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ANNUAL REPORT 2019

mavi

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ANNUAL REPORT 2019

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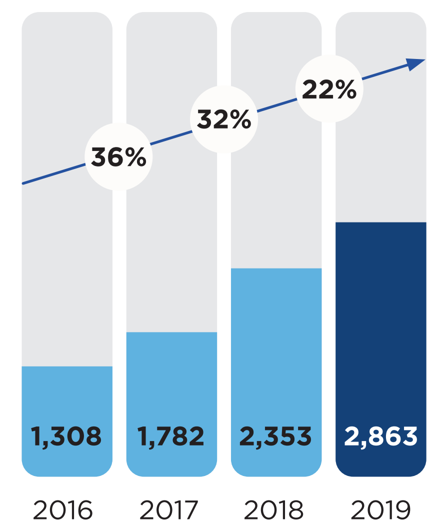
KEY FINANCIAL METRICS 2019

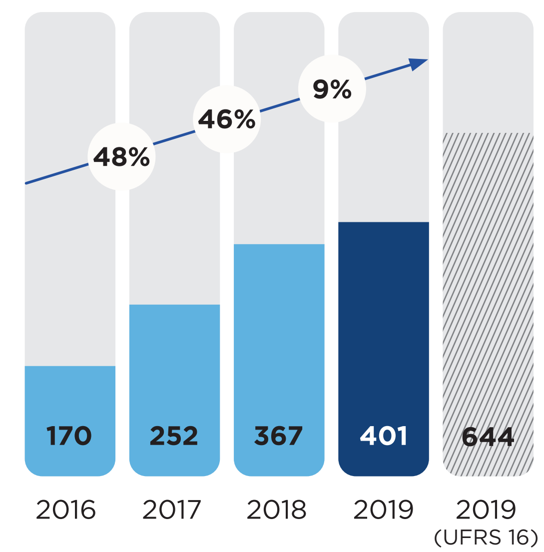
01

FINANCIAL PERFORMANCE

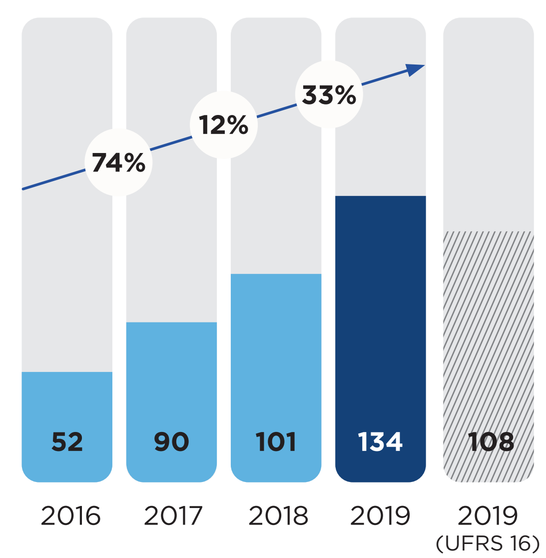
REVENUE (million TL)



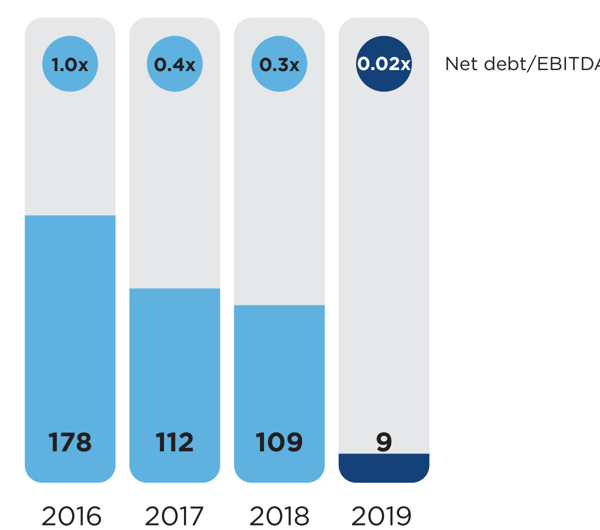
EBITDA (million TL)



NET INCOME (million TL)



NET DEBT (million TL)



Exc. IFRS 16 - Net Profit attributable to parent company is 120.9 TRYm in 2019.

CONSOLIDATED GLOBAL FIGURES

TURKEY

Retail stores: **314**
Average store size: **498**
Franchise stores: **67**
Wholesale doors: **~500**
Employees: **3,759**

EUROPE

Retail stores: **1**
Wholesale doors: **~1,650**
Employees: **67**

US

Wholesale doors: **~1,350**
Employees: **56**

CANADA

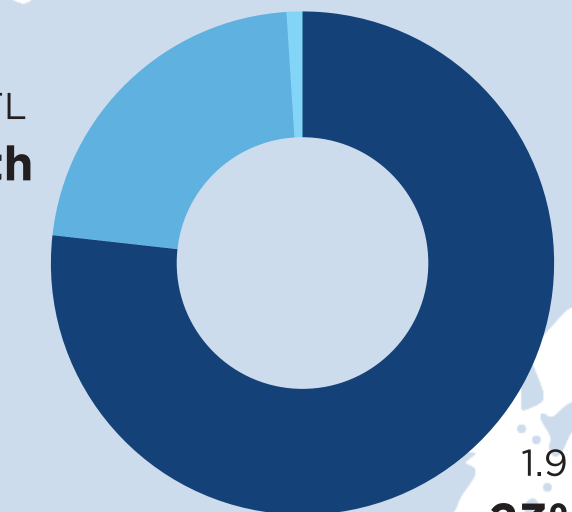
Retail stores: **4**
Wholesale doors: **~1,300**
Employees: **74**

RUSSIA

Retail stores: **19**
Franchise stores: **15**
Wholesale doors: **139**
Employees: **130**

REST OF THE WORLD

Franchise stores: **20**
Wholesale doors: **32**



2019 Consolidated Channel Shares
2019 Consolidated Channel Growth

381
Mono-Brand Stores Turkey

59
Mono-Brand Stores International

~5,500
Points of Sale Global

CONSOLIDATED GLOBAL FIGURES

2.9 billion TL revenue. **83%** Turkey, **17%** International revenue

35 countries **440** monobrand stores **c.5,500** points of sale

18 net new store openings **23%** retail revenue growth

86% e-com revenue growth, **5.1%** e-commerce share in sales

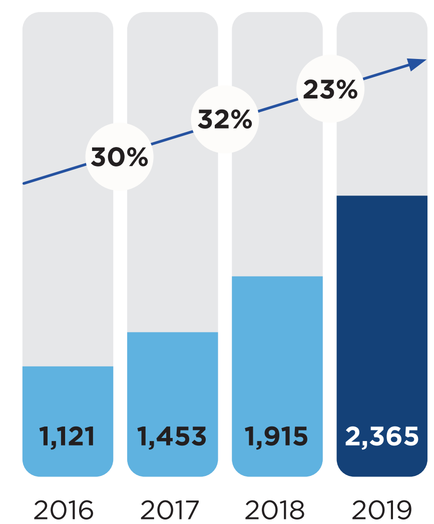
4,086 employees

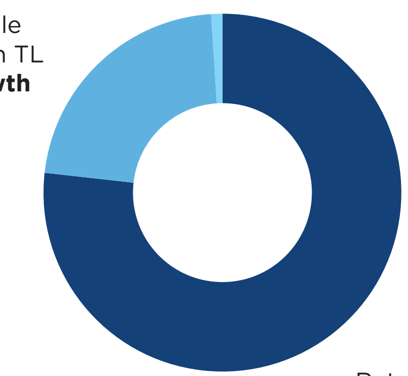
c.80% local sourcing, **120+** global suppliers

c.9.7 million denim sold globally

MAVI TURKEY PERFORMANCE

REVENUE (million TL)





2019 TR Channel Shares
2019 TR Channel Growth

314 retail, **67** franchise stores, **c.500** wholesale doors

14 net store openings

156k sqm total selling space, avarage **498** sqm per store

20.9% like for like (LFL) growth

37% women, **63%** men
44% denim, **56%** lifestyle
(TL-value)

8.2m loyalty card holders, **5.8m** active for the last two years, **1.2m** new customers acquired in 2019 in Turkey

+20%[1] Market Share

[1] According to IPSOS data, 14+ age

CHAIRMAN & CEO LETTER

02

Letter From The Chairman

Ersin Akarlılar

A Look at the World, Turkey and Mavi in 2019

A look at 2019 through the lens of Mavi's sustainable achievements shows us that we solidified our place in the BIST 100 Index while reinforcing our rank among the top three apparel brands that Turkey loves. We also see that we recorded over 20% LFL growth, acquired more than one million new customers, as we have done for the last four years, and maintained our position as the unchanged leader of the domestic jeans market for quarter of a century.

On behalf of the management, I am pleased to report that in 2019 we kept our focus on investing in high quality products, our omnichannel approach, technology and our human resource to sustain our position as a strong brand, today and tomorrow. As our strategy of sustainable profitability and efficient growth entails, initiatives to promote digital transformation and drive e-commerce gained prominence. The realistic strategies we set and the system we built on strong foundations made progress possible even as macroeconomic uncertainties prevailed across the globe. The five key issues that positively impacted the growth trend throughout 2019 and that I believe define the company today and tomorrow make up our priorities.

1. Strong leadership team focused on long-term strategic goals

Following our vision of driving the company to the future, our management team demonstrated strong leadership with the skills to anticipate the dynamics of the evolving world and by making accurate decisions. With a flexible management approach committed to a long-term strategy, focused on short and medium-term plans, and up-to-date with current developments, we continued to grow in 2019. We aligned our plans with the future of the world, and preserved the robust financial structure of the company by following strong, disciplined risk policies.

With a highly qualified management of many years, Mavi increased its consolidated revenues by 22% to TL 2.863 billion, and its net profit by 33% to TL 134 million in 2019. The company's operational efficiency and strong balance sheet structure were confirmed with an EBITDA of TL 401 million and an EBITDA margin of 14%.

Our commitment to growth, denim expertise and the added value we create by focusing on new product development, along with the level we reached in efficiency form the basis of our profitability. The practices that we have prioritized for years to ensure effective inventory, flexible sourcing and a balanced margin structure play a major role in our performance. On the other hand, the cash flow planning that we have managed diligently, making the right investments and faithfully adopting the low indebtedness principle give us confidence as we look to the future.

2. Powerful brand and customer at the core of the growth model

The relationship with our loyal and new customers is built upon product and service quality. Brand culture, as a strength of Mavi, and marketing communications focused on building a special bond with the customer also contributed to the results. Brand positioning, built on the principle of high quality, right product and right price, continues to guide us in each of our markets.

We analyze all available data on the community, customer behavior, our markets and competition to keep relationships alive and well. Year-end industry surveys show that brand awareness is even stronger among the consumers. Our ability to combine innovative products with effective communication strategies culminated in reaching 5.8 million active customers through our CRM program and acquiring more than 1.2 million new customers from all age groups and segments in 2019, as has been the case for the last four years.

3. Reinforcing and sustaining our leadership as the denim expert

In 2019, nearly 10 million pairs of jeans sold worldwide bore the Mavi logo, with this sales performance resulting in 24% revenue increase in the denim category. As the unchanged leader of the domestic jeans market for 25 years and a leading premium brand globally, we create quality by bringing innovation to denim. We are a brand whose heart beats with people and denim as its core business, and we continue to draw inspiration from ever-changing lifestyles.

Letter From The Chairman

Ersin Akarlılar

Being the preferred brand of men and women of all ages and segments is one of our key advantages. With high new customer acquisition, we can happily foresee that we still have the potential to keep growing in the years ahead. Meanwhile, we continue to record double digit growth in all of our lifestyle categories. The new product groups we introduced in 2019 were influential in increasing basket size and transaction volume.

4. Strengthening the role of e-commerce by defining the global market through digital platforms

A year ago, one of the primary goals we set was increasing global e-commerce revenues, and we came through on that front with growth in three aspects. In addition to launching online commerce operations in new markets, the revenues of our owned platforms rose, and we engaged in effective marketplace partnerships in our existing markets. All of these resulted in 86% increase in online platform revenues, which accounted for 5% of total sales. Seizing and leveraging the new opportunities that arise as digital shopping increasingly penetrates markets across the world will have a multiplier effect on growth because we are seeing Mavi reach more prospects in the recent times and attract new, diverse customer groups to the brand.

On the other hand, our strong retail network across Turkey proves to be effective, thanks to the right investments and expanding square footage. Reaching 20.9% LFL growth, as a key performance indicator, is an important outcome of the company's high quality, right product and right price strategy.

5. Quality-based sustainable growth strategy: All Blue

Our sensitivity to social, environmental and economic values, coupled with our corporate responsibility approach became a profitability and growth factor of transparency, integrity and honesty. In the future, looking back on 2019, we will remember it as the year that Mavi launched its sustainability transformation. We are building this business strategy, which we call All Blue, on quality-based sustainable growth. We believe that producing jeans that respect nature and humans is both a corporate responsibility and also a requirement of our market influence as we steer our innovation, quality and performance efforts, which have been our focus for many years, toward consuming less resources.

On to 2020

I believe that being one of the best companies that manage the dynamics of the changing world well and driving Mavi to the future will require, above all else, having good leadership and placing technological development at the core of its strategy. Having a supply chain, with 80% located in Turkey, is a strength of ours, making a difference and giving us leverage, especially in times of change. The pandemic that broke out in early 2020 showed us that a new world like we have never known is awaiting us. From day one, we managed both the social and financial impact of this process with very positive actions. We care about Mavi, our employees and customers, and support the community just like we value our business partners and suppliers as we keep moving forward together. Looking ahead with confidence about the future of Mavi, I would like to thank the entire Mavi family and shareholders for your support and wish you all a healthy year.

Letter From The CEO

Cüneyt Yavuz

Consistent growth supported by robust financial structure and strong team

For Mavi, 2019 marked a year of important achievements toward sustainable growth supported by our robust balance sheet structure, customer-centric approach and passion for quality and new product development. As a company, our focus remains on long-term strategic goals, which also guide our medium and short-term plans. We continuously analyze the developments and evolving conditions to keep renewing ourselves and grow. Just as we reached our goals in 2018 despite the foreign exchange rate effects and increased production costs, we succeeded to attain our 2019 targets through effective risk management and accurate investment decisions in light of our experiences. As we recorded growth in the retail, wholesale and e-commerce channels in Turkey and international markets, we also continued to prepare Mavi for the future. We left behind 2019 with consolidated revenues reaching TL 2,863 million with 22% increase and a net profit TL 134 million with 33% increase while EBITDA rose to TL 401 million with EBITDA margin at 14%.

The operational efficiency ensured through effective inventory, flexible supply and healthy cash flow management, as a key focus of Mavi for many years, also enabled us to maintain our robust balance sheet structure in 2019. Diligently implemented risk policies and sound borrowing decisions made Mavi more resilient against unexpected economic fluctuations, resulting in a net debt to EBITDA ratio of 0.02X.

Strong brand recognition, high quality and customer-centric approach resulting in 20.9% LFL growth

The LFL growth curve, which has been trending above 20% for the last three years with the right product and price approach and the customer loyalty we have built, is a key factor that contributes positively to the company's sustainable growth and profitability performance. Even though 2019 began with economic challenges, we still recorded 20.9% LFL growth with the added effect of low inflation and interest rates on higher customer traffic and number of transactions. Higher number of transactions (up 6%) and larger basket size (up 15%) led to 21.9% LFL growth in the last quarter of the year.

Global sales growth impacted by profitable online channels and digital transformation

As of 2019 year-end, our sales network reached 440 mono-brand stores and 5,500 POS in 35 countries including Turkey, USA, Canada, EU countries, Russia and Australia. We increased the number of our monobrand stores by following the right investment approach, opening net 18 new stores around the world. In addition to the net 14 new stores opened in Turkey, we also expanded the square footage of 11 stores. Increasing the volume of e-commerce as it evolves in line with changing dynamics continues to be a priority for us and therefore we focused on enhancing the customer experience across all markets. Driven by our owned channels as well as diversified and growing marketplace partnerships, our global online revenues increased by 86%, taking a share of 5.1% in total sales. Despite the consumers' tendency to shop for cheaper options online, we are pleased to see that we are still able to sell our products at their actual value in this channel where we apply the same right product, high quality and honest price strategy that we have focused on for many years.

As our investments in online channels continued, the Russian market became a part of our e-commerce network. For Germany, one of our key markets, we are in the process of integrating the e-commerce channel into the company. The outstanding growth trend observed in North America, thanks to our denim expertise, continues. The Mavi app that we launched in 2019 has already been downloaded by one million customers in Turkey while we keep integrating online and offline channels more and more.

Denim innovations and new lifestyle offering attract 1.2 million new customers annually

Mavi, supported by its global marketing operations, sold 9.7 million pairs of jeans in 2019, taking one more step toward increasing its market share in women's and men's denim. Increased sales volume as well as 24% revenue growth in the denim category were two indicators of marketing performance. With our capability to respond to the continuously evolving and diversifying denim fashion, we were able to meet the different fit requirements of women, adding a new pair of jeans to the wardrobes of consumers from all age groups. The highly successful skinny

Letter From The CEO

Cüneyt Yavuz

and mom jean fits were particularly effective in increasing our market share. On the other hand, the ecofriendly Super Soft jeans, the fruit of our collaboration with Tencel™, elevated our influence and profitability, especially in the North American premium jeans market. The non-denim product categories also expanded and strengthened our lifestyle brand positioning in 2019. In addition to our denim leadership in Turkey, we also rank among the top brands in men's and women's apparel. As our new high quality, on-trend product groups enrich the variety of Mavi branded products in our customers' wardrobes and perception of Mavi as a fashion brand is reinforced, baskets and margins also grow and we acquire more new customers. Our collaborations with Serenay Sarıkaya and Kıvanç Tatlıtuğ, two of Turkey's most influential stars, continue with new product lines designed with a focus on performance, premium style and superior technology. The Mavi Icon collection, now in its third season, and Mavi Black Pro, launched in Fall 2019, attracted men and women who love bold and statement-making styles to Mavi.

For the fourth year in a row, we acquired over 1.2 million new customers from all age groups and segments in 2019. Acquiring higher number of new customers and also growing its loyal customer base by offering new product lines and implementing an effective marketing strategy is a strength of Mavi. And, our CRM program, with 5.8 million active customers, lies at the core of this strategy.

All Blue strategy: Quality-driven sustainable growth

As a company that has long embraced efficient use of resources as a principle, Mavi consumed 62% less water and 28% less energy year on year together with its strategic partner Erak in denim production. The sustainability transformation that we started in 2019 made it possible for us to apply laser and other sustainable washing processes in 49% of our denim production. Now, our target is to reflect this approach on all our business practices and expand our industry leadership to encompass sustainability as well. We defined our new strategy as "quality-driven sustainable growth" empowered by our human, innovation, dynamism and nature values. This new global strategy that we call All Blue was also the inspiration for Mavi's most sustainable collection to date. All the denim pieces in the All Blue collection were made with innovative techniques using less water and energy, without treatment, and recycled or organic cotton and upcycled materials, and welcomed with great interest by the customer.

On to 2020

The Covid-19 pandemic that began in early 2020 and impacted the whole world has already created new and different experiences for all of us, and we will be working really hard this year to adapt to the changes. Protecting the health and wellbeing of our employees, customers and business partners, and maintaining the company's financial resiliency will remain our top priorities. I believe that Mavi's strong risk management and low indebtedness policy, as well as flexible inventory planning and a portfolio of timeless products, consisting more than fifty% of jeans, will enable us to deal with and overcome the challenges that these difficult times may bring. Mavi's capability to manage change rapidly and effectively has served as the basis for the company's sustainable success for almost thirty years. I am confident that with our strong leadership and a team of more than four thousand employees we will be among the top companies that best manage the dynamics and risks no matter what the circumstances are. I would like to thank all our employees, customers, business partners and shareholders for always standing by our side and driving us forward.

MAVI BRAND HIGHLIGHTS

03

MAVI BRAND HIGHLIGHTS

Mavi, incorporated in 1991 in Istanbul, is today recognized as a highly successful global lifestyle brand with strong denim roots. With presence in 35 countries including Turkey, USA, Canada, Germany, Russia and Australia, Mavi sells its products via 440 mono-brand stores and c. 5,500 points of sale.

The Perfect Fit philosophy guides Mavi in designing the jeans that perfectly fit the lifestyles, body types and quality expectations of its customers. With 9.7 million pairs of jeans sold in 2019, Mavi ranks among the world's leading premium denim brands. The denim category accounts for 44% of Mavi's global sales and lifestyle apparel for 56%.

Mavi runs an omni-channel model, selling its products through a directly operated retail network with stores located in major international fashion centers, as well as department stores and online retailers including Bloomingdale's, Nordstrom, Peek & Cloppenburg, Simons, Amazon, Zappos.com, Zalando.com and David Jones. In 2019, 66% of revenues came from retail, with wholesale accounting for 28.9% and e-commerce 5.1% of sales.

Mavi's global strategy, All Blue, is built on 'sustainable growth through quality' with People, Innovation, Dynamism and Nature as key values driving the brand. As a brand whose heart beats with denim, Mavi works passionately to develop the world's best and most innovative jeans while keeping its focus on 'quality' for sustainable growth. Driven by respect for people, passion for innovation, and focus on data and efficiency in operations, Mavi is synonymous with quality.

Mavi's trusted brand image translates into high quality and strong pricing power with products positioned between the upper-end of the 'core' and the 'premium' section of the ready-to-wear market. The loyalty program Kartuş, recognized as Turkey's best-in-class with 8.2 million members, serves as a key tool for Mavi to analyze and leverage customer data. With approximately 5.8 million members active in the last two years, the Kartuş program continues to acquire over 1 million new customers every year. Kartuş loyalty card is used in 82% of the retail transactions in Turkey.

Mavi has a unique brand position with fashion-savvy, young adult customers and collaborates with top local and international celebrities in its marketing communications. As a leading denim brand, Mavi shapes its communication strategies to align with its product development expertise and customer data.

With 4,086 employees globally, Mavi is recognized as an employer of choice by several rating platforms.

MAVI STRATEGY AND BUSINESS OVERVIEW

04

MAVI STRATEGY AND BUSINESS OVERVIEW

- Aspirational **denim centric lifestyle brand** with broad customer appeal.
- A strategy that prioritizes **quality**, **customer and sustainability**. Effective supply chain and efficient product management, leveraging proximity to local manufacturers.
- **Strong retail network** in Turkey, **international presence**, **and global e-commerce** and omnichannel sales operations to drive growth.
- **Effective and leading communication strategy** and best-in-class **loyalty card management** enhancing brand awareness.
- **Experienced management team**, fast and result-oriented organizational structure.
- **Strong and sustainable financial performance.**

DENIM FOCUSED LIFESTYLE BRAND

05

DENIM FOCUSED LIFESTYLE BRAND

- Mavi has built its success on products of superior quality and the Company's Perfect Fit strategy, allowing the brand to understand and track the customer needs while offering high quality for great value. Mavi follows the latest global fashion trends as well as those in its markets to identify the target consumers' requirements and offer the optimal options to meet their needs. This brings global recognition to Mavi as a denim-focused lifestyle brand that offers high quality, premium-priced apparel for men and women, and particularly for world-class quality denim products.

- Mavi, with its strong pricing power, successfully introduced new lines at the top end to drive growth and margins in 2019. Innovation and a focus on high-quality drive preference for Mavi and mean that customers are willing to pay a premium for Mavi's premium denim labels. The Mavi Icon collection for women offered customers a variety of on-trend styles and led the industry with the sustainable All Blue collection launched in Turkey and international markets. With the Mavi Black Pro Collection in Men, the brand strengthened its perception of fashion and innovation, gaining new customers from all ages and growing its sales share.

- Mavi recorded efficient growth in denim and lifestyle product categories and once again attained its targets in 2019 with its effective inventory management and sourcing power. Mavi sources c. 80% of its products from the local producers in the Turkish ecosystem, one of the world's top-quality textile suppliers, and operates with a flexible supply chain while ensuring its high quality.

TURKEY'S ICONIC DENIM LIFESTYLE BRAND AND PERFECT FIT STRATEGY

This year, 9.7 million pairs of jeans were sold globally while denim products accounted for 44% of all sales. As Turkey's leading denim brand, Mavi focuses on the right product segments that new and young customers would prefer, which brings effective results. In line with its Perfect Fit philosophy, Mavi developed new models according to different age groups, tastes and body types and achieved higher sales.

Mavi is the leader of the Turkish denim market with more than 20% share and ranks among the top four womenswear and menswear brands in the apparel market. In addition to ranking first in top-of-mind jeans brand awareness and powerful brand recognition in Turkey, Mavi also stands apart as the preferred jeans brand across both male and female consumer segments.

Top quality supply chain and the Perfect Fit strategy allows the brand to understand and track the customer needs while offering high quality for great value. A diverse design team that feels the market and an R&D team with strong technical expertise play as important a role in positioning Mavi among the premium brands in the apparel industry as brand image and communication strategy.

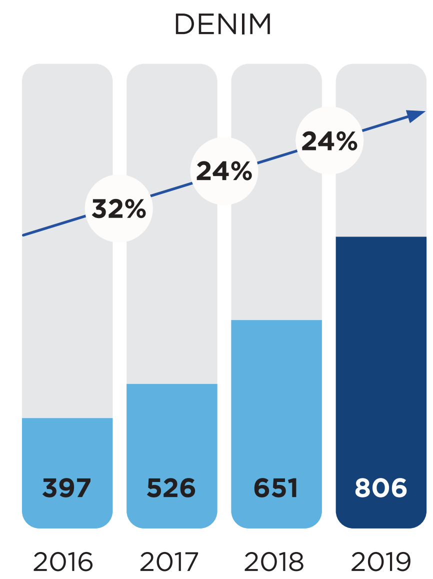
Mavi's broad denim assortment for all markets includes more than 50 fits and over 200 model options. Consumers in different markets are analyzed accurately and the quality and fashion options that suit them best are offered as the brand's positioning as a denim expert is reinforced.

The CRM applications used in analyzing matrices of jeans fits and customer demographics serve as a key tool in differentiating the brand. The customer data and insights obtained from these analyses are quickly incorporated into product development processes, allowing the brand to focus on products that increase purchasing frequency. The priority of Mavi's design and product teams with their technical expertise is to interpret fashion trends most accurately for the brand and the customers. In 2019, both the continued and the seasonal jeans collections included fresh models for each month, leading to increased sales globally.

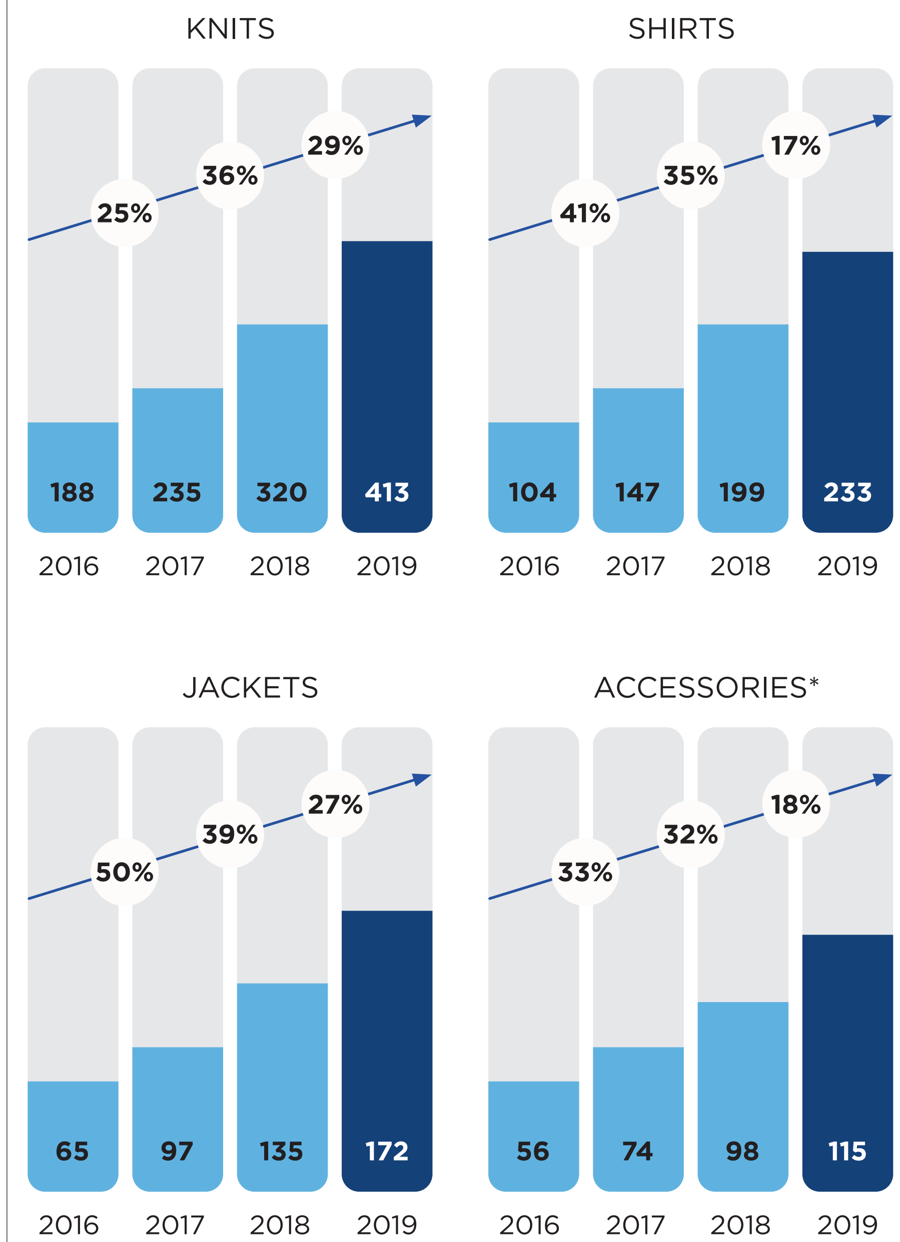
The joint projects with denim manufacturers and product teams accelerated Mavi's All Blue collection process, which aimed at reduced water and energy consumption, as improvements were achieved in several areas over the previous year. Furthermore, increased use of laser techniques in denim washes have a positive impact on both the product standard and resource utilization.

SIGNIFICANT GROWTH IN EACH CATEGORY

Denim Products (million TL)



Lifestyle Products (million TL)



STRONG GROWTH IN DENIM AND AND LIFESTYLE CATEGORIES

Turkey Retail Net Sales Only. Remaining 5% of net sales consist of non-denim bottoms, skirts, dresses and kids.
* Including shoes

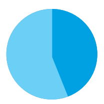
PRODUCT PORTFOLIO AND CATEGORY SHARES

37% Women

63% Men

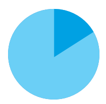
Product Category Shares in Sales

44%



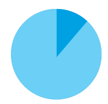
Denim

23%



Knits

13%



Shirts

WOMEN

MEN

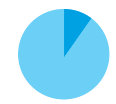
PRODUCT PORTFOLIO AND CATEGORY SHARES

44% Denim

56% Lifestyle

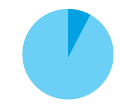
Product Category Shares in Sales

9%



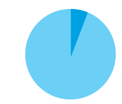
Jackets

6%



Accessories included shoes

5%



Other

Monetory Value

DIVERSIFIED AND RELIABLE SOURCING MODEL

Quality Driven Efficient Sourcing Structure

44% Denim
56% Non-Denim

- Turkey Retail Net Sales Split
- Denim-lifestyle balance of sales

c.80% Made in Turkey

- Quality textile ecosystem
- Proximity improving speed and RFT

c.20% imported

- Mainly outerwear and accessories
- 29 suppliers in 9 countries

+120 Responsible Suppliers

- Well-established, long term relationships
- Internal audit team ensuring social compliance

MAVI DENIM BUSINESS

50% of Product Cost

Owned by Mavi

Design & Development

- Multinational denim design & development team
- Fit blocks are created and owned by Mavi
- Wash recipes and development managed by Mavi

Controlled by Mavi

Fabric & Raw Materials

- Direct relationship with denim fabric mills
- Working with top-quality mills in Turkey that manufacture for premium global denim brands
- Fabric R&D, exclusive development and innovation

Manufacturing (CM)

- Cutting, Sewing & Washing
- c.70% from ERAK
- Four manufacturers tendered for best price/quality

ERAK

- Best in-class production facility
- Sourcing to top global brands.
- Lead time & capacity enabling energy & water efficiency

PRODUCTS WITH WORLD-CLASS DESIGN, FLEXIBLE SUPPLY CHAIN AND CATEGORY MANAGEMENT

Managing Design to Product with Four Categories

The International design team at Mavi strives to create the best product offering to align with different customer lifestyles, trends and quality expectations. The in-house design team includes designers with global expertise across a broad range of product categories from denim to accessories.

The design and development teams analyze customer expectations and follow the latest fashion trends to develop exclusive and high-quality denim products. The team introduces new product lines and segments seasonally to drive new customer traffic and frequency. The team leverages the advantage of being located in Turkey, known for the world's most advanced apparel production.

The category and product planning departments consist of four separate teams, each dedicated to a specific category with a numbers-driven organization focused on immediate execution. Product planning according to SKU capacity, cluster and customer contributes significantly to the operations.

New products, new technology and strong pricing with brand power

- In women's, the denim structure, managed according to different customer segments, was further strengthened. The Serenay X Mavi Icon collection, offered together with premium jeans and featuring elevated styles, brought a new fashion awareness about Mavi in 2019. This collection helped acquire new customers while increasing the purchasing frequency of existing female customers and adding high-margin products to baskets.

- The All Blue collection, featuring sustainable jeans styles, was launched in global markets. The all-vegan, no-filter collection was made with less water and energy consumption, using denim fabrics produced with innovative techniques and containing recycled cotton, organic cotton and upcycled materials.

- Mavi Black Pro, featuring denim and non-denim product groups, created a new fashionable look for men, contributing to sales growth. The logo designed for Mavi Black Pro and the innovations gave a fresh look to the collection and triggered excitement among the customers. Dedicated communication activities and product differentiation made it possible to claim new and premium price points and win new customers.

- The Campus aisles set up in the back-to-school period when young people are targeted highlighted the jeans & sweatshirts trend as well as licensed product groups. Especially the black and gray denim options offered to the market delivered competitive advantage in men's denim. A broader denim assortment with mom jeans and super skinny high-rise models for women, and slim and skinny jeans for men had an impact on acquiring new young customers.

- The logo t-shirts and sweatshirts designed with strength of the Mavi brand and supported by the trend continued to record sales growth in 2019.

Mavi sources c. 80% of products and materials from Turkey's top-quality suppliers

Mavi sources approximately 80% of its products and materials from Turkey where some of the world's top textile manufacturers are located and maintains the efficiency of its supply chain with expertise, proximity to source, flexible management of product cycle and quick response to customer demands.

Mavi's sourcing model is based on improving average time to shelf, increasing conversion rate and minimizing the inventory risk. Mavi focuses on delivering the best quality and does not compromise its excellence approach toward compliance with social, environmental and ethical values in materials, technical specifications and production processes. With a structure dedicated to ensuring quality standards throughout the entire product journey from development to the final stage of the commercial cycle and built to monitor and oversee teams and partners at each point of the supply chain, the Company takes utmost care to use its resources most efficiently across the organization, logistics and stores.

Mavi introduces four main themes every year and delivers new collection products to the stores each month. The Company utilizes inventory tools with maximum efficiency in retail operations and ensures high availability in stores. The frequency of drops enables Mavi to offer selections to fit individual stores' customer profiles and accordingly improve customer satisfaction.

- Shorter time to shelf with an RFT (right-first-time) approach as a result of approximately 80% sourcing in Turkey and deep-rooted relationships with over 120 responsible, top quality suppliers globally.
- Strategic partnership approach to build well-established relationships with Turkey's top-quality suppliers
- Partnerships with suppliers that enable Mavi to develop exclusive products, innovative materials and premium denim fabrics.
- Quality assurance at each stage with in-house control mechanisms; social and environmental sustainability audits across the supply chain that starts at source.

AWARDS AND RECOGNITIONS TURKEY 2019

Leading denim brand with +20% market share (in 14+ segment), ranking among top four women's and men's apparel brands in Turkey (IPSOS)

In the Fortune 500 survey, Mavi ranks 122nd among the largest 500 enterprises in Turkey, and 1st among jeans brands (Fortune)

Mavi named the most robust brand in the apparel industry in the "Robust Brands" survey, which rates robustness particularly in relation to quality and durability (Marketing Türkiye)

Jeans and apparel category leader in "Turkey's Cool Brands" survey (Marketing Türkiye)

Third in the "Turkish National Team of Global Brands" Survey (Marketing Türkiye)

Top of the apparel industry, ranking third in "Turkey's Most Admired Brands" Survey (Capital)

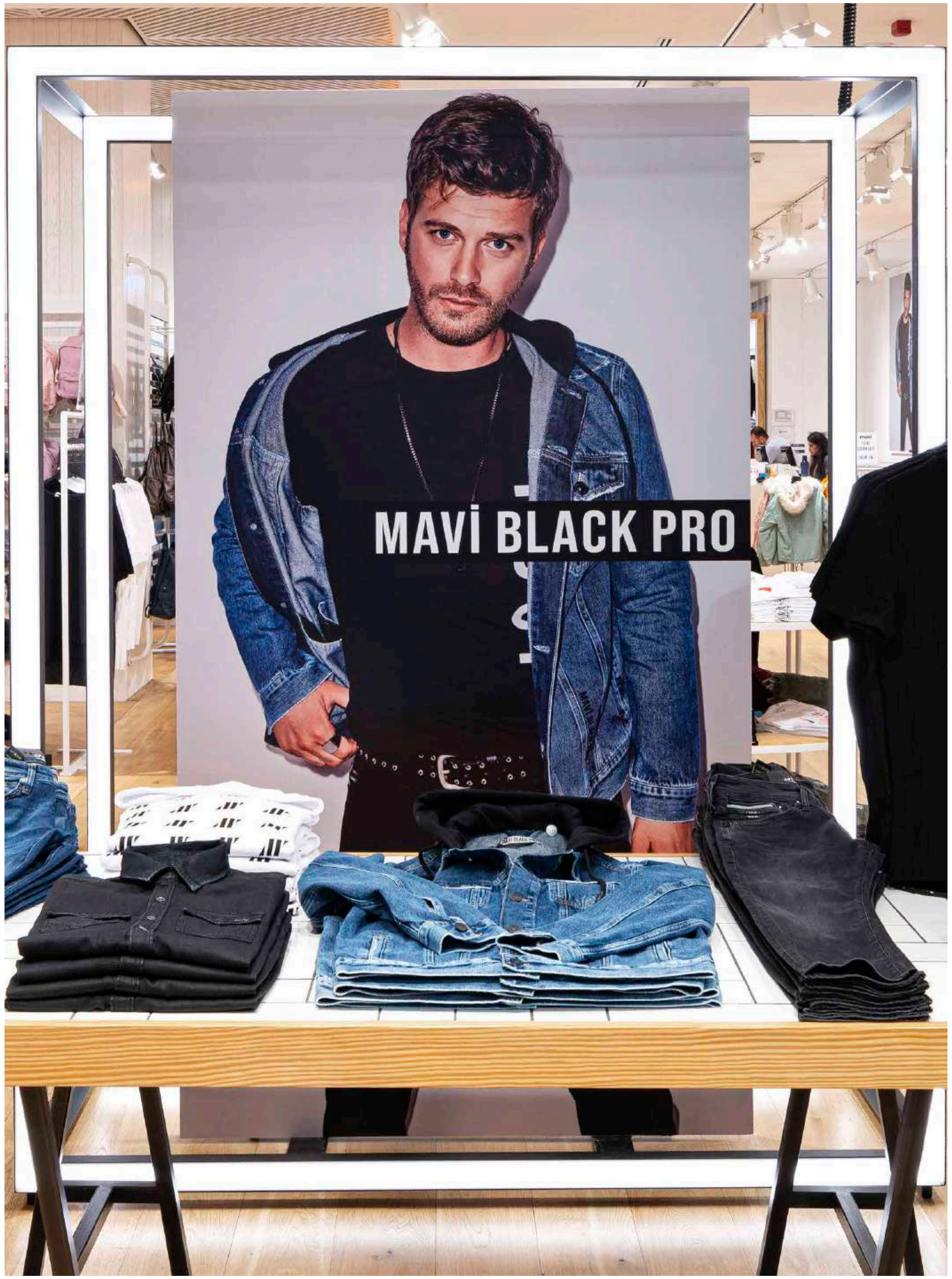
The Rivet Awards, which recognize the most innovative and creative denim brands, honored Mavi with the "Best Sustainable Collection" title. (Rivet)

Ranked 32nd in Brand Finance's "Turkey's Most Valued Brands" report.

Ranked 45th in the "R&D 250" survey (Turkish Time)

MULTI-CHANNEL EXECUTION WITH RETAIL, INTERNATIONAL AND ONLINE AS KEY GROWTH DRIVERS

06

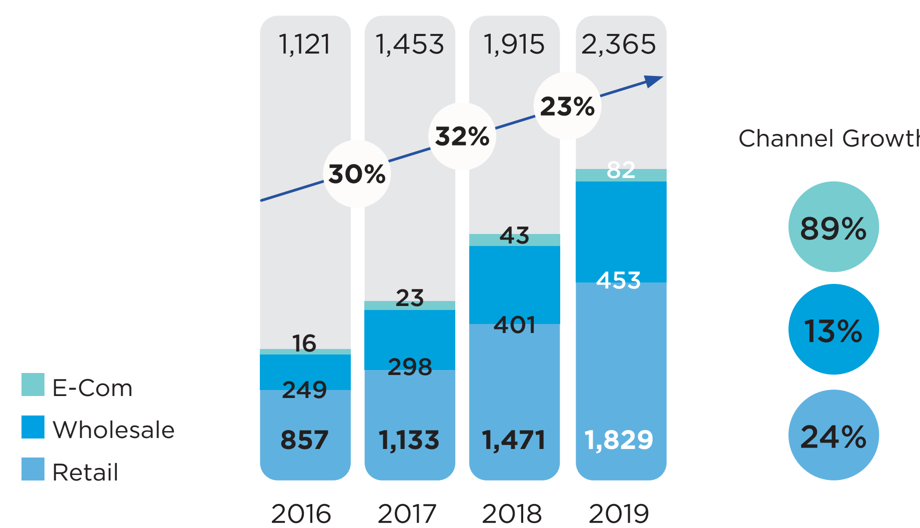


SUSTAINABLE AND EFFICIENT GROWTH IN TURKEY

Mavi, with a country-wide retail network consisting of 381 mono-brand stores, including 314 company-operated stores, in prime mall and street locations with high traffic, continued to deliver accelerated revenue and profit growth across both its denim and lifestyle categories in 2019. This growth has been driven by effective customer management both online and offline as well as by new customer acquisition, and has been strong across all Mavi's channels.

