

**Mavi Giyim Sanayi ve Ticaret
Anonim Őirketi and
Its Subsidiaries**

Condensed Consolidated Interim Financial Statements
As At and For The Three Months Period Ended
30 April 2020

9 June 2020

This report contains 39 pages of financial statement
explanatory notes.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

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Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Condensed Consolidated Interim Statement of Financial Position
As at 30 April 2020

(Amounts are expressed in thousands of Turkish Lira (“TL”), unless otherwise stated.)

		Unaudited	Audited
	<i>Notes</i>	30 April 2020	31 January 2020
ASSETS			
Current assets			
Cash and cash equivalents	5	756,380	310,838
Trade receivables		223,233	231,101
- <i>Due from third parties</i>	8	223,233	231,101
Other receivables		10,337	17,267
- <i>Due from third parties</i>		10,337	17,267
Inventories		611,265	496,064
Derivatives	22	16,137	1,214
Prepayments		41,002	41,761
Current tax assets		13,381	2,701
Other current assets		41,048	17,726
Total current assets		1,712,783	1,118,672
Non-current assets			
Other receivables		3,395	3,207
- <i>Due from third parties</i>		3,395	3,207
Property and equipment		192,121	180,719
Right of use assets	11	431,844	406,679
Intangible assets		254,354	222,449
- <i>Other intangible assets</i>		75,374	68,051
- <i>Goodwill</i>	10	178,980	154,398
Prepayments		77	115
Deferred tax assets		18,491	5,583
Total non-current assets		900,282	818,752
TOTAL ASSETS		2,613,065	1,937,424

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

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Condensed Consolidated Interim Statement of Financial Position
As at 30 April 2020

(Amounts are expressed in thousands of Turkish Lira (“TL”), unless otherwise stated.)

		Unaudited	Audited
	<i>Notes</i>	30 April 2020	31 January 2020
LIABILITIES			
Current liabilities			
Short term borrowings	6	154,233	74,748
Short term contractual lease liabilities	6	202,439	197,954
- Due to related parties	7	1,745	1,553
- Due to third parties		200,694	196,401
Short portion of long term borrowings	6	529,799	160,946
Trade payables		613,212	597,283
- Due to related parties	7	167,958	196,804
- Due to third parties	8	445,254	400,479
Payables to employees		18,340	34,714
Other payables		6,977	6,971
- Due to related parties	7	126	126
- Due to third parties		6,851	6,845
Deferred revenue		19,222	18,917
Provisions		19,819	16,565
- Provisions for employee benefits	12	4,829	3,118
- Other provisions	12	14,990	13,447
Current tax liabilities		1,195	6,935
Other current liabilities		7,360	7,992
Total current liabilities		1,572,596	1,123,025
Non-current liabilities			
Loans and borrowings	6	281,448	84,098
Long term contractual lease liabilities	6	262,096	240,769
- Due to related parties	7	3,169	3,229
- Due to third parties		258,927	237,540
Deferred revenue		2,916	3,405
Provisions		7,463	7,931
- Provisions for employee benefits	12	7,463	7,931
Deferred tax liabilities		12,253	532
Total non-current liabilities		566,176	336,735
TOTAL LIABILITIES		2,138,772	1,459,760

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Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Condensed Consolidated Interim Statement of Financial Position
As at 30 April 2020

(Amounts are expressed in thousands of Turkish Lira (“TL”), unless otherwise stated.)

	<i>Notes</i>	Unaudited 30 April 2020	Audited 31 January 2020
EQUITY			
Equity attributable to owners of the Company			
Paid in share capital	<i>14</i>	49,657	49,657
Purchase of share of entities under common control		(35,757)	(35,757)
Other comprehensive income/expense not to be reclassified to profit or loss		(5,490)	(5,337)
<i>Remeasurement of defined benefit liability</i>		(5,490)	(5,337)
Other comprehensive income/expense to be reclassified to profit or loss		134,656	88,960
<i>Foreign currency translation reserve</i>		122,069	88,013
<i>Hedging reserve</i>		12,587	947
Legal reserves		19,771	19,771
Retained earnings		342,930	248,086
Net income		(50,088)	94,844
Non-controlling interests		18,614	17,440
Total equity		474,293	477,664
TOTAL EQUITY AND LIABILITIES		2,613,065	1,937,424

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

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Condensed Consolidated Interim Statement of Profit or Loss
For the three months period ended 30 April 2020

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

		Unaudited	Unaudited
	<i>Notes</i>	1 February – 30 April 2020	1 February – 30 April 2019
Revenue		387,122	648,353
Cost of sales		(211,366)	(341,388)
Gross profit		175,756	306,965
Administrative expenses		(39,202)	(36,707)
Selling, marketing and distribution expenses	<i>15</i>	(181,260)	(197,841)
Research and development expenses		(7,903)	(5,163)
Other operating income	<i>16</i>	5,913	5,910
Other operating expenses	<i>16</i>	(1,874)	(1,391)
Operating profit / (loss)		(48,570)	71,773
Losses from investment activities	<i>17</i>	(385)	(204)
Operating profit / (loss) before financial income		(48,955)	71,569
Finance income	<i>18</i>	33,673	1,427
Finance costs	<i>19</i>	(51,857)	(60,805)
Net finance costs		(18,184)	(59,378)
Profit / (loss) before tax		(67,139)	12,191
Income tax expense		15,498	(2,109)
- Tax income / (expense)		9,851	(8,582)
- Deferred tax income		5,647	6,473
Net Income / (Loss)		(51,641)	10,082
Non-controlling interests		(1,553)	3,340
Owners of the Company		(50,088)	6,742
Earnings / (loss) per share	<i>21</i>	(1.0087)	0.1358
Earnings / (loss) before interest, tax, depreciation and amortization (EBITDA)	<i>25</i>	20,145	132,576

