,507,710,820	8,649,546,313	1,830,710,083	4,391,784,387	2,427,051,843
Trade payables	6,807,738,637	7,442,244,208	3,506,244,089	3,936,000,119	-
Current liabilities (*)	274,869,164	274,869,164	274,869,164	-	-
Total liabilities	15,590,318,621	16,366,659,684	5,611,823,336	8,327,784,506	2,427,051,843

(*) 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.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş.

AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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

b.3.1) Foreign currency risk management (cont'd)

31 December 2025

	TL Equivalent (Functional currency)	US Dollar(*)	Euro(*)	GBP
1. Trade Receivables	959,926,741	13,232,250	8,087,768	-
2a. Monetary Financial Assets	338,772,655	918,764	6,176,919	2,716
2b. Non-Monetary Financial Assets	-	-	-	-
3. Other	2,142,040	51,617	-	-
4. Current Assets (1+2+3)	1,300,841,436	14,202,631	14,264,687	2,716
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)	1,300,841,436	14,202,631	14,264,687	2,716
10. Trade Payables	1,329,164,140	30,868,493	984,002	5,412
11. Financial Liabilities	2,204,785,457	2,435,160	43,244,009	-
12a. Other Monetary Liabilities	-	-	-	-
12b. Other Non-Monetary Liabilities	48,346	1,165	-	-
13. Current Liabilities (10+11+12)	3,533,997,943	33,304,818	44,228,011	5,412
14. Trade Payables	-	-	-	-
15. Financial Liabilities	24,368,182	-	500,909	-
16a. Other Monetary Liabilities	-	-	-	-
16b. Other Non-Monetary Liabilities	-	-	-	-
17. Non-Current Liabilities (14+15+16)	24,368,182	-	500,909	-
18. Total Liabilities (13+17)	3,558,366,125	33,304,818	44,728,920	5,412
19. Net asset/(liability) position of off balance sheet derivative instruments (19a-19b)	(114,614,439)	-	(2,356,000)	-
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	(114,614,439)	-	(2,356,000)	-
20. Net foreign currency asset/(liability) position (9-18+19)	(2,372,139,128)	(19,202,187)	(32,820,233)	(2,696)
21. Monetary items net foreign currency liability position (1+2a+5+6a-10-11-12a-14-15-16a)	(2,259,618,383)	(19,152,639)	(30,464,233)	(2,696)
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	6,273,589,446	50,333,135	145,822,269	-
23. Export	2,179,653,374	55,408,007	39,196	-
24. Import	-	-	-	-

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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

b.3.1) Foreign currency risk management(cont'd)

31 December 2024

	TL Equivalent (Functional currency)	US Dollar	Euro	GBP
1. Trade Receivables	611,770,690	10,496,127	2,658,376	-
2a. Monetary Financial Assets	148,052,046	1,452,680	1,682,931	2,391
2b. Non-Monetary Financial Assets	-	-	-	-
3. Other	15,347,016	304,092	27,591	-
4. Current Assets (1+2+3)	775,169,752	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)	775,169,752	12,252,899	4,368,898	2,391
10. Trade Payables	1,511,307,852	31,781,886	955,131	1,400
11. Financial Liabilities	1,372,595,894	1,444,263	27,155,541	-
12a. Other Monetary Liabilities	-	-	-	-
12b. Other Non-Monetary Liabilities	-	-	-	-
13. Current Liabilities (10+11+12)	2,883,903,746	33,226,149	28,110,672	1,400
14. Trade Payables	30,297,413	-	629,967	-
15. Financial Liabilities	-	-	-	-
16a. Other Monetary Liabilities	-	-	-	-
16b. Other Non-Monetary Liabilities	-	-	-	-
17. Non-Current Liabilities (14+15+16)	30,297,413	-	629,967	-
18. Total Liabilities(13+17)	2,914,201,159	33,226,149	28,740,639	1,400
19 Net asset/(liability) position of off balance sheet derivative instruments (19a-19b)	(44,128,193)	-	(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	44,128,193	-	917,547	-
20. Net foreign currency asset/(liability) position (9-18+19)	(2,183,159,600)	(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)	(2,154,378,423)	(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	7,193,352,939	43,870,262	119,974,756	-
23. Export	2,373,807,089	55,184,836	91,309	-
24. Import	-	-	-	-

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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 2025

	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	(158,542,039)	158,542,039	(158,542,039)	158,542,039
2- The portion hedged from US Dolar risk (-)	(933,329)	933,329	(1,484,391)	1,484,391
3- Net effect of US Dollar	(159,475,368)	159,475,368	(160,026,430)	160,026,430
In case of Euro appreciation by 20 % against TL				
4 - Euro net asset / liability	(319,327,083)	319,327,083	(319,327,083)	319,327,083
5 - The portion hedged from Euro risk (-)	(14,947,906)	14,947,906	(23,773,545)	23,773,545
6- Net effect of Euro	(333,341,660)	331,341,660	(341,616,237)	341,616,237
TOTAL (3+6)	(492,817,028)	492,817,028	(501,642,667)	501,642,667

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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 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	(109,323,282)	109,323,282	(109,323,282)	109,323,282
2- The portion hedged from US Dolar risk (-)	-	-	-	-
3- Net effect of US Dollar	(109,323,282)	109,323,282	(109,323,282)	109,323,282
In case of Euro appreciation by 20 % against TL				
4 - Euro net asset / liability	(186,317,868)	186,317,868	(186,317,868)	186,317,868
5 - The portion hedged from Euro risk (-)	8,273,580	(8,273,580)	(17,731,749)	17,731,749
6- Net effect of Euro	(178,044,288)	178,044,288	(204,049,617)	204,049,617
TOTAL (3+6)	(287,367,570)	287,367,570	(313,372,899)	313,372,899

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.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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) 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 2025	31 December 2024
Fixed Rate Instruments		
Financial Assets	1,442,990,839	765,729,192
Financial Liabilities	(2,761,346,954)	(2,622,000,486)
Variable Rate Financial Instruments		
Financial Liabilities	(2,309,190,440)	(1,671,193,979)

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 2025, hedging ratio was calculated as 102% and hedging efficiency as 99%.

