DIVIDEND DISTRIBUTION POLICY

Article 1: Scope and Legal Basis

This Dividend Distribution Policy sets forth the principles governing the distribution of dividends and dividend advances by Koton Mağazacılık Tekstil Sanayi ve Ticaret A.Ş. (the "**Company**") in accordance with its Articles of Association (the "**Articles of Association**") and the applicable legislation.

This Policy has been prepared in accordance with the Articles of Association, the Capital Markets Law No. 6362 (the "**CML**"), the Turkish Commercial Code No. 6102 (the "**TCC**"), the Dividend Communiqué No. II-19.1 (the "**Dividend Communiqué**"), the Corporate Governance Communiqué No. II-17.1, and the applicable legislation.

Article 2: Purpose

The purpose of this Dividend Distribution Policy is to ensure that the Company adopts a balanced and consistent dividend distribution policy, in compliance with the applicable legislation, that takes into account the interests of both the Company's investors and the Company itself, to keep investors informed, and to maintain a transparent dividend distribution policy toward investors.

Article 3: Dividend Distribution Principles

The decision to distribute dividends, as well as the method and timing of such distribution, shall be made by the General Assembly upon the recommendation of the Board of Directors.

Subject to the applicable legislation, the Company's financial position, and the absence of any legal restrictions on dividend distributions, and taking into consideration market expectations, the Company's long-term strategies, the capital requirements of its affiliates and subsidiaries, its investment and financing policies, profitability, and cash position, the Company aims to distribute to its shareholders at least 20% of the distributable net profit for the relevant fiscal year, as calculated in accordance with the Articles of Association, the Turkish Commercial Code, the Capital Markets Law, the Dividend Communiqué, and the applicable tax legislation. Although companies whose shares are traded on Borsa İstanbul A.Ş. are under no obligation to adopt a dividend distribution resolution, the Company seeks to establish a consistent dividend distribution practice. For the avoidance of doubt, this objective does not constitute, and shall not be construed as, a commitment. Dividends may be distributed in cash and/or in the form of bonus shares, or through a combination of these methods in such proportions as may be determined.

Dividends shall be distributed equally to all shares outstanding as of the dividend distribution date, in proportion to their respective holdings, regardless of the dates of issuance or acquisition of such shares. The Company does not have any class of shares carrying dividend privileges.

Provided that it is resolved at the General Assembly meeting approving the dividend distribution, dividends may also be paid in equal or unequal installments. In the event that dividends are paid in installments, the provisions of Article 5 of the Dividend Communiqué No. II-19.1 shall apply.

Unless the legal reserves required to be set aside under the Turkish Commercial Code and the Articles of Association, as well as the dividend allocated to shareholders under the Articles of Association or this Dividend Distribution Policy, have been set aside, no resolution may be adopted to allocate additional reserves, carry forward profits to the following fiscal year, or distribute profits to members of the Board of Directors, the Company's employees, or persons or entities other than shareholders. Furthermore, no profit distribution may be made to such persons unless the dividend determined for the shareholders has been paid in cash. Upon the recommendation of the Board of Directors, the General Assembly may resolve to distribute profits to members of the Board of Directors, the Company's employees, and persons or entities other than shareholders. In such an event, the amount of profit distributed to those persons shall in no case exceed one-fourth of the dividend distributed to the shareholders.

The full amount of the proposed dividend may be distributed only to the extent that it can be funded from the net distributable profit or other available sources reflected in the statutory records (maintained in accordance with the Tax Procedure Law). In other words, the maximum number of dividends that may be distributed is limited to the distributable amount of the relevant dividend distribution sources recorded in the statutory records.

Dividend distribution shall commence on the date determined by the General Assembly, provided that such distribution begins no later than the end of the fiscal year in which the General Assembly adopts the dividend distribution resolution.

Pursuant to the Articles of Association, a dividend distribution resolution adopted by the General Assembly may not be revoked unless otherwise permitted by law.

If the Board of Directors proposes that no dividend be distributed, the agenda item relating to dividend distribution shall include the reasons for such proposal and information regarding the intended use of the undistributed profit, and such information shall be presented to the shareholders at the General Assembly meeting.

Article 4: Principles Governing the Distribution of Dividend Advances

The Company's general assembly shall be entitled to decide for distribution of advance dividends to shareholders in line with the CML and the other applicable legislation. The calculation and distribution of dividend advances shall be carried out in accordance with the applicable legislation.

Dividend advances shall be distributed in cash from the profits reflected in the Company's interim financial statements. A dividend advance relating to a particular interim period may not be distributed in installments.

Dividend advances shall be distributed equally to all shares outstanding as of the distribution date, in proportion to their respective holdings, regardless of the dates of issuance or acquisition of such shares. No dividend advances may be distributed to persons other than shareholders.

The dividend advance to be distributed may not exceed one-half of the amount remaining after deducting the legal reserves required to be set aside under the Turkish Commercial Code and the Articles of Association, as well as prior years' losses, from the net profit for the relevant interim period as reflected in the interim financial statements.

The aggregate amount of dividend advances that may be distributed during a fiscal year may not exceed the lesser of:

a) one-half of the net profit for the preceding fiscal year; or

b) the other sources available for dividend distribution, excluding the net profit for the relevant interim period reflected in the relevant interim financial statements.

If more than one dividend advance is distributed during the same fiscal year, the dividend advances distributed in the preceding interim periods shall be deducted from the amount calculated in accordance with the preceding paragraph when calculating the dividend advances to be distributed for the subsequent interim periods.

No resolution may be adopted to distribute additional dividend advances or dividends in subsequent fiscal years unless the dividend advances distributed in the preceding fiscal years have first been set off.

Article 5 – Public Disclosure

In accordance with the applicable regulations of the Capital Markets Board ("**CMB**"), the Board of Directors' proposal regarding dividend distribution or the Board of Directors' resolution regarding the distribution of dividend advances shall be publicly disclosed, together with the dividend distribution table or the dividend advance distribution table, the form and content of which are prescribed by the Capital Markets Board, in accordance with the Capital Markets Board's regulations governing the public disclosure of material events. The dividend distribution table must be publicly disclosed no later than the date on which the agenda for the Annual General Assembly meeting is announced. Furthermore, if any amendment to this Dividend Distribution Policy is proposed, the Board of Directors' resolution approving such amendment and the reasons therefor shall also be publicly disclosed in accordance with the regulations governing the public disclosure of material events.