Improved inflation rates along with larger basket sizes played an important role in LFL sales growing 20.9% in 2019 compared to the previous year. Customer traffic and transaction volume reached the targeted values, especially in the second half, and together with basket size, they were effective in achieving this LFL growth.

TURKEY REVENUE (million TL)



EXPANDING RETAIL AND NEW STORES

In 2019:

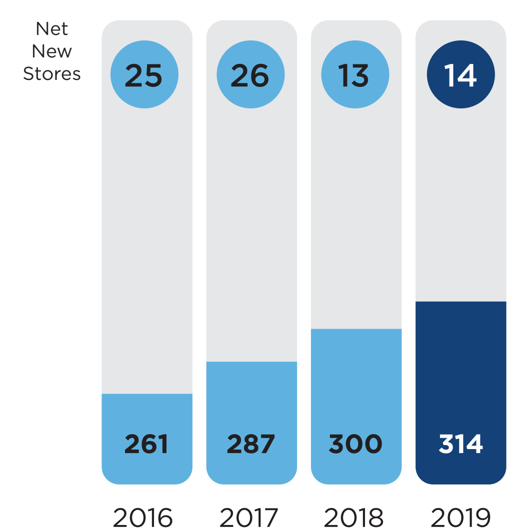
- Net retail space in total 314 company-operated stores reached approximately 156K sqm with average store size of 498 sqm.
- Net 14 new stores, with larger sales floor space opened through sustainable growth strategy across the retail network.
- 11 existing stores were expanded as Mavi continues its retail investments with the goal of opening larger store formats each year.
- Mavi is present in several high-end shopping malls including Kanyon, Istinye Park, Akmerkez, Akasya and Zorlu Center as its expansion is supported by increased transaction and ticket size. Mavi has recorded accelerated traffic, shopping frequency and new customer acquisition year on year.

314 retail stores

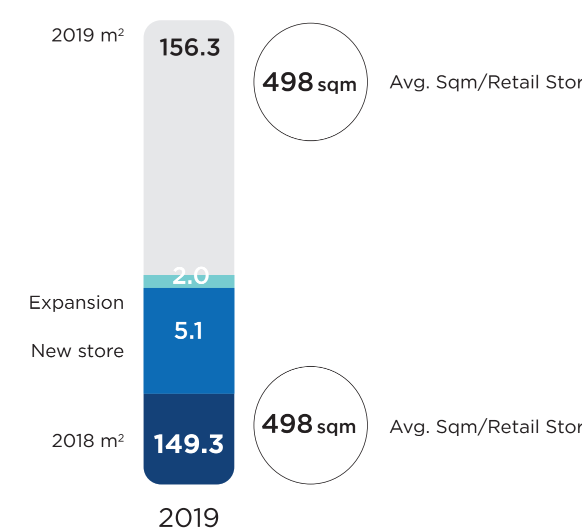
14 net new stores

156K sqms total sales floor area

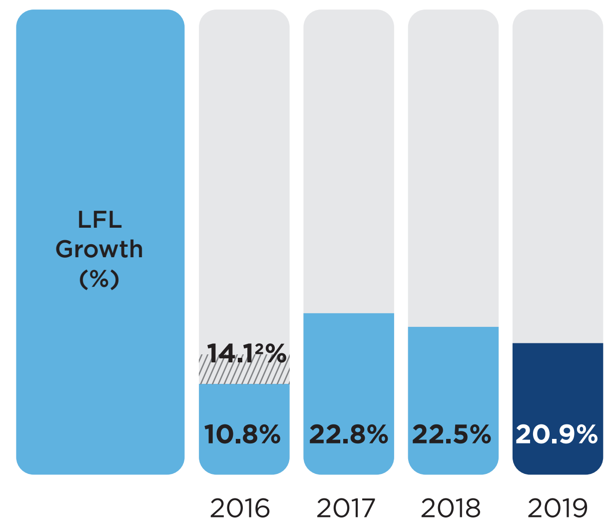
RETAIL STORES

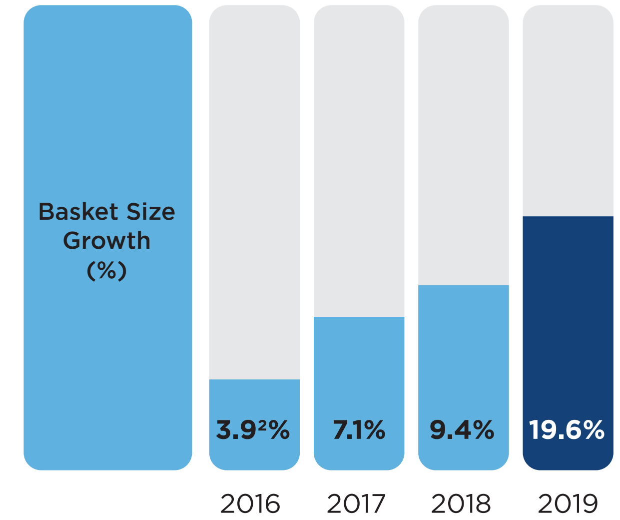


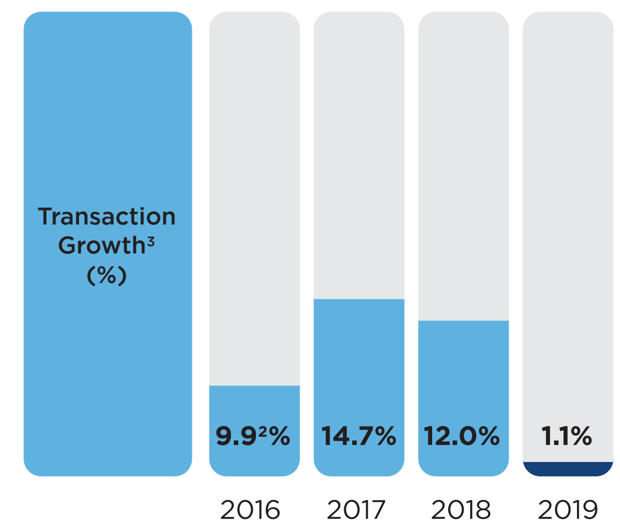
GROSS SELLING SPACE IN TURKEY (K Sqm)



HIGH LFL[1] GROWTH DRIVEN BY LARGER BASKET SIZE AND INCREASED TRANSACTION VOLUME







Turkey retail only

[1] Growth in same stores compared to the previous period
[2] 2016 adjusted figures (excluding July performance of all Turkey retail stores, impacted by the Coup attempt and the performance of the Beyoğlu stores). The unadjusted LFL growth, Transaction Growth and Basket Size Growth are 10.8%, 6.8% and 3.7% respectively for 2016.
[3] Number of transactions refers to number of issued invoices.
Note: LFL revenue constitutes 91.9% of Turkey retail revenue in 2019

COMPLEMENTARY WHOLESALE GROWTH AND GROWING MULTI-CHANNEL EXECUTION

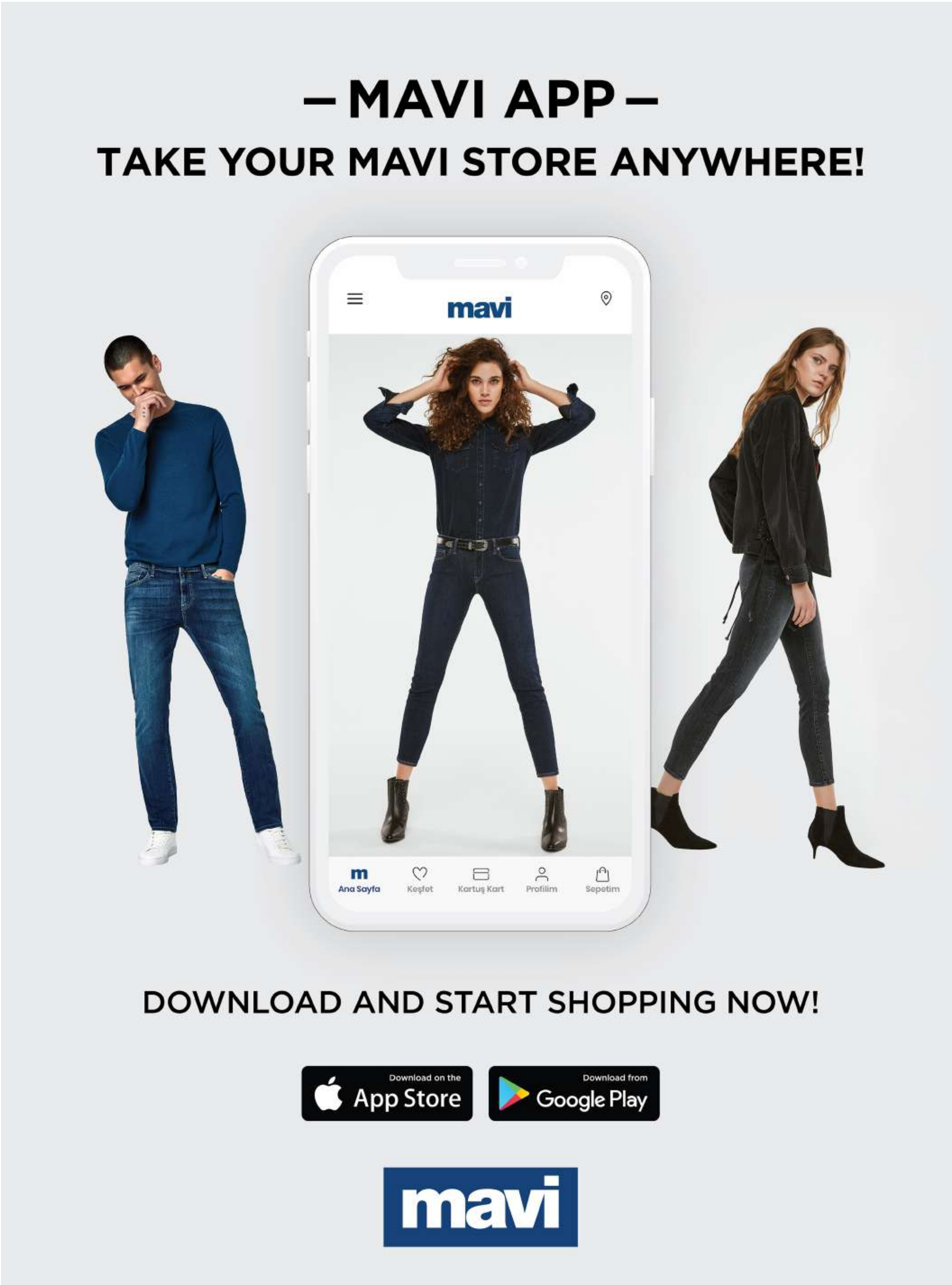
Mavi's wholesale business in Turkey is carried out at approximately 550 doors across franchises, department stores and corners. Accounting for 13% of Turkish revenue in 2019, these doors continue to grow profitably and include 67 franchise stores under long-term contracts with similar product assortment like in retail stores, 314 corner and 173 department stores that sell Mavi products. Starting from the second half of 2019, online partnerships, managed under the wholesale channel, were monitored as marketplace e-commerce revenues, with the shift to this business model bringing significant momentum to sales.

c.550 points of sale

67 franchise stores

314 corner stores

173 department stores



Investing in Online Platform as a Priority Growth Strategy

Mavi's revenues in owned e-commerce channels (including mavi.com and B2C marketplaces), with strong growth potential in global markets and in Turkey increased by 86%. E-commerce revenues continued to grow in 2019. Mavi's owned mavi.com e-commerce site in Turkey, the US, Canada, Germany and Russia as well as B2C marketplaces accounted for 5.1% of total sales. With wholesale online channels included, the online revenues' share in total sales reached 8.3%.

The sales of mavi.com Turkey, launched in 2013, along with B2C marketplaces increased by 89%, accounting for 3.5% of revenues in Turkey.

Keeping its focus on growing its online presence in its markets and improving customer experience, the Company opened its e-commerce site in Russia, ramped up work to take over the e-commerce function in Germany, increased the share of North America's online revenues in total sales, and began selling on the mobile app in Turkey in 2019.

Mavi.com, positioned as Mavi's largest store in terms of product variety, has been influential in enhancing the fashion perception and increasing shopping frequency with a broad range of styles and visual impact.

Mavi aims at offering a seamless and integrated customer experience across offline and online channels. Since the very beginning, integration with the offline CRM program has enabled mavi.com to stay ahead of the curve in terms of the customer benefits and rich data.

86%	5.1%	89%	3.5%	30%*
global consolidated online growth	global consolidated online revenues' share in total sales	online sales growth in Turkey	online revenues' share in total sales – Turkey	online revenues' share in total sales – international*

*including wholesale online

Highlights of Online in 2019

- With the Click & Collect infrastructure spread across Turkey, 5.2% of all online orders were collected from the stores.
- Mavi mobile app was launched in April 2019, available with online shopping function integrated with the CRM program. Within a year, downloads reached 1 million.
- As investments in online continued in various markets, Russian e-commerce site was launched.
- The Hybris system was upgraded to the latest version in Turkey to keep the e-commerce infrastructure up to date. Germany will move to the Shopify Plus system in 2020 Q1.

International Growth and Profitability

Approximately 1.7 million of the total 9.7 million pieces of denim sales in 2018 fiscal year have been sold in the United States, Canada, European countries, Russia and other international markets. The international distribution network includes 59 mono-brand stores and mavi.com as well as wholesale and e-commerce business partners such as Bloomingdale's, Nordstrom, Lord & Taylor, Peek & Cloppenburg, Zappos, Amazon, Simons, David Jones and Zalando. These include 35 franchise stores and nearly 5,000 multi-brand stores. Basic product line sales were enhanced by SuperSoft and SuperMove denim collections. The Mavi Gold series and premium products brought profitable growth with high margins.

Mavi's international operations are focused on the United States, Canada, Germany-based European countries and Russia. Other than the four main international markets, Mavi operates in the neighbor regions and has 20 monobrand and 32 multibrand franchise stores in 15 countries. The operations in these countries, mainly in the Middle East, North Africa, Balkan and Caucasus countries, are managed as wholesale channels completely from the Istanbul head office.

c.5,000 doors in **34** countries

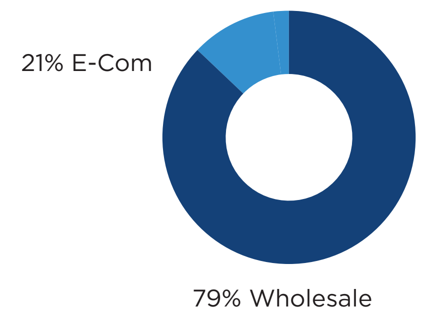
59 monobrand (**24** own-operated, **35** franchise)

Online channels share in global **30%***

* Wholesale included

USA Operation

Mavi's operations in international markets started with the USA in 1996. Mavi has built a strong reputation in the international arena with its unique brand proposition, strong team and premium quality denim products. In 2019, Mavi increased the share of e-commerce sales in the US from 16% to 21% in its total sales. The brand drives online sales operations and positioning with a strong team and considers this channel a priority growth area. Mavi also has launched 34 Heritage, a high-end gentlemen's jeans brand distributed through specialty stores driving higher gross margins in North America. Sales of the Mavi brand in the USA is supported by strong brand positioning and a dedicated team focused on sustainable growth.



Channel share

c.1,350 wholesale multi-brand doors

Wholesale: **Nordstrom, Bloomingdale's, Von Maur, Lord & Taylor, Patrick James**

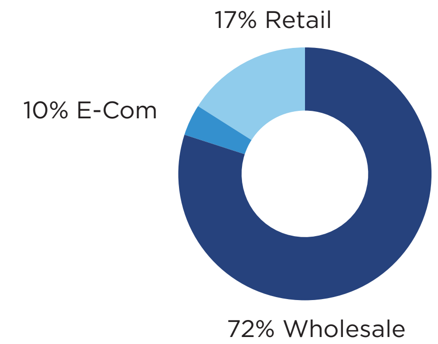
Online wholesale partners: **Stitchfix, Amazon, Zappos, Nordstrom** USA **mavi.com, 34heritage.com**

Canada Operation

The Canadian operation, launched in 1997, has been supported by a dedicated team and demonstrated strong brand recognition and sales performance. Mavi's growth strategy in the Canadian market is focused on online growth, profitable wholesale penetration and retail expansion through retail stores. 4 retail stores owned and operated by the brand account for 17% of total sales in the Canadian market as of 2019, contributing positively to the profitability of the operations.

The Canadian operation is predominantly led by wholesale while the online channel stands out as a priority area with important growth potential.

Mavi's exclusive offering for men, 34 Heritage is a high-end gentlemen's jeans brand distributed through specialty stores in USA and Canada, driving higher gross margins.



Channel share

c.1,300 wholesale multi-brand doors

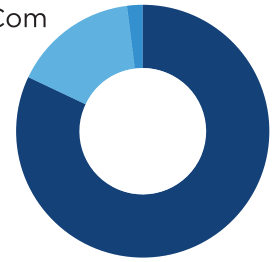
Wholesale: **Nordstrom, Harry Rosen, Simons, Ernest, Mark's**

Mono-brand retail stores: **4**

Canada **mavi.com** and **34heritage.com**

European Operation

Mavi's European operations, started in 1996. It is a multi-channel operation and Germany serves as a hub with its dedicated team. In the European region, 86% of 2019 revenues came from wholesale channels and 4% from retail channels. Online was identified as the priority growth area for Mavi Europe, and following the decision to invest in this channel, eight of the nine stores in Germany were closed at the end of 2019.



Channel Share

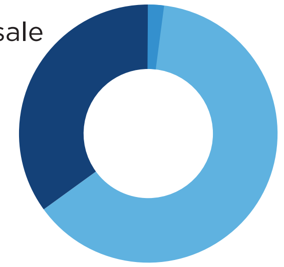
c.1,650 wholesale multi-brand doors

Wholesale: **Breuninger, Kaufhoff, Karstadt, Manor, Peek& Cloppenburg, Leffers**
Online wholesale partners: **Amazon, Zalando, About You, Otto**

Mono-brand retail stores: **1**
Germany **mavi.com**

Russia Operation

Mavi's operations in the Russian market launched in 2011 and the first mono-brand store opened in 2013 in Moscow. Turkey's retail operational excellence and know-how is applied in Russia at both product and customer management levels. Mavi's network in the Russian market consists of 19 mono-brand stores and 15 franchise stores in Moscow and St. Petersburg. In keeping with Mavi's online growth strategy, the e-commerce site for the Russian market became operational in 2019.



Channel Share

c.139 wholesale multi-brand doors

Mono-brand retail stores: **15**

Franchise retail stores: **19**

CUSTOMER CENTRIC COMMUNICATION STRATEGY

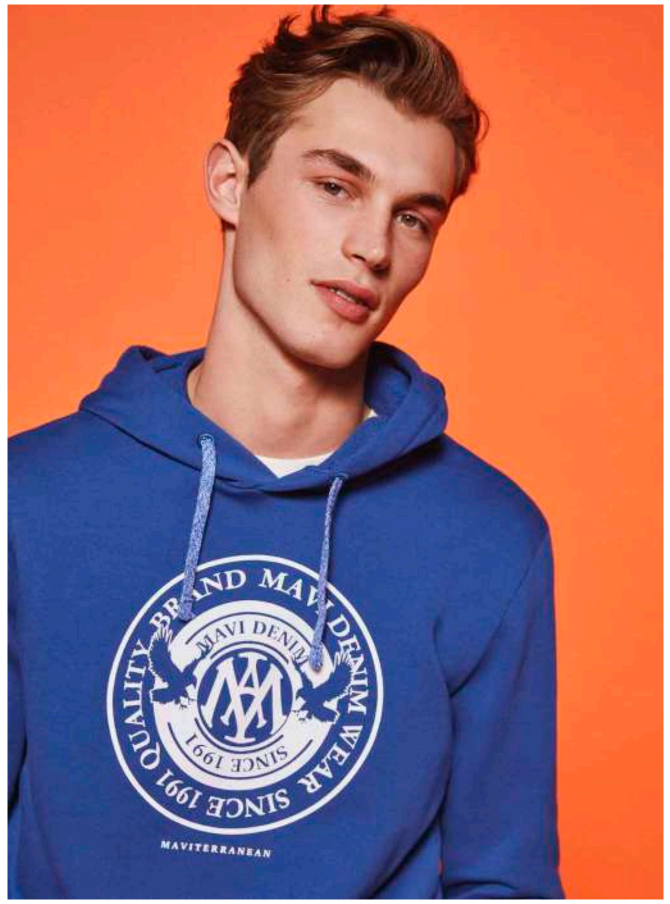
07

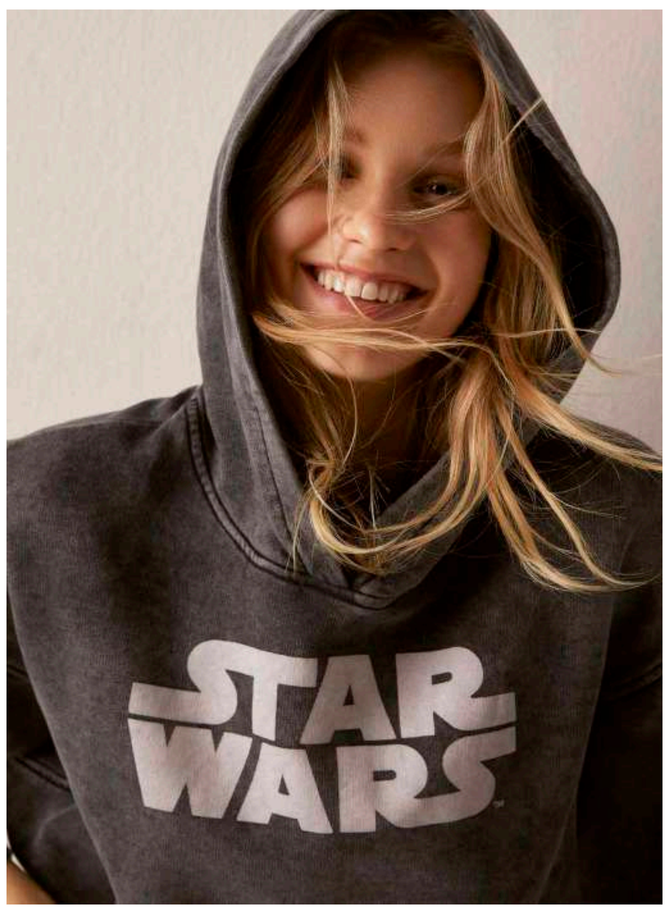
CUSTOMER-CENTRIC COMMUNICATIONS STRATEGY

Mavi, Turkey's most loved brand and #1 in brand awareness with unaided top of mind in jeans category, has a unique brand positioning, particularly with fashion-savvy, age 25-34 young adult customers. The continued investments made in the brand for many years and collaborations with top celebrities including Kıvanç Tatlıtuğ, Serenay Sarıkaya, Adriana Lima, Sara Sampaio, Barbara Palvin, Lucky Blue Smith, Elsa Hosk, Jordan Barrett and Romee Strijd in global and local campaigns have returned effective results. Such collaborations also contribute to the brand's strong digital presence and engagement on social media with 3.3m global followers.

Customer data and product strategy play a key role in the brand's communication activities, supported by the best-in-class loyalty program (Kartuş) of 8.2m members. The Kartuş loyalty program, with approximately 5.8m members active for the last two years, is a card and mobile app used extensively in retail transactions in Turkey.

The brand creates outstanding product and brand engagement through effective and loyal relationships with customers, especially the younger segments. In Turkey, 51% of current customers are under the age of 35. Mavi has acquired 1.2m new customers in 2019, with 62% younger than 35.





BRAND POSITIONING

TURKEY'S LOVED BRAND AND MARKET LEADER, ALWAYS AIMING TO BE "MORE"

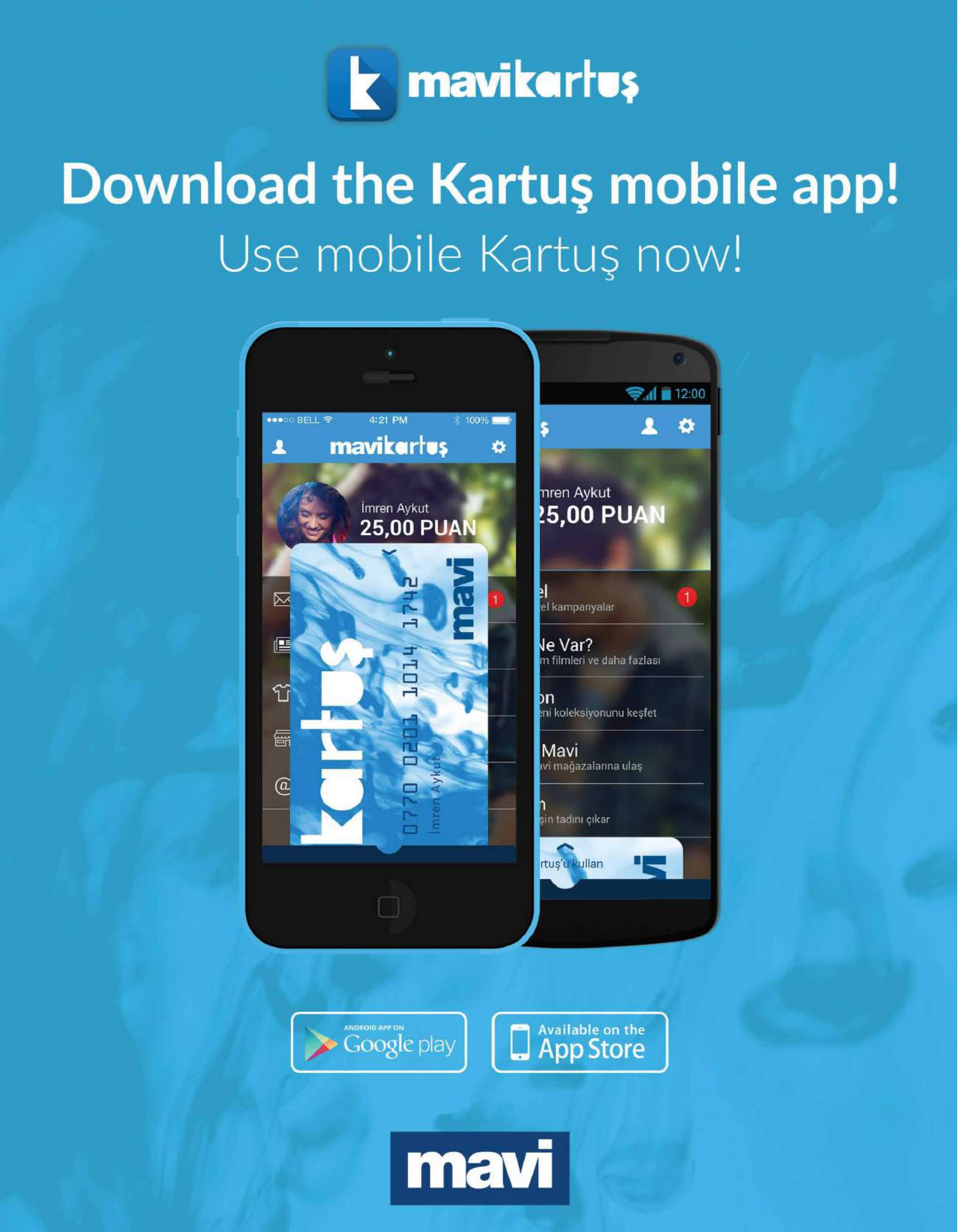
- Committed to quality and maintaining customer's trust across all touchpoints from product and service approach to marketing and communications.
- Unique brand positioning resonating with both women and men.
- Effective seasonal communication activities with sustainable success driven by brand-aligned celebrity collaborations with high reach.
- Pricing capability to match brand perception and quality, amplified through communications; segment expansion possibility
- Campaigns and communications plans to translate CRM data into an effective customer strategy. Driving traffic with existing customer frequency and new customer acquisition.

DENIM-CENTRIC LIFESTYLE BRAND KEEPING THE PULSE OF THE TIMES

- Innovative brand and product strategies continuously updated in line with global trends, consumer insights and customer data
- Constantly refreshed brand image while staying true to its core
- Communication activities to enrich brand values using a language associated with Mavi to engage new generation
- Digital innovations to improve customer experience across all touchpoints including Mavi.com, Mavi app and social media

INSPIRING GLOBAL BRAND COMMUNICATIONS

- Perfect Fit strategy across global customer base.
- Global image campaigns with fashion's high-profile faces. Endorsed by celebrities.
- Brand communications empowered by creative collaborations that differentiate the brand through product innovation, and sustainable products and projects.
- Customer, product and communications strategy to drive share of online globally.



Customer Loyalty Program: Kartuş

Customer data and product strategy are at the core of the brand's communication activities, supported by the best-in-class loyalty program (Kartuş) of 8.2m members. The Kartuş loyalty program, with approximately 5.8m members active for the last two years, is a card and mobile app, with c.1m downloads and used extensively in retail transactions in Turkey.

The brand creates outstanding product and brand engagement through effective and loyal relationships with particularly the younger customers. In Turkey, 51% of Mavi's customers are under the age of 35. Mavi has acquired 1.2m new customers in 2019, with 62% younger than 35.

Customer data derived largely from Mavi's best-in-class loyalty program since 2007 (Kartuş) is at the core of the brand strategy. The loyalty card/program, with 8.2m members, is used widely in shopping and accounts for 82% of retail revenues, serving as an exceptional tool to provide the marketing team with data and deep understanding about Mavi customers.

Mavi makes effective use of CRM data to develop opportunities and advantages that respond to customer expectations and needs, and runs personalized campaigns and communications to drive customer frequency, basket size and lifetime value. Effective CRM analyses guide brand and product strategy. Mavi leverages customer insights and technology to create innovative products. CRM data offers significant advantage in the new product development process by analyzing customer profiles and matching products to identify potential areas.

8.2m
loyalty card members

82%
of the retail revenue

5.8m
active members

1.2m
new Kartuş loyalty card members in 2019

Marketing Communications

51%
of customers under 35

62%
of new customers under 35

2019 AD CAMPAIGNS

Spring/Summer

Mavi Summer
Kıvanç Tatlıtuğ

Mavi Summer
Serenay Sarıkaya

Fall/Winter

Mavi Black Pro
Kıvanç Tatlıtuğ

Mavi Icon
Serenay Sarıkaya

Mavi All Blue
Serenay Sarıkaya

Marketing Communications

Mavi's marketing communications strategy is centered on increasing brand awareness across marketing channels and the countries where it operates, as well as ensuring that the brand is more closely connected to its consumers and market constituents. The overall message of the brand that underscores its leading position in denim supports strong pricing and product diversity while campaigns at regular intervals bring measurable sales growth. The 360-degree communications activity carried out via different channels is a driving force of growth. Working with Serenay Sarıkaya and Kıvanç Tatlıtuğ, two of the most influential stars in Turkey, as brand ambassadors in marketing communications created heightened awareness by engaging the customer quickly.

In its third season, the Serenay x Mavi Icon collection, featuring iconic, on-trend styles gained even more traction. According to a survey on womenswear, Mavi's top-of-mind score rose 6 points among leading apparel brands.

The Fall/Winter 2019 Mavi Black Pro collection with Kıvanç Tatlıtuğ resonated with fashion-savvy men that love bold styles and was effective in acquiring new customers. The surveys conducted after the launch of the collection, designed with performance, style, premium look and superior technological features, showed that Mavi's perception as a fashion brand increased by 11 points among men.

Mavi also turned its focus to sustainability transformation this year as the All Blue strategy and the All Blue collection, with its ecofriendly message, captured the interest of the customer.

Mavi continues to break engagement records with media planning that uses television, digital media, PR, out of home, point of sale and various online platforms. In 2019, Mavi launched four ad campaigns in the domestic market, reaching over 40 million views on TV and more than 20 million on digital media in each launch. The press conferences and events organized for these campaigns with VIP guests in attendance were widely covered by the media. With each seasonal launch creating at least as much buzz as its commercials and capturing over 35-50 million views on social media, Mavi was once again among the most talked about brands in 2019.

In 2019, sustainable communication activities in social channels, in line with Mavi's digitalization vision, enabled global engagement with 3.3m followers, with 39% under the age of 24, and reached 266m impressions on digital media in the domestic market. Meanwhile, 94% of conversations on social media were positive. Collaborations and product communications, such as product placements in popular TV series with characters wearing Mavi and strong influencer communications, made it possible to reach wider audiences of different age groups and lifestyles.

Brand Communication Events

Babylon Soundgarden / April 27, 2019
Mavi was a sponsor of the 2019 Babylon Soundgarden Festival, attended by 12 thousand people and the seventh event organized by Babylon, which the company has also supported for 20 years.

212 Photography Festival / May 3–12, 2019
Mavi, always a supporter of culture, arts and design, was the sponsor of Turkish Fashion Photography Exhibition organized as part of the 212 Photography Festival.

Indigo Turtles / July 28 - August 1, 2019
Since 2014, Mavi has supported the activities of the Ecological Research Society (EKAD) with the Indigo Turtles project, helping to protect the endangered sea turtles. Hundreds of university students from Turkey and around the world as well as Mavi employees, customers, scholars and followers joined the camps set up in Belek, the largest nesting area of sea turtles in the Mediterranean.

For the Spring-Summer season, Mavi organized effective activities to attract more volunteers to the camp and to increase the number of rescued turtles. In addition to conferences in universities, influencers and media invited from Turkey and the US also helped spread the project to a broader audience and raise awareness about the Indigo Turtles camp. The effective campaign resulted in more than 21 million in digital reach and nearly 300 thousand engagements achieved with 1400 pieces of content and 182 news stories.

AWARDS AND RECOGNITIONS TURKEY 2019

Mavi's loyalty card Kartuş ranks first among fashion brands with the highest number of members according to the "Turkish Customer Loyalty Programs" survey (Mediacat, Ketchup Loyalty)

Third most loved apparel brand among Turkey's Lovemarks (Mediacat)

Çok Serenay" campaign won Bronze Effie in the Fashion Category of the Advertising World's Oscars

Favorite Brand Face - Male, Kıvanç Tatlıtuğ with the Mavi ad according to Most Admired and Preferred Brands in Shopping Malls survey (AYD)

"Mavi Black Pro with Kıvanç" campaign, second top-of-mind advertisement in October according to Adwatch Survey (Mediacat)

Second in menswear, third in womenswear in the "My Brand" Survey that identifies the brands that consumers admire and embrace the most (Z Raporu)

Gold medal in the casual apparel category at the Social Media Awards Turkey Data Analytics Awards (Marketing Türkiye & BoomSonar & Deloitte)

Brand of the Year, Istanbul University School of Business, Business Awards

MANAGEMENT & ORGANIZATION CULTURE

08

MISSION & VISION

As a much-loved brand by its people and customers, and a respected business partner, Mavi creates a working environment compatible with its values. Mavi's company culture encourages development, provides career opportunities, and fosters a sense of belonging among the employees. Corporate principles and code of ethics lie at the heart of everything that Mavi stands for and does as a brand.

Mission

- To be a jeans-centered fashion brand that is close to our customers.
- To create an exceptional experience for our customers wherever our brand is represented.
- To maintain our passion for product quality and innovative design.
- To lead in product excellence, understanding of the digital world and retail experience.
- To sustain a corporate culture that ensures employee trust, customer loyalty and commitment from our business associates.

Vision

- To be the market leading jeans-centered fashion brand wherever Mavi is represented.

MAVI'S CORE BUSINESS IS DENIM.

Mavi is inspired by the denim lifestyle.

MAVI'S BRAND VALUES

Mavi is a people-focused brand, and its core business is denim.

MAVI'S CORE VALUES

QUALITY

Mavi delivers quality for all its stakeholders and at every customer touchpoint.

- At Mavi, the focus is always on people, its human resource and its customers.
- Mavi-branded products are best-in-class.
- Mavi's quality resonates with all areas of service and operations.
- Mavi carries out all communications in alignment with its brand values to ensure the same level of quality across the board.

TRUSTWORTHINESS

- People-focus and integrity are key values of Mavi's brand identity.
- Mavi is true to its word, consistent in its plans and reliable in its operations.
- Mavi leadership remains committed to its decisions.

LEADERSHIP

- Mavi knows the responsibilities that come with being a leader in its respective segments.
- Mavi is a true denim expert, empowered by its manufacturing heritage.
- Mavi always aims for excellence in its markets based on its own high standards, driving the market and inspiring with its innovations.
- As a brand that embraces all, Mavi designs its products and services through in-depth analyses in its territories.

SINCERITY

- Mavi is a brand that everyone can identify with and find something for themselves in.
- Mavi's Perfect Fit philosophy means that there is a perfectly fitting Mavi jean for everyone.
- Mavi is a brand that evokes accessibility, authenticity, warmth and positivity.

MAVI'S BRAND VALUES

Mavi is inspired by denim lifestyle.

COMPLEMENTARY VALUES

LOVE OF CUSTOMERS

Mavi is lovingly dedicated to its customers, and works diligently to maintain the relationships it builds with the aim of ensuring ultimate customer satisfaction and loyalty. The deep emotional bond with its customers is an integral part of its commitment to creating the "Happiest Mavi Customer."

INSPIRATION

Mavi cultivates the youthful and creative spirit of jeans to continually renew itself. The brand strives to instill different perspectives in people and to add value and newness to their lives, believing that inspiring others is priceless.

OPENNESS TO CHANGE AND DIVERSITY

Mavi is always contemporary and of the moment, constantly adapting itself and capturing the spirit of the times. Mavi respects diversity and differences of opinion, striving to anticipate what comes next and embracing the newness.

RESPONSIBILITY

Mavi is sensitive toward people, nature, the environment, its ecosystem and global balances. The brand aims to spread these sensibilities across its communities and remains focused on action, knowing that observing alone is not enough.

EMPLOYER OF CHOICE

GLOBAL MAVI EMPLOYEES

4,086

•

MAVI HO EMPLOYEES

727

•

MAVI STORES EMPLOYEES

3,359

•

TOTAL MAVI EMPLOYEES

2,209 WOMEN, **1,877** MEN

•

MAVI EMPLOYEES’ AVERAGE AGE

26

Go Culture

Mavi's emphasis on in-house training from the very beginning has evolved from basic instruction to personalized, targeted training programs over the years and led to the launch of a workshop series comprising nine 'Go' groups in 2015. The meetings, which started with the participation of the directors, turned into multifunctional and solution-focused project group gatherings involving managers, and then encompassed all functions of the company. In 2019, these workshops gained more depth based on their topics and expanded to 23 groups. Held under the titles GoHappyMaviCustomer, GoYouthJeans, GoYouthWoman, GoYouthAccessories, GoSocialCompliance, GoRetailEfficency, GoB-C, GoWholesale, GoOnlineDigital, GoStockTurnover, GoMarkdown, GoProductCosting, GoSavingCash, GoYouth, GoSystems-FinanceReporting, GoSystems-BI, GoSystems-Product/Master, GoSystems-Retail, GoInternational, GoSystems, and GoTalent, the meetings host experts who share their knowledge in their respective fields.

Mavi also initiated social clubs under the umbrella "Go Social" with the aim of promoting intra-company communication, encouraging employees to nurture a work-life balance, enabling employees to reserve more time for themselves and supporting their hobbies. The clubs, coordinated by experienced advisors, focus on a variety of areas such as photography, sailing, rowing, yoga, dance, art and handcrafts.

Being a part of the Mavi family means:

- Feeling the privilege of working in an environment of mutual respect and contributing to an organization of neary 4,000 members,
- Being part of an environment where your personality and skills are appreciated, utilized effectively and rewarded properly,
- Sincerely embracing, sharing and pursuing the mission and responsibilities of a brand that leads in its industry, Acquiring the awareness of working every day to offer good stuff to people around the world,
- Doing our job with passion and valuing the importance of meeting the expectations of millions of consumers worldwide that Mavi's global team engages with,
- Keeping up with change, constantly innovating, and sustaining professional dynamism.

Social Responsibility

The Company aims to promote its commitment to inclusivity, respecting differences and responsible use of resources as a common goal for all employees. In order to create sustainable benefits for the community, Mavi empowers young people through youth-inspired social responsibility initiatives. The brand's goal is to create value through social programs and involve the organization in positive change.

- **Indigo Turtles**

Mavi continues to protect endangered sea turtles by supporting the Ecological Research Society's (EKAD) activities with the "Indigo Turtles" project. The objective of the project is to protect the Mediterranean native Caretta Caretta species of sea turtles, which have lived on earth for 110 million years. Over the last 21 years, EKAD, which carries out its activities in Belek, the largest nesting ground in the Mediterranean region, has helped more than 800 thousand Caretta Caretta reach the sea. Facing many difficulties, only 40% of hatchling turtles make it to the water and only one in a thousand survives. The Indigo Turtles project not only supports the sea turtles' difficult fight for survival but also raises awareness about the value of volunteering. Volunteers set up camps to help protect the turtle eggs from external stimuli and ensure that the hatchlings make it to the sea. Hundreds of volunteers from Turkish and international universities and colleges, as well as Mavi employees, customers, scholars and followers take part in the activities. Last year, Mavi's brand face Kıvanç Tatlıtuğ also joined the camp and together with the young volunteers, witnessed the seas turtles' miraculous journey to the sea. His participation helped the project reach a much wider audience and contributed to more awareness.

The proceeds from "Indigo Turtles" t-shirts sold in Turkey as well as America, Canada and Germany support EKAD, as Mavi joins forces with environmentally sensitive young people to revive the Mediterranean.

- **Mavi Scholarship Fund**

"Mavi Scholarship Fund," established as part of the brand's 25th anniversary celebrations, granted scholarships to 29 female students in the 2019-2020 academic year. Aiming to support more young people every year, the project continues to grow with contributions from Mavi employees and expand in scope.