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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) Currency risk management (Continued)

Hedge accounting (cont'd)

<i>USD</i>	31 December 2025	31 December 2024
Present value of hedged item (current portion)	2,487,791	1,596,912
Present value of hedged item (non-current portion)	-	-
Present value of hedged item (current portion)	2,421,833	1,569,166
Present value of hedged item (non-current portion)	-	-

<i>Euro</i>	31 December 2025	31 December 2024
Present value of hedged item (current portion)	43,971,628	39,482,485
Present value of hedged item (non-current portion)	509,094	862,150
Present value of hedged item (current portion)	43,401,253	35,040,438
Present value of hedged item (non-current portion)	449,248	759,381

<i>Turkish Lira</i>	31 December 2025	31 December 2024
Cumulative foreign exchange differences on the hedged item (current portion)	159,214,590	51,362,917
Cumulative foreign exchange differences on the hedged item (non-current portion)	1,116,275	775,235
Cumulative foreign exchange differences on the hedged item (current portion)	(157,498,166)	(46,032,112)
Cumulative foreign exchange differences on the hedged item (non-current portion)	(992,134)	(663,860)
Hedge effectiveness ratio	99%	90%

<i>Hedge ratio as of 31 December</i>	2025	2024
Total amount of hedged items used	2,447,978,470	1,552,529,792
Total amount of hedging instruments used	2,407,069,905	1,383,644,017
Hedge ratio	102%	112%

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş. AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

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 113,539,163 (1 January – 31 December 2024: TL 58,404,870). Accumulated other comprehensive expense movements of the derivative transaction for hedging purposes are as follows:

	2025	2024
Opening balance	58,837,591	169,273,233
Charge for the period	113,539,163	(58,404,870)
Inflation effect	(13,886,454)	(52,030,772)
Closing balance	158,490,300	58,837,591

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 2025 and 1 January - 31 December 2024 are as follows:

	31 December 2025	31 December 2024
Independent audit fee for the reporting period	8,132,929	7,722,647
Fees for tax consultancy services	770,000	719,908
Fees for other assurance services	4,282,751	2,895,338
Total	13,185,680	11,337,893

KOTON MAĞAZACILIK TEKSTİL SANAYİ VE TİCARET A.Ş.

AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2025 AND 31 DECEMBER 2024

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of Turkish Lira ("TL") as of 31 December 2025, unless otherwise stated).

29. MONETARY POSITION GAIN(LOSSES)

Monetary Gain Loss table as of 31.12.2025 and 31.12.2024 is as follows:

Non Monetary Items	31 December 2025	31 December 2024
Balance Sheet Items		
Subsidiaries	168,675,798	270,304,523
Deferred Income	9,534,826	(19,140,506)
Property, Plant and Equipment	(4,907,779)	(77,489,884)
Intangible Assets	(64,826,054)	(36,976,126)
Right of Use Assets	(303,354,133)	49,663,532
Prepaid Expenses	115,795,024	50,356,750
Inventories	(109,593,922)	(89,332,595)
Restricted reserves appropriated from profit	(53,992,763)	(10,445,778)
Capital Adjustments Differences	(564,708,559)	(696,543,636)
Accumulated other comprehensive expenses not to be reclassified to profit or loss	29,300,587	36,369,570
Retained Earnings	(479,329,931)	(823,574,709)
Total Balance Sheet Items	(1,257,406,906)	(1,346,808,859)
Income Statement Items	1,853,930,625	2,587,235,339
Revenue	(2,532,039,474)	(3,317,652,014)
Cost of Sales	1,697,246,746	2,873,452,816
Research and Development Expenses	64,122,336	103,079,349
Marketing Expenses	1,849,404,834	1,915,998,266
General Administrative Expenses	308,152,356	367,051,539
Other Income from operating activities	(213,075,732)	(171,495,745)
Other Expenses from operating activities	308,866,820	448,895,561
Income from investing activities	(779,638)	(636,582)
Expense from investing activities	893,685	1,554,984
Financial expenses	289,119,417	213,138,472
Deffered tax Expense/Income	82,019,275	153,848,693
	596,523,718	1,240,426,480

30. EVENTS AFTER THE REPORTING PERIOD

The Group's operations in the Gulf Cooperation Council ("GCC") region constitute a limited portion of its overall activities. Although ongoing geopolitical developments in the GCC region may lead to uncertainties in global markets and economic conditions, the direct impact of such developments is expected to remain limited due to the Group's low operational exposure to the region. Nevertheless, as with all global risks, the situation is being closely monitored, and precautionary assessments are being undertaken to ensure the uninterrupted continuation of supply chain and financial processes.