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

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Condensed Consolidated Interim Statement of Profit or Loss
For the three months period ended 30 April 2020

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

	Unaudited	Unaudited
<i>Notes</i>	1 February – 30 April 2020	1 February – 30 April 2019
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit liability	(196)	(106)
- Related tax	43	23
Items that are or may be reclassified to profit or loss		
Foreign operations - foreign currency translation differences	36,783	17,625
Cash flow hedging reserves	14,923	22,751
- Related tax	(3,283)	(5,005)
Other comprehensive income net of tax	48,270	35,288
Total comprehensive income	(3,371)	45,370
Total comprehensive income attributable to:		
Non-controlling interests	1,174	3,976
Owners of the Company	(4,545)	41,394

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

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

Condensed Consolidated Interim Statement of Changes In Equity

As at and for the three months period ended 30 April 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
				Remeasurement of defined benefit liability	Foreign currency translation reserve	Hedging reserve	Retained earnings	Net profit / (loss)			
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	--	--	--	(83)	16,989	17,746	--	6,742	41,394	3,976	45,370
Total balance as at 30 April 2019	49,657	19,771	(35,757)	(4,543)	80,924	10,288	248,086	6,742	375,168	7,370	382,538
Balance as at 1 February 2020	49,657	19,771	(35,757)	(5,337)	88,013	947	248,086	94,844	460,224	17,440	477,664
Transfers	--	--	--	--	--	--	94,844	(94,844)	--	--	--
Total comprehensive income	--	--	--	(153)	34,056	11,640	--	(50,088)	(4,545)	1,174	(3,371)
Total balance as at 30 April 2020	49,657	19,771	(35,757)	(5,490)	122,069	12,587	342,930	(50,088)	455,679	18,614	474,293

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Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
As at and for the three months period ended 30 April 2020
(Amounts are expressed in thousands of Turkish Lira (“TL”), unless otherwise stated.)

		Unaudited	Unaudited
	<i>Notes</i>	1 February – 30 April 2020	1 February – 30 April 2019
Cash flow from operating activities			
Net profit / (loss) for the period		(51,641)	10,082
<i>Adjustments for:</i>			
Depreciation and amortization expense	9,11	71,928	65,175
Finance income	18	(28,432)	(864)
Finance cost	19	43,777	60,259
Provision for unused vacation	12	1,724	1,628
Provision for employee severance indemnity		1,128	1,674
Fair value change of derivatives	19	--	361
Impairment loss on receivables		67	56
Interest (Income)/expense on trade payables		(990)	(1,968)
Expected credit losses	16	66	90
Inventory obsolescence, reversals		8,138	8,174
Short term and long term provisions		742	366
Loss on disposal of property and equipment, net	17	385	204
Tax expense		(15,498)	2,109
Unrealized currency translation difference		15,834	1,918
		47,228	149,264
Changes in:			
Change in trade receivables		7,759	(60,129)
Change in inventory		(124,455)	(59,555)
Change in prepaid expenses		1,215	(12,093)
Change in other receivables		8,544	4,758
Change in other current and non-current assets		(23,321)	(5,747)
Change in employee benefits liabilities		(16,373)	(15,962)
Change in trade payables		45,765	61,168
Change in payables to related parties		(28,846)	29,828
Change in deferred revenue		(185)	478
Change in other payables		6	(816)
Change in short term and long term provisions		(107)	(102)
Change in other liabilities		(902)	(7,273)
Cash flows used in operating activities		(83,672)	83,819
Employee benefits paid		(1,859)	(1,432)
Income tax paid		(6,569)	(404)
Net cash from operating activities		(92,100)	81,983
Cash flows from investing activities			
Acquisition of tangible assets	9	(24,858)	(18,440)
Proceeds from sale of tangible assets	9,17	--	35
Acquisition of intangible assets	9	(7,008)	(1,735)
Interest received		5,805	790
Net cash flow used in investing activities		(26,061)	(19,350)
Proceeds from loans and borrowings		689,083	268,636
Repayment of loans and borrowings		(53,507)	(146,595)
Payments of contractual lease liabilities		(46,445)	(58,560)
Proceeds of settlement of derivatives		--	(376)
Other financial payments		(11,143)	(21,132)
Interest paid		(14,285)	(22,094)
Net cash flow used in financing activities		563,703	19,879
Net change in cash and cash equivalent		445,542	82,512
Cash and cash equivalents at the beginning of the year	5	310,838	262,023
Cash and cash equivalents at the end of the period	5	756,380	344,535

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

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
As at and for the three months period ended 30 April 2020
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Notes to the condensed consolidated interim financial statements

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Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the three months period ended 30 April 2020

(Amounts are expressed in thousands of Turkish Lira (“TL”), unless otherwise stated.)

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 30 April 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 2020: 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 condensed consolidated interim financial statements as at 30 April 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 periods ended 30 April 2020 and 31 January 2020 are as follows:

Subsidiaries	Place of Incorporation	Principal Activities	Effective Shareholding %	
			30 April 2020	31 January 2020
Mavi Europe	Germany	Wholesale and retail sales of apparel	100.00	100.00
Mavi Nederland	Netherlands	Wholesale sales of apparel	100.00	100.00
Mavi Russia	Russia	Wholesale and retail sales of apparel	100.00	100.00
Eflatun Giyim	Turkey	Holding company	51.00	51.00
Mavi USA	USA	Wholesale and retail sales of apparel	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 30 April 2020.