Mavi also supported the education of one female student as part of Koç University's Anatolian Scholars program, which gave successful students that achieve scores in the top 1% in the university exams despite limited education privileges but are unable to qualify for scholarships a second chance.

- **Adım Adım – Vodafone Istanbul Marathon**

The 27-strong Mavi running team ran for charity at the Vodafone Istanbul Marathon on November 3, 2019 to support the "Tree Brotherhood" project of the Tema Foundation. The team raised TL 17,143 from 228 donors, supporting the nature education of 171 children by helping them plant their own saplings in the Adım Adım Children's Memorial Forest in Edirne.

- **WWF – Nature Pioneers**

Mavi supports WWF's Nature Pioneers program, which consists of four modules, Water Angels, Food Warriors, Wild Life Protectors and Plastics Hunters, to offer young people an opportunity to launch their own nature protection projects.

SUSTAINABILITY APPROACH

09

SUSTAINABILITY APPROACH

Mavi, Turkey's leading jeans and apparel brand, has built its strategy in the new era on "sustainable growth with an emphasis on quality." The Company, aiming to broaden its vision of industry leadership to encompass sustainability, launched a transformation program in 2019 for this purpose.

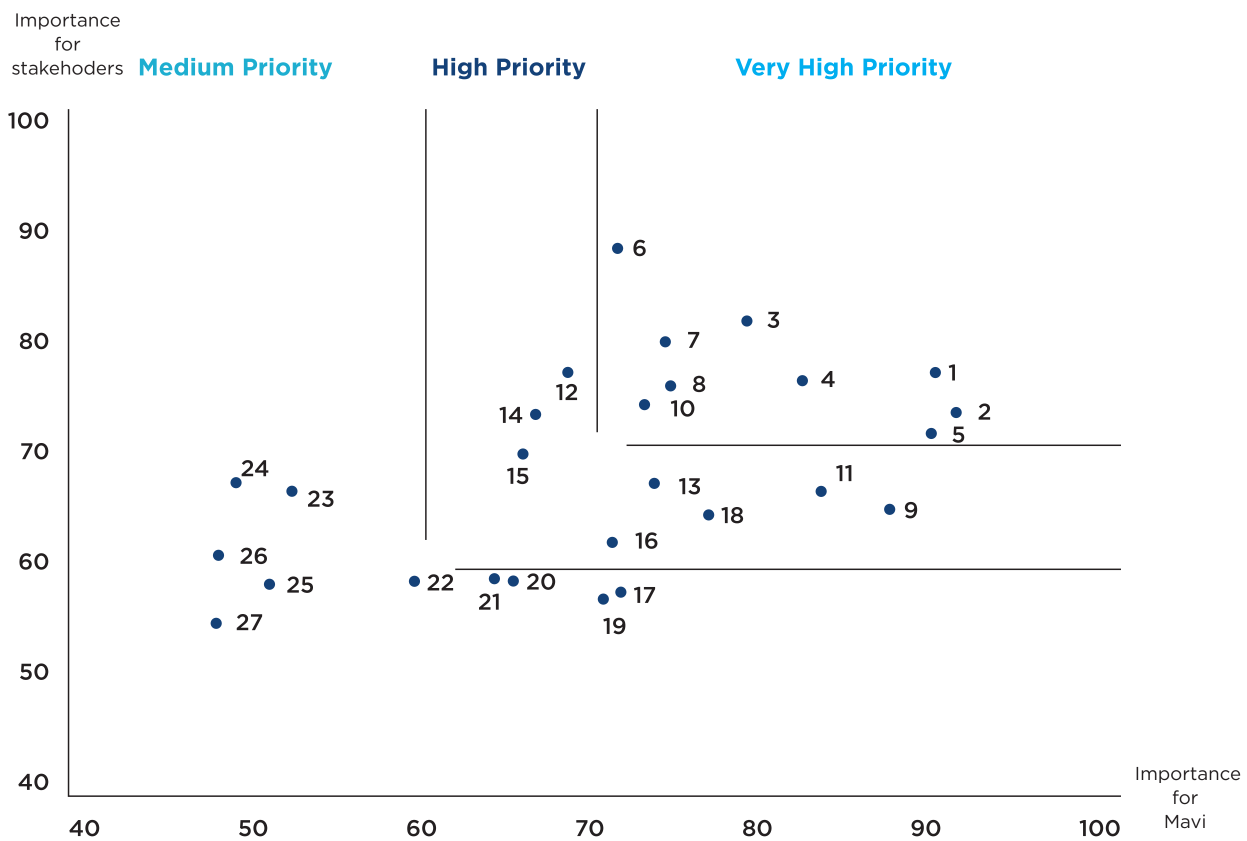
The textile industry is going through a transformation due to the impact of global trends such as climate change, technology and digitalization, changing consumer behavior and finite natural resources. Accordingly, Mavi takes strategic steps to adapt to the evolving conditions to take its place among sustainability leaders.

Mavi started this process by identifying the material issues for sustainability and conducted a stakeholder analysis in accordance with the AA1000 Stakeholder Engagement Standard. These analyses involved obtaining the opinions of various internal and external stakeholders including Mavi employees and franchisees, analysts, investors, financial institutions, business partners and suppliers. The franchisees shared their opinions in a focus group study while the other stakeholders were asked to respond to an online questionnaire. The external trends include the global risks published by the World Economic Forum, the industry-specific material issues prepared by the Sustainability Accounting Standards Board (SASB)* and Sustainable Development Goals.

The Company's strategy and goals were ascertained through one-to-one meetings with senior management. SASB's impact analysis methodology, which enables addressing each issue in terms of different effects and opportunities, were used in the process. As a result of these assessments, the issues were categorized into medium, high and very high priority.

STAKEHOLDER GROUP	STAKEHOLDERS	METHODS
INTERNAL STAKEHOLDERS	EMPLOYEES SENIOR MANAGEMENT	ONLINE SURVEYS ONE-TO-ONE MEETINGS
EXTERNAL STAKEHOLDERS	FRANCHISEES EMPLOYEES NGOS BUSINESS PARTNERS FINANCIAL INSTITUTIONS SUPPLIERS ANALYSTS & INVESTORS UNIVERSITIES MEDIA	FOCUS GROUP STUDY ONLINE SURVEYS LITERATURE REVIEWS

MATERIAL ISSUES MATRIX



Very High Priority

1 Water and wastewater
2 Customer satisfaction
3 R&D and innovation
4 Raw material management
5 Brand reputation
6 Human rights and fair working conditions
7 Climate change and energy
8 Wastes
9 Digitalization and customer experience
10 Chemicals management

High Priority

11 Talent management
12 Supply chain management
13 Sustainable products
14 Women's empowerment
15 Circular economy
16 Business ethics
17 Employee loyalty and satisfaction
18 Risk management

Medium Priority

19 Data privacy and security
20 Occupational health and safety
21 Corporate governance
22 Youth empowerment
23 Equal opportunity and diversity
24 Industry-specific sustainability transformation
25 Entrepreneurship
26 Biodiversity
27 Community investment programs

The materiality assessment will form the basis of Mavi's future strategy. In 2020, the Company will continue to work on developing a sustainability strategy that aligns with the global trends that impact the textile industry and contributes to the United Nations Sustainable Development Goals, and set smart goals to ensure implementation of this strategy.

RESPONSIBLE AND TRANSPARENT MANAGEMENT

The responsible and profitable business model that Mavi has built over the years respects people and the environment, and is based upon transparent management principles. Foremost among these principles are keeping customer demands and needs at the core of the decision-making process, allowing no compromise on quality, offering world-class products and services and ensuring ultimate customer happiness to create the 'Happiest Mavi Customers.' Mavi embraces a corporate culture that is devoted to the customer, passionate about product quality, and focused on eliciting the trust of the employees, bonding with customers and building lasting relations with business partners. Mavi promotes this culture with transparency, fairness, responsibility, accountability and sustainability. Mavi became a publicly held enterprise on June 15, 2017, when its shares opened for trading on Borsa Istanbul, the national stock exchange. The Company has rapidly adopted all mandatory corporate governance principles, as detailed in the Capital Market Board's (CMB) Corporate Governance Communiqué, and strives to maximize its compliance with non-mandatory ones.

In every market where it has established itself as a world-class lifestyle brand, Mavi furthers its vision of leadership. The company believes that this can only be achieved through continuous dialogue and growing together with its stakeholders, which include customers, employees, shareholders, suppliers, and investors along with external entities such as NGOs and associations, the media, universities, finance institutions and public bodies. Mavi prioritizes contributing to the development of the country, industry and community in which it operates. The Company is a member of the United Brands Association of Turkey (BMD), the Ethics & Reputation Society (TEID), the Turkish Investor Relations Society (TUYID) and the Corporate Governance Association of Turkey (TKYD).

Furthermore, the Board of Directors monitors the Company's social and environmental performance in line with its responsible and transparent management approach. Environmental and social impact is categorized into two main groups: suppliers, and the Company head office and retail stores. The Global Supply Chain Director is responsible for overseeing supplier relations, and the Global HR Director for overseeing the environmental and social compliance performance of the head office and the stores.

Business Ethics

As a brand that elicits confidence from the consumer, Mavi is a reputable business partner for suppliers and offers its employees a career open to development as it nurtures a strong strong sense of belonging and loyalty. These attributes are rooted in principles that the Company embraces and practices in all its business affairs. Since its founding, Mavi's core principles, which ensure the sustainability of its corporate direction, have been uncompromising integrity, fairness and full compliance with laws and codes of conduct. Working under the Mavi umbrella demands professional and honest behavior under all conditions and identifying one's personal reputation with that of the brand and the organizational structure. Accordingly, Mavi expects each employee to respect all living creatures and the environment, to maintain a sense of social responsibility and to internalize all aspects of the business code of conduct. Mavi secures its brand image by ensuring that the employees put the brands' interests above their own and avoid any behavior to the detriment of the Company and its reputation. Codes of conduct are detailed in a booklet, the Mavi Code of Conduct, and made available on the corporate website and intranet (Maviletişim) for all stakeholders. With "Mavi's People and Its Principles," the Company aims to ensure that employees embrace business ethics and comply with the codes of conduct and relevant procedures. The principles that govern key aspects such as protecting brand interests, preserving company assets, privacy and information security, non-discrimination and anti-bribery and anti-corruption lay out the responsibilities with which the employees and executives are required to comply.

For "Mavi's People and Its Principles", please click here.

Whenever Mavi employees encounter unethical behavior in the workplace, they may communicate their complaints anonymously by calling the Ethics Line at 0850 288 70 00 (for local and international calls) or extension 2677 (for in-office calls). Such incidents can also be reported by sending an email to etik@mavi.com.

The Company also has in place a complaint procedure for suppliers to report violation of ethical codes or irregular transactions. Such complaints or reports may always be communicated unanimously, if desired, by sending an email to compliance@mavi.com. Customers may also report irregular and unethical transactions by phone or email.

For Code of Conduct for Suppliers, please click here.

The Ethics Board, consisting of three main and two reserve members, is responsible for investigating and resolving complaints and reports of code of conduct infractions. The head and members of the Ethics Board act independently of their departmental managers and the corporate hierarchy, i.e. without external influence. No one may exert pressure on the Ethics Board and its decisions are implemented promptly. In 2019, the Ethics Board received 46 reports via the Ethics Line and investigated each one, with 87% of all calls resolved.

Anti-Bribery and Anti-Corruption Procedure

Mavi does not tolerate any form of bribery and corruption. Mavi has prepared an Anti-Bribery and Anti-Corruption Procedure, which lays out the Company's stance against bribery and corruption, and will make this procedure available on its corporate website and intranet (Maviletişim) for all stakeholders. This procedure aims to comply with the anti-bribery and anti-corruption laws and regulations in all the countries where the Company operates, ethical and professional principles, as well as universal codes. The procedure applies to directors and employees at all Mavi companies in Turkey and abroad as well as its suppliers, franchisees and their employees. Business partners, including consultants, lawyers and external auditors are also subject to this procedures.

The Company's anti-bribery and anti-corruption practices are defined in "Mavi's People and Its Principles."

- Bribery and corruption will not be tolerated under any circumstances whatsoever.
- In carrying out their duties, Mavi employees will not receive commission or monetary gains under any other name. Nor will they make any proposition to that effect.
- When doing business with individuals or institutions, public or private, no offer of special favors will be made to the parties involved. No agreement, written or verbal, will be made to that effect.
- No concessionary gains will be made available or proffered in relationships with third parties, whether individuals or institutions.
- Maximum care will be taken to avoid raising suspicion or making such an impression, even if said behavior is intended otherwise.

The Code of Conduct for Suppliers stipulates that all business partners and their employees are obligated to act ethically and morally to avoid any personal dependence, obligation or influence in all their business dealings in line with anti-bribery and anti-corruption principles. All employees and business partners are expected to behave professionally with a sense of fairness and in full compliance with all applicable national and international laws and regulations.

Relations with suppliers and state institutions, payment terms, human resources processes, accounting and purchasing processes are regarded as activities prone to high risk of corruption. Operational processes with high risk are within the purview of the Audit Committee. An annual audit calendar is prepared with the approval of the Audit Committee, which consists of independent board members. Of the processes prone to corruption risk, 75% have been audited and the findings shared with the Company's senior management and the Audit Committee.

Human Rights

Mavi respects human rights across all business activities. "Mavi's People and Its Principles" document lays out the responsibilities and obligations of the employees while the Code of Conduct for Suppliers stipulates what the Company expects from its suppliers and partners in terms of human rights. Occupational health and safety practices are also reviewed for human rights risks.

Mavi aims for its suppliers and business partners to constantly improve in all aspects. Mavi expects its suppliers and business partners to commit to providing basic human rights and working conditions. When requested by Mavi, all suppliers and business partners are required to allow their work spaces and production facilities to be inspected as part of social audits for compliance with the Code of Conduct. In scheduled and/or ad hoc inspections, they will be asked to provide access to facilities and relevant information and documentation. If discrepancies are found during the audits, suppliers and business partners are expected to immediately rectify/remedy these issues, and Mavi allows reasonable time for such actions. In the event that a supplier or business partner breaches the Code of Conduct, Mavi reserves the right to terminate its business relationship with the said company.

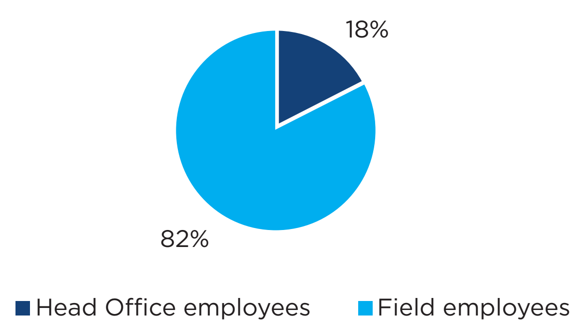
In order to ensure social compliance, 73% of key producers and 56% of contractor producers were audited throughout 2017, 2018 and 2019. Meanwhile, 111 inspections in total were carried out in 2019.

EMPLOYEES

As a brand recognized both in Turkey and in the international arena, Mavi builds its success on its innovative, creative and dynamic corporate culture. The employees are the most important asset that fosters this culture. In selecting talent, Mavi seeks candidates who embrace diverse opinions and ideas and who are flexible and creative while expecting the employees to be sensitive to the environmental and social issues that the world faces.

Mavi offers its 4,086 employees a work environment that respects human and employee rights. Of the entire workforce, 18% of the employees are located in the head office while 82% work in the field and in Mavi stores in various countries.

Employees by Category

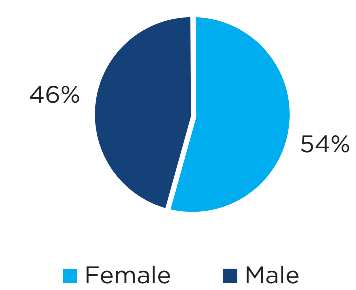


Equal Opportunity and Diversity

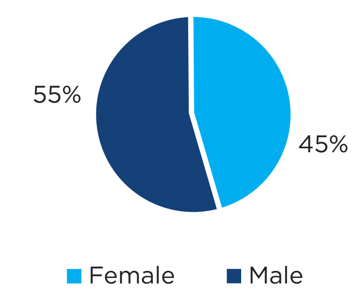
Mavi believes that true wealth can only be attained when diverse cultures are able to live together and therefore promotes cultural diversity and equal opportunity. All employees are treated equally and afforded equal opportunities regardless of their ethnicity, language, faith, race or gender in Mavi's human resources processes, which include recruitment, training and development, performance and talent management, career management, remuneration and other aspects.

Women constitute 54% of Mavi's total workforce and approximately 45% of the managers. Mavi works to ensure a balanced male/female employment ratio both in the head office and also in the field and stores.

Gender Equality and Employees



Gender Equality and Managers



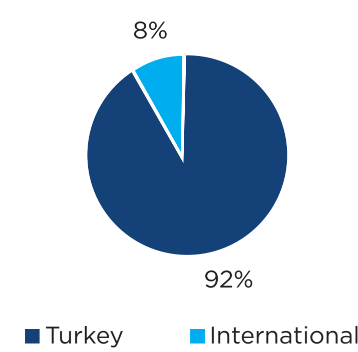
To encourage women's participation in the workforce and to help them achieve work/life balance, Mavi offers all women employees with children in the 1-6 age group daycare support as well as nursing rooms. In 2019, 56 employees took maternity leave and 88% returned to work later. Private health insurance, which offers wide coverage and extra child coverage at discounted premiums after birth, is available for women executives. Annual check-up is an added benefit offered to women aged 40 and over.

Nursing rooms have been renewed for female employees who return to work after maternity leave to spend their nursing time in the early period of motherhood in a private, calm and comfortable space. Parenting seminars were organized for mothers and fathers.

Mavi team consists of employees from 30 countries, with 92% working in Turkey, and the remaining 8% in the USA, Canada, Russia, Germany and the Netherlands.

With 81% of the employees under the age of 30, the Company taps into the potential of the country's young and dynamic workforce.

Employees by Location



Mavi's People and Its Principles

To recruit young people and experienced professionals that will drive Mavi forward.

•

To establish and implement systems that enable the employees to train, develop, succeed and rise professionally.

•

To invest constantly in developing employees, to prepare and implement training programs by identifying training needs.

•

To ensure that employees are placed in positions that match their knowledge and skills, to introduce practices that elevate work effectiveness and productivity.

•

To increase employee loyalty by offering career opportunities and rewards.

•

To create and maintain a safe, healthy and peaceful working environment in terms of environmental and occupational health and safety.

•

To the extent possible, fill vacant positions from existing human resource.

•

To recruit the most suitable candidates considering the Company's current and future needs, to offer equal opportunities to the candidates, and to ensure cultural diversity.

Talent Management

Mavi's talent management goal is to recruit the talent required for sustainable corporate success. Mavi also seeks to identify talent within the organization and enable them to unlock their potential, retain them and train the leaders of the future.

Human Resources Policy and Practices are designed to support Mavi's strategic goals and the performance needed for sustainable growth. All the investment made in human resources aims to reinforce Mavi's objective to become the most preferred employer. Mavi's most important asset is its human resource and ensuring that the employees work with high effectiveness and efficiency, and achieving ultimate satisfaction, loyalty and motivation are key corporate objectives.

The Mavi Competency Model defines the personality and behavioral traits that the employees need to display to become the leaders that will drive the Company's vision. These traits, which the human resources practices focus on, are taken as basis to form the backbone of the Company's human resources strategies and define how the employees can use the model to achieve success and results in the organization.

Attracting Talent

The effectively planned talent attraction and recruitment process aims to capture young talent. For this purpose, Mavi works in close collaboration with universities and organizes a range of effective activities such as projects, internships, interview simulations and case studies. In 2019, Mavi actively participated in a number of events in 16 categories at 13 universities.

As part of Social Responsibility, Mavi participated in the First Chance program developed by Esas Sosyal to provide new university graduates with an opportunity to work for a leading Turkish civil society organization (NGO) full-time for 12 months and to improve their skills. Mavi supported the Program by conducting one-to-one Interview Techniques Simulation for five university graduates.

Mavi also participated in the Turkish National Congress and ATEMCO Summit of AIESEC, the youth organization that offers university students and graduates social responsibility and professional internship opportunities, and that brings together companies and civil society organizations with young talent from different countries. Mavi engaged with more than 700 students in these events.

Retaining Talent

Through the internal application system, which prioritizes in-house applications, existing employees can play an active role in their own careers while obtaining guidance on their career development. Mavi announces all vacancies on its intranet to its employees. With the International Assignment Program, as part of the internal application system, Mavi aims to transfer the important knowledge of the head office employees to different cultures to build a wealth of experience and to support their career development in the international arena. In 2019, two employees benefited from this program and worked at Mavi US.

Performance Assessment

The talent management process at Mavi includes systematic assessment of the employees. In order to plan HR management processes accordingly, a performance management system based on objective criteria is applied in the annual performance assessments. The results obtained from these assessments are taken into consideration in career planning, identifying development needs and establishing performance-based remuneration. Annual performance assessments provide all employees with feedback on their development and career plans. Using the data derived from performance assessment results, various employee development programs are created.

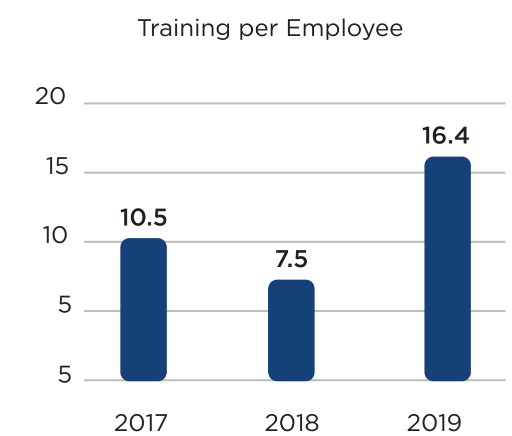
In 2019, as part of career planning, 277 people, including head office employees and 213 store employees (112 sales representatives, 44 Maviolog employees, 36 assistant store managers and 21 assistant store managers) were promoted to one higher position while 12 employees were transferred from stores to the head office.

Employee Development

Mavi's leadership in the industry is driven by its strong human resource, which keeps pace with change and innovations and continually helps the Company to move forward. Accordingly, Mavi offers its employees a variety of learning and development opportunities to improve their skills throughout their careers.

Mavi identifies the requirements for its training and development programs by conducting needs analyses via one-to-one interviews with all department managers. Using the results of these interviews in line with the Mavi Competency Model, individual development plans consisting of professional, technical and personal development training modules are conceived for all employees. Furthermore, Mavi provides its employees with opportunities to attend conferences, seminars and summits on a range of subjects in Turkey and abroad. Employees are also offered foreign language support.

In 2019, we delivered nearly 68,000 hours of training at the head office and in the field, averaging 16.4 hours of training per employee and more than doubling the time year on year.



Development of head office employees

Head office employees are provided with training opportunities for professional, technical and personal development, and supported by classroom trainings while participation in events such as summits, seminars and conferences is planned and encouraged. The training programs, which are planned for individual development based on basic and functional competencies, help to understand the behaviors expected of the employee, display the behaviors required for the role and prepare for the next role. In 2019, 324 head office employees benefited from 7,583 hours of training.

Newly recruited employees take orientation programs to become familiar with corporate culture, the Company's area of operations, organizational structure and practices, so that they could more easily adapt to their new responsibilities.

Mavi has prepared a Development Handbook for all competency levels defined in the Mavi Competency Model, which includes developmental activities that employees can apply at work and in their free time. This handbook promotes behavioral change through activities that support various aspects in both professional and personal life.

- **Leadership development model with the MaviKampüs program**

The Company's MaviKampüs program was launched in 2016 with the aim of personally and professionally developing the managers that will drive Mavi's strategic goals further. The program carried out in partnership with Koç University is based on Mavi's leadership development model and strategic priorities, and enables the managers to build awareness about their personal development areas and develop their leadership and managerial skills.

In 2019, 19 people took 2,584 hours of training in total as part of the Manager Development Program.

- **Mentorship**

Mavi aims to pass on its corporate culture, knowledge and experience to its new generation of employees. For this purpose, a mentorship program was introduced as a developmental tool to enhance the employees' leadership skills and personal growth and to deepen their loyalty to the Company through interaction between the mentor and mentee.

In 2019, the program entered its fourth term as a development tool with sustainable, effective and visible results as it builds on the learnings and experiences of the previous processes.

- **On to the Field**

The Company launched the "On to the Field" movement with the vision of "Happiest Mavi customers" to take head office employees to the stores. On three visits to stores in Istanbul, 157 head office employees from different departments and positions volunteered to participate in this movement, which aims to reinforce the relationship and communication between the head office and the field, and served in different store positions for a day under the leadership of the Store Manager. With this project, volunteering employees not only supported the stores on a busy day but also found the opportunity to see how their work reflected on the field and to identify development areas in the processes by directly engaging with Mavi customers.

- **Enhancing work life with GoSocial**

Mavi organizes a range of arts and sports activities to reinforce the sense of belonging and team spirit among its employees and to contribute to their social life. The social clubs established under the GoSocial umbrella include yoga, photography, sailing, painting and handcrafts clubs, and rowing added in 2019 as 176 employees played active roles in these events. The employees also represent Mavi at various intercompany tournaments such as basketball, running, bowling and tennis through the year.

- **Go Mavi Culture**

With Go Mavi culture, which aims for continuous progress and development at Mavi, various working and project groups are created with employees, and extensive monthly, annual and seasonal meetings are organized to encourage employee participation in management.

These include:

- MassMavi meetings: Open to all head office employees, these meetings provide a platform for departments to share their monthly business plans.

- Management Forum meetings: The Company's activities over the previous six months are presented at these biannual meetings, open to all head office employees.

- Marketing Direction meetings: These are seasonal meetings where brand strategy and priorities are evaluated together with customer, market, product and competition analyses, and results are shared with management teams, particularly the sales and category departments.

Development of store employees

Creating the happiest Mavi customers is the foremost priority of the field teams. An intensive training program is delivered through the year to ensure that store employees provide world-class service to Mavi customers. In 2019, the share of digital content in trainings tripled year on year.

- **Training Programs for Store Managers**

Orientation Training: In 2019, 24 store managers and deputy store managers, recently recruited or newly promoted, took orientation training.
Classroom Training: 302 store managers and deputy store managers took 3,288 person*hours of classroom training in total in topics such as "Main Responsibilities of a Store Manager" and "Store Manager's Role as a Trainer."
On-the-job Training: 302 store managers and deputy store managers took 770 person*hours of on-the-job training in total.
Digital Training: 329 Store Managers were assigned total 2,329 person*hours of training on the digital training and communication platform Mavi Connect.

- **Store Manager Development Program**

The Store Manager Development Program launched a brand new training and development journey on the field. The program, designed in partnership with a consulting firm to endow the store managers with the knowledge, skills and competencies that will drive the brand further in line with Mavi's strategic priorities, consists of 14 training modules and will be delivered in the course of a year. Following the measurements and assessments, which will eventually cover all Mavi stores in Turkey, nine store managers were nominated for the program slated for launch in 2020.

- **SM/Maviolog/sales rep/cashier/warehouse employee training programs**

Orientation Training: In 2019, 1233 newly hired store employees in positions other than store manager and deputy store manager took orientation training.
Classroom Training: 144 assistant store managers took 2,743 person*hours of classroom training in total in topics such as Main Responsibilities of a Store Manager, Store Manager's Role as a Trainer and Team Management. 433 employees serving as Maviolog or Cashier also took 2,742 person*hours of classroom training.
On-the-job Training: A total of 1,657 field employees received 4,396 person*hours of on-the-job training delivered in 12 topics including Persuasion, KPI, Upselling, and Handling Customer Objections.
Digital Training: 2,653 store employees were assigned total 46,003 person*hours of digital training.

- **Mavi strategy and target meetings**

Every year, store managers attend three-day sales meetings where the directors share the company strategy in presentations to build on joint goals and culture of Mavi.

- **Maviolog**

The job description of a Maviolog is to enhance the product knowledge of the teammates in the store where they serve, to ensure every customer leaves the store with the right product and combination and to create an excellent shopping experience for the customer. The Company selects the employees to serve as Maviologs very carefully, trains them specifically to provide customers with product and style advice that is in line with Mavi's identity as a denim specialist and fashion brand and regards them as potential managers. As part of the program running since 2012, the number of Maviolog employees working at Mavi reached 271 as of year-end 2019. Digital training content has been added to improve the styling skills of Maviolog employees, to ensure that they recommend the right product to the right customer by helping them understand the customer's style, recommend products based on different body types, recognize the language of colors and offer practical style combinations. Three apps, in the concepts "What To Recommend Today," "Grab and Go" and "Where Are We Going?", were introduced to reinforce theory with practice.

- **Secret customer surveys and field development**

Secret customer surveys are conducted 12 times a year to assess the performance of the field teams and the results are regularly monitored by the sales, marketing, training and HR teams. In 2019, 4,419 secret customer visits were paid to more than 370 stores in 68 cities. In all the visits, NPS scores were measured in objective and subjective standards, revealing a consistently improving trend throughout the year. These results are also used to identify development areas and stores that have room for improvement, and trainings are planned accordingly.

Total Compensation

Total Compensation and benefits

We support our vision of being the market leading jeans-centred fashion brand wherever Mavi is represented by means of competitive remuneration and benefit practices that reward high performance among all employees without regard for gender, race, language, or any other distinction. At Mavi, compensations are compatible with the Company's ethical values, internal balances and strategic goals. We make sure that our employees are compensated in accordance with the highest standards and for their performance and the value that they create. We constantly monitor economic conditions in order to maintain our employees' position in the job market and to keep our compensation packages both balanced and competitive.

As Mavi, we also seek to meet employees' social needs and to raise their working and living standards by offering a variety of fringe benefits such as private health insurance, employer-contributed individual retirement plans, company vehicle and child day care support.

In 2019, we renewed our Remuneration Policy with a view to encourage the achievement of the Company's short and long terms goals and to ensure sustainable performance. The new Remuneration Policy which allows a performance based long-term (3 year) incentive grant for executives with administrative responsibilities has been presented at the 2018 AGM to the shareholders.

The rights and the benefits offered at Mavi are identified within the following framework:

The rights and the benefits offered at Mavi are identified within the following framework:

Base Salary: The monthly wage shall be determined on the basis of the market and/or industry conditions, the level of inflation and the respective position, seniority, qualifications and the individual performance. Base salaries shall be revised and determined annually as per the recommendations of the Corporate Governance Committee. Salary surveys conducted by independent consulting firms are taken into account in every salary increase period.

Monthly Sales Commissions: Monthly sales commissions are an integral part of Mavi compensation system that rewards the store employees' commitment to relevant aspects, such as customer satisfaction (happy Mavi customer), opinion about the product, store coordination, new customer acquisitions as well as sales results.

Annual Bonus Payment: Bonus payments are aimed at increasing the efficiency of the executives in order to reach the corporate targets, ensuring the sustainability of performance, differentiating successful executives by emphasizing individual performance and rewarding the executives who create added value for the Company. Bonus payments are rewarded in the case that EBITDA target for the calendar year approved by the Board of Directors is exceeded and in proportion to the level of individual executives own KPI performance realizations. Some of the top executive level KPIs consist of net debt level, opex management, inventory turn, sell-through and mark-down ratios, customer acquisition, new store ROI and ramp-up management, capex management.

Long-term Incentive Grant: The Board of Directors, by taking into account the net income and share price targets set for a period of three (3) years ("Incentive Period"), may grant executives with administrative responsibilities a performance based long term incentive grant in accordance with the principles determined by the Board of Directors.

Long-term incentive grants will be paid at the end of the Incentive Period and following the announcement of the financial results to the public in accordance with the schedule determined by the Board of Directors. As of 2019, only the CEO has a long term incentive plan covering the period 2019-2021.

Other Rights and Benefits: The opportunities and benefits offered to the employees to ensure their satisfaction and loyalty are constantly improved. Private health insurance, family benefits and annual check-ups are provided depending on the position and work categories. A workplace physician is available to employees at the head office two days a week and a nurse is available every weekday. Depending on their positions, certain employees are entitled to company credit card, company car, fuel, a cell phone and line. All employees receive a lunch and travel subsidy in various forms. All new recruits receive a pair of Mavi Jeans from the denim collection as a gift. All employees are entitled to a 30% discount card that can be used in season shopping at Mavi stores.

Health and Safe Working Environment

Mavi's top priority is to create and provide a secure, healthy and peaceful workplace that complies with environment and occupational health and safety. Therefore, activities are designed to foster a culture of occupational health and safety beyond legal requirements and the process is managed with a systematic and proactive approach. Occupational health and safety specialists conduct risk analyses and emergency planning at the head office and stores while corrective and preventive measures are taken based on the findings. The Occupational Health and Safety Board is tasked with ensuring that occupational health and safety practices are implemented. This board manages OHS-related processes including regular review of occupational health and safety practices, recommends improvements and enhancements and ensures regulatory compliance. In the recruitment process, all new employees are required to provide certain information about their health and submit a fit-to-work medical certificates. A workplace physician and a health and safety specialist are available to assist the employees. Managers and more senior executives at the head office are entitled to private health insurance from their first day on the job while other head office employees, store managers, deputy and assistant store managers earn this right after completing six months on the job. Occupational health and safety performance is regularly monitored. No workplace fatality has occurred at Mavi with only some minor incidents reported.

Occupational Health and Safety Performance	2017		2018		2019	
	Women	Men	Women	Men	Women	Men
Injury rate (IR)	0.18	0.42	1.02	1.00	1.24	0.86
Occupational disease rate (ODR)	0.00	0.00	0.00	0.00	0.00	0.00
Lost day rate (LDR)	0.00	0.24	1.45	1.63	1.48	0.28

During the recruitment process, employees are asked to provide health information and health reports confirming suitability for the job. Workplace physician and occupational health and safety specialist are available to provide assistance to employees when needed. Employees in management and higher positions are entitled to private health insurance at the time they start their jobs while store managers, deputy managers and assistant managers earn this right six months into their jobs.

Training sessions are held to reinforce and raise occupational health and safety awareness. Training content also includes information on occupational health issues such as back pain, waist and neck disorders. Accordingly, 623 people from the head office and stores received total 4,984 hours of OHS training in 2019. Training sessions are repeated at regular intervals.

To enhance workplace ergonomics, various practices are in place to improve lighting and indoor air quality, optimize noise, humidity and heat levels and upgrade equipment.

WITH OUR STRAGETIC MANUFACTURING PARTNER ERAK:

62%
LESS
WATER
IS USED COMPARED TO LAST YEAR

28%
LESS
ENERGY
IS USED COMPARED TO LAST YEAR

52%
OF TOTAL
DENIM
PRODUCTION IS DONE WITH LASER AND SUSTAINABLE WASH TREATMENT.

SUSTAINABLE VALUE CHAIN

Responsible sourcing strategy plays a key role in combating issues such as declining natural resources, increasing environmental pollution and climate change. Mavi continues to introduce practices to monitor the social, environmental and economic performance of stakeholders in its value chain. These activities aim to spread the Company's sustainability approach across all points in the value chain, from sourcing and logistics to sales points where products and services are delivered to the consumer and to create value by enhancing innovation and R&D works.

The manufacturers are monitored for their social, economic and environmental performances, and they are expected to elevate their performance to higher levels through practices aimed at development areas. In addition to its own policies, Mavi assures world-class production by entering into detailed agreements with all its suppliers.

At Mavi, almost all of the jeans and nearly 81% of the entire collection are sourced locally, contributing significantly to local socioeconomic development. The fact that production largely takes place in Turkey ensures physical proximity to manufacturers and brings with it a more efficient work environment. The on-site inspections that the proximity allows also enhance quality, speed and social compliance, enabling Mavi to promote sustainability across the entire value chain.

Environmental Performance of Suppliers

Mavi runs projects and applications on efficient resource utilization, and particularly energy consumption. ERAK and TAYEKS, two major manufacturers that supply 79% of Mavi's denim, apply advanced methods for improved energy efficiency and reduced water consumption. In 2019, women's All Blue and men's Timeless collections were made by using eflow technology, which reduces water use in washing. Increasing the use of this technology is among Mavi's 2020 goals. ERAK, the strategic partner of Mavi in jean production, consumed 62% less water and 28% less energy year on year thanks to its upgraded machinery park, and used laser and sustainable washing processes in 52% of its denim production. ERAK also generates its own electricity at its plants. The heat, hot water and steam generated during production (especially in washing and drying machines) are reused within the plant, ensuring efficient energy use.

In addition to water efficiency projects, Mavi also takes utmost care to keep the discharged water from production below the legal limits. Mechanical, chemical and biological membrane treatment systems are used at the manufacturing sites. The treated water is regularly tested by accredited laboratories to ensure that it is not harmful for the nature and the results are logged. With the enhancements implemented, damages to the environment have been eliminated by using fewer chemicals, less water and less energy in the production as well was the post-production waste water treatment processes.

All chemicals that ERAK and TAYEKS use are ZDHC-certified (Zero Discharge of Hazardous Chemicals).
These chemicals enter the plants and are used in production lines after their performance is confirmed in accordance with the test approval methods. As transition to the new eflow process continues, a more environment friendly chemical research process than the existing chemicals is used actively. With more devices and automation implemented in the sewing section, product unit times and energy-labor use have been reduced.

As part of chemicals management, the automatic dosing system at TAYEKS has led to reduced contact between the employees and the chemicals as well as lower use of chemicals. A similar investment is in the works for ERAK.

In addition to our two major suppliers, ERAK and TAYEKS, Rimaks is among a handful of manufacturers authorized to produce organic jeans with its international Global Organic Textile Standard (GOTS) and Organic Content Standard (OCS) certifications. Specific lines and areas in the plant are dedicated solely to organic production.

Social Compliance Audits

Mavi requires its suppliers to comply with quality standards in production and also to ensure that their production processes are environment friendly across the product lifecycle and respectful of humans and human rights. Transparency and ethical communication are integral parts of cooperation. Mavi also aims to provide a safe and healthy work environment to ensure the happiness of all employees.

The Social Compliance Department positioned under the Quality Assurance Department conducts inspections to determine social compliance in suppliers. These inspections focus on identifying the extent that the suppliers apply and comply with restrictions and regulations in areas such as child labor, health, safety and the environment, working hours and payments, forced labor, the right to association and collective bargaining, discrimination, discipline and management responsibility as required by international standards. All suppliers have received relevant documentation and the preparation process has been completed with necessary communication and training. In 2019, inspections have been carried out at 111 manufacturing sites, and those found to be in violation were asked to take preventive and corrective measures or terminated.

Accordingly, all suppliers are required to sign the Restricted Chemicals Declaration and Ecological Commitment documents that assure supplying products in conformity with the applicable regulations in Turkey and EU's Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) regulation No. EC 1907/2006 in line with the EU standards, as well as providing working conditions in compliance with International Labor Organization conventions and Universal Principles of Sustainable Development. The Company's two major denim suppliers ERAK and TAYEKS hold BSCI (Business Social Compliance Initiative) or Sedex certification as part of corporate social responsibility. Such certifications and inspections ensure that the health and social security of the employees are prioritized and damages to the environment are minimized.

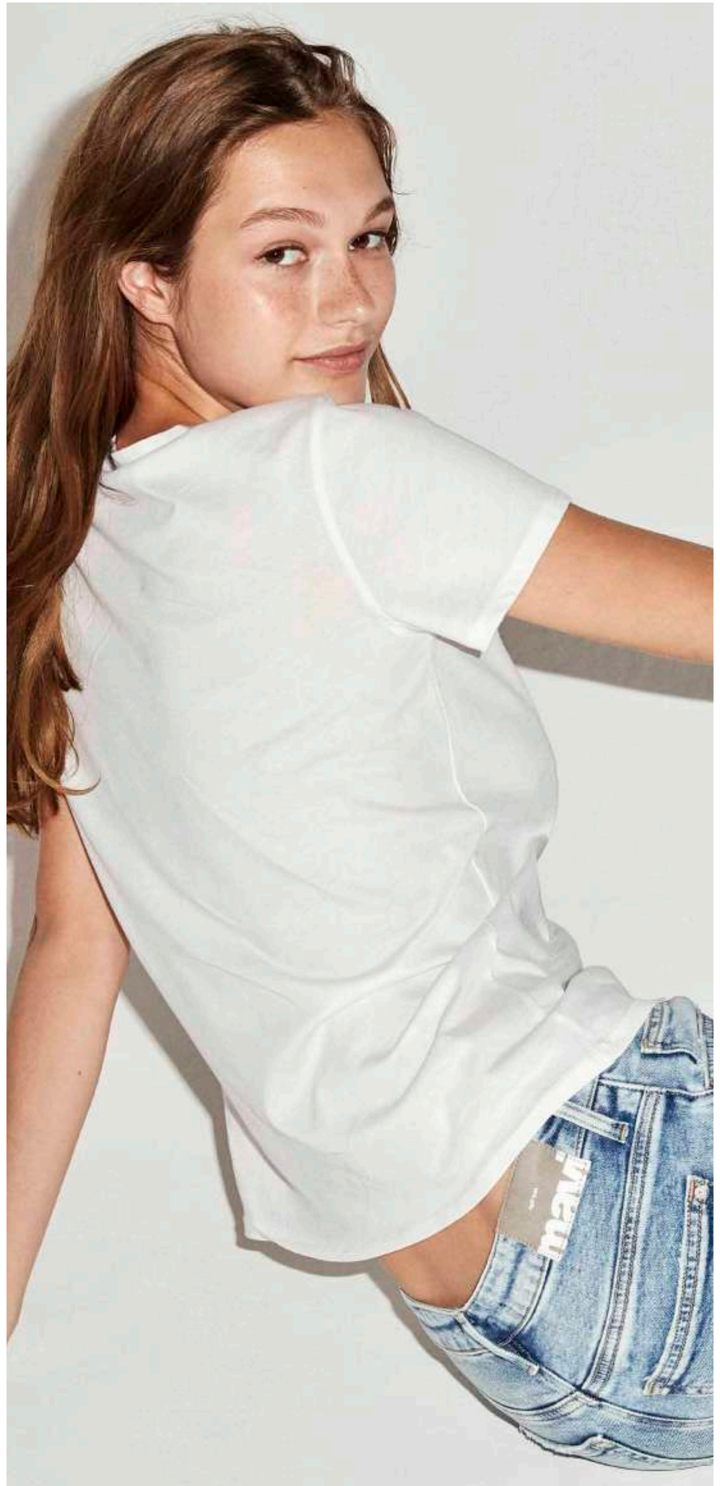
The Company generally prefers to work with suppliers that are members of the Business Social Compatibility Initiative (BSCI) program or those that hold the Supplier Ethical Data Exchange (Sedex) certification.