As of 30 April 2020, Group’s total number of employees is 4,152 (31 January 2020: 4,086).

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2 Basis of presentation of financial statements

2.1 Basis of accounting

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended 31 January 2020 (‘last annual financial statements’). They do not include all of the information required to be a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant for an understanding of changes in the Group’s financial position and performance since the last annual financial statements.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on 9 June 2020. General Assembly has the authority to modify the condensed consolidated interim 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 condensed consolidated interim 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 2.1 (e).

(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 condensed consolidated interim financial statements are presented in thousands of TL which is the Company’s functional currency except when the otherwise indicated. All other currencies are indicated in full unless otherwise indicated.

The table below summarizes functional currencies of the Group entities.

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

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2 Basis of presentation of financial statements (continued)

2.1 Basis of accounting (continued)

(d) Use of judgements and estimates

In preparing these condensed consolidated interim 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.

The significant judgements made by the management in applying the Groups accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 January 2020.

(e) Measurement of fair values

A number of the Group’s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Trade and other receivables

Short term trade and other receivables are measured at the original invoice amount since the promised amount of consideration for the effects of a significant financing component is not material and the period between the entity transfers a promised good or service to a customer and the customer pays for that good or service is less than one year. This fair value is determined at the initial recognition and the end of each reporting period for disclosure purposes.

(ii) 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) Other non-derivative financial liabilities

Fair value of other non-derivative financial liabilities is determined during the initial recognition and for disclosure purposes at the end of each period. Fair values are calculated as reduction of present values of prospective principal and interest cash flows with market interest rate at the measurement date. Fair values of current non-derivative financial liabilities are accepted same as their carrying values.

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2 Basis of presentation of financial statements (continued)

2.1 Basis of accounting (continued)

(e) Measurement of fair values (continued)

(iv) Property, plant and equipment

The fair value of property and equipment recognized 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.

(v) 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 excess earnings methods and replacement cost approach.

2.2 New and Amended Turkish Financial Reporting Standards

(a) Amendments that are mandatorily effective from 2020

Amendments to TFRS 3	<i>Definition of a Business</i>
Amendments to TAS 1 and TAS 8	<i>Definition of Material</i>
Amendments to TFRS 9, TAS 39 and TFRS 7	<i>Interest Rate Benchmark Reform</i>

Amendments to TFRS 3 Definition of a Business

The definition of “business” is important because the accounting for the acquisition of an activity and asset group varies depending on whether the group is a business or only an asset group. The definition of “business” in TFRS 3 Business Combinations standard has been amended. With this change:

- By confirming that a business should include inputs and a process; clarified that the process should be essential and that the process and inputs should contribute significantly to the creation of outputs.
- The definition of a business has been simplified by focusing on the definition of goods and services offered to customers and other income from ordinary activities.
- An optional test has been added to facilitate the process of deciding whether a company acquired a business or a group of assets.

Amendments to TAS 1 and TAS 8 Definition of Material

The amendments in Definition of Material (Amendments to TAS 1 and TAS 8) clarify the definition of ‘material’ and align the definition used in the Conceptual Framework and the standards.

Amendments to TFRS 9, TAS 39 and TFRS 7 Interest Rate Benchmark Reform

The amendments clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

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2 Basis of presentation of financial statements (continued)

2.2 New and Amended Turkish Financial Reporting Standards (continued)

(b) New and revised TFRS’s in issue but not yet effective

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

TFRS 17	<i>Insurance Contracts</i>
Amendments to TAS 1	<i>Classification of Liabilities as Current or Non-Current</i>

TFRS 17 Insurance Contracts

TFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. TFRS 17 supersedes TFRS 4 Insurance Contracts as of 1 January 2021.

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

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

Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2022 and earlier application is permitted.

2.3 Significant accounting policies

Except as described below (IFRS 9 and IFRS 15), the accounting policies applied in these interim financial statements are the same as those applied in the Group’s consolidated financial statements as at and for the year ended 31 January 2020.

The financial statements in the condensed consolidated financial statements for the three-months period ended on 30 April 2020 must be evaluated together with the financial statements in the consolidated financial statements for the year ended 31 January 2020.

IFRS 16 Leases

The Group has initially adopted IFRS 16-Leases from 1 February 2019. At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group’s incremental borrowing rate as at initial recognition date.

Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

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2 Basis of presentation of financial statements (continued)

2.3 Significant accounting policies (continued)

IFRS 16 Leases (continued)

	30 April 2020	IFRS 16 Effect	After IFRS 16
Current assets	1,714,307	(1,524)	1,712,783
Non-current assets	468,032	432,250	900,282
Current liabilities	1,370,157	202,439	1,572,596
Non-current liabilities	311,162	255,014	566,176
Equity	501,020	(26,727)	474,293
	1 February –		
	30 April 2020	IFRS 16 Effect	After IFRS 16
Operating profit / (loss)	(44,088)	(4,482)	(48,570)
Operating profit / (loss) before finance costs	(44,473)	(4,482)	(48,955)
Finance income	12,848	20,825	33,673
Finance expense	(35,533)	(16,324)	(51,857)
Profit / (loss) before tax	(67,158)	19	(67,139)
Net profit / (loss)t	(51,589)	(52)	(51,641)
EBITDA	(26,569)	46,714	20,145

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new 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 IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 February 2019. Accordingly, the comparative information presented for 2018 has not been restated, under IAS 17 and related interpretations.