Product Quality and Assurance

Mavi has a 16-member Quality Control team that serves under the Global Procurement Directorate. This team conducts regular inspections during production and before shipment to ensure that products of excellent quality are offered to the customers. Mavi requires chemical analyses and quality performance tests from the manufacturers to check that the products are manufactured in the declared standards. The products, beginning at the sample stage are tested by third-party laboratories for levels of chemicals such as azo dyes, phthalate, cadmium, nickel, organo-static compounds, nonylphenols and ethoxylates (APEO), chrome VI, PAH, DMF, and lead, etc. Furthermore, raw materials are tested under the manufacturers' responsibility within the scope of EU legislation (REACH) for other chemicals including formaldehyde, pH, allergenic disperse dyes, pesticides, heavy metals and PVC. Test results are evaluated according to internationally agreed limits, which are listed in the Manufacturer Handbook that Mavi shares with all manufacturers.

At the sample stage, technical product refinements are carried out for fit, performance and functionality. With the inspections during production and upon completion, the finished products are checked to ascertain that they meet Mavi's standards and then approved for purchasing. With quality control performed at every stage, particularly in denim production, conformity with stringent standards is ensured. Mavi inspects more than 90% of the finished products with its own teams of quality control experts. The remaining products are inspected by internationally accredited companies. And all quality control forms are archived.

Mavi carefully evaluates customer feedback and aims for the highest product quality through the work of the product development and procurement teams and improvements made with manufacturers.



mavi

all blue

no filter
all vegan
less water
much love!

Environmental Performance in Operations

Even though a significant portion of the Company's environmental impact takes place in the supply chain, Mavi focuses on the environmental footprint of its activities as well as those of its suppliers, and introduces improvements every year. Some of the improvements implemented recently include the following:

- Plastic shopping bags were eliminated and 11,825,000 paper bags were procured, resulting in saving 238 tons of plastic bags.
- Previously, three different materials, namely tissue paper, cardboard boxes and courier pouches, were used to pack customer orders. These are now replaced with a single material, a biodegradable (EPI) courier pouch.
- In 55 stores, lighting fixtures have been converted to LED technology, resulting in 114,885 kWh of energy savings, equivalent to eliminating 60.7 tons of carbon dioxide emissions.*
- Mavi partnered with Reengen to conduct an energy efficiency and management study in 10 sample stores. With a remote-access device attached to the electrical boards, these stores' consumption was measured during opening and closing times. Consumption baselines were determined and store managers were given feedback on unnecessary electricity consumption during the day, saving 13,850 kWh in energy consumption and eliminating 7.3 tons of carbon dioxide equivalent emissions* in 10 sample stores over a two-month period.
- Recycling areas were created on each floor of the head office to sort waste and send them for recycling.
- The copiers at the head office are now operated with card and encrypted printing. With the new system, the amount of paper used has decreased by 23% compared to the previous year (2018).
- Elimination of pet bottles resulted in preventing nearly 4000 plastic bottles from being used at the head office.

*To calculate emissions related to energy savings, an emission factor of 0.528 kg CO_2 eq / kWh was used (Electricity carbon intensity in European Member States: Impacts on GHG emissions of electric vehicles, Alberto Moro-Laura Lonza, 2018)

Biodiversity

The Indigo Turtles project, launched in 2014 to protect endangered sea turtles, is ongoing for six years. Communication and awareness raising activities are carried out for the project, which supports the work of EKAD (Ecological Research Association). To date, 120 people from Mavi including directors, managers and employees have joined the project while 41 people from social media followers, customers and women scholars have supported the works of EKAD every year in the June-September period.

Since the launch of the project, each customer that purchased an Indigo Turtles t-shirt adopted five sea turtles and contributed to the efforts. The t-shirts, designed for all customer groups, are sold in Turkey as well as online stores in the US, Canada and Germany. Every year, nearly 7,000 Mavi customers become voluntary ambassadors of the project with their t-shirts. Mavi has played an effective role in raising awareness of the project and contributed to increasing the number of applications to volunteer every year. When EKAD first started its operations 21 years ago, there were only 500 nests in the region. Last year this figure rose to 2,500.

R&D AND INNOVATION

Turkey maintains an unrivalled position worldwide in terms of R&D investments, innovation and technology development in denim fabric and blue jeans manufacturing, providing Mavi with significant advantages to lead the industry. The brand combines its denim expertise with the product development team to manufacture jeans using 100% local knowhow, optimally leveraging the country's high quality supply ecosystem.

Mavi collaborates with denim fabric manufacturers for product developments and innovations. Its ability to develop innovation-based premium products in the denim sector is a major reason that elevates Mavi to the top segment of the international jeans market. Being a world leader in technological development and innovation in denim has made Mavi a force to contend with in setting quality and price. The Company's global All Blue strategy focused on sustainable growth is also the source of inspiration for All Blue, Mavi's most sustainable collection in 2019.

Mavi's most sustainable collection to date: All Blue

No filter, all vegan, less water, much love!

All Blue, Mavi's most sustainable collection to date, offers denim in its most authentic and unfiltered version. The denim styles in the collection are made with innovative techniques using less water and energy. With no animal products used in manufacturing, all jeans in the collection are also 100% vegan. Jean fabrics contain recycled cotton, organic cotton and recycled materials. The collection is also sold in recycled paper packaging.

In addition to All Blue, other premium product groups such as Gold, Black, Black Pro, SuperSoft, and SuperMove are the result of combining cutting- edge technologies with Mavi's passion for designing perfect products. Mavi collaborated with Lenzing, the leading sustainable textile manufacturer, to design the SuperSoft denim collection in ultra-soft TENCEL™ Lyocell fabric with excellent recovery, premium look, comfortable feel and silky touch.

CUSTOMER SATISFACTION AND COMMUNICATION

One of Mavi's top priorities is creating the Happiest Mavi Customers. Aiming to spread this approach that places customer happiness at its heart across the field, Mavi established a special project group, GoCustomer. Employees from the marketing, HR, sales and training departments actively participate in this group, which works throughout the year to deliver an excellent shopping experience to the customer with premium products and service quality.

Mavi customers are able to provide feedback about products or services and communicate their thoughts and ideas about Mavi and all kinds of recommendations to the Company by phone, email, social media channels and stores. Mavi made a major organizational change in November 2019 and signed an agreement with Global Bilgi to outsource its call center operations, which were managed in-house until then. In this new system, the customer relations teams continue to provide service at the head office while Global Bilgi formed a dedicated team of 18 at its Bursa location to serve only Mavi. With the new structure that integrates the customer call center processes in stores and e-commerce, Mavi is now able to serve its customers from 8 am to 12 am seven days a week. The call center team manages the flow of communications and responds to customers by taking the necessary actions. Product-related and other complaints of the customers are recorded and reported. Meetings are organized to share these reports with all the relevant departments.

Furthermore, services are procured from a third-party firm to monitor all customer posts and engagements on social media about Mavi. With this service, the Company gains valuable insights about Mavi and responds swiftly to the issues that require action. Over 90% of the content shared and the conversations on social media regarding Mavi are positive.

Mavi conducts regular surveys to collect information on the brand's impression among customers and consumers' shopping habits in relation to the Mavi brand, products and ad campaigns. The secret customer surveys at Mavi stores and franchisees enable inspection of every single sales point, and monitoring and reporting on their service quality.

10 CORPORATE GOVERNANCE

DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Mavi's corporate culture is defined by remaining close to its customers, being passionate for its product quality and reliable toward its employees. At Mavi, business partners are regarded as permanent and the company seeks to establish a deep connection with its customers. Mavi conducts its operations in accordance with the principles of transparency, fairness, responsibility, accountability and sustainability.

The Company began trading on Borsa Istanbul on June 15, 2017 (ticker symbol "MAVI"), and has been subject to CMB regulations since then. As a matter of policy, Mavi fully complies with the mandatory principles stipulated under the Corporate Governance Communiqué No. II-17.1. Mavi also aims to achieve full compliance with non-mandatory Corporate Governance principles and work is in progress to apply those principles Mavi has yet to implement. Once Mavi completes its implementation of the legal and technical infrastructure, the Company will be fully compliant with all Corporate Governance principles, mandatory or not.

Corporate Governance Principles Compliance Report (URF) and Corporate Governance Information Form (KYBF) pertaining to the Company's special accounting period of February 1, 2019 - January 31, 2020 has been prepared in accordance with the presentation principles laid out by CMB's resolution no. 2/49 dated January 10, 2019, published in the CMB Weekly Bulletin, and duly approved by the Company's Board of Directors.

URF and KYBF can be found under the Investor Relations tab on the corporate website (www.mavicompany.com), which can be accessed from (mavi.com) and from the www.kap.org.tr/tr/Bildirim/843760 and www.kap.org.tr/tr/Bildirim/843756 links on the Public Disclosure Platform website (www.kap.org.tr).

The non-mandatory Corporate Governance principles - which are marked "partially" or "no" in the abovementioned Corporate Governance Principles Compliance Report (URF) published on the Public disclosure Platform – that Mavi has yet to implement are indicated below, along with relative explanations. Mavi has no conflict of interest arising from not having achieved full compliance with these principles.

Article 1.3.10. Donations made by the Company were disclosed in a separate agenda item in the General Assembly Meeting as an overall figure without the details of the beneficiaries of such donations.

Article 1.5.2. Under the Articles of Association, minority rights are not granted to shareholders who hold less than one twentieth of capital and in accordance with general practice, minority shareholders hold rights accorded by the general provisions of law.

Article 3.1.3. Policies such as Dividend Distribution, Disclosure, Remuneration, Compensation, Code of Conduct that address stakeholders' rights are published on the company's website, other procedures are published via the internal disclosure platform Mavi Iletisim.

Article 4.3.9. The Board of Directors currently has one female member. The company is working toward increasing the number of female members on its Board of Directors.

Article 4.4.7. While Board members are required to pay sufficient time to the Company's affairs; there is no restriction on their duties outside of the Company. Considering the significant contribution Board members make to Mavi's Board of Directors with their professional and sector specific experience, imposing restrictions on their external duties is not deemed necessary. Prior to each General Assembly, the curricula vitae of the Board members and their duties external to the Company are submitted for the attention of shareholders.

Article 4.5.5. Mavi has determined the number of its independent Board members at two. In so doing, the Company considered various factors such as the volume of its operations and its administrative needs. Currently, the Board has three committees. In respect of the principle requiring committee chairs to be independent members, it is necessary to delegate multiple committee chairs to the independent members. This does not give rise to any conflict of interest within the Company.

Article 4.6.1. A specific performance appraisal on Board level has not been conducted.

Article 4.6.5. The General Assembly determines remuneration rates payable to members of Mavi's Board of Directors. In line with general practice, remunerations of Board members and senior executives are disclosed to the public in the Company's financial table footnotes.

SHAREHOLDERS

2.1. Investor Relations Department

Shortly after its initial public offering, Mavi established an Investor Relations Department to inform local and foreign investors in an accurate, consistent and timely manner (while protecting trade secrets and confidential information and with a view to ensuring equality in communicating information), raise the Company's profile and increase its credibility, ensure two-way communication and information flow between the Board of Directors and the capital markets regulators and participants, compliance with legislation and the Articles of Association in respect of shareholders' rights, and to fulfil obligations of public disclosure in compliance with applicable legislation and the Company's Public Disclosure Policy. The Investor Relations Department reports directly to the CFO. The senior director of investor relations holds a Capital Markets Activities Level III License and a Corporate Governance Rating License and she is a member of Mavi's Corporate Governance Committee.

In the special accounting period from February 1, 2019 to January 31, 2020, the Investor Relations Department attended 13 investor conferences and roadshows in Turkey and abroad, and held over 150 teleconferences and meetings at the head office to share Mavi's financial, operational and strategic developments. At these events and meetings, the Company had contact with 498 investors and analysts from 190 local or international institutions. Furthermore, through the year, the Department held four earnings webcasts aimed at investors and analysts, announcing quarterly financial results. Investors and analysts unable to participate can later view the webcasts, presentations, and transcripts of the questions addressed to the management as well as the answers duly posted on the Company's website.

All the requests for information that the Company received by phone or email in the special accounting period from February 1, 2019 to January 31, 2020 were answered in accordance with the Company's Public Disclosure Policy and in line with publicly available information.

The Investor Relations Department submitted five reports on its activities as well as macroeconomic and industry developments and stock performance to the Corporate Governance Committee and the Board of Directors. The Investor Relations Department also informs the Board of Directors constantly on the developments about the issues raised in investor meetings.

Contact details of the Investor Relations Department:
Senior Director of Investor Relations
Duygu İnceöz
Phone: +90 (212) 371 20 29
Email: Duygu.inceoz@mavi.com

2.2. Exercise of Shareholders' Right to Obtain Information

No discrimination is made among shareholders in terms of exercising the right to examine and request information, and all information, other than those considered trade secrets, is disseminated to shareholders in accordance with the Company's Public Disclosure Policy to avoid inequality in obtaining information.

The Investor Relations Department at Mavi promptly responds to shareholders' and other stakeholders' information requests and questions via various channels and the most efficient means of communication. Furthermore, in order to enable shareholders to exercise their right to information in the most efficient manner, the Department maintains an Investor Relations tab on the corporate website (mavicompany.com) – also linked from the official website (www.mavi.com) – where investors and other stakeholders are provided with all publicly available financial and operational data, all the Company's material disclosures and public announcements and notifications. The website is available in English and Turkish. Additionally, the Department emails the latest operational and financial announcements to those people or institutions that register for the Investor Relations mailing list.

Even though the right to request a special auditor is not regulated as a personal right in the Articles of Association, pursuant to Article 438 of the Turkish Commercial Code, each shareholder – in order to exercise shareholder rights properly and if they deem necessary – is entitled to ask the General Assembly for clarification of certain instances through a special audit even if this is not included in the agenda and provided that the right to obtain information and inspect is exercised previously. To date, shareholders have not asked for such an audit. Furthermore, the Company operations are regularly audited by an Independent Auditor appointed by the General Assembly.

2.3. General Assembly Meetings

The ordinary general assembly convened on April 30, 2019 to review the special accounting period from February 1, 2018 to January 31, 2019 with 71.5% participation at "Sultan Selim Mahallesi, Eski Büyükdere Caddesi, No:53, 34418 Kağıthane-İstanbul" with attendance open to stakeholders. No additional agenda items were proposed by the shareholders for the said meeting.

The General Assembly meetings are held under the supervision of the ministry representative appointed by the Ministry of Commerce. Calls to General Assembly meetings are issued by the Board of Directors in accordance with the provisions of the Turkish Commercial Code, Capital Markets Law and the Company's Articles of Association. On the date of the Board of Directors' resolution to convene the General Assembly, the public is informed by necessary material disclosures on the Public Disclosure Platform and via the Electronic General Assembly System (EGKS). In addition to the procedures set out in relevant legal regulations, the General Assembly meeting is announced at least 21 days before the General Assembly meeting on the corporate website and on the e-company portal of the Central Registry Agency, in order to reach the maximum number of shareholders possible.

Prior to the General Assembly meeting, necessary documents regarding the agenda items are announced to the public while all legal processes and regulations are observed in all notifications. Within the framework of the agenda items of the General Assembly; Annual Report, Financial Statements, Corporate Governance Principles Compliance Report, Dividend Distribution Proposal, Independent Auditor's Report, the draft Amendments – if any – to the Articles of Association, showing both the old and new versions, Disclosure Policy, Remuneration Policy, Dividend Distribution Policy, and résumés of the Board members are made available for the shareholders to review at the Company's head office and on the website 21 days before the General Assembly meeting. Furthermore, detailed information is provided for each agenda item in the information documents related to agenda items and other information anticipated for the General Assembly meetings are offered to the investors.

At the General Assembly meeting, the agenda items are presented in an objective and detailed manner using a clear and understandable method, enabling the shareholders to express their opinions and ask questions under equal conditions. At the General Assembly meeting on April 20, 2019, the questions asked by the shareholders were answered on the spot and no written question was sent to the Investor Relations Department due to failure to be answered at the General Assembly meeting.

In order to facilitate attendance, shareholders can also follow the General Assembly meetings via EGKS. The venue of the General Assembly meeting is planned to enable participation of all shareholders. Furthermore, proxy forms are available on the website and the e-company portal and also offered to shareholders through an announcement on the trade registry newspaper.

The minutes of the meeting can be accessed via KAP, EGKS, e-company portal and corporate website. Furthermore, these minutes are open to shareholders at the Company head office and presented upon request.

Information on the donations and grants made in the reporting period is presented to the General Assembly meetings under a separate agenda item. At the Ordinary General Assembly Meeting on April 30, 2019, the upper limit for donations to be made by the Company in the special accounting period of February 1, 2019 - January 31, 2020 was set at TL 500,000 and the donations and aid amounted to TL 402,441.82.

In order for the Board of Directors to reach a resolution in accordance with the Capital Market Regulations, in the special accounting period from February 1, 2019 to January 31, 2020, the majority vote was sought by most of the independent Board members, however there were no transactions that left the job to the General Assembly due to the negative votes of the said members.

In the special accounting period from February 1, 2019 to January 31, 2020, no materially significant transaction has transpired that would cause a conflict of interest between the controlling shareholders, Board members, executives with administrative responsibilities and their spouses, relatives by marriage and blood relatives up to the second degree with the company and its affiliates.

2.4. Voting and Minority Rights

The Company's Articles of Association do not grant any privileges regarding voting rights. Each share is entitled to one vote at Ordinary and Extraordinary General Assemblies.

The Company refrains from practices that inhibit shareholders' exercise of their voting rights and it has established mechanisms to ensure every shareholder, including international ones, can exercise voting rights in the simplest and most convenient manner possible.

Pursuant to Article 10, paragraph (e) of the Articles of Association, shareholders who are entitled to attend the Company's General Assemblies can choose to do so via electronic medium in accordance with Article 1527 of the Turkish Commercial Code.

Even though the Articles of Association do not stipulate a ratio lower than 5% for the exercise of minority rights, Mavi takes utmost care to enable the exercise of the minority rights in accordance with the provisions of the Turkish Commercial Code.

2.5. Dividend Rights

The Company's dividend distribution principles are set out in its Articles of Association under Article 15 "Determination and Distribution of Profit." The Article stipulates that the Company will adhere to the provisions of the Turkish Commercial Code and capital markets legislation in determining and distributing profit. The Articles of Association do not grant any privileges to shareholders in respect of profit distribution.

The Company's Dividend Distribution Policy, approved at the Ordinary General Assembly Meeting on April 30, 2019 and disclosed to the public on the corporate website is set forth below.

Dividend Distribution Policy

The purpose of the dividend distribution policy is to ensure that a balanced and consistent policy is implemented pursuant to the applicable legislation in relation to the interests of the investors and the Company, inform the investors sufficiently and maintain a transparent policy toward the investors.

The general assembly, upon the proposal of the Board of Directors, resolves on the distribution of dividends and the timing and manner of such distribution. To the extent allowed by applicable regulations and financial resources, and taking into account market expectations, long term strategies of the Company, needs of the subsidiaries and affiliates, investment and financing policies and profitability and cash reserves, the Company aims to distribute to the shareholders and other persons sharing the profit at least 30% of the distributable net profit calculated for the relevant period pursuant to the Articles of Association, TCC, CMB's Dividend Distribution Communiqué No. II-19.1 and tax legislation. Dividends may be distributed in cash and/or bonus shares and/or as a combination of both in certain ratios. Dividends are distributed equally to all shares in existence at the time of distribution, pro rata to their respective ratios and regardless of their date of issuance or their date of acquisition. Dividend payments may be made in equal or varying instalments, provided that this is resolved upon during the general assembly meeting where the general assembly has resolved to make dividend distribution. The dividend distribution will commence on the date determined by the General Assembly, provided that the distribution is initiated before the end of the accounting period in which the respective General Assembly meeting takes place. The General Assembly's dividend distribution resolution, passed in accordance with the Articles of Association, may not be revoked unless permitted by applicable law. Should the Board of Directors propose not to distribute dividends, the reasons for this proposal and the manner in which the retained profit would be used will be explained under the agenda item concerning dividend distribution, and this information will be submitted to the shareholders during the General Assembly.

The Board of Directors' dividend distribution proposal or the Board resolutions relating to the distribution of advance dividends are announced to the public in accordance with the relevant regulations, with the form and content of the relevant proposal/resolution, and the tables showing the dividend distribution or the advance dividend distribution, where applicable. Furthermore, to the extent any amendments to this dividend distribution policy are to be introduced, the Board resolution regarding such amendments are announced to the public with the reasons thereof.

2.6. Transfer of Shares

The Articles of Association do not include special provisions that complicate or restrict transfer of shares by the shareholders.

PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. Corporate Website and Contents

Mavi's corporate website is www.mavicompany.com and its purpose is to inform shareholders, other stakeholders and the general public concurrently, clearly, fully, and accurately. This site can also be accessed via a link on the Company's official website, www.mavi.com. The website's Investor Relations section includes all information that the CMB stipulates for disclosure and this information is constantly updated. The information on the Company's corporate website and its investor relations section is the same as or consistent with those disclosures made under the provisions of the applicable legislation; there is no conflicting or missing information. This information is provided in Turkish and English on the website.

3.2. Annual Report

Mavi's annual and interim reports are adequately detailed to provide the public with full and accurate information on the Company's activities. At a minimum, they include all the information required by the relevant Communiqué of the CMB and under the Corporate Governance Principles. These are published on Mavi's corporate website, www.mavicompany.com.

STAKEHOLDERS

4.1. Informing Stakeholders

In addition to the shareholders and capital markets participants, Mavi briefs its employees, customers, dealers, suppliers, financial institutions, potential investors and all other stakeholders at regular intervals via press conferences, press releases, annual reports, corporate website and practices under its Public Disclosure Policy. Furthermore, to the extent deemed necessary and practical, the Company regulates its relations with such persons under written contractual arrangements.

To the extent that the stakeholders' rights are not regulated by law or contract, the interests of the stakeholders are safeguarded by goodwill and to the extent that the Company is able to do so while maintaining the Company's reputation.

The Company discloses information to the public via press conferences, press releases and interviews, and the press statements on financial issues are concurrently released on Mavi's corporate website.

Mavi communicates its notifications and employee briefings to all employees via email concurrently while simultaneously posting them on Mavi's intranet (Maviletişim), which is accessible to all Mavi employees. The Corporate Communications Department also publishes a newsletter, Maviletişim, to enhance communication with the employees.

The Company has designed its communication channels to ensure accessibility for all stakeholders, and access details are posted on the corporate website.

Stakeholders may communicate with the Company at any time via the Corporate Governance Committee, the Audit Committee and the Investor Relations Department or directly by email, surface mail or telephone. Through the Mavi Ethics Board, stakeholders may inform the Corporate Governance Committee or the Audit Committee of actions they deem to violate applicable legislation or to be unethical. The Audit Committee is responsible for reviewing and resolving complaints communicated in relation to accounting, internal control and independent audit of the Company and, similarly, to respond to notifications by Company employees concerning accounting and independent audit. The Audit Committee maintains confidentiality in these cases.

In case of any conflict of interest arising among the stakeholders or a stakeholder being included in multiple groups of interest at the same time, the Company applies a balanced strategy to the extent possible to safeguard all interests.

4.2. Stakeholder Participation in Management

Mavi has in place several practices aimed at facilitating and promoting stakeholders' participation in the Company's management as it strives to enhance these practices.

Employees:

Mavi embraces a management approach whereby the employees are actively involved in the company management. Mavi offers equal opportunities and engagement opportunities to all of its employees in line with its objective of creating a workplace environment in which each employee feel respected and valued. Employee engagement and suggestion systems are an integral part of management philosophy at Mavi. To instill a culture of participative engagement "Encouraging Employee Engagement Policy" has been issued.

Information sharing and communication are included among the pillars of the participative management approach of Mavi. Comprehensive employee engagement meetings are held on a monthly, annual and seasonal basis in order to instill and implement this approach throughout the company.

- GoMavi: This refers to the work/project groups that consist of a multidisciplinary team with members from all functions within the company including mid and senior managers in line with the GoMavi culture which is intended to achieve continuous progression and improvement at Mavi. These work groups convene at the GoForward meeting held at the beginning of each year to determine Mavi's priorities and goals. Outside experts are also invited to attend this meeting. As part of this process in which all employees contribute to the goal setting process of Mavi, the work groups work in a coordinated manner to achieve the goals throughout the year through teamwork.

- MassMavi Meetings: Meetings participated by all head office employees at which the departments share their monthly business plans with each other.

- Management Forum Meetings: Comprehensive biannual meetings participated by all head office employees and held to assess the company's mid-year results.

- Marketing Direction Meetings: Seasonal meetings held to assess the brand's strategies and priorities together with customer, market, product and competition analyses and share the relevant information with management teams, including the sales and category departments in particular.

- Field Strategy and Goal Meetings: Outdoor meetings that last for three days for store managers and two days for assistant store managers. With the presentations given by directors about the company's strategies, it is ensured that common goals are set and a common culture is created across Mavi.

- GoSeason Meetings: Store Managers are provided with training about collection and product details on a biannual basis. During these training programs, information is given by the category managers about the key products of the season and the feedback is received from the store managers.

- Occupational Health and Safety Board Meetings: Mavi Occupational Health and Safety Board, including employee representatives, plays a role in the implementation of the necessary occupational health and safety practices with special care. The Board regularly reviews OHS matters and practices, develops suggestions for improvement actions and wider acceptance of OHS practices across the company and manages the process for achieving full compliance with the applicable legislation.

Mavi has developed a suggestion system to learn about innovative ideas and to ensure that the employees actively participate in the decision-making mechanisms. All suggestions that are submitted through the suggestions/comments area at Maviletişim are collected and evaluated in a systematic manner. This way, we have created a platform by which the employees can freely express their ideas and utilize their expertise in their specific fields as well as their general experience and knowledge to come up with suggestions that could be beneficial for Mavi.

Mavi has formed the GoWellness (Corporate Welfare) work group to create a happy and healthy workplace environment for its employees and carry out various activities aimed at increasing employee loyalty and motivation. This work group, a subgroup of GoTalent which is one of the GoForward work groups, develops and implements projects based on the suggestions from the employees in order to create a happier and healthier workplace environment and help the employees to achieve a balance between their business and private lives and manage time and stress more effectively.

Franchisees:

Mavi holds quarterly meetings with its domestic and foreign franchisees to present the Company's strategy and targets as well as collections. The franchisees are also briefed on current developments and their opinions are received in person while suggestions are considered.

Suppliers:

Mavi works with approximately 130 direct and indirect suppliers that form a key part of the supply chain. There are various practices in place to enhance the Company's cooperation with its suppliers, including supplier trainings, audits and visits where general information on the Company's vision, strategy, business targets and future actions are explained, and Mavi's expectations of suppliers with respect to corporate responsibility and occupational health and safety are communicated.

Customers:

One of Mavi's top priorities is the 'Happiest Mavi Customers' approach, focused on continuously delivering ultimate customer satisfaction. To spread this approach across its operations, Mavi established a special project group, GoCustomer, to channel the synergies of Marketing, HR, Sales and Training department employees into this endeavor. This group carries out activities through the year to ensure that Mavi customers enjoy superior product and service quality and excellent shopping experiences.

Mavi customers can contact Mavi by telephone, email, and social media or through Mavi stores to communicate their opinions and suggestions on the Company's products and services or their thoughts and feelings about Mavi. In November 2019, the Company decided to outsource its call center operations, which were previously in-house, to Global Bilgi. In this new set-up, the customer relations team at the head office manages the back office while Global Bilgi formed a dedicated team of 18 for Mavi at its Bursa location. The new structure, which integrates call center processes across stores and e-commerce, is capable of responding to Mavi customers from 8 am to 12 am seven days a week.

The Company's in-house call center team manages the entire multi-channel flow of information that Mavi receives and the team responds to the customers appropriately. Customer complaints about products and other matters are recorded and reported. Meetings are held to share these reports with all departments of the Company.
Furthermore, services of a third-party firm are procured to monitor all customer social media posts and conversations about Mavi. This service tracks all the engagements about the Company, collects valuable insights and enables rapid turnaround in matters that require response. Over 90% of the content shared and the conversations on social media regarding Mavi are positive.

Mavi conducts regular surveys to collect information on its customers' perceptions and on consumer habits in relation to the Mavi brand, products and advertising campaigns. The Company's Secret Customer visits to Mavi stores and franchises aim at inspecting, monitoring and reporting each retail point and on its service quality.

4.3. Human Resources Policy

For Mavi, ensuring that its human resource, its most valuable asset, functions in the most efficient and productive manner possible, monitoring motivation and job satisfaction in terms of remuneration and morale, and producing relevant policies and measures are key Human Resources (HR) targets. Mavi established its Human Resources Policy with the aim of becoming the most preferred employer.

Mavi's HR processes are developed and conducted by teams from HR and Organizational Development, Talent Acquisition and Recruitment, Retail HR and Administrative Affairs departments, all of which operate under the supervision of the Global Human Resources Department. Also, there exists the GoWellness working group responsible for employee relations and works to develop and carry out projects suggested by the employees along with the employee representatives who work to achieve employee engagement in health and safety issues.

HR policies and practices are implemented to comply with Mavi's business strategies and to support its sustainable growth. They are defined by the organizational competency and behavioral traits ("Mavi Competence Model") and managed accordingly.

The Company has published policies and procedures relating to all HR processes, including employees' job descriptions, performance appraisals and reward criteria. These documents are available on Maviletişim, a portal accessible to all employees. Employees are provided with periodical briefings via the Company's email system and the intranet platform.

All employees are treated equally and free of discrimination on grounds of ethnic background, language, religion, race or gender across all human resources processes, including recruitment, training and development, performance and talent management, career management, and remuneration. The Company received no complaints of discrimination from employees in 2019.

4.4. Code of Conduct and Social Responsibility

Mavi communicates its understanding of ethics under the Code of Conduct, 'Mavi's People and Its Principles,' which is available to all stakeholders via the Company's corporate website and its intranet. If Mavi employees witness unethical conduct at work, they may submit an anonymous complaint via the dedicated Ethics Line. Mavi's customers, suppliers, and other stakeholders or groups may submit complaints of unlawful or unethical practices to the Ethics Board via telephone or email.

Mavi's Ethics Board, consisting of three permanent members and one substitute, is responsible for investigating and resolving complaints of and notifications about ethics violations. The Ethics Board's chairperson and members perform their duties independently from the hierarchy within their own departments and departmental managers, and free from external influence. The Ethics Board is not exposed to pressure from anyone and its decisions are implemented promptly.

Through social responsibility activities inspired by youth, Mavi aims to create sustainable social benefit and empower young people. The Company is engaged in various social responsibility projects, including the following:

- Supporting the Ecological Research Association's (Ekolojik Araştırmalar Derneği, EKAD) efforts to preserve sea turtles facing extinction since 2014 through the Indigo Turtles project,

- Granting annual scholarships to female students in a number that corresponds to the age of the Company. For the 2019–2020 academic year, 29 students received grants under the Mavi Scholarship project, which supports them through their university education.

BOARD OF DIRECTORS

5.1. Board Structure and Composition

The duties and responsibilities of Mavi's Board members are clearly set out in the Company's Articles of Association. The Board of Directors principally defines the Company's strategic targets, determines the workforce and financial resource requirements, and oversees the performance of the management.

The Board of Directors consists of two types of members: executive members and non-executive members. Non-executive members, free of any other administrative duties at the Company, will constitute the majority of Board members.

The Company is managed and represented by a Board of Directors consisting of six members. Half of Mavi's Board members are elected from among candidates proposed by the Class-A shareholders. The Chairperson of the Board of Directors is elected from among those Board members proposed by Class-A shareholders.

Sufficient number of independent members are appointed to the Board of Directors by the General Assembly, in line with the principles concerning independence of the members of Boards of Directors, as set out in the CMB's Corporate Governance Principles. These independent members must possess the qualifications sought under the CMB's Corporate Governance Principles. CMB regulations also govern the terms of office of the independent members of the Board of Directors. In the special accounting period from February 1, 2019 to January 31, 2020, no circumstances that would impair the independence of the independent members occurred.

In the special accounting period from February 1, 2019 to January 31, 2020, only one female member sat on Mavi's Board of Directors. The Corporate Governance Committee has recommended the Board of Directors to increase the number of female Board members and work is ongoing in this matter.

The résumés of the Board members are included in the Annual Report covering the special accounting period from February 1, 2019 to January 31, 2020 under the section 'Board of Directors' and made publicly available on the corporate website.

At Mavi, the positions of the Chairperson of the Board of Directors and the CEO are assumed by different individuals. While Board members are required to dedicate sufficient time to the Company's affairs, there is no restriction on their duties outside of the Company. Considering the significant contribution Board members make to Mavi's Board of Directors with their professional experience and industry expertise, imposing restrictions on their external duties is not deemed necessary. Prior to every General Assembly, the résumés of the Board members and their duties external to the Company are submitted to the shareholders.

Currently, the Board of Directors of Mavi consists of six members whose positions are detailed below.

Name	Position	Other Positions Within the Group and Name of the Relevant Company	Positions External to the Group and Name of the Relevant Company
Ragıp Ersin Akarlılar	Chairman Non-executive	President - Mavi USA Member, Supervisory Board - Mavi Germany Company Secretary - Mavi Canada	-
Seymur Tarı	Board member Non-executive	-	CEO - Turk Ventures Adv Ltd., Istanbul Board Member at: Medical Park Sağlık Hizmetleri A.Ş., Flo Mağazacılık ve Pazarlama A.Ş., Koton Mağazacılık Tekstil Sanayi ve Ticaret A.Ş., DP Eurasia BV, Elif Plastik, MNG Kargo A.Ş.
Fatma Elif Akarlılar	Board member Executive Chief Brand Officer	Supervisory Board Member – Mavi Germany	-
Ahmet Cüneyt Yavuz	Board member Executive CEO	Supervisory Board Member – Mavi Germany	-
Ahmet F. Ashaboğlu	Independent director Non-executive	-	CFO - Koç Holding Board member - several Koç Group companies
Nevzat Aydın	Independent director Non-executive	-	Board member & CEO - Yemeksepeti Advisory Board member - Allianz Board Member - Endeavor, TOBB Young Entrepreneurs, American Turkish Society; Member of Board of Trustees, Boğaziçi University Founding Member, Galata Business Angels; WTech Women in Technology

5.2. Board of Directors' Operating Principles

Board meeting agendas are determined upon the notification by the relevant departments to the senior management and the Board of Directors of the matters that are expressly stipulated by the Articles of Association to be considered by the Board of Directors. The board will convene or pass resolutions as and when the Company's affairs necessitate upon the request of the Chairperson or the Vice Chairperson. In the special accounting period from February 1, 2019 to January 31, 2020, the Board of Directors passed 66 resolutions.

In general, all members of the Board attend the meetings that convene in accordance with Article 390/1 of the Turkish Commercial Code.

Pursuant to Turkish Commercial Code, Article 390/4, should all members agree that a Board meeting is not required, the Board may pass resolutions by obtaining the written assent of the absolute majority of the Board members to proposed resolutions submitted in writing by Board members.

Provisions of the Turkish Commercial Code and capital markets legislation apply to the meeting and resolution quorums of the Board of Directors. Mavi's Articles of Association include no provision granting Board members casting votes or vetoes in Board meetings.

Dates of Board meetings are set at the beginning of each fiscal year and communicated to Board members. Meeting notifications are also sent by email. The Board has appointed a Secretary to ensure all Board responsibilities are fulfilled and resolutions are implemented.

Minutes of the Board meetings are recorded to include all questions raised, all matters discussed, and all resolutions passed, with the reasoning for the voting outcomes. No votes were cast against Board resolutions within the reporting period.

in the special accounting period of February 1, 2019 - January 2020 fiscal year, no related party transactions or material transactions, which were disapproved by the independent members and therefore required presentation to the General Assembly for approval, took place.

The Company has executive liability insurance coverage of $25 million, which extends to all members of the Board of Directors and to the senior management of Mavi's affiliates/subsidiaries.

5.3. Number, Structure and Independence of Board of Directors' Committees

The Board of Directors established an Audit Committee, a Corporate Governance Committee and an Early Identification of Risk Committee to ensure that the Board fulfils its duties and responsibilities in a safe and sound manner. The committees carry out their duties in accordance with the specified operating principles, which are also available on the Company's corporate website.

The Board of Directors appointed members to these committees on April 30, 2019 and disclosed the resolution on the Public Disclosure Platform (PDP).

The Company did not form a Nomination Committee or a Remuneration in the special accounting period of February 1, 2019 - January 31, 2020, and delegated the relevant functions to the Corporate Governance Committee.

The Board of Directors provides all resources and extends full support to the committees for performance of their assigned duties.

Executive members are not eligible for appointment to these committees. Since it is mandatory to appoint the chairpersons of the three committees under the Board of Directors and the members of the Audit Committee from among the Board's independent members, those members serve on multiple committees.

Audit Committee

Name	Title on the Committee	Independent/Non-executive
Ahmet F. Ashaboğlu	Head	Independent, non-executive
Nevzat Aydın	Member	Independent, non-executive

The Audit Committee performs its assigned duties in compliance with capital markets legislation and operating principles of the committees adopted by the Company's Board of Directors.

The Audit Committee passed ten resolutions in the special accounting period of February 1, 2019 - January 31, 2020, collectively expressing its observations on the accuracy, correctness and compliance of the annual and interim financial tables prepared for public disclosure with the Company's accounting principles, observations on the accuracy and correctness of Annual Report and Corporate Governance Compliance forms (KYUR and URF), quarterly evaluations regarding the related party transactions of the company.

The Internal Audit Department operates on the principles of independence and reports directly to the Audit Committee, which consists of independent directors.

Corporate Governance Committee

Name	Title on the Committee	Independent/Non-executive
Nevzat Aydın	Head	Independent, non-executive
Ragıp Ersin Akarlılar	Member	Independent, non-executive
Duygu İnceöz	Member	-

The Corporate Governance Committee was established to monitor the Company's compliance with corporate governance principles, examine the reasons for non-implementation of the principles that have yet to be implemented, and recommend to the Board of Directors ways to improve corporate governance practices.

In the special accounting period of February 1, 2019 - January 31, 2020, the Committee reviewed the Company's corporate governance practices and the corporate governance report, and informed the Board of Directors on the activities of the investor relations department. Also functioning as a remuneration committee, the Corporate Governance Committee submitted to the Board of Directors its opinion on the honoraria to be paid to the independent directors.

Early Identification of Risks Committee

Name	Title on the Committee	Independent/Non-executive
Ahmet F. Ashaboğlu	Head	Independent, non-executive
Ragıp Ersin Akarlılar	Member	Independent, non-executive
Bige İşcan Aksaray	Member	-

The Early Identification of Risks Committee was established to identify the risks that pose a threat to the Company's existence, development and continuity ahead of time, implement risk-mitigation and risk management measures, and manage the risks.

The Early Identification of Risks Committee convenes at least six times a year. In the special accounting period of February 1, 2019 - January 31, 2020, the Committee submitted six written reports to the Board of Directors, with four on enterprise risk management that involves detection of risks and determining the steps and actions to avoid or mitigate risks, and two on the efficacy of the risk control mechanisms in place.

5.4. Risk Management and Internal Control Mechanism

Mavi has established an Early Identification of Risk Committee under its Board of Directors in line with Article 378 of the Turkish Commercial Code and the CMB's Corporate Governance Communiqué. The Committee identifies the risks that may jeopardize the Company's existence, development and continuity ahead of time, thereby supporting the Board of Directors' implementation of risk-mitigation and management measures. The Committee reports to the Board of Directors at each meeting of the Board, and the Company forwards these reports to the independent auditors. The Board of Directors regularly assesses the risks that the Company faces based on the information provided by the Committee.

Responsibility for the management and reporting of risks is supervised by the CFO in coordination with other departments. The risks are prioritized based on periodical reports at the meetings, action plans and responsible departments are determined, and monitored with Critical Risk Indicators. The principal risks that the company is exposed to are categorized and followed under four main headings: financial risks, reputation risks, strategic and operational risks, and legal risks. The Company is also working toward full compliance with the Communiqué on Information Systems Management, which entered into force on January 5, 2018 upon publication in the Official Gazette, No. 30292.

Standard definitions, job descriptions, authorization system, policies and written procedures that are part of the workflows constitute the internal control system. The senior management of the Company and its subsidiaries hold responsibility for internal control mechanisms. The internal control system is periodically reviewed and audited by the Internal Audit Department.

5.5. Mavi's Strategic Targets

The Board of Directors defines the Company's strategic targets, determines the human and financial resources that the Company requires and oversees the management's performance. Accordingly, roadmaps are prepared detailing the operational and financial plans of the Company for three years (detailed plans are laid for the forthcoming year and macro-level plans for the two subsequent years). These plans are updated every year, taking into consideration developments in local and international dynamics. Once a year, Go Forward meetings are organized to discuss these strategies first with C suite and then with managers on all levels to ensure alignment of the whole organization on short and long-term targets of the company.

The management budget, detailing the Company's operational and financial plans for the forthcoming fiscal year, is prepared with the participation of all departments in two phases; the first covers the spring-summer and the second fall-winter. These plans are discussed in detail and finalized, then approved during budget meetings held with the entire senior management and the Board of Directors in attendance. The Board of Directors monitors the financial performance of the Company versus the budget at quarterly meetings. The Board also reviews strategic developments, formulates strategies by considering the recommendations of the administrative structure and makes investment decisions.

In the year-end performance appraisal process, financial and operational indicators along with the degree that the Company has attained its strategic targets are evaluated. These results provide input for the performance system.

5.6. Financial Benefits

The Company's Remuneration Policy, which contains provisions for all the rights, benefits and remuneration provided to the Board members and senior management, along with the criteria applied when determining such, and remuneration principles, was updated and published on the Public Disclosure Platform on April 26, 2019 and made available on the corporate website.

Determining the remuneration for non-executive board members for 2020 will constitute a separate agenda item at the ordinary general assembly meeting to review the special accounting period of February 1, 2019 - January 31, 2020. Remuneration of independent members of the Board does not involve dividends, stock options or performance-based payment plans.