Practical expedient

- The Group has applied a single discount rate to a reasonably similar portfolio of lease contracts,
- 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.
- The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options
- 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.
- Office equipment 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.

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2 Basis of presentation of financial statements (continued)

2.3 Significant accounting policies(continued)

IFRS 16 Leases (continued)

Leases

The Group has not recognised a right of use asset and liability for lease contracts where rent amount is solely dependent on a performance obligation. In case such contracts include a minimum guaranteed rent payment along with a sales performance obligation, the Group has recognized a right of use asset and liability based on minimum guaranteed rent amount.

Right of use assets

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, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

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

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 Group’s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, changes in the assessment of whether an extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

3 Seasonality of operations

The condensed consolidated interim financial statements of the Group also comprise the effects of seasonality. Therefore, the three months operating results for the period ended 30 April 2020 are not indicative of the results for the financial year.

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4 Operating segments

	1 February 2020- 30 April 2020			1 February 2019- 30 April 2019		
	Reportable segment			Reportable segment		
	Turkey	International	Total	Turkey	International	Total
Segment revenue ⁽¹⁾	304,743	82,379	387,122	523,733	124,620	648,353
-Retail	190,223	6,463	196,686	365,492	13,457	378,949
-Wholesale	92,914	58,713	151,627	143,729	98,180	241,909
-E-commerce	21,606	17,203	38,809	14,512	12,983	27,495
Segment profit / (loss)before tax	(43,593)	(23,546)	(67,139)	9,971	2,220	12,191
	30 April 2020			31 January 2020		
	Reportable segment			Reportable segment		
	Turkey	International	Total	Turkey	International	Total
Total segment assets	2,160,820	452,245	2,613,065	1,590,804	346,620	1,937,424
Total segment liabilities	1,827,517	311,255	2,138,772	1,222,165	237,595	1,459,760

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. 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.

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5 Cash and cash equivalents

As at 30 April 2020 and 31 January 2020, cash and cash equivalents comprises the following:

	30 April 2020	31 January 2020
Cash on hand	265	1,515
Cash at banks	733,685	174,739
<i>Demand deposits</i>	53,739	26,429
<i>Time deposits</i>	679,946	148,310
Other cash and cash equivalents	22,430	134,584
	756,380	310,838

As at 30 April 2020 and 31 January 2020, other cash and cash equivalents consist of credit card receivables with maturities less than 3 months.

As at 30 April 2020 and 31 January 2020, the details of time deposits based on maturity dates and interest rates of the Group are as below:

	Maturity	Interest rate	30 April 2020
TL	4-27 May 2020	%9-%11.25	652,080
USD	4 May 2020	0.10%	27,866
			679,946

	Maturity	Interest rate	31 January 2020
TL	3 February 2020	%10.26	148,310
			148,310

As at 30 April 2020 and 31 January 2020, there is no restriction or blockage on cash and cash equivalents. The Group’s exposure to foreign currency risk and sensitivity analyses are disclosed in Note 23.

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6 Loans and borrowings

As at 30 April 2020 and 31 January 2020, financial borrowings comprise the following:

	30 April 2020	31 January 2020
Current liabilities		
Unsecured bank loans	154,233	74,748
Current portion of unsecured bank loans	529,799	160,946
Contractual lease liabilities	202,439	197,954
	886,471	433,648
Non-current liabilities		
Unsecured bank loans	281,448	84,098
Contractual lease liabilities	262,096	240,769
	543,544	324,867

As at 30 April 2020 and 31 January 2020, loan and borrowings comprised the following:

	30 April 2020	31 January 2020
Bank loans	965,480	319,792
Contractual lease liabilities	464,535	438,723
	1,430,015	758,515

As at 30 April 2020 and 31 January 2020, the repayments of loan agreements according to the original maturities comprised the following:

	30 April 2020	31 January 2020
Less than one year	684,032	235,694
One to two years	281,448	83,813
Two to three years	--	285
	965,480	319,792

As at 30 April 2020 and 31 January 2020, maturities and conditions of outstanding loans comprised the following:

30 April 2020					
	Currency	Nominal interest rate%	Maturity	Face value	Carrying amount
Unsecured bank loans	EUR	0.50-3.50	2020-2021	83,609	83,964
Unsecured bank loans	TL	10.30-23.56	2020-2022	734,974	738,820
Unsecured bank loans	USD	2.90-4.77	2020-2022	63,821	64,081
Unsecured bank loans	RUB	11.50-13.94	2020-2022	54,325	54,761
Unsecured bank loans	CAD	2.45	2020	23,854	23,854
				960,583	965,480

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

The Group’s exposure to foreign currency and sensitivity analyses for financial liabilities are disclosed in Note 23.

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6 Loans and borrowings (continued)

Short term portion of long term liabilities	30 April 2020	31 January 2020
Lesase liabilities	216,167	212,175
Deferred lease borrowing cost (-)	(13,728)	(14,221)
	202,439	197,954
Long term lease liabilities		
Leases liabilities		
Deferred lease borrowing costs (-)	381,458	362,855
	(119,362)	(122,086)
	262,096	240,769
Total contractual lease liabilities	464,535	438,723

7 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 30 April 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

As at 30 April 2020 and 31 January 2020, short term prepayments give to related parties comprised the following:

Prepayments given to related parties	30 April 2020	31 January 2020
Erak Giyim Sanayi Tic. A.Ş. (“Erak”) ⁽¹⁾	10,368	16,824
	10,368	16,824

(1) Advances given to Erak is related to fabric purchases and are tracked in prepayments.

Due to related parties	30 April 2020	31 January 2020
Erak ⁽¹⁾	137,550	175,262
Akay Lelmalabis Elgaghizah LLC (“Akay”) ⁽²⁾	30,408	21,542
	167,958	196,804

(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.

Other payables to related parties	30 April 2020	31 January 2020
Eflatun Giyim shareholders	126	126
Short term other payables to related parties	126	126

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7 Related party (continued)

(a) Related party balances (continued)

	30 April 2020	31 January 2020
Short term contractual lease liabilities to related parties		
Sylvia House Inc.	644	566
Mavi Jeans Holding Inc.	1,101	987
	1,745	1,553

	30 April 2020	31 January 2020
Long term contractual lease liabilities to related parties		
Sylvia House Inc.	1,214	1,238
Mavi Jeans Holding Inc.	1,955	1,991
	3,169	3,229

(b) Related party transactions

For the three months period ended 30 April 2020 and 2019, purchases from related parties of the Group comprised the following:

	1 February 2020 – 30 April 2020	1 February 2019 – 30 April 2019
Purchase from related parties		
Erak	94,390	125,770
Akay	14,208	20,264
	108,598	146,034

For the three months period ended 30 April 2020 and 2019, the services from related parties of the Group comprised the following:

	1 February 2020 – 30 April 2020	1 February 2019 – 30 April 2019
Services from related parties		
Erak ⁽¹⁾	273	184
Mavi Jeans Holding Inc. ⁽²⁾	287	221
Sylvia House Inc. ⁽³⁾	217	162
	777	567

(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 Yeltown, Vancouver from Sylvia House Inc.

(c) Information regarding benefits provided to the Group’s key management

For the three months period ended 30 April 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 TL 12,135 (30 April 2019: TL 12,732).

For the three months period ended 30 April 2020, the Group does not have any payables to any board of director or key management personnel of the Group.

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8 Trade receivables and payables

Short term trade receivables

As at 30 April 2020 and 31 January 2020, short term trade receivables are as follows:

	30 April 2020	31 January 2020
Trade receivables from third parties	223,233	231,101
	223,233	231,101

As at 30 April 2020 and 31 January 2020, short term trade receivables from others are as follows:

	30 April 2020	31 January 2020
Trade receivables	196,799	190,994
Post-dated cheques	8,014	12,835
Endorsed cheques	3,703	4,051
Notes receivables	16,432	24,653
Expected credit losses (-)	(1,715)	(1,432)
Doubtful receivables	19,986	17,709
Allowance for doubtful receivables (-)	(19,986)	(17,709)
	223,233	231,101

Details related to Group’s exposure to foreign currency risk for short term trade receivables is disclosed in Note 23.

Short term trade payables

As at 30 April 2020 and 31 January 2020, short term trade payables of the Group are as follows:

	30 April 2020	31 January 2020
Trade payables to third parties	445,254	400,479
Trade payables to related parties	167,958	196,804
	613,212	597,283

Trade payables mainly consist of unpaid amounts of trade purchases and ongoing expenditures.

Details related to Group’s exposure to foreign currency risk for short term trade payables is disclosed in Note 23.

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8 Trade receivables and payables (continued)

Short term trade payables (continued)

As at 30 April 2020 and 31 January 2020, short term trade payables due to others are as follows:

	30 April 2020	31 January 2020
Trade payables to third parties ⁽¹⁾	439,523	394,516
Expense accruals	5,731	5,963
	445,254	400,479

⁽¹⁾Trade payables to third parties comprise factoring payables amounting TL 82,349 (31 January 2020: TL 67,242). The Company performs import factoring for the purchases of good from abroad. Within the scope of import factoring, foreign suppliers transfer their receivables from the Company to the financial institutions where the Company works with confirmation of assignment

9 Property and equipment and intangible assets

The amount of tangible and intangible assets purchased during the three months period ended 30 April 2020 is TL 31,954 (30 April 2019: TL 20,283).

Net book value of tangible and intangible assets sold during the three months period ended 30 April 2020 amounted to TL 385 (30 April 2019: TL 239).

The depreciation charge for the three months period ended 30 April 2020 is TL 20,821 (30 April 2019: TL 17,946). The depreciation charge of TL 88 for the three months period ended 30 April 2020 is capitalized in accordance with incentive program. (30 April 2019: 108).

10 Goodwill

As at 30 April 2020, and 31 January 2020, the carrying amount of goodwill allocated to each cash generating unit is as follows;

	30 April 2020	31 January 2020
Mavi America	160,202	137,083
Mavi Canada	15,045	13,582
Other	3,733	3,733
	178,980	154,398

As of 30 April 2020, the increase in goodwill is related to foreign currency translation differences on goodwill recognized at foreign subsidiaries.