The aggregate of financial benefits paid to Board members in the special accounting period of February 1, 2019 - January 31, 2020, the general manager and the executives reporting directly to him amounted to TL 55 million 895 thousand inclusive of salaries and bonuses. Pursuant to Article 4.6.5 of the Corporate Governance Principles, the salaries and all other benefits paid and provided to Board members and senior executives are disclosed to the public via the Company's annual report. However, the disclosure only provides a breakdown of the benefits as a sum for the Board of Directors and senior executives and does not specify individuals.

In the special accounting period of February 1, 2019 - January 31, 2020, independent Board members Nevzat Aydın and Ahmet F. Ashaboğlu, and the Chairman of the Board of Directors, Ragıp Ersin Akarlılar were each paid TL 9,600.00 in net monthly honoraria. Board member Seymur Tarı waived his honorarium receivables with an application he filed with the Company following the Ordinary General Assembly Meeting on May 2, 2018 and therefore was not paid any honorarium.

Revision of the net monthly honorarium of TL 9,600.00 paid to independent Board members, Nevzat Aydın and Ahmet F. Ashaboğlu, and the Chairman of the Board of Directors, Ragıp Ersin Akarlılar to TL 11,000 will be submitted to the general assembly for approval.

No loan or other credits are extended to the Board members by the Company, which also does not grant any guarantees or other collateral in their favor.

LEGAL EXPLANATIONS

Company Information and Shareholding Structure

Trade Name	: Mavi Giyim Sanayi Ve Ticaret A.Ş.
Address	: Sultan Selim Mah. Eski Büyükdere Cad. No:53 34418 Kağıthane/İSTANBUL
Trade Registry and number	: Istanbul Trade Registry Directorate / 309315
Web address	: www.mavi.com , www.mavicompany.com, www.maviyatirimciliskileri.com
Registered Capital Ceiling	: TL 245,000,000
Issued Capital	: TL 49,657,000
BIST Code	: MAVI

	%	31 January 2020
Fatma Elif Akarlılar	9.06	4,500,000
Seyhan Akarlılar	9.06	4,500,000
Hayriye Fethiye Akarlılar	9.06	4,500,000
Blue International Holding B.V.	0.22	108,293
Other	72.60	36,048,707
	100.00	**49,657,000**

Direct and Indirect Subsidiaries

Direct and indirect subsidiaries of the Company are as follows

Subsidiary	Country	Share
Mavi Europe AG	Germany	100,00 %
Mavi Jeans Nederland BV	Netherlands	100,00 %
Mavi Jeans LLC Limited	Russia	100,00 %
Mavi Kazakhstan LLP	Kazakhstan	100,00 %
Eflatun Giyim Yat. Tic. A.Ş.	Turkey	51,00 %
Mavi Jean Canada	Canada	63,25 %
Mavi Jeans Inc.	USA	51,00 %

Information on Extraordinary General Assembly Meetings During the Year, If Any

No Extraordinary General Assembly Meeting was held during the year.

Subsidiaries Report

Pursuant to Article 199, paragraphs (1) through (3) of the Turkish Commercial Code No.6102, within the first three months of the fiscal year, the Board of Directors of Mavi is obligated to issue a report regarding the relations of Mavi during the past fiscal year with the controlling shareholders of Mavi and the subsidiaries of such controlling shareholders.

As stated in this Subsidiaries Report, issued by Mavi's Board of Directors on 03.27.2020 it has been concluded that with respect to all transactions carried out between Mavi on one side and Mavi's controlling shareholders and their subsidiaries on the other side during the accounting period of 02.01.2019 - 01.31.2020, the consideration received in each transaction was appropriate under the conditions and circumstances then known to Mavi, there were no measures that should have been taken or avoided that could give rise to damages to be suffered by Mavi, and accordingly, there were no measures or actions to be taken for the purpose of compensation.

Information on Lawsuits Filed Against Mavi that Could Materially Affect the Financial Standing and Activities of the company and Potential Outcome of Such Lawsuits

No lawsuit has been filed against Mavi that could materially affect the Company's financial standing or activities.

Explanations Regarding Administrative and Judicial Sanctions Imposed on the Company and its Board Members due to Acts Violating Applicable Legislation

There is no administrative or judicial sanction imposed on Mavi or its Board Members due to acts violating the applicable legislation.

Information on the Amendments to the Articles of Association in the Reporting Period

The amendments made to the articles 3 and 6 of the Articles of Association in order to reflect the current shareholder's structure of our Company and to ensure the compliance of our Company's design activities, that form the basis of our Company's activities, with the design support and incentive legislation/ practices by way of expressing them clearly in the Articles of Association, in addition to these to include the expressions in the Articles of Association that provide the possibility of establishing training facilities, conducting R&D studies and carrying out other commercial works and transactions in order to realize our Company's field of activity, have been adopted at the General Assembly Meeting dated April 30, 2019 following the approval of the Capital Markets Board and the permission of the Ministry of Trade. The resolutions adopted during the said General Assembly Meeting have been registered by the Istanbul Trade Registry on May 7, 2019 and the Articles of Association has been announced on the Turkish Trade Registry Gazette dated May 13, 2019 numbered 9827.

Explanations Regarding the Private and Public Audits Conducted in the Reporting Period

A tax inspection for the accounting period between 02.01.2017 - 01.31.2018 has been initiated by the Republic of Turkey Ministry of Treasury and Finance Tax Inspection Board during the special accounting period between 02.01.2019 - 01.31.2020, and the process for this review continues.

Information Regarding the Company Shares Acquired

The Company has not acquired any of its own shares in the special accounting period from 02.01.2019 - 01.31.2020.

Review Under Article 376 of the Turkish Commercial Code

Upon review of whether or not Mavi's capital was preserved and not lost as per Article 376 of the Turkish Commercial Code, it has been established that as of January 31, 2020, Mavi's issued capital of TL 49,657,000 was well preserved, with the main shareholder having a shareholder's equity of TL 460.224.000 and with a net financial indebtedness/ equity of 0.94, Mavi's indebtedness level was adequate for the continuation of its activities in a sound and safe manner.

BOARD OF DIRECTORS


Ersin Akarlılar / Chairman


Seymur Tarı / Vice Chairman


Cüneyt Yavuz / Member


Elif Akarlılar / Member


Ahmet F. Ashaboğlu / Independent Member


Nevzat Aydın / Independent Member

Directors' Resumes

Ersin Akarlılar | Chairman
Ersin Akarlılar holds a bachelor's degree in Economics from Boğaziçi University and an MBA in finance and international business from New York University, Leonard N. Stern School of Business. He joined Mavi in 1991 and was elected as a member of Mavi's Board of Directors in August 2018. Ersin Akarlılar, who has been the chairman of the Company since July 2017, currently serves as President at Mavi USA, which he established in 1996 in New York City.

Seymur Tarı | Vice Chairman
Seymur Tarı holds an MBA from INSEAD and an MSc and BSc in Mechanical Engineering and Robotics from ETH Zurich. Tarı, currently the CEO at TURKVEN, previously worked for McKinsey & Company's Istanbul office and at Caterpillar Inc. in Geneva. Tarı is currently a Board member at Elif Plastik, Medical Park, Koton, Mavi, Flo, and Domino's.

Cüneyt Yavuz | Member
Cüneyt Yavuz, who holds a bachelor's degree in Political Science from Boğaziçi University and a graduate degree in International Relations from Johns Hopkins University, started his professional career in 1992 at Procter & Gamble where he held various senior sales and marketing management positions. During his tenure, he was appointed Country Manager for Poland in 2003 and lived in Warsaw for five years. Cüneyt Yavuz joined Mavi in 2008 as Chief Executive Officer and was elected to the Board of Directors as member in March 2017.

Elif Akarlılar | Member
Elif Akarlılar, who holds an undergraduate degree in International Politics from the University of Vienna and an MA in Visual Culture and History of Design from New York University, joined Mavi in 1991 and prior to her appointment as global brand director, she held various product development and brand management positions within the Mavi organizations in Istanbul and New York City. Elif Akarlılar continues to serve as a member of the Board of Directors since August 2008.

Ahmet F. Ashaboğlu | Independent Member
Mr. Ashaboğlu holds a BSc degree from Tufts University and a Master of Science degree from Massachusetts Institute of Technology (MIT), both in Mechanical Engineering. He began his career as a Research Assistant at MIT in 1994, followed by various positions in capital markets within UBS Warburg, New York (1996-1999). After serving as a management consultant at McKinsey & Company, New York (1999-2003), Ahmet Ashaboğlu moved back to Turkey and joined Koç Holding as Finance Group Coordinator in 2003. He has been serving as Group Chief Financial Officer (CFO) at Koç Holding since 2006. Ahmet Ashaboğlu was elected to the Board of Directors of Mavi as a member in July 2017.

Nevzat Aydın | Independent Member
Nevzat Aydın is the co-founder and CEO of yemeksepeti.com, the first and largest online food delivery portal in Turkey. Nevzat Aydın (born 1976), who holds a computer engineering degree from Boğaziçi University, attended University of San Francisco for an MBA in Silicon Valley and later returned to Turkey to launch his "yemeksepeti.com" project. In May 2015, yemeksepeti was acquired by the global industry leader Delivery Hero with the biggest valuation ever in Turkish Internet history. Nevzat Aydın was among the 150 entrepreneurs invited from all around the world to the Entrepreneurship Summit held by the US President Barack Obama in April, 2010. He was named number one on Fortune's "40 Under 40" list in 2013 and 2015, and recognized with the Philanthropy Award by the American Turkish Society in 2017. Mr. Aydın is a currently a Board member of Endeavor, TOBB (Union of Chambers and Commodity Exchanges of Turkey) Young Entrepreneurs, and American Turkish Society, and a founding member of Galata Business Angels and Wtech Women in Technology Association. As an active angel investor he currently has 48 investments. He also serves as an independent Board member of Mavi, a member of the Advisory Board of Allianz, and a member of Trabzonspor's Council Board.

Executive Management Resumes

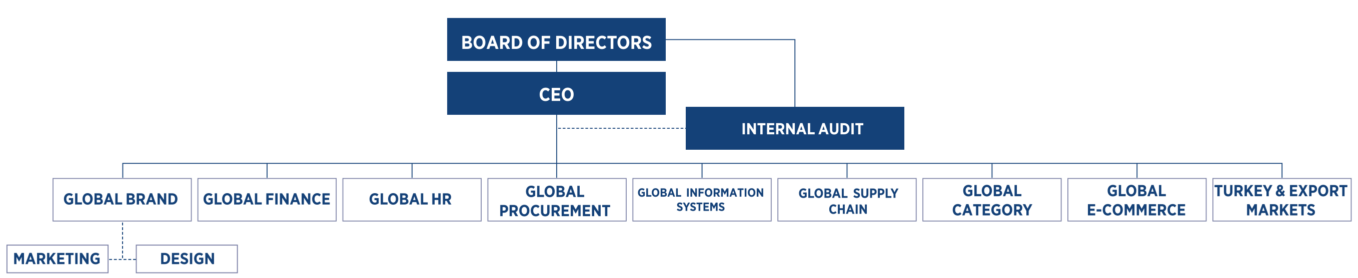
Cüneyt Yavuz | CEO
Cüneyt Yavuz, who holds a bachelor's degree in Political Science from Boğaziçi University and a graduate degree in International Relations from Johns Hopkins University, started his professional career in 1992 at Procter & Gamble where he held various senior sales and marketing management positions. During his tenure, he was appointed Country Manager for Poland in 2003 and lived in Warsaw for five years. Cüneyt Yavuz joined Mavi in 2008 as Chief Executive Officer and was elected to the Board of Directors as member in March 2017.

Elif Akarlılar | Chief Brand Officer
Elif Akarlılar who holds an undergraduate degree in International Politics from the University of Vienna and an MA in Visual Culture and History of Design from New York University, joined Mavi in 1991 and prior to her appointment as global brand director, she held various product development and brand management positions within the Mavi organizations in Istanbul and New York City. Elif Akarlılar continues to serve as a member of the Board of Directors since August 2008.

Bige İşcan Aksaray | CFO
Bige İşcan Aksaray holds a Bachelor's degree in Economics from Boğaziçi University and an MBA from Boston University. She started her professional career at EY's Istanbul office (1991) and later joined Procter & Gamble (Gillette) as a financial analyst (1993), serving in various management positions in the company's Istanbul and London offices, and finally as Regional Finance & Treasury Manager, Turkey, the Balkans and the Mediterranean Hub. She then joined Avon Turkey (2005) as Finance Director, later serving as Executive Finance Director - Turkey, North Africa & Middle East. She was appointed CFO at Mavi in 2019.

Okan Gürsan | Chief Commercial Officer (Turkey & Export Markets)
Okan Gürsan holds a bachelor's degree in Economics (in English) from Dokuz Eylül University, and graduate degrees in Business Administration from Georgia Tech and Bilgi Universities. Mr. Gürsan started his career in 2001 at Ernst & Young and went on to work in various audit, finance, sales and marketing roles from 2004 onward for 11 years at Coca-Cola America, Turkey and Azerbaijan. After joining Boyner Group in 2015 and serving in senior management positions at Beymen and Boyner, Okan Gürsan became part of the Mavi family in 2018 as Chief Commercial Officer (Turkey & Export Markets).

ORGANIZATIONAL CHART AND CHANGES DURING THE REPORTING PERIOD



Board Of Directors' View

Board of Directors' Evaluation of the Financial Performance and Operational Results for the special accounting period of February 1, 2019 - January 31, 2020

In the special accounting period of February 1, 2019 - January 31, 2020, Mavi maintained its strong growth performance and its robust balance sheet structure. As a result of its strong brand perception and recognition, customer-focused approach, competitive strategies aimed at gaining market share, Mavi continued to acquire above 1 million new customers in 2019 for the third year in a row. Despite a very high base, Mavi Turkey's retail business remained robust with above 20% LFL growth, with positive transaction figures and increasing sales volumes. Continued investments in digital channels also played an important role in delivering our sustainable profitable growth targets. The ongoing restructuring in Mavi Europe and Russia along with the currency impact reversing in third quarter, played a significant role in the lower rate of growth in the international operations, leading to a downward revision in the year-end revenue growth and EBITDA guidance.

In the fiscal year 2019 that ended on January 31, 2020:

- The Group's consolidated sales increased by 21.7% year-on-year, amounting to TL 2 billion 863 million TL.
- EBITDA increased by 9% year-on-year, reaching TL 401 million. EBITDA margin declined 1.6 percentage points to 14.0% mainly on the increase in cost of goods.
- Net indebtedness, which was TL 109 million as of January 31, 2019, regressed to TL 9 million as of January 31, 2020 while Net Debt/EBITDA ratio was 0.002x.
- Capital expenditures, which included new store openings, expansion of existing stores and technology investments, amounted to TL 100 million, with investment expenditures constituting 3.5% of sales.

Board Of Directors' Assessment Of The Committees' Effectiveness

Audit Committee, Early Identification of Risk Committee and Corporate Governance Committee are established with the aim of ensuring that the Board of Directors fulfills its duties and responsibilities in a healthy manner.

Audit Committee

The Audit Committee consists of members, who are non-executive and independent members of the Board of Directors, and who possess adequate financial knowledge and experience. The Committee head and member are appointed by the Board of Directors. The Company's Internal Audit department serves as the secretary to the Audit Committee. The secretary is named by the head of the Audit Committee. The Board of Directors extends all resources and support to the Audit Committee for proper functioning.

The Audit Committee oversees the accounting system of the Company, public disclosure of financial information, and functioning and effectiveness of the internal control system and the Internal Audit department. Accordingly, the Committee ensures that financial and operational activities are supervised, all internal and independent audits are carried out in a healthy manner, offers opinion about the accuracy of financial statements and recommendations to the Board of Directors about selection of the independent auditor, reviews Company policies related to investigations about legal compliance, ethical codes, conflicts of interest, poor management and fraudulent transactions, as well as suitability of corporate governance policies through the internal audit department. The Committee furthermore convenes with the internal audit department to discuss the adequacy of the internal control system and holds regular meetings to build a communication bridge between the Board of Directors, finance managers, independent auditors and the internal audit department.

The Audit Committee convenes at least four times a year and every three months at minimum at the Company's head office or another location upon the Committee head's invitation. The Committee can also be called to convene extraordinarily by the Chairman or the Committee head, and hold meetings with the auditors and the executives on a special agenda. The Audit Committee convened four times during the reporting period on March 14, 2019, June 20, 2019, September 16, 2019 and December 12, 2019, and reviewed and approved the internal audit reports.

The Audit Committee convened four times in the special accounting period of February 1, 2019 - January 31, 2020 to review the internal audit activities and passed ten resolutions, which were submitted to the Board of Directors in writing, expressing its observations on the accuracy, correctness and compliance of the annual and interim financial statements prepared for public disclosure with the Company's accounting principles, observations on the accuracy and correctness of Annual Report and Corporate Governance Compliance forms (KYUR and URF), quarterly evaluations regarding the related party transactions of the company.

Corporate Governance Committee

The Corporate Governance Committee monitors the Company's compliance with Corporate Governance Principles, analyzes the reasons for non-implementation of the Principles that have yet to be implemented and offers improvement recommendations to the Board of Directors. The Committee also works in coordination with the Investor Relations department to review the requests and opinions communicated to the Company by investors and shareholders, ensuring that they are resolved, and develops proposals to make sure that public disclosures and analyst presentations are made in compliance with the laws and regulations and particularly in accordance with the Company's public disclosure policy. Since Nomination and Remuneration Committees are not yet established within Mavi, it has been accepted as a principle that the Corporate Governance Committee should fulfill the duties and responsibilities of these committees. The Committee submits reports of its activities and recommendations to the Board of Directors in writing.

In the special accounting period of February 1, 2019 - January 31, 2020, the Committee assessed the Company's corporate governance practices and the Corporate Governance Principles Compliance Report while following the activities of the Investor Relations department and working to update the Company's remuneration policy. The Committee also submitted its opinion to the Board of Directors on determining the honoraria to be paid to the non-executive Board members.

Early Identifcation of Risks Committee

The Early Identification of Risk Committee offers opinions to the Board of Directors for establishing internal control systems, including risk management and information systems processes to mitigate possible risks that may affect the Company's stakeholders and shareholders in particular. In the special accounting period of February 1, 2019 - January 31, 2020, the Committee worked on identifying the risks that could endanger the Company's existence, development and continuity, building models and management systems for early diagnosis and detection and preventing crises, implementing necessary measures against risks and managing the risks, and accordingly submitted six written reports to the Board of Directors.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

At Mavi, responsibility for risk management and reporting is led by the Global Finance Department in coordination with other relevant departments. A global perspective is adopted in Corporate Risk Management activities and Mavi Risk List is created by considering all the risks that concern Mavi and its subsidiaries and affiliates. Senior management of the Company prioritized the risks in the list according to their impact and probability and completed the work required to monitor the risks with high scores through Critical Risk Indicators and action plans. The risk management reports were generated to monitor and manage the risks detected by the Corporate Risk Management System in coordination with the Internal Audit department, and the relevant risks were included in the audit plan. All audits were conducted in accordance with this plan.

The major risks that the company is exposed to are categorized under four main headings: financial risks (exchange rate, liquidity, loans, interest rates and commodity prices), reputation risks, operational and strategic risks, and legal risks. The Early Identification of Risk Committee and the Board of Directors are periodically briefed about such risks.

Financial Risks

The exchange rate risk that could arise from changes in the value of Turkish Lira against currencies such as US dollar, Euro, Russian ruble and Canadian dollar with respect to assets and liabilities in such currencies, and liquidity and cash flow issues in line with working capital requirements are among the key financial risks. Aiming to keep financial risks under control, various financial indicators, including Net Financial Debt/EBITDA and liquidity ratios, foreign exchange position, maturity and distribution of debt are monitored both on company basis and also on consolidated and combined basis, ensuring that they are maintained within specified limits. In managing foreign exchange risk, natural hedges are preferred while financial hedge instruments related to commodity imports are also utilized. In the special accounting period of 1 February 2019 - 31 January 2020, all foreign currency liabilities on the balance sheet were hedged with natural and financial hedge instruments in line with the decision to minimize open position on the balance sheet.

Macroeconomic developments such as slowing economic growth, decline in consumer confidence index and tighter consumer spending are also considered among financial risks. In order to detect the risks that may arise in such conditions early on, the Company monitors specific macroeconomic indicators regularly, and has defined strategic policies such as not exceeding minimum liquidity levels, keeping indebtedness levels low and having adequate and diverse credit lines.

Operational and Strategic Risks

Operational Risks

Key operational risks include failing to realize expansion plans due to inability to secure required retail space, the need to increase operating capital due to ineffective inventory management and decline in profitability, interruption in or halting of suppliers' services. Mavi introduces continuous improvements in all its systems to increase efficiency of operational processes. For this purpose, a project team (Go Operations) operating across functions has been established, and working toward concrete measurable targets for the last three years.

Strategic Risks

Key strategic risks include the issues and decisions that can adversely affect the future existence and sustainability of the company such as material mistakes in assumptions and measurements in short, medium and long-term business plans, making insufficient investments or misguided investments, and failing to anticipate evolving consumer preferences, fashion trends and the competitive landscape. Mavi creates three-year strategic roadmaps, with the first year in detail and the subsequent two years in macro scale, and annually reviews and updates this roadmap in light of latest developments.

Mavi exercises due diligence in selecting the markets where it will operate strategically and avoids direct investments in risky geographical zones. The Company's R&D and innovation culture serves to maintain its competitive strength.

Reputation Risks

Within the scope of the franchise activities that are not under the Company's control, failure of the dealers and wholesalers to act in accordance with the Company's product quality, pricing and marketing strategy and other conditions, social and/or environmental violations across the product lifecycle from production to sales caused by suppliers, dealers, sales teams or support staff that may harm brand image are among reputation risks. For this purpose, the Company has incorporated relevant provisions that impose various obligations into the agreements, and established control and audit processes for compliance.

Legal Risks

Legal regulations and changes that may decrease competitive strength, social, legal or political instability or material legislative changes that may adversely affect trade with countries of operation or sourcing, security breaches that may result in third party access to customer information, environmental law, trade regulations, occupational health and safety, and failure to comply with statutory and other regulatory provisions within the scope of consumer protection issues are considered legal risks.

Risks Relating to COVID-19 Pandemic Considered under Subsequent Events

The Covid-19 outbreak, which was declared a pandemic by the World Health Organization on March 12, 2020, also began to impact Turkey, where the first case was reported on March 10, 2020, in several aspects. Global measures such as travel restriction and social distancing aimed to contain and control the spread of the pandemic are also in effect in all the countries where Mavi has operations. Mavi, whose first and foremost priority globally is the health and safety of its employees, business partners and consumers, has been following the public health guidelines issued by WHO and the local health authorities, and decided to temporarily close all stores in Turkey, Germany and Canada as of March 19, 2020 and Russia stores as of March 29, 2020 along with sales from all online channels in Turkey. During the same timeframe, the Company also completed all the necessary preparations and strengthed its technical infrastructure to continue operations remotely, adopting a full-time work from home schedule for all head office employees.

As a result of these developments, business continuity plans have been immediately put into action to manage the situation. In the context of inventory management measures, working in full collaboration with suppliers, cancellations and postponements for the rest of the year have been determined. All operational costs and capital expenditures have been revised given the force majeure circumstances under which the retail industry is considered. To ensure an undisturbed cash flow according to business continuity scenarios, necessary credit lines have been secured with banks. Following the government support practices in all countries we operate in, all applications have been completed in order tap any available resources. Within the risk management actions, considering all uncertainties this situation holds, the Board of Directors has decided not to pay any dividend from fiscal year 2019 profits. The company has maintained open communication with all stakeholders throughout the period.

Although it is too soon to quantify the impact of the Covid-19 outbreak on business operations, it is considered not to have any impact on the business continuity assumption of the company given its strong financial position and committed, responsive management team.

Assessment of the Internal Control System and Internal Audit Activities

The Internal Audit Department, established during the public offering process in 2017, reports directly to the Audit Committee, which consists of members of the board of directors, within the organizational structure of the company in accordance with the principle of independence.

Internal Audit Department's duties include checking the reliability and accuracy of the financial statements of the company and its subsidiaries, ensuring that activities are carried out in accordance with applicable laws and accepted ethical codes of the company, analyzing processes and identifying current and potential risks to improve the effectiveness and efficiency of operations, and contributing to finding solutions to minimize such risks.

The Internal Audit Department reviews the processes every year and creates a risk-focused annual audit plan. The internal audit activities are carried out in line with this plan.

The Board of Directors establishes internal control mechanisms by considering the views of relevant board committees in a manner to include risk management information systems and processes, which can mitigate the effects of risks that may have an impact on the interests of stakeholders, and shareholders in particular. The Internal Control System is composed of standard definitions, job descriptions, authorization system, and policies and written procedures included in the workflows. The senior management of the Company and its subsidiaries hold responsibility for ensuring that internal control mechanisms function. The Internal Control System is periodically reviewed and audited by the Internal Audit Department for effectiveness. The Audit Committee is regularly briefed about the Internal Control System and internal audits.

RESPONSIBILITY STATEMENT FOR FINANCIAL STATEMENTS

RESPONSIBILITY STATEMENT PURSUANT TO CAPITAL MARKET BOARD'S COMMUNIQUÉ ON PRINCIPLES OF FINANCIAL REPORTING IN CAPITAL MARKETS (II-14.1) ARTICLE 9

Regarding the financial statements pertaining to the special accounting period from 02.01.2019 - 01.31.2020, which were prepared by the Company and audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. in compliance with Turkish Accounting Standards/Turkish Financial Reporting Standards and formats determined by Capital Markets Board (CMB) in accordance with CMB "Communiqué on Principles of Financial Reporting in Capital Markets" ("Financial Reporting Communiqué") II.14.1, including the consolidated statement of financial position, comprehensive income statement, statement of cash flow and statement of changes in equity as well as notes to yearend financial statements, we hereby declare our responsibility for the following:

- We have examined the financial statements,

- Within the frame of information that we hold in our fields of duty and responsibility in the Company, the financial statements do not contain any untrue statement on material events or any deficiency, which may make them misleading as of the date of statement;

- Within the frame of information that we hold in our fields of duty and responsibility in the Company, the financial statements prepared pursuant to the Communiqué – together with those covered by consolidation – fairly reflect the truth relating to assets, liabilities, financial statements, profits and losses of the Company.

Sincerely,
Mavi Giyim San. ve Tic. A.Ş.
Audit Committee

TO THE BOARD OF DIRECTORS OF MAVİ GİYİM SANAYİ VE TİCARET ANONİM ŞİRKETİ RELATED PARTY TRANSACTIONS REPORT

In accordance with “Principles on Related Party Transactions” dated 04.13.2017 and numbered 2017/15 and “Audit Committee Working Principles” dated 24.05.2017 and numbered 2017/28 approved by the Board of Directors of Mavi Giyim Sanayi ve Ticaret A.Ş.(“Company”),

(1) the Audit Committee, at the quarterly meetings held following the announcement of the respective quarterly financials, shall review annually board-approved frequent and continuous related party transactions which were conducted during the relevant quarter,

(2) the Audit Committee, following its annual review of the related party transactions, shall provide a report to the Board of Directors regarding such transactions,

(3) the Board of Directors shall incorporate this report into the Company’s annual activity report.

Based on the above internal regulations, we have reviewed actual implementations and practices observed during the period of February 1, 2019 - January 31, 2020 with regard to the “Frequent and Continuous Related Party Transactions Planned to be Conducted During the Special Accounting Period of January 1, 2019 - January 31, 2020” approved by the Board of Directors Resolution dated 03.29.2019 and numbered 2019/12 (“General Resolution of the Board of Directors”) by analyzing the management reports and the tables annexed to these reports. As a result of the analysis, we observe that;

- the frequent and continuous related party transactions by and between the Company, its subsidiaries and the related parties stated in the General Resolution of the Board of Directors were conducted,

- with respect to the frequent and continuous related party transactions which were conducted between February 1, 2019 - January 31, 2020 - 31.01.2020; it has been determined that there are some differences between the "estimated transaction volumes" stated in the General Resolution of the Board of Directors and the "actual transaction volumes", and that the explanations, provided by the management of the Company in respect of the justifications for such differences, have been deemed satisfactory,

- the terms and conditions governing frequent and continuous related party transactions, as well as the methods and procedures, indicated to be used for measuring whether such transactions are conducted at arm's length or not, were all implemented between February 1, 2019 - January 31, 2020.

With respect to any and all information and documentation submitted to us; we couldn't find any substantial matter during the period of February 1, 2019 - January 31, 2020 that might be against the General Resolution of the Board of Directors.

Audit Committee

RESPONSIBILITY STATEMENT FOR THE ANNUAL REPORT, CORPORATE GOVERNANCE COMPLIANCE REPORT AND CORPORATE GOVERNANCE INFORMATION FORM

THIS RESPONSIBILITY STATEMENT HAS BEEN ISSUED PURSUANT TO CAPITAL MARKET BOARD’S COMMUNIQUÉ ON PRINCIPLES OF FINANCIAL REPORTING IN CAPITAL MARKETS (II-14.1) ARTICLE 9 AND CAPITAL MARKETS BOARD RESOLUTION DATED 10.01.2019 AND NUMBERED 2/49

We hereby present the Annual Report prepared by the Company for the special accounting period dated February 1, 2019 - January 31, 2020 and audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. in compliance with Turkish Commercial Code and Capital Markets Board (“CMB”)’s “Communiqué on Principles of Financial Reporting in Capital Markets” (“Communiqué”) II.14.1; and the Corporate Governance Compliance Report and Corporate Governance Information Form prepared in accordance CMB’s “Communiqué on Corporate Governance” II.17.1 and Capital Markets Board Resolution dated 01.10.2019 and numbered 2/49; and in accordance with the CMB regulations we herebydeclare our responsibility for the following:

- We have examined the Annual Report, the Corporate Governance Compliance Report and Corporate Governance Information Form,

- Within the frame of the information that we hold in our fields of duty and responsibility in the Company, the Annual Report, the Corporate Governance Compliance Report and Corporate Governance Information Form do not contain any untrue statement on material events or any deficiency, which may make them misleading as of the date of the statement,

- Within the frame of the information that we hold in our fields of duty and responsibility in the Company, the Annual Report, the Corporate Governance Compliance Report and Corporate Governance Information Form fairly reflect the progress and performance of the business and the financial situation of the entity – together with the financial situation of the consolidated entities –, along with material risks and uncertainties encountered by the Company.

Sincerely,
Mavi Giyim San ve Tic. A.Ş.
Audit Committee

AUDITORS REPORT & CONSOLIDATED FINANCIAL STATEMENTS

11

AUDITORS REPORT & CONSOLIDATED FINANCIAL STATEMENTS

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

Consolidated Financial Statements As At and For The Year Ended January 31, 2020 With Independent Auditor's Report on Consolidated Financial Statements Thereon

12 March 2020
This report includes 8 pages of independent auditor's report and 85 pages of consolidated financial statements together with their explanatory notes.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

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KPMG Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
Heris Tower, Akdeniz Mah.
Şehit Fethi Bey Cad. No:55 Kat:21
Alsancak 35210 İzmir
Tel +90 232 464 2045
Fax +90 232 464 2145
www.kpmg.com.tr

Independent Auditors' Report

To the Shareholders of Mavi Giyim Sanayi ve Ticaret Anonim Şirketi

Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Mavi Giyim Sanayi ve Ticaret Anonim Şirketi ("the Company") and its subsidiaries (together will be referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 January 2020, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 January 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Turkey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key Audit Matters

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

Revenue recognition

Refer to the Note 2.5 (j) for the relevant accounting policy and disclosures.

The key audit matter	How the matter was addressed in our audit
The Group's revenue is primarily generated from retail sales. In addition to retail sales, the Group generates revenue from wholesale and export sales. Due to the accuracy of revenue recognised from retail sales in the consolidated financial statements by information technology ("IT"), complexity of these systems and the large volume of data processed by these systems, revenue recognition has been identified as one of the key audit matters.	Our audit procedures for testing the revenue recognition included the following: - Evaluating the appropriateness of the revenue recognition policy of the Group; - Evaluating, with the assistance of our internal IT specialists, the design, implementation and operating effectiveness of the below controls; • key internal controls over the general IT environment in which the business systems operate, including access to program controls, program change controls, program development controls and computer operation controls, • key internal IT controls over the completeness and accuracy of rating and bill generation and the end-to-end reconciliation controls from the rating and billing systems to the accounting system, • Testing the integration between IT infrastructure of cash register transaction system and accounting system. - Assessing the timing of revenue recognition and in compliance with accounting policies by examining the transfer of the control through the sales documents obtained for the sales transactions tested on a sample basis.

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Key Audit Matters (continued)

Revenue recognition (continued)

The key audit matter (continued)	How the matter was addressed in our audit (continued)
In addition, the recognition of revenue in the period when the sales is realized is attributable to the assessment whether the product is related with the sales contract. Since sales contracts' structures might be complex, significant judgements must be made while choosing the accounting policy for each condition. Since the timing of revenue recognition requires significant judgements due to the complexity of sales contracts, accounting of wholesale and export sales has been identified as one of the key audit matters.	- Sales contracts with customers have been reviewed and controlled on a sample basis, - By examining the incoterms on the sales documents; assessing the timing of revenue recognition due to variety of shipping arrangements, - Obtaining confirmation letters for trade receivables on a sample basis and checking whether confirmed amount is in line with financial statements, - Performing analytical procedures for the amount of revenue to determine the existence of unusual and one-off transactions, - Testing subsequent period sales returns on a sample basis in order to determine whether the revenue has been appropriately and accurately recognized in the correct reporting period. - The disclosures in the consolidated financial statements in relation to the application of IFRS 15 is tested and the adequacy of such disclosures are evaluated.

Key Audit Matters (continued)

Inventory impairment provision

Refer to the Note 2.5 (d) and Note 9 for the relevant accounting policy and disclosures.

The key audit matter	How the matter was addressed in our audit
The Group's inventories include a risk of impairment due to changes in consumer demands and fashion trends. The provision for the impairment of inventories has been identified as one of the key audit matters since the inventory balance is significant in the consolidated financial statements and computation of inventory impairment provision involves management judgments and estimates.	Our audit procedures for testing the impairment on inventories included the following: - Understanding and evaluating the reasonableness of the provisioning policy and the assessment of its compliance, - Inquiry with the Group management about the risk of impairment as a result of changes in customer demands and fashion trends, - Comparison of current inventory turnover rates to prior periods, - Evaluation of adequacy of the provision for impairment on inventories through comparing with prior periods, - Evaluation of the accuracy and completeness of the inventory reports which are used to calculate the provision for inventories, - Testing the net selling prices used in the calculation of the net realizable value of inventories on a sample basis, - Observation of obsolete and damaged inventories during the inventory counts. - The disclosures in the consolidated financial statements in relation to the inventory impairment provision is tested and the adequacy of such disclosures are evaluated.

Key Audit Matters (continued)

Impairment of goodwill

Refer to the Note 2.5 (c) and Note 13 for the relevant accounting policy and disclosures

Key audit matters	How the matter was addressed in our audit
As at 31 January 2020 the goodwill recognized in the consolidated financial statements amounted to TL 154.398 thousand. Goodwill amounting to TL 137.083 thousand is allocated to Mavi United States, goodwill amounting to TL 13.582 thousand is allocated to Mavi Canada and the remaining amount of goodwill is allocated to other subsidiaries. Goodwill which has indefinite useful life should be tested for impairment annually. In performing impairment assessments, management compared the carrying value of each of the separately identifiable cash generating units ("CGUs") to which goodwill had been allocated with their respective value in use based on discounted cash flow forecasts to determine if any impairment loss should be recognized. The recoverable amount of CGUs, which is based on the higher of the value in use or fair value less costs to sell, has been derived from discounted cash flow models. These models use several key assumptions, including estimates of future sales volumes, and prices, operating costs, terminal value growth rates and the weighted-average cost of capital ("WACC"). These estimates and assumptions are highly sensitive to the expected future market conditions. We identified this issue as a key audit matter because the carrying amount of goodwill is material to the consolidated financial statements and also because of the significant judgment required in determining the assumptions to be used by the management to estimate the recoverable amount.	Our audit procedures for testing the impairment on goodwill included the following: - Evaluating management forecasts and future plans based on macroeconomic information, - Checking the arithmetical accuracy of the underlying calculations and the modeling of the discounted cash flow analysis, - Involving valuation specialist to assist in evaluating the appropriateness of discount rates applied, which included comparing the WACC with sector averages for the relevant markets in which the CGU's operate; - Evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions, judgments and sensitivities.

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Key Audit Matters (continued)

Initial application of IFRS 16 Leases

Refer to the Note 2.3 and Note 14 for the relevant accounting policy and disclosures

Key audit matters	How the matter was addressed in our audit
The Group has initially adopted IFRS 16 "Leases" as of 1 February 2019 and preferred the simplified transition method in the first time adoption of IFRS 16 and not restated comparative consolidated financial statements. As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised TL 469.292 thousand of right of use assets as at 1 February 2019. The amounts recognized as a result of the adoption of IFRS 16 are significant for the consolidated financial statements. In addition, the measurement of the right of use assets and financial lease liabilities are based on significant estimates and assumptions of the management. The substantial part of these estimates are interest rates used to discount cash flows and assessment of options to extend or terminate lease contracts. Nevertheless, the notes to the consolidated financial statements of the Group as of 31 January 2020 are significantly affected by the application of IFRS 16. Therefore, the impacts of the first time adoption of IFRS 16 on the consolidated financial statements and the notes to the consolidated financial statements are determined as a key audit matter for our audit.	We have performed the following audit procedures to be responsive to this area: - Assessing the appropriateness of transition process of right of use assets and lease liabilities in accordance with IFRS 16. - Through our discussions with the Group Management, understanding the Group's process in identifying lease contracts, or contracts contained leases. - Reading a sample of contracts to assess whether leases have been appropriately identified. - Assessing the appropriateness of Group's accounting policies for right of use assets and lease liabilities in accordance with IFRS 16. - Obtaining the Group's quantification of right of use assets and lease liabilities. For a sample of leases, we agreed the inputs used in the quantification to the lease agreements, challenged the calculations of the discount rate applied, and performed re-calculation checks. - Evaluating the appropriateness of the associated disclosures in the consolidated financial statements.