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11 Right of use assets

The movement of right of use assets for the three months period ended as of 30 April 2020 is as follows;

Cost	Buildings	Store	Vehicles	Warehouse	Total
1 February 2020 balance	54,570	538,768	6,970	4,309	604,617
Additions	5,560	31,673	12,548	19,471	69,252
Disposals	(187)	(5,469)	(2,247)	--	(7,903)
Effect of movements in exchange rates	4,317	1,756	374	2,237	8,684
Closing balance as of 30 April 2020	64,260	566,728	17,645	26,017	674,650

Accumulated depreciation	Buildings	Store	Vehicles	Warehouse	Total
1 February 2020 balance	13,629	178,029	4,353	1,927	197,938
Charge for the year	3,384	45,762	1,424	625	51,195
Disposals	(313)	(5,797)	(2,253)	--	(8,363)
Effect of movements in exchange rates	1,081	494	165	296	2,036
Closing balance as of 30 April 2020	17,781	218,488	3,689	2,848	242,806

Carrying value as of 30 April 2020	46,479	348,240	13,956	23,169	431,844
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For the three months period ended 30 April 2020, TL 3,593 of amortisation expenses are included under general administrative expenses and TL 47,462 under selling and marketing expenses, and TL 140 under research and development expenses.

12 Provisions, contingent assets and liabilities

Short term provisions

As of 30 April 2020 and 31 January 2020, short term provisions are as follows:

	30 April 2020	31 January 2020
Provision for employee benefits	4,829	3,118
Other short term provisions	14,990	13,447
	19,819	16,565

Short term provision for employee benefits consists of provision for vacation pay liability. For the periods ended 30 April, the movement of provision for vacation liability is as follows:

	2020	2019
1 February balance	3,118	2,679
Current period provision	1,724	1,628
Effect of movements in exchange rates	96	173
Payments	(109)	(160)
30 April balance	4,829	4,320

Vacation pay liability is calculated by remaining number of unused vacation days and average daily salary.

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.

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12 Provisions, contingent assets and liabilities (continued)

Short term provisions (continued)

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 recognized for the amount expected to be paid under short-term In accordance with the existing labour law in Turkey, 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.

As at 30 April 2020 and 31 January 2020, details of other short term provisions are as follows:

	30 April 2020	31 January 2020
Sales return provision	7,750	7,220
Legal provision ⁽¹⁾	2,555	2,487
Other provisions	4,685	3,740
	14,990	13,447

⁽¹⁾ Legal provision mainly comprised of labour lawsuits.

For the 3 months ended 30 April 2020 and 2019, the movement of short term provision is as follows:

	Legal Provision	Return provisions	Other provisions	Total
1 February 2020 balance	2,487	7,220	3,740	13,447
Current year provision	68	140	908	1,116
Effect of movements in exchange rates	--	791	117	908
Provisions used during year	--	(107)	--	(107)
Provisions cancelled during year	--	(294)	(80)	(374)
30 April 2020 balance	2,555	7,750	4,685	14,990

	Legal Provision	Return provisions	Other provisions	Total
1 February 2019 balance	1,863	5,014	3,478	10,355
Current year provision	293	241	(49)	485
Effect of movements in exchange rates	--	374	359	733
Provisions used during year	--	--	(102)	(102)
Provisions cancelled during year	--	(119)	--	(119)
30 April 2019 balance	2,156	5,510	3,686	11,352

Long term provisions

As of 30 April 2020 and 31 January 2020, long term provisions which consist of severance pay liabilities are as follows:

	30 April 2020	31 January 2020
Long term provisions for employee benefits	7.463	7.931
	7.463	7.931

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13 Commitments

(a) Warranties, pledges and mortgages

As of 30 April 2020 and 31 January 2020, the Group's guarantee / pledge / mortgage ("GPM") position statement is as follows:

	30 April 2020				
	TL Equivalent	TL	EUR	RUB	USD
A. On behalf of its own legal personality of the total amount of GPMs	168,297	37,608	15,541	--	1,855
Guarantee	168,297	37,608	15,541	--	1,855
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
B. Total amount of GPM included in the scope of consolidation given on behalf of subsidiaries	3,287	--	156	15,357	95
Guarantee	3,287	--	156	15,357	95
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	171,584	37,608	15,697	15,357	1,950

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13 Commitments (continued)

(a) Warranties, pledges and mortgages (continued)

	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

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13 Commitments (continued)

(a) Warranties, pledges and mortgages (continued)

As of 30 April 2020, ratio of other GPM given by the Group to equity was 0% (31 January 2020: 0%).

As of 30 April 2020, letter of guarantees given to third parties for an amount of TL 96,382 are representing guarantees given to Eximbank for the purpose of importing goods (31 January 2020: TL 68,163).

The Group has purchase commitments related to inventory amounting to TL 493,447 as of 30 April 2020 (31 January 2020: TL 647,411).

(b) Guarantees received

As of 30 April 2020, Group has received letter of guarantees for the amount of TL 6,812 as in the form of security (31 January 2020: TL 9,021).

14 Capital, reserves and other capital reserves

Paid-in capital

As of 30 April 2020 and 31 January 2020, paid capital is as follows:

	%	30 April 2020	%	31 January 2020
Akarlılar Ailesi	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 30 April 2020 paid-in capital of the Company comprises 49,657,000 shares issued of TL 1 each (31 January 2020: 49,657,000 shares issued of TL1 each).

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 30 April 2020, the Company’s legal reserves are amounting to TL 19,771 (31 January 2020: TL 19,771).

Hedging reserve

The hedging reserve consists of the effective portion of the cumulative net change in fair value of the hedged item until the hedging instrument is subsequently accounted for.

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15 Selling, marketing and distribution expenses

For the three months periods ended 30 April 2020 and 2019, selling, marketing and distribution expenses comprised the following:

	1 February – 30 April 2020	1 February – 30 April 2019
Depreciation and amortization expenses	61,234	59,141
Personnel expenses	58,875	63,746
Rent expenses	11,049	19,402
Other	50,102	55,552
	181,260	197,841

16 Other operating income and expense

For the three months periods ended 30 April 2020 and 2019, other operating income comprised the following:

	1 February – 30 April 2020	1 February – 30 April 2019
Foreign exchange gain, net	3,087	3,353
Interest income on trade payables, net	990	1,968
Investment support income	690	--
Salary protocol income	494	222
Reversal of expected credit loss	76	122
Damage compensation income ⁽¹⁾	--	70
Other	576	175
	5,913	5,910

⁽¹⁾ Income from insurance claims.