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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 IFRS 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.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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 auditors' 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 ISAs 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 ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

KPMG

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of KPMG International Cooperative

İsmail Önder Ünal
Partner
12 March 2020
İzmir, Turkey

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statements of Financial Position
As at 31 January 2020

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Notes	Audited 31 January 2020	Audited 31 January 2019
ASSETS			
Current assets			
Cash and cash equivalents	*4*	310,838	266,571
Trade receivables		231,101	168,593
- Due from third parties	*7*	*231,101*	*168,593*
Other receivables		17,267	17,059
- Due from third parties	*8*	*17,267*	*17,059*
Inventories	*9*	*496,064*	457,229
Derivatives	*32*	1,214	--
Prepayments	*10*	41,761	37,985
Current tax assets	*30*	2,701	15,805
Other current assets	*19*	17,726	22,070
Total current assets		**1,118.672**	**985,312**
Non-current assets			
Other receivables		3,207	2,411
- Due from third parties	*8*	*3,207*	*2,411*
Property and equipment	*11*	180,719	159,739
Right of use assets	*14*	406,679	--
Intangible assets		*222,449*	*194,454*
- Other intangible assets	*12*	68,051	57,576
- Goodwill	*13*	154,398	136,878
Prepayments	*10*	115	114
Deferred tax assets	*30*	5,583	1,880
Total non-current assets		**818,752**	**358,598**
TOTAL ASSETS		**1,937,424**	**1,343,910**

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

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statements of Financial Position (continued)
As at 31 January 2020
(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Notes	Audited 31 January 2020	Audited 31 January 2019
LIABILITIES			
Current liabilities			
Short term borrowings	5	74,748	79,742
Short term contractual lease liabilities	5	197,954	--
- Due to related parties	6	*1,553*	--
- Due to third parties		*196,401*	--
Short portion of long term borrowings	5	160,946	204,317
Trade payables		597,283	510,284
- Due to related parties	6	*196,804*	*155,105*
- Due to third parties	7	*400,479*	*355,179*
Payables to employees	18	34,714	32,512
Other payables		6,971	16,534
- Due to related parties	6	*126*	*10,330*
- Due to third parties	8	*6,845*	*6,204*
Deferred revenue	10	18,917	17,086
Provisions		16,565	13,034
- Provisions for employee benefits	15	3,118	2,679
- Other provisions	15	13,447	10,355
Derivatives	32	--	9,577
Current tax liabilities	30	6,935	2,732
Other current liabilities	19	7,992	11,116
Total current liabilities		**1,123,025**	**896,934**
Non-current liabilities			
Loans and borrowings	5	84,098	91,985
Long term contractual lease liabilities	5	240,769	--
- Due to related parties	6	3,229	--
- Due to third parties		237,540	--
Deferred revenue	10	3,405	119
Provisions		7,931	5,018
- Provisions for employee benefits	15,17	*7,931*	*5,018*
Deferred tax liabilities	30	532	12,686
Total non-current liabilities		**336,735**	**109,808**
TOTAL LIABILITIES		**1,459,760**	**1,006,742**

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

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statements of Financial Position (continued)
As at 31 January 2020
(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Notes	Audited 31 January 2020	Audited 31 January 2019
EQUITY			
Equity attributable to owners of the Company			
Paid in share capital	20	49,657	49,657
Purchase of share of entities under common control		(35,757)	(35,757)
Other comprehensive expense not to be reclassified to profit or loss		(5,337)	(4,460)
Remeasurement of defined benefit liability		*(5,337)*	*(4,460)*
Other comprehensive income to be reclassified to profit or loss		88,960	56,477
Foreign currency translation reserve		*88,013*	*63,935*
Hedging reserve		*947*	*(7,458)*
Legal reserves		19,771	19,771
Retained earnings		248,086	156,569
Net Income		94,844	91,517
Non-controlling interests		**17,440**	**3,394**
Total equity		**477,664**	**337,168**
TOTAL EQUITY AND LIABILITIES		**1,937,424**	**1,343,910**

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

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statements of Profit or Loss and Other Comprehensive Income
For the year ended 31 January 2020

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Notes	**Audited 1 February 2019 – 31 January 2020**	**Audited 1 February 2018 – 31 January 2019**
Revenue	*21*	2,862,882	2,352,850
Cost of sales	*22*	(1,458,268)	(1,144,905)
Gross profit		**1,404,614**	**1,207,945**
Administrative expenses	*23*	(161,960)	(128,097)
Selling, marketing and distribution expenses	*23*	(857,177)	(762,145)
Research and development expenses	*24*	(25,858)	(22,448)
Other operating income	*25*	10,176	12,243
Other operating expenses	*25*	(7,793)	(10,026)
Operating profit		**362,002**	**297,472**
Gains from investment activities	*26*	105	--
Losses from investment activities	*26*	(913)	(359)
Operating profit before financial income		**361,194**	**297,113**
Finance income	*28*	8,424	4,869
Finance costs	*29*	(232,093)	(169,629)
Net finance costs		**(223,669)**	**(164,760)**
Profit before tax		**137,525**	**132,353**
Income tax expense	*30*	**(29,638)**	**(31,579)**
- Tax expense		(49,313)	(27,625)
- Deferred tax income / expense		19,675	(3,954)
Net Profit		**107,887**	**100,774**
Non-controlling interests		13,043	9,257
Owners of the Company		94,844	91,517
Earnings per share	*31*	**1.9100**	**1.8430**
Earnings before interest, tax, depreciation and amortization (EBITDA)	*37*	**644,390**	**367,130**

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

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statements of Profit or Loss and Other Comprehensive Income
For the year ended 31 January 2020

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Notes	**Audited 1 February 2019 – 31 January 2020**	**Audited 1 February 2018 – 31 January 2019**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit liability	*17*	(1,124)	878
- Deferred tax income/expense	*30*	247	(193)
Items that are or may be reclassified to profit or loss			
Foreign operations - foreign currency translation differences		25,081	36,859
Cash flow hedging reserves		10,776	(10,403)
- Deferred tax income/expense	*30*	(2,371)	2,289
Other comprehensive income net of tax		**32,609**	**29,430**
Total comprehensive income		**140,496**	**130,204**
Total comprehensive income attributable to:			
Non-controlling interests		14,046	7,491
Owners of the Company		126,450	122,713

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

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statements of Changes In Equity
For the year ended 31 January 2020
(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Share capital	Legal reserves	Purchase of share of entities under common control	Other comprehensive income/expense not to be reclassified to profit or loss	Other comprehensive income/expense to be reclassified to profit or loss		Retained earnings		Attributable to owners of the Company	Attributable to non-controlling interest	Total equity
				Remeasurements of defined benefit liability	Foreign currency translation reserve	Hedging reserve	Retained earnings	Net profit			
Balance as at 1 February 2018	**49,657**	**17,427**	**(35,757)**	**(5,145)**	**25,310**	**656**	**111,717**	**85,871**	**249,736**	**(2,555)**	**247,181**
Transfers	--	--	--	--	--	--	85,871	(85,871)	--	--	--
Acquisition of NCI (Note 2.7)	--	--	--	--	--	--	(12,965)	--	(12,965)	(1,542)	(14,507)
Dividend payment	--	2,344	--	--	--	--	(28,269)	--	(25,925)	--	(25,925)
Amendments to IFRS 9	--	--	--	--	--	--	215	--	215	--	215
Total comprehensive income	--	--	--	685	38,625	(8,114)	--	91,517	122,713	7,491	130,204
Total balance as at 31 January 2019	**49,657**	**19,771**	**(35,757)**	**(4,460)**	**63,935**	**(7,458)**	**156,569**	**91,517**	**333,774**	**3,394**	**337,168**
Balance as at 1 February 2019	**49,657**	**19,771**	**(35,757)**	**(4,460)**	**63,935**	**(7,458)**	**156,569**	**91,517**	**333,774**	**3,394**	**337,168**
Transfers	--	--	--	--	--	--	91,517	(91,517)	--	--	--
Total comprehensive income	--	--	--	(877)	24,078	8,405	--	94,844	126,450	14,046	140,496
Total balance as at 31 January 2020	**49,657**	**19,771**	**(35,757)**	**(5,337)**	**88,013**	**947**	**248,086**	**94,844**	**460,224**	**17,440**	**477,664**

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

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Consolidated Statement Of Cash Flow
As at for the year ended 31 January 2020
(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

		Audited	Audited
Cash flow from operating activities	*Notes*	**31 January 2020**	**31 January 2019**
Net profit for the year		**107,887**	**100,774**
Adjustments for:			
Depreciation and amortization expense	*11,12,14,27*	280,254	69,723
Finance income	*28*	(6,254)	(4,665)
Finance costs	*29*	225,870	114,554
Provision for unused vacation	*15*	1,207	690
Provision for employee severance indemnity	*17*	9,274	4,963
Fair value change of derivatives	*29*	865	45,774
Impairment losses on receivables	*34*	362	330
Interest (income)/expense on trade payables	*25*	5,276	(8,696)
Expected credit losses	*25*	(290)	392
Inventory obsolescence	*9*	8,984	(1,913)
Short term and long term provisions	*15*	4,217	2,772
Losses on sale of property and equipment	*26*	808	359
Tax expenses	*30*	29,638	31,579
Unrealized currency translation differences		5,438	(8,022)
		673,536	**348,614**
Changes in:			
Change in trade receivables		(63,706)	(59,680)
Change in inventory		(48,467)	(136,493)
Change in prepaid expenses		(5,719)	(14,635)
Change in other receivables		(973)	7,682
Change in other current and non-current assets		4,344	(8,894)
Change in employee benefits liabilities		2,202	14,431
Change in trade payables		40,024	120,091
Change in payables to related parties		41,745	32,433
Change in deferred revenue		5,118	1,998
Change in other payables		641	5
Change in short term and long term provisions		(1,539)	(707)
Change in other liabilities		(3,340)	5,240
		643,866	**310,085**
Employee benefits paid	*15,17*	(8,666)	(4,547)
Income tax paid	*30*	(32,006)	(44,991)
Net cash from operating activities		**603,194**	**260,547**
Cash flows from investing activities			
Acquisition of tangible assets	*11*	(79,767)	(57,088)
Proceeds from sale of tangible assets		94	393
Acquisition of intangible assets	*12*	(20,822)	(9,007)
Acquisition of subsidiary, net of cash acquired		(11,088)	(14,507)
Interest received		6,224	4,681
Net cash flow used in investing activities		**(105,359)**	**(75,528)**
Proceeds from loans and borrowings		561,470	294,152
Repayment of loans and borrowings		(608,685)	(303,798)
Payments of contractual lease liabilities		(243,461)	--
Proceeds of settlement of derivatives		(881)	(41,409)
Other financial payments	*29*	(78,213)	(68,347)
Dividend paid		--	(25,925)
Interest paid		(79,250)	(40,143)
Net cash flow used in financing activities		**(449,020)**	**(185,470)**
Net increase in cash and cash equivalent		**48,815**	**(451)**
Cash and cash equivalents at the beginning of the year	*4*	**262,023**	**262,474**
Cash and cash equivalents at the end of the year	*4*	**310,838**	**262,023**

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

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Notes to the consolidated financial statements

1 Reporting entity

Mavi Giyim Sanayi ve Ticaret A.Ş. (the "Company" or "Mavi Giyim"), established in 1991, engages in wholesale and retail sales of ready-to-wear denim apparel. The product range includes knit and woven shirts, t-shirts, sweaters, jackets, skirts, dresses, accessories and denim bottoms for men, women and children.

The Company's registered office is Sultan Selim Mahallesi, Eski Büyükdere Caddesi, No. 53, 34418 Kağıthane Istanbul/Turkey.

Export sales operations started in 1994. Mavi Giyim has offices and showrooms in Heusenstamm, Düsseldorf, Sindelfingen, Munich, Hamburg, Leipzig, Zurich, Salzburg, Prague, Brussels, Almere, Moscow, New York, New Jersey, Los Angeles, Atlanta, Dallas, Vancouver, Toronto and Montreal.

Shares of the Company has been traded at Borsa Istanbul ("BIST") since 15 June 2017. As of 31 January 2020, the Company's main shareholders are Blue International Holding B.V., which owns 0.22% of the Company's share capital, and Fatma Elif Akarlılar, Hayriye Fethiye Akarlılar and Seyhan Akarlılar, each of whom own 9.062% of the Company's share capital (31 January 2019: Blue International Holding B.V., which owns 0.22% of the Company's share capital, and Fatma Elif Akarlılar, Hayriye Fethiye Akarlılar and Seyhan Akarlılar, each of whom own 9.062% of the Company's share capital). Blue International Holding B.V. is controlled by Fatma Elif Akarlılar, Hayriye Fethiye Akarlılar and Seyhan Akarlılar.

The consolidated financial statements as at 31 January 2020 include financial position and the results of Mavi Giyim, Mavi Europe AG ("Mavi Europe"), Mavi Nederland BV ("Mavi Nederland") and Mavi LLC ("Mavi Russia"), Eflatun Giyim Yatırım Ticaret Anonim Şirketi ("Eflatun Giyim"), Mavi Jeans Incorporated ("Mavi Canada"), Mavi Jeans Incorporated ("Mavi United States of America ("USA"), Mavi Kazakhstan LLP and its subsidiaries are referred here as the "Group" and individually "the Group entity" in this report.

The ownership interest of and voting power held by the Company as at and for the years ended 31 January 2020 and 2019 are as follows:

Subsidiaries	Place of Incorporation	Principal Activities	Effective Shareholding %	
			31 January 2020	31 January 2019
Mavi Europe	Germany	Wholesale and retail sales of apparel	100.00	100.00
Mavi Nederland	Netherland	Wholesale sales of apparel	100.00	100.00
Mavi Russia	Russia	Wholesale and retail sales of apparel	100.00	100.00
Mavi USA	USA	Wholesale and retail sales of apparel	51.00	51.00
Eflatun Giyim	Turkey	Holding company	51.00	51.00
Mavi Canada	Canada	Wholesale and retail sales of apparel	63.25	63.25
Mavi Kazakhstan (1)	Kazakhstan	Retail sales of apparel	100.00	100.00

(1) Mavi Kazakhstan is in the liquidation process and does no longer proceed any operations as of 31 October 2015. Mavi Kazakhstan financials have not been consolidated since its operations insignificant in terms of consolidated financial statements, as of 31 January 2020.

As of 31 January 2020, Group's total number of employees is 4,086 (31 January 2019: 3,911).

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

2 Basis of presentation of financial statements

2.1 Basis of accounting

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the IASB.
The consolidated financial statements were authorised for issue by the Board of Directors on 12 March 2020. General Assembly and other regulatory institutions have the authority to modify the consolidated financial statements.

(b) Basis of measurement
A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments which are measured at fair value. The methods used to measure fair values are discussed further in Note 2.5 (q).

(c) Functional and presentation currency

The Company maintains its books of account and prepares its statutory financial statements in Turkish Lira ("TL") which is the Company's functional currency. 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.

These accompanying consolidated financial statements are presented in TL which is the Company's functional currency except when the otherwise indicated.

The table below summarises functional currencies of the Group entities.

Company	Functional currency
Mavi Giyim	TL
Mavi Europe	Euro ("EUR")
Mavi Nederland	EUR
Mavi Russia	Rouble ("RBL")
Eflatun Giyim	TL
Mavi USA	US Dollars ("USD")
Mavi Canada	Canada Dollars ("CAD")

(d) Use of judgements and estimates
In preparing these consolidated financial statements management has made judgements, estimates, and assumptions that affects the application of the Group's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

2 Basis of presentation of financial statements *(continued)*

2.1 Basis of presentation *(continued)*

(d) Use of judgements and estimates *(continued)*
Information about assumptions and estimation uncertainties that have a risk of resulting in a material adjustment is included in the following notes:

- Note 7 Trade receivables: Allowance for doubtful receivables.
- Note 9 Inventory: Allowance for inventory impairment.
- Note 10 Deferred revenue: Estimation of loyalty credits that can be redeemed in the next years.
- Note 11 and 12 Property equipment and and intangibles: Useful lives.
- Note 12 and 13 Impairment of intangible assets including goodwill: Key assumptions, underlying recoverable amounts.
- Note 15 and 17 Provision for employee termination benefits: Key actuarial assumptions.
- Note 15 Provisions for sales returns: Estimation of return, provision for upcoming months using the historical data.

2.2 Basis of consolidation
The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.
The accompanying consolidated financial statements include the accounts of the parent company and its subsidiaries on the basis set out in the section below.

Subsidiaries are consolidated based on the following methods:
- Mavi Russia, Mavi Nederland and Mavi Europe are fully consolidated without non-controlling interest.
- Eflatun Giyim, Mavi Canada and Mavi USA are fully consolidated. Non-controlling interest has been accounted for Eflatun.

(a) Business combinations
The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see 2.5 (f)). Any gain on a bargain purchase is recognised in profit or loss immediately. Transactions costs, other than those associated with the issuance of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.
The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.
Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.
If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

2 Basis of presentation of financial statements *(continued)*

2.2 Basis of consolidation *(continued)*

(b) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(c) Non-controlling interests

Non-controlling interests ("NCI") are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's share in subsidiaries that do not result in loss of control are accounted for as equity transactions.

(d) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

(e) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Company are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established; for this purpose comparative periods are restated. The restatement does not extend to periods during which the entities were not under common control. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Company's controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within the Company equity and any gain/loss arising is recognised directly in equity.

(f) Foreign currency

i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- an investment in equity securities designated as at FVOCI (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

2 Basis of presentation of financial statements *(continued)*

2.2 Basis of consolidation *(continued)*

(f) Foreign currency (continued)

ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into TL at exchange rates at the reporting date. The income and expenses of foreign operations are translated via monthly average exchange rates.

Foreign currency differences are recognised in other comprehensive income and accumulated into the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes off only part of its investment in an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

The Group and subsidiaries use either TL, EUR, RUB, USD or CAD as functional currencies since these currencies are used to a significant extent in, or have a significant impact on, the operations of the related Group and subsidiaries and reflect the economic substance of the underlying events and circumstances relevant to these entities. All currencies other than the currency selected for measuring items in the financial statements are treated as foreign currencies. Accordingly, transactions and balances not already measured in the functional currency have been re-measured to the related functional currencies. The Group uses TL as the reporting currency.

The financial statements of subsidiaries that report in the currency of an economy formerly accepted as hyperinflationary (Turkey) are restated in terms of the measuring unit current at the reporting dates as the reporting currency. The above-mentioned decision dated 17 March 2005 as a result of the application of hyperinflation accounting ended as of 31 December 2005 and TL came off as not highly inflationary status for the period beginning after 1 January 2006.

The foreign currency exchange rates as at balance sheet date of the related periods are as follows:

	31 January 2020	31 January 2019
TL / EUR	6.5782	6.0339
TL / USD	5.9716	5.2781
TL / RUB	0.0943	0.0795
TL / CAD	4.5119	3.9804

The foreign average currency exchange rates for the related periods are as follows:

	1 February 2019 – 31 January 2020	1 February 2018 – 31 January 2019
TL / EUR	6.3860	5.8358
TL / USD	5.7180	4.9929
TL / RUB	0.0885	0.0775
TL / CAD	4.3098	3.8179

2 Basis of presentation of financial statements *(continued)*

2.3 Change in significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements. Material changes in accounting policies and material accounting errors are adjusted retrospectively and prior periods' consolidated financial statements are restated.
In preparing the consolidated financial statements as of 31 January 2020, there are no changes in accounting policies except for the initial application of IFRS 16.
The Group has initially adopted IFRS 16 Leases from 1 February 2019. A number of other new standards are effective from 1 February 2019 but they do not have a material effect on the Group's consolidated financial statements.
IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

(a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRS Interpretation 4 "Determining Whether an Arrangement contains a Lease". Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.
On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRS Interpretation 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 February 2019.
At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non- lease components as a single lease component.

b) As a lessee

The Group has lease contracts for various items of buildings, stores, vehicles and warehouses.
As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The carrying amounts of right-of-use assets are as follows:

	Buildings	Stores	Vehicles	Warehouses	Total
Balance at 1 February 2019	24,088	435,472	6,152	3,580	469,292
Balance at 31 January 2020	40,941	360,739	2,617	2,382	406,679

The Group presents lease liabilities in "current and non-current contractual lease liabilities" in the consolidated statement of financial position.

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2 Basis of presentation of financial statements *(continued)*

2.3 Change in significant accounting policies *(continued)*

(c) Impacts on the consolidated financial statements

i. Transition effect

Previously, the Group classified site, building and vehicle leases as operating leases under IAS 17. The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.
- Applied a single discount rate to a portfolio of leases with similar characteristics.
- The Group rely on its assessment of whether leases are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review.
- As an facilitator, the lessee chose not to separate the non-leasing components from the leasing components on the basis of the underlying asset class and instead to account for each lease component and its associated leasing components as a single leasing component.
- Office equipments which have insignificant contract value are not included under the scope of IFRS 16.
- Initial direct costs incurred as at 1 February 2019 are not associated with the right of use assets.
- The group has no exemptions for any group of assets related with financial lease liabilities.

Group leases building, stores, warehouse and vehicles. For leases that were classified as operating leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at 1 February 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.
The right-of-use assets for most leases were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised.
The right of use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The weighted average rate applied is 20% for lease contracts in Turkish Lira, 3.5% for lease contracts in Euro, 4.05% for lease contracts in US Dollar, 3.95% for lease contracts in Canada Dollar and 14% for lease contracts in Ruble.

	1 February 2019
Operation lease comintment as of 31 January 2019	1,252,484
Lease liabities as of 1 February 2019	469,292

ii. Current period effect

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised TL 604,617 thousand of right of use assets and TL 438,723 thousand of lease liabilities as at 31 January 2020.

Also in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the twelve month ended 31 January 2020, the Group recognised TL 203,768 thousand of depreciation charges and TL 74,080 thousand of financial expense from these leases.

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

2 Basis of presentation of financial statements *(continued)*

2.3 Change in significant accounting policies ***(continued)***

(c) Impacts on the consolidated financial statements *(continued)*

ii. Current period effect (continued)

The impact of IFRS 16 on consolidated financial statements and EBITDA is as follows:

	31 January 2020	IFRS 16 Effect	After IFRS 16
Current assets	1,120,613	(1,941)	1,118,672
Non-current assets	411,509	407,243	818,752
Current liabilities	925,071	197,954	1,123,025
Non-current liabilities	102,976	233,759	336,735
Equity	504,075	(26,411)	477,664

	1 February – 31 January 2020	IFRS 16 Effect	After IFRS 16
Operating profit	322,101	39,901	362,002
Operating profit before finance costs	321,293	39,901	361,194
Finance cost, net	(149,938)	(73,731)	(223,669)
Profit before tax	171,355	(33,830)	137,525
Net profit	134,178	(26,291)	107,887
EBITDA	400,721	243,669	644,390

2.4 Changes in accounting estimates and errors

Changes in accounting policies or accounting errors are applied retrospectively and the consolidated financial statements of the previous periods are restated. If estimated changes in accounting policies are for only one period, changes are applied on the current year but if the estimated changes effect the following periods, changes are applied both on the current and following years prospectively. When a significant accounting error is identified, it is corrected retrospectively and the prior year consolidated financial statements are restated.

2 Basis of presentation of financial statements *(continued)*

2.5 Summary of significant accounting policies

Certain comparative amounts in the statement of financial position and profit or loss and other comprehensive income have been reclassified or represented, either as a result of correction of errors or change in classification to conform current year presentation. The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except the initial application of IFRS 16.

(a) Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRS Interpretation 4. The details of accounting policies under IAS 17 and IFRS Interpretation 4 are disclosed separately.

Policy applicable from 1 February 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into, on or after 1 February 2019.

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Amounts expected to be paid by the lessee under residual value commitments

The right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's accounting policies.

2 Basis of presentation of financial statements *(continued)*

2.5 Summary of significant accounting policies ***(continued)***

(a) Leases ***(continued)***

As a lessee (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before 1 February 2019

For contracts entered into before 1 February 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

2 Basis of presentation of financial statements *(continued)*

2.5 Summary of significant accounting policies ***(continued)***

(b) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost including borrowing costs-less accumulated depreciation and any accumulated impairment losses.
When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Any gain and loss on disposal of an item of property and equipment is recognised in profit or loss and presendet under gains/losses from investment activities.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Property and equipment are depreciated from the date they are available for use. Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight line method over their estimated useful lives, and is generally recognised in profit, or loss.
Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of lease term. Land is not subject to depreciation.

The estimated useful lives for the current and comparative periods are as follows:

- Vehicles (5) years
- Furniture and fixtures (3 – 15) years
- Leasehold improvements shorter of (1 – 10) years or lease term

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(c) Intangible assets and goodwill

(i) Recognition and measurement

Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Intangible assets recognised in a business combination

Customer relationships arising from the business acquisitions were recognized at their fair values.

Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(ii) Subsequent expenditures

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

2 Basis of presentation of financial statements *(continued)*

2.5 Summary of significant accounting policies ***(continued)***

(c) Intangible assets and goodwill ***(continued)***

(iii) Amortisation

Except for goodwill, intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

- Trademark (15) years
- Licenses (3–5) years
- Customer relationships (9-15) years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(d) Inventories

Inventories are measured at the lower of cost or net realizable value.

The cost of inventories is based on first-in first-out principle, and includes expenditure incurred for the purchase and bringing the items to their current condition. Net realizable value is the estimated selling price, in the ordinary course of business, less estimated costs of completion and estimated costs to sell. Net realizable value write-downs are evaluated in product groups and for particular seasons such as fall/winter and spring/summer.

(e) Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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2 Basis of presentation of financial statements *(continued)*

2.5 Summary of significant accounting policies ***(continued)***

(e) Financial instruments ***(continued)***

(ii) Classification and subsequent measurement (continued)

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- the purpose of the business model; managing daily liquidity needs, maintaining a certain interest yield, or aligning the maturity of financial assets with the maturity of debts funding these assets.
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected and the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

2 Basis of presentation of financial statements *(continued)*

2.5 Summary of significant accounting policies ***(continued)***

(e) Financial instruments ***(continued)***

(ii) Classification and subsequent measurement (continued)

Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. For derivatives identified as a hedging tool, see section (v) below.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss. For derivatives identified as a hedging tool, see section (v) below.

2 Basis of presentation of financial statements *(continued)*

2.5 Summary of significant accounting policies ***(continued)***

(e) Financial instruments ***(continued)***

(iii) Derecognition

Finansal assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(v) Derivative financial instrument and hedge accounting

The Group uses derivative financial instruments for the purpose of hedging foreign currency and interest rate risk. Embedded derivative instruments are separated from the host contract and recognized separately when the underlying contract is not a financial asset and met certain criteria.

Derivatives are initially recognized at fair value. Subsequent to initial recognition of derivative instruments, changes in fair value are recognized in profit or loss.

The Group defines certain derivatives as hedging instruments in order to maintain the variability in the cash flows related to the high probability of realization arising from the changes in exchange rates and interest rates. The Group defines certain derivatives and non-derivative financial liabilities as hedging instruments for net investment in foreign operations.

At the beginning of the hedge relationship, the Group makes a certification regarding the risk management purpose and strategy that causes the hedging relationship and the operation of the enterprise. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in the cash flows of the hedged item and the hedging means are expected to offset each other.

2 Basis of presentation of financial statements *(continued)*

2.5 Summary of significant accounting policies *(continued)*

(e) Financial instruments *(continued)*

(v) Derivative financial instrument and hedge accounting (continued)

Hedge accounting

If a derivative instrument is designed as a cash flow hedge hedging instrument, the effective portion of the change in the fair value of the derivative instrument is recognized in other comprehensive income and presented under equity in the hedging reserve. The ineffective portion of the change in the fair value of the derivative is recognized directly in profit or loss. The effective portion of the change in the fair value of the derivative instrument determined on the present value basis from the beginning of the hedging relationship recognized in other comprehensive income is limited to the cumulative effect of the change in the fair value of the hedging instrument.

In the cash flow hedge relationship, the group defines only the change in the spot item of the forward contract as a means of hedging.

The Group, enters into forward contracts in order to hedge the foreign currency risk on product imports arising from the foreign currency differences between the purchase order date and arrival date.

The change in the fair value of forward value of forward foreign exchange purchase contracts is recognized as hedging reserve as a hedging cost in equity as a hedging cost. In the event that a non-financial asset or liability is subsequently recognized in the financial statements, the amount accumulated in the hedging fund and the cost of hedging are included directly in the initial cost of the non-financial asset or liability. For all other hedge transactions, the hedging reserve and the hedging cost are classified in profit or loss in the hedging reserve in the period or periods when the estimated future cash flows are affected by profit or loss.

The hedge accounting is discontinued in case the hedging relationship (or part of it) no longer meets the required criteria, the hedging instrument is expired or sold, terminated or used. In case of discontinuation of cash flow hedge accounting, the retained amount in the hedging fund shall continue to be classified under equity until the hedged estimate of the non-financial item is recorded; hedging cost is classified as profit or loss in the periods in which the estimated future cash flows are affected by profit or loss. If the expected future cash flows are no longer expected to materialize, the amount accumulated in the hedge fund and the cost of that fund are immediately classified in profit or loss.

(f) Impairment of assets

(i) Non-derivative financial assets

Financial instruments and contract assets

The Group recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- bank balances for which credit risk has not increased significantly since initial recognition.

Loss allowances for trade receivables, other receivables, other assets and contract assets are always measured at an amount equal to lifetime ECL.

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2 Basis of presentation of financial statements *(continued)*

2.5 Summary of significant accounting policies *(continued)*

(f) Impairment of assets *(continued)*

(i) Non-derivative financial assets (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers bank balances to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

12-month expected credit losses are that result from possible default events within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls.

ECLs are discounted at the effective interest rate of the financial asset.

For trade receivables, other receivables, other assets and contract assets the Group applies the simplified approach to providing for expected credit losses prescribed in IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables. The Group performed the calculation of ECL rates separately for individual, corporate, public and wholesale customers.

The ECLs were calculated based on actual credit loss experience over the past years.

ECLs are a probability-weighted estimate of credit losses. In other words, it is the credit losses that are measured on the present value of all the cash deficits (for example, the difference between the cash inflows to the entity and the cash flows expected by the entity to be collected based on the contract).

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are creditimpaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

2 Basis of presentation of financial statements *(continued)*

2.5 Summary of significant accounting policies *(continued)*

(f) Impairment of assets *(continued)*

(i) Non-derivative financial assets (continued)

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where trade receivables, other receivables, other assets and contract assets have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

(ii) Non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs ("Cash Generating Unit"). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset of CGU.

An impairment loss is recognised if the carrying amount of an asset of CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Employee benefits

(i) Long term employee benefits

Provision for employee termination benefits

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum payments to employees whose employment is terminated without due cause, called up for military service, death or retirement. IAS 19 "Employee Benefits" requires actuarial valuation method to be developed to estimate the enterprise's obligation under defined benefit plans. Consequently, in the accompanying consolidated financial statements, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employee. Severance payment provisions are not subject to legal funding.

In accordance with the Russian Labor Law (the Article 178 "Dismissal allowances", Chapter 27, Section VII "Guarantees and compensations"), when the Group company unilaterally terminates the employment agreement, employer should inform the employee two months before position cancelling date. After two months, at the date of dismissal, employer is required to pay the employee a dismissal compensation at the amount of one month average wage. In case the employee can not find an employment during two preceding months after the dismissal date, employee has right to request

2 Basis of presentation of financial statements *(continued)*

2.5 Summary of significant accounting policies *(continued)*

(g) Employee benefits *(continued)*

(i) Long term employee benefits (continued)

The Group has not recorded any reserve for employee severance payments for its employees in foreign subsidiaries, except Russia since only under very specific circumstances a company is liable to pay a severance according to labour laws of the foreign entities.

(ii) Short term employee benefits

Short-term employee benefit obligations are consisting of reserve for the vacation pay liability due to the earned and unused vacation rights of its employees. The Group is obliged to make payments for unused vacation days in the amount of the employment contract is terminated on the date of the daily gross wage and contract related interests on the total payment. The Group provides reserve for the vacation pay liability due to the earned and unused vacation rights of its employees.

Vacation pay liability is measured on an undiscounted basis and is recognised in profit or loss as the related service is provided.

(h) Provisions; contingent liabilities and contingent assets

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money where appropriate and the risks specific to the liability.

Contingent liabilities are reviewed to determine if there is a possibility that the outflow of economic benefits will be required to settle the obligation. Except for the economic benefit outflow possibility is remote such contingent liabilities are disclosed in the notes to the consolidated financial statements.

If the entry of the economic benefit to the Group is possible, explanations are included in the disclosures of the consolidated financial statements about the contingent asset if the entry of economic benefit is certain, the asset and its related income changes are included in the consolidated financial statements at the date that they occurred.

(ı) Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').

a) A person or a close member of that person's family is related to a reporting entity if that person:

i. has control or joint control of the reporting entity;

ii. has significant influence over the reporting entity; or

iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies:

i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

iii. Both entities are joint ventures of the same third party.

2 Basis of presentation of financial statements *(continued)*

2.5 Summary of significant accounting policies *(continued)*

(ı) Related parties *(continued)*

iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity,

v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

vi. The entity is controlled or jointly controlled by a person identified in (a).

vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

viii. The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

(j) Revenue

(i) General model for accounting of revenue

In accordance with IFRS 15, a five-step model is followed in recognizing revenue for all contacts with customers.

Step 1: Identify the contract

A contract exists only if it is legally enforceable, the collection of the consideration is probable, the rights to goods and services and payment terms can be identified, the contract has commercial substance; and the contract is approved and the parties are committed to their obligations.

If either contracts were negotiated as a single commercial package, or consideration in one contract depends on the other contract or goods or services (or some of the goods or services) are a single performance obligation the Group accounts the contracts as a single contract.

Step 2: Identify the performance obligations

The Group defines 'performance obligation' as a unit of account for revenue recognition. The Group assesses the goods or services promised in a contract with a customer and identifies as:

(a) a performance obligation either a good or service that is distinct; or

(b) or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer.

A contract may contain promises to deliver a series of distinct goods or services that are substantially the same. At contract inception, an entity determines whether the series of goods or services is a single performance obligation.

Step 3: Determine the transaction price

In order to determine the transaction price, the Group assesses how much consideration it expects to be entitled to by fulfilling the contract. In arriving at the assessment, the Group considers variable elements of consideration, as well as the existence of a significant financing component.

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2 Basis of presentation of financial statements *(continued)*

2.5 Summary of significant accounting policies *(continued)*

(j) Revenue *(continued)*

Significant financing component

The Group revises the promised amount of consideration for the effect of a significant financing component to the amount that reflects what the cash selling price of the promised good or service. As a practical expedient, the Group does not adjust the transaction price for the effects of a significant financing component if, at contract inception, the entity expects the period between customer payment and the transfer of goods or services to be one year or less. In cases where advance for the services are received and the payment scheme is broadly aligned with the Group's performance throughout the period, the Group concludes that the period between performance and payment is never more than 12 months, therefore the expedient is applied.

Variable cost

The Group identifies items such as price concessions, incentives, performance bonuses, completion bonuses, price adjustment clauses, penalties, discounts, credits, or similar items may result in variable consideration if there is any in a customer contract.

Step 4: Allocate the transaction price

If distinct goods or services are delivered under a single arrangement, then the consideration is allocated based on relative stand-alone selling prices of the distinct goods or services (performance obligations). If directly observable stand-alone selling prices are not available, the total consideration in the service contracts is allocated based on their expected cost plus a margin.

Stage 5: Revenue recognition

The Group recognizes revenue over-time if any of the following conditions is met:

- Customer simultaneously receives and consumes the benefits as the entity performs, or
- The customer controls the asset as the entity creates or enhances it, or
- Group's performance does not create an asset for which the entity has an use; and alternative there is a right to payment for performance to date.

For each performance obligation that is satisfied over time, an entity selects a single measure of progress, which depicts the transfer of control of the goods or services to the customer. The Group uses a method that measures the work performed reliably.

If a performance obligation is not satisfied over time, then the Group recognize revenue at the point in time at which it transfers control of the good or service to the customer.

The Group recognizes a provision in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits.

Goods sold

In overall, the Group has wholesale, retail and e-commerce business. Retail sales represent sales to consumers at mono-brand Mavi stores that the Group operates. Revenue is recognized when the significant risk and rewards 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. The discount is recognized as a reduction of revenue as the sales are recognized.

2 Basis of presentation of financial statements *(continued)*

2.5 Summary of significant accounting policies ***(continued)***

(j) Revenue ***(continued)***

Wholesale sales are to third-party retailers that then on-sell to consumers. The wholesale channel includes Mavi mono-brand stores operated by franchisees, department store chains, corner shops, and third-party online channels. The Group signs franchise agreements with franchises. However, the Group does not send consignment inventory to these franchises nor does the Group earn franchise fees on these agreements. The Group recognizes revenues from franchisees on a principal basis as gross when the significant risk and rewards of ownership have been transferred to the franchisees.

In addition, the Group has consignments in certain department stores. Revenue from these consignments is recognized only after they are sold to the end customer as defined above.

Ecommerce represents direct sales that the Group makes to consumers on own mavi.com websites. Revenue from the sale of goods through wholesale business in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates.

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.

The Group also generates revenue in the form of royalty fees.

Corporate card sales to corporate customers are initially recognized as deferred revenue and the revenue is recognized when the card is used by the ultimate customer. Corporate cards given to customers during the reporting period are valid until a specific maturity date. Unused balance of the corporate cards are recognized as revenue following the expiration date.

Loyalty programme

For customer loyalty programmes, the fair value of the consideration receivable in respect of the initial sale is allocated to the "Kartuş Card Points". The present fair value of the Kartuş Card Points, which can be redeemed as discount against future purchases by customers, is estimated by taking into account the expected redemption rate and the timing of such expected redemptions. Such amount is deferred and revenue is recognized only when the points are redeemed and the Group has fulfilled its obligations to supply the discounted products. The amount of revenue recognized in those circumstances is based on the number of points that have been redeemed in exchange for discounted products, relative to the total number of points that is expected to be redeemed.

(k) Income/(expense) from investing activities

Income / (expense) from investing activities are generated from gain or loss of sale of property, plant and equipment.

(l) Earnings per share

Earnings per shares is calculated by dividing the consolidated profit/(loss) for the period attributable to ordinary shareholders by weighted average number of ordinary shares outstanding during the period.

2 Basis of presentation of financial statements *(continued)*

2.5 Summary of significant accounting policies ***(continued)***

(m) Research and development expenses

The Group has a separate department which operates to research and develop new fabric and design. As a result of these operations of the department, sample productions are made including new collections' desgins. Costs incurred on development projects are recognised as intangible assets only if the cost can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs that have been capitalised are amortised on a straight-line basis over their estimated useful lives (1 year).

(n) Finance income and finance cost

Finance costs comprise interest expense on borrowings, impairment losses recognised on financial assets, (other than trade receivables). Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities (other than trade receivables and payables) are reported on a gross basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

(o) Tax

Tax expense comprises of current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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 consolidated financial statements, have been calculated on a separate-entity basis.

(ii) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases which is used in the computation of taxable profit. Deferred tax is not recognised for the following temporary differences:

- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit,
- differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future,
- taxable temporary differences related to initial recognition of goodwill.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that is probable that future taxable profits will available against which they can be utilised.

2 Basis of presentation of financial statements *(continued)*

2.5 Summary of significant accounting policies ***(continued)***

(o) Tax ***(continued)***

(ii) Deferred tax (continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The Company and its consolidated subsidiaries have reflected their deferred tax assets and liabilities in their financial statements, but there has been no netting on a consolidated basis.

(iii) Tax risk

The Group takes into account whether the Group has the uncertain tax position and the surcharge has to be paid and the tax liability while it determines the current tax expense and delayed tax expense. The assessment might include judgments about future events and is based on estimates and assumptions. In case there exists new information about the adequacy of the Group's current tax liability which will cause a change in the professional judgment; this change will affect the period which the situation emerges.

(iv) Transfer pricing

The transfer pricing provisions have been stated under the 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 tax payer 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.

(p) Government grants

The Group obtains government incentives under the Turquality program from Turkish Republic Ministry of Economy. The Group is initially recongnises government grants related to trade mark developments in international markets in profit or loss as deduction of relevant selling and marketing expenses at fair value when there is reasonable assurance that the incentives will be received.

(q) Measurement of fair value

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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2 Basis of presentation of financial statements *(continued)*

2.5 Summary of significant accounting policies ***(continued)***

(q) Measurement of fair value ***(continued)***

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Important evaluation problems are reported to the Audit Committee of the Group.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data.

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(i) Financial assets

Cash and cash equivalents are presented on cost basis and are assumed to reflect their fair values as they are liquid and classified as current assets.

Trade receivables are presented netted off related doubtful portion of the receivable and are assumed to reflect their fair value.

Derivative financial instruments reflect their fair value as they include hedging transactions. The classification of derivative financial instruments for fair value measurement is Level 2.

2 Basis of presentation of financial statements *(continued)*

2.5 Summary of significant accounting policies ***(continued)***

(q) Measurement of fair value ***(continued)***

(ii) Other non-derivative financial liabilities

Forward exchange contracts
The fair values of forward exchange contracts are based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

(iii) Property and equipment
The fair value of property and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

(iv) Intangible assets
The fair value of intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.
The fair value of customer relationships acquired in a business combination are determined according to the income approach.

2.6 Standards issued but not yet effective and not early adopted
A number of new standards and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Group has not early adopted are as follows.

The revised Conceptual Framework (Version 2018)

The revised Conceptual Framework issued on 28 March 2018 by the IASB. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the Board in developing IFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no IFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Framework is more comprehensive than the old one – its aim is to provide the Board with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no IFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

2 Basis of presentation of financial statements *(continued)*

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

Amendments to IAS 1 and IAS 8 - Definition of Material

In October 2018, IASB issued Definition of Material (Amendments to IAS 1 and IAS 8). The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. The amended "definition of material "was added to the important definition and it was stated that this expression could lead to similar results by not giving and giving misstating information. In addition, with this amendment, the terminology used in its definition of material has been aligned with the terminology used in the Conceptual Framework for Financial Reporting (Version 2018). Those amendments are prospectively effective for annual periods beginning on or after 1 January 2020 with earlier application permitted.
The Group does not expect that application of these amendments to IAS 1 and IAS 8 will have significant impact on its consolidated financial statements.

Amendments to IFRS 3 - Definition of a Business

Determining whether a transaction results in an asset or a business acquisition has long been a challenging but important area of judgement. IASB has issued amendments to IFRS 3 Business Combinations to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. With this amendments confirmed that a business must include inputs and a process, and clarified that the process shall be substantive and the inputs and process must together significantly contribute to creating outputs. It narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a concentration test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.
This is a simplified assessment that results in an asset acquisition of substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The amendment applies to businesses acquired in annual reporting periods beginning on or after 1 January 2020; with earlier application permitted.
The Group does not expect that application of these amendments to IFRS 3 will have significant impact on its consolidated financial statements.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

Interest Rate Benchmark Reform, which amended IFRS 9, IAS 39 and IFRS 7 issued in September 2019, added Section 6.8 and amended paragraph 7.2.26. About this issue, IASB identified two groups of accounting issues that could affect financial reporting. These are:

- pre-replacement issues—issues affecting financial reporting in the period before the reform; and
- replacement issues—issues that might affect financial reporting when an existing interest rate benchmark is either reformed or replaced.

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

2 Basis of presentation of financial statements *(continued)*

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

IASB considered the pre-replacement issues to be more urgent and decided to address the following hedge accounting requirements as a priority in the first phase of the project:

(a) The highly probable requirement;
(b) Prospective assessments;
(c) IAS 39 retrospective assessment; and
(d) Separately identifiable risk components.

All other hedge accounting requirements remain unchanged. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2020 with earlier application permitted.

2.7 Transactions with non-controlling interests

The difference between the total acquisition amount and the share of the net assets in the financial statements of Mavi Canada, prepared in accordance with IFRS, amounting to TL 12,965, has been accounted under retained earnings under equity.
The composition of the share of the net assets in the financial statements prepared in accordance with IFRS and retained earnings as of 30 April 2018 are as follows:

	30 April 2018
Net assets	6,166
Percentage of shares acquired	25%
Company's share in net assets	1,542
Amount accounted in retained earnings	12,965
Purchase price	14,507

3 Operating segments

	1 February 2019- 31 January 2020			1 February 2018- 31 January 2019		
	Reportable segment			Reportable segment		
	Turkey	International	Total	Turkey	International	Total
Segment revenue [1]	**2,364,841**	**498,041**	**2,862,882**	**1,914,936**	**437,914**	**2,352,850**
-Retail	1,829,485	59,621	1,889,106	1,470,613	60,660	1,531,273
-Wholesale	453,272	375,103	828,375	400,879	342,578	743,457
-E-commerce	82,084	63,317	145,401	43,444	34,676	78,120
Segment profit before tax	**127,675**	**9,850**	**137,525**	**109,286**	**23,067**	**132,353**
	31 January 2020			31 January 209		
	Reportable segment			Reportable segment		
	Turkey	International	Total	Turkey	International	Total
Total segment assets	**1,590,804**	**346,620**	**1,937,424**	**1,100,349**	**243,561**	**1,343,910**
Total segment liabilities	**1,222,165**	**237,595**	**1,459,760**	**821,701**	**185,041**	**1,006,742**

The Group has 2 strategic operating segments based on the geographical areas where sales are generated. These divisions are managed separately because they require different trading and marketing strategies. Only Turkey operations are determined to be a reportable segment. International segment comprises Europe, USA, Canada, Russia and rest of the world.

[1] Segment revenue comprised of third party sales after elimination between consolidated entities.

4 Cash and cash equivalents

As at 31 January 2020 and 2019 cash and cash equivalents comprises the following:

	31 January 2020	31 January 2019
Cash on hand	1,515	1,885
Cash at banks	174,739	129,636
Demand deposits	*26,429*	*21,831*
Time deposits	*148,310*	*107,805*
Other cash and cash equivalents	134,584	135,050
Cash and cash equivalents in the statement of consolidated financial statement	**310,838**	**266,571**
Bank overdrafts	--	(4,548)
Cash and cash equivalents in the statement of consolidated cash flows	**310,838**	**262,023**

As at 31 January 2020 and 2019, other cash and cash equivalents consist of credit card receivables with maturities less than 3 months.

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

4 Cash and cash equivalents *(continued)*

As at 31 January 2020 and 2019, the details of time deposits based on maturity dates and interest rates of the Groups are as below:

	Maturity	Interest rate	31 January 2020
TL	3 February 2020	10.26%	148,310
			148,310

	Maturity	Interest rate	31 January 2019
USD	1 February 2019	3.35%	70,938
EUR	1 February 2019	0.75%	36,867
			107,805

As at 31 January 2020 and 2019, there is no restriction or blockage on cash and cash equivalents. The Group's exposure to foreign currency credit risk, interest rate risk and related sensitivity analyses are disclosed in Note 34.

5 Loans and borrowings

As at 31 January 2020 and 2019, financial borrowings comprise the following:

	31 January 2020	31 January 2019
Current liabilities		
Unsecured bank loans	74,748	75,194
Current portion of unsecured bank loans	160,946	204,317
Bank overdraft (Note 4)	--	4,548
Contractual lease liabilities	197,954	--
	433,648	**284,059**
Non-current liabilities		
Unsecured bank loans	84,098	91,985
Contractual lease liabilities	240,769	--
	324,867	**91,985**

5 Loans and borrowings *(continued)*

As at 31 January 2020 and 2019 loan and borrowings comprised the following:

	31 January 2020	31 January 2019
Bank loans	319,792	376,044
Contractual lease liabilities	438,723	--
	758,515	**376,044**

As at 31 January 2020 and 2019 the repayments of bank loan agreements according to the original maturities comprised the following:

	31 January 2020	31 January 2019
Less than one year	235,694	284,059
One to two years	83,813	79,869
Two to three years	285	11,877
Three to four years	--	239
	319,792	**376,044**

As of 31 January 2020 and 2019 maturities and conditions of outstanding bank loans comprised the following:

	31 January 2020				
	Currency	Nominal interest rate%	Maturity	Face value	Carrying amount
Unsecured bank loans	EUR	0.65%-4.10%	2020	55,051	55,234
Unsecured bank loans	TL	11.55%-23.56%	2020-2022	183,076	184,407
Unsecured bank loans	USD	3.90%-4.77%	2020-2022	29,410	29,627
Unsecured bank loans	RUB	12.95%-13.94%	2020-2021	37,610	38,038
Unsecured bank loans	CAD	3.95%	2020	12,486	12,486
				317,633	**319,792**

5 Loans and borrowings *(continued)*

	31 January 2019				
	Currency	**Nominal interest rate%**	**Maturity**	**Face value**	**Carrying amount**
Unsecured bank loans	EUR	0.00%-3.50%	2019	46,995	47,321
Unsecured bank loans	TL	0.00%-37.75%	2019-2022	253,085	259,939
Unsecured bank loans	USD	4.05%-6.80%	2019-2022	30,950	31,235
Unsecured bank loans	RUB	12.95%	2020	29,411	29,777
Unsecured bank loans	CAD	3.70%	2019	7,772	7,772
				368,213	**376,044**

The Group's exposure to liquidity, foreign currency and interest rate risk as well as related sensitivity analyses for financial liabilities are disclosed in Note 34.

Short term portion of long term liabilities	**31 January 2020**	**31 January 2019**
Lesase liabilities	212,175	--
Deferred lease borrowing cost (-)	(14,221)	--
	197,954	**--**
Long term lease liabilities		
Leases liabilities	362,855	--
Deferred lease borrowing costs (-)	(122,086)	--
	240,769	**--**
Total contractual lease liabilities	**438,723**	**--**

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6 Related party

Related parties in consolidated financial statements are determined as key management personnel, board of directors, family members, subsidiaries controlled by the Company. Several related party transactions are carried out during ordinary course of the business.
As of 31 January 2020, the members of the Akarlılar Family (Fatma Elif Akarlılar, Hayriye Fethiye Akarlılar and Seyhan Akarlılar) are the controlling shareholders of the Group with a total ownership interest of 27.41% where 27.19% is the direct ownership interest and 0.22% is the indirect ownership interest through Blue International Holding B.V.

(a) Related party balances

	31 January 2020	**31 January 2019**
Prepayments given to related parties		
Erak Giyim Sanayi Ticaret A.Ş.("Erak")[1]	16,824	20,949
	16,824	**20,949**

[1] Advances given to Erak is related to fabric purchases and are tracked in prepayments.

	31 January 2020	**31 January 2019**
Due to related parties		
Erak[1]	175,262	149,035
Akay Lelmalabis Elgazhizah LLC ("Akay")[2]	21,542	6,070
	196,804	**155,105**

[1] Amounts due to Erak, a company controlled by immediate family members of the shareholder of the parent company, are for purchases of inventory. Amounts are non-interest bearing and have 90 days repayment date.
[2] Amount comprise of inventory purchases to subsidiary Akay situated in Egypt. Amounts are non-interest bearing and have 90 days repayment date.

As at 31 January 2020 and 31 January 2019, other short term payables to related parties comprised the following:

	31 January 2020	**31 January 2019**
Other payables to related parties		
Eflatun Giyim shareholders[1]	126	10,330
Short term other payables to related parties	**126**	**10,330**

[1] Payables to Eflatun Giyim shareholders mainly comprised of USD 1,942 thousand payables due to the acquisition of Eflatun Giyim. Amounts are without guarantee and non-interest bearing.The related amount has been paid as of 31 January 2020.

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

6 Related party *(continued)*

(a) Related party balances *(continued)*

As at 31 January 2020 and 31 January 2019, contractual lease liabilities to related parties comprised the following:

	31 January 2020	31 January 2019
Short term contractual lease liabilities to related parties		
Sylvia House Inc.	566	--
Mavi Jeans Holding Inc.	987	--
	1,553	**--**

	31 January 2020	31 January 2019
Long term contractual lease liabilities to related parties		
Sylvia House Inc.	1,238	--
Mavi Jeans Holding Inc.	1,991	--
	3,229	**--**

(b) Related party transactions

For the years ended 31 January 2020 and 2019, purchases from related parties of the Group comprised the following:

	31 January 2020	31 January 2019
Purchase from related parties		
Erak	487,631	393,662
Akay	80,114	92,376
	567,745	**486,038**

Purchases from related parties comprise approximately one third of total purchases.

6 Related party *(continued)*

(b) Related party transactions *(continued)*

For the years ended 31 January 2020 and 2019, the services from related parties of the Group comprised the following:

	1 February 2019 – 31 January 2020	1 February 2018 – 31 January 2019
Services from related parties		
Erak [1]	1,620	1,490
Mavi Jeans Holding Inc.[2]	847	742
Sylvia House Inc.[3]	666	678
CM Objekt Heusenstamm GBR	--	979
	3,133	**3,889**

[1] The Group rented Çerkezköy and Bayrampaşa retail stores from Erak.
[2] Mavi Canada rented its Office and warehouse from Mavi Jeans Holding Inc.
[3] Mavi Canada rented its office in Yaletown, Vancouver from Sylvia House Inc.

(c) Information regarding benefits provided to the Group's key management
For the years ended 31 January 2020, short term (salaries and wages, attendance fee, bonus, holiday overtime, severance payment, premium, and other benefits) and long term benefits provided to senior management and board of directors amounted to TL55,895 (31 January 2019: TL 44,160).
As at 31 January 2020, the Group does not have any payables to any board of director or key management personnel of the Group.(31 January 2019-nil)

7 Trade receivables and payables

Short term trade receivables

As at 31 January 2020 and 31 January 2019, short term trade receivables are as follows:

	31 January 2020	31 January 2019
Trade receivables from third parties	231,101	168,593
	231,101	**168,593**

7 Trade receivables and payables *(continued)*

Short term trade receivables ***(continued)***

As at 31 January 2020 and 31 January 2019, short term trade receivables from others are as follows:

	31 January 2020	31 January 2019
Trade receivables	190,994	137,955
Post-dated cheques	12,835	10,736
Endorsed cheques	4,051	3,082
Notes receivables	24,653	18,007
Expected credit losses (-)	(1,432)	(1,187)
Doubtful receivables	17,709	16,578
Allowance for doubtful receivables (-)	(17,709)	(16,578)
	231,101	**168,593**

Details related to Group's exposure to credit and foreign currency risk, and impairment losses for short term trade receivables is disclosed in Note 34.

Short term trade payables

As at 31 January 2020 and 31 January 2019, short term trade payables of the Group are as follows:

	31 January 2020	31 January 2019
Trade payables to third parties	400,479	355,179
Trade payables to related parties (Note 6)	196,804	155,105
	597,283	**510,284**

As at 31 January 2020 and 31 January 2019, short term trade payables from others are as follows:

	31 January 2020	31 January 2019
Trade payables[1]	394,516	346,196
Expense accruals	5,963	8,983
	400,479	**355,179**

Trade payables comprises of the unpaid amounts of trade purchases and ongoing expenditures.

[1] Trade payables to third parties comprise factoring payables amounting TL 67,242 (31 January 2019: TL 51,239).

The Group's exposure to foreign currency and liquidity risk for short term trade payables are disclosed in Note 34.

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8 Other receivables and payables

Other short term trade receivables

As at 31 January 2020 and 2019, short term other receivables of the Group are as follows:

	31 January 2020	31 January 2019
Other receivables from third parties	17,267	17,059
	17,267	**17,059**

As at 31 January 2020 and 2019, short term other receivables from third parties of the Group are as follows:

	31 January 2020	31 January 2019
Receivables from public institutions [1]	16,588	14,880
Other short term receivables	679	2,179
	17,267	**17,059**

[1] Receivables from public institutions consist of the Group's receivables related to Turquality incentive program amounting to TL 2.523 (31 January 2019: TL 3,369) and value added tax receivables amounting to TL 13,994 (31 January 2019: TL 11,377).

Mavi Giyim has the right to receive government grants from the Republic of Turkey for its investments abroad as part of a brand-building program called "Turquality". Turquality income accrual consists of the approved/to be approved but not yet paid grants regarding capital expenditures and other expenses, i.e. rent, marketing, design, in context of this brand-building program.

The Group's exposure to credit and foreign currency risk for short term other receivables are disclosed in Note 34.

Long term other receivables

As at 31 January 2020 and 2019, long term other receivables of the Group are as follows:

	31 January 2020	31 January 2019
Other receivables from third parties	3,207	2,411
	3,207	**2,411**

The Group's exposure to credit and foreign currency risk for long term other receivables are disclosed in Note 34.

8 Other receivables and payables *(continued)*

Short term other payables

As at 31 January 2020 and 2019, short term other payables of the Group are as follows:

	31 January 2020	31 January 2019
Other payables to third parties	6,845	6,204
Other payables to related parties (Note 6)	126	10,330
	6,971	**16,534**

As at 31 January 2020 and 2019, other payables to third parties of the Group are as follows:

	31 January 2020	31 January 2019
Taxes and duties payable	6,840	6,198
Other payables	5	6
	6,845	**6,204**

The Group's exposure to foreign currency and liquidity risk for other short term payables is disclosed in Note 34.

9 Inventories

As at 31 January 2020 and 2019, inventories are as follows:

	31 January 2020	31 January 2019
Trade goods	490,342	436,004
Consignment trade goods	29,898	29,999
Goods in transit	525	6,293
Provision for impairment on inventory (-)	(24,701)	(15,067)
	496,064	**457,229**

As at 31 January 2020 there is no restriction/ pledge on inventories (31 January 2019: nil).

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9 Inventories *(continued)*

As at 31 January 2020 and 2019, the provision for impairment on inventory is as follows:

	31 January 2020	31 January 2019
Opening balance	15,067	15,456
Provision for the year	30,594	19,026
Effect of movements in exchange rates	650	1,524
Provision cancellations	(130)	(1,625)
Write-off	(21,480)	(19,314)
Closing balance	**24,701**	**15,067**

As of the year ending on 31 January 2020, inventories of TL 30,594 (31 January 2019: TL 19,026) were recognised as an expense for slow moving inventory and net realizable value assessment in accordance with Group policies of provision for impairment on inventory during the year and included in "cost of sales". In addition, for the year ended on 31 January 2020, inventories of TL 21,480 (31 January 2019; TL 19,314) were disposed and written off.

10 Prepayments and deferred revenues

Prepayments

As at 31 January 2020 and 2019, the remaining balance of prepayments under current and non-current assets is as follows:

	31 January 2020	31 January 2019
Advances given(1)	21,076	25,105
Prepaid general administrative expenses	6,423	--
Prepaid advertising and marketing expenses	5,138	5,823
Prepaid general financing expenses	3,904	--
Prepaid rent expenses	3,038	2,468
Prepaid insurance expenses	557	479
Prepaid stamp tax and duties expenses	300	534
Other prepaid expenses	1,440	3,690
Total prepaid expenses	**41,876**	**38,099**
Long term prepaid expenses	**115**	**114**
Short term prepaid expenses	**41,761**	**37,985**

(1)Advances given mainly comprise of advances given to producers and service providers including fabric advances given to Erak (Note 6).

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10 Prepayments and deferred revenues *(continued)*

Deferred revenue

As at 31 January 2020 and 2019, deferred revenue of the Group are as follows:

	31 January 2020	31 January 2019
Customer loyalty claims[1]	14,960	14,923
Salary protocol	5,272	356
Corporate sales [2]	1,825	1,671
Rent income	265	255
Total deferred revenue	**22,322**	**17,205**
Short term deferred revenue	**18,917**	**17,086**
Long term deferred revenue	**3,405**	**119**

[1] The deferred revenue related to loyalty credits granted has been estimated with reference to the fair value of apparel for which could be redeemed.

[2] Corporate sales consist of prepaid cards which are given to corporate firms.

11 Property and equipment

The movement of property and equipment for the year ended 31 January 2020 and 31 January 2019 is as follows:

	Vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Cost					
1 February 2018 opening balance	**244**	**207,851**	**165,914**	**--**	**374,009**
Effect of movements in exchange rates	17	4,319	8,254	--	12,590
Additions	--	30,725	19,607	6,756	57,088
Disposals	(75)	(1,475)	(14,044)	--	(15,594)
Transfers[1]	--	2,966	1,091	(4,085)	(28)
31 January 2019 closing balance	**186**	**244,386**	**180,822**	**2,671**	**428,065**
1 February 2019 opening balance	**186**	**244,386**	**180,822**	**2,671**	**428,065**
Effect of movements in exchange rates	--	4,121	2,356	--	6,477
Additions	--	37,704	28,566	13,497	79,767
Disposals	--	(9,231)	(7,332)	--	(16,563)
Transfers[1]	--	9,848	4,054	(14,449)	(547)
31 January 2020 closing balance	**186**	**286,828**	**208,466**	**1,719**	**497,199**

[1] Transfers of TL 547 as at 31 January 2020, and TL 28 as at 31 January 2019 are related to transfers to intangible assets.

11 Property and equipment *(continued)*

The movement of property and equipment for the year ended 31 January 2020 and 2019 is as follows:

	Vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Accumulated Depreciation					
1 February 2018 opening balance	**119**	**121,553**	**96,304**	**--**	**217,976**
Effect of movements in exchange rates	7	2,836	5,171	--	8,014
Depreciation for the year	49	29,818	27,312	--	57,179
Disposals	(38)	(1,388)	(13,417)	--	(14,843)
31 January 2019 closing balance	**137**	**152,819**	**115,370**	**--**	**268,326**
1 February 2019 opening balance	**137**	**152,819**	**115,370**	**--**	**268,326**
Effect of movements in exchange rates	--	2,392	1,300	--	3,692
Depreciation for the year	29	32,624	27,470	--	60,123
Disposals	--	(9,019)	(6,642)	--	(15,661)
31 January 2020 closing balance	**166**	**178,816**	**137,498**	**--**	**316,480**
31 January 2019 carrying amount	**49**	**91,567**	**65,452**	**2,671**	**159,739**
31 January 2020 carrying amount	**20**	**108,012**	**70,968**	**1,719**	**180,719**

For the year ended 31 January 2020, TL 7,958 (and for the year ended 31 January 2019: TL 4,829) of depreciation expenses are included under administrative expenses, TL 52,165 (31 January 2019: TL 51,871) under selling and marketing expenses and TL 0 (31 January 2019: TL 479) under research and development expenses.

As of 31 January 2020, there is no pledge on property and equipment (31 January 2019: nil).

As at 31 January 2020 the amount of insurance on property and equipment is TL 371,211 (31 January 2019: TL 323,309).

12 Intangible assets

The movement of intangible assets as at 31 January 2020 and 2019 are as follows:

Cost	Licenses	Customer relationships	Brand	Development Costs[1]	Total
1 February 2018 balance	**47,258**	**44,071**	**923**	**--**	**92,252**
Additions	4,654	--	--	4,353	9,007
Effect of movements in exchange rates	1,190	15,636	--	--	16,826
Transfers	28	--	--	--	28
Disposals	--	--	--	--	--
31 January 2019 balance	**53,130**	**59,707**	**923**	**4,353**	**118,113**
1 February 2019 balance	**53,130**	**59,707**	**923**	**4,353**	**118,113**
Additions[2]	8,355	--	--	13,124	21,479
Effect of movements in exchange rates	877	7,423	--	--	8,300
Transfers	547	--	--	--	547
Disposals	--	--	--	--	--
31 January 2020 balance	**62,909**	**67,130**	**923**	**17,477**	**148,439**

[1] Consist of capitalized design and development expensesin accordance with incentive programme.

[2] Development costs consist TL 657 capitalized amortisation expenses.

Amortisation	Licenses	Customer relationships	Brand	Development Costs	Total
1 February 2018 balance	**35,094**	**9,132**	**126**	--	**44,352**
Effect of movements in exchange rates	878	2,763	--	--	3,641
Current year amortisation	6,679	5,618	86	161	12,544
Disposals	--	--	--	--	--
31 January 2019 balance	**42,651**	**17,513**	**212**	**161**	**60,537**
1 February 2019 balance	**42,651**	**17,513**	**212**	**161**	**60,537**
Effect of movements in exchange rates	627	2,204	--	--	2,831
Current year amortisation	5,870	6,462	86	4,602	17,020
Disposals	--	--	--	--	--
31 January 2020 balance	**49,148**	**26,179**	**298**	**4,763**	**80,388**
Carrying amount					
31 January 2019 balance	**10,479**	**42,194**	**711**	**4,192**	**57,576**
31 January 2020 balance	**13,761**	**40,951**	**625**	**12,714**	**68,051**

For the year ended 31 January 2020, TL 8,158 (31 January 2019: TL 10,393) of amortisation expenses are included under general administrative expenses and TL 4,424 (31 January 2019: TL 1,990) under selling and marketing expenses, and TL 3,781 (31 January 2019: TL 161) under research and development expenses.
The depreciation charge of TL 657 for the period ended 31 Januray 2020 is capitalized in accordance with incentive program. (31 January 2019: none).

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13 Goodwill

The movement of goodwill as at 31 January 2020 and 2019 is as follows:

Cost	31 January 2020	31 January 2019
As of 1 February	**138,175**	**100,996**
Effect of movements in exchange rates	17,520	37,179
As of 31 January	**155,695**	**138,175**
Impairment loss		
As of 1 February	**(1,297)**	**(1,297)**
Impairment losses on goodwill	--	--
Effect of movements in exchange rates	--	--
As of 31 January	**(1,297)**	**(1,297)**
Carrying amount		
As of 31 January	**154,398**	**136,878**

Impairment test for cash generating units with allocated goodwill

Goodwill is allocated to cash generating units for impairment test purposes. As of 31 January 2020 and 2019, details of cash generating units related to goodwill are as follows. The carrying amount of goodwill allocated to each cash generating unit is as follows;

	31 January 2020	31 January 2019
Mavi America	137,083	121,163
Mavi Canada	13,582	11,982
Other	3 33	3,733
	154,398	**136,878**

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13 Goodwill *(continued)*

Impairment testing for CGUs containing goodwill

A valuation of the fair value of CGU of Mavi USA and Mavi Canada as two separate CGU's was performed by the Company management as of 31 January 2020 and 2019. The income approach (discounted cash flow method) is used to determine the fair value of CGUs of Mavi USA and Mavi Canada.
The Group used 5 years business plans prepared by the Company management for the valuation of CGUs. The growth of business plans of Mavi USA and Mavi Canada is associated with an increase in the number of customers and growth in the market.
As of 31 January 2020, the impairment test performed on CGU based is resulted with no impairment loss to be recorded for Mavi USA and Mavi Canada

Key assumptions used in discounted cash flow projections

Key assumptions used in the calculation of the recoverable amount of Mavi USA are discount rates, terminal value growth rates, and EBITDA margin at terminal value. These assumptions are 11.0%, 1.8%, 22.3% (31 January 2019:12.2%, 1.8%, 18.6%) respectively. The values assigned to the key assumptions represent management's assessment of future trends in ground handling industry and are based on both external sources and internal sources.
Key assumptions used in the calculation of the recoverable amount of Mavi Canada are discount rates, terminal value growth rates, and EBITDA margin at terminal value. These assumptions are 10.4%, 2.2%, 12.7% (31 January 2019:10.1%, 2.2%, 12.0%) respectively. The values assigned to the key assumptions represent management's assessment of future trends in ground handling industry and are based on both external sources and internal sources.

Discount Rate

The discount rate is for Mavi USA estimated based on the company specific weighted cost of capital. Value in use is determined by applying post tax discount rate of 11.0% (31 January 2019:12.2%).
The discount rate is for Mavi Canada estimated based on the company specific average weighted cost of capital. Value in use is determined by applying post tax discount rate of 10.4% (31 January 2019:10.1%).

Terminal growth rate

The discounted cash flow models of Mavi USA and Mavi Canada are based on the cash flows projected fro the following five years. A long term growth rate has been determined as the lower of nominal GDP rates for USA and Canada and long term compound annual growth rate in EBITDA estimated by management.

Income approach

Discounted cash flow methodology is used under the income approach. In this method, the cash flow available for distribution after funding internal needs of the Company is forecasted for the determined period of years. Beyond such determined period, a terminal value is developed by capitalising an assumed stabilised cash flow figure. Then, the determined period cash flows and terminal value are discounted to present value.

Mavi Canada

As of 31 January 2020, estimated recoverable amount of the CGU exceeded its carrying amount by approximately TL 49,658. Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. When other variables are constant in the impairment test, CGU's recoverable amount is equal to book value when 16.7% increase in discount rate and the other variables keeping constant for the estimated recoverable amount equal to book value. Likewise, CGU's recoverable amount is equal to book value when 26.2% decrease in EBITDA / net sales ratio.

13 Goodwill *(continued)*

Mavi USA

As of 31 January 2020, estimated recoverable amount of the CGU exceeded its carrying amount by approximately TL 77,247. Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. When other variables are constant in the impairment test, CGU's recoverable amount is equal to book value when 4.6% increase in discount rate and the other variables keeping constant for the estimated recoverable amount equal to book value. Likewise, CGU's recoverable amount is equal to book value when 6.4% decrease in EBITDA / net sales ratio.

14 Right of use assets

The movement of right of use assets for the year ended 31 January 2020 is as follows:

	Buildings	Store	Vehicles	Warehouse	Total
Cost					
1 February 2019 balance	**24,088**	**435,472**	**6,152**	**3,580**	**469,292**
Additions	27,448	112,967	588	300	**141,303**
Disposals	--	(15,008)	(55)	--	**(15,063)**
Effect of movements in exchange rates	3,034	5,337	285	429	**9,085**
Closing balance as of 31 January 2020	**54,570**	**538,768**	**6,970**	**4,309**	**604,617**

	Buildings	Store	Vehicles	Warehouse	Total
Accumulated depreciation					
Charge for the year	13,310	184,254	4,353	1,851	**203,768**
Disposals	--	(6,901)	(48)	--	**(6,949)**
Effect of movements in exchange rates	319	676	48	76	**1,119**
Closing balance as of 31 January 2020	**13,629**	**178,029**	**4,353**	**1,927**	**197,938**
Carrying value as of 31 January 2020	**40,941**	**360,739**	**2,617**	**2,382**	**406,679**

For the year ended 31 January 2020, TL 10,316 of amortisation expenses are included under general administrative expenses and TL 191,585 under selling and marketing expenses, and TL 1,867 under research and development expenses.

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15 Provisions, contingent assets and liabilities

Short term provisions

As at 31 January 2020 and 2019, short term provisions are as follows:

	31 January 2020	31 January 2019
Provision for employee benefits	3,118	2,679
Other short term provisions	13,447	10,355
	16,565	**13,034**

Short term provision for employee benefits consists of provision for vacation pay liability. For the years ended 31 January 2020 and 2019, the movement of provision for vacation liability is as follows:

	1 February 2019 – 31 January 2020	1 February 2018 – 31 January 2019
1 February balance	2,679	2,359
Current period provision	1,207	690
Effect of movements in exchange rates	218	243
Paid benefits	(986)	(613)
31 January balance	**3,118**	**2,679**

Short term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term vacation pay liability if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

In accordance with the existing labour law in Group, the Company is required to pay to the employee, whose employment is terminated due to any reasons, the wage of the deserved and unused vacation days over the gross prevailing wage and other benefits subject to contract at the date the contract is terminated. Vacation pay liability is the total undiscounted liability of the deserved and unused vacation days of all employees.

For the years ended 31 January 2020 and 2019, the movement of other short term provisions is as follows:

	31 January 2020	31 January 2019
Sales return provision	7,220	5,014
Legal provision [1]	2,487	1,863
Other provisions	3,740	3,478
	13,447	**10,355**

[1]Legal provisions mainly comprise of labor lawsuits.

15 Provisions, contingent assets and liabilities *(continued)*

Short term provisions

For the years ended 31 January 2020 and 2019, the movement of short term provision is as follows:

	Legal provision	Return provisions	Other provision	Total
1 February 2018 balance	**1,585**	**4,728**	**1,095**	**7,408**
Current year provision	278	(9)	3,478	3,747
Effect of movements in exchange rates	--	859	23	882
Provisions used during year	--	(305)	(402)	(707)
Provision cancellations	--	(259)	(716)	(975)
31 January 2019 balance	**1,863**	**5,014**	**3,478**	**10,355**
1 February 2019 balance	**1,863**	**5,014**	**3,478**	**10,355**
Current year provision	624	3,325	409	4,358
Effect of movements in exchange rates	--	420	(7)	413
Provisions used during year	--	(1,539)	--	(1,539)
Provision cancellations	--	--	(140)	(140)
31 January 2020 balance	**2,487**	**7,220**	**3,740**	**13,447**

Long term provisions

For the years ended 31 January 2020 and 2019, the movement of long term provisions is as follows:

	31 January 2020	31 January 2019
Long term provisions for employee benefits	7,931	5,018
	7,931	**5,018**

Long term employee benefits consist of severance pay liabilities. The details of severance pay liability are disclosed in Note 17.

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16 Commitments

(a) Warranties, pledges and mortgages

As of 31 January 2020 and 2019, the Group's guarantee / pledge / mortgage ("GPM") position statement is as follows:

	31 January 2020				
	TL Equivalent	**TL**	**EUR**	**RUB**	**USD**
A. On behalf of its own legal personality of the total amount of GPMs	**136,845**	**32,383**	**14,093**	**--**	**1,969**
Guarantee	136,845	32,383	14,093	--	1,969
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
B. Total amount of GPM included in the scope of consolidation given on behalf of subsidiaries	**3,066**	**--**	**246**	**15,357**	**--**
Guarantee	3,066	--	246	15,357	--
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
C. Total amount of GPM given to conduct other 3rd parties to guarantee the depts.	**--**	**--**	**--**	**--**	**--**
Guarantee	--	--	--	--	--
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
D. Total amount of other GPM	**--**	**--**	**--**	**--**	**--**
i. Total amount of GPM given on behalf of the main partners	--	--	--	--	--
Guarantee	--	--	--	--	--
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
ii. Total amount of GPM given on behalf of other group companies which are not in the scope of B and C section	--	--	--	--	--
Guarantee	--	--	--	--	--
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
iii. Total amount of GPM given on behalf of other group companies which are not in the scope of C section	--	--	--	--	--
Guarantee	--	--	--	--	--
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
Total GPM	**139,911**	**32,383**	**14,339**	**15,357**	**1,969**

16 Commitments *(continued)*

(a) Warranties, pledges and mortgages ***(continued)***

	31 January 2019				
	TL Equivalent	**TL**	**EUR**	**RUB**	**USD**
A. On behalf of its own legal personality of the total amount of GPMs	**76,726**	**17,670**	**6,916**	**--**	**3,282**
Guarantee	76,726	17,670	6,916	--	3,282
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
B. Total amount of GPM included in the scope of consolidation given on behalf of subsidiaries	**2,974**	**--**	**261**	**17,578**	**--**
Guarantee	2,974	--	261	17,578	--
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
C. Total amount of GPM given to conduct other 3rd parties to guarantee the depts.	**--**	**--**	**--**	**--**	**--**
Guarantee	--	--	--	--	--
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
D. Total amount of other GPM	**--**	**--**	**--**	**--**	**--**
i. Total amount of GPM given on behalf of the main partners	--	--	--	--	--
Guarantee	--	--	--	--	--
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
ii. Total amount of GPM given on behalf of other group companies which are not in the scope of B and C section	--	--	--	--	--
Guarantee	--	--	--	--	--
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
iii. Total amount of GPM given on behalf of other group companies which are not in the scope of C section	--	--	--	--	--
Guarantee	--	--	--	--	--
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
Total GPM	**79,700**	**17,670**	**7,177**	**17,578**	**3,282**

16 Commitments *(continued)*

(a) Warranties, pledges and mortgages ***(continued)***

As of 31 January 2020, ratio of other GPM given by the Group to equity was 0% (31 January 2019: 0%).

As of 31 January 2020, letter of guarantees given to third parties for the amount of TL 68,163 are representing guarantees given to Eximbank for the purpose of importing goods (31 January 2019: TL 15,343).

The Group has purchase commitments related to inventory amounting to TL 647,411 as of 31 January 2020 (31 January 2019: TL 576,921).

(b) Guarantees received

As of 31 January 2020, Group has received letter of guarantees for the amount of TL 9,021 as in the form of security (31 January 2019: TL 7,502).

17 Employee benefits

Provision for employment termination benefits

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause.

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men). Due to changes in legislation as of 8 September 1999, there are certain transitional obligations related to the retirement age.

Severance payments are calculated on the basis of 30 days' pay, limited to a maximum of TL 6,730 at 31 January 2020 (31 January 2019: TL 6,018) per year of employment at the rate of pay applicable at the date of retirement or termination. Reserve for retirement pay is computed and reflected in the accompanying financial statements on a current basis. This provision is calculated by expecting the present value of the future liability which will be paid for the retired personnel. The calculation was based upon the retirement pay ceiling announced by the Government.

The liability is calculated by estimating the present value of the future probable obligation of the Company arising from retirement of employees. IAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans.

As basic assumption, maximum liability is correspondingly increased with inflation for every year. Therefore, discounted rate refers to estimated real interest rate after correction of the effects of future inflation. To conclude, as at 31 January 2020 and 2019, liabilities in integral part of consolidated financial statements, are calculated by the way of estimating the fair value of the liability caused by possible retirement of employees Accordingly, the liability is calculated using the following actuarial assumptions.

	31 January 2020	31 January 2019
Discount rate (%)	4.86	5.45
Estimated inflation (%)	7.00	10.00

All actuarial gain and losses are recognized in other comprehensive income.

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17 Employee benefits *(continued)*

Provision for employment termination benefits ***(continued)***

For the years ended 31 January 2020 and 2019 the movement of provision for severance pay liability is as follows:

	1 February 2019 – 31 January 2020	1 February 2018 – 31 January 2019
Opening balance	**5,018**	**4,741**
Interest cost	617	422
Service cost	8,657	4,541
Paid benefits	(7,680)	(3,934)
Effect of movements in exchange rates	195	126
Actuarial difference	1,124	(878)
Ending balance	**7,931**	**5,018**

18 Payables to employees

As at 31 January 2020 and 2019 payables to employees are as follows:

	31 January 2020	31 January 2019
Payables to personnel[1]	28,955	28,071
Social security premiums payable	5,759	4,441
	34,714	**32,512**

[1] Payables to personnel consist of the salary and wages to be paid in the following month.

19 Other asset and liabilities

Other current assets

As at 31 January 2020 and 2019, other current assets are as follows:

	31 January 2020	31 January 2019
Deductible value added tax ("VAT")	17,726	22,070
	17,726	**22,070**

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

19 Other asset and liabilities *(continued)*

Other current liabilities

As at 31 January 2020 and 2019, other current liabilities are as follows:

	31 January 2020	31 January 2019
Advances received	7,992	11,116
	7,992	**11,116**

20 Capital, reserves and other capital reserves

Paid-in capital

As at 31 January 2020 and 2019, paid capital is as follows:

	%	31 January 2020	%	31 January 2019
Akarlılar Family	27.19	13,500	27.19	13,500
Blue International	0.22	108	0.22	108
Publicly held	72.60	36,049	72.60	36,049
	100.00	**49,657**	**100.00**	**49,657**

As of 31 January 2020 paid-in capital of the Company comprises 49,657,000 shares (31 January 2019: 49,657,000 shares) of TL 1 each (31 January 2019: TL 1 each).

The Company comprises of A and B group shares.

- As long as Blue International Holding B.V., its shareholders and/or affiliates and subsidiaries hold at least 20% of the capital or voting rights of the Company (aggregate Class A and Class B shares), half of the members of the Company's Board of Directors shall be elected from among the persons to be nominated by Class A shareholders. The Board of Directors members to be elected from among the nominees of the Class A shareholders shall be members other than the independent members stipulated under the Corporate Governance Principles of the Capital Markets Board.

- Provided that the quorums stipulated under the Capital Markets Law and the Turkish Commercial Code are reserved, in order for the Company's General Assembly to pass a resolution on the matters listed below and on amendments to these Articles of Association on any of such matters ("Matters Requiring Increased General Assembly Resolution Quorum"), the affirmative votes of all of the Class A Shareholders shall also be required:

▪ Changing the Company's field of operation, entering into new lines of business or abandoning existing lines of business.
▪ Capital increases of the Company other than those to be effected within the registered capital system, liquidation or dissolution of the Company, any capital decrease, change of legal form of the Company.
▪ Filings for bankruptcy, concordat, financial restructuring, adjournment of bankruptcy.
▪ Transfer of all or a substantial part of the Company's commercial enterprise.
▪ Changes to the privilige of Class A Shareholders to nominate Board Members, or to the structure of the Board of Directors.
▪ Changes to the meeting and resolution quorums of the Board of Directors and committees of the Company.
▪ Approval of the annual activity report, the profit and loss statement and the balance sheet, and release of the Board members from liability.

20 Capital, reserves and other capital reserves *(continued)*

Paid-in capital ***(continued)***

If, following the public offering, Blue International Holding B.V., its shareholders and/or affiliates and subsidiaries do not hold at least 20% of the capital or voting rights of the Company (aggregate Class A and Class B shares), the increased quorum stated above for the Matters Requiring Increased General Assembly Resolution Quorum shall authomatically cease to be effective, without the possibility of being rejuvenated at a later date.

The Company has adopted the registered capital system under the provisions of the Capital Markets Law, and has initiated the registered capital system based on the permission of the Capital Markets Board dated 3 March 2017 No.9/332.

The upper limit of the Company's registered capital is TL245.000.000.-, which is divided into 245.000.000 registered shares, each with a nominal value of TL 1.- (one Turkish Lira).

Remeasurement loss on defined benefit plans

Amounts include actuarial gains and losses recognized in other comprehensive income.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Legal reserves

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the Company's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted. As at 31 January 2020, the Company's legal reserves are amounting to TL 19,771 (31 January 2019: TL 19,771).

Dividends

As of 31 January 2020, no dividends were distributed to shareholders (31 January 2019: TL 25,925)

Financial hedging reserve

The hedging reserve consists of the effective part of the accumulated net change in its fair value from cash flow hedging to the subsequent recognition of instruments for hedging purposes.

Purchase of share of entities under common control

On 2 December 2011 the Company merged with Mavi Grup Giyim Ticaret A.Ş. ("Mavi Grup"). Mavi Grup had owned the Company's shares in amount of 99.9% until the date of this merger. The difference between investment and share capital of the Company amounting to TL 35,757 has been recognized as an equity transaction as purchase of share of entities under common control.

21 Revenue

For the years ended 31 January 2020 and 2019, revenue comprised the following:

	1 February 2019 – 31 January 2020	1 February 2018 – 31 January 2019
Goods and service revenue		
-Retail	1,889,106	1,531,273
-Wholesale	828,375	743,457
-E-commerce	145,401	78,120
	2,862,882	**2,352,850**

22 Cost of sales

For the years ended 31 January 2020 and 2019, cost of sales comprised the following:

	1 February 2019 – 31 January 2020	1 February 2018 – 31 January 2019
Cost of trade goods sold	1,458,268	1,144,905
	1,458,268	**1,144,905**

23 Administrative expenses, selling and marketing expenses

For the years ended 31 January 2020 and 2019, administrative expenses comprised the following:

	1 February 2019 – 31 January 2020	1 February 2018 – 31 January 2019
Personnel expenses	104,562	77,567
Depreciation and amortization expenses (Note 11, 12,14)	26,432	15,222
Office materials expenses	6,588	4,460
Consultancy expenses	5,125	4,097
General office expenses	3,078	2,643
Travel expenses	2,179	3,089
Rent expenses(1)	1,470	10,893
Other	12,526	10,126
	161,960	**128,097**

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23 Administrative expenses, selling and marketing expenses *(continued)*

For the years ended 31 January 2020 and 2019, selling and marketing expenses comprised the following:

	1 February 2019 – 31 January 2020	1 February 2018 – 31 January 2019
Personnel expenses	286,991	250,887
Depreciation and amortization expenses (Note 11, 12,14)	248,174	53,861
Rent expenses[1]	100,607	292,890
Advertising expenses	42,175	31,091
Outsourced logistics expenses	40,993	32,594
Freight-out expenses	32,184	20,328
Travel expenses	7,952	9,342
Other	98,101	71,152
	857,177	**762,145**

[1] Rent expenses covers rent payments calculated on turnover, building management and utilities.

24 Research and development expenses

For the years ended 31 January 2020 and 2019, research and development expenses comprised the following:

	1 February 2019 – 31 January 2020	1 February 2018 – 31 January 2019
Personnel expenses	17,678	19,157
Depreciation and amortization expenses (Note 11,12,14)	5,648	640
Travel expenses	948	1,007
Other	1,584	1,644
	25,858	**22,448**

25 Other income and expense

For the years ended 31 January 2020 and 2019, other operating income comprised the following:

	1 February 2019 – 31 January 2020	1 February 2018 – 31 January 2019
Invesment support income	3,859	--
Foreign exchange gain and loss, net	3,512	13
Salary protocol income	1,015	533
Reversal of expected credit loss	462	200
Damage compensation income	314	178
Interest income on payables,net	--	8,696
Income from expired gift cards	118	1,095
Other	896	1,528
	10,176	**12,243**

For the years ended 31 January 2020 and 2019, other expenses comprised the following:

	1 February 2019 – 31 January 2020	1 February 2018 – 31 January 2019
Interest expense on trade payables, net	5,276	--
Foreign exchange gain and loss, net	1,178	9,002
Expected credit loss	172	592
Expense related to store closings	40	107
Other	1,127	325
	7,793	**10,026**

26 Gains and losses from investment activities

For the years ended 31 January 2020 and 2019, gains from investment activities comprised the following:

	1 February 2019 – 31 January 2020	1 February 2018 – 31 January 2019
Gain on sale of fixed assets	105	--
	105	**--**

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26 Gains and losses from investment activities *(continued)*

For the years ended 31 January 2020 and 2019 , losses from investment activities comprised the following:

	1 February 2019 – 31 January 2020	1 February 2018 – 31 January 2019
Losses on sale of fixed assets	913	359
	913	**359**

27 Expenses by nature

For the years ended 31 January 2020 and 2019, expenses by nature are as follows:

Depreciation and amortization expenses

	1 February 2019 – 31 January 2020	1 February 2018 – 31 January 2019
Selling and marketing expenses (Note 23)	248,174	53,861
Administrative expenses (Note 23)	26,432	15,222
Research and development expenses (Note 24)	5,648	640
	280,254	**69,723**

Expenses related to personnel

	1 February 2019 – 31 January 2020	1 February 2018 – 31 January 2019
Selling and marketing expenses (Note 23)	286,991	250,887
Administrative expense (Note 23)	104,562	77,567
Research and development (Note 24)	17,678	19,157
	409,231	**347,611**

27 Expenses by nature *(continued)*

Expenses related to personnel ***(continued)***

For the years ended 31 January 2019 and 2018, the details of expenses related to personnel are as follows:

	1 February 2019 – 31 January 2020	1 February 2018 – 31 January 2019
Wages and salaries	230,022	201,087
Bonus expense	76,775	55,009
Social security premiums	40,561	34,569
Meal expenses	19,832	15,943
Employee termination benefit expenses	14,240	8,408
Overtime expenses	9,473	10,039
Personnel travel expenses	6,263	5,463
Other	12,065	17,093
	409,231	**347,611**

28 Finance income

For the years ended 31 January 2020 and 2019, finance income comprised the following:

	1 February 2019 – 31 January 2020	1 February 2018 – 31 January 2019
Interest income on time deposits	6,254	4,665
Foreign exchange gain	2,072	200
Other	98	4
	8,424	**4,869**

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29 Finance costs

For the years ended 31 January 2020 and 2019, finance costs comprised the following:

	1 February 2019 – 31 January 2020	1 February 2018 – 31 January 2019
Interest expense on:		
Interest expenses on purchases	53,530	52,188
Financial liabilities measured at amortised cost	73,577	46,207
Interest expenses on contractual lease liabilities	74,080	--
	201,187	**98,395**
Change in fair value of forward contracts	865	45,774
Credit card commission expenses	9,634	6,669
Foreign exchange loss	5,358	9,301
Import financing expenses	13,122	8,030
Other	1,927	1,460
	232,093	**169,629**

30 Income taxes

Corporate tax

In Turkey, corporate tax rate is 22% as of 31 January 2020 (2019: 22%). However, according to the Article 91 of the Law numbered 7061 "Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation" which was published on the Official Gazette numbered 30261 on 5 December 2017 and according to the provisional clause 10 added to the Corporate Tax Law numbered 5520; corporate tax rate for the taxation periods of 2018, 2019 and 2020 is amended to 22%, which would later be applied as 20% at the end of these periods. During these periods, Council of Ministers is entitled to decrease the corporate tax rate of 22% to 20%.