For the three months periods ended 30 April 2020 and 2019, other expenses comprised the following:

	1 February – 30 April 2020	1 February – 30 April 2019
Foreign exchange loss, net	1,249	1,153
Expected credit loss	142	212
Other	483	26
	1,874	1,391

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17 Gains and losses from investment activities

For the three months periods ended 30 April 2020 and 2019, losses from investment activities comprised the following:

	1 February – 30 April 2020	1 February – 30 April 2019
Losses on sale of fixed assets	385	204
	385	204

18 Finance income

For the three months periods ended 30 April 2020 and 2019, finance income comprised the following:

	1 February – 30 April 2020	1 February – 30 April 2019
Interest income on time deposits	7,607	864
Foreign exchange gain	5,203	562
Other ⁽¹⁾	20,863	1
	33,673	1,427

⁽¹⁾Other finance income consists of discounts related with rent payments amounting TL20,825 due to Covid-19 pandemic.

19 Finance costs

For the three months periods ended 30 April 2020 and 2019, finance costs comprised the following:

	1 February – 30 April 2020	1 February – 30 April 2019
Interest expense on:		
Interest expenses on contractual lease liabilities	15,613	18,311
Financial liabilities measured at amortised cost	17,022	20,999
Interest expenses on purchases	4,052	17,387
	36,687	56,697
Foreign exchange loss	8,080	1
Import financing expenses	3,408	1,537
Credit card commission expenses	1,446	1,787
Change in fair value of forward contracts	--	361
Other	2,236	422
	51,857	60,805

20 Income taxes

Corporate tax rate of Turkey is 22% (30 April 2019 : 22%). For the three months period ended 30 April 2020, Group's effective tax rate is 23% (30 April 2019 : 17%).

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21 Earnings / (loss) per share

The amount of earnings / (loss) per share is calculated by dividing the net period profit / (loss) 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 / (loss) per share for the periods ended 30 April 2020 and 2019 is as follows:

	30 April 2020	30 April 2019
Net profit / (loss) for the year attributable to owners of the Company	(50,088)	6,742
Weighted average number of ordinary shares (basic)	49,657,000	49,657,000
Earnings / (loss) per ordinary/ diluted share (full TL)	(1.0087)	0.1358

22 Derivatives

As at 30 April 2020 and 31 January 2020, short term derivative assets are as follows:

	30 April 2020	31 January 2020
Assets from the forward exchange contracts	16,137	1,214
	16,137	1,214

As of 30 April 2020, the Group has open forward exchange contracts to hedge the foreign currency risk on inventory purchases in amount of USD 16,108 thousand in equivalent of TL 112,410. By applying hedge accounting, the fair value difference of TL 16,137, resulting from such forward transactions, is recognized in other comprehensive income.

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23 Nature and level of risks related to financial instruments

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 rates of the loans are determined on the currency of the loan. Currency of loans, are mainly used in TL, match the cash flow generated from operations of the Group. In such way, Group protects itself from financial risks without using derivative instruments.

Interest rate risk

Group is not exposed to risk of interest rate fluctuations since the total amount of floating interest rate loans and borrowings are insignificant.

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.

Currency Risk

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

	<u>30 April 2020</u>	<u>31 January 2020</u>
TL / EUR	7.5764	6.5782
TL / USD	6.9787	5.9716
TL / RUB	0.0942	0.0943
TL / CAD	4.9982	4.5119

The foreign currency average exchange rates for the three months period ended 30 April 2020 and 2019 are as follows:

	<u>1 February – 30 April 2020</u>	<u>1 February – 30 April 2019</u>
EUR / TL	7.0018	6.2050
USD / TL	6.3963	5.4925
RUB / TL	0.0898	0.0838
CAD / TL	4.6450	4.1183

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23 Nature and level of risks related to financial instruments (continued)

Market risk

Currency risk

As of 30 April 2020, the Group's foreign currency position specified in the following table arises from foreign currency denominated assets and liabilities.

	TL Equivalent	USD	Euro	Other
1. Trade receivables	8,754	745	--	3,555
2a. Monetary financial assets (including cash banks)	33,742	4,041	708	176
2b. Non-monetary financial assets	--	--	--	--
3. Other	1,219	168	6	--
4. Current assets (1+2+3)	43,715	4,954	714	3,731
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)	43,715	4,954	714	3,731
10. Trade payables	6,066	375	432	171
11. Financial liabilities	56,878	398	7,141	--
12a. Monetary other liabilities	--	--	--	--
12b. Non-monetary other liabilities	--	--	--	--
13. Short term liabilities (10+11+12)	62,944	773	7,573	171
14. Trade payables	--	--	--	--
15. Financial liabilities	4,138	325	247	--
16a. Monetary other liabilities	--	--	--	--
16b. Non-monetary other liabilities	--	--	--	--
17. Long term liabilities (14+15+16)	4,138	325	247	--
18. Total liabilities (13+17)	67,082	1,098	7,820	171
19. Net Asset/(Liability) Position of derivative instruments (19a-19b)	(112,410)	(16,108)	--	--
19a. Hedged total asset	--	--	--	--
19b. Hedged total liabilities	112,410	16,108	--	--
20. Position of net foreign currency assets/liabilities (9-18+19)	(135,777)	(12,252)	(7,106)	3,560
21. Position of net foreign currency monetary assets/liabilities (=1+2a+5+6a-10-11-12a-14-15-16a)	(24,586)	3,688	(7,112)	3,560

As at 30 April 2020, Mavi Turkey has trade receivables amounting to TRY 25,541 from consolidated subsidiaries which comprise; EUR 1,930 thousand, USD 116 thousand, CAD 292 thousand and RUB 91,882 thousand. These amounts have been eliminated in consolidation. Considering these receivables, the Group's net foreign currency assets position amounts to TL 955.