The tax legislation provides for a temporary tax of 22% (2019: 22%) to be calculated and paid based on earnings generated for each quarter for the period ended 31 January 2020. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. With the amendment to the Law, corporate rate is set to 22% for the years 2018, 2019 and 2020.

As of 31 January 2019 and 2018 tax rates used in deferred tax calculation according to the tax laws of the countries except Turkey is as follows:

Country	31 January 2020	31 January 2019
Russia	20%	20%
Germany	30%	30%
Netherlands	20%	20%
America	23.14%	23.40%
Canada	26.88%	26.88%

Provision is made in the accompanying consolidated financial statements for the estimated charge based on the each of the Group entities' results for the year.

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30 Income taxes *(continued)*

Corporate tax ***(continued)***

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 dividends received from resident companies, other exempt income (if any, past year losses and investment incentives if preferred).In Turkey, advance tax returns are filed on a quarterly basis. 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 Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate (Between 1st -25th days of the fourth month following the closing of the period for those with special accounting periods). Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Foreign subsidiaries are subject to the tax legislation in the respective countries and necessary provisions for tax expense have been reflected in the financial statements.

Under the Turkish taxation system, 75% of profit gained from sale of property, plant and equipment of subsidiaries owned at least 2 years can be recognized as exempt income on condition that would be added to equity in following five years. The remaining 25% is subject to corporate tax.

The tax legislation in Turkey does not allow the parent company and its subsidiaries to issue a consolidated tax declaration. For this reason, the tax provisions reflected in the consolidated financial statements are separately calculated for each company subject to consolidation.

Tax 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 re-assessments based on their findings.

USA

The United States imposes a tax on the profits of US resident corporation at a rate of 21%. Taxable corporate profits are equal to a corporation's receipts less allowable deductions—including the cost of goods sold, wages and other employee compensation expenses, interest, nonfederal taxes, depreciation, and advertising. US-based corporations owned by foreign multinational companies generally face the same US corporate tax rules on their profits from US business activities, as do US-owned corporations. In addition to the federal taxes, US income can be taxed at the state and local government levels as well. State tax rates vary from 0% to 13%, and the state income tax paid is deductible for federal income tax purposes.

Russia

In Russia, the tax system has a legislative nature that is often changed by the authorities. 20%. Tax authorities and "delay penalties" may be subject to investigation and investigation by competent authorities. A tax year is the primary consolidation that follows up to be examined by tax authorities. The recent events in Russia show that they are more stable in the interpretation and implementation of tax legislation. Financial losses can be carried for a period of three years to be deducted from the profit of the institution.

30 Income taxes *(continued)*

Corporate tax ***(continued)***

Germany

Germany's effective corporate tax rate, including trade tax and solidarity tax is about 30%. Germany's overall income tax rate for corporations includes corporate income tax at a rate of 15%, solidarity surcharge at a rate of 0.815% (5.5% of the corporate income tax) and municipal trade tax which varies between 7% and 17.64%. Losses can be carried forward for offset against future taxable income indefinitely.
However, the offset is limited: losses may be offset against profits up to EUR 1,000 thousand without restriction, but only 60% of income exceeding EUR 1,000 thousand may be offset against loss carry forwards.

Netherland

The Dutch corporate tax rate for corporations is 20% for profits up to EUR 200,000 and 25% for excess. There is a one-sided decree issued to prevent double taxation for established companies in the Netherlands and, if there is no tax treaty, items such as profits from permanent foreign operations are not taxed. Dividend payments are subject to 5% tax.
In the Dutch tax system, financial losses can be carried forward for nine years to be deducted from future taxable income. Financial losses can be carried back up to one year ago. Companies must file their tax declarations within nine months of the end of the relevant year unless they request additional time (under normal circumstances for an additional period of nine months). Tax declarations are open for five years following their completion.
Tax authorities have the right to audit tax returns and related accounting records, and disclosures may be amended according to audit findings.

Canada

Canada's federal-provincial general corporate income tax rate is 26.88%. Tax losses can be carried forward for 20 years.

Withholding income tax

Except for the dividends paid to non-resident corporations which have a representative office in Turkey or resident corporations, dividends are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Tax Expense

For the years ended 31 January 2020 and 2019, tax expense recognized in profit loss comprised the following:

	1 February 2019 – 31 January 2020	**1 February 2018 – 31 January 2019**
Current tax expense:		
Current year tax expense	(49,313)	(27,625)
	(49,313)	**(27,625)**
Deferred tax income		
Deferred tax (expense)/ income on temporary differences	19,675	(3,954)
Total tax expense	**(29,638)**	**(31,579)**

30 Income taxes *(continued)*

Corporate tax *(continued)*

For the years ended 31 January 2020 and 2019, tax income recognized in other comprehensive income the following:

	1 February 2019 – 31 January 2020	1 February 2018 – 31 January 2019
Tax income/(expense), net:		
Deferred taxes related to remeasurements of defined benefit liability/ assets, net	247	(193)
Deferred taxes related to cash flow hedge reserve	(2,371)	2,289

As at 31 January 2020 and 2019, the details of the current tax assets/liabilities is as follows:

	1 February 2019 – 31 January 2020	1 February 2018 – 31 January 2019
Taxes (receivable)/ payable related to prior year, net	(13,073)	4,293
Current year tax expense	49,313	27,625
Corporate taxes paid	(32,006)	(44,991)
Total tax (assets)/liabilities, net	**4,234**	**(13,073)**
Current tax asset	(2,701)	(15,805)
Current tax liabilities	6,935	2,732

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30 Income taxes *(continued)*

Tax Expense *(continued)*

Reconciliation of effective tax rate

The reported taxation charge for the years ended 31 January 2020 and 2019 are different than the amounts computed by applying the statutory tax rate to profit before tax as shown in the following reconciliation:

	%	1 February 2019 – 31 January 2020	%	1 February 2018 – 31 January 2019
Profit for the year		**107,887**		**100,774**
Total income tax expense		(29,638)		(31,579)
Profit before tax		137,525		132,353
Income tax using domestic tax rate	(22)	(30,255)	(22)	(29,118)
Effect of tax rates in foreign jurisdictions	1,6	2,184	(0.3)	(413)
Non-deductible expenses[1]	(2,4)	(3,239)	(1.9)	(2,563)
Tax exempt income	1,8	2,462	0.7	958
Changes in estimates related to prior years		--	(0.2)	(204)
Tax incentive	(0,7)	(1,000)	--	--
Other	0,2	210	(0.2)	(239)
Current tax expense	**(21,6)**	**(29,638)**	**(23.9)**	**(31,579)**

[1]For the year ending 31 January 2020 tax effect of non-deductible expenses mainly consists of inventory counting differences amounting to TL 10,936 (31 January 2019: Inventory counting differences: TL 8,059).

Unrecognized deferred tax asset

For the year ended 31 January 2020 the Group has not any deferred tax assets from tax losses carried forward (31 January 2019: nil).

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

30 Income taxes *(continued)*

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities as at 31 January 2020 and 2019 are attributable to the items detailed in the table below:

	31 January 2020		
	Assets	**Liabilities**	**Net amount**
Property and equipment	29,425	(393)	29,032
Intangible assets	--	(40,714)	(40,714)
Right of use asstes	543	(77,842)	(77,299)
Inventories	4,760	(891)	3,869
Due from related parties	--	(217)	(217)
Trade and other receivables	212	(367)	(155)
Derivatives	--	(264)	(264)
Trade and other payables	1,754	(368)	1,386
Provisions	2,428	--	2,428
Employee benefits	1,464	--	1,464
Loans and borrowings	11	--	11
Contractual lease liabilities	83,914	--	83,914
Other temporary differences	1,596	--	1,596
Total	**126,107**	**(121,056)**	**5,051**
Set-off tax	**(120,524)**	**120,524**	
	5,583	**(532)**	

	31 January 2019		
	Assets	**Liabilities**	**Net amount**
Property and equipment	22,895	--	22,895
Intangible assets	--	(39,266)	(39,266)
Inventories	2,146	--	2,146
Due from related parties	--	(183)	(183)
Trade and other receivables	--	(578)	(578)
Derivatives	2,107	--	2,107
Trade and other payables	--	(581)	(581)
Provisions	1,925	--	1,925
Employee benefits	462	--	462
Loans and borrowings	--	(4)	(4)
Other temporary differences	271	--	271
Total	**29,806**	**(40,612)**	**(10,806)**
Set-off tax	**(27,926)**	**27,926**	
	1,880	**(12,686)**	

30 Income taxes *(continued)*

Deferred tax assets and deferred tax liabilities are attributable to the items detailed in the table below:

	1 February 2019	**Recognised in profit or loss**	**Recognised in comprehensive income and expense**	**Effect of movements in exchange rates**	**31 January 2020**
Property and equipment	22,895	6,223	--	(86)	29,032
Intangible assets	(39,266)	304	--	(1,752)	(40,714)
Inventories	2,146	1,687	--	36	3,869
Due from related parties	(183)	--	--	(34)	(217)
Trade and other receivables	(578)	438	--	(15)	(155)
Derivatives	2,107	--	(2,371)	--	(264)
Right of use asstes	--	(77,299)	--	--	(77,299)
Trade and other payables	(581)	2,024	--	(57)	1,386
Contractual lease liabilities	--	83,914	--	--	83,914
Provisions	1,925	457	--	46	2,428
Employee benefits	462	847	247	(92)	1,464
Loans and borrowings	(4)	15	--	--	11
Tax losses carried forward	--	--	--	--	--
Other temporary differences	271	1,065	--	260	1,596
	(10,806)	**19,675**	**(2,124)**	**(1,694)**	**5,051**

	1 February 2018	**Recognised in profit or loss**	**Recognised in comprehensive income and expense**	**Effect of movements in exchange rates**	**31 January 2019**
Property and equipment	(3,359)	26,254	--	--	22,895
Intangible assets	(10,941)	(28,325)	--	--	(39,266)
Inventories	5,868	(3,722)	--	--	2,146
Due from related parties	--	(183)	--	--	(183)
Trade and other receivables	(1,156)	578	--	--	(578)
Derivatives	(185)	4,522	(2,289)	59	2,107
Trade and other payables	4,158	(4,739)	--	--	(581)
Provisions	60	1,865	--	--	1,925
Employee benefits	316	146	(193)	193	462
Loans and borrowings	77	(81)	--	--	(4)
Tax losses carried forward	688	(688)	--	--	--
Other temporary differences	(148)	419	--	--	271
	(4,622)	**(3,954)**	**(2,482)**	**252**	**(10,806)**

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

31 Earnings per share

The amount of earnings per share is calculated by dividing the net period profit attributable to the owners of the Company shares by the weighted average share of the company's shares during the period. The calculation of earnings per share for the years ended 31 January 2020 and 2019 is as follows:

	31 January 2020	31 January 2019
Net profit for the year attributable to owners of the Company	94,844	91,517
Weighted average number of ordinary shares (basic)	49,657	49,657
Earnings per ordinary share	**1.9100**	**1.8430**

32 Derivatives

As at 31 January 2020 and 2019, short term derivatives are as follows:

	31 January 2020	31 January 2019
Assets from the forward exchange contracts	1,214	--
Liabilities from the forward exchange contracts	--	(9,562)
Other forward exchange contracts	--	(15)
	1,214	**(9,577)**

As of 31 January 2020, the Group has open forward exchange contracts to hedge the foreign currency risk on inventory purchases in amount of USD 19,912 thousand in equivalent of TL 118,905. By applying hedge accounting, the fair value difference of TL 1,214, resulting from such forward transactions, is recognized in other comprehensive income.

33 Financial instruments

Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management of framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

33 Financial instruments *(continued)*

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.The Group's exposure to credit risk is influenced mainly by the individual characteristic of each customer.

The companies operating under these segments have set a credit policy under which each new customer is analysed individually for the creditworthiness before each company's standard payment and delivery terms and conditions are offered.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of accounts receivable. The allowance is provided for receivables that are legally insolvent.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

The Group exposure to credit risk on trade receivables is influenced mainly by the individual characteristics of each customer. The Group closely monitors its customers and the risks are monitored by limiting the aggregate risk to any individual counterparty. The Group secures a portion of its receivables through the use of the Direct Debiting System ("DDS") and the use of credit cards by customers. In Turkey, the banks provide credit limits for the Group's customers through DDS and credit cards and the Group collects its receivables from the banks when due. As of 31 January 2020, the DDS limit of the Company is amounting TL 148,768 thousand (31 January 2019: 127,552 thousand). The Company also obtains guarantees from its customers as another means of securing its receivables.

Management believes that the unimpaired amounts that are pass due by more than 30 days are still collectable in full, based on the historical behavior and analysis of customer credit risk.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

The Group has exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The functional currencies of Group entities are CAD, USD, EUR and RUB.
The Group uses derivative financial instruments such as short-term forward foreign exchange contracts to hedge currency risk.

Interest rate risk

The Group is not exposed to the risk of interest rate since the Group does not have any variable interest rate barrowings.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence; to sustain future development of the business and to maintain an optimal capital structure in order to reduce the cost of capital.

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

34 Nature and level of risks related to financial instruments

Credit risk

The carrying amounts of financial assets shows the maximum credit risk exposure. As of the reporting date, the maximum exposure to credit risk is as follows:

	Receivables				
	Trade receivables		Other receivables		Cash and cash equivalents [2]
31 January 2020	**Related party**	**Other**	**Related party**	**Other [1]**	
The maximum exposure to credit risk as financial instruments (A+B+C+D)	**--**	**231,101**	**--**	**20,474**	**309,323**
- Portion of maximum risk covered by guarantees	--		--		
A. Net book value of financial assets that are neither past due not impaired	--	219,679	--	20,474	309,323
B. Net book value of financial assets which are overdue, but not impaired	--	11,422	--	--	--
C. Net book value of impaired assets	--	--	--	--	--
- Overdue (gross book value)	8,130	9,579	--	--	--
- Impairment (-)	(8,130)	(9,579)	--	--	--
-Secured portion of net amount by guarantees	--	--	--	--	--
- Not past due (gross carrying amount)	--	--	--	--	--
- Impairment (-)	--	--	--	--	--
- Secured portion of net amount by guarantees	--	--	--	--	--
D. Elements including credit risk on off consolidated statement of financial position	--	--	--	--	--

31 January 2020	**Receivables**	
	Trade receivables	**Other receivables**
Past due between 1-30 days	7,268	--
Past due between 1-3 months	3,055	--
Past due between 3-12 months	1,099	--
Total past due	**11,422**	**--**

[1] Other receivables from third parties excludes deposits and guarantees given.
[2] Cash and cash equivalents exclude cash on hand

34 Nature and level of risks related to financial instruments *(continued)*

Credit risk ***(continued)***

	Receivables				
	Trade receivables		Other receivables		Cash and cash equivalents [2]
31 January 2019	**Related party**	**Other**	**Related party**	**Other [1]**	
The maximum exposure to credit risk as financial instruments (A+B+C+D)	**--**	**168,593**	**--**	**19,470**	**264,686**
- Portion of maximum risk covered by guarantees	--	--	--	--	--
A. Net book value of financial assets that are neither past due not impaired	--	157,023	--	19,470	264,686
B. Net book value of financial assets which are overdue, but not impaired	--	11,570	--	--	--
C. Net book value of impaired assets	--	--	--	--	--
- Overdue (gross book value)	7,186	9,392	--	--	--
- Impairment (-)	(7,186)	(9,392)	--	--	--
-Secured portion of net amount by guarantees	--	--	--	--	--
- Not past due (gross carrying amount)	--	--	--	--	--
- Impairment (-)	--	--	--	--	--
- Secured portion of net amount by guarantees	--	--	--	--	--
D. Elements including credit risk on off consolidated statement of financial position	--	--	--	--	--

31 January 2019	**Receivables**	
	Trade receivables	**Other receivables**
Past due between 1-30 days	7,668	--
Past due between 1-3 months	2,933	--
Past due between 3-12 months	969	--
Total past due	**11,570**	**--**

[1] Other receivables from third parties excludes deposits and guarantees given.
[2] Cash and cash equivalents exclude cash on hand.

34 Nature and level of risks related to financial instruments *(continued)*

Credit risk ***(continued)***

Impairment

For the years ended 31 January 2020 and 2019, movement of the provision for doubtful receivables is as follows:

	1 February 2019 – 31 January 2020	1 February 2018 – 31 January 2019
Balance beginning	16,578	12,762
Current year provision	490	386
Allowances no longer required	(128)	(56)
Write-offs	(358)	(91)
Effect of movements in exchange rates	1,127	3,577
Balance ending	**17,709**	**16,578**

The Group monitors the collectability of its trade receivables periodically and records provision for potential losses on doubtful receivables based on historical collection rates. Subsequent to recognition of allowance for doubtful receivables, partial or full recovery of doubtful receivables will be recorded under profit or loss with an offset to provision for doubtful receivables.

Liquidity risk

As at 31 January 2020 and 2019, maturities of financial liabilities including estimated interest payments based on repayment schedules are included below:

31 January 2020	Note	Carrying amount	Contractual cash	3 month or less	3-12 months	1-5 year
Non derivative financial liabilities						
Bank loans	5	319,792	347,390	78,246	168,375	100,769
Contractual lease liabilities	5	438,723	575,030	62,526	149,649	362,855
Trade payables to third parties	7	400,479	402,144	357,901	43,973	270
Trade payables to related parties	6	196,804	199,096	192,270	6,796	30
Other payables to related parties	6	126	126	126	--	--
Payables to employees	18	34,714	34,714	34,714	--	--
Total		**1,390,638**	**1,558,500**	**725,783**	**368,793**	**463,924**

31 January 2019	Note	Carrying amount	Contractual cash	3 month or less	3-12 months	1-5 year
Non derivative financial liabilities						
Bank loans	5	376,044	418,835	133,411	166,318	119,106
Trade payables to third parties	7	355,179	359,999	331,820	27,309	870
Trade payables to related parties	6	155,105	155,598	140,292	15,097	209
Other payables to related parties	6	10,330	10,330	10,330	--	--
Payables to employees	18	32,512	32,512	32,512	--	--
Total		**929,170**	**977,274**	**648,365**	**208,724**	**120,185**

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34 Nature and level of risks related to financial instruments *(continued)*

Market risk

Currency risk

As of 31 January 2020 the Group's foreign currency position specified in the following table arises from foreign currency is denominated as assets and liabilities.

	TL Equivalent	USD	Euro	Other
1. Trade receivables	9,923	1,004	--	3,927
2a. Monetary financial assets (including cash. banks)	21,294	2,621	835	149
2b. Non-monetary financial assets	--	--	--	--
3. Other	1,164	132	58	--
4. Current assets (1+2+3)	**32,381**	**3,757**	**893**	**4,076**
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)	**32,381**	**3,757**	**893**	**4,076**
10. Trade payables	4,349	480	209	105
11. Financial liabilities	43,217	452	6,159	--
12a. Monetary other liabilities	--	--	--	--
12b. Non-monetary other liabilities	--	--	--	--
13. Short term liabilities (10+11+12)	**47,566**	**932**	**6,368**	**105**
14. Trade payables	--	--	--	--
15. Financial liabilities	4,207	483	272	(462)
16a. Monetary other liabilities	--	--	--	--
16b. Non-monetary other liabilities	--	--	--	--
17. Long term liabilities (14+15+16)	**4,207**	**483**	**272**	**(462)**
18. Total liabilities (13+17)	**51,773**	**1,415**	**6,640**	**(357)**
19. Net Asset/(Liability) Position of derivative instruments (19a-19b)	**(118,905)**	**(19,912)**	**--**	**--**
19a. Hedged total asset	--	--	--	--
19b. Hedged total liabilities	118,905	19,912	--	--
20. Position of net foreign currency assets/liabilities (9-18+19)	**(138,297)**	**(17,570)**	**(5,747)**	**4,433**
21. Position of net foreign currency monetary assets/liabilities (=1+2a+5+6a-10-11-12a-14-15-16a)	**(20,556)**	**2,210**	**(5,805)**	**4,433**

As at 31 January 2020, Mavi Turkey has trade receivables amounting to TL 20,825 from consolidated subsidiaries which comprise; EUR 2,200 thousand, USD 288 thousand, CAD 224 thousand and RUB 38,411 thousand. These amounts have been eliminated in consolidation. Considering these receivables, the Group's net foreign currency monetary assets position amounts to TL 269.

34 Nature and level of risks related to financial instruments *(continued)*

Market risk *(continued)*

Currency risk (continued)

As of 31 January 2019 the Group's foreign currency position specified in the following table arises from foreign currency is denominated as assets and liabilities.

	TL Equivalent	USD	Euro	Other
1. Trade receivables	4,607	775	--	517
2a. Monetary financial assets (including cash. banks)	109,727	13,618	6,235	227
2b. Non-monetary financial assets	--	--	--	--
3. Other	1,889	349	8	--
4. Current assets (1+2+3)	**116,223**	**14,742**	**6,243**	**744**
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)	**116,223**	**14,742**	**6,243**	**744**
10. Trade payables	54,532	10,096	179	165
11. Financial liabilities	23,702	125	3,819	--
12a. Monetary other liabilities	10,250	1,942	--	--
12b. Non-monetary other liabilities	--	--	--	--
13. Short term liabilities (10+11+12)	**88,484**	**12,163**	**3,998**	**165**
14. Trade payables	--	--	--	--
15. Financial liabilities	2,365	448	--	--
16a. Monetary other liabilities	--	--	--	--
16b. Non-monetary other liabilities	--	--	--	--
17. Long term liabilities (14+15+16)	**2,365**	**448**	**--**	**--**
18. Total liabilities (13+17)	**90,849**	**12,611**	**3,998**	**165**
19. Net Asset/(Liability) Position of derivative instruments (19a-19b)	**120,751**	**22,758**	**105**	**--**
19a. Hedged total asset	--	--	--	--
19b. Hedged total liabilities	(120,751)	(22,758)	(105)	--
20. Position of net foreign currency assets/liabilities (9-18+19)	**146,125**	**24,889**	**2,350**	**579**
21. Position of net foreign currency monetary assets/liabilities (=1+2a+5+6a-10-11-12a-14-15-16a)	**23,485**	**1,782**	**2,237**	**579**

As at 31 January 2019, Mavi Turkey has trade receivables amounting to TL 20,426 from consolidated subsidiaries which comprise; EUR 1,945 thousand, USD 128 thousand, CAD 122 thousand and RUB 94,728 thousand. Considering these receivables, the Group's net foreign currency assets position amounts to TL 43,911. The amounts have been eliminated in consolidation.

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34 Nature and level of risks related to financial instruments *(continued)*

Market risk *(continued)*

Currency risk (continued)

<u>*Sensitivity analysis*</u>

The Group's foreign exchange risk consists of movements of TL against Euro and US Dollar.

The basis for performing sensitivity analysis to measure foreign exchange risk is to disclose total currency position of the Company. Total foreign currency position consists of all purchase/sales agreements in foreign currency and all assets and liabilities. Analysis does not include net foreign currency investments.

The Group's short term and long term borrowings are carried out in balance under pooling/portfolio model.

Foreign Currency Sensitivity Analysis				
31 January 2020				
	Profit/Loss		Equity	
	Appreciation of foreign currency	Devaluation of foreign currency	Appreciation of foreign currency	Devaluation of foreign currency
10% change of the USD against TL				
1- Net USD denominated asset/liability	1,320	(1,320)	1,320	(1,320)
2- Hedged portion of TL against USD risk(-)	--	--	11,890	(11,890)
3- Net effect of USD (1+2)	**1,320**	**(1,320)**	**13,210**	**(13,210)**
10% change of the EURO against TL				
4- Net EURO denominated asset/liability	(3,819)	3,819	(3,819)	3,819
5- Hedged portion of TL against EURO risk(-)	--	--	--	--
6- Net effect of EURO (4+5)	**(3,819)**	**3,819**	**(3,819)**	**3,819**
10% change of other against TL				
7- Net other denominated asset/liability	443	(443)	443	(443)
8- Hedged portion of TL against other risk(-)	--	--	--	--
9- Net effect of other (7+8)	**443**	**(443)**	**443**	**(443)**
Total (3+6+9)	**(2,056)**	**2,056**	**9,834**	**(9,834)**

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

34 Nature and level of risks related to financial instruments *(continued)*

Market risk ***(continued)***

Currency risk (continued)

Foreign Currency Sensitivity Analysis				
31 January 2019				
	Profit/Loss		Equity	
	Appreciation of foreign currency	Devaluation of foreign currency	Appreciation of foreign currency	Devaluation of foreign currency
10% change of the USD against TL				
1- Net USD denominated asset/liability	941	(941)	941	(941)
2- Hedged portion of TL against USD risk(-)	195	(195)	12,012	(12,012)
3- Net effect of USD (1+2)	**1,136**	**(1,136)**	**12,953**	**(12,953)**
10% change of the EURO against TL				
4- Net EURO denominated asset/liability	1,350	(1,350)	1,350	(1,350)
5- Hedged portion of TL against EURO risk(-)	--	--	63	(63)
6- Net effect of EURO (4+5)	**1,350**	**(1,350)**	**1,413**	**(1,413)**
10% change of other against TL				
7- Net other denominated asset/liability	58	(58)	58	(58)
8- Hedged portion of TL against other risk(-)	--	--	--	--
9- Net effect of other (7+8)	**58**	**(58)**	**58**	**(58)**
Total (3+6+9)	**2,544**	**(2,544)**	**14,424**	**(14,424)**

Interest rate risk

Profile

The interest rate profile of the Group's interest-bearing financial instruments is:

Fixed interest rate items	**31 January 2020**	**31 January 2019**
Financial assets	148,310	107,805
Financial liabilities	(758,515)	(376,044)

34 Nature and level of risks related to financial instruments *(continued)*

Market risk ***(continued)***

Interest rate risk (continued)

The fair value of fixed rate instruments risk:

The Group does not have any derivative instruments (interest rate swaps) accounted under fair value hedge accounting model or financial assets or liabilities for which fair values are recorded in profit or loss. Therefore, any changes in interest rates during the reporting period will not have an impact on profit or loss.

The fair value of variable rate instruments risk:

As the Group does not have any variable rate borrowings, changes in interest rates as of the reporting period will not have an impact on profit or loss.

Capital risk management

The Group's objectives when managing capital are to safeguard, and provide benefits to other stakeholders in order to reduce the cost of capital in order to maintain and protect the optimal capital structure of the Group.
To maintain or adjust the capital structure, the Group determines the amount of dividends paid to shareholders, issue new shares or may sell assets to reduce debt.
Group capital and net financial debt/equity ratio is followed using net financial debt less cash and cash equivalents; total financial debt is calculated by deducting from that amount.

As at 31 January 2020 and 2019, net debt / equity ratios are as follows:

	31 January 2020	**31 January 2019**
Loans and borrowings (Note 5) [1]	758,515	376,044
Cash and cash equivalents (Note 4)	(310,838)	(266,571)
Net financial liabilities	**447,677**	**109,473**
Equity	477,664	337,168
Net financial liabilities / equities rate	**0.94**	**0.32**

[1] Financial lease liabilities are included arising from IFRS 16 .

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

35 Financial risk management

Fair values

	Carrying amount			Fair value			
31 January 2020	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value							
Derivatives	1,214	--	1,214	--	1,214	--	1,214
Financial assets not measured at fair value							
Trade receivables from third parties	231,101	--	231,101	--	--	--	--
Other receivables to third parties[1]	17,267	--	17,267	--	--	--	--
Cash and cash equivalents	310,838	--	310,838	--	--	--	--
Total	**560,420**	**--**	**560,420**	**--**	**1,214**	**--**	**1,214**
Financial liabilties measured at fair value							
Derivatives	--	--	--	--	--	--	
Financial assets not measured at fair value							
Other payables to related parties	--	(126)	(126)	--	--	--	--
Bank overdrafts	--	--	--	--	--	--	--
Bank loans	--	(319,792)	(319,792)	--	--	(319,792)	(319,792)
Trade payables to third parties	--	(400,479)	(400,479)	--	--	--	--
Other payables to third parties	--	(6,845)	(6,845)	--	--	--	--
Trade payables to related parties	--	(196,804)	(196,804)	--	--	--	--
Total	**--**	**(924,046)**	**(924,046)**	**--**	**--**	**(319,792)**	**(319,792)**

[1] Other receivables from third parties excludes deposits and guarantees given.

35 Financial risk management *(continued)*

Fair values ***(continued)***

	Carrying amount			Fair value			
31 January 2019	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value							
Derivatives	--	--	--	--	--	--	--
Financial assets not measured at fair value							
Trade receivables from third parties	168,593	--	168,593	--	--	--	--
Other receivables to third parties[1]	17,059	--	17,059	--	--	--	--
Cash and cash equivalents	266,571	--	266,571	--	--	--	--
Total	**452,223**	**--**	**452,223**	**--**	**--**	**--**	**--**
Financial liabilties measured at fair value							
Derivatives	(9,577)	--	(9,577)	--	(9,577)	--	(9,577)
Financial liabilities not measured at fair value							
Other payables to related parties	--	(10,330)	(10,330)	--	--	--	--
Bank overdrafts	--	(4,548)	(4,548)	--	--	(4,548)	(4,548)
Bank loans	--	(371,496)	(371,496)	--	--	(371,496)	(371,496)
Trade payables to third parties	--	(355,179)	(355,179)	--	--	--	--
Other payables to third parties	--	(6,204)	(6,204)	--	--	--	--
Trade payables to related parties	--	(155,105)	(155,105)	--	--	--	--
Total	**(9,577)**	**(902,862)**	**(912,439)**	**--**	**(9,577)**	**(376,044)**	**(385,621)**

[1] Other receivables from third parties excludes deposits and guarantees given.

Fair value disclosures

The Group estimates the fair values of financial instruments based on market information readily available and proper valuation approaches. The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values for financial instruments measured at fair value in the statement of financial instruments measured at fair value in the statement of financial position, as well as the significant unobservable inputs used.

When measuring fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data.

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

35 Financial risk management *(continued)*

Fair value disclosures ***(continued)***

Financial instruments measured at fair value			
Type	**Valuation technique**	**Significant unobservable**	**Intra-relationship between significant unobservable inputs and fair value measurement**
Forward exchange contracts	Forward pricing: the fair value is determined using quoted forward Exchange rate and present value calculations based on high credit quality yield curves in the respective currencies.	Not applicable.	Not applicable.
Financial instruments not measured at fair value			
Other financial liabilities [1]	Discounted cash flows: the valuation model considers the present value of expected payment, discounted using a risk-adjusted discounted rate.		

[1] Other financial liabilities include bank loans.

36 Movement of cash flow used in financing activities

	31 January 2020	31 January 2019
Opening balance	**376,044**	**377,835**
Net cash flow used in financing activities	(47,216)	(9,647)
Effect of movements in exchange rates	1,184	1,050
Interest accrual	(5,672)	6,064
Payments of contractual lease liabilities	(243,461)	--
Non-cash movements of financial lease liabilities	682,184	--
Effect of change in bank overdrafts	(4,548)	742
Closing balance	**758,515**	**376,044**

37 Ebitda reconciliation

The Directors of the Group have presented the performance measure EBITDA as they monitor this performance measure at a consolidated level and they believe this measure is relevant to an understanding of the Group's financial performance. Profit from continuing operations to exclude the impact of taxation, net finance costs, depreciation and amortization.

EBITDA is not a defined performance measure under IFRS. Reconciliation of EBITDA for the years ended 31 January 2020 and 2019 are as follows:

	Note	31 January 2020	31 January 2019
Profit		107,887	100,774
Income tax expense	*30*	29,638	31,579
Profit before tax		**137,525**	**132,353**
Adjustment for:			
-Net finance costs		223,669	164,760
Payables interest income (net)		5,276	(8,696)
Foreign exchange gain and loss (net)		(2,334)	8,990
-Depreciation and amortisation	*27*	280,254	69,723
EBITDA		**644,390**	**367,130**

38 Subsequent events

None.

DIVIDEND DISTRIBUTION

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1. DIVIDEND DISTRIBUTION POLICY

The purpose of the dividend distribution policy is to ensure that a balanced and consistent policy is implemented pursuant to the applicable legislation in relation to the interests of the investors and the Company, inform the investors sufficiently and maintain a transparent policy toward the investors.

The general assembly, upon the proposal of the Board of Directors, resolves on the distribution of dividends and the timing and manner of such distribution. To the extent allowed by applicable regulations and financial resources, and taking into account market expectations, long term strategies of the Company, needs of the subsidiaries and affiliates, investment and financing policies and profitability and cash reserves, the Company aims to distribute to the shareholders and other persons sharing the profit at least 30% of the distributable net profit calculated for the relevant period pursuant to the Articles of Association, TCC, CMB's Dividend Distribution Communiqué No. II-19.1 and tax legislation. Dividends may be distributed in cash and/or bonus shares and/or as a combination of both in certain ratios. Dividends are distributed equally to all shares in existence at the time of distribution, pro rata to their respective ratios and regardless of their date of issuance or their date of acquisition. Dividend payments may be made in equal or varying installments, provided that this is resolved upon during the general assembly meeting where the general assembly has resolved to make dividend distribution. The dividend distribution will commence on the date determined by the General Assembly, provided that the distribution is initiated before the end of the accounting period within which that General Assembly meeting takes place. The General Assembly's dividend distribution resolution, passed in accordance with the Articles of Association, may not be revoked unless permitted by applicable law. Should the Board of Directors propose not to distribute dividends, the reasons for this proposal and the manner in which the retained profit would be used will be explained under the agenda item concerning dividend distribution, and this information will be submitted to the shareholders during the General Assembly.

The Board of Directors' dividend distribution proposal or the Board resolutions relating to the distribution of advance dividends will be announced to the public in accordance with the relevant regulations, with the form and content of the relevant proposal/resolution, and the tables showing the dividend distribution or the advance dividend distribution, as applicable. Furthermore, to the extent any amendments to this dividend distribution policy are to be introduced, the Board resolution regarding such amendments shall be announced to the public with the reasons of amendment.

2. THE BOARD OF DIRECTORS' DIVIDEND DISTRIBUTION PROPOSAL FOR THE SPECIAL ACCOUNTING PERIOD DATED 1 FEBRUARY 2019 – 31 JANUARY 2020

It has been decided that profits of the special accounting period dated February 1, 2019 - January 31, 2020 shall not be the subject of dividend distribution with the reason and for purpose of supporting the liquidity that the Company may need due to the impact of COVID-19 pandemic conditions on the activities of the Company and this proposal shall be submitted to the approval of the shareholders at the Ordinary General Assembly Meeting in which the operating results of the special accounting period dated February 1, 2019 - January 31, 2020 will be discussed.

3. DIVIDENT DISTRIBUTION TABLE

Mavi Giyim Sanayi ve Ticaret A.Ş. Profit Distribution Proposal for 2019 (TL)

1. Paid-in Capital	49.657.000,00
2. General legal reserves (as per statutory records)	19.165.758,02

Information concerning preferred shares, if, as per the company Articles of Association, there are any privileges for preferred shares in distribution of dividens:No

		As per Capital Markets Board	As per Statutory Records
3.	Profit for the period	137.525.000,00	173.283.098,37
4.	Taxes (-)	29.638.000,00	38.646.514,92
5.	Net Profit (=)	94.844.000,00	134.636.583,45
6.	Prior years' losses (-)	-	-
7.	Legal reserve fund (-)	-	-
8.	NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)	94.844.000,00	134.636.583,45
	Dividend Advance Distributed (-)	-	-
	Dividend Advance Less Net Distributable Current Period Profit	94.844.000,00	134.636.583,45
9.	Grants made during the year (+)	402.441,82	-
10.	Net distributable profit including grants	95.246.441,82	134.636.583,45
11.	First category dividend to shareholders	-	-
	-Cash	-	-
	-Shares	-	-
	-Total	-	-
12.	Dividends distributed to preferred shareholders	-	-
13.	Other dividends distributed	-	-
	-Members of the Board of Directors	-	-
	-Employees	-	-
	-Non-shareholders	-	-
14.	Dividends distributed to holders of usufruct right certificates	-	-
15.	Second category dividend to shareholders	-	-
16.	Legal reserve fund	-	-
17.	Status reserves	-	-
18.	Special reserves	-	-
19.	EXTRAORDINARY RESERVES	95.246.441,82	134.636.583,45
20	Other sources planned for distribution	-	-
	-Prior years' income	-	-
	-Extraordinary reserves	-	-
	-Other distributable reserves as per the legislation and Articles of Association	-	-

Mavi Giyim Sanayi ve Ticaret A.Ş. Information on Dividend per Share for 2018

GROUP		TOTAL DIVIDEND AMOUNT		TOTAL DIVIDEND AMOUNT/ NET DISTRIBUTABLE PROFIT FOR THE PERIOD	DIVIDEND PER SHARE FOR 1 TL NOMINAL VALUE	
		CASH (TL)	SHARES (TL)	RATIO (%)	AMOUNT (TL)	SHARE (%)
Gross	A	0,00	0,00	0,00	0,00	0,00
	B	0,00	0,00	0,00	0,00	0,00
	Total	**0,00**	**0,00**	**0,00**		
Net	A	0,00	0,00	0,00	0,00	0,00
	B	0,00	0,00	0,00	0,00	0,00
	Total	**0,00**	**0,00**	**0,00**		

KPMG

KPMG Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
Heris Tower Kat:21
Alsancak 35210 İzmir
Tel +90 232 464 2045
Fax +90 232 464 2145
www.kpmg.com.tr

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

To the Shareholders of Mavi Giyim Sanayi ve Ticaret Anonim Şirketi

Opinion

We have audited the annual report of Mavi Giyim Sanayi ve Ticaret Anonim Şirketi (the "Company") and its subsidiaries (together will be referred as "the Group") for the period between 1 February 2019 and 31 January 2020, since we have audited the complete set consolidated financial statements for this period.

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

Basis for Opinion

We conducted our audit in accordance with the standards on auditing issued by the Capital Markets Board of Turkey and Standards on Auditing which is a component of the Turkish Auditing Standards issued by the Public Oversight, Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Annual Report* section of our report. We declare that we are independent of the Group in accordance with the Code of Ethics for Auditors issued by POA (POA's Code of Ethics) and the ethical requirements in the regulations issued by POA that are relevant to audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Auditor's Opinion on Complete Set of consolidated Financial Statements

We have expressed an unqualified opinion on the complete set of consolidated financial statements of the Group for the period between 1 February 2019 and 31January 2020 on 12 March 2020.

KPMG

Board of Directors' Responsibility for the Annual Report

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

a) The Group's management prepares its annual report within the first three months following the date of statement of financial position and submits it to the general assembly.

b) The Group's management prepares its annual report in such a way that it reflects the operations of the year and the consolidated financial position of the Group accurately, completely, directly, true and fairly in all respects. In this report, the financial position is assessed in accordance with the Group's consolidated financial statements. The annual report shall also clearly indicates the details about the Group's development and risks that might be encountered. The assessment of the Board of Directors on these matters is included in the report.

c) The annual report also includes the matters below:

- Significant events occurred in the Group after the reporting period,

- The Group's research and development activities.

- Financial benefits such as wages, premiums and bonuses paid to board members and key management personnel, appropriations, travel, accommodation and representation expenses, benefits in cash and kind, insurance and similar guarantees.

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

Auditor's Responsibility for the Audit of the Annual Report

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

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

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of KPMG International Cooperative

İsmail Önder Ünal, SMMM
Partner
8 May 2020
İzmir, Turkey

DISCLAIMER

This Annual Report is prepared in accordance with the legal requirements to be presented to the Ordinary General Assembly, ''for the special accounting period of 1 February 2019 - 31 January 2020.'' Report is prepared only to provide information to the shareholders, and it is not intended to form the basis of any investment decision.

To the extent available, the industry, market and competitive position data contained in this Report come from independent official or third party sources. Although the Company believes that these information are provided by reliable sources, it has not, however, independently verified accuracy and completeness of the information contained therein. In addition, some of the market and competitive position data contained in this Report come from the internal research and estimates based on the knowledge and experience of the Company's management in the markets that the Company operates. Although, the Company believes that the internal research and estimates are reasonable, accuracy and completeness of these research and estimates and methodologies and assumptions relevant with these research and estimates have not verified by independent third parties. The Company, its management and/or its employees and/or other related persons may not be held responsible for any direct or indirect loss that could arise from the use of the data stated in this Report.

Forward-looking statements included in this Report are subject to risks, uncertainties and other important factors which are known or unknown to the Company or which cannot be controlled or which can be controlled in a limited manner by the Company. These risks, uncertainties and other important factors may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such statements. Changes in customer tastes and spending patterns; changes in customer traffic; ability to accurately predict customer preferences and demands; ability to successfully implement new store rollout and retail strategy; effectiveness of brand awareness and marketing programs; difficulties that can be observed in retail fashion and fragility that can be observed in customer loyalty; competitive factors in retail fashion; impact of extreme unseasonal weather conditions on retail fashion; ability to retain key management and personnel; circumstances affecting relationships with major suppliers and distributors; currency and interest rate risks and fluctuations and other changes in financial markets and macro economic conditions; changes in tax rates, applicable laws and government policies and operational disruptions, natural disasters, wars, terrorist activities, work stoppages, slowdowns or strikes are, without any limitation of the foregoing, among these risks, uncertainities and other important factors. Explanations regarding risks, uncertainities and other important factors that may affect forward looking statements can be found in the explanatory notes of financial statements and in the "Risk Management and Internal Control System" section of this Report.

Forward-looking statements included in this Report are based on a number of assumptions relevant to the current and future business strategies of the Company and the business environment in which the Company operates. Forward-looking statements speak only as at the date on which they are made. The Company warns addressees of this Report that forward -looking statements does not constitute a guarantee as to the future performance and results of the Company and that actual results as to Company's financial position, expectations, growth, business strategy, plans and future operations may differ materially from forward-looking statements stated in this Report. In addition, even if the actual results and achievements as to Company's financial position, expectations, growth, business strategy, plans and future operations will be consistent with the forward-looking statements included in this Report, this consistency cannot be considered as an indicator as to any further future results and achievements. The Company, its management and/or its employees and/or other related persons may not be held responsible for any direct or indirect loss that could arise from the use of the forward-looking statements stated in this Report.

The Report and the accompanying disclaimer are provided both in Turkish and English languages. In case of any discrepancy between Turkish and English version of the Report and the accompanying disclaimer, Turkish version shall prevail. The Company believes that the information included in this Report is accurate as of the date of the Report and accepts no responsibility for any spelling or printing errors that may occur during the Report's preparation.