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23 Nature and level of risks related to financial instruments (continued)

Market risk (continued)

Currency risk (continued)

As of 31 January 2020 the Group's foreign currency position specified in the following table arises from foreign currency denominated 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.

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23 Nature and level of risks related to financial instruments (continued)

Market risk (continued)

Currency risk (continued)

Sensitivity analysis

The Group's foreign exchange risk consists of movements of TL against Euro, US Dollar and Rouble and Australia 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				
30 April 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	2,573	(2,573)	2,573	(2,573)
2- Hedged portion of TL against USD risk(-)	--	--	11,241	(11,241)
3- Net effect of USD (1+2)	2,573	(2,573)	13,814	(13,814)
10% change of the EURO against TL				
4- Net EURO denominated asset/liability	(5,388)	5,388	(5,388)	5,388
5- Hedged portion of TL against EURO risk(-)	--	--	--	--
6- Net effect of EURO (4+5)	(5,388)	5,388	(5,388)	5,388
10% change of other against TL				
7- Net other denominated asset/liability	356	(356)	356	(356)
8- Hedged portion of TL against other risk(-)	--	--	--	--
9- Net effect of other (7+8)	356	(356)	356	(356)
Total (3+6+9)	(2,459)	2,459	8,782	(8,782)

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23 Nature and level of risks related to financial instruments (continued)

Market risk (continued)

Currency risk (continued)

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)

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24 Financial risk management

Fair values

The table below presents fair values and carrying amounts of financial assets and liabilities along with their amounts measured at fair value. If the carrying amount is an approximate assumption of the fair value, the table below does not include the fair value information of assets and liabilities not measured at fair value.

	Carrying amount			Fair value			
	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
30 April 2020							
Financial assets measured at fair value							
Forward exchange contracts	16,137	--	16,137	--	16,137	--	16,137
Financial assets not measured at fair value							
Trade receivables from third parties	223,233	--	223,233	--	--	--	--
Other receivables to third parties ⁽¹⁾	10,337	--	10,337	--	--	--	--
Cash and cash equivalents	756,380	--	756,380	--	--	--	--
Total	1,006,087	--	1,006,087	--	16,137	--	16,137
Financial liabilities measured at fair value							
Derivatives	--	--	--	--	--	--	--
Financial liabilities not measured at fair value							
Other payables to related parties	--	(126)	(126)	--	--	--	--
Bank overdrafts	--	--	--	--	--	--	--
Bank loans	--	(965,480)	(965,480)	--	--	(965,480)	(965,480)
Trade payables to third parties	--	(445,254)	(445,254)	--	--	--	--
Other payables to third parties	--	(6,851)	(6,851)	--	--	--	--
Trade payables to related parties	--	(167,958)	(167,958)	--	--	--	--
Total	--	(1,585,669)	(1,585,669)	--	--	(965,480)	(965,480)

⁽¹⁾ Other receivables from third parties excludes deposits and guarantees given.

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24 Financial risk management(continued)

Fair values (continued)

	Carrying amount			Fair value			
	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 January 2020							
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
	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value							
Derivatives	--	--	--	--	--	--	--
Financial liabilities 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.

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24 Financial risk management (continued)

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 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 categorized 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.

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.

As the financial assets and liabilities have short term in nature, the carrying amounts approximate their fair values.

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25 Ebitda reconciliation

EBITDA is not a defined performance measure in IFRS. EBITDA reconciliation for the three month period ended 30 April 2020 and 2019 are as follows:

	Note	30 April 2020	30 April 2019
Profit / (loss)		(51,641)	10,082
Tax income / (expense)		(15,498)	2,109
Profit / (loss) before tax		(67,139)	12,191
Adjustment for:			
-Net finance costs		18,184	59,378
-Receivables and payables, interest net		(990)	(1,968)
-Receivables and payables, foreign exchange net		(1,838)	(2,200)
-Depreciation and amortisation	<i>9,11</i>	71,928	65,175
EBITDA		20,145	132,576

As of 30 April 2020 IFRS 16 has an impact of TL 46,714 on EBITDA. (30 April 2019: TL 58,560)

26 Subsequent events

Due to Covid-19 Pandemic, retail and franchise stores in Turkey and retail stores in Germany and Canada are temporarily closed as of March 19, 2020. In addition, stores in Russia are temporarily closed in line with the Russian government decisions since March 29 and all online operations in Turkey are temporarily suspended.

Online shopping site and e-commerce channels in Turkey, which were temporarily closed on March 29, have been reopened on April 17. Turkey retail and franchise stores, which have been closed since March 19, 2020, started to open in 12 May and all stores in Turkey are opened as of June 1, 2020. Stores in Germany and Canada are opened in May. In Russia, stores started to open at June 1, 2020 and all stores are planned to be open as of June 15, 